COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FINANCE AND PUBLIC ADMINISTRATION REFERENCES COMMITTEE

Reference: Recruitment and training in the Australian Public Service

FRIDAY, 27 SEPTEMBER 2002

CANBERRA

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SENATE

FINANCE AND PUBLIC ADMINISTRATION REFERENCES COMMITTEE

Friday, 27 September 2002

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

Substitute member: Senator Allison to replace Senator Ridgeway for the committee's inquiry into recruitment and training in the Australian Public Service

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

Senator Allison for matters relating to public service issues

Senators in attendance: Senators Forshaw, Lundy, Marshall and Watson

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 8.37 a.m.

FURINI, Mr Dennis, Chief Executive, Australian Computer Society

CHAIR—I declare open this public hearing of the Senate Finance and Public Administration References Committee. This hearing is part of the committee's inquiry into recruitment and training in the Australian Public Service. The committee adopted the reference on 21 March 2002 and intends to report by 12 December 2002. The inquiry was advertised in the *Australian Financial Review* on 5 April and in the *Australian* and the *Canberra Times* on 6 April, calling for submissions to be lodged with the committee by 10 May. There were two public hearings in Canberra on 14 and 15 August where we heard evidence from a range of public service agencies and other organisations.

We will continue to canvass the issues surrounding recruitment and training in the APS and we have witnesses appearing today from peak professional bodies and private providers. One focus will be the current devolved arrangements for recruitment and training to see whether they are working effectively in establishing adequate career paths across different departments and agencies within the Public Service. We are also focusing on the employment and career opportunities that the APS currently offers its young people. As part of our terms of reference we are concerned as to whether training and career development opportunities for Public Service employees in regional areas are adequate.

Evidence given to the committee is protected by parliamentary privilege. This means that witnesses are given the broad protection from action arising from what they say and that the Senate has the power to protect them from any action which disadvantages them on account of evidence given before the committee. I also remind witnesses that the giving of false or misleading evidence to the committee may constitute contempt of the Senate. I am pleased to say that rarely, if ever, happens. The committee prefers to conduct its hearings in public, however, if there are any matters which you may wish to discuss with the committee in private we would consider any such request at the time that it is made.

I welcome our first witness. You have provided us with a written submission, which we appreciate. Before I invite you to make an opening statement, are there any additions or alterations you wish to make to that?

Mr Furini—I have provided the secretariat with a folder which elaborates further on the ICDL program that is mentioned in the submission. In particular, there is a document in there from the New South Wales state government. They have adopted the ICDL as a standard of basic literacy in the state public sector.

CHAIR—We will accept that as part of your submission as an additional tabled document. I now invite you to make some opening comments, and then we will proceed to questions from members of the committee.

Mr Furini—The ACS is the professional association for computer professionals practising in Australia. It was formed in 1966, close to the birth of the industry. In those days, there were societies in many states. They came together as a federated body. Today we have branches in every state and territory. We have about 680 to 700 members in the ACT. The ACS operates

through its subsets of branches—its chapters. It has chapters in Cairns, Newcastle, Wollongong et cetera and about 50 special interest groups where people with like-minded interests can get together and discuss topics. Some of those interest groups have many members; some have just three or four members discussing some exotic topic in IT.

Our focus is on professional development. To do that, we have forums in each of the states most months, where speakers come and talk about developments in the industry. We have professional development workshops, which are organised by the states; some are free, others members pay for. Four times a year we have an 'education across the nation' program, where we develop some information on a particular topic and deliver it throughout Australia in a similar way so everyone gets a touch of the same thing. We have tried to do it all on the same day, but it was not possible. We have a certified member of the Australian Computer Society program, which is a distance learning program at Master's level, prepared by industry people. The other big opportunity—and I think it is important for people in the public sector as well as private industry—is networking. People going to these events can meet their peers and discuss common issues.

You cannot just become a member; you need to have reached certain education standards. There are ways through recognised prior learning but, today, essentially young people entering the profession do a university course with majors in IT, and after two years of experience become associate members. It is all governed by our 'Core body of knowledge', which you have copies of. Members also subscribe to a code of ethics, which is the hallmark of any professional organisation. Some documents on our code of professional conduct and professional practice have also been submitted. One of our key milestones was two years ago when we became members of the Australian Council of Professions. We are the first computer society in the world to be admitted in our own right to membership of the key professional body in the country.

In early 1999 we implemented the ICDL program. It was hard to get people familiar with the concept at the start, but now it has taken off and we are very happy. It is fair to say that only a very low percentage of our population has done the ICDL; it is probably 0.13 per cent of the Australian population. In the countries where it started in 1966—Ireland, Sweden and Finland—about four per cent of the population has now done the ICDL. It has a long way to go in Australia. That is a quick snapshot summarising the sort of information we presented in our submission. We see the public sector as an area where we can help the bureaucratic organisations understand that their people are qualified and professional. You can have a lot of knowledge but, if you do not act ethically, it is not much good.

CHAIR—Thank you, Mr Furini.

Senator WATSON—Mr Furini, looking from the outside, from your perspective, where do you think the Australian public sector could be doing recruitment and training a lot better? Do you see any particular departmental or agency models that others could be encouraged to follow?

Mr Furini—The ACS runs a professional recognition program and many companies subscribe to that. The nuts and bolts of that is that a company will say, 'When we employ an IT professional, we would prefer to employ an ACS member because we know that that person has

a wide body of knowledge.' People with a very narrow body of knowledge are working in IT. Sure, they can do a good job but to be able to move forward they need a wide body of knowledge. So the company will say they prefer to employ professionals. I think it would be a good step if the government would say, through the public sector: 'When we employ IT professionals, we have a recognition that the ACS is a body of professionals and if someone is employed out of that organisation there is some further guarantee'—although you can really guarantee nothing—'that the person is subscribing to codes of conduct.' We have our own disciplinary committee as well. If someone deviates and does something that is considered by an employee, an employer or a customer as being unethical, we have a disciplinary committee which will formally deal with the matter.

Senator WATSON—From that answer, given that I asked you where you thought the APS could be doing recruitment and training better, I would gather that perhaps there is an inherent criticism that the APS are recruiting people who are not necessarily professionally trained and experienced. Is that right?

Mr Furini—No. I have worked in the public sector for a brief period, and certainly people do courses and training and you cannot criticise those courses. We are not out there competing with course providers. In fact with a lot of the professional development programs we run we have specifically developed courses for our members.

Senator WATSON—My question was specifically this: where do you think the APS or its agencies could be doing recruitment and training better? From your experience, are there any particular models that others could be encouraged to follow?

Mr Furini—I am not aware of any particular models in the public sector which I could point to. That does not mean that they are bad or good; I just do not know of any models.

Senator WATSON—Where do you think we could be doing training better?

Mr Furini—I need to speak generically because I am not really aware in detail of how people in the public sector are trained. I would imagine that in the better agencies people who join IT groups and other groups would have a plan put in front of them which they would discuss with their supervisor or manager to see which way they were heading and to see the education and training that was required to lead them in that direction to fulfil the needs of the department or division that they find themselves in.

Senator WATSON—Are you aware of key competency training in IT in the public sector?

Mr Furini—No, I am not.

Senator LUNDY—I am particularly interested in the ICDL program. I note from your submission that it has been adopted by the New South Wales government. Would you describe to the committee what the New South Wales government have agreed to do with respect to the International Computer Driving Licence for their public servants?

Mr Furini—They had a skills task force last year. *Skilling people for an information economy* is its report and in it—and also in the handout I gave you—there are a couple of references to the ICDL program, particularly with respect to Action 8:

Pilot and then promote the ICDL as a basic skill set in the public sector.

That is what is happening now. At the launch in DITM, which is the Department of Information Technology Management in the New South Wales public sector, they invited people in that group to apply. Three hundred people applied and they are piloting 100 right now, so that has gone very well. The other initiative was through the BVET funded program, where they put aside $10 million. That is not $10 million for ICDL; that is $10 million for training, because we do not train.

Senator LUNDY—Which program was that?

Mr Furini—That was BVET. There is a press release and some information in the other kit. It is mainly delivered through TAFEs, and some are RTOs. They target regional groups, disadvantaged groups and the community at large. They would front up to a TAFE and present themselves if they qualify. The TAFE gets paid, I think, 50 per cent when the student enrols, 25 per cent when the student gets halfway through the course and a further 25 per cent when they get their driving licence. We provide the licence, credit the TAFEs and provide the syllabus, and that is going extremely well.

Senator LUNDY—I am just trying to get a clearer picture of it. It is a system that can provide a qualification for a base level of computer literacy.

Mr Furini—Yes. I think we need to emphasise that it is base level. If you have an ICDL, it does not count one iota towards professional membership of the ACS.

Senator LUNDY—I think it is very clear that it is about getting from not having used a computer before to feeling reasonably confident in using computers.

Mr Furini—And even having used a computer before, to get the broad skill set over the seven modules.

Senator LUNDY—Can you tell me a little more about the modules and how long it would take if someone were to, say, do the course through a regional TAFE?

Mr Furini—I think there are people who have done the course in one term in TAFE. You do not have to go to a TAFE. If you want to get a computer driving licence, you do not have to go to a TAFE or an RTA to get training; you can look at the syllabus on the Web and you can decide, 'I know this' or 'I can teach myself this.' You need to front up at a certified test centre—a TAFE or a school—you pay your exam fees and you get your licence. The youngest person to get a licence in Australia is a 10-year-old girl from a school in Mosman—there is a press release in your kit—and there is an eight-year-old in the UK. Could I add something in terms of what is happening in the UK?

Senator LUNDY—Yes, please.

Mr Furini—The UK House of Commons are offering business training for staff development to increase their employability. It depends on how you regard your employees and what you want to do for them. Some organisations like to feel, 'We do not have an employee for life, but let us increase their employability,' and that is part of the deal. They are giving all their staff opportunities to do the driver's licence. The National Health Service over there is going to put 1.2 million of its employees through the ICDL, and there is a high probability that it will be adopted as a standard throughout Europe at government level.

CHAIR—You said 1.2 million.

Mr Furini—Yes, 1.2 million.

CHAIR—What proportion of the National Health Service's total work force would that be?

Mr Furini—I have no idea.

CHAIR—It is a large number.

Senator LUNDY—It seems pretty big to me.

CHAIR—It sounds to me like just about all of them.

Senator LUNDY—The whole department.

Mr Furini—The reality today is that, to participate in life, you need computer skills. Sure, people exist who do not have that. There are government initiatives to try to get a lot of the services online, or most of the services online, and that is fine, but often the very groups to which you are targeting those services are the very groups that do not have the skills or the money to have a computer.

Senator LUNDY—Yes. Do you see the ICDL as being a useful benchmark of skills for the Australian Public Service when it comes to computer literacy?

Mr Furini—I believe so. Having worked at the Sydney Water Board, which was a large statutory organisation for a number of years, I looked around that organisation and saw the waste of time. Most people have a computer on their desk these days and they can do things with it, but invariably they have a problem and they turn to their colleague next to them and ask for help. The colleague might be struggling and, before you know it, there are three people gathered around a PC trying to support it, rather than doing the thing they probably should have done, which is ring the help desk. If you have people with the right skill levels, you win on both counts: you reduce the calls to the help desk because people do not have to make the calls and you do not get the side issue of peer support, which costs a lot of money but is hidden.

Senator LUNDY—So the ICDL covers that basic trouble-shooting at the desktop—

Mr Furini—It covers basic knowledge. A lot of that stuff is not trouble-shooting; it is: 'How do I make a table with headings across three columns?' A lot of people do not know how to do

that, so they start talking. If you walk around the corridors of any major department here, you would find that people who actually use spreadsheets would not even know how to do that simple thing.

Senator LUNDY—Is the program scalable? Would it be able to cope with a large number of people participating? If, hypothetically, 30,000 employees decided it was a fine idea, is the program scalable to be able to cope with a significant demand on it?

Mr Furini—Obviously, the 30,000 employees would not all be in the one space and you would find registered training organisations or TAFEs throughout Australia to deliver that. We would have to employ people to issue the licences, because there would be a lot of licences to issue. But yes, it is scalable. I thought you were getting to the other issue, which is: what about when you have finished the basic level? What is the next level?

Senator LUNDY—I was going to come to that.

Mr Furini—They are working on and piloting another level. Trudy Turnbull, our manager, is going to the ECDL—which is what the ICDL is called in Europe—Foundation CEO conference and she will be visiting Dublin and getting up to date with a lot of these initiatives. There are going to be advanced modules available.

Senator LUNDY—One of the issues that emerged throughout the IT outsourcing initiative of the federal government is that the cost of help desk queries was a significant factor in establishing the service level outcomes for the contractors; but, also, their ability to cope with the demand on the help desk was a factor in how efficient those contracts actually were. I make that point because you have at least implied that this program could go some way to empowering people to be able to do a little more with their PCs with less reliance on a help desk.

Mr Furini—I was general manager of AWT. I had between 400 and 200 employees—it varied—so it was a large organisation. We provided the support for Sydney Water and other organisations. You do not have to do a lot of training to reduce calls to the help desk a lot, because people who have a reasonable level of skill can often quickly solve their own problem because they understand it. But people with a low level of skill get tripped up on the most simple things. They create calls; they create noise, so to speak—phone calls, interchange and so on. It was before ICDL that I was involved there. We would push for people to get the basic training, but we had no way of measuring it. This is a measurement.

Senator LUNDY—So it puts a benchmark around those basic skills.

Mr Furini—In terms of employment, most employers today employing someone for an administrative role where they would need to use a basic PC will say, 'Can you use Excel?' The person will say yes, and that is it. The person behind the desk, because of age and because they are from a different generation, generally cannot ask the next question to determine whether that person really knows how to use a PC. But if the person flashes the driving licence and says, 'I have one of these,' you can be confident about the basic level that they have achieved.

Senator LUNDY—One of the other criticisms raised during the IT outsourcing investigations by this committee was that people being employed to maintain aspects of those contracts—that is, being employed by the contractor—were not appropriately qualified. This is an issue that has been raised. We have never been able to get to the bottom of it, and I wanted to ask you whether the Computer Society had any statistics or information about the number of IT graduates and professionals either working in the Public Service or working as contractors for the Commonwealth Public Service.

Mr Furini—No, we do not have those statistics. I heard something interesting anecdotally through the British Computer Society. There is an increasing trend in the UK for public service departments that are employing contractors to ask whether they are members of the British Computer Society. That is also a measure. Going to the small end of industry: when I first joined as chief executive three years ago I met a young person—young by my standards—in Melbourne. We were talking, and there were two chaps standing next to him. He was telling me that he was a PRP, a professional recognition partner. I tried to be a bit challenging and said, 'Why would you want to do that?' He said, 'I have a small business; I employ 30 professionals. I want to be able to say that the people we employ are ACS professionals. These two guys are about to join the Computer Society because they work for me.' He felt that that was a competitive advantage in the IT industry, where there are cowboys. He felt that it was a differentiator for him as a small business to be able to announce to his customers, 'I employ people who are recognised professionals.'

Senator LUNDY—In terms of your members as contractors—

Mr Furini—Four thousand of the 16,000 members on our database say they are independent contractors or consultants of some sort.

Senator LUNDY—Thank you, that is useful. Do you have any knowledge or any insight into the contractors' relationships with recruitment agencies who work on behalf of government agencies and departments?

Mr Furini—No, I do not.

Senator LUNDY—I think the committee will have the opportunity to talk to a recruitment agency later, but I am interested in the relationship between contractors like your members and the recruitment agencies, when they are working as contractors for the Public Service. Can I leave that issue with you? Perhaps you could garner insights from some of your members in relation to their experience with recruitment agencies. I am particularly interested in how the recruitment agencies are remunerated by departments and what impact that has on contractors' capacity to earn and to do what they are required to do for the Public Service. I will be able to pursue the issue with other witnesses, but I would be particularly interested in hearing from the contractors' perspectives.

Mr Furini—I mentioned one of our special interest groups earlier—contractors and consultancy, which is a special interest group in Victoria. I might get a question to them and see whether I can get some information.

Senator LUNDY—It would be helpful if they could write to the committee if they have a view they would like to express.

Mr Furini—I will get that group to write to the committee.

CHAIR—You could talk to the secretary after your evidence to ascertain how they could make direct contact with the secretariat.

Senator LUNDY—My interest is this: because the prevalence of contracting is increasing so significantly, I want to know about the process by which contractors get access to government work through recruiting agencies—given that so many of the agencies now outsource their recruitment processes to private companies—and about the nexus between the types of employment. I am also interested in the average duration of contracts. I certainly hear that they are of a very short duration—three months—and are continually extended. That has an impact on those contractors' security of employment, its nature and remuneration and, of course, their working conditions and entitlements.

Mr Furini—Shorter contracts are a general trend in contracting. As you observed, more and more people are contracting because of the nature of work these days.

Senator LUNDY—Yes.

Mr Furini—I expect that it is going to increase. I will plug our special interest group into the secretariat.

Senator LUNDY—The other thing I am interested in hearing from that group of your membership is how they keep themselves at the appropriate skill level. Obviously they do so through some of the programs that the Australian Computer Society provides, but what sort of investment do they find it necessary to make in their own lifelong learning to keep themselves market ready, given that they are contractors?

Mr Furini—I have to say, having employed a large number of IT people, that there are those who actually make a lot of effort to do that and there are a lot who will only do what they can do in working hours. Indeed, one chap who worked for me was one of the first participants in that certification program, in the first batch that went through, and he got in touch with me the other week. We have introduced a knowledge management module and he has gone through that and he speaks so highly of it. These days also—and this did not happen so much when it started—with the wide use of the Net, the people doing that module get together in a virtual group and talk to one another and study. For organisations, if you take some of the issues in the public sector where you have people all over Australia, including in some relatively remote places, some of this distance learning stuff would be ideal.

Senator LUNDY—Going back to the ICDL, is that available through a web format so that people can subscribe as individuals and learn at their own pace?

Mr Furini—You can go to the Web and look to see what is on the syllabus and learn at your own pace. When you feel you can do an exam, you go and buy a skills card and do an exam.

Obviously, training organisations and TAFE promote it because, in a way, they are promoting their own education and training.

