

# A better picture

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**State of the NSW Public Sector  
Report 2014**

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State of the NSW Public Sector Report 2014

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# Foreword

Graeme Head, Commissioner

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**Since the NSW Government established the Public Service Commission (PSC) in November 2011, the organisation's highest priority has been to drive the development of a sector-wide approach to workforce management and to design the systems to support such an approach.**

Since early 2012, departments, agencies and PSC have delivered a comprehensive set of reforms. Taken together, they provide the foundations for ensuring we have the best workforce to serve the Government of the day and deliver to the citizens of New South Wales.

These reforms are made up of a number of key elements, including:

- a new employment framework for much of the public sector – the *Government Sector Employment Act 2013* (GSE Act)
- a set of 'enablers' to allow the new employment model to be fully implemented – a new Capability Framework, Performance Management Framework and Recruitment Framework, and a legislated set of public sector values.

This ambitious reform program for the public sector is the most significant in more than a generation. Notwithstanding that the need for the reforms was made clear by the 2012 Commission of Audit, and that the reforms themselves reflect best practice in a number of key areas of workforce management, it is nevertheless a challenge for people across the sector to deal with the level of change required. It is therefore particularly pleasing to see the results of this year's *People Matter Employee Survey*, which show a general improvement across about 80% of the statements measured.

Of particular note are the improvements associated with how performance management is being conducted in the sector. A higher proportion of employees than in 2012 reported having had both formal and informal feedback; the responses relating to the quality of the feedback are also encouraging. These improvements have come about in the first year of rolling out the new Performance Management Framework.

The reported level of bullying in the sector remains a concern. However, when 2014 and 2012 data are compared there has been a decrease in the proportion of employees who reported either being subjected to bullying or witnessing it. These improvements occurred after some action was taken at both the sector level and in individual agencies. The soon-to-be-released work of the Bullying Roundtable (comprising PSC, public sector unions, the Office of Industrial Relations and the Office of Finance & Services) can build on these early improvements.

Diversity and inclusiveness remain areas that require ongoing attention and thoughtful, nuanced responses. I reported in 2012 about the disparity in the representation of women in senior roles in the public sector. Since that report, I have commissioned the Business School at the University of Sydney to examine the issue in more detail. Its report, *Advancing women: increasing the participation of women in senior roles in the NSW public sector*, is summarised in this year's *State of the NSW Public Sector Report* and shows variable performance across the sector in addressing this issue, while pointing to priority areas for attention.

Aboriginal representation is another area where the picture is mixed. NSW now has around 2.9% of its public sector workforce comprising Aboriginal employees; this means we have exceeded the Council of Australian Governments (COAG) target and done so earlier than the target was to be met. However, the picture below the high-level target shows that more work needs to be done.

Aboriginal people are disproportionately represented in certain types of roles, in certain agencies and at lower grades. A new Aboriginal Employment Strategy, developed by PSC and due to be released this year, will focus on not just improving overall representation but addressing these other key issues.

The GSE Act creates a unique opportunity to integrate diversity issues into core organisational workforce planning. This will be important for people with disabilities who are under-represented in the Australian workforce and whose reported representation levels in our sector are declining. PSC and the Department of Family and Community Services undertook research to understand the employment situation of people with a disability in the NSW government sector; I look forward to receiving feedback from the sector on the *Disabling the Barriers* report and putting this research into action.

In preparing the first *State of the NSW Public Sector Report* I took advice from PSC's Advisory Board on what would constitute best practice in producing these reports annually. This advice suggested an approach where reports were organised to reflect what high-performing public sector organisations would look like. PSC has researched what constitutes the characteristics of high-performing organisations regardless of whether they operate in a public, private or not-for profit environment. The list of characteristics includes a capable and diverse workforce; engaged employees; a focus on results for the customer; productivity and innovation; strong and strategic leaders; and a values-based culture and behaviours.

Ideally, reports would include analysis of data drawn from the voice of the customer – particularly important for a workforce that serves the Government of the day to deliver high-quality customer services – and the voice of employees, given that, as the Premier said at the 2014 Institute of Public Administration Australia state conference, employees are the sector's greatest asset.

This year's report for the first time includes the customer perspective. It also presents results from our employee survey and a qualitative survey of employing agencies.

The 2014 report has been titled *A better picture* for two reasons: it brings together information that enables a more comprehensive assessment of the sector's performance; and this assessment points to improvements in a number of key areas.

While the characteristics might not be that surprising, the prominence of strong and strategic leaders in the literature and other evidence was profound. The need to properly identify talent and nurture leadership potential is an area of focus in the report, and a significant priority for PSC in its work going forward.

In providing my assessment on the performance of the sector I had regard to data sources that are well established across the sector, such as the workforce profile – which has been collected for over a decade – and to new sources, such as customer satisfaction data. Some of the data collections now enable benchmarking between years and with other public sectors both in Australia and overseas.

With the legislative and policy foundations now in place for a new approach to public sector workforce management, implementation is the key to success. This year's report shows good early progress and points to some considerable strengths in the attitudes of employees and employers. Future reports will assess how this process is tracking against the objective of building high-performing public sector agencies.



**Graeme Head**  
**Commissioner**



# Report card

The focus and results of workforce reform over the last 12 months are summarised below.

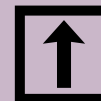
## Workforce capability and diversity

The NSW public sector is strengthening its workforce capability and diversity. The focus over the past 12 months has been on leadership development, implementing performance and capability frameworks and developing an Aboriginal and Torres Strait Islander employment strategy. Employee perceptions of diversity are generally positive but views about training, career development and performance development are more mixed. A few agencies report that they have highly developed talent management strategies and more have commenced work in this area.



## Employee engagement

With an employee Engagement Index score of 65% for 2014, the NSW public sector employee compares well to other Australian jurisdictions. Employee engagement in the NSW public sector has risen 4% since 2012 and job satisfaction has improved from 74% to a favourable 78%. More needs to be done to understand variations between agencies and the enablers that have the biggest effect on employee engagement and business outcomes.



## Customer focus

For the first time, NSW citizens were surveyed about their satisfaction with public services. This research forms part of a greater focus on service delivery that meets customers' needs at a time when their expectations of fast, convenient service are rising. The results show that customers are relatively satisfied but there is still work to do to increase overall satisfaction by improving aspects of service such as the handling of complaints.



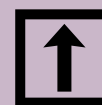
## Leadership strength

The evidence this year shows that senior leaders across the public sector are generally well equipped to perform their roles but more work is required to strengthen some capabilities and practices and increase the number of women in senior roles. The Premier has announced plans to invest more in developing strong leaders for the future.



## Culture and behaviours

Cross-sector efforts over the past three years to promote the core values of integrity, trust, service and accountability are gaining traction as the values are embedded in agency processes. Survey results also reveal greater awareness of and commitment to cultural and behavioural issues among employees and managers alike. However, the prevalence of bullying remains a significant issue.



Values



Bullying

## Productivity and innovation

Lead agencies are putting in place the 'building blocks' that will help increase productivity and innovation. This work will improve service planning and delivery, the use of technology and labour flexibility. Agencies are implementing a range of initiatives and many employees feel encouraged to be innovative. Progress is being made but full details are not readily available because of the newness of some initiatives and the difficulty in measuring innovation and its impact on productivity.



Shows progress but more to be done

Regressed

Has not changed greatly

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# Introduction

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## Government reform agenda

The NSW Government's public sector reform agenda led to the establishment of an independent Public Service Commissioner, a set of core public sector values articulated explicitly in legislation and, by adoption of the NSW Commission of Audit Report, a comprehensive reform agenda. The Public Service Commission (PSC) has made workforce reform its highest priority since its establishment as an independent statutory body in November 2011, working closely with public sector agencies to develop and implement strategies that deliver high-quality services to the people of NSW.

The focus of the past 12 months has been on the development and implementation of the *Government Sector Employment Act 2013* (GSE Act) and associated regulations and rules, as well as recruitment reform, executive leadership development, performance and capability frameworks, culture change and workplace bullying, innovation and electronic human resource management systems.

Collaboration with the sector has been extensive, drawing on experience and knowledge from across the sector in the design and implementation of strategies. Open information forums have also been held in multiple metropolitan and regional locations to brief employees at all levels about the changes. It is estimated that more than 7,200 employees have had contact with the PSC during 2014, including with the Commissioner and/or Deputy Commissioners directly.

For the purpose of this report all public sector organisations, including departments and agencies, are referred to as 'agencies', except where specific types of organisations are mentioned. The term 'public sector' encompasses all organisations.

The structure defined by the GSE Act, which refers to the public service and the government sector, is shown diagrammatically in the next section, NSW public sector at a glance. This terminology is used occasionally where relevant. The public service and the government sector are both part of the public sector.

## State of the sector reports

State of the sector reporting provides the Public Service Commissioner's independent assessment of the public sector's workforce achievements, challenges and priorities.

*How it is*, the inaugural 2012 report, responded to the Commission of Audit's recommendations on management of the public sector and laid the groundwork for the legislative and other reforms that occurred over the following two years. It focused on three key drivers of performance – values and ethics, capability and productivity – and included results from the first statewide *People Matter Employee Survey* and an *Ethics Stocktake* of perceptions and practices relating to ethical issues in the public sector. This suite of data provided the baseline for future assessment of the performance of the public sector.



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*Getting into shape* reported on the significant body of reform work undertaken in 2013, in particular, the development and enactment of the new GSE Act, the rollout of the performance and capability frameworks, and a new recruitment model. An increased focus on service delivery was flagged with new research on Public Service Commission Advisory Board priorities about public sector productivity, the satisfaction of customers with public services and collaboration with the not-for-profit and private sectors to deliver service.

*A better picture* reports 2014 survey results from three perspectives for the first time – those of employees, employers and customers. The drivers of high performance have been expanded to focus on six key areas:

- workforce capability and diversity
- employee engagement
- customer focus
- leadership strength
- culture and behaviours
- productivity and innovation.

Given the large workforce budget in NSW and the number of essential services delivered to the community, the Government expects high performance from departments and agencies, and efficient and effective services. In 2012, the NSW Commission of Audit noted that high-performing workplaces are characterised by a set of values and shared beliefs where people welcome and seek to introduce change and innovation, where leaders care for their employees and foster collaboration, and where there is an ambition to deliver results and a focus on achieving goals.<sup>1</sup>

National and international research shows that:

- strong and strategic leadership is commonly ranked as one of the most important issues facing organisations today
- a capable, agile and customer-focused workforce underpins high-quality services
- a strong values-based culture, where leaders model values and provide clarity of purpose and strategy, results in a more engaged workforce
- an engaged workforce with diversity of education, age, ethnicity, talent, gender and life experience can lift productivity and innovation, and improve customer service.

The report this year examines how NSW measures up to these features of high performance.

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1. NSW Commission of Audit (2012), *Interim Report: Public Sector Management*

# Introduction

Reform is occurring statewide through a collaborative approach by PSC and agencies, and at department and agency levels through the implementation of sector-wide reforms, as well as through wide-ranging new initiatives to meet organisations' business needs.

## Key sources of evidence used for this report

Evidence for the 2014 report comes from three major surveys, some specific workforce strategies and a statewide workforce census. This report draws on the evidence to provide an assessment of the current state of the sector against the six drivers of high performance.

The 2014 *People Matter Employee Survey* (the People Matter survey) is the second whole-of-sector survey of employees' perceptions about their workplace. It encompasses engagement and leadership; the public sector values of integrity, trust, service and accountability; workplace experiences; diversity; and wellbeing. The 2014 results are compared to those for 2012 and are a key input to the *State of the NSW Public Sector Report*. The 2014 reports of sector, department and agency results are publicly available.

The inaugural 2014 *State of the Public Sector Agency Survey* (the Agency survey) is a companion to the Employee survey and provides an employer perspective on the maturity of specific practices such as change management, communication, values, diversity and customer service. It also provides information about workforce planning activities relating to data collection and analysis, talent management, the ageing workforce, mobility and the implementation of a capability framework.

The inaugural 2014 *Customer Satisfaction Measurement Instrument* (the Customer survey) is a new statewide survey for understanding customer experiences and expectations, in particular the dimensions of service quality, experiences with the public sector values, and the impact of different drivers of customer satisfaction. It was developed by the Public Service Commission Advisory Board and implemented by Service NSW.

Links between the three surveys are reported where relevant.

The *NSW Workforce Profile* is a comprehensive annual collection of data regarding the employment arrangements and demographic characteristics of all public sector employees. It is undertaken as a joint exercise by PSC and public sector agencies. Data from the collection is used in different sections of this report. A *Workforce Profile Report* is published annually as a companion to this report.

Other evidence comes from specific projects for assessing executive capability, and research into the ageing workforce and the participation of women in senior roles.

## Key workforce reforms

Key reforms mentioned throughout this report are summarised below. Others are described in specific chapters. Reform is occurring statewide through a collaborative approach by PSC and agencies, and at department and agency levels through the implementation of sector-wide reforms, as well as through wide-ranging new initiatives to meet organisations' business needs. Examples of reform by specific departments and agencies are highlighted in this report as 'snapshots'.

The **GSE Act** and associated determinations, regulations and rules form a new legal framework that commenced on 24 February 2014 and signal far-reaching reform of the NSW public sector. Transition arrangements are in place to support a smooth change over three years to February 2017. The Act applies to the public service but also more broadly across the government sector in relation to some provisions such as performance management and diversity. It incorporates an ethical framework that specifies the high standards of conduct expected of all government employees, a responsive and adaptive government sector and deployment of its workforce to where it is most needed; a new structure for senior executives with a focus on consistent employment arrangements; and new employment arrangements for all employees with an emphasis on capability, performance, development and mobility.

The **Ethical Framework** encompasses four core values – integrity, trust, service and accountability – with 18 principles of behaviour to guide implementation of the values. Heads of departments and agencies are responsible for managing their organisations in accordance with the core values. Implementation is supported by *Behaving Ethically*, a comprehensive guide to help agencies embed the values in the design and delivery of services and in internal business processes. It includes directions from the Public Service Commissioner and advice on changing workplace culture, measuring ethics performance and using ethics criteria to make difficult decisions.

The GSE Act requires department and agency heads to take steps to integrate **workforce diversity** into workforce planning. This represents a significant change in the way diversity is viewed and managed in the NSW public sector. While the focus on established diversity groups – women, Aboriginal and Torres Strait Islander people, people with disability, and people from culturally and linguistically diverse backgrounds – will be maintained, the concept of diversity is being expanded. This approach emphasises diversity as an essential element of high-performing teams as well as an ethical responsibility.

A systematic and integrated approach has been developed for performance management, building capability and improving recruitment practices.

The **NSW Public Sector Capability Framework** describes the core knowledge, skills and abilities required of all employees across all levels and occupational groups. It has been designed to provide a foundation for multiple workforce management activities, including creating roles, recruiting to roles, managing performance, building capability, career development and workforce planning. Additionally, occupation-specific capabilities have been provided for information and communication technology, and more are planned for finance, human resources and procurement professionals. Next year, an online tool will support employee self-assessment to assist decisions about applying for roles, performance development discussions, and career and development choices.

The **Performance Development Framework** is a key reform for building a high-performing culture. Released on 1 July 2013, it sets minimum standards for agency performance management and strengthens the focus on performance in the public sector. The six core components are expressed in rules related to the GSE Act. Each component describes the essential elements or practices that align individual and team performance with the objectives and the performance of their agency. Guides and tools have been developed to assist agency rollout.