Senator LUNDY—Going back to the IT outsourcing in the federal government, do you have a view on whether or not the Public Service has retained enough IT expertise to adequately advise on technology and IT related matters in the preparation and management of those contracts? Does the Computer Society have a view?

Mr Furini—I think it would vary, but my feeling is that there has been a tendency to outsource too much. I also had a view for many years that some of the basic stuff had been outsourced—and that is appropriate—but that is generally where, in the earlier days of IT, your more senior people and your strategic people came from. They came from the bottom—they were computer operators and so forth and they worked their way up and became strategists, systems programmers and architects et cetera. These sorts of functions are generally outsourced not only in government but often in major organisations and we need to find a mechanism to get young people coming through. Maybe, part of the solution is to earmark certain people on an apprenticeship or traineeship type program and part of the route is that they pass through some of your outsourced providers.

Senator LUNDY—Thank you for that.

Mr Furini—In my observation, we were party to a bid for the cluster 3 with AWT—an all-Australian consortium—and we looked at some of the things before the tender document came out. I have to say that there were certain areas of the public sector that were as good as you could expect—as good as any private organisation. Obviously, there were areas that were no good. I am not sure what happened to all of those people, but they are probably working for the outsourcers.

Senator WATSON—Are you suggesting making it a condition of the contract of outsourcing that a certain percentage of your permanent staff who you believe have a future should be allocated to that outsourced program?

Mr Furini—Yes, and give the people you bring in at the bottom end a bit of a basic understanding at the real front end. Essentially, most of the base operations have been outsourced in most departments. There are a number that have not been and it seems they will not be, but that is probably appropriate.

Senator LUNDY—This is where you talk in your submission about a more structured apprenticeship and technology adoption scheme?

Mr Furini—Yes. The two senior senators over there are probably in about the same age bracket as I am. In our early days, there was a whole range of administrative training schemes and executive training schemes—you do not see them anymore—where people were passed around an organisation, starting at the bottom and getting three months experience here and six months experience there and helped to develop. Now people do university courses and they come in and expect to be at senior level straight away. That is a generalisation, but those who go and work for the big consulting companies in particular think they know it all.

Senator LUNDY—Your observation is certainly accurate when it comes to the very low numbers of young people who go through not an apprenticeship but a trainee style entry scheme, whereas the graduate program for the APS introduces a steady stream of new recruits at a management level. I think that has certainly contributed. I have no more questions, but I reiterate that it would be useful to get some feedback from your contractors.

Mr Furini—I will try to do that. I think there is also one in Queensland. I cannot remember, because there are a large number of them and I do not know them all, but if there is one in Queensland I will get them to get in touch with you.

Senator LUNDY—I have had some contact with the Brisbane group. I was made aware that there was a contractors' group up there and I have had the opportunity to have some discussions with them, so there would be a contact there.

CHAIR—Mr Furini, thank you for your attendance here today and for your submission. We look forward to further contact between your colleagues and the committee.

[9.13 a.m.]

CROSBY, Mr Philip, International Business Manager, National Association of Testing Authorities Certification Services Pty Ltd

CHAIR—Welcome. We have received your written submission, which we have numbered 27. Before we ask you for an opening statement, are there any additions or alterations you wish to make to your written submission?

Mr Crosby—There are no alterations, but there are two submissions I would like to table.

CHAIR—If you could identify those for the record, we will accept those as part of your additional material for your submission.

Mr Crosby—The first of the two documents that I would like to table is a colour brochure on the Investors in People program. It is an explanatory folder about the program. The second document is a series of four case studies of organisations that have used the Investors in People program.

CHAIR—Thank you. They will be tabled as additional material to your submission. I now invite you to make an opening statement, and then we will proceed to questions.

Mr Crosby—I represent a government-accredited business certification agency known as NATA Certification Services International, widely known by the acronym NCSI. NCSI is owned by Australia's peak accreditation body for laboratories and testing centres, NATA, which in turn operates under a Commonwealth agreement. NCSI therefore represents and draws on over 50 years experience in providing independent conformance assessment to Australian organisations. NCSI provides its services to a very wide range of organisations—large and small, public and private. We currently offer assessment and certification against international standards for quality, environment and safety, amongst other things. Most relevant for this inquiry, we offer assessment and certification against the Investors in People standard, which encourages and recognises best practice in human resource management.

Our submission is directly related to section 2b of the committee's terms of reference: training and development. We refer in particular to clauses (ii) and (iii), concerning identification of training needs and evaluation of training, and to clauses (vii), (viii) and (ix), addressing the efficiency, effectiveness and value of training, as well as seeking ways of improving the quality of training offered to all APS employees. We submit that the Investors in People standard provides an effective, practical framework for the APS to achieve best practice for these topics. As well, it drives improved communications and enhances employees' skills and qualifications. But perhaps the single most important outcome of IiP is the unswerving alignment of individual training and development to the goals of each agency.

In support of this submission we offer the following evidence. In the UK, where the standard was conceived and launched over 10 years ago, the pilot organisations demonstrated such improvements in productivity and goal achievement that the government mandated that all civil

service departments should adopt the IiP standard. There are now almost 3,500 public administration agencies using the standard in the UK, employing almost 2.4 million civil servants. In Australia, 11 Public Service agencies have voluntarily adopted the standard, the most recent being AQIS, which achieved recognition just this week as an Investor in People. The Investors in People program is now offered in 22 countries around the world, including our near neighbours New Zealand. It is a requirement that the operator of the program in each country seek support or endorsement from their national government, and this has always been forthcoming. In our case, the PSMPC have readily commended IiP to all federal Public Service agencies. Investors in People has the written endorsement of the Australian Quality Council, Australia's peak body for business excellence. Their review of the program validated IiP as 'an international benchmark for people management'. In a 2002 report from the Australian National Audit Office—which I am sure you have seen—on management of learning and development in the Australian Public Service, Investors in People is tabled as a case study, on page 43. The document draws the conclusion:

Without learning and development being firmly and clearly aligned with corporate goals ... agencies are unable to assess adequately the efficiency and effectiveness of their investment in learning and development and its contribution to organisational effectiveness.

Assessment and recognition to the Investors in People standard can and do offer significant and independently verifiable benefits to APS agencies. Our written submission lists many of the organisational areas where the independently commissioned Hamilton report in the UK identified tangible and often measurable improvement. In my work as a qualified senior assessor I have personally witnessed these types of improvements in agencies such as the Department of Transport and Regional Services, the Australian Greenhouse Office, the Bureau of Rural Sciences and the Department of the House of Representatives.

The assessment process does not just seek the views of department heads and HR managers. An IiP assessment is a planned series of interviews with employees at all levels. Our assessors are skilled at bringing out the views and practice of a diverse selection of staff and assessing those remarks against tangible evidence. Our mission is to seek out ways in which the organisation has applied the principles of the IiP standard and to test this against real outcomes for all stakeholders. NCSI believe the program should receive clear and widely promoted government support and endorsement within all APS agencies.

CHAIR—I wish to clarify a couple of figures. In your submission on the first page in the fourth paragraph it says:

The program is offered in over 20 countries ...

I think you said 22 countries in your opening statement.

Mr Crosby—Yes, they are expanding even as I speak.

CHAIR—I gathered that. I think it is important for the purposes of the record and our report that we acknowledge that. It goes on:

In Australia so far, 11 Federal APS agencies have implemented the Investors in People program, and of these, 5 have achieved recognition to the Standard.

I think you just mentioned that AQIS was No. 6. Can you identify the 11 agencies?

Mr Crosby—The 11 agencies are the Department of the Environment and Heritage; the Department of Transport and Regional Services; the Department of Agriculture, Fisheries and Forestry; Geoscience Australia; PSMPC; the Department of Family and Community Services; the Department of Veterans' Affairs; the Australian Greenhouse Office; the Bureau of Rural Sciences, which is part of AFFA; the Department of the House of Representatives; and AQIS.

CHAIR—How long has the program been available?

Mr Crosby—In Australia?

CHAIR—Yes.

Mr Crosby—It has been available since 1996. The IiP program was first introduced to Australia through AIM, the Australian Institute of Management, but they failed to really develop the program and found it was not a good fit for them. In 1998 my organisation took over the licence in Australia. We have promoted it and developed it since then.

CHAIR—Do you have a comment about the potential for other departments and agencies to take it up; what is happening in that regard? Is there some resistance? Do you think that at this stage having 11 agencies is a good outcome and one that can be improved? There are still a lot of other departments and agencies that exist. Whilst we are inquiring into the APS, I might ask you whether it is being picked up by state governments as well.

Mr Crosby—We think the progress in the ACT has been quite good.

CHAIR—What do you mean by the ACT?

Mr Crosby—The federal public agencies.

CHAIR—You have to be very careful about that. So you are talking about the federal government, not the ACT government.

Mr Crosby—Yes, I am talking about the federal government agencies; the progress within them has been quite good. There are watchers in all kinds of organisations who are looking to other agencies' success and progress before they commit themselves. We think progress to date is reasonable. We would like to see more, of course. Our information is that there are other agencies that are waiting in the wings to take it up, but I feel that there is probably not as much support or direction as we would like from the government to do so.

The second part of your question related to state agencies. The answer is no. We have not had broad interest from the state agencies but from local government, yes. We have several quite large local government councils who have taken up the program and are working with it.

CHAIR—Your submission also says that the program is commended by the Public Service and Merit Protection Commission and you have just said that you think there could be more

support from government. Do you have any observations to make about the sort of support you have been given by the Public Service and Merit Protection Commission? I think it is now called the Public Service Commission. Besides commending it, are they doing anything more practical and constructive to promote it?

Mr Crosby—The Public Service and Merit Protection Commission have appointed a person who is really working in the form of a help desk and a resource centre person for Investors in People. The two people who have held that position have done a very good job. We have nothing but praise for what those people have done as far as disseminating information goes, but I believe the PSMPC and the government have stopped short of a public endorsement. At the moment we have a commendation of the program but I feel that stops short of a blatant endorsement of it.

CHAIR—I have one other question relating to the National Association of Testing Authorities, NATA. I recall many years ago having some sort of experience of their work in the context of certification in the aviation industry. I think it was to do with certification of aircraft fuels. I am right there, aren't I?

Mr Crosby—Yes.

CHAIR—Is the Investors in People program restricted to or focused on the sort of work that is carried out by laboratories and testing agencies that come within the NATA regulation, or is it more broadly applicable across all sorts of agencies other than just the ones that you mentioned?

Mr Crosby—That is a very good question, because when I mention NATA most people who have heard of NATA immediately think of testing, science and white coats because that is our heritage. But, no; my parent organisation, NATA, is indeed the peak laboratory and testing accreditation centre for Australia. NCSI is a subsidiary organisation with only one shareholder, and that is NATA, our parent. We have been established to provide assessment and devolution of a range of standards that are not restricted to the science arena.

Senator LUNDY—I was going to ask a series of questions to clarify that.

CHAIR—Are you using a sort of generic experience to broaden it out to other areas?

Mr Crosby—Yes. So much so, in fact, that really our client base is completely different. NCSI's client base that comes from a technical background would be something like less than 10 per cent. We now have clients as diverse as government has representatives—PricewaterhouseCoopers, accountants, lawyers and service providers of all kinds.

CHAIR—That is what I thought was the case, particularly when you mentioned the Department of the House of Representatives, but I just thought we had better clarify that. The reference to NATA certainly immediately conjures up a particular understanding that is obviously a historical one.

Senator LUNDY—Do you hold the sole licence for the implementation of the Investors in People program in Australia?

Mr Crosby—Yes.

Senator LUNDY—Is it a proprietary system?

Mr Crosby—Yes.

Senator LUNDY—Can you give me some background into the arrangement. You have purchased from the original UK company the licence to distribute the program and implement it in Australia?

Mr Crosby—The program was originally developed by the Department of Trade and Industry in England. It came out of a perceived parliamentary need for the UK to become generally more competitive—this was back in 1991. Investors in People was formed and a huge study was undertaken of the top 2,000 performing organisations in the UK to find out what made them tick. They tried to distil the essence of their success and find out the things in common that these organisations were doing. A committee was formed to do this and it reported back on the key attributes and actions of the organisations. That was then formed into what became the first issue of the Investors in People standard, which had 23 indicators. The theory was that, if organisations could be encouraged or developed to meet these 23 indicators, they too would join the top performers club. That very quickly proved to be the case. The Europeans then decided that this should be a European benefit rather than just a United Kingdom benefit. The UK's response was, 'No, if it is going to be European, let's make it worldwide.' The government then separated Investors in People and made it a distinct organisation under government—rather like NATA—through an MOU.

Senator LUNDY—A corporate entity under the auspices of a government department.

Mr Crosby—Yes, that would be my description of it. It was decided that this was intellectual property that could be marketed around the world and Australia was seen as one of the first places that it could fit very well in terms of both culture and a population large enough to test it. Australia was the first international licence. As I mentioned, the Australian Institute of Management were the first organisation to bring it here. They paid part of the licence fee. When we took over, we paid the balance of it.

Senator LUNDY—What interest do they have in it?

Mr Crosby—AIM have no interest in it.

Senator LUNDY—I notice that your material says that the implementation of Investors in People has to be either a cost-neutral or a better exercise for organisations that take it on. How does NCSI charge fees, and what is your licence fee arrangement with Investors in People in Britain?

Mr Crosby—We paid a series of instalments on the licence over the first three years that we held the licence. That is now complete and we have entered a royalty phase. We pay a small percentage of our income from the IiP program back to the UK for a royalty for use of the intellectual property. In turn we charge people for participating in the program. There is an application fee when they first join and are signed up or committed to the program, and from

then on it is an hourly rate. It is the same hourly rate that we charge all clients in our programs for the assessment.

Senator LUNDY—Is that for the consultant?

Mr Crosby—No, we only manage the program, do the assessment at the end against the standard and issue the certificate of compliance.

Senator LUNDY—They engage fully and do all of the implementation?

Mr Crosby—That is true, but we have control over that. We did not want to allow—and neither are we allowed to do so under our licence—consultants to come out of the woodwork, as it were, to provide consultancy for Investors in People. There has to be some form of quality assurance within that advisory or consultancy program. So the way it works is that we select, vet and train a small number of Investors in People consultants, who we call advisers. We issue them with an approval letter. They are the only ones who are qualified to advise organisations to help them achieve the standard. But there is no financial relationship between us, so we are at arm's length from the consultancy process.

Senator LUNDY—But the agency could engage the consultant for the whole process or for part of the process?

Mr Crosby—They could engage them for whatever financial arrangements they make, yes.

Senator LUNDY—What is the average fee that you get from an agency or department which subscribes to this program?

Mr Crosby—From the moment of commitment or sign-up, which is an application, through to recognition for an agency—and it does vary enormously because of—

Senator LUNDY—Because it is an hourly rate.

Mr Crosby—It is an hourly rate and the hours that we spend within the agency doing the assessment are directly related to the number of people who are in it. I can give you as an example the Australian Greenhouse Office, for which you have a case study. Our fee for five assessor days was in the region of $5,000. When the application fee was added to that, our total fee was something in the region of six-and-a-bit thousand dollars.

Senator LUNDY—Is there a flat application fee for all of this?

Mr Crosby—Yes; it is $800. It is not an expensive program.

Senator LUNDY—No. Thank you for that insight.

Senator WATSON—Could you give us the syllabus for the Greenhouse Office program that you have referred to so that we can get some idea about how to put some pressure on—

Mr Crosby—Sorry, Senator, can you repeat the question?

Senator WATSON—In terms of the Australian Greenhouse Office program that you referred to, you said the fee was approximately $6,000. Could you give us the framework of what you presented to them: what they got for their money and how you went about your work. You do not have to tell us now; you can take that on notice.

Senator LUNDY—Is it like a kit that contains all the information, which the organisation then takes away and works with?

Mr Crosby—In part, yes. I have submitted a brief two-page summary of the standard—the 12 indicators. This is the full copy of the standard and there is some supporting and guiding information in here. I have not submitted this as a document.

Senator LUNDY—Would you be able to submit that?

Mr Crosby—Yes, certainly.

Senator LUNDY—That could be tabled.

Mr Crosby—To answer your question, there are 12 indicators that the organisation needs to meet in order to become a recognised or certified Investor in People. In this book, each of those indicators has practical guidance—

Senator WATSON—Do we have that book?

CHAIR—No, we do not. You are going to table that document, aren't you?

Mr Crosby—Yes. Each of those indicators has practical guidance on what the indicator means as well as examples of evidence that the agency can provide.

CHAIR—Could you provide some additional copies of that at a later stage for other members of the committee?

Mr Crosby—Certainly.

CHAIR—We will identify the document as *The Investors in People Standard*. It has been tabled as part of your submission.

Mr Crosby—I did not want to drown you with paper at this point.

Senator WATSON—We are interested in the program where you are talking about encouraging people to improve their own and other people's performances. As Senator Lundy asked, do you have a kit or are there formal lectures? How do you interact with the people?

Mr Crosby—The program works in this way: once the organisation have applied to us, they receive a copy of the standard, and also a companion book—which I will also provide—entitled

How to Become an Investor in People. The organisation will quite often engage an adviser at this point to also help them, but it is not a mandatory step.

Senator WATSON—Would you provide that adviser?

Mr Crosby—I beg your pardon?

Senator LUNDY—The witness described that earlier.

Mr Crosby—They are an independent person.

Senator LUNDY—An accredited person.

Mr Crosby—It is a commercial adviser who is accredited by us—in other words, we know that they understand the standard and what it needs. The use of an external adviser or consultant is not mandatory. Often organisations have the talent from resources within their own organisations to take those two documents and determine what they need to do to fulfil the requirements. There are no lectures, no models and no templates, and this is on purpose. The Investors in People standard is very much outcome driven. All that organisations need to do is to demonstrate that they meet those now 12 indicators, which have been reduced from the original 23. They can do that in any way or by any method that they would like to do that.

This is not a paper-hungry system such as those we have seen in the past with quality assurance and standards. In fact, we are much more interested in what people have to say to us personally than in their showing us pieces of paper. Let me give you an example of that. Many organisations which are adopting programs like this will table documents like their training records as evidence of completion of training and will therefore seek some sort of certification. Under the Investors in People standard, we are not really interested in the bits of paper. We are interested in talking to the people and saying, 'How was that training identified for you? Was the training actually provided? Now that you have had it, how are you doing your job better? How is that helping the organisation achieve its goals?' We are interested in anecdotal evidence that that is actually taking place. This is just an example of the kinds of questions that we will ask in interviews.

Senator LUNDY—Just to clarify a bit further, the organisations themselves may use their existing training arrangements. They may choose to initiate new types of training as a result of participating in this program or they could completely review their training and start from scratch.

Mr Crosby—Exactly so.

Senator LUNDY—It is their choice as to how they engage to achieve the outcomes of this program?

Mr Crosby—Yes. When we are speaking to groups and organisations about Investors in People, we often say that we need only three pieces of paper: we need a statement of the agency goals or the business goals of the organisation, and that usually is a business plan; we need a training and development plan that says, 'In order to achieve those goals, we need these skills in

our organisation;' and we need some sort of performance review mechanism in that organisation, which we would like to see a record of. Although the end result of achieving this standard, meeting the indicators and surviving our assessment is this award—this certificate of becoming an Investor in People—the real gain is not the bit of paper; it is the improvement to the organisation. It is from the kinds of war stories or anecdotes that we hear in interviews that, when we go back to organisations and compare the assessment from when we first met them to the end, we see enormous gains. We see them in the small stories, the morale, the attitude and the tales of, 'This place is a great place to work. I really enjoy coming to work now.' It is those kinds of stories that distil all of the effort the organisation has gone into to become an Investor in People.

CHAIR—I notice in the document that you have given us this morning that the case study of the Australian Greenhouse Office shows that they made the public commitment to achieve accreditation in August 1999 and they achieved accreditation in March 2001. So it took around 18 months or so. Is that the usual length of time that might be required?

Mr Crosby—Yes. Twelve months is the average time that organisations take; we have seen shorter and we have seen longer.

CHAIR—Without naming names at this stage, have you had a situation where you have rejected an accreditation initially?

Mr Crosby—Yes.

Senator WATSON—Do they have to go and do further work? What is the process?

Mr Crosby—Yes. We try to sell the message that nobody fails this program; it is just that some do not get it first time.

CHAIR—A bit like the driving licence we were talking about earlier.

Mr Crosby—We have never had an organisation that presented for assessment and never finally got there. Nobody has given up.

CHAIR—What about ongoing accreditation?

Senator WATSON—It is every three years.

CHAIR—I am sorry, you mentioned that earlier.

Mr Crosby—There is an important point about Investors in People. Many organisations employ programs to improve their learning and development and their HR management, programs such as Balanced Scorecard, Six Sigma and so on. Such programs are often seen with some cynicism by the organisation because they are often programs that just come and go. Investors in People never goes away; we keep coming back, and that is an important part of the accreditation. Once the organisation has satisfied the indicators and has become an Investor in

People, we return on an annual basis as a health check to see that that organisation is still meeting the requirements.

CHAIR—So it is not unlike compliance with a traditional standard?

Mr Crosby—No.

CHAIR—You have to keep meeting it and you can regularly be tested?

Senator LUNDY—Have you ever taken anyone's accreditation away?

Mr Crosby—Investors in People has not, no.

CHAIR—As you know, we are focusing on the Australian Public Service, but this accreditation program is available to the private sector as well. What is the success rate there?

Mr Crosby—The take-up rate?

CHAIR—Yes.

Mr Crosby—At the moment we have about 100 organisations—ninety-something—in the program.

CHAIR—What do you mean by 'organisations'?

Mr Crosby—That is in total, including public and private. That is organisations of all types. We have organisations ranging from small businesses with 10 to a dozen people through to large retail groups; a hardware chain in New South Wales has become an Investor in People. I have a list here. TNT Australia has become—

CHAIR—Would you be able to supply us with a list of those who have taken it up in Australia?

Mr Crosby—That particular transport organisation was the largest assessment we did, covering something like 70 depots and 5,500 people. They have become Investor in People accredited around the world, in every country they operate in. We have universities, colleges, TAFEs, a casino, schools—a whole range of organisations.

CHAIR—We may have covered this earlier, but what do they actually see as the commercial benefit which they gain from being accredited?

Mr Crosby—One of the indicators within the standard itself is that the organisation must be able to articulate the benefit that the program has derived for it, so it is circular in that sense. Usually the first benefits that accrue from going through this program are not financial—financial benefits usually come a little later on. The first benefits are normally things like a reduction in staff turnover, a reduction in absentee days, improved staff morale, a gung-ho feeling in the organisation. Those are the most apparent things first. The financial results tend to come in in the second year: improvement to the bottom line, improvement in sales, a reduction

the second year: improvement to the bottom line, improvement in sales, a reduction in cost. Almost ironically, there is often a reduction in cost in the training and development budget line, now that the organisation is testing its spend in that area against the mantra that 'training and development must be leading the organisation to achieve its goals'. It tends to weed out the types of courses and training that are a bit fuzzy.

CHAIR—To link this back to our inquiry so that we do not stray too far from the terms of reference, what about customer satisfaction, particularly with, say, companies which are providing services to the community similar to those provided by many government departments? I am not looking so much at the commercial aspect but at the relationship with the ordinary taxpayer and member of the public.

Mr Crosby—My view, based on my experience, is that it is too young in Australia to see that yet. Those external benefits are being seen in countries like the UK and Holland. They are not being seen here yet, but I think that is about to start happening—suppliers and customers of those departments or organisations will start to see that they get better service from working with an Investors in People company.

CHAIR—You just mentioned the UK and Holland. What is about to happen there?

Mr Crosby—It is just that they have been doing it longer. They have now moved into a phase where there is almost a supply chain effect—where companies that have become Investors in People are saying to their suppliers, and in some cases their customers, 'Why don't you do this as well? Then we'll be on the same level in wanting to provide better service between us.'

There is another point I would like to make, regarding an unanticipated spin-off of Investors in People which we have been seeing for a long time in the UK and which has just started to happen here. If you open the newspapers in the UK at the positions vacant pages, you will see that about a third of the advertisers use the laurel leaf logo to indicate that they are Investors in People. They are doing that because they have found that if you advertise yourself as an Investor in People you tend to get a better class of applicant for the position, because people who have worked for an Investors in People organisation tend to seek others to go and work for. That is an unanticipated spin-off of the program.

CHAIR—Mr Crosby, thank you for your appearance here this morning and for your submission and the additional material that you have provided.

[9.57 a.m.]

CAMERON, Mr Charles, Consultant—Issues Management, Recruitment and Consulting Services Association Ltd

McARTHUR, Mr Matthew Grant, Vice President, Recruitment and Consulting Services Association Ltd

CHAIR—I welcome to this morning's hearing representatives of the Recruitment and Consulting Services Association. Thank you for your appearance and your written submission. Do you have any comments to make on the capacity in which you appear?

Mr McArthur—We are both members of the association.

CHAIR—Are there any alterations or additions that you would like to make to your submission at this time?

Mr Cameron—There are no alterations or additions. Mr McArthur would like to provide a short introduction.

CHAIR—I will now invite you to make an opening statement and we will proceed to questions after that.

Mr McArthur—I will not go into great detail about the submission itself, other than to revise some areas and points that we were endeavouring to make as a result. Basically, our submission outlines who the RCSA is, how it is made up and the types of organisations it represents and also the experience that we in turn bring to the table. We also summarise the nature of our industry's involvement in commenting on government policy, particularly in relation to recruitment and the activities of our members, who actively operate in support of the public sector in either the provision of recruitment activities or the supply of temporary staff to agencies.

We have acknowledged and highlighted some of the concerning statistics regarding the youth employment retention factor that you are currently experiencing. Obviously the numbers speak for themselves. We have also tried to acknowledge some of the initiatives and positives that exist in dealing with the work and life balance, which is an important factor, and also in the outsourcing of recruitment and temporary staff supply. I will come back to this point because it is our belief that many of the issues that you seek to address through this reference committee can be addressed and resolved through effective outsourcing arrangements. In particular, I refer to the youth employment concerns, the regional opportunities and the increasing of effectiveness of the devolved recruitment and training arrangement as it exists at the moment.

I mentioned the positive aspects of work and life balance. This is particularly important for youth—or, as they are referred to today, generation X—because it has been found through many studies that they have less organisational commitment than their older counterparts. They are more interested in life balance and they value experiencing life regardless of the economic

consequences. We have highlighted that through some of the research findings in our material and I refer to the RCSA's monster.com survey, the findings of a Pricewaterhouse survey and AMP's work-life balance initiative.

In closing, we have commented on our findings in terms of why people choose to join the Australian Public Service or why they choose not to and on some of the factors that we believe affect young people and why they leave. The main objective of our submission is to open the door for ongoing dialogue to indicate that we as an industry body can assist the APS in addressing many of these issues because of the expertise that we bring, and we seek to commence that relationship.

Senator WATSON—I like the dot point approach because it focuses the mind. I am concerned about the people who are not joining the APS and the reasons why people are leaving. You talk about bottlenecks. Could you expand on that? Are people expecting to be departmental managers at the age of 24 or something like that?

Mr McArthur—I would make the initial comment that some of the reasons why people do not join or why people leave are not only specific to the Australian Public Service; the private sector is also experiencing difficulties in retaining youth and meeting some of the expectations and ambitions of youth. Partly, it is a balancing of expectations versus reality.

Senator WATSON—Is it more acute in the APS that younger people are leaving earlier?

Mr McArthur—Yes, it is becoming more acute.

Senator WATSON—Why is that occurring?

Mr McArthur—Many of the industry observations are that, as I mentioned earlier, the commitment of younger people is less than their older counterparts. Most of them are looking for life experiences as opposed to accepting that their first employer will be their lifelong employer. Many of them are commonly using various positions as stepping stones and broadening their experience rather than limiting it within the one entity.

Senator WATSON—What should we be doing to improve the twin problems of the perception of making people join—you mentioned the problem of overselling—and keeping them within the public sector? What programs should we be implementing to get the right applicants in the first place and then to keep them? What are we doing wrong?

CHAIR—Or what aren't we doing, perhaps?

Mr McArthur—One of the comments we make in our submission is that there seems to be a high degree of success in attracting graduates, but some of them experience frustration in that what was used to attract them to the organisation is in fact not justified in reality. So they are finding that, once they get there, what was promised is not delivered. One of the areas to address is that, if you are having success in attracting people, there probably needs to be more focus on how they are managed and controlled after they are appointed, how their careers are guided and how they can be directed into various entities so that they gain the variety they say

they so desperately seek. I think probably a post-appointment focus is required rather than solely a recruitment focus.

CHAIR—I would like to follow that up. I take it, from what you are saying and from what you have put in your written submission, that it relates more to what they find out about the nature of the job or the nature of the service when they are recruited, as distinct from, say, career opportunities that are not as forthcoming as they thought might have been. Does any one of those things stand out? Do they go in thinking that this is going to be a terrific and highly interesting career in X department and then find that it is not and feel trapped, or is it that they think, as Senator Watson said earlier, they are going to shoot up the ladder pretty quickly? I can understand that it might be for both of those reasons and that there might be a whole range of other reasons, because we are talking about a lot of people, but where do you think the difficulty really lies?

Mr McArthur—I certainly agree that sometimes ambitions outstrip capacity and, so, much of it is in fact counselling them on the realistic opportunities that are available to individuals, based on their capacity to perform. There is no doubt that one of the selling benefits of working within the Australian Public Service is the diversity of careers or vocations in which people can participate. I guess that 'big' sometimes suggests lots of opportunities, so I assume their expectation is that they will get in and that there will be many progression opportunities available to them but, in reality, they are asked to cut their teeth in a certain area and earn their stripes before they progress. So it is more a management of the expectation. I do not think it is a significant problem, but it is addressing the post-placement attitudes as opposed to just focusing on attracting them in the first place.

Senator LUNDY—Can you describe the process of placing people in the Public Service? If someone has come to you looking for employment assistance through your agency, what is the fee structure and how would you go about making your assessment in trying to place that person?

Mr McArthur—Do you mean within the Public Service only, or shall I include public-private entities? It is pretty much the same.

Senator LUNDY—I think we will keep it focused on the Public Service.

Mr McArthur—Most certainly. One point I will clarify is that our members are recruitment consultants and operate on behalf of the employing entity. So we recruit individuals on behalf of the employer, as opposed to being an employment agent and taking an individual—

Senator LUNDY—Are you able to answer the question as though you were an employment agent, like one of your members, to give us an insight into how that works?

Mr McArthur—I am not sure, but I can draw relevances between the two. I guess a by-product of what we do as recruitment consultants is find people work. An individual comes to us, expressing interest in working in a particular vocation. We assess their career history and their skills and experience that are relevant to the areas that they are seeking work in. Where their expectation exceeds their capacity, we counsel them and advise them on where their job search efforts may be better directed and give them some understanding of the employment

market and the potential opportunities that would be available to them. Following on from that is a series of interviews and assessments which can involve some skills testing, personality testing or even psychological testing, and pre-appointment medicals in some cases.

Having identified all of that and having established that what we see is what we get, we then look at employment opportunities that have been lodged with us from employers seeking those types of people. Basically, we start with the employment opportunity, try to attract as wide a field as possible and then whittle that field down through assessment processes to identify the best three or four candidates that a client or an employer should be considering, who are best reflective of the total available marketplace. We then present those candidates in our findings as a result of the interview testing, any other assessments and reference checking reports. The client generally conducts an interview and their own assessment and then makes a selection.

When there is a successful appointment of one of our referred candidates, the client pays us a placement fee, which is generally based on a percentage of the incumbent's starting salary package. The employee or the individual pays no fees for any of the services that are provided to them. As I say, we are retained and paid by the employer and the by-product of that is that the employee gets a job.

Senator LUNDY—So a person in the job market who was identified by you would not be paying any fees?

Mr McArthur—That is right.

Senator LUNDY—How would you know about them in the first place?

Mr McArthur—There are a number of ways. People approach us off the street, simply knowing that you are a recruitment consultancy and that is where the jobs are. Secondly, we actively advertise for them, so we advertise specific jobs in the daily press, Internet job sites or on our own web site and attract inquiries from the types of candidates that we are seeking. We also engage quite heavily in the practice of temporary staff supply or labour hire, whereby we engage individuals as our own employees and then on-hire them to other organisations. That in a way introduces them to a variety of workplaces and gives them the opportunity to 'strut their stuff', so to speak, and prove their worth. On many occasions, employers of temporary labour identify some star performers and try to convert those people to their own payroll and hire them permanently.

Senator LUNDY—Regarding the first scenario you described, where you sometimes advertise for specific jobs, is it clear in those advertisements that you are a recruitment agency and that you are not actually in a position to make a decision about that particular placement?

Mr McArthur—Yes, absolutely. Part of the code of conduct that is accepted by the industry has restrictions on how advertisements can be placed. A recruitment consultancy must declare that they are a recruitment consultancy and should have a logo on their advertisements. So it is quite apparent that we are operating as an agent of the employer. It is not mandatory that we disclose who the employer is in that ad; some choose to and some choose not to. The key point is that we are used because, we believe, we have skills in knowing where to look and how to look in the most cost-effective manner to tap into the talent the employer is seeking to attract.

Senator LUNDY—What percentage of the starting salary do you earn from a placement?

Mr McArthur—A wide variety of fees are adopted throughout the industry. As a rule of thumb, it ranges from eight per cent through to 28 per cent—it is that broad. The majority of fees on the eastern seaboard are in the 10 to 18 per cent region.

Senator LUNDY—What is required to be retained by an agency or department? I understand from your submission that you need to achieve a level of accreditation to be a government endorsed supplier.

Mr McArthur—That is right.

Senator LUNDY—Is that like an endorsed supplier arrangement? Is it formal?

Mr McArthur—Yes, it is. Generally there is a selection process in which organisations are invited to tender and outline the merits of their service, the breadth of their service and the terms and conditions that go with it. From there, an agency might select a panel of providers which is either reflective of their geographic requirements or of the employment categories in which they are seeking. Some of our members may be specialists in only, say, nursing or engineering or executive services. So there may be a need to appoint a range of providers that covers all requirements. Agencies then have the choice to utilise any of the panel to assist them with a particular purpose. Again, they may select them based on their geographic representation or their capacity in a certain discipline. They would then engage that organisation as a sole operator to operate on a particular position and put together a recruitment strategy followed by an assessment and selection process that would, hopefully, bring to the surface the required number of candidates for consideration.

Senator LUNDY—Is there any fee payable to the recruitment agency at that point of engagement, or is there just a high risk unless you get the final appointment and the percentage?

Mr McArthur—That is a great question. The terms and conditions vary dramatically. You will find that a commonly accepted practice is that a firm will charge one-third of their fee at the time they take the brief, one-third of the fee at the time they present candidates and one-third of the fee at the time a successful selection is made. Others simply charge a success fee or a contingency fee in that if there is no selection of a referred candidate there is no fee.

Senator LUNDY—You mentioned that you also operate as a labour hire agency. What are the terms and conditions for the recruitment agency and what percentage of salary is paid to people that you on-hire?

Mr McArthur—Basically, the way that the labour hire industry works is that the recruitment agency acts as the employer of the individuals so they go through the same sort of recruitment assessment and selection processes. The agency tries to hold stock of a diverse range of skills and abilities in order to provide or match client requirements. When a client has a need the agency will refer a worker as their employee who is then on-hired to the organisation and they can go in and do a function that is as short as three or four hours through to 12 months, and that function can range from reception, clerical and administrative work to executive or specific technical type roles.

The person is generally hired on an hourly or daily basis and paid for the hours worked as a casual employee. Those hours are then recharged to a client with a margin that incorporates percentages for payroll tax, workers comp, professional indemnity insurance, compulsory superannuation, the administration of their payroll and other records and an agency margin. The margin varies greatly. In some of the blue-collar or labour hire areas the margin is about statutory costs plus 10 per cent, which is about 27 per cent, so if an individual were paid $10 the client would be charged $12.70. In some of the specialised areas of accounting or in executive areas the margins are sometimes as high as 40 or 45 per cent.

Senator LUNDY—Is that with the statutory issues like insurance and super, or is that over and above those issues?