**Recruitment reform** and the GSE Act provide an opportunity to make significant improvements in how recruitment is undertaken across the government sector. The use of capability-based assessments in recruitment provides for a more rigorous, objective and consistent approach to recruitment. The introduction of talent pools to fill vacancies will help reduce recruitment expenditure and facilitate mobility within agencies and across the sector. To support agencies, guides and e-learning materials have been developed, including the establishment of a panel of service providers who offer a suite of assessment tools and services to support the new arrangements.

# NSW public sector at a glance

**The NSW public sector delivers a wide range of services and regulatory functions to the community, such as education, health services, roads, public transport, law enforcement and environmental protection.**

Services are delivered by a large number of departments and agencies as shown on the next page, within a structure created by the Government Sector Employment Regulation 2014.

## **Share of the NSW economy**

In 2013–14, the NSW Government sector had a net worth of \$180.8 billion.<sup>2</sup> With the inclusion of infrastructure and public corporations, the NSW total state sector made up about 12% of the NSW economy in 2012–13.<sup>3</sup> Employee-related costs were the single largest expense, accounting for 48% of general government expenditure in 2013–14.<sup>4</sup>

2. NSW Government Budget Statement 2014–2015: Budget paper No.2, Chapter 4

3. Australian Bureau of Statistics – Australian National Accounts: State Accounts 2012–2013 – Table 2: Expenditure, income and industry components of gross state product, New South Wales, Chain volume measures and Current prices

4. NSW Government Budget Statement 2014–2015: Budget paper No.2, Chapter 5

## Structure of the public sector

Government Sector	Employees (FTE*)	% of total
Departments	38,263	11.7
Public Service Executive Agencies	22,287	6.8
Separate Public Service Agencies	3,219	1.0
<b>Total Public Service</b>	<b>63,769</b>	<b>19.4</b>
Teaching Service	62,859	19.2
Health Services	105,763	32.2
Police Force	19,529	6.0
Transport Services	26,057	7.9
Other Crown Services	30,025	9.2
State Owned Corporations	19,267	5.9
<b>Total Government Sector</b>	<b>327,268</b>	<b>99.7</b>
<b>External to Government Sector</b>	<b>845</b>	<b>0.3</b>
<b>Total Public Sector</b>	<b>328,113</b>	<b>100</b>

**Total  
public  
sector**  
328,113

\*FTE has been rounded to the nearest whole number. As a result the total public sector may not equal the sum of the components.

FTE describes the number of full-time employees required to account for all ordinary-time paid hours of work. For example, two employees working half weeks would be counted as one FTE employee.

Unless otherwise specified, all references to the NSW public sector workforce data in this report are drawn from the following data source: NSW Public Service Commission (2014) *NSW Workforce Profile (v2014.09.30)*. Additional information can be obtained from the *NSW Workforce Profile Report 2014*.

# NSW public sector at a glance

## The workforce

**328,113**

Total number of employees in the NSW public sector (FTE)  
– corresponding headcount is 396,036

**↑ 871**

Increase in nurses, teachers and police officers from June 2013 (FTE)

**↓ 1,223**

Decrease in total employees from June 2013<sup>5</sup> (FTE)

**11.0%**

Public sector percentage of all NSW employed persons<sup>6</sup>  
(unchanged since June 2013)

**45**

Median age of public sector employees (compared to 40 years for all NSW employed persons)

**24.2%**

Employees aged 55 years and over



**62.4%**

Proportion of employees who are women (45.9% of all NSW employed persons are women)

**\$77,887**

Median salary for 2014  
For women it is \$77,600, for men \$79,662

**26.0%**

Proportion of part-time employees  
(a slight reduction from June 2013) (non-casual)

**38.3%**

Proportion of public sector employees working outside Sydney  
(32.4% of all NSW employed persons work outside Sydney)

**60.5**

Average sick leave hours taken annually (per FTE)  
up from 59.3 in June 2013

**↑ 2.9%**

Proportion of Aboriginal and Torres Strait Islander employees  
(up from 2.7% in June 2013)

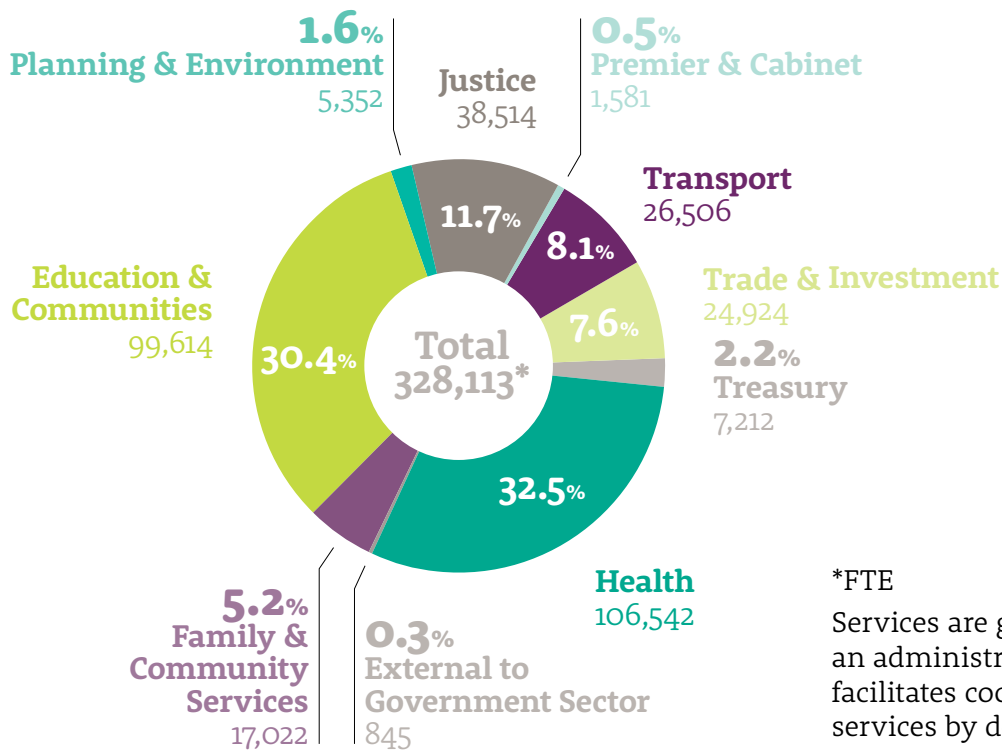
**8.9**

Median length of service in agency (years)

5. There has been a small decrease of total employees over the last 12 months for the second year in a row. While nurses, teachers and police officers increased by 871, all other staff decreased by 2,094, resulting in an overall decrease of 1,233 (FTE)

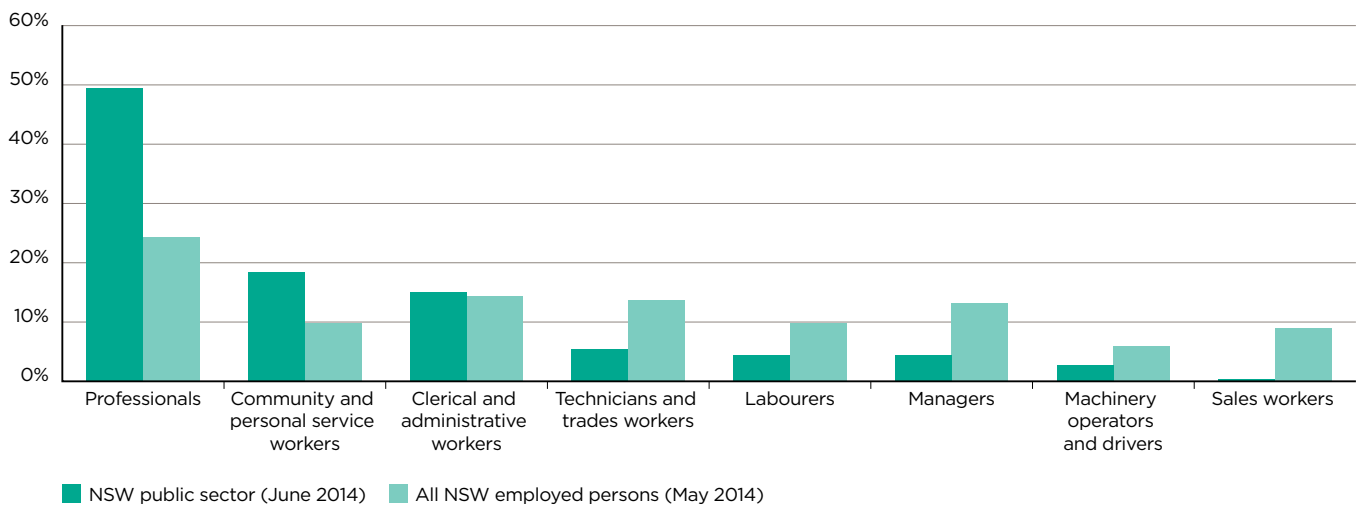
6. Australian Bureau of Statistics. Labour Force, Australia

## The majority of employees work in essential services, primarily health and education



\*FTE  
 Services are grouped in clusters, an administrative arrangement that facilitates coordination of related services by departments and agencies.

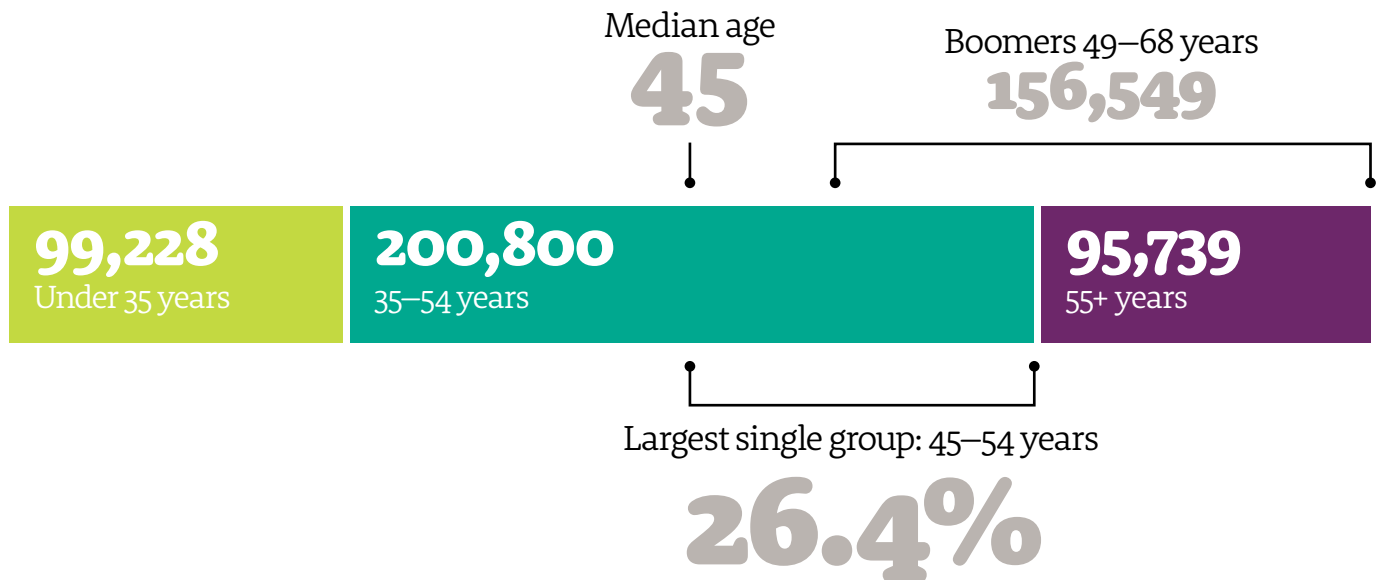
## Most employees work in professional occupations requiring tertiary qualifications



Because the NSW public sector provides a number of high-skill services, almost 50% of workers are employed in professional occupations such as teaching, nursing, medicine, engineering, accounting, law, ICT and social work. This is a substantially higher proportion than for all employed persons in NSW.

# NSW public sector at a glance

## Age groups are diverse



In a workforce of almost 400,000 people, approximately half are aged 35-54 years, with younger and older age groups each making up about a quarter of the total number. The largest single age group is the 45-54 year bracket.

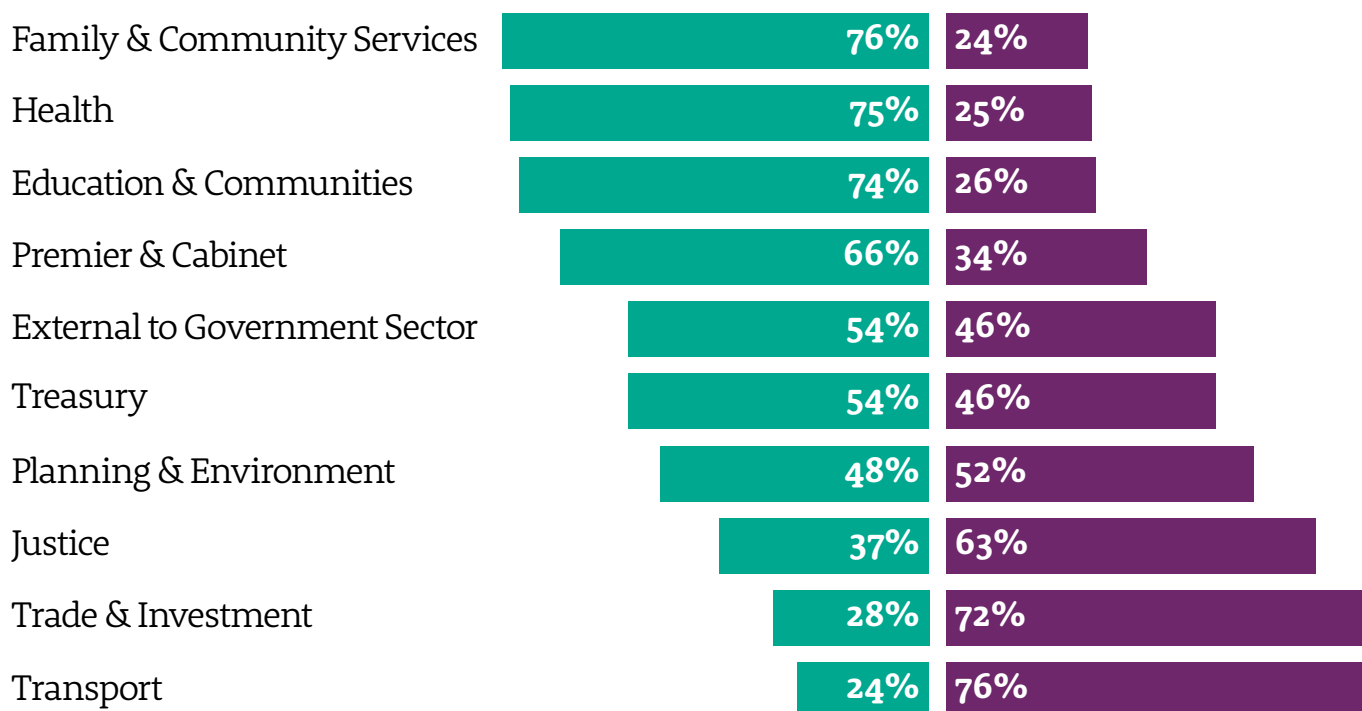
The workforce is ageing. The fastest growing group is workers 55 years and over. There are 156,549 baby boomers aged 49-68, constituting 40% of the total workforce.

The median age of 45 has not changed in the last 12 months.

The upward shift in the number of those aged 55 years and over is balanced by 3,958 retirements in 2014 and a downward shift in all other age groups, except 25-34 years where there has been a small rate of growth.