Mr McArthur—Insurance is certainly becoming a more prevalent factor, although some would say that it is affecting the lower end of the employment scale—the high-risk labour market—more than the executive market. But it is more to do with the costs of identifying and retaining more senior people. An executive recruitment activity generally involves far more costs in recruitment, assessment and selection, whereas labour hire of semiskilled or moderately skilled individuals requires less assessment and is generally a bulk recruitment exercise, so it is less costly.

Senator LUNDY—Would it be fair to say that the margin made by the recruiting agency increases the higher the level?

Mr McArthur—Yes, that is right.

Mr Cameron—It can be both a percentage and a fixed fee. In blue-collar areas you would find a range of fees per hour that might apply—anywhere between $1.80 and $4 per hour—and then you have the 10 to 15 or 20 per cent applying. It tends to follow the industries you are supplying to. It is probably worth mentioning as well that on-hiring of permanent employees is increasingly prevalent. As an organisation—what I would call an on-hired employee service provider—grows, it has the opportunity to engage parties on a permanent basis and on-hire them to a range of different clients. As the industry grows and develops, that is something we would like to see happening. It provides a level of security, but at the same time it may be something that can be adopted by the APS in terms of saying, 'Although it is one position and you are employed by one employer, you are actually fulfilling a range of different functions across a range of different industries.' It gives a lot of young people a great opportunity to work out where they feel they may fit and what really stimulates and entertains them. I think that is, in many regards, why there is some success in the industry. Of course there are employer—or, I should say, host employer—or client benefits, but we understand that a lot of young people are after something which is not just being stuck in one spot for maybe three or four years. They love the diversity and the flexibility—of course, the flexibility comes in more on a casual basis. We have a diagram outlining the five different ranges of categories of membership or services provided, which identifies on-hired employee services and on-hired contractor services.

Senator LUNDY—It would be really helpful if you could table that document.

Mr McArthur—While Charles is doing that, I might point out that what he was alluding to—the advent of moving people around to give them greater access to developing their skills

and experiencing variety—has also worked in the management of apprenticeships or traineeships. Where one employer does not believe they have the capacity to take on a trainee or apprentice, organisations such as ours have been involved in apprenticeship or traineeship schemes whereby we move an apprentice between a number of employers as an employee of ours and enable them to gain experience and gain their apprenticeship in circumstances where they may not have had the opportunity to do so on their own and with one employer.

Senator LUNDY—So you operate as group scheme?

CHAIR—For the record, I will identify the document which Mr Cameron has tabled. It is a one-page document entitled 'Categories of services provided by RCSA members'.

Senator LUNDY—Can you tell me what the arrangements are if a person employed by you, who is working for an employer-client—

Mr Cameron—Host employer is the commonly used term.

Senator LUNDY—That is the phrase I was looking for, thank you. If a host employer wanted to transfer from that arrangement to one where that person becomes a full-time employee of the organisation, what is the fee arrangement for that to occur?

Mr McArthur—Again, it is as diverse as the industry itself. Some typical examples are that the individual will be transferred at either a normal placement fee or a slightly reduced fee in consideration for fees that have been obtained from the time that they have been in the role to that point. Alternatively, in volume supply arrangements the contract or agreement between supplier and host is such that there are a number of free transfers of temporary to permanent. In other situations, members determine that the fee for the recruitment and management of the temporary employee is recovered after a period of, say, 12 months. Therefore, there is a sliding scale from 0 to 12 months, which goes from full fee to zero over that period.

Senator LUNDY—It occurred to me that it could be a disincentive for host employers to transfer, or encourage people to transfer, from being hired from you to being permanent if there was a fee barrier or a financial disincentive for them to do so.

Mr McArthur—My experience is that that is very rare in that, if they were going to identify someone themselves, they may be using us to go to market for them anyway and paying a fee. Secondly, it is an ideal vehicle for them to try before they buy, if you like, so they get an opportunity to see a person in practice, identify their worth to the organisation and make a hiring decision in a much more informed fashion than if they did so just after an advertisement and an interview. So there is a great deal more security and they perceive there is greater value in that.

Senator LUNDY—To those people that you place—I guess this would be for people under a labour hire arrangement as well as individual candidates—how transparent is your fee structure with the host employer? Are they made aware of that specifically, or do they have to ask? How do they access that information? I guess they would have an interest.

Mr McArthur—Certainly in this day and age there is an increasing trend towards individual submissions to take on recruitment assignments, so in a lot of cases many people are putting in submissions to participate in a one-off recruitment exercise. In those documents, our methodologies and terms and conditions need to be declared. But in circumstances where someone simply calls an agency to identify whether they can help them, it is the agency's responsibility to declare up-front the fees involved in that recruitment exercise, the conditions by which they are charged and the stages at which they are charged and any other add-ons which may be charged such as display advertising or additional testing that may be sought. In order to maintain the relationship, it is declared right up-front so that people know what they are getting themselves into. In some cases, some agencies have a fee that is almost paid up-front before they start—or a portion of it is—so it obviously needs to be declared in those circumstances.

Senator LUNDY—Are the employees themselves made aware of the fee structures?

Mr McArthur—Their main concern is that they are not paying a fee for these services when going through this process. Certainly I do not think there is any secret in the industry about how it works. If an employee or a potential candidate asked about fees, they should be advised that in fact the employer is paying the fee and there are no fees attributed to them.

Senator LUNDY—I have two more questions. The first is about award wages and conditions or comparable rates of pay. What is your approach to ensuring that not just minimum wages but comparable rates of pay are paid to appropriately qualified employees?

Mr McArthur—We believe that we bring great expertise in that area, in that our industry is obviously well informed about the state and federal awards that exist and acts as an adviser for organisations who are seeking to employ direct, on-hire or be a host employer. Accordingly, many small businesses misunderstand the nature of the awards and the conditions that go with them. We go to great lengths to explain to them the awards which they need to prescribe and the conditions that exist under those awards. At the same time, we advise them on market conditions, because there is no point in undertaking the recruitment activity for them if their offering is under award or under market salaries. We give them quite a bit of information about the current conditions and salaries that exist and other advice on how to be more attractive to potential employees. It is well recognised now that most states are going through a war for talent. Employers are fighting each other to try and attract the most appropriately qualified people to their ranks. We can help them significantly in presenting themselves as an attractive employer and making sure that the right conditions are in place.

Mr Cameron—It is probably worth mentioning that we try and make members very much aware that the importation of wage anomalies into the workplace does not do anybody any favours. It can get a little tricky when you have a number of industrial instruments which may well apply. As the on-hired employee service provider, you may well have a certified agreement which is inconsistent with the client. I am confident that, in a clear majority of cases, the cited rates would be mirrored or reflected to avoid those anomalies. However, there are certainly still circumstances where clients will demand that an employee be on-hired at a rate potentially lower than the rate that is being paid to their own employees. That is clearly changing as the industry matures. From our perspective, we promote that very much and are very much aware of both the industrial implications and otherwise. But it is changing.

Senator LUNDY—Are the people you engage on a labour hire arrangement engaged through an AWA, an Australian workplace agreement?

Mr Cameron—There are certainly many examples of them being engaged through an Australian workplace agreement, a certified agreement—the full range, whether it be LK through to LL and otherwise. Typically, and certainly in what we would call the short-term on-hiring, the real temping industry, that is less likely; they are probably more likely to be engaged on a common law contract. However, there is a full range and spectrum of industrial instruments under which these persons are employed.

Senator LUNDY—You mentioned personality tests earlier. Are they becoming more prevalent in the requirements from departments and agencies, or is that a trend that is gaining prevalence? Do you have any observations about the usefulness, prevalence or trends of personality tests to determine the suitability of individual candidates for employment?

Mr McArthur—In terms of their usefulness and relevance, in the right hands and interpreted by correctly qualified people, they are a particularly useful instrument for the right circumstance. But I have not noticed, and I have not heard from my colleagues, anything that suggests that there is an increasing surge of popularity in personality or psychological assessments. It is very much a personal choice. I think that people have had good and bad experiences with them. I would say that demand and interest in them has remained consistent in my 18 years in the industry.

Mr Cameron—Maybe more at a senior executive level they are somewhat predominant, given the time that is involved. Certainly at a lower or an on-hired blue collar or administrative level, there is certainly an increased prevalence of values based assessment—which is something the APS should perhaps look into if it has not already looked into it—that is trying to align the values of the candidates and applicants to the mapping of the values of the client, rather than looking at personality in a very traditional sense. I think it comes back to what Matthew said earlier with regard to the whole of life experience that they are looking for, which is far more predominant in today's society.

Senator LUNDY—Are you able to provide the committee with a standard form or a questionnaire on the type of values test that you have described?

Mr Cameron—Certainly.

Senator LUNDY—Please take that on notice. What constitutes a psychological test or an emotional intelligence test? I do not know if I am using the right words. I am very interested in the sorts of assessments that are made at that highly qualitative, subjective level.

Mr McArthur—At this point there is no magical test for management ability. I might preface this by saying that I am not a qualified psychologist but that we do employ in our organisation two qualified industrial psychologists and that we administer these tests quite regularly. There is a range of tests that are administered to assist us in qualifying the potential for management. They are generally a combination of personality assessment, which is typically a Myers-Briggs or a 16PF test, and an assessment of the general intelligence of the individual similar to a standard IQ test, which might be something like a Raven Progressive Matrices test.

Then there is a reasoning test: a typical example is the Watson-Glasser critical thinking test. Those three tests aim to identify what level of intellectual capacity a person has. The critical thinking analysis is used to determine whether in fact they can put that intelligence into action, to make sure they have the intellectual horsepower to carry out the job. Then the personality assessment looks at the attitudes and typical personality behaviours that would be evident in an individual with those sorts of scores. So the combination of the three gives an industrial psychologist the ability to interpret the individual's ability to stand up to the job and his or her capacity to perform the job.

CHAIR—As there are no further questions, we thank you very much for your appearance today and for the submission you have provided to us.

Proceedings suspended from 10.38 a.m. to 11.04 a.m.

BLADES, Mr Patrick Joseph, National Manager, Learning and Development, Commonwealth Scientific and Industrial Research Organisation

GIGLIOTTI, Mr Giuseppe Venuto, Senior Adviser, Learning and Development, People Development, Commonwealth Scientific and Industrial Research Organisation

NIEDERMEIER, Mr Tony Gerhard, Acting Director, People Development, Commonwealth Scientific and Industrial Research Organisation

CHAIR—Welcome. Do you have any comments to make on the capacity in which you appear?

Mr Niedermeier—I will be primarily trying to assist the committee with recruitment and appointment issues.

Mr Blades—I am mainly here to talk about the learning and development side. I am newly appointed to the role—I have been in the role only since May. My colleague is here to talk about some of the past.

Mr Gigliotti—As Patrick says, my main capacity here is that I have some of the corporate memory.

CHAIR—Welcome. I assume that you are familiar with the procedures and rules governing the hearings of Senate committees, so I do not need to go through all of the usual introduction. I remind you that, firstly, the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. Further, I remind you that an officer of a department of the Commonwealth or of the state shall not be asked to give opinions on matters of policies and shall be given reasonable opportunity to refer questions asked to superior officers or to a minister.

You have provided us with a written submission, which we appreciate. I also express our appreciation that you have been able to come in here today earlier than originally scheduled. We had a couple of witnesses who had to cancel their appearance today. Are there any alterations or additions that you would like to make to your written submission at this stage?

Mr Niedermeier—No.

CHAIR—I invite you to make an opening statement; we will then proceed to questions.

Mr Niedermeier—I have some very brief opening comments. They mainly go to scene setting. Firstly, staff in CSIRO are not employed under the Australian Public Service Act; they are employed under the Science and Industry Research Act. That means that we do not receive any services in the area of recruitment, training or development from the Public Service proper. I assume that the committee was well aware of that and that the purpose of the invitation was

perhaps to see what is going on in some non-APS agencies. That is the context in which we offered our submission.

CHAIR—I endorse that. Our inquiry is focused on Australian Public Service employees under the APS, but we certainly have an interest in seeing what is happening in other agencies and corporations of the Commonwealth. That gives us some comparisons and some reference points for our broader inquiry.

Mr Niedermeier—The other point that is worth noting is that a research division in CSIRO's context is quite different from a division in the Australian Public Service: they tend to provide a full range of services to various industry sectors and they have significant financial, commercial and staffing responsibilities. They would each have their own business plan and their own human resources plan. They would each control their own recruitment and appointment and much of their training and development as well. There is no central coordination or management of recruitment or appointment in particular across the whole of CSIRO. I simply raise that to signal that, while we are obviously going to do our best to answer whatever questions you have of us, there is a level of detail relating to actual practices on the ground in divisions that we may not be able to answer today. I would have to take them on notice.

CHAIR—I appreciate that, Mr Niedermeier. The last part of your written submission—which was signed off by Peter O'Keefe, General Manager of Corporate People Development—says:

> The purpose of the formulation of a new L&D strategy for CSIRO is to improve the design and delivery of skills training and professional development opportunities ...

Are you able to say just where that is at at the moment? What is the time line for finalising that strategy?

Mr Niedermeier—I think that Patrick is certainly going to address that.

Mr Blades—Bearing in mind that I arrived in May, there has been a process set up to try to implement some of this new strategy. There was a group of champions drawn from chiefs and deputy chiefs to overview the process—so there has been a committee process set up. Basically the strategy has moved to one where we are trying to develop curricula which is more consistently delivered over the organisation than in the past, particularly in some key areas—namely, skill areas like project management, where there is a project management initiative. We need to get some consistent processes so that where we are running collaborative research, people from various divisions will be using the same nomenclature and the same processes. It is in those sorts of areas we are trying to develop more consistency and probably getting a wider spread of the delivery. Previous to this year the Learning and Development Group focused as an executive development unit, whereas now we are trying to get a more widespread development process than perhaps existed in the past.

CHAIR—What is your expectation as to when this strategy will be implemented?

Mr Blades—We have started implementing some of it already.

CHAIR—Yes, but do you have a target date?

Mr Blades—We have been given some priority areas to focus on. The areas that we are focusing on this financial year include management and leadership, commercial skills development, project management, and occupational health and safety. So a number of programs are being rolled out this year. By the end of this financial year we will have a reasonable curriculum in place.

CHAIR—Okay. In the earlier comments in your submission you made a number of observations, including the reference to the wide-ranging review that was conducted of L&D in CSIRO by the international consultant. I might say that you have been fairly frank in a couple of cases in identifying that there were some deficiencies that need to be addressed—and it is refreshing at least that you were prepared to say that. Before I come to another question, what is the total work force of CSIRO at the moment?

Mr Niedermeier—Six thousand.

CHAIR—I note that you have said that you have some 60 sites around Australia and that some of those are in remote locations. I assume that in some of those locations there might be only a very small number of employees—

Mr Niedermeier—That is correct.

CHAIR—The CSIRO is a research, scientific and technical organisation with an excellent reputation. Last week we had the opportunity to visit the Centrelink office here in Canberra where they showed us their education and training facility. It is best described, I suppose, as an interactive system where they have a studio with computer linkages and they are able to run a constant rolling program of training courses et cetera for all of their staff scattered throughout a large number of locations around the country. Without pre-empting what might be in our report, I think the members of the committee were pretty impressed at least with the system and what it can potentially achieve. The question then is: are you aware of that system, and is there anything like that in CSIRO? If there is not, do you see some value in that approach? I note that you say:

> Training courses and development programs are usually conducted at the major centres and at commercial venues in the capital cities.

It seems to me that your organisation could be well utilised to use that approach. Would you care to comment?

Mr Blades—Are you referring to e-learning?

CHAIR—Yes, that is it. I was trying to think of the name while I was speaking.

Mr Blades—I am not familiar with Centrelink's system but I am familiar with other systems that have been used, particularly in the commercial environment which is where I have come from. We are looking quite closely at e-learning as a vehicle for delivery. There are a couple of points I would make, though. First of all, in some instances that is not a strategy that we want to use for particular groups because part of the process is to actually get collaboration across

various groups. The way to do that is to bring people in or indeed to do it on a geographical basis by moving the instructor to an area.

We are using e-learning in a limited way. We have bought a suite of products through NETg and we are using those to deliver some IT training and some personal development skills training, but in a limited way. Part of the difficulty at this point in time is that we have not built the full curriculum matrix, which therefore makes it difficult in terms of selecting particular products. Nor do we have a widespread platform to administer that from a management point of view rather than just a delivery point of view. I am not familiar with the Centrelink process, but I would suspect that underneath their process they have a fairly significant learning management system which enables them to track, manage and assess what is going on. At the moment we have the capacity to deliver training online, but we do not have any capacity to track or manage it.

CHAIR—I would not want this to be taken as though I am suggesting that it is the appropriate model. I appreciate that in Centrelink there would be a large number of functions that are carried on in a whole range of locations around the country—dealing with clients about their benefits et cetera—so there is a need for a standardised approach and consistency of treatment of clients in that regard. That is why that system obviously fits in well with the services they provide. I know that in CSIRO you would have a number of divisions and there may not necessarily be that same symmetry. However, what was running through my mind was that CSIRO, with its scientific and technical background, might be a good organisation to be using this technology if it is available, particularly if you have a common curriculum.

Mr Blades—The comment I would make in response to that is that I think e-learning is quite powerful where there is a fairly strong incentive for people to go and use it—for instance, if there is a compliance requirement built behind it where people can go and use the system and then get tested on it. An area outside of CSIRO where it has been particularly successful is in banks—for example, in terms of roll-out of privacy training around the new CLERP regulations et cetera. In CSIRO, the area which probably lends itself to that is occupational health and safety where there is a requirement for everybody to go through the training. So it is large scale, compliance driven, has a lot of content and we probably need to test it as well. It is in those sorts of areas that we are particularly looking at it.

CHAIR—I will probably leave my questions there.

Senator WATSON—Congratulations on the $6,400,000 average expenditure on training by CSIRO since 1998. It is an impressive figure. Is the average moving up or is it moving down?

Mr Blades—That is a good question.

Mr Niedermeier—It is remaining flat.

CHAIR—What is happening to your total employment? Is that going up or is it going down, just to give us some parameters?

Mr Niedermeier—It was trending down. I think we may have increased slightly over the last year or two, but we have been around that 6,000 figure for quite a number of years.

Senator WATSON—If your numbers have come down and then gone up a little bit, overall are your numbers pretty much the same as they were in 1998?

Mr Niedermeier—Yes. There certainly would not have been much change since 1998. I think we have come down from a figure of around 7,200 of 10 years or so ago.

Senator WATSON—So it is fairly constant. We note that you are also recruiting basically honours and PhD graduates et cetera, and I can understand that. Do you also go around to the universities trying to get some of the best and brightest undergraduates and bring them through a training school, like an apprenticeship arrangement?

Mr Niedermeier—We have some schemes in place to take on undergraduates and help them work through their qualifications and also to take on graduates and help them work towards PhDs. That is really the area in which we would like to get more people into the organisation.

Senator WATSON—Absolutely. I can understand that. Could you give us some information about your total contribution and how it is helping the training process within Australia, rather than grabbing the best once they are through?

Mr Niedermeier—We certainly do that. In the last 12 months I think we have had 570 students or trainees of various kinds through the organisation. Some of those are in industrial traineeships where, as part of their studies, they are required to do a placement in industry. Of those, 140 were PhD students and 90 were postgraduate students. It is an area where we have recognised that we need to do more, and part of the strategic action plan that we have in place now involves doubling our postdoctoral appointees over the next six years and increasing the number of PhD students that we bring in. We did advertise for 60 of those earlier this year, and there is about to be an ad for a further 60 to come into the organisation.

Senator WATSON—Last evening, with the radio turned down low on ABC *NewsRadio,* I heard a report about some retrenchments in the water area. That was CSIRO, wasn't it?

Mr Niedermeier—Yes, it was the Land and Water Division.

Senator WATSON—Can you give us some more details? I thought governments were spending lots of money on correcting water problems in the Murray-Darling and that sort of thing.

Mr Niedermeier—I heard about this last night, so I do not have a lot of detail. I know we have a growth strategy in place.

Senator WATSON—The news report took me by surprise. By the time I had rushed over to turn it up, the news item had finished; they are always very brief. I would like some more information about that.

Mr Niedermeier—We do have a growth strategy in place, and part of that will involve redirecting resources into higher priority research areas, trying to pick the areas where there is greatest benefit. As I say, I have not spoken to the head of that division and I do not know what lies behind those decisions. I assume that there has been a reprioritisation of research directions

and an assessment that perhaps there is a group of staff who do not have the skills to be able to take the division forward in those areas it wants to grow in. I do not have any more detail on that.

CHAIR—Can you take that on notice and provide us with some more information. I appreciate that the announcement has just been reported. I think it is referred to in the paper today. I notice that your submission says:

CSIRO introduced a strategy earlier this year to double its intake of postdoctoral fellows to 220 per annum.

I do not know whether there is any correlation or connection here, but I suppose the implication I got from the submission was that now you are looking to an increase, and then I read about the retrenchments. As Senator Watson said, there is a lot of emphasis to be placed upon salinity issues and water issues generally. We all understand that. Then we hear an announcement that there are retrenchments in CSIRO in this area. It just does not seem to fit very well.

Mr Niedermeier—It is a big division.

CHAIR—Which division is it?

Mr Niedermeier—Land and Water. I think from memory they are around 600 strong. If they were moving into other areas, then you would expect they might take some staff on at some point in the future in a different area. Chair, could you clarify for me exactly what sort of additional information you would be after?

CHAIR—We do not know much about the decision, because we have only just heard and read about it. We would basically like to know what the decision is and what is going to happen. We would like any information that can be provided.

Senator WATSON—I thought it was a growth area. I have a particular interest because I have a recently retired brother-in-law who was the head of a centre of excellence at Monash University which related very closely with CSIRO. From my discussions with him, I thought it was a pretty critical, growing and acute area. I have not discussed it with him yet, but it surprised me when I heard that announcement, given the work that he has done and the importance of the issue in relation to Australia, that we should be shedding people. I really would like a full rationale for what has happened.

Mr Niedermeier—Okay.

Senator LUNDY—I am hoping I can shed a little more light. A question was raised in the Senate yesterday which stated that 26 scientific staff at the CSIRO Land and Water Division were going to be sacked and that this was to be announced today and, also, that up to 100 staff—I am presuming from Land and Water as well—are going to be targeted for forced redundancy by the end of the year. That is about as much information as I have. I want to ask some questions about the growth strategy as well, particularly the proportion of staff you have on contract as opposed to full-time staff, in light of the evidence of previous witnesses who gave the committee some insight into the nature of the use of contract staff for agencies and departments.

CHAIR—You have agreed to take that on notice.

Mr Niedermeier—I can do that.

CHAIR—I appreciate that it is linked, if you like, to the overall issues of recruitment and so on, but it would be helpful.

Mr Niedermeier—In relation to Senator Lundy's question, currently, overall, about 25 per cent of our staff are on fixed term employment, which could be anything from periods of under 12 months up to five-year fixed term contracts.

Senator LUNDY—What is the trend in relation to that? I presume it is going up. Do you have a graph that could show that trend in contract employment, say, over the last five years?

Mr Niedermeier—I do not have one with me, but I could certainly produce one. If it is trending up, it would be very marginal. There is a fairly low turnover amongst the indefinite staff that we have and a fair bit of churn in the term staff. I do not think the 25 per cent would have increased very much over the last five or six years. Is that the sort of period that you are interested in—the last five years?

Senator LUNDY—Yes. If you have statistics just for the last three years, that would be fine as well. I am just trying to get an indication. I am interested in the sorts of duties that contract staff are required to carry out, how that relates back to your obligations and your investment in training of your staff, and whether or not CSIRO see the use of contract staff as a way of rationalising your own need to invest in training of staff. I will let you respond to that.

Mr Niedermeier—The decisions about training are not really involved in determining whether someone is offered a fixed term contract. They are not a contract in the sense of a contract for service. They are just offered a fixed term appointment. The nature of the work they do would be similar to that done by the indefinite staff, so a range of people—scientists, science support staff and admin staff—could all be on fixed term appointments for different reasons. As far as I am aware, it does not affect decisions about what sort of training they might receive. Most of the programs are attended by a mix of indefinite and term staff.

Mr Gigliotti—So if you are a contracted staff on a fixed term contract, you are as eligible as anybody else to participate in any of our learning and development programs.

Mr Niedermeier—The main reason for it is that a lot of the funds that we get are fixed in the period that they are available. They are for a particular piece of work.

Senator LUNDY—So they do not discern whether they are to be spent on contract staff or permanent staff?

Mr Niedermeier—No.

Mr Blades—They are targeted basically towards role rather than whether you are permanent or not.

Mr Niedermeier—Somebody contracts us for a piece of work that they want to see results on in three or five years, and we take staff on for that period, unless we know that the particular skills that they have are likely to be in demand beyond that, in which case they could still be taken on indefinitely, even though we know the money is going to run out. We have divisions that run at fairly low numbers of term staff, even though their proportion of fixed term money is higher than the proportion of term staff. They take some risk management decisions about whether there will be an ongoing need for the person beyond the particular project that they have money for.

Senator LUNDY—Is there a process by which the term staff can transition into being permanent employees, and does that happen very often?

Mr Niedermeier—There is a process, and it is covered in our enterprise agreement. Basically, the only constraint is that they have to have originally entered the organisation through a competitive selection process. They are then eligible to be converted to indefinite at any point if management decides that there is an ongoing need for them. It does happen. I do not know the exact numbers that have been converted, but it is certainly not rare.

Senator LUNDY—What about the other way round—is there a process by which permanent staff can become contract staff? What are the circumstances that would lead to that occurring?

Mr Niedermeier—It would not normally occur. If there is a short-term need for them to work on another project, they would retain their indefinite status, work in that project for that period and then revert to their previous role.

Senator LUNDY—For younger recruits who come in in a non-scientific, non-research capacity—I am not really sure of the terminology—perhaps providing administrative support to the organisation, is there a career path for them to progress through the various grades of the Australian Public Service within the organisation?

Mr Niedermeier—We do not have the Australian Public Service grades, but—

Senator LUNDY—The equivalent.

Mr Niedermeier—there is a process for them to advance within the organisation. It requires that they demonstrate higher level roles and competencies. They can advance if there is an ongoing need for them to perform at those higher levels. There are career paths. Probably the strongest paths are in the science area, as you would expect. It is probably easier for people who are scientists to demonstrate higher level competencies and the impact of their role as they become more expert in their field and gain international recognition for their work. That is possibly easier to demonstrate for someone who is becoming more and more proficient at what they do than it might be in, say, an administrative area. But there is that process. There is the opportunity for people to advance. Having said that, we are certainly conscious that we need to do a lot more work in the area of career development and managing career expectations for people. It is something that comes up regularly in our discussions with staff consultation groups. They would like to see some improvement there—an increased commitment to career development—and there are a number of strategies that we are implementing, as part of the strategic action plan, to address that.

Senator LUNDY—Is that the learning and development initiative?

Mr Niedermeier—It is partly the learning and development initiative. It is also to do with providing what we call a career management process, where individuals initiate discussions with their supervisors and talk about where they see themselves going in the organisation—a process that is designed to try to get some alignment of the individual's needs and desires with the goals of the organisation.

Senator LUNDY—Do you use a recruitment agency to help you recruit either contractors or permanent staff?

Mr Niedermeier—At times. We do not use agencies for all positions, but we do for recruiting very high-level staff or possibly for searching people out in areas where we have difficulty recruiting.

Senator WATSON—I am interested in your recruitment policies for getting very high-level specialists. Are you also recruiting in the area of parasitology?

Mr Niedermeier—I do not know the answer to that question. The divisions would employ people in that area.

Senator WATSON—It is very important because there is, I think, only one school left in Australia and the number of graduates is naturally declining. In relation to Australia's future—particularly quarantine—I am interested in CSIRO's ability to participate in terms of disease outbreak, identification and monitoring. Do you have the skills and people there to provide an input? We have special characteristics of disease-free status here and, with rapid means of communication nowadays, there could be problems. I am interested in your ability to have a field force and high-level experts who are capable of identifying and modifying these sorts of things. If you would take it on notice, I am interested in the numbers of people and their levels of qualifications, because it is pretty specialised.

Mr Niedermeier—We certainly do employ people with those sorts of qualifications, particularly at our animal health laboratory in Geelong and in the livestock industries division generally. I would have to take on notice whether they have difficulty attracting those people.

Senator WATSON—I am interested in how you keep these people motivated, abreast of current developments and all that sort of thing.

CHAIR—I am glad you explained that, Senator Watson—that parasitology relates to parasites. I thought it might have had something to do with Paris for a minute.

Senator LUNDY—Given the push for greater commercialisation within the organisation and a realisation of some return for the intellectual property created, is equity in commercial ventures or some other creative way of remunerating the people you employ becoming a feature of, or prevalent in, how you recruit and retain your experts?

Mr Niedermeier—It has certainly become a high priority since the arrival of the new chief executive. He is very keen to ensure that we attract and retain talent, and quite a large part of his

strategic action plan is looking at ways to do that. It includes a complete review of our reward mechanisms, and a number of proposals have gone to the board for approval. The main thrust is to make sure that we can reward people equitably regardless of which part of the business they work in, so that they do not feel that they have to be doing pure research, for example, to be valued in the organisation. Allowing staff to share in the benefits of commercialisation is one of those proposals that the board has not signed off on yet and is examining in more detail. We recognise that it is something that is available in a number of other organisations and we also recognise that, if we are trying to attract people from those organisations, we need to be able to offer similar rewards.

Senator LUNDY—Are the salaries CSIRO can pay comparable in any way with those of other research institutions around the world, or does the organisation see itself as relatively constrained in how it is able to remunerate experts?

Mr Niedermeier—Obviously, there are exceptions. In most areas we seem to be able to get the people we need. But in others, particularly the information technology area, we find it difficult to compete with overseas institutions and the private sector here. We are looking at other ways to attract people. We are trying to do more in the area of promoting the benefits of working in the CSIRO—the work environment, access to the best equipment, opportunities to use family friendly policies and so on. We have had some recent success in recruiting people using that approach.

Senator LUNDY—I notice in your submission there is reference to the APESMA-Deakin University MBA program. What degree of flexibility do your employees have to access those types of programs during work hours or with leave as part of their professional development program? What sort of recognition and priority do you give that?

Mr Gigliotti—The programs we have been offering are accredited as part of that MBA program. The actual decision to apply and the amount of local support they receive are often negotiated at the supervisor-supervisee level or at the divisional level. This varies depending upon the immediate need of the division and the project team. I am aware of some individuals who have been fully funded and assisted all the way through and of others who have received partial assistance. Some have personally chosen to start it themselves and, once they found out that the CSIRO programs gave them credit, they then applied to do the CSIRO programs. I am aware of one participant who had only one unit to go—he had funded himself all the way through—and then said, 'I'd like to do that last unit using the CSIRO program.'

Senator LUNDY—Could you clarify the benefits of doing it through CSIRO?

Mr Gigliotti—The benefit of doing the program that provided the unit status is that it is a CSIRO program, so it is 'CSIRO-fied'. The advantage from a participant's point of view is that they get a chance to at least do something face-to-face with colleagues. Most of the APESMA programs are distance learning, where they do it by themselves.

Senator LUNDY—We have received a submission from APESMA, so we know about that.

Mr Gigliotti—That face-to-face contact is one of the attractions of having that available to people.

Senator LUNDY—Thank you for that. Do you have any equal opportunity strategies for availability or access to those programs—that is, for women and employees in some of the regional and more isolated areas?

Mr Niedermeier—We have just put in place a new workplace diversity plan that has a number of strategies to try to help us get a better grasp of what issues might prevent particular groups in their community from applying for jobs in the CSIRO, if that is in fact occurring. As part of that plan, we are examining data that is provided by what used to be DEET—I am not sure what the correct title is now—

Senator LUNDY—DEST.

Mr Niedermeier—about the profile of the graduates that are coming through, to assess whether or not we are getting applicants in the same proportions as are graduating. We can then target those areas to find out why they are not coming to us and then try to rectify that. It is certainly something we are going to focus on much more under this new plan.

Mr Gigliotti—Our move at the moment with our L&D strategy is to have a greater number of shorter courses rather than to follow the past preference for intensive residentials. This opens up the opportunity for people who may have self-selected out because they were away from their family for three or four days, or even a week. Sadly, in most cases that was the women. These people can now self-select back in because most of them are offered divisionally based courses. They know they can attend nine to five and still go home. I imagine that we would increase people's participation rates with our new strategy.

Mr Niedermeier—We do not have any evidence that there is a major problem at the moment. When we ran our staff opinion poll last year, there was nothing in the responses around the issues of personal development from women, for example, that suggested that they were feeling disadvantaged in terms of opportunities for development compared to males.

Senator LUNDY—I have gone down a bit of a side path here, but the statistics certainly demonstrate that, from levels of around 40 per cent in science, IT and engineering at university, there is a subsequent significant decline in the number of women who take up roles in the work force within those categories. Then there is another significant decline, to single figures, for women in management roles in science, technology and engineering. CSIRO is clearly one of the largest organisations, if not the largest organisation, in these roles in this country, so your strategies and how you address these issues could make a real difference to what is rather a sad and unfortunate set of statistics. Could you provide the committee with more information about your strategies, particularly for women, but also for any other target group that you have identified within your organisation as part of those training, recruitment and career development initiatives.

CHAIR—I have a couple of other questions. Firstly, section (iv) on page 4 of your submission says:

The Management Education Board of the APESMA/Deakin University Management Education Programs accredits several of the leadership development programs conducted CSIRO, at the postgraduate level.

There is a word left out. Should that be 'conducted for', 'conducted at', 'conducted by' or something else?

Mr Gigliotti—It should be 'conducted by CSIRO'. Thank you for picking that up.

CHAIR—I just wanted to clarify that. It goes on to say:

> Graduates of the Programs gain credit towards graduate certificates in certain disciplines. These graduate certificates articulate into graduate diplomas and MBAs. ... these programs are being reviewed as part of the process of formulating a new L&D strategy for CSIRO and, as a consequence, the accreditation/articulation arrangements may change.

Can you expand on that, if it is possible at this stage? Do you see some deficiency in the current arrangements? What is that last sentence really getting at?

Mr Blades—One of the programs in particular that was previously accredited by APESMA was a fairly lengthy program. There were week-long residential requirements. One of the responses that we got in the feedback from a division was: 'Love your program, but it's too long and, because it's residential, it's too expensive in terms of getting the throughput that we require.' So we have broken that particular program up into shorter modules, as Giuseppe alluded to before. We had some discussions with APESMA. We told them what we were doing, and they said: 'Yes, that is fine. Get back to us when you have the programs bedded down and we'll have another look at it.'

CHAIR—We were going to hear from APESMA today but, unfortunately, they have had to cancel. The submission mentions Deakin University. What is their role in all of this? They are presumably the ones who give the MBAs.

Mr Gigliotti—Up until last year, they were. APESMA's programs were accredited under the auspices of Deakin University. As of this year, they are accredited under the auspices of La Trobe University. It is APESMA-La Trobe at the current moment.

CHAIR—Thanks for that. You may have covered some of that earlier. Some non-APS agencies use the services of the APS Commission, or what was called the Public Service Merit Protection Commission. Do CSIRO use any of the programs, or have you ever thought of using any of the programs, or is there any particular reason you have not, if you have not?

Mr Gigliotti—Some staff from individual programs may attend, but the organisation as a whole does not use them on a regular basis. Often the programs are focused around APS procedures and processes and APS values and principles. For instance, there may be a program on project management that may be attractive to an individual, or they may choose to go to the CSIRO project management program. My sense is that very few CSIRO staff attend the APS courses, and none of our people attend any of the senior executive programs and those sorts of things that are run by the APS, because we are employed under different legislation and are not a part of the Senior Executive Service.

CHAIR—So you are saying that you have your own system and structure and, because of different legislation, it is not required. Does that mean there are no synergies at all?

Mr Niedermeier—No, I do not think so. I think it may just reflect that the majority of our staff are in the science streams, which are not as common in the APS, and so some of their issues about managing science are different. I can see that their leadership programs may well be relevant to, say, our corporate executives—many of them would think they would have some common elements—and I know that certainly some of our administrative people attend some of the Public Service run programs, and they have a fair bit of interaction with colleagues from the APS—for example, in an area such as superannuation, where we have the same superannuation scheme, they would attend similar courses. I know we have sent people to Public Service run programs on industrial relations and advocacy. So there are certainly areas of overlap, but I think that for the bulk of staff, who are in the science streams, the issues are probably a bit different.