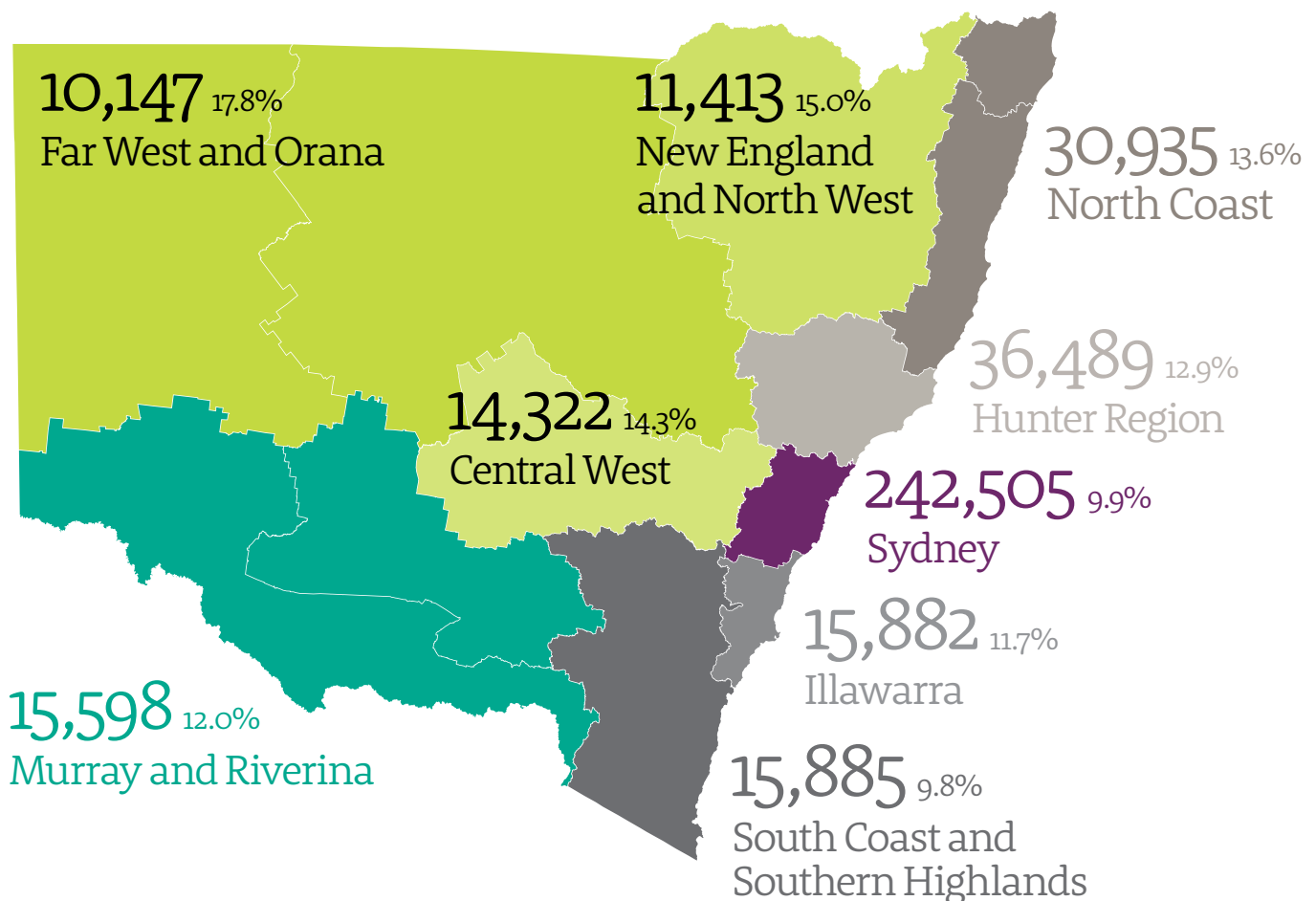
## There are more **women** than **men**



Women represent 62.4% of the public sector workforce. They are primarily employed in teaching, nursing, family and community services, and clerical positions, and are least likely to work in the transport, trade and justice sectors.

# NSW public sector at a glance

## Location of public sector employees in NSW







The largest numbers of employees are located in Sydney, followed by the Hunter and North Coast, reflecting the larger number of people living in these areas.

Public sector employees make up 11% of all employed persons in NSW. In regional areas, the proportions range from 10% to 18%.

The majority of employees live and work in the same region. The Central Coast has the lowest proportion of people working in their home region (66.2%) while Western NSW and the North Coast have the highest proportions (95.2% and 93.9%).

Comparatively large numbers of Sydney-based public sector employees travel between eastern and western Sydney but the overall proportion of employees commuting out of these areas is quite low (2.2%).

# Profile of employees in key occupations

Occupations	No. of employees (FTE)	Median age	Median salary (\$)	Female %	Part time (non-casual) %	Average sick leave (hours per FTE)	Median tenure (years in agency)
 School teachers	62,164	43	91,071	75.0	25.0	57.4	13.4
 Nurses	43,435	43	77,887	87.3	37.5	65.2	7.3
 Police officers	15,964	37	79,662	27.0	6.5	52.9	10.8
 School support staff	18,506	49	45,933	81.5	94.2	55.8	10.6
 Health and welfare support workers	10,004	45	65,667	56.4	23.1	81.8	8.6
 Clerical and administrative workers*	41,901	46	64,474	75.0	21.0	63.9	8.0
 Labourers	12,285	51	43,272	47.5	28.9	75.9	9.3
 All other staff	123,854	45	85,955	44.8	15.5	57.6	7.4
<b>Total</b>	<b>328,113</b>	<b>45</b>	<b>77,887</b>	<b>62.1</b>	<b>26.0</b>	<b>60.5</b>	<b>8.9</b>

\*Clerical and administrative workers includes general clerks

# 1. Workforce capability and diversity

**Workforce capability is a high priority across all industries and at all levels of the workforce.**

Moreover, research suggests that promoting diversity and inclusiveness – in terms of gender, age, ethnicity, education, talent and other less visible factors such as culture, working style, professional background and life experiences – can be important in improving overall workforce capability.

The public sector is focused on enhancing the capability of its workforce by standardising how capabilities are defined, introducing a wider range of rigorous tools for assessing capability, and creating talent pools to fill positions more readily. These efforts are important because a capable, diverse and flexible workforce is seen as a significant indicator of organisational success.

There is a particular focus on leadership development and implementing the frameworks and tools required to enhance performance at all levels of the public sector, with a growing interest in talent management as a strategy for building capability.

In this section, we provide findings from the 2014 *People Matter Employee Survey* (the People Matter survey) and the *State of the Public Sector Agency Survey* (the Agency survey) to show the current state of progress in terms of workforce capability and indicate further areas for improvement.

## Chapter at a glance

- The NSW public sector is focused on leadership development and implementing frameworks to enhance performance at all levels.
- Employees are generally more positive about learning and career development than they were two years ago.
- Agencies target different groups for talent programs, including managers, graduates and other employees.
- Employee perceptions of performance management show a modest improvement.

## Leadership capability

The 2014 executive capability assessment identified strong overall performance in a range of leadership areas, such as optimising business outcomes, communicating effectively, and inspiring direction and purpose. The ability of participants to manage change and reform is the area requiring the most improvement.

The details of this program are in Chapter 4. Collectively, those results and the results of the Employee and Agency surveys signal the need for continued and concentrated focus on improving management and leadership within the sector.

## Learning and career development

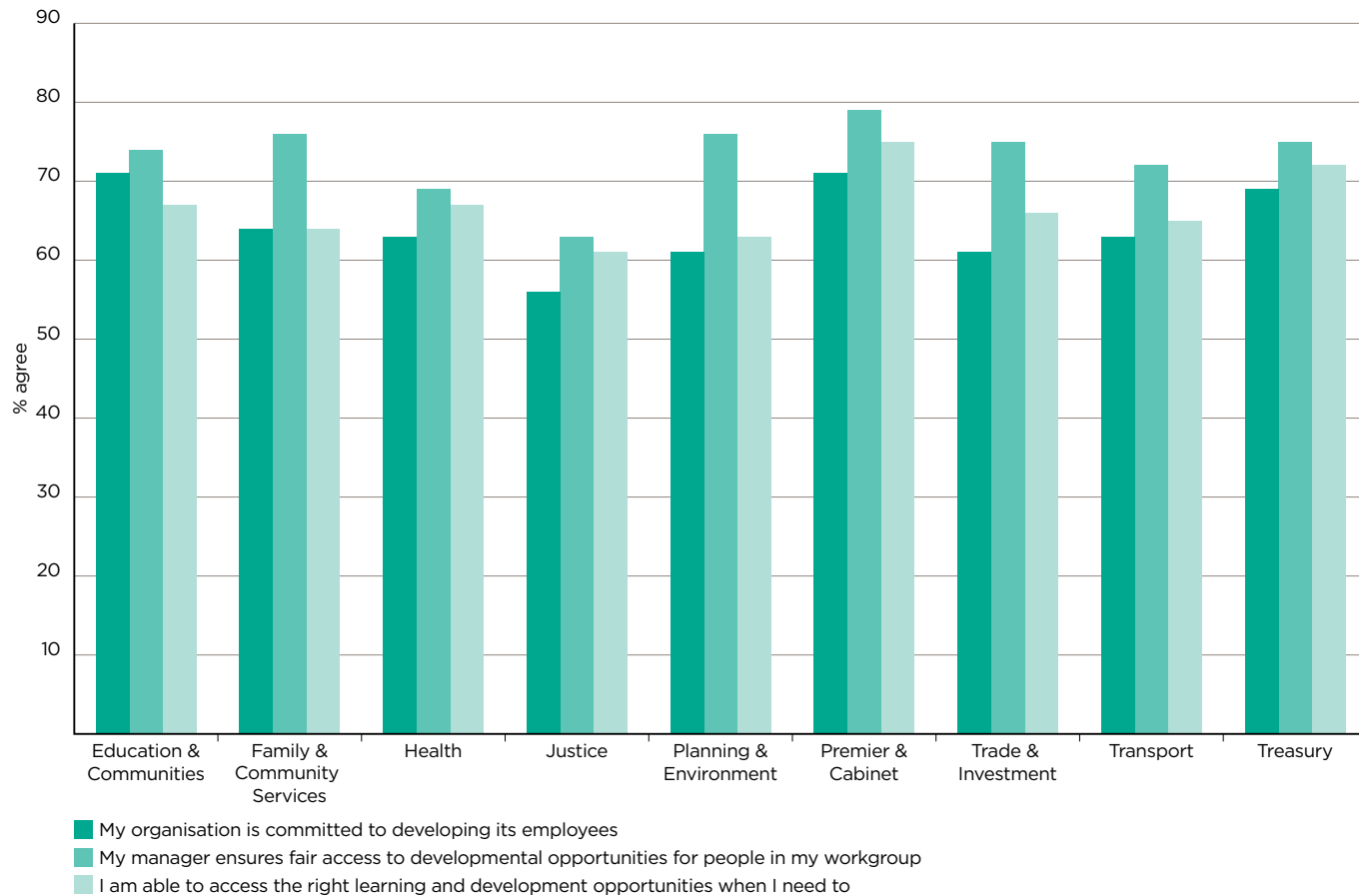
Employees in public sector agencies are generally more positive about training and career development than they were two years ago. However, the results vary by service cluster, age and longevity of employment. They also indicate there is room for improvement, especially when it comes to career opportunities.

Overall, 65% of respondents to the People Matter survey agreed that their organisations were committed to employee development – a 6% improvement compared with the 2012 survey. Two-thirds of employees also responded positively to the statement ‘I am able to access the right learning and development opportunities when I need to’ (6% higher than 2012), with 72% reporting that access to such opportunities was fair.

Different service cluster views about these issues are shown in Figure 1 on the following page.

# Chapter 1: Workforce capability and diversity

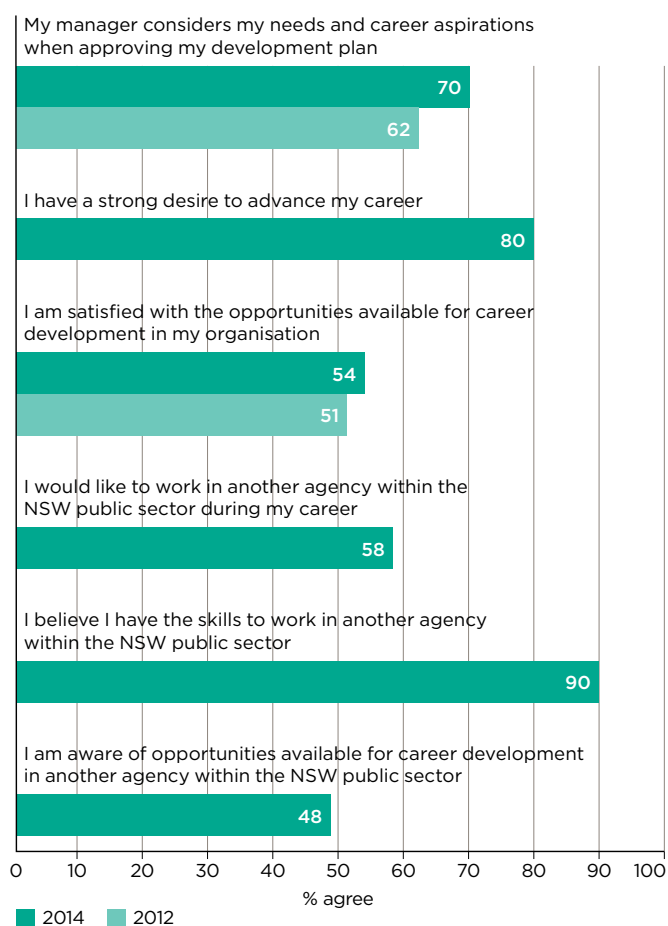
Figure 1: Learning in the NSW public sector



The survey also found differences between employees of different ages and those who had spent more time with their organisations. Younger employees, those who had most recently joined the sector and those in the oldest age groups were more likely to be positive regarding the learning statements described previously.

When it came to career development, most respondents reported a strong desire to advance (80%) but only 54% were satisfied with the opportunities available within their organisations and only 48% said they were aware of opportunities in other agencies (see Figure 2). Despite this dissatisfaction, 70% of respondents said their managers considered their needs and aspirations when approving their development plans.

**Figure 2: Employee perceptions of career development**



Again, there were differences according to age and duration of employment. Younger employees were more likely to seek career advancement and newer employees were more willing to work in other agencies. Younger and older employees tended to be more satisfied with their available career and development opportunities.

## Talent management

Talent management is regarded as necessary by many organisations to attract, select, develop and retain high-potential or high-performing employees as part of their business strategy.

The Boston Consulting Group, for instance, regularly ranks talent management as a key priority for executives in terms of future importance in its study of people management capabilities.<sup>7,8</sup> Its research showed that high-performing companies were more likely to have a dedicated talent management unit and that top executives invested more time in reviewing and sourcing talent. Ernst & Young suggests that talent management is central to improving public sector productivity, stressing that the public sector needs to understand current skills and identify and measure skills gaps to ensure it attracts and retains the right people.<sup>9</sup>

Many talent programs focus on specific groups such as leaders, graduates and critical roles or teams. When used for existing employees, talent assessment can be applied to all employees in a select group, not just those identified as high-performing or high-potential workers, with development options tailored to differing needs.

7. Strack et al (2013), *Creating people advantage 2013 – Lifting HR practices to the next level*

8. Strack et al (2011), *Creating people advantage 2011 – Time to Act: HR certainties in uncertain times*

9. Ernst & Young (2012), *Driving public sector productivity: Closing the \$2.4 billion public sector productivity gap*

# Chapter 1: Workforce capability and diversity

## Progress in talent management

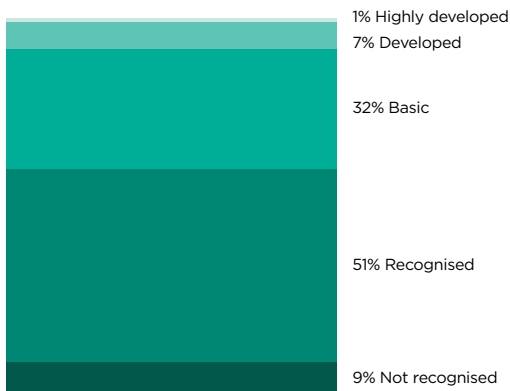
NSW public sector agencies increasingly see talent management as a necessary part of their workforce management practices.

The inaugural Agency survey shows 40% of agencies have a talent management plan at some stage of implementation for identifying, developing and retaining high-performing or high-potential employees (see Figure 3). This is a relatively new concept in the NSW public sector, reflected in the results that show that many (32%) of these agencies are at a basic stage of use while only 8% of agencies described their plans as developed or highly developed.

Agencies with more than 10,000 employees were the most likely group (by size) to have implemented a documented talent management plan, with seven out of 10 agencies reporting they had done so and three of these agencies reporting their level of maturity as developed or highly developed.

**Figure 3: Talent management plans implemented by agencies**

To what extent does your agency have a documented talent management plan for identifying, developing and retaining high-performing or high-potential employees?



The survey also showed that agencies were most likely to have actively identified senior managers (31%) and managers (31%) as high-performing or high-potential employees compared to other employee groups (22%) or graduates (15%). The focus on the management level is consistent with talent management principles that emphasise the need for succession planning and growing the leadership pipeline. At the same time, graduate programs continue to be an important way of attracting new talent to the sector.

It is also notable that the majority of agencies (57%) are incorporating talent management and succession planning for future leadership roles into their workforce planning processes. A further 40% of agencies recognise the importance of this practice and are working towards its implementation.

## Performance Development Framework

To create a high-performance culture in NSW, it is essential to have effective systems for managing individual, team and organisational performance. The Performance Development Framework establishes the approach for managing employee performance and signals a drive to improve public sector culture to manage and develop workforce capability.

### Research results

In November 2013, agency reporting showed significant variability in the implementation of the Performance Development Framework within each cluster and across the sector. On the whole, it showed the sector did not yet manage employee performance as effectively as it should.

The results indicated some evidence of setting expectations around employee roles, responsibilities and behavioural standards, as well as systems to provide employees with ongoing and regular opportunities to discuss work and receive formal and informal feedback on their performance. However, the results also showed significant gaps in critical practices including monitoring, planning, reviewing, recognising and developing performance.

Under the GSE Act, by July 2015 all agencies must have a performance management system that meets basic requirements set by the Public Service Commissioner.



## Snapshot – Capability building

### Department of Education and Communities

The Department of Education and Communities has identified the need for systematic workforce planning for our corporate workforce to better manage unplanned short-term business requirements and anticipate medium- to long-term needs.

A capability-based approach has been taken using a four-step process for auditing capabilities, analysing current and future business needs, identifying capability gaps and applying solutions. Senior employees have been trained internally and asked to report quarterly against

each of the steps. Progress reporting to the Executive in the early stages helped to embed the process across the Department.

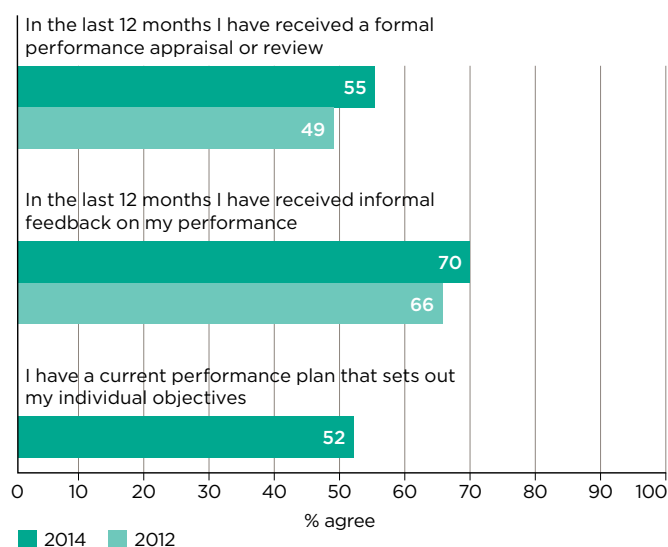
Business units report a deeper appreciation of the importance of understanding individual and team capabilities and strengthening core capabilities across the workforce. There is also a better understanding of role analysis, including the importance of filling critical roles with high-potential people to achieve business strategies.

The introduction of the Performance Development Framework made it a legal requirement for agency heads to meet the essential elements and there has been significant effort by agencies to do so.

The People Matter survey results from 2014 are more positive (see Figure 4). Overall, employee responses about performance management showed a modest improvement between the 2012 and 2014 surveys. Improvements were recorded against receiving a formal performance review (55%, up from 49% in 2012), assessing performance against clear criteria (65%, up from 61%), receiving informal feedback (70%, up from 66%), and receiving regular feedback (55%, up from 52%). Results were unchanged for improving performance via learning and development activities (69%).

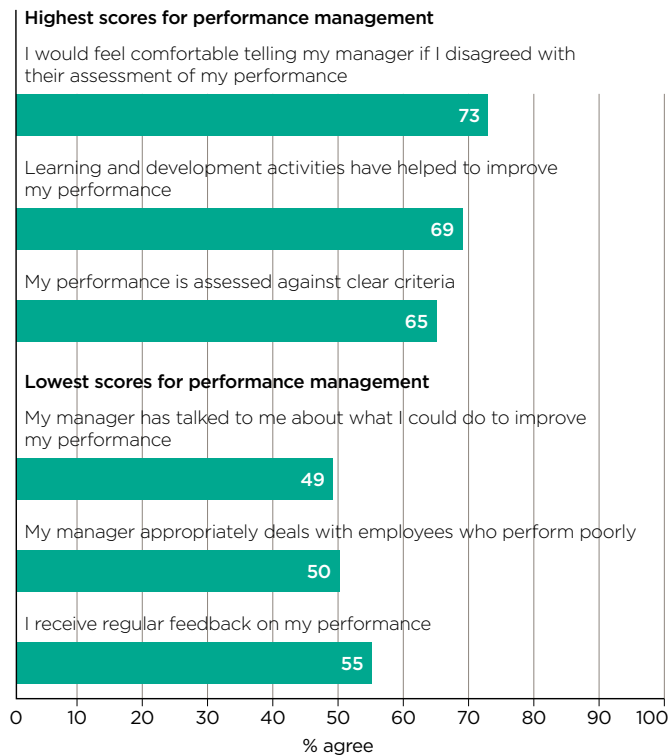
NSW employees had a range of views about the usefulness of performance feedback. A third of respondents to the People Matter survey said the performance measurement criteria were unclear, while 41% did not believe the feedback was useful in enabling the delivery of required results.

**Figure 4: Employee perceptions of performance management**



# Chapter 1: Workforce capability and diversity

**Figure 5: Employee perceptions of performance management**



Only half of employees thought that managers dealt appropriately with poor performers. Furthermore, lower-paid employees were less likely to have received a performance review or a performance plan detailing their objectives, and they were more likely to reply negatively about questions relating to formal and informal reviews. Fewer respondents indicated they received useful performance feedback to deliver required results (59%, down from 61% in 2012).

## Comparisons to the Australian Public Service and other states

NSW's performance management is comparable to some other states but still lags well behind that of the Australian Public Service (APS). For example, the proportion of NSW respondents who received a formal performance review in the past 12 months (55%) was similar to that in Queensland (52% in 2013) but well below that of the APS (more than 80% in 2013).

While good progress is being made in NSW, there is clearly more work to be done across the public sector. Further resources are being developed by PSC to support employees and their managers to optimise individual and team performance by developing the capabilities, experience and knowledge needed for their current roles and potential future roles.

## Capability Framework

The NSW Public Sector Capability Framework describes the core knowledge, skills and abilities required by employees at all levels and occupational groups. It creates a common basis for creating roles, recruiting to roles, managing performance, capability development, career planning and workforce planning.

Results from the Agency survey show that a large percentage of agencies are using the framework to inform their recruitment practices, with 73% of agencies reporting that it informs role descriptions and 70% reporting that it informs recruitment and selection practices. Developed or highly developed implementation informed role descriptions in 34% of agencies, and recruitment practices in 30% of agencies. A much lower percentage of agencies report using the Capability Framework to inform their workforce planning practices (51%) with 11% reporting implementation as well developed and a further 46% recognising this need and working towards it.

The survey asked agencies to rank the main workforce risks facing them in the next five years. Four of the risks ranked in the top six were linked to workforce capability – underdeveloped management or leadership capability among middle managers (listed by 56% of agencies), addressing capability gaps due to a changing operating environment (38%), recruiting appropriately skilled people (28%), and limited career advancement or mobility opportunities for employees (25%). Similar results were reported by the APS in its 2013 *State of the Service* report for the first two risks.

## Diversity

High-performing organisations are characterised by their commitment to diversity and culture of inclusion, which typically comes down to treating employees fairly and providing them with equal access to opportunities.<sup>10</sup> Evidence shows that diverse and inclusive organisations are much more likely to meet business goals. Employees who feel included are also more likely to think that they work in a high-performing organisation. The results show that when there is high diversity and low inclusion, or low diversity and high inclusion, the business outcomes are never as impressive.<sup>11</sup>

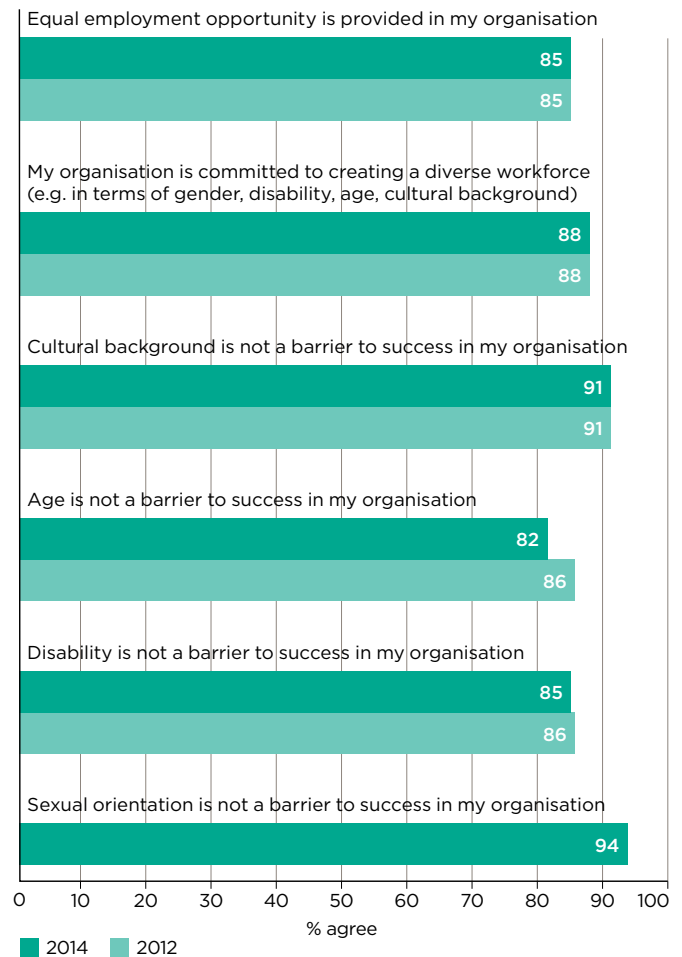
The NSW public sector is at a crossroads when it comes to diversity under the GSE Act. Agencies are required to incorporate diversity into their workforce plans at a time when there is a growing recognition of the value of diversity to service quality and business outcomes. As noted in the Foreword, the definition of diversity is now broader but is still undefined.

In the remainder of this section we review how NSW is performing in terms of workforce diversity, based on our latest research findings. The main focus in 2014 has been on strategies relating to Aboriginal and Torres Strait Islander employees, people with a disability and the participation of women at senior levels.

According to the Agency survey, 63% of agencies have an approach to diversity that extends beyond the traditional equal employment dimensions, although only 8% report implementation at a highly developed level. Diversity is incorporated into workforce plans (a new requirement of the GSE Act) in 59% of agencies, with 7% reporting that their plans are highly developed. The main way agencies support diversity is through training and regular reporting. Just under 50% of agencies promote diversity as a way of achieving greater innovation and improving service quality, with 4% reporting this as a highly developed practice. Another 40% recognise the need to promote diversity, with implementation either planned or commenced.

Perceptions recorded in the People Matter survey are generally positive about equity and diversity in the public sector (See Figure 6).

**Figure 6: Employee perceptions of equity and diversity**



10. Corporate Leadership Council (2013), *Creating Competitive Advantage through workforce diversity*

11. Deloitte et al (2012), *Waiter, is that inclusion in my soup? A new recipe to improve business performance*

# Chapter 1: Workforce capability and diversity

Employees who are Aboriginal, have a disability, speak a language other than English at home or provide care for others outside of work reported having less equal employment opportunities than colleagues who did not identify with any of these groups. These findings are consistent with the 2012 People Matter survey findings.

A comparison of the Agency and People Matter surveys found few links between well-developed practices in agencies and related scores in the People Matter survey. While it would be unwise to assume this means practices are ineffective, the results highlight the need for closer evaluation of the success of agency policies and practices.

## Gender

There are some key gender differences in the public sector relating to the total number of men and women, the type of services they work in, their hours of work and the proportions at the lowest and high levels (see Table 1).