Mr Gigliotti—We have even had staff from other science agencies attend our programs because of our science and technology and R&D focus.

CHAIR—That was going to be my next question. I understand what you are saying and I do not want to argue with that, but one of the issues that has certainly been raised with us is the devolution, if you like, of a lot of Public Service departments and agencies—for example, we now have a lot of stand-alone agencies or corporations. This was raised to some extent in the Auditor-General's report in terms of how, in a whole of government approach, one measures the outcomes of training and recruitment right across the spectrum. It raises issues of whether or not you are getting appropriate standards across the whole of the Public Service—using that term in the broad context—and whether or not having collaboration, and maybe there used to be, is a negative thing. Obviously there are other departments: AFFA for one; AQIS, which is within AFFA, I think has a section called biosecurity; Environment Australia is another; and Health is another. Surely there are people employed there who have similar skills and similar careers to people who are engaged in CSIRO.

Mr Blades—The answer to your question is a complex one.

CHAIR—It is a complex question, I know; I have not actually got to one. The question really is: should there be more scope for collaboration on training and recruitment issues between, say, stand-alone agencies like CSIRO and other parts of the Public Service where there are similarly skilled people?

Mr Blades—I would slightly rephrase that question by replacing 'should' with 'could there'.

CHAIR—Okay; I appreciate that point.

Mr Blades—Obviously, 'there could be' is the short answer. The difficulty in all of these processes is that when you sit down and design a curriculum you look at it from the perspective of what are the particular skills and what are the particular key points that match up our organisational requirements, and then you design the curriculum towards that—which is what we are basically doing. As part of that we are obviously sourcing some things from outside where possible—we do not want to reinvent the wheel or duplicate effort—and we do look at the Public Service programs. The difficulty is getting a match to those needs that does not have redundancy from other programs we have done and does not have inbuilt duplication or surplus. When you look at those three criteria, it then becomes very difficult to get a match. Unless you

are designing a particular program that says, 'This program is specifically designed to help collaboration across the various services,' and therefore the content is driven by that, I think it becomes a hard question to answer.

CHAIR—I am not putting this as any criticism.

Mr Blades—I was not taking it as criticism.

CHAIR—It is an issue about how one measures—which the parliament and the government have a responsibility to do—what is happening right across the whole area of government employment. The question that also arises is: is there a focus at least in some way upon that very issue? In other words, are people in CSIRO, even though you tend to operate as a bit of a stand-alone agency, conscious of the fact that there are other sections of the Public Service that you need to be focused on to see how they are addressing these issues because of some of the similarities that exist in the type of people you employ?

Mr Gigliotti—Yes, we are. A colleague and I are members of the leadership network that is coordinated through the Public Service Commission. We get invitations to meetings or seminars, and we may rotate participation to find out what is happening in the broader sector. However, we are also attracted to finding out what is happening in other R&D agencies in Australia and around the world.

CHAIR—That is what I was getting to. It was a bit of a convoluted question on my part, but that is what I was trying to get to.

Mr Niedermeier—The other thing we do is that we have a regular meeting of the HR leaders from the science agencies. We get together on a regular basis to talk about issues of concern to particular agencies and to help each other out where we can.

CHAIR—Under the auspices of the Chief Scientist's office?

Mr Niedermeier—No, it is just something that has arisen informally—just the contacts made by the person for whom I am acting, who put this arrangement in place. There is quite a lot of exchange of information at a HR level on performance management issues and training and development issues. People from these agencies have attended our programs in the past. They know we are running them. We make some places available for people outside CSIRO. There is a bit of that going on and, probably because of our size, we offer more in that area than some of the smaller agencies.

CHAIR—Thank you, gentlemen, for your appearance this morning—we do appreciate it—and for your submission.

Proceedings suspended from 11.59 a.m. to 1.22 p.m.

HILYARD, Ms Katherine Balfour, Director, People and Strategy (ACT) Pty Ltd

JUKNAITIS, Ms Kerry Louise, Director, People and Strategy (ACT) Pty Ltd

CHAIR—I welcome representatives from People and Strategy (ACT). Do you have anything to say about the capacity in which you appear?

Ms Juknaitis—We are co-authors of our submission. There is one director of the company who is no longer involved in our company, Adrian Morgan. He should be removed from the authorship.

CHAIR—This hearing is part of our inquiry into the recruitment and training arrangements within the Australian Public Service. Evidence given to the committee is protected by parliamentary privilege. 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 which disadvantages them on account of evidence given before the committee. I also remind witnesses that the giving of false or misleading evidence to the committee may constitute contempt of the Senate. The committee prefers to conduct its hearings in public; however, if there are any matters which you may wish to discuss with the committee in private, we would consider any such request at the time that it is made. Thank you for your written submission. Are there any alterations or additions you wish to make to that submission?

Ms Juknaitis—No.

CHAIR—I now invite you to make an opening statement, after which we will proceed to questions.

Ms Juknaitis—We see probably two key areas on which we can make substantive comment in relation to training in the Australian Public Service—we are not really involved in the recruitment issue at all. The first area is the strategic use of training and development as a vehicle in the Public Service to improve performance, and the second is the selection and management of training providers. On the strategic use of training and development, the key point we want to emphasise is that we think training is often used in isolation rather than as part of an integrated change strategy to support improvement in some agencies. As a result, there are often large-scale roll-outs of training that are possibly less effective than more focused, targeted training that is designed to address the specific needs of different groups within the agency.

We also think that with the drive to reduce departmental or agency budgets there has been a reduction in the amount of money available for training. As a result, you can find that agencies move towards a quick fix approach where they do a short burst—we often call it a ‘sheep dip’ of training—where they run everybody through something in order to try to improve their performance. But, in reality, a half-day training session for everybody on the same topic covering things at a very general level is unlikely to be value for money.

There is another point on the strategic use of training and development, which is the tension between private providers and universities on articulation of training, because there is both a cooperative role required and also a competitive one between private providers and universities.

Ms Hilyard—The second set of points we want to highlight are around the selection and management of training providers, which I will run through very quickly. The first point there is around a shift that we are noticing towards large-scale panel contracts. The size of those panels seems to be growing and the complexity of the tendering process seems to be increasing, and that has a lot of issues associated with it. The second point is the formality of the tender process. Our observations of some agencies indicate that the interaction between the non-strategic approach and the formality of the tender process is leading to tenders going out that are asking for services that perhaps do not have strong support within the agency or have not had professional advice provided, and the opportunity in the formal tender process to offer advice is very limited.

The last point we want to talk about is the challenges of outsourcing HR and the impact that that has had on training and development in the APS. There are a few related points concerning some of the complexities involved in having a middle person between the agency and the training provider and the difficulties that creates in negotiating fees that are value for money, clarifying requirements and so on. One other point is that outsourcing has tended to focus on the outsourcing of the operational aspects of human resource management, and the strategic role, which is crucial to making good decisions about training and development, has, in our observation, disappeared in some cases, so you are dealing as a training provider with the operational decision makers rather than the strategists. That is a summary of the major points that we wanted to expand on from our submission.

CHAIR—Thank you for that. Can I firstly get a better understanding of the nature of your group. I notice you say that each of the principals was employed within the Public Service before moving to consulting. Can you expand a bit on how many people you have employed? Do you actually provide training as well as provide a consulting service to develop training programs which may then be provided by another provider? Maybe you can just tell us a bit more about your—

Senator WATSON—The types of programs they might have.

Ms Juknaitis—We develop training programs and deliver them, and we provide other types of consulting services which may have a training element in them. For example, we would design a performance appraisal system and roll that out into an agency, and that might include a series of training for all staff. In the last year we have had some changes in the structure of our company but we have had anywhere between five and 10 people employed doing that sort of work.

CHAIR—Do you employ the trainers full time or do you recruit or engage a specialist trainer for a particular—

Ms Juknaitis—We have a mix. We both do training ourselves and we also have staff. We also have some subcontractors in various specialists areas. For instance, we have a specialist

project management trainer and a specialist policy development trainer, but we would have a lot of the generalist skills in-house.

CHAIR—In what type of training? Do you have a specific focus on particular areas or particular agencies?

Ms Hilyard—I think that over the time the company has been in operation we have worked with almost every portfolio, so we work across a range of agencies. Mainly it is in areas to do with people management, performance management, change management or skills in managing resources—

Ms Juknaitis—Leadership.

Ms Hilyard—leadership and those sorts of aspects of training.

CHAIR—Are all of those training programs provided on a face-to-face basis or do you use e-learning or interactive technology to provide them?

Ms Juknaitis—It is mainly face-to-face, but we do have self-paced materials and we also are in the process of developing some e-learning materials.

CHAIR—Okay. And you said that you have between five and 10 people employed.

Ms Juknaitis—Yes.

CHAIR—Do they all have some experience within the Public Service? If you were recruiting a person to work for you, or if you were engaging a subcontractor, you would be looking for somebody who has had a relationship with, or an involvement with, the Public Service—is that the position?

Ms Hilyard—Generally.

Ms Juknaitis—You really do need a sense of the culture and the way organisations work, yes.

CHAIR—You have made some interesting comments in your submission. You have talked about outsourcing, and I am sure there will be questions from other senators about that. On the second page of your submission you point to a problem within the delivery process which suggests that there might be too many people or groups involved, say, when a department puts out a tender and ultimately it gets delivered. Can you just expand upon that a bit—how you see it being more appropriately delivered? You end up saying:

> We have found that these agencies are unable to get as much for their dollar and so there is less training and development activity taking place.

Just expand on that aspect of it a bit.

Ms Juknaitis—This is the size of the panel contracts or—

CHAIR—You say here:

For example, one of our clients is required to engage us—

that is you—

through their outsourced Human Resources provider.

So you have a department, an outsource provider, who then speaks to you or engages you and so on. That is what I meant. It seemed to me that you were basically saying that there might be too many middlemen or too many groups in the chain and a lot of the expenditure could be getting eaten up in that way.

Ms Juknaitis—This is a difficult issue to comment on because when we are dealing with outsource providers we understand that with some of the outsource providers a premium is charged on the services they contract out. For example, we might be delivering a particular service to a client that subsequently outsources its human resources services. That outsource provider then takes over our contract and continues to manage us to deliver that service for a higher price.

Ms Hilyard—There is a potential for a direct higher price and a potential for Chinese whispers to occur down the layers. We negotiate with the outsource provider, who takes a brief from the agency and then takes that brief to us. We then take our proposal to them and it gets translated back to the agency. One of the points we were making there is that, in the longer term, it adds another dimension to the relationship we have with the client in terms of being able to clarify and ensure that what we are offering is what they are asking for.

CHAIR—I think Senator Lundy might want to follow these questions up. Did you want to add something?

Ms Juknaitis—The other thing it does is to create a section of the contract about which we can no longer negotiate with the client.

Ms Hilyard—It becomes undiscussable.

Ms Juknaitis—It becomes something we are not allowed to talk about with our clients and therefore we cannot negotiate directly with the client. If we negotiate with an outsource provider, there is no guarantee that any reduction in price that we offer them will get passed on to the client because none of that is obvious to us.

CHAIR—In that situation, are you concerned about the ultimate quality of outcome that is being provided as well? Is that a problem that might arise because of your limited control, if you like, or influence on the process?

Ms Juknaitis—It has the potential to impact on quality, yes.

Senator LUNDY—I have noted that issue with interest; you articulated that issue very clearly in your submission, and I, like Senator Forshaw, want to go into a little more detail. I

certainly take your point that the human resources management outsourcing adds a very clear layer of contractual responsibility between you and the department or agency. Apart from communication difficulties, does that contract, when it is transferred to that human resources vendor—if I can call them that—mean that you cannot formally liaise with the department about the services that you are providing?

Ms Hilyard—Not in all instances. Certainly some subjects do become undiscussable with the agency. There is certainly a third person in the loop of any interaction. So at some levels we can still discuss directly with the agency what they want, but certainly not about price.

Senator LUNDY—So you are not allowed to discuss issues of price. I think you probably quite rightly made the assumption that that is because the human resources vendor is making a margin for itself out of the services you provide; you charge less than it is charging the department for the provision of those services.

Ms Hilyard—Potentially; we think that is what happens in some cases.

Senator LUNDY—That would make it consistent with probably every outsourcing model. That is fair enough. It has certainly been the structure and pattern of most major contracts that I have ever seen or have, at least, anecdotal awareness of. On the issue of how that particular human resources vendor structures its own contracts, can you reflect on the extent of your knowledge about how prescriptive those requirements have become? Can you compare them with the direct contracts that you would be used to having with the department and how the nature of the contract for the provision of that service changed under the human resources outsourcing model? Can you comment on the changes that occurred with respect to its prescriptive nature or any points of difference that you think might be relevant to the committee's inquiry.

Ms Juknaitis—With the changes, in some ways there are improvements in the contract and in other ways there are not. The nature of the services to be delivered would be documented in exactly the same way, but there is probably more flexibility to make adjustments to that contract. For example, under one of our contracts there have been some changes of staffing in the outsource provider, so we have actually ended up taking on a greater role. We have been able to bill them for that, which is something we may not have been able to do in a government contract. We took out some prescriptive elements from the original contract that was presented to us. They would have prohibited us from working directly with that organisation, and we said we were not going to sign a contract with those elements because we already had a relationship with that organisation. However, that does not remove the requirement for the organisation to deal only with them, so even though we have the right under our contract to deal directly with the agency, it cannot.

Ms Hilyard—I do not think that highlighting the contractual issues is really highlighting where we see the issues, which are more in the changing practice. A lot of the issues that come up are probably less set in the contract than in the tone of the relationship or the way that relationship is managed by the outsource provider.

Ms Juknaitis—In particular it concerns, say, the way problems are handled. If something does not happen on time, in a normal agency-contractor relationship it is quite clear where the

responsibility lies. It lies either with the agency or with the contractor. With the middle person you are never quite sure, because everybody is saying that somebody else has not done what they were supposed to be doing.

Senator LUNDY—How would you go about resolving that kind of dispute? Or do people just pass the buck and it never really gets resolved; it just culminates in a department that is operating slightly less efficiently?

Ms Hilyard—The way we try and manage it is by throwing more resources at it, so at our end it is a more resource-intensive process. That is probably happening at each level. You are managing a more complex system than you would if you were dealing directly.

Senator LUNDY—That question of responsibilities—and, in the extreme, liabilities—was canvassed quite thoroughly by the Commonwealth Ombudsman in their 1995 annual report, I think. Those changing responsibilities subsequently led to this Senate committee's initial interest in contracting out and outsourcing generally. Again, it is not something that has not been explored at quite a deep level. It is interesting that it is still occurring in that way and that some of those lines of responsibility and accountability are not yet resolved.

Ms Hilyard—That is true, and I think there is also some lack of clarity about exactly what has been outsourced to the outsource provider. Perhaps that is driven by agencies in some cases not necessarily being clear about what HR actually is. The strategic end that I mentioned earlier tends to drop off: it is not contracted to the outsource provider and is no longer delivered by anyone in the agency. There is therefore a gap—and that gap is very obvious to us, as people who have dealt at that level.

Senator LUNDY—And who have been required to think strategically in the past.

Ms Hilyard—Yes.

Senator LUNDY—You do not feel that to think strategically or provide strategic advice is, or can be, part of your job description and what you are contracted to do now?

Ms Hilyard—Yes. I guess the frustration is perhaps that nobody is asking for that advice. We are making generalisations about things that are probably just examples that we have come across, so I do not know that it is happening everywhere, but certainly in some agencies I see the absence of a focus on strategic HR occurring as a result of the outsourcing.

Senator LUNDY—Do you need to be party to an endorsed supplier arrangement to get work and to be contracted by the human resources vendors? What happens? Do you participate by virtue of a panel system? How do you actually tender for that work?

Ms Hilyard—It varies from agency to agency. With some outsource providers, during the tender process they have approached us to be identified as a small enterprise in their contract. With others, we would deal directly with the department and then the contract might be passed over. Sometimes the department engages us and then the management of that process is handed over to the outsource provider. That is another way it is working.

Ms Juknaitis—Are you thinking in terms of outsourcing or are you thinking more generally?

Senator LUNDY—More generally. I am thinking about your experience as a company. Obviously that is part of the answer but, yes, I am asking more about where you pitch yourselves at government agencies and departments and how you are actually engaged.

Ms Juknaitis—Most of our work comes through select tenders. As a small company, we are known for specific things.

Senator LUNDY—You are pre-identified as someone to receive that tender documentation?

Ms Juknaitis—Yes. Our name is passed on via various things we are involved in. People say, 'You could ask People and Strategy to tender.' We also participate in public tenders, although not a lot of work comes out of those because they are usually so massive.

Senator LUNDY—Do you find that public tenders present a resource barrier to your responding to and fulfilling the requirements of the tender?

Ms Hilyard—The public tenders and panel tenders that have been coming out over the last couple of years have certainly become much more onerous for a company the size of ours, and much more formal in the way that they are managed. For example, I think we mentioned in our submission that our ability to go back and clarify needs with the agency and so on is diminished because of the formality of the due diligence process, where everybody who asks a question has to have that question published and so on. While we think it is useful to have rigour in the tender process, that does create a significant resource requirement for us—as well as a drop, we think, in the standard of our submission. When we respond to a select tender, where there is a bit more flexibility for us to go and clarify needs and to think about what might be a useful approach to a particular problem, we feel we provide a much better submission than we do with a formal process.

Senator LUNDY—What are your observations about the trend? Are the tenders becoming bigger and more formal?

Ms Hilyard—Definitely. I do not know whether it is a real or a perceived link, but the tenders for panels and for smaller HR training and development projects now are looking more and more like the big outsourced tender processes. I am not sure whether the rigour in one is driving more rigour in the other, but they are certainly very big. And the format is very fixed, so it is difficult to use the tender process to differentiate ourselves.

Senator LUNDY—So you do a big cut-and-paste tender. I would not expect you to respond to that, but—

Ms Hilyard—It can be a bit like that, and a small company like ours probably relies on setting ourselves apart in those processes by not 'cutting and pasting'.