**Table 1: Gender differences in the public sector**

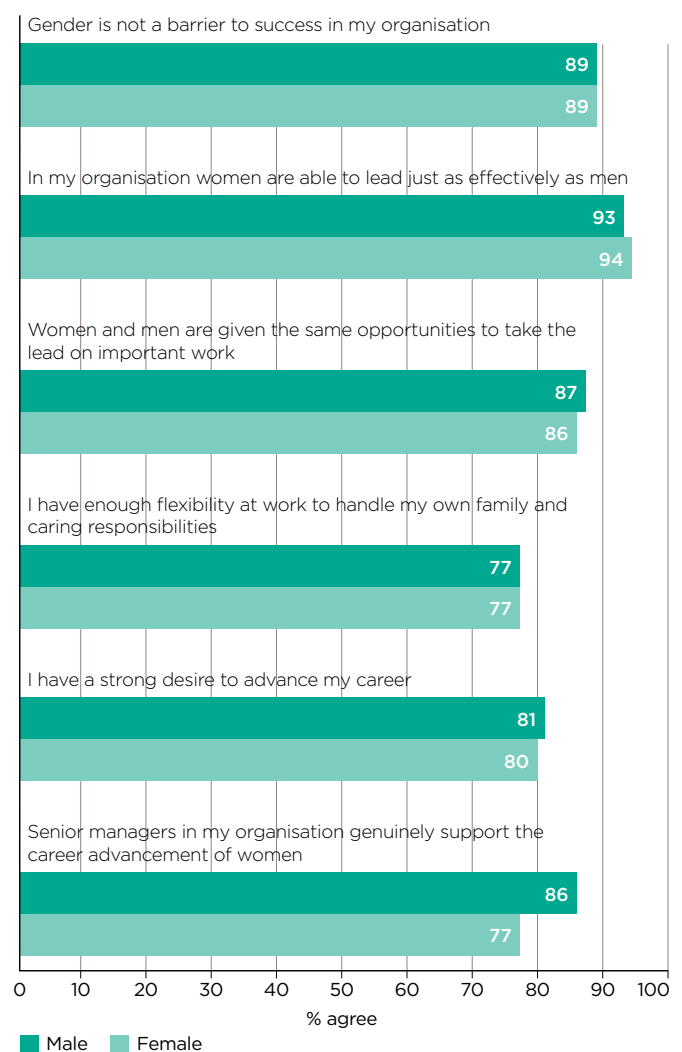
Gender differences	Men	Women
Total employees (%)	37.6	62.4
Working part-time (%)	9.2	36.3
Salary, median per annum	\$79,662	\$77,600
Salary, % in top 2 levels	65.5	34.5
Salary, % in bottom 2 levels	32.2	67.8
Length of service in agency, median years	9.1	8.8
Services, highest proportions	Transport, Trade and Justice	Family, Health and Education
Occupations, highest proportion	9 out of 10 Fire Officers	9 out of 10 School and Admin Support

Source: NSW Workforce Profile 2014

The People Matter survey gauged employees' perceptions of gender equity. A majority (85%) believed the NSW public sector offers equal opportunities to both men and women. In total, 89% of respondents said gender is not a barrier to success – a similar outcome to that recorded in the 2012 survey. Overall, employees perceived women's capabilities and opportunities in a very positive light, with 93% of respondents believing women are able to lead as easily as men.

There are few differences in the perceptions of men and women (see Figure 7) except a noticeably lower proportion of women reported that senior managers genuinely support the career advancement of women.

**Figure 7: Employee perceptions of gender differences**



## Snapshot – Diversity and inclusion

### Transport for NSW

The Transport cluster is adopting a new approach to diversity that preserves the focus on existing diversity groups but also aims to shift attention away from legal compliance towards the key contribution that a diverse and inclusive workplace can contribute to business performance.

Transport's diversity and inclusion initiatives are embedded in each agency's business planning process and are directly aligned with, and help to achieve, key business outcomes such as better customer service, higher productivity and greater employee engagement. Importantly, these initiatives are led by business leaders and managers within agencies

rather than by centralised corporate or human resource areas and can therefore incorporate unique cultures as well as readiness and capacity for change. Targets and progress are set and measured in realistic and practical ways that managers agree are important to their business.

This integrated approach impacts on all aspects of workforce planning and workplace culture and is aligned to the *Global Diversity and Inclusion Benchmarks: Standards for Organisations Around the World*, an international tool aiding organisations to determine strategy and measure progress in managing diversity and fostering inclusion.

However, the overall response can camouflage gender differences. While 86% of all respondents agreed that women and men are given the same opportunities to lead on important work, slightly more women than men agree with this statement in lower salary levels. At higher salary levels the response is reversed, with significantly more men supporting the statement (92% compared to 76% for women at very senior levels). This reflects gender differences in salary where women are in a majority at lower levels and men at higher levels.

Fewer women than men at all salary levels agree with the statement about senior managers supporting the career advancement of women, with the difference between men and women ranging from 2% at low salary levels to 9% at mid levels and 16% at senior levels.

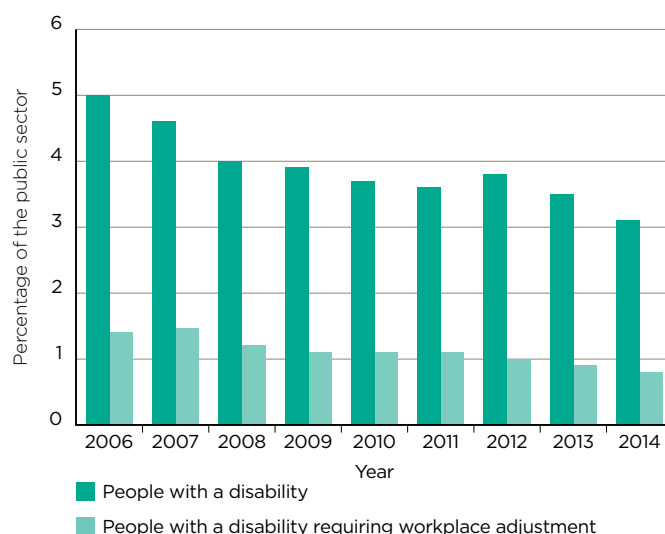
The Agency survey shows that the main approaches to promoting gender equality rely on flexible work practices to assist return to work for those with caring responsibilities (99% of agencies report implementation) or employees who are returning after parental leave (93%). There is much less focus on active approaches to promoting gender equality such as succession planning (38%) and having a policy to address specific gender imbalances (19%).

In 2014, the Public Service Commissioner commissioned research about the low levels of participation by women at senior levels and this work is discussed further in Chapter 4.

## Disability

The representation of people with a disability in the NSW public sector continues to decline, estimated at 3.1% in 2014 compared to 3.5% in 2013 (see Figure 8). One factor in this decline is considerable under-reporting by employees with a disability. In the 2014 People Matter survey, a higher proportion of employees identified themselves as having a disability (6%) however the reasons for this difference are not known.

**Figure 8: Estimated representation of employees with a disability, 2006-14**



# Chapter 1: Workforce capability and diversity

These trends suggest that traditional measures focused on compliance through equal employment opportunity planning and reporting have not been sufficient to halt the decline in representation of people with a disability. PSC has been working with the Department of Family and Community Services to develop strategies that will improve the performance of the public sector in this regard.

*Disabling the Barriers* research<sup>12</sup> in 2012 found that people with a disability still face barriers to employment and career progression in government workplaces, including physical access to sites, limited flexibility in working arrangements, lack of development opportunities and low levels of workplace engagement. These obstacles are reflected today in the findings of our Agency survey, with almost a quarter of agencies saying it was a challenge for them to ensure buildings were accessible for people with disabilities and 18% finding it difficult to ensure equipment, work processes and resources are accessible and fair.

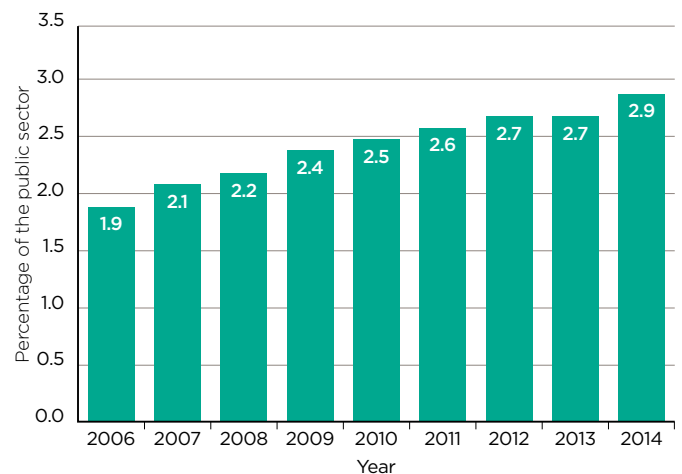
Fewer agencies (11%) reported difficulties ensuring recruitment processes are accessible and fair. Recruitment and selection processes designed to accommodate the needs of employees with a disability were in place at 83% of agencies but only 11% reported implementation at a highly developed level.

PSC will work with agencies on developing supportive workplace cultures, finding better ways to measure employment outcomes for people with a disability and addressing employment accessibility and career progression issues such as physical access to the workplace (ICT and buildings), work flexibility and the design of roles.

## Aboriginal and Torres Strait Islander employees

The representation of Aboriginal and Torres Strait Islander employees has been growing steadily in the NSW public sector, from an estimated 1.9% of the workforce in 2006 to 2.9% in 2014.

**Figure 9: Estimated representation of Aboriginal and Torres Strait Islander peoples, 2006-14**



12. NSW Public Service Commission (2014), *Disabling the Barriers Research, Key Findings Exposure Draft*, May 2014

The highest proportions of Aboriginal and Torres Strait Islander employees are in Family and Community Services (9.5%), Planning and Environment (6.5%), Justice (3.6%) and Education and Communities (3.4%). All other service clusters are below the sector average. Currently, the majority of employees work in lower grades and are under-represented at senior levels, with only 0.4% of senior executives identifying as an Aboriginal or Torres Strait Islander person.

The NSW public sector is now ahead of the Council of Australian Government target of 2.6% by 2015. Moreover, 80% of Aboriginal respondents reported that equal employment opportunity is provided in their organisation. Perceptions of commitment to creating a diverse workforce were very positive across the sector (88%), while Aboriginal respondents were slightly less positive regarding these perceptions (84%).

Despite the encouraging results in overall proportions, the Public Service Commissioner and department secretaries have determined that more can be done to increase the number of Aboriginal employees and their representation in a broader range of roles, from entry-level roles right through to senior executive roles.

A new *NSW Public Sector Aboriginal Employment Strategy 2014–2017* has been developed in consultation with agencies. It focuses on attracting and retaining Aboriginal employees, supporting career development and progression and improving Aboriginal cultural competency in the workplace. Importantly, the last element of the strategy will require agencies to gather more information to improve data on the capabilities, aspirations and development needs of Aboriginal employees. This, in turn, will assist with defining the initiatives agencies will need to adopt. The new strategy does not impose a prescriptive approach and will work as a model that uses and shares proven practices.

It links together the NSW Government's plan for Aboriginal affairs – OCHRE (opportunity, choice, healing, responsibility, empowerment) – with the new opportunities brought about by the current reforms to pursue major gains for Aboriginal employment, retention and career development in the public sector.

Implementation has commenced with the delivery of an Aboriginal Career and Leadership Development Program in 2014 for employees from mid to senior level, to facilitate career and leadership development for Aboriginal employees who aspire to leadership roles.

## Conclusion

The NSW public sector is developing a number of initiatives to gain a clearer understanding of the capabilities of its workforce and its levels of equity and diversity. The focus over the past 12 months has been on leadership development, implementing the performance and capability frameworks, and developing strategies around diversity, including those for Aboriginal employees and employees with a disability. A few agencies report highly developed talent management strategies and more have commenced work in this area. Employee perceptions of agency approaches to training are moderately positive but views about options for career development are more mixed. A new focus is required on the wider definition of diversity and the benefits of inclusion for service quality and business outcomes. There are no common measures for reporting the extensive work on capability building by agencies but PSC will consider key performance indicators and discuss options with department secretaries in 2015.



# 2. Employee engagement

**There is increasing evidence linking high levels of workforce engagement to high performance. This includes the ability to attract and retain top talent, increase productivity and achieve greater customer satisfaction.**

At the same time, large numbers of 'disengaged employees' can reduce productivity, create excessive costs and undermine what engaged co-workers accomplish.<sup>13</sup>

Research shows that to achieve high levels of engagement, employers need to understand what influences engagement and how to measure it. While measurement methodologies in public and private sectors vary, they span issues such as relationships with managers and colleagues, career progression and pride in an organisation. More recent measures include an employee's desire to derive meaning from work, discretionary effort, and clear lines of communication around roles, responsibilities and goals.

In this section, we provide findings from the 2014 People Matter survey and the Agency survey to show the current state of progress in terms of workforce engagement.

## Chapter at a glance

- The employee Engagement Index score increased from 61% in 2012 to 65% in 2014.
- Employees aged 24 years or younger and 65 years or older are more engaged than others.
- Engagement levels are highest in workplaces where employees believe their organisations are achieving objectives.
- Employees with low levels of engagement are less likely to continue working in the public sector than those who are more engaged.

<sup>13</sup>. Gallup (2013), *State of the Global Workplace: employee engagement insights for business leaders worldwide*



## Understanding engagement

The People Matter survey used five statements to assess employee engagement, to produce an Engagement Index for benchmarking with other Australian states, the Australian Public Service (APS) and the UK Civil Service.

The results show there was an improvement in employee engagement in NSW in 2014 compared with 2012 – 65% versus 61%. The response to an additional engagement statement about job satisfaction was relatively high among public sector employees (78% in 2014 compared with 74% in 2012), indicating employees are now genuinely more engaged.

The Engagement Index score for NSW is just below the 67% recorded for Victoria in 2014 and slightly more positive than that recorded by the APS in 2013. It also compares favourably to recent scores recorded for the Queensland Public Service and the UK Civil Service, each of which registered a score of 58% in 2013 for the same set of questions.

**Table 2: Employee engagement comparisons across Australian jurisdictions**

Engagement statement	NSW 2014	VIC 2014	QLD 2013	APS 2013
I would recommend my organisation as a great place to work	<b>64</b>	68	57	63
I am proud to tell others I work for my organisation	<b>70</b>	72	63	69
I feel a strong personal attachment to my organisation	<b>69</b>	67	61	63
My organisation motivates me to help it achieve its objectives	<b>60</b>	63	55	57
My organisation inspires me to do the best in my job	<b>61</b>	64	56	57

Engagement scores in this table are weighted average percentages

Private sector studies report levels of engagement ranging from 24% in a multi-industry Australian study<sup>3</sup> to approximately 80% for some individual companies. As some measures and industries can be quite different to the public sector, they are not directly comparable.

# Chapter 2: Employee engagement

**Agency work practices most strongly associated with positive levels of employee engagement include confidence in grievance resolution, senior managers listening to employees, senior managers providing clear direction for the organisation and the organisation's commitment to developing its employees.**

## What drives engagement?

In addition to the Engagement Index, the People Matter survey identified the types of employee experiences and work practices most strongly associated with engagement (see Table 3). This analysis provides insight for agencies into the work practices and experiences instrumental in enhancing employee engagement.

**Table 3: The 10 statements showing the strongest association with employee engagement**

1. I have confidence in the ways my organisation resolves grievances
2. I feel that senior managers listen to employees
3. I believe senior managers provide clear direction for the future of the organisation
4. My organisation is committed to developing its employees
5. My organisation's involvement in the community helps motivate staff
6. I feel that senior managers model the values of my organisation
7. I am confident that I would be protected from reprisal for reporting misconduct or wrongdoing
8. My organisation is making the necessary improvements to meet our future challenges
9. My organisation supports better practice so we can provide better service
10. I am encouraged to be innovative in my work

Engagement was found to be highest in workplaces where employees believed their organisations were achieving objectives, managing change well, contributing to the community and adhering to the core public sector values.

## Notable differences in responses

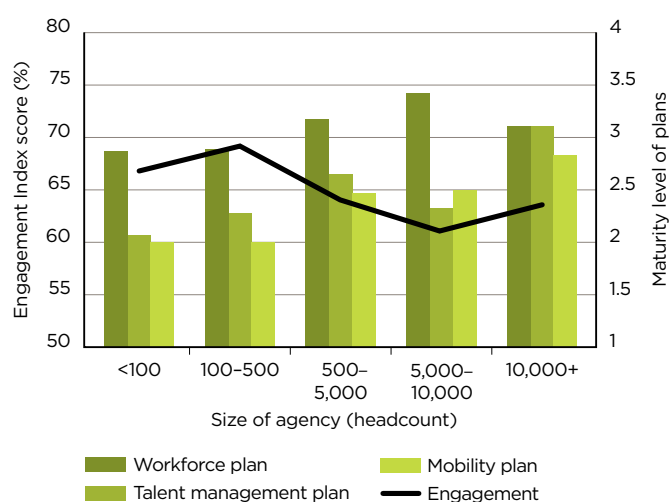
The People Matter survey found that employees 24 years or younger and 65 years or older were more engaged than others, with an Engagement Index score of 73% and 69% respectively. Engagement was lower for the larger groups aged 35–44 and 45–55 (both 64%). Employees planning to retire before the age of 55 were less engaged than those planning to retire after 60 (58% and 66% respectively).

Mid- and senior-level managers reported a higher level of engagement than front-line managers and employees, while new employees recorded an Engagement Index score of 69%, which was higher than that of longer-term employees, at 62%.

Less engaged employees were also much less likely to continue working in their current organisation and in the NSW public sector generally than those with higher levels of engagement.

A comparison of the People Matter and Agency surveys also reveals that even though larger agencies were more likely to have well-developed workforce, mobility and talent management plans, this didn't always equate to better employee engagement. Engagement was highest among agencies with 100 to 500 staff members and lowest among those with a staff of 5,000 to 10,000 (see Figure 10).

**Figure 10: Employee engagement and planning maturity across agencies of different sizes**



One possible reason is that individuals in smaller agencies feel closer to senior managers and more involved in internal initiatives. It indicates that larger agencies may need to look more closely at local impacts on engagement.

## Conclusion

With an Engagement Index score of 65% for 2014, engagement levels among NSW public sector employees compare well to other government jurisdictions in Australia. They have also risen 4% since 2012. Job satisfaction has a much higher overall rating of 78%, although the rate varies between different groups of employees.

However, more needs to be done in individual workplaces by using the results of the People Matter survey to understand what drives engagement in work teams and organisations most effectively, and which drivers have the most impact on job satisfaction, discretionary effort, delivering results, innovation and productivity.

## Workplace giving

A statewide Workplace Giving Program was introduced to public sector employees throughout 2013 and 2014. It lets employees voluntarily donate to specific charities through their payroll.

This is not a new arrangement. Employees have been supporters of charities through their payroll for many years. A review found that they donated approximately \$3.03 million in 2011–12.

The charities for the program were chosen through a combination of employee surveys, research into current employee payroll giving, and consultation with employees. Nine charities agreed upon for the sector-wide program were already receiving support from employees in some agencies. Some departments chose additional charities aligned with their particular interests and the priorities on their payroll options list.

The amount of workplace giving was estimated to be more than \$4 million in 2013–14, an exceptionally commendable figure.

Proactive agency engagement with the broader community is one of the work practices most strongly associated with positive levels of engagement in the People Matter survey.

**Table 4: Workplace Giving Program donations for 2013–14**

Service cluster	Number of donors	Amount donated 2013–14 (\$ estimate)
Education and Communities	15,527	2,250,033
Family and Community Services	4,055	147,914
Health	6,654	374,349
Justice	9,712	1,032,930
Planning and Environment	141	37,216
Premier and Cabinet	135	19,206
Trade and Investment, Regional Infrastructure and Services	na	na
Transport	878	137,028
Treasury and Finance	217	36,939
<b>Total</b>	<b>37,319</b>	<b>4,035,615</b>

# 3. Customer focus

## Improving customer service is a high priority for the NSW Government.

The NSW public sector provides a wide range of services to members of the public and businesses. They range from essential services like hospitals, schools, public transport and police to regulatory services for trade, the environment, land use and infrastructure planning. Some services have complex long-term relationships with their customers while others, like licence renewal, are transaction-based.

Views about customer service are reported in this chapter from three perspectives – those of customers, employees and agencies.

The term ‘customer’ applies to any individual or organisation that directly uses services provided by a public sector agency. It includes people who may be referred to in other ways, including clients, consumers, parents, passengers, patients, residents, students and visitors.

### Chapter at a glance

- NSW customers are relatively happy with public services and similar levels of satisfaction are reported by consumers and businesses.
- More than a quarter of customers had complained to a public sector agency but only 15% felt their complaints had been effectively handled.
- Handling complaints well has a positive impact on customer satisfaction, even more than reducing the incidence of complaints.
- Employees feel that their organisations are strongly committed to good customer service.

## Importance of the customer

The NSW Government has prioritised customer service and appointed Australia's first Customer Service Commissioner, Mr Mike Pratt, in 2012. Commissioner Pratt's assessment of key issues and future directions is included in this chapter. Reforms to date include a 'one-stop shop' – Service NSW – with service centres, a single 24/7 telephone service and a single digital channel. Fostering a public service culture where customer service is strongly valued is a legislated objective of the Public Service Commissioner.

Other state governments have sought to measure customer satisfaction with government services. South Australia has run its Household survey since 2008 and the Queensland Government ran its third Customer Satisfaction survey in 2014.

The Australian Government has commissioned research into the relationship between agency performance and customer experiences. This research found that high-performing agencies tended to deliver superior customer experiences because they put more effort into understanding customer needs, invested relatively more time and resources, and were better at responding to suggestions and feedback. High-performing workplaces were also found to be more productive and therefore more efficient in their service delivery.<sup>14</sup>

Many NSW Government agencies actively seek customer feedback to improve service delivery; for example, the Mystery Shopper Program conducted by the NSW Police Force and the annual statewide Patient survey conducted by NSW Health. A PSC survey in late 2013 identified that 94% of the 83 agency respondents collect feedback from their customers and nearly three-quarters make changes as a result of views presented by customers.

Until now, customer feedback has typically been sought by individual agencies or programs, with limited coordination or comparison of customer satisfaction across agencies. To complement existing agency initiatives and create a coordinated approach to customer service reform, the Public Service Commission Advisory Board worked with the Customer Service Commissioner and others to develop a whole-of-government customer satisfaction instrument in 2013.

The inaugural statewide *Customer Satisfaction Measurement Instrument* – a survey of people who use public services – was conducted by the Customer Service Commissioner during 2014. It involved 6,208 customers, including 5,189 from the general population and 1,019 from the business community, responding to a telephone survey, face-to-face interviews, and mobile phone-based or online questionnaires. A diverse range of customers participated, including those from metropolitan, regional and rural areas, with a mix of gender, age, ethnicity and socio-economic status.

14. Boedker et al (2011), *Leadership, Culture and Management Practices of High Performing Workplaces in Australia: The High Performing Workplaces Index*

# Chapter 3: Customer focus

Twenty different types of services were included in the Customer survey including education, health, roads, transport, water licensing, agriculture, environment, family support, housing, police, fire, emergency services, prisons, courts, business advisory services and art galleries and museums.

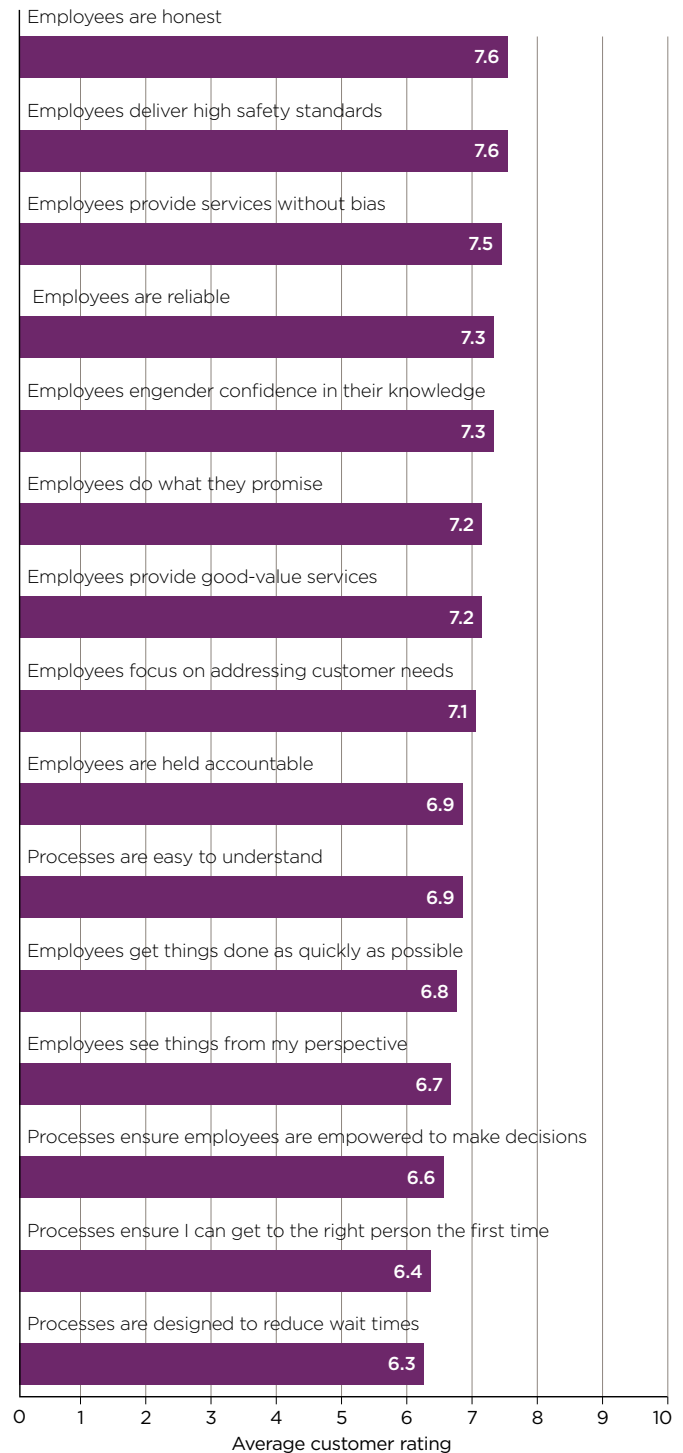
The objectives of this research are to understand the drivers of customer satisfaction and dissatisfaction, in relation to service quality and its relationship to public sector values, goals and culture. The results provide baseline scores to gauge future performance and the success of any reforms. The views of customers, employees and services are reported in this chapter.

## Research results

Overall, the survey found NSW customers were relatively happy with public services. The average rating for satisfaction with services over the previous 12 months was 7.3 for consumers and 7.4 for business customers (on a 10-point scale). However, the experience was below expectations for both consumers (7.6) and businesses (7.5). The gap between expectation and satisfaction is reinforced by the fact that only 43% of consumers and 45% of businesses rate their experience as close to their vision of an ideal service.

Public sector performance on core values was generally good, with both consumers and business customers scoring three out of four values at more than 7.0 (see Figure 12 on the following page). The research found these values were important in driving overall satisfaction, and among them, good service and trust were the biggest drivers.

**Figure 11: Customer perceptions of employees and processes**



**Figure 12: Customer perceptions of public sector values**



Customers were also generally positive about issues such as safeguarding privacy and confidentiality (7.6 for consumers, 7.7 for businesses) and the accessibility of information about services (7.1 and 7.0 respectively). However, they were most critical about the extent to which the public was able to participate in decision making (6.0 from both).

When asked to rate the public service overall rather than their direct experiences, customers gave lower scores than for service satisfaction (6.5 for consumers, 6.2 for businesses). Three in four customers described the public service positively, using terms such as 'capable', 'helpful' and 'friendly', whereas two out of three associated it with being 'inefficient', 'wasteful', 'difficult', 'impersonal' and 'inflexible', highlighting the imperative to improve public services.

The survey also found that more than a quarter of customers had complained to a public sector agency or department but only 15% of these felt their complaints had been handled well. Businesses, specifically, found it hard to know where to lodge complaints at all. The findings show that handling complaints well has a positive impact on customer satisfaction, even more than reducing the incidence of complaints.

The results of the inaugural statewide Customer survey will be considered by the NSW Government along with advice from the Customer Service Commissioner and department and agency heads on how to improve satisfaction over time.

**Overall, NSW customers were happy with the public services they received. However, only 43% of consumers and 45% of businesses rate their experience as close to their vision of an ideal service.**

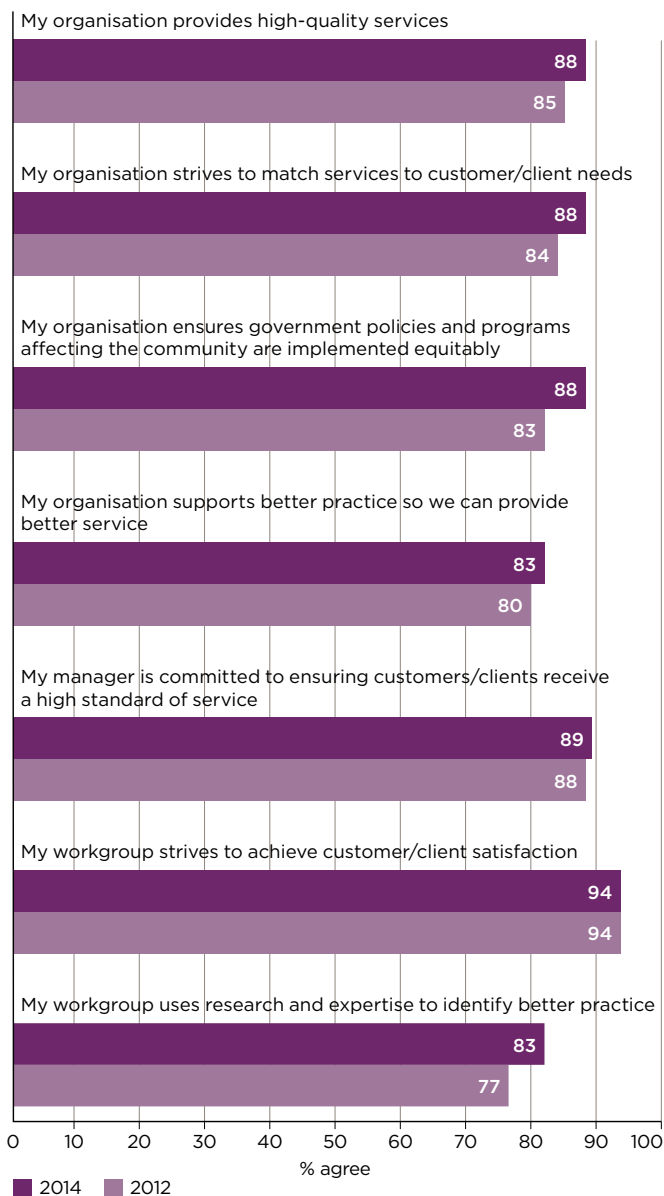


# Chapter 3: Customer focus

## Employee insights

NSW public sector employees themselves largely felt that their organisations were strongly committed to providing good customer service. Respondents to the People Matter survey strongly agreed (83–94%) with the six statements directly relating to customer service and each score was marginally higher than the ratings given in 2012.

**Figure 13: Employee perceptions of service**



## Agency insights

In the Agency survey, agencies rated their implementation of customer service strategies positively. The most developed customer strategies relate to documented policies, collecting customer feedback, selecting staff with a customer focus, and employee and manager performance indicators. Between 85% and 100% of agencies reported having implemented these practices, with 24% to 37% advising they are at a highly developed level. More basic levels of implementation were reported for employee recognition, employee training for high-level service, benchmarking against other organisations and seeking employee views about improvements.

Dealing with changing business needs due to varying client needs was ranked among the top workforce risks for 26% of agencies.

### Survey links

The People Matter, Agency and Customer surveys show some positive results about customer service, but customer perceptions are not as positive as those for employees and agencies. Surprisingly, there was no clear relationship between agencies implementing practices that specifically target customer service (such as training or key performance indicators for customer service) and customer service as rated by employees. There were, however, some small positive associations for other practices in the Agency survey, relating to employee ratings of customer service, including agencies that managed change well and had effective internal communication practices.