Senator LUNDY—Have you found that, as these tenders have become bigger and more technical—more rigorous, I guess—in what they are asking for, they are also demanding a

broader capability from contractor companies like yourselves, even requiring a capability beyond that of the scope of the actual contract? Have you come across that?

Ms Juknaitis—I am not sure about that.

Ms Hilyard—I think most of the tenders we have been involved in allow you to identify the segment of the requirement that you are responding to. So most give you the option of tendering for the whole thing or—

Senator LUNDY—It is something I have observed in other sectors, particularly in ICT, and it is presenting itself as quite a barrier to SME participation. A very broad range of vertically integrated capabilities is being demanded in the substance of the contract but is not necessarily required. I am curious to see whether the same trend is occurring in your field. If not, then that is good.

Senator WATSON—Do you perceive significant differences in the quality of training from agency to agency?

Ms Hilyard—That is a hard question. We could probably comment on the quality of decision making about training but the quality of training is difficult, because we are delivering it so we do not get to see other—

Senator WATSON—Do you perceive that you have to give a lower level of training in one area compared to a higher level in another, and that sort of thing? We are looking for consistency in outcomes.

Ms Juknaitis—I think if you pick a particular stratum in an agency you are going to find pretty similar people in that stratum across other agencies, so I am not sure if the pitch of the training—the complexity of that training—differs very markedly. Where we notice the difference is in the quality of the strategic decisions about training.

Senator WATSON—Can you tell us a bit about that?

Ms Juknaitis—It is really about whether the organisation is using training to achieve particular outcomes or whether it is just a knee-jerk reaction to the current issue—saying, 'We've got to do something on fraud and ethics, so let's run fraud and ethics training for everybody and they will all get half a day,' rather than saying, 'This is what we are trying to achieve as an organisation. What kinds of training do we need to support the achievement of that objective?' That is where the variation is.

Senator WATSON—That is important. Can you speak to each approach—using training for strategic outcomes and training for the sake of training and because others do it?

Ms Hilyard—A research project we conducted last year into performance management across the APS looked at the practice of 14 agencies in the implementation of performance management processes. We found that in almost every case the agencies had rolled out a suite of training programs, like a compulsory day of training in feedback skills, for everybody in the department. In some cases they had added to that suite of training some more targeted support

for areas that might be having particular problems and offered particular support and guidance to managers who were having to run that process that was different from the support they provided to staff who might be participating in the process. These agencies thought through a suite of support strategies to ensure that that process was going to work well in their organisation; others just said, 'We'll roll out a half-day of training and make sure everybody comes.' That is an example of a strategic approach versus a non-strategic approach that we would think of as not very effective. It is very cost-intensive to roll out training for every person in an agency, but it is not necessarily getting the outcome you might be looking for. What is the other point there, Kerry? The quick fix?

Ms Juknaitis—With the cutbacks in budgets and the impact that has had on training, we find that the people we are dealing with are often at a fairly low level in the organisation and tend to be solution-oriented. They decide that a certain thing is needed and—and this links to the questions about the contracting process—they offer a contract to deliver this particular solution. You might write a tender saying, 'This is how we are going to deliver that solution for you with this set of training,' and be successful. When you go in to start developing the training, you start asking questions around the issue and you find out pretty quickly that that solution is not going to work. Somebody has dreamed it up as a way of presenting something. They have been asked to find a solution to the problem, so they have dreamed up this training. We go in and say, 'We do not think this is going to work.' It is a bit of a trap because, if you go ahead and deliver the solution as requested and it does not work—which is likely—you can get left with egg on your face because it did not work. The other thing that can often happen when you go in to start talking to people in the agency, to develop the materials, is that you find that there is no support for that solution at senior management level. You have people operating at a lower level in the organisation running around dreaming up ideas but not necessarily getting the senior executives' support for that as an effective solution. Again, these are examples of non-strategic approaches from our perspective.

Ms Hilyard—The quality issue that is linked to that around delivery is, if you are delivering training to people who do not see any value in it or do not see how it connects to something they are trying to do or deliver or improve on, it does not matter how good the quality of the training is. It does not matter if it is not relevant and is not adding some value that is of use to people.

Senator WATSON—Is there are a lot of competition in the provision of training services in your area of specialisation? Do you have to cut your costs to get contracts?

Ms Juknaitis—It is not a very price sensitive industry. Once you have established a reputation as a quality deliverer in a certain field, cutting prices is not really what is going to win you work. But there is a fair bit of competition in terms of a lot of people in the marketplace. We compete with other firms that are around the same size as us; we compete with single consultant operators; we compete with the big six—or big four or big three—accounting firms, which often have human resources and training and development people. We also compete with the universities and the institute of technology stream. There are a lot of different kinds of parties in the marketplace.

Senator WATSON—Do you perceive a decline in skill levels in the public sector as a result of contracting out?

Ms Hilyard—In the specific area of HRD and human resources, we have observed a decline in the skills within agencies. A lot of the people who traditionally delivered HRD or HR services are now outside of the service and delivering services back in, so we would say that that skill has probably been eroded in some agencies, although in some agencies they are rebuilding that now. An overall decline in skill levels would be difficult for us to assess.

Senator WATSON—Why are they rebuilding it? Have they realised that they have gone too far?

Ms Hilyard—In some places there is a recognition of the connection between making improvements to outcomes for the public and having a skilled work force, so you are starting to see some agencies rebuild the capacity in those areas. A particular example might be the recruitment of graduates. Some agencies are trying to recruit graduates with particular organisation development, human resource development capacities. I do not think that is across the board.

Ms Juknaitis—We often hear organisations say that they are losing their corporate knowledge. They have a pool of people who are bright and intelligent coming up through the ranks because of the increase in graduate recruitment, but they are often some way short of the mark because they just do not have the experience in the organisation. Probably over the last four or five years there has been the impact of the old CSS on people's retirements, but also you have seen that big block of downsizing that happened around 1996, which meant that a lot of people who were a bit older left. It seems there is a bit of a gap. Even though you could not say there is a decline in skills across the service, there does seem to be a bit of a gap between people's capacity and their experience at the moment.

Ms Hilyard—My experience is that I have heard a lot of agencies complaining that the turnover in their organisation is often of young people who are coming in and leaving in short spaces of time. That is fairly anecdotal, but I noticed recently that some agencies have been surveying that. There is the long-term staff and then the graduates who are staying, on average, five years and then leaving. So you have this core of people who have been around for a long time and this quick turnover. There is quite a big investment in developing those graduates as they come in.

Senator LUNDY—But they are not staying long enough to build up that bank of experience that you are observing is lacking in some areas. That is really interesting.

Senator WATSON—Is it possible to turn around the low level of youth employment in the public sector? If so, how can that be done?

Ms Hilyard—I do not think we are qualified to answer that one. I think there are some cultural issues about attracting young people of the dotcom generation, which does not necessarily think of a job for life but of a quick spurt somewhere that is interesting and exciting. So maybe some thinking about changing the way we think about employment in the public sector is needed to attract young people.

Senator WATSON—Without referring to the term 'apprenticeship', what about getting young people out of school and giving them lifelong training?

Senator LUNDY—Like an earlier entry point for young people.

Ms Hilyard—There does seem to have been an emphasis on the youth of the service being graduates from university rather than those straight out of school.

Senator WATSON—That is right. Is it not possible to bring in these people straight out of school and put them on a training program or an apprenticeship or something of that nature to give them skills and then build on those progressively as they go through the organisation?

Ms Juknaitis—This really is not our area. I am not sure how much scope there is for that kind of work. It seems to me that the complexity and the level of independent thought and problem solving even at lower levels of the Public Service is higher now. So I think the amount of work that might be suitable for people coming in, say, at an apprenticeship level might be less than it might have been in the past. There is less processing work, because a lot of that been contracted out; a lot of that has disappeared with technological change. So you really need to recruit people who have the capacity to adapt and to change their career path, to learn new things quickly, to focus on something totally different. From my observation, I think that is why the emphasis has been much more on graduates than on people coming from year 10 or even year 12.

Ms Hilyard—The other side of that is, if you did have entry at that level or at various levels, that a more strategic approach might drive some thinking about what skills people do need at different points in their careers. A more strategic approach to training might actually start to do that. I do not see that happening at this point in time. We are trying to do it a bit with some of the training we do for graduates at the moment, as we think: what do they need in their first day on the job, what do they need in the first six months, what do they then need at the end of the first year? But our input does not go beyond that. So there is a lot of reporting that at the end of the first year of training they are left to their own devices.

CHAIR—There is that phenomenon about less process work because of technology, whereas in the past a lot of people who did not have tertiary qualifications might have been recruited from school. They may have attended tech courses, as they were called in my day, in typing and all sorts of other things. We understand that the same scope for employing those sorts of numbers of people is no longer there, but that has been the case for industry generally, including banking, another significant area of recruitment of people who would come in and start in very junior positions and work their ways up. It has happened in lots of companies, so that effect goes right across the employment market.

That then leaves us with the question—which I understand is a very difficult one to answer; it is one of the reasons we are having this inquiry: if the Public Service is considered to have a role, and this is a debatable issue, in trying to drive and lead in employing young people, how do we do it? That is what we are getting at. I understand that question is not easy to answer, but we are interested in all sorts of views about that. We know, for instance, in the trades area—which is not directly relevant here, to the Australian Public Service—the biggest employers of apprentices used to be major state government instrumentalities, such as main roads, railways, HEC in Tasmania. We know all of that has largely gone too. It is right across the spectrum.

Ms Juknaitis—It does seem like agencies report fewer positions at lower levels. When budgets are contracting, what gets cut out of a staffing profile within a branch or a section is often the lowest level job. More senior people are doing their own clerical support; where there is clerical support needed, they do it for themselves.

CHAIR—One of the ironies of this is, if the young generation of today is the generation of the dotcom—I have experience of this myself; my 11-year-old shows me; he knows more about how to use a computer than I do—and that is where it is all heading—

Ms Hilyard—Where the emerging work is.

CHAIR—why we can't find the opportunities to enhance what starts out as almost natural skills that they acquire through their school years and then build on that and train young people and direct them into certain career paths.

Ms Hilyard—Perhaps there is a role there for accredited training so that there is a stream of work supported by some formalised development process that might equip people. They could do university side by side with making a contribution in the organisation, building experience while they are developing their qualifications. I have been thinking off the top of my head about ideas to marry the two. Potentially, you do see those of us who went to school before computers emerged struggling with some of the inefficiencies of that. Whether the two sets of skills could be married is a good question to be asking, but I do not have a solution, I am afraid.

CHAIR—Thank you for your attendance this afternoon and for your written submission.

[2.08 p.m.]

GOURLEY, Mr Patrick Dennis (Private capacity)

WEST, Dr Julie Ann, Managing Director, Workplace Research Associates Pty Ltd

CHAIR—Welcome. Do you have any comments to make about the capacity in which you appear?

Mr Gourley—I am a retired public servant.

Dr West—I am the Managing Director of Workplace Research Associates, which is a specialist consultancy organisation that does a lot of recruitment consultancy work.

CHAIR—Were you present when I made the statement before the previous witnesses regarding the nature of proceedings of this committee, including the implications of parliamentary privilege et cetera?

Mr Gourley—Yes.

CHAIR—So I do not need to repeat that?

Mr Gourley—No, thank you.

CHAIR—If any query arises, please ask. You have provided us with a written submission, and I thank you for that. You have obviously put time and effort into preparing that submission and have done detailed analysis of some of the issues, which is very much appreciated. Before I ask you to make an opening statement, are there any additions or corrections that you wish to make to that written submission?

Mr Gourley—No.

CHAIR—I invite you to make an opening statement and then we will go to questions.

Mr Gourley—As you can see from our submission, we have focused almost exclusively on recruitment. We have made some tangential comment on training as it affects the role of the Public Service Commission, but that is far from central to what we have put in our submission. Briefly, to recap what we have tried to say, it is obviously important to have in mind some criteria against which you can assess the working of the Public Service recruitment system. We have suggested a few in our submission. This is not an exclusive list but an indicative list. Against those criteria, we see some scope for improvement in current arrangements in recruitment; although, having said that, we would also say that the current system is a very robust one and it has a very strong and reputable historical record.

The main points follow. First, we see the existing policy of advertising practically all vacancies as open to outside competition to be a bit wasteful, uncalled for and inconsistent with the notion of a 'career service', depending upon how you like to interpret that term. To go back to some of the comments you made to previous witnesses, to the extent that that has increased recruitment at above the base levels within the Public Service, it is depressing opportunities for the recruitment of younger people at the lower levels of the service. We have provided a couple of articles about the general issue of what the McKinsey company calls the 'war for talent', including an article from the *New Yorker* magazine talking about the application of that policy in the—

Senator WATSON—What does the policy say?

Mr Gourley—That the war for talent—

CHAIR—Is that the article by Jeffrey Pfeffer?

Mr Gourley—Yes. The article deals with the ill-fated Enron corporation and the application of that policy there. Second, I would like to emphasise the importance of graduate recruitment and, in particular, the importance of all agencies playing their part in graduate recruitment and recruiting to their needs, rather than avoiding the expense of that recruitment and training and then poaching people from other agencies which do recruit to their need. Third, we think the current restriction on the re-employment of people who have received their redundancy benefit is unfair and inefficient. We argue that it visits the inadequacies of the service's redeployment arrangements on its victims and it results in the recruitment of less efficient people.

Fourth, we stress the importance of using the best assessment mechanisms possible, and we emphasise the fallibility of the interview that typically plays, in our view, far too strong a role in assessment. Fifth, we believe that there are more efficient ways of organising recruitment assessment, as is outlined in the paper provided to the committee by Dr West and Ms Karas. And, sixth, we see a strong role for the Public Service Commission in independently monitoring and assessing the proper working of recruitment and promotion in the service. We see this as a higher priority, if there were a clash, for the Public Service Commission than its role in the provision of training and development.

CHAIR—Dr West, do you wish to add any comments?

Dr West—No. We have collaborated on that summary, so I am happy with it.

Senator WATSON—Mr Gourley, given that you are retired, what is the motivation behind your coming before this committee with your presentation?

Mr Gourley—During the 1980s I had shared with Dr West the responsibility for recruitment policy and some operational aspects in the Public Service before the Public Service Board was abolished. During the 1990s I was responsible for aspects of recruitment policy and operations in the Defence organisation, both for military and civilian staff. So I guess that, in association with Dr West, who has a very high level of skill and experience in selection techniques, my motivation is to try and make some sort of contribution to the debate that this inquiry has initiated.

Senator WATSON—What would you like this inquiry to focus on? What would you be happy for our inquiry to finish up recommending? Obviously you have a purpose. Where would you like to see this committee finishing up in terms of its recommendations under the terms of reference?

Mr Gourley—I suppose that we would like to see the report picking up some of the issues that we have raised in our submission.

Senator WATSON—Are there any in particular? We want to try and get a focus.

Mr Gourley—In particular, I think that we see greater scope for some more centralised assessment measures for recruitment across the Public Service that would provide some cheaper ways of doing things and perhaps, in some instances, a more standardised and robust method of assessment than is probably being used at the moment; an arrangement which would allow individual agencies to overlay any particular requirements that they had for particular classes or types of people. Dr West can speak more about this than I can but, from her experience, it seems that at the moment a lot of the agencies are using the Public Service Commission's strategic framework for selection. They are picking it up and making some adaptations to it, but it is being widely used. To us, that signifies that there is scope for some commonality of approach and that things can be to some extent organised in a common way. I guess that is one of the central parts of our submission—we have picked up on a couple of particular points, as I have said, but that is really at the core of our submission. Maybe Dr West would like to—

CHAIR—Just before you make some further comments, Dr West—and obviously we are very interested to hear them—I would like to pick up on the point that Mr Gourley has just made. Would you say that the ability to do that sort of whole of public service assessment, if you like, was greater under the previous structure, when the Public Service Board existed and where it was a less devolved Public Service than it is today?

Mr Gourley—Yes, for a number of reasons it certainly was, particularly in the clerical area. A far greater proportion of recruitment into the clerical office based area in the 1980s and earlier occurred at the base grade levels. But at the same time, the Public Service now is a much more homogenous organisation than it was 30 years ago, when organisations like the Postmaster General's Department, the Defence factories, repatriation hospitals and a range of transport and communications authorities made it a much more diversified organisation.

CHAIR—So it has devolved, but it has contracted back to core functions?

Mr Gourley—Yes, that is right. For some of that recruitment in very particular and specialised occupational categories, in a way, 30 years ago, centralised recruitment was not so readily done. I think that with a more homogenous service now—a more office based service, although not an exclusively office based service—there are opportunities to apply a rather more collaborative and cooperative approach than we see at the moment. I emphasise that it is important for agencies to have flexibility within that sort of framework. We are not wallowing in nostalgia for the old days and trying to resurrect what was—

CHAIR—I did not in any way interpret what you said as meaning that.

Mr Gourley—I am sorry if I appear defensive on that.

CHAIR—I was not trying to suggest that was what you were saying at all. We know that significant changes have taken place within the service and they have happened under governments of both political persuasions. I take it from what you are saying that this can be done. There is an ability to do it and I assume, if I am hearing you correctly, that this would lead to a greater involvement of the Public Service Commission in that function than is there today. Is that what you are saying?

Mr Gourley—Yes, if this track were to be followed, the Public Service Commission would be the logical organisation to pick it up.

Dr West—I want to elaborate on a couple of points. Mr Gourley was talking about our experience in terms of delivering recruitment consultancy services. To illustrate a couple of central points that we are making, we have observed—particularly at the graduate, executive and senior executive levels—that there is a lot of duplication occurring across the service. The agencies certainly all differ in their types of business but they are adopting very similar frameworks in the recruitment processes that they want to follow. A classic example is the senior executive leadership capability framework, that the commission sponsor the development of that. It is a very good leadership framework and it is currently being used in training, development and recruitment in many agencies. We work with it extensively. We will be contracted by an organisation to design a recruitment system that assesses leadership capabilities. We will go to organisation A, B, C, D, E and F, and they want something that might be slightly different here and there, tweaked around the edges. Essentially, what we are doing is designing systems for each individual agency to help them select against that framework.