The lower scores about specific factors from the Customer survey also corresponded with weaker results from the Agency and People Matter surveys. In particular, customers and employees both reported that processes often slowed responsiveness and flexibility.

The greatest mismatch between the Customer and People Matter surveys was in the perception of prioritising customer service. Both consumers and business customers gave lower scores for staff being proactive and focusing on customer needs, whereas 88% of employees believed their organisation strived to meet customer needs. Agency survey results were more aligned with customer views, as few agencies rated themselves as 'highly developed' in their customer service practices.

Overall, the People Matter survey results supported the conclusion from the Customer survey that while service levels were good, processes had a negative impact on the speed and quality of the services provided.



## Conclusion

Going forward, the results identify three key areas for further action by agencies to improve customer satisfaction: employee capability, service delivery processes and effective handling of complaints. Agencies should also focus on making information easier to access, and on

developing a stronger customer culture where employees are empowered to respond to customers and encouraged to see things from a customer's perspective.

Priorities for the Customer Service Commissioner are outlined below.

## Strengthening the customer-centric public service culture in 2014–15

### Message from Mike Pratt, Customer Service Commissioner

Customers' expectations are increasing in line with changes in our society. The service economy is growing and customers are surrounded by organisations competing for their business. Customer expectations are fluid, influenced by complex social, technological, economic and environmental changes. These factors influence customer expectations, providing opportunities and challenges for organisations right around the globe. This includes the NSW Government.

More than ever, the citizens of NSW expect and deserve the NSW public sector to deliver high-quality, efficient and cost-effective services that meet their needs. Delivering on this is at the core of the NSW Government's agenda outlined in *NSW 2021: A plan to make NSW number one*.

While we can debate whether citizens are 'customers' of the government or not, the main point is to highlight that the NSW public sector is committed to doing things differently in order to better meet customer needs and expectations.

As the Customer Service Commissioner, it is my job to advocate for NSW customers. Whether the customer is an individual consumer or a business, I encourage and support NSW departments and agencies to deliver more customer-centric and efficient services, for which the government is accountable.

This will be achieved by putting the customer at the centre of policy decisions right through the value chain to delivery. The Customer NOW Program has also been developed to focus on the way the NSW Government interacts with its customers. Making it better to live,

work and play in NSW, through easier, better and faster access to services, providing government information at customers' convenience, and improving customers' participation in policy and service design.

At the centre of the Customer NOW Program is the citizen – our customer. Improving customer service takes a deep understanding of what customers need and expect, regardless of whether they are an individual or a business. A dedicated whole-of-government Customer Satisfaction Measurement Instrument (CSMI) has been designed to ensure the NSW public sector can track service delivery improvements over time. The survey will run each year and will also benchmark NSW service delivery against other states and some overseas jurisdictions.

Customers have told us that while they believe our people deliver good service, processes need improving. Bad processes will almost always beat good people. With continuous customer feedback on service delivery, we will identify, review, redesign, simplify and integrate processes that better meet the needs of customers. This means we will deliver more transactions through digital channels, opening up the NSW public sector and collaborating with customers on policy design, taking feedback on our performance and acting on it. We will also need new customer-centric skills within the NSW public sector.

Over the next five years, specific whole-of-government customer reform initiatives will be delivered to accelerate change. We are looking forward to embedding these changes to improve our ability to deliver distinctive customer service.

# 4. Leadership strength

**The NSW Government is committed to identifying, developing, attracting and retaining talent across the public sector.**

In July 2014, NSW Premier Mike Baird reinforced this commitment by announcing a significant increase in investment in leadership capabilities over the next four years to ensure executives have the skills and experience required for their roles.

Global surveys show leadership in both the private and public sectors is perceived as an international priority. The behaviours of leaders in high-performing organisations are widely discussed. It is often observed that they:

- communicate clear direction for the future of the organisation
- provide strong and strategic leadership
- encourage innovative thinking and new ideas
- demonstrate clear values
- spend time and effort managing people
- foster a positive and productive work environment
- value relationships with diverse stakeholders.

## Chapter at a glance

- The 2014 People Matter survey found improvements in the quality of communication between senior managers and employees from the previous survey.
- NSW public sector executives consistently demonstrate the required capabilities with the majority rated as competent or above.
- There is a clear gender gap at the highest levels of the public sector.
- Agency planning for transition to the new executive structures of the Public Service is on track.

The latest research into leadership in NSW, detailed in this chapter, shows that public sector executives are generally capable of performing their roles to a high standard. It also shows there have been areas of improvement over the past two years that are moving the public sector's leaders closer to the ideal leadership qualities shown in other studies. However, challenges remain, especially in terms of communication, the ability to manage change and increasing the participation of women in senior roles.

While it is recognised that leadership is required at all levels of an organisation, for the purposes of this section, the focus is primarily on senior managers.

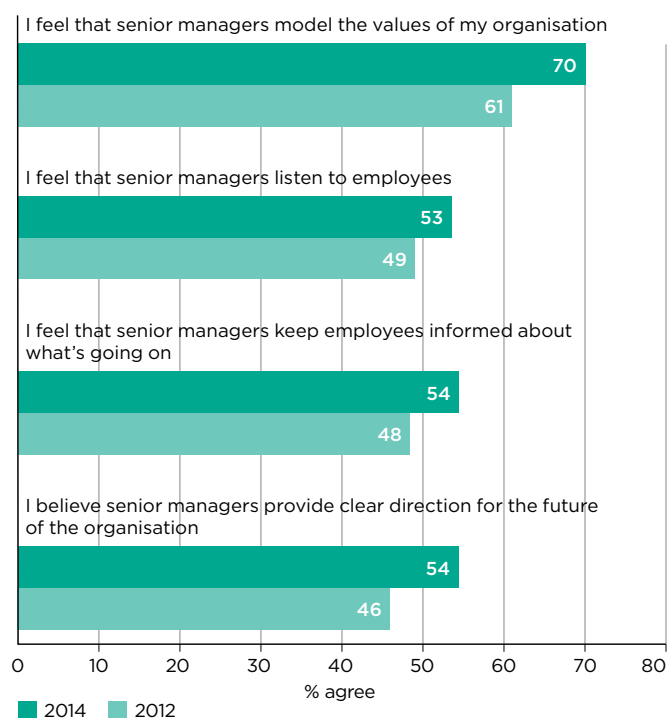
## Communication

The 2014 People Matter survey showed significant improvement since the previous survey in 2012 in the quality of communication between senior managers and employees (see Figure 14). For example, the proportion of employees who felt senior managers modelled the organisation's values increased from 61% in 2012 to 70% in 2014, and the belief that senior managers provided clear direction about the future of the organisation rose from 46% to 54%.

However, only 53% of employees felt senior managers listened to them and only 54% felt senior managers kept them informed about what was going on, both of which are important elements of inclusion.

Significantly, the role of senior managers was the most frequently raised issue when employees were asked what change was needed to improve the effectiveness of their workplace. A range of factors was raised, including the need for clear direction, transparency and honesty in communication, integrity, capability and strategic planning.

**Figure 14: Employee perceptions about communication from senior managers**

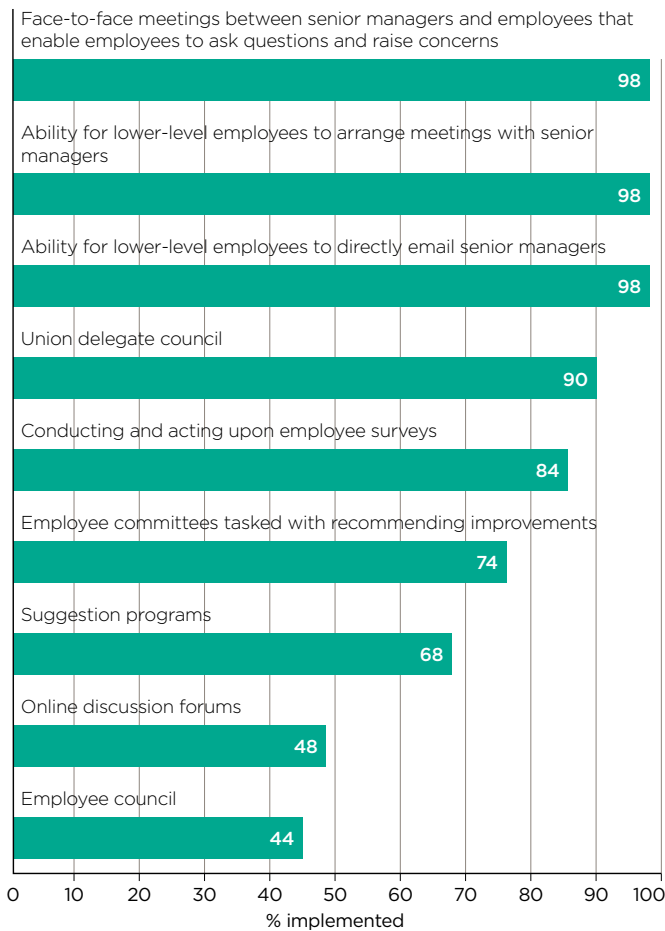


# Chapter 4: Leadership strength

The improvements compared to the 2012 results may reflect the efforts by agencies to improve their communication practices. In the Agency survey, agencies assessed their internal communication practices as well developed.

The most commonly reported internal communication practice was face-to-face communication between employees and the head of agency or other senior managers. Options for lower-level employees to arrange meetings with senior managers or to send them emails were also common practices (see Figure 15).

**Figure 15: Communication practices implemented by agencies**



Despite positive self-assessment by agencies there is a clear disconnect between their practices and the extent to which employees feel they are kept informed. A comparison of the People Matter and Agency surveys shows benefits can be gained from investing in development programs to improve senior managers' communications skills. Agencies that did this tended to be rated more highly by employees in the People Matter survey on factors including customer service, employee engagement, learning, career development and performance management. However, only 10% of agencies had implemented this practice to a highly developed level.

## Change management

Managing the impact of external and internal change in an organisation is vital to its ongoing high performance. External triggers for change might include the economy, globalisation, technological change, service delivery or political pressures. Internally, change is often driven by service delivery or organisation reform, and variations in budgets, costs and human resource issues.

Good change management practice is about understanding the change that is occurring and taking a systematic approach to it while having the knowledge, tools and resources to readily respond to the change. Australian and international experience shows common factors to successful change management; the Queensland government lists these as planning, defined governance, committed leadership, informed stakeholders and an aligned workforce.<sup>15</sup> As a management practice, responsiveness to change correlates highly with high-performing workplaces. Senior managers need to be flexible, adaptable and able to respond appropriately and quickly to changes if they are to deliver effective outcomes.

However, change can be distressing for individuals, particularly when managed poorly, and can lead to employees perceiving their job as insecure. Continuous change is one of the central challenges for maintaining wellbeing at work.

Respondents to the People Matter survey were asked about their perceptions of change management in the NSW public sector. Only 44% of staff feel that change is handled well in their workplace (a 2% improvement on 2012). A higher proportion (53%) feel that their job is secure (up from 51% in 2012). However, there is a sense that action is being taken, with 65% of respondents agreeing that their organisation is making the necessary improvements to meet future challenges – a 7% increase since 2012.

15. Queensland Government (2013), *Change Management Best Practices guide*

## Snapshot – Effective communication

### Australian Museum

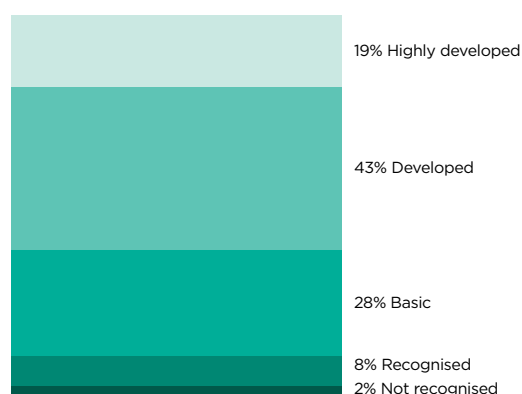
On commencement of her employment, Kim McKay, the Director and CEO of the Australian Museum, gave an undertaking to meet with every employee. She then initiated roundtable meetings in small cross-divisional groups of 12 to discuss the future of the museum and solicit new ideas for improvements across the business. The most innovative ideas will be recognised through a formal rewards system. These meetings have generated many exceptional ideas, and staff moral and optimism

have increased considerably due to the simple fact that every employee's ideas and opinions are sought, valued and appreciated. "Now I not only have 300 brilliant ideas for the future, I also have a first-hand understanding of my team and their experiences," says McKay. This initiative has reportedly delivered improvements in organisational culture – staff interactions between divisions have improved and feelings of unease from a recent restructure have dissipated.

By contrast, agencies rated their change management practices as relatively mature. In the Agency survey, more than 90% said they had implemented detailed plans and procedures for supporting change management, with 62% rating them above basic practice (see Figure 16). While the majority of agencies have detailed communications strategies for managing change, only 46% have also implemented project management software, processes and meetings to monitor progress and manage risks at a level above basic practice. Even fewer agencies (26%) assess managers on the success of change at a higher than basic level.

**Figure 16: Change management practices implemented by agencies**

Average extent of implementation for approaches to managing and achieving major workplace change.



While employees rate agencies' change management practices relatively poorly compared to the agencies' perspective, there is a strong association between higher scores from employees and agency efforts. Those agencies that rated themselves more highly for change management practices were more likely to have gained positive responses from employees in a broad range of People Matter survey questions, including all the values categories, team cohesion, resourcing, learning, career development, performance management and mobility.

Although initially appearing incongruent, the relatively low frequency of 'highly developed' ratings by agencies highlights the difference between having a practice in place versus implementing it broadly and effectively. Also, if change has negative consequences for employees, then regardless of how well it is implemented, it is not likely they will rate the change positively. So while it appears that agencies may be overly optimistic about the quality of their change management practices, it is also understandable that employee ratings of change will typically score below agency ratings. The low result in assessment of senior managers' capability to manage reform and change (see 'Executive capabilities' on the next page) confirms that further work is required by agencies in this area.

# Chapter 4: Leadership strength

## Executive capabilities

The capability of NSW Government senior executives was assessed in 2014 by evaluating all 20 of the capabilities in the NSW Public Sector Capability Framework at the advanced level. Nine assessment activities were undertaken by 296 executives in Band 2 and the lower half of Band 3. Results were compared to the 2012–13 program, in which senior executives were assessed against 15 capabilities.

These results (see Table 5) form a valuable evidence base that assists agencies and PSC to understand and act on executive capability strengths and gaps at agency and sector-wide levels. They can also help individual executives identify their personal drivers, strengths and areas for development.

The 2014 program revealed that NSW public sector executives consistently demonstrate capability at the required level with the majority of executives rated as competent and above in all the capabilities (see Table 5).

The highest rated capabilities are Optimise Business Outcomes, Communicate Effectively, and Inspire Direction and Purpose. The lowest mean scores are for Manage Reform and Change, Technology, and Think and Solve Problems. Finance has a slightly higher mean score but the proportion of executives rated competent and above is at the second lowest level, along with Technology. The most significant decrease since the previous program is in Manage Reform and Change.

The areas for development can all have a significant impact on the work of the public sector. A number of programs are in place to assist in building capability. They focus on innovation, leadership essentials, values and ethical behaviour, and delivering business results (which covers finance, technology, optimising business outcomes, procurement and contract management). Programs targeting individual capability are also available, and forums provide executives with opportunities to discuss topical issues and develop a shared sense of stewardship across the sector.

**Table 5: Executive capability – 2014 assessment results**

Capability	Overall capability (mean)	Competent and above (% rated 5–9)
Optimise Business Outcomes	5.77	90.9
Communicate Effectively	5.77	89.5
Inspire Direction and Purpose	5.74	88.5
Commit to Customer Service	5.71	93.2
Influence and Negotiate	5.69	88.5
Plan and Prioritise	5.68	91.9
Project Management	5.66	91.2
Display Resilience and Courage	5.64	89.5
Manage and Develop People	5.62	80.4
Work Collaboratively	5.30	81.4
Finance	5.22	75.7
Procurement and Contract Management	5.18	78.7
Think and Solve Problems	5.04	76.7
Technology	5.03	75.7
Manage Reform and Change	4.64	58.4

The results for an additional five capabilities measured by 360-degree feedback were very positive, with all executives rated as competent and above in Act with Integrity, Manage Self, Deliver Results, Demonstrate Accountability and Value Diversity.

### Differences among senior managers

The average capability scores of women (91 participants or 31%) were higher than those for men in all but three capabilities. However, only Finance was found to have a statistically significant difference. For the capabilities where women outperformed men, 11 of the 17 results were statistically significant. Given the under-representation of women at senior manager levels, these results show it is important to the performance of the sector to eliminate barriers affecting the career progression of women and to utilise the significant capabilities of the women already in senior roles.

Few significant differences in capability scores were evident between age groups or salary bands. There was also little variation in capability scores by service cluster, suggesting there is a strong foundation for deployment of senior managers where they are most needed, and that there are no significant capability gaps limiting the benefits of mobility.

### New leadership strategy

Many large global corporations have very sophisticated approaches to talent management, leadership development and performance management. Generally though, this occurs well in businesses that are less diverse than the NSW public sector and where there is a high-performance culture and systems that support it.

At the 2014 NSW Institute of Public Administration Australia conference in July, the NSW Premier announced his vision for the NSW public sector to identify and nurture talent and create future leaders. Notwithstanding the complexity of the NSW public sector, PSC will work with department secretaries to capitalise on the current GSE Act reforms to commit to and invest in good systems. This, it is hoped, will lead to the replication of the best of private sector practice in identifying talent and creating leaders.

Work is underway to create an academy for talent and leadership excellence. Its key objectives are to:

- transparently identify talent and potential at all levels
- actively support the transition of people with leadership aspirations and potential, from their professional roles to leadership roles
- create a succession pipeline of talented mobile leaders ready to take on senior leadership roles across the NSW Government.

The academy will build on best-practice approaches in all sectors, both in Australia and overseas, and will work to complement existing leadership initiatives in public sector agencies. It is anticipated that the academy will be operational in early 2015.

**Agencies that rated themselves more highly for change management practices were more likely to have gained positive responses from employees in a range of survey questions, including all the public sector values, team cohesion, performance management and mobility.**



# Chapter 4: Leadership strength

## Women in senior roles

There is a clear gender gap at the highest levels of the NSW public sector. While women comprise two-thirds of the total workforce, they hold only one-third of senior positions. While there has been a small increase in numbers over the last three years, the proportion of women at the top has not changed. To address this issue, the Public Service Commissioner commissioned research to examine the participation of women at senior levels in 2014.

The subsequent report<sup>16</sup> shows there is a 'pinch point' in gender representation that requires greater attention. While women comprise almost two-thirds of lower grades, they account for approximately half of the feeder groups or pipeline for senior management positions. Beyond this point the pattern is reversed and men hold two-thirds of senior positions.

The key messages from the research are that, firstly, recruitment, selection and promotion of women at the pinch point and beyond requires careful examination and monitoring. Secondly, unconscious bias affects the way women are perceived in terms of their leadership capabilities and willingness to take on senior roles, and this affects their career advancement in multiple ways. This finding is supported by perceptions in the People Matter survey, where women at senior levels were much less likely than men to agree that both genders are given the same opportunities to lead on important work, or that senior managers support the career advancement of women. In the Agency survey, only 15% of agencies reported that gender strategies that provide opportunities to take the lead on important work were highly developed.

Thirdly, the use of flexible work arrangements and career breaks can also have adverse effects on women by reducing their access to opportunity. While 20% of full-time employees are on a salary greater than \$102,418, only 7% of part-time employees command the same remuneration. The low uptake of flexible working at senior levels by men and women also has an effect on the large numbers of women who have care responsibilities outside of work.

But uptake of flexible working is improved where there is a culture that explicitly values its use, where there is more flexibility inherent in job design and work processes, and where it involves whole groups, not just individuals. The current reforms to the senior executive structure in the public service provide opportunities for this kind of reform.

Finally, change programs work best when their governance and implementation are shared responsibilities of women and men. Large organisations in Australia, including those profiled in the research as leading practice, are increasingly setting gender targets for women in leadership roles. Targets are shown to be successful when accompanied by good communication and demonstrated executive support.

The Agency survey confirmed that 14 public sector agencies of mixed sizes already have gender targets in place at the senior manager level. Moreover, while 38% of agencies use succession planning as an approach to gender equality, fewer agencies (19%) report having a policy to address gender imbalance.

The Public Service Commissioner will release the research report and work with departments and agencies to champion and facilitate action on gender equity across the public sector. The report's recommendations with regard to gender targets at the department and agency levels – and the setting of key performance indicators related to gender – will be considered. It will be essential to link this work to workforce plans and ensure that the report's recommendations are implemented in a way that reflects the different circumstances of departments and agencies.

16. Baird et al (2014), *Advancing women: increasing the participation of women in senior roles in the NSW Public Sector*



## Reforming executive structures

Major reforms to the executive structures of the NSW Public Service have been introduced under the GSE Act. The Chief Executive Service, the eight-level Senior Executive Service, and the award-based three-level Senior Officers, – and equivalent positions – have been replaced by a single executive structure, with common employment arrangements, including standard employment contracts.

The title of Secretary has replaced Director-General for heads of departments, and the executive structure has just four levels:

- Band 4 – Department Secretaries
- Band 3 – Deputy Secretaries
- Band 2 – Executive Directors
- Band 1 – Directors.

The titles for the bands will be appropriate for almost all senior executive roles in the NSW Public Service.

Under the GSE Act, a Secretary is the employer of senior executives in their department and in the executive agencies related to the department. The head of a separate public service agency is the employer of the senior executives in their agency.

Public service agencies are to apply consistent design principles in developing their new senior executive structures. The principles include reducing executive management layers, minimising intra-band reporting (executives reporting to the same band) and having appropriate executive spans of control (number of staff reporting directly to the executive).

Implementation of the reforms is directed at optimising executive structures in the NSW Public Service. For example, consistent classification of and remuneration for common roles across the Public Service should facilitate greater mobility of executives. Fewer reporting layers and broader spans of control are expected to encourage streamlined decision making and make accountabilities clear.

Almost all agencies have supplied their required initial implementation plan for effective transition and are on track to transition to the new arrangements by February 2017 at the latest. Table 6 shows the number of executives engaged under the new structure by June 2014.

**Table 6: Number of executives transitioning to the new structure**

Transitioned at June 2014	To transition in future	Total executives June 2014
49	2,327	2,376

With new executive structures in place, secretaries and the heads of separate agencies will be able to manage their structures, roles and workforce within the new legislative framework without any requirement to seek agreement from the Public Service Commissioner on matters such as the number of executive roles or the structures within which those roles are located.

It is also intended that the Health Executive Service, Police Senior Executive Service and Transport Senior Service align with the GSE Act and transition to these arrangements, ensuring a consistent approach across the whole government sector.

Details of the new structure are included earlier in this report, in NSW public sector at a glance.

## Conclusion

Continued investment in initiatives to improve senior managers' skills and engagement with their employees is a high priority of the NSW public sector, as is the streamlining of existing executive structures. Consolidation of current reforms and capability building strategies will continue next year. New action will be taken by PSC and departments to create an academy for talent and leadership excellence that also addresses gender imbalances at senior levels. Collectively, this work is intended to facilitate the further development of a strong and agile group to lead the public sector.

# 5. Culture and behaviours

**Having the right culture, values and behaviours is essential to the success of any organisation.**

However, changing a culture is not easy and takes time. The NSW Government has actively sought to reinforce its core values of integrity, trust, service and accountability throughout the public sector. These are key elements in the Government's Ethical Framework and have been captured in law in the GSE Act. Promoting these core values has also been central to the PSC's strategic direction since the body was established in 2011. In this chapter, we discuss the state's progress in fostering these values and desirable behaviours.

## Chapter at a glance

- Agencies are actively implementing the core values into their workforce practices.
- Employees are positive about the extent that the core values of integrity, trust, service and accountability are applied in their workplace.
- Bullying continues to be a major concern, with 23% of People Matter respondents reporting they had been subjected to bullying.
- A new focus on prevention of bullying is being developed.

## Core values

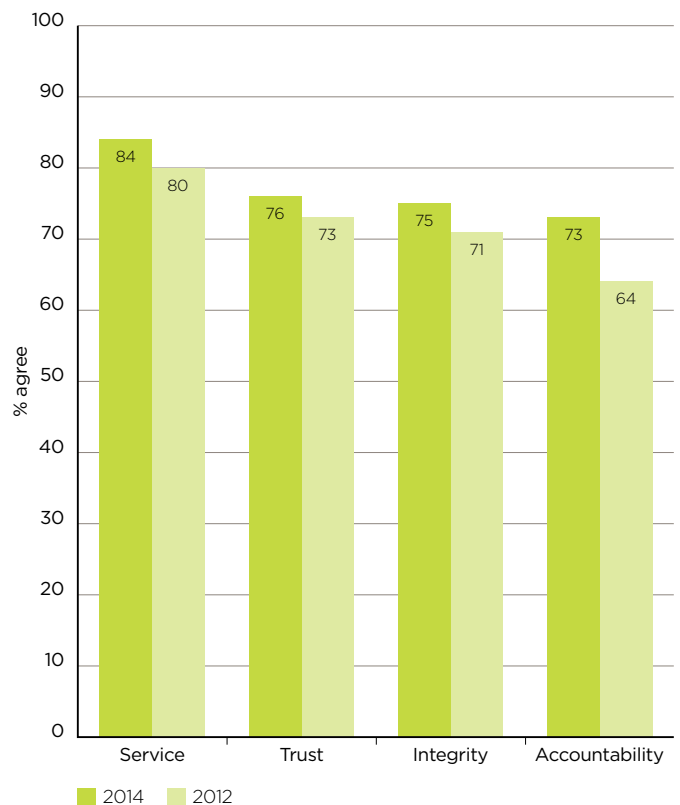
The People Matter survey included a number of questions to gauge how employees perceive and adhere to the public sector's four core values. The results show that employees are positive about the extent to which these have been applied in their workplaces (see Figure 17) and more positive today than they were in 2012.

Eighty-four per cent of employees were positive about the public sector's commitment to service (compared to 80% in 2012). Trust scored 76% positive responses (73% in 2012), integrity 75% (71% in 2012) and accountability 73% (64% in 2012).

The response rates range from a high of 94% for workgroups striving to achieve customer satisfaction to a low of 53% for senior managers listening to employees. Within agencies, results were generally similar across all four values – if an agency scored high on one, it tended to score high on all values.

Younger employees, those who had held positions for less than two years, and those on low or higher salaries were generally more likely to respond positively in each category.

**Figure 17: Employee perceptions of the extent to which the core values have been applied in their workplace**

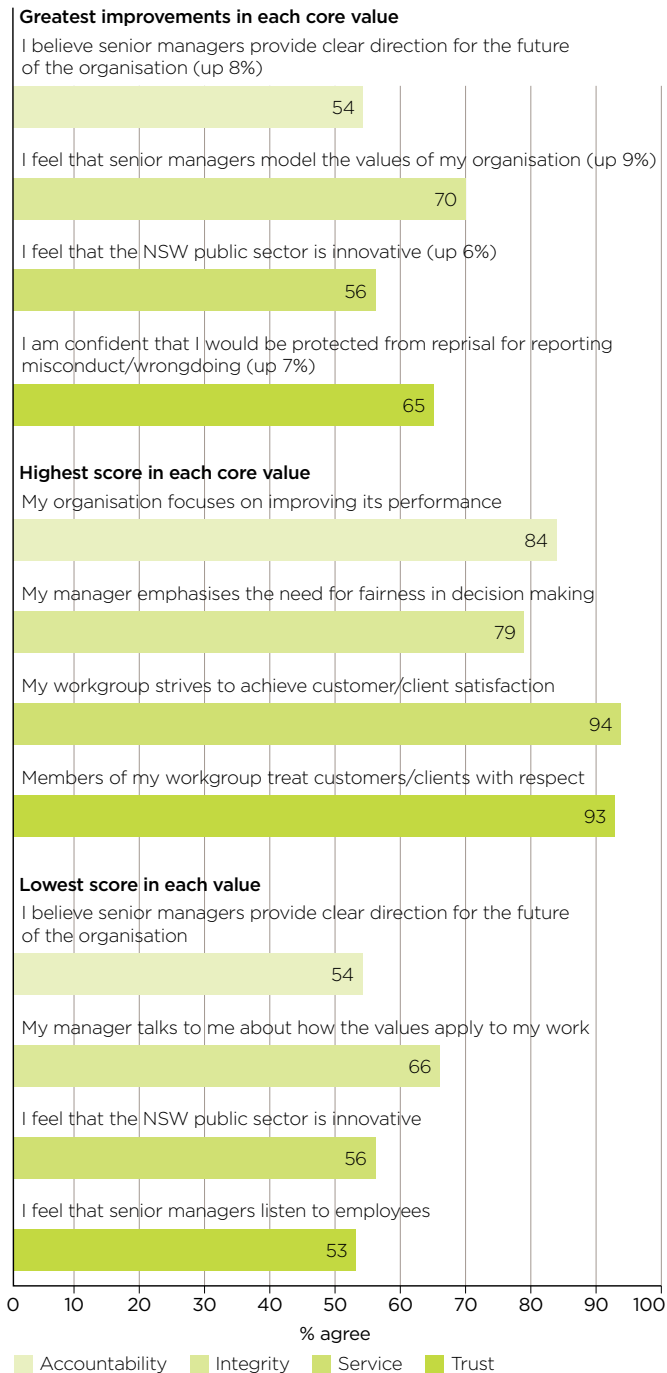


# Chapter 5: Culture and behaviours

## Data in detail

Figure 18 shows the responses that contributed to the scores for integrity, trust, service and accountability specifically. Further detail about the service value is in Chapter 3.

**Figure 18: High and low ratings about employee engagement**



## Culture

The Agency survey shows that 79% of government agencies have incorporated the core values into their performance management systems, with 15% having done so to a high level of development. Most agencies (80%) had also incorporated the values into their culture change, learning and development, and recruitment and selection activities. Fewer agencies (62%) have incorporated the values into their workforce planning.

The survey results show that agencies also used their own values to inform workforce practices, rather than only using the public sector core values (see Table 7).

The survey also found that agencies encouraged alignment with public sector core values in a range of ways. Most (80%) documented the values in agency objectives and management policies, and regularly communicated them through managers. This aligns with the view that effective communication plays an important role in facilitating the alignment of values throughout the sector.

A comparison of the Agency and Employee surveys shows that the agencies that referred to values in their performance management systems were more likely to have employees report fewer conflicts of interest in their workplace, more satisfaction with career development opportunities, more awareness of relevant legislation and policies, and performance assessments against clear criteria.

**Table 7: Agency integration of values into workforce