It is the same at the graduate level. At the graduate level every agency is going out and competing for, as we say in the submission, often very limited resources. Sometimes the competition in particular disciplines is very tough. However, they are each required to go out on their own and undertake extensive advertising campaigns, short-listing campaigns and recruitment campaigns against essentially very similar criteria for a graduate in that agency. There is an enormous cost there. The last thing I will say on this is that we have also observed that certainly the smaller agencies on the graduate level are voting with their feet. For some time now, approximately nine small agencies have clubbed together under a consortium arrangement to purchase recruitment services. That is a very good example of practice coming in to fill a gap.

Mr Gourley—If I can add to what Dr West has said it is costly and inconvenient, not only so far as each agency is concerned, but also so far as each applicant is concerned. It is quite likely that some people applying for graduate entry could go through 15, 20 or 25 different selection processes to get into the Public Service. That is very inconvenient for an individual, and I imagine they find it rather off-putting.

Senator WATSON—That is a lot of selection processes—what would they be?

Dr West—That is for different agencies. If a graduate were applying to five, six, seven or eight different agencies, they would need to go through that number of selection processes. Each agency does their own graduate selection.

Senator WATSON—I see.

Mr Gourley—They may apply for more than that. They may apply for 20 positions in an effort to maximise their chances and go through that many assessment processes to enter the single career Public Service.

Senator LUNDY—Anecdotally, I hear that on a significant number of those occasions where someone may apply for those jobs there is a delay in hearing back about that application. In some cases, applicants have no notification of success or otherwise and, because the delay is quite often months and months through that process, there is no way of them being briefed as to the progress of that decision. Can you comment on what happens next, once someone applies for a job? I think that is an important aspect—what motivates people to join, and what do they go through once they have signed off on an application for a job in the Australian Public Service?

Dr West—The point too is that they are no longer applying for a job in the Australian Public Service; they are applying for a job in a particular department or agency.

Senator LUNDY—Which is the point that you are making.

Dr West—That is right. They go to agency A, and they have to send an application to that agency if they want a job there. Agency A may be running their graduate recruitment in-house. It is quite unlikely these days, as most of them do not but, for argument's sake, the delay may be the fault of the agency. The person might also apply to agency B. They have to go through a separate process because they want a job there. However, agency B has outsourced part or all of the graduate selection process. Therefore, the delay could be with the outsource provider or with the agency. But it is a different scenario, depending on every agency that the person goes to.

Senator LUNDY—The other scenario that has been conveyed to me is that, because of the delays and the variation in delays, quite often potential new recruits have great difficulty in making decisions if an offer is made, because they have so little guidance on other opportunities—whether or not they are forthcoming—let alone being in a position to assess the merits of competing offers. Can you comment on that?

Dr West—That is very true and, again, we have seen that in these very competitive markets where there is not a great supply of graduates coming from institutions at present—for example, in accountancy, economics and IT. What can happen is that each individual agency is competing for that one graduate along with private firms. If there are delays, the person does not know how long they might be. Agency A may be their employer of choice but, if agency A has not gotten back to them and either agency B or a private firm comes to them, then of course they are probably more motivated by getting a job. When agency A comes back a month later, it is too late.

Mr Gourley—There is a tendency for people in these circumstances to say yes to everything, then wait until the death knock and pick the best one. Then they drop out of the other selections where they have been offered a position and said yes.

Senator LUNDY—Which would create inefficiencies, like in the other scenarios.

Mr Gourley—Exactly.

Senator LUNDY—You say in paragraph 14 of your submission:

To extend nationwide competition for the vast majority of vacancies in the Australian Public Service unreasonably diminishes the notion of the career service.

That is an observation of Professor Pfeffer. Can you add to that point?

Mr Gourley—We think that of organisations throughout Australia the Public Service distinguishes itself by having—I am not exactly sure of the figure—about 99.9 per cent of all of its vacancies open to full, outside competition. I know of no other organisation in the country that does that. I think that a part of the notion of a career service is that a significant number of people join at the base levels of that service and then they have an opportunity, through their experience, training and on-the-job performance, to advance up the career structures. If you are opening every vacancy to outside competition, it seems to us that that diminishes the career service to the extent that larger numbers of people are brought in up the top. It is relevant to a number of aspects. You were talking earlier about corporate knowledge. It seems to me that if you are recruiting very large numbers of people from outside that is going to affect your corporate knowledge. It is going to affect the morale and motivation of people at the lower levels who, every time a vacancy comes up, see themselves as having to compete with everybody else in the community for a position.

So that is what we mean by it having a depressing effect upon the career service, and it is very expensive. With some vacancies, often quite low-level vacancies, you will get literally hundreds of applicants, many of whom have not got a chance of being appointed because they do not, for example, have a reasonable appreciation of just what is involved in particular jobs. Some of the applications are put in with a high sense of naivety, but nevertheless the recruitment system has to very carefully consider all of those applications and make decisions about their suitability or not in a way that satisfies the full demands of public accountability. If you are advertising an APS level 3 position and you get 250 applicants, that is a lot of work to go through. We see some scope for moderation of the current arrangements in the direction of limiting the number of vacancies that are advertised above the base and thinking more about doing that when there is an obvious shortage of skilled or suitable people to fill those vacancies already within the service. We see that as being much more congruent with the notion of a career service and a more efficient way of going about recruitment.

Senator LUNDY—Thank you for that. I did not quite have my head around whether you were referring to within, as opposed to outside, the Public Service or in fact to limiting it to geographical locations, for example, for various agencies and departments. Another point I want to go to is, as in paragraph 22 of your submission, this issue of the generalist, particularly in relation to the graduate program. We have heard from other presenters and witnesses at this inquiry that there is a perceived and/or real dearth, if you like, of technical expertise and technology professionals. That is partly because a greater number are being outsourced but also—and I am looking for your comment here—because there is not any particular targeted or effective recruiting technique or process for technical experts in a range of areas. Engineering and information technology are the two that come to mind. Are you able to comment on that?

Mr Gourley—Again, Julie might like to say something on this but I will just initially draw upon my experience in the Defence Organisation, which is really on the departmental side but also on the military side. Defence is probably the major recruiter of trades, technical and professional people now in the Public Service. Organisations like the Defence Science and Technology Organisation and other parts of Defence do have very active graduate recruitment programs for professional people—engineers, scientists, IT people et cetera.

I think that the difficulty in some of that recruitment is a difficulty of the supply of some of those people—particularly highly specialised people in scientific areas—and also the level of competition that exists for those people and the capacity of the organisation to meet that competition in terms of pay and conditions. My experience is a couple of years out of date. Dr West probably has a broader view of the service and a more contemporary one.

Dr West—Senator Lundy, is the view that they are not being recruited because there is not a demand, or because—

Senator LUNDY—I think it is a combination of both. It is certainly an area where technical expertise is seen as non-core and is therefore outsourced, but it has also been observed that that has reduced the ability of the agency or department to assess at a strategic level their technology requirements, for example.

Dr West—I think that is very true. It is not dissimilar to the information that was given by the previous witnesses that, on the training and development side, there seems to be an increasing gap in the ability of organisations to look strategically at what they need. My observation is that that is happening in the recruitment area too. I perceive a loss of skill across the public sector in all the areas we work in—knowledge about recruitment processes, appropriateness of techniques, what might be available, what is good and what is bad. That is exacerbated in the technical and specialist areas where the people who are managing those recruitment processes or thinking about their work-force planning often do not have a lot of human resource management experience and are not being appropriately advised by HR areas. I think that those things combine, and that may be what is being commented on.

Senator LUNDY—We heard earlier from a recruitment company about a new sort of test that is being done relating to values. Where does this values questionnaire or values assessment fit in the context of paragraph 36 of your submission, 'Methods of assessment for recruitment', and the Smith and Robertson study, and where, in your view, is it relevant to recruitment in the Public Service?

Dr West—That is a very good question and one that I have a reasonably strong professional opinion on.

Senator LUNDY—I would be very pleased to hear it.

Dr West—The recruitment firm might not be so pleased! I will start at the bottom level. When we are recruiting, most often we are looking at a skills-to-job fit—we are looking at the level of the individual, what skills they have and how that matches a job. Values are being seen as the next layer. An organisation has certain values and it is a case of, 'Let's see if the individual fits the value system of the organisation.' It is certainly possible to assess values from

a measurement point of view—an assessment point of view. I am unconvinced about the research evidence for the ability of a values assessment to predict job performance, and I have had a couple of professional discussions with practitioners who are developing values tests. Values are certainly important, but you can imagine a scenario where I might really need a job in order to be able to feed the kids and I have a certain value system but am prepared to put that aside because the value of feeding my kids is much stronger. If I were to sit a values test honestly and be found not to meet the values of the organisation, that would say nothing about my ability to do the job. So, unless there is strong evidence that says your values are a very strong influence on your ability to do the job, I do not think they have a place in recruitment.

Senator LUNDY—What sorts of questions are asked in a values test? Are they about people's personal views? The alarm bell that rings in my head is whether they are about political values—which runs counter, of course, to the whole ethical basis of the Public Service. Can you provide the committee with an insight into what sorts of questions we are talking about in a values questionnaire or survey?

Dr West—Personally I think, too, that an abuse of a values assessment could be quite discriminatory. It could be quite discriminatory to say that some values are better than other values.

Senator LUNDY—I would boldly suggest that it is highly subjective, depending on the views of the assessors.

Dr West—Yes. There are certainly a number of common things—and I may do a little bit of disservice to the values literature here—that are being assessed in values. These are all the sorts of things about a job that might potentially motivate you. For example, are you motivated by high pay or not? Is that a value you hold? Are high earnings a value—yes or no? You can imagine that people very much differ in their responses. How important is it for you to work in a job that serves a community, that is part of some sort of social justice agenda? There is a whole range of things—how important is it for you to work with people, or is it preferable for you to work alone? How much do you need status and recognition? So it is about all those very personal things that motivate us at various levels. But another important aspect of values that is relevant to the discussion of them in terms of recruitment is that your values are not all met at work. Many of our very important values are met outside work. So just because your value is not going to be met in the workplace does not mean it is not appropriate for it to be met outside. Is it an employer's place to say that you have to meet the values that they determine at work? So there are a lot of very complex issues there.

Senator LUNDY—Thank you for that. Again, working within the context of that list of the Smith and Robinson study, in the next paragraph of your submission you raised the spectre of certain methodologies in recruitment providing effectively structural barriers or some form of systemic discrimination particularly against younger people. I think you mentioned that the process of the interview can create a bias against younger people.

Dr West—It possibly could.

Senator LUNDY—Could you extrapolate a little on what you see as the potential systemic barriers against young people getting through that assessment process.

Mr Gourley—My appreciation of this is not so much from study, as Dr West's is, but from observation. I think that very often it is the case that older people can be more convincing at an interview. Sometimes they have had more experience of various sorts of things that make them more articulate and more able to give the impression of being able to think on their feet. Sometimes younger people are at a disadvantage. The second point is that those sorts of impressions are often overvalued in the overall assessment as a result of the interview.

There was a very famous cartoon in the *New Yorker* magazine some years ago featuring a committee sitting around a table with an applicant sitting outside. One person in the committee says, 'Yes, I know this person hasn't got any relevant qualifications or the experience for the job; I just like the look of him.' That happens a lot. It is just a fact that people will be impressed by interview performance, when the literature says that there is very little correlation between interview performance and future work performance. Often interviews are conducted in a relatively perfunctory way and the people who are conducting interviews are often ill-trained or not trained at all in the technique. I have seen hundreds of instances where the interview has played far too strong a role in the overall assessment and I have seen some of the consequences of that. As a practitioner, that is my perspective on the issue, but I think Dr West has probably got a rather more robust and professional opinion that she would like to express about it.

CHAIR—Just treat this as an interview!

Dr West—Where are the biases that I need to guard against here? It is certainly true: there is a raft of literature about all sorts of biases that potentially can occur in the interview process—against youth, against women, against people from a non-English-speaking background. You name it, it can happen; and it does happen. It certainly happens less where the interviewers are experienced and trained, where they know what they are doing and know about potential biases and guard against them and so on. Our observation is that it is certainly very much lacking across the Public Service.

I have been working in the recruitment area in the public sector and in the private sector for over 25 years and I am still astounded when I come to Public Service organisations and work with panels that know almost nothing about the interview process, for example. It is still very much an area where there are low levels of skills in places. I think, yes, the interview is particularly prone to the introduction of biases—and bias against youth is no exception.

Senator WATSON—That is a worry, isn't it?

Dr West—It is a worry, Senator Watson, yes.

CHAIR—From the experience of you both, what sort of specific training is provided for interview techniques in the Public Service?

Mr Gourley—There is some training provided. It is not a totally neglected area and we would not want to give that impression. But the training is typically applied more rigorously to people at the lower levels of the organisation who are less likely to be involved in staff selection. For people at the middle levels and the more senior levels I think there is a bit of a tendency to say, 'I think we know how to do this and we do not need the training.'

For example, I would not imagine that very many people who have been involved in interview assessments—combined of course with other methods of assessment for positions in the Senior Executive Service or the immediate feeder levels for that service—have been recently thoroughly trained in interview techniques. Indeed, in my experience, they may very well have had some training when they were junior officers and that knowledge and training benefit would have wasted away years ago. You see people who will ask questions, for example, that ostensibly are there to test the policy and analytical capacities of an individual. I think it is just hoping against hope to pretend that, by asking a few hypothetical questions of a person in a half-hour interview, you are able in any way to judge an individual's policy or analytical skills. It just cannot be done.

CHAIR—Maybe we are the ones who are being interviewed!

Senator MARSHALL—Maybe we are the ones who are being assessed for our interviewing techniques!

Dr West—I take your comment, Senator Watson. I work with interview panels all the time, and most often when working with two or three panel members I find that, say, one or two of them have never done any selection training whatsoever. As Mr Gourley says, quite often these are people who are in middle or senior management, so there is the perception that they somehow know how to do it.

Senator LUNDY—I suppose we should give them some credit for the fact that you are there working with them—

Dr West—That is true, Senator Lundy, I suppose.

Senator LUNDY—that they are looking for some support and some assistance.

Dr West—That is true.

Mr Gourley—I certainly think, Senator, that Dr West would strongly agree with that.

CHAIR—We are not going to ask about psychological testing in interviews, are we?

Dr West—Why not, Senator?

CHAIR—This is not the ABC.

Senator LUNDY—What can be done about this issue of the lack of particular expertise within interview panels, particularly in what is now a very devolved environment? It is also quite a diverse environment. For example, many new people who are coming into an organisation are contractors. What can be done about this issue of raising the level of expertise of interview panels to remove the potential for bias?

Mr Gourley—I think in some ways there is a threshold issue. That is, people should be made fully aware of the very limited utility of the interview in the overall process. If you are thinking

that an interview can be used—in the way in which it is organised currently in the Public Service—for much more than being able to see that a person can talk, then you are beginning to stretch its capacity.

Senator LUNDY—You make the point in your submission that, in the first instance, it is given too much status and that should change.

Mr Gourley—That is right. I think the other thing is that people need to be aware of its limited usefulness. We are certainly not suggesting that it should not be used. I think it is very important for people to be seen and to be spoken to in the course of any assessment process. I think it is very important—and this is the second part of the threshold—that the interview process not only has an appropriate and limited weight but is also wrapped around with other, more reliable methods of assessment. For example, referee reports, assessment centres and those other things that we have listed in paragraph 36 of our submission have a much higher predictive value in terms of how people are likely to perform at work.

Dr West—One quite effective model that I have seen is where a couple of agencies that we have worked with decided, for bulk recruitment rounds that they needed to do, that they were going to train assessors. We have worked with a couple of agencies that have done this. They called for volunteers and asked some people if they would participate in being trained to be recruitment assessors, and then they trained those 20 or 30 people to go and do a bulk round. They were the ones they drew on to conduct it. They did not expect every individual manager to do it. They drew from within the organisation, trained up a band of interviewers or assessors, and they were the ones that did the work.

Senator LUNDY—What are your observations of the difference between recruitment of permanent staff through the process you have described and the engagement of contractors in an organisation—because that engagement tends to happen, as we heard earlier today, mostly through a labour hire style of relationship and an external recruitment firm or via a tender process—and also the suitability of that capability in the organisation? What impact do you think that has on the overall capability of the organisation?

Mr Gourley—I think there are a couple of issues here. I am not a lawyer but I think there are legal issues about the engagement of contract people on the one hand and the recruitment of either temporary or permanent staff into the service on the other. As I understand it, the Public Service Act is supposed to provide an exclusive code for employment. If people employed on a contract basis are working in departments and their engagement has about it a lot of the normal aspects you would expect with an employee—supervising staff, being supervised by people in a manager-subordinate relationship, being located in the organisation and doing work that is indistinguishable from other public servants—I think there is an issue about that, but I am not really competent to say anything more than simply to raise it.

I guess there are issues concerning contractors who are going to be there for short periods: the work they do, what knowledge they take with them when they walk out the door after a couple of months, and, if that sort of employment were to become extensive, what the consequences would be for agencies over the longer term. I am afraid I can only speak about that in a fairly academic sense, because I do not have a contemporary Public Service view of it. I would just say that it is an issue.

Senator LUNDY—It is something the committee will deliberate on. It raises a lot of big questions for the future. The clash of cultures is also one of the things that I am sure we will discuss and consider.

Dr West—I will add that we did work with one agency, and one agency only, that was embarking on a multimillion dollar contract that was going to involve them working in partnership with a firm. The firm was going to provide 20 people over five years on a full-time basis. In that case, that agency did go to quite a lot of trouble in terms of getting their recruitment right. They actually assessed potential tenderers in a way very similar to the way in which you would assess applicants for the position. They went through quite an extensive process and we assisted in that. But that is the only time that I have ever seen that happen.

Senator LUNDY—In a way, that illustrates the point that at least one agency has seen the need to do that for contractors.

Dr West—That is right.

Senator LUNDY—That is all I have to ask, Chair.

CHAIR—Are there any further questions, Senator Watson?

Senator WATSON—No.

CHAIR—Thank you very much, Dr West and Mr Gourley, for coming along today and giving us your evidence and your submission.

Committee adjourned at 2.57 p.m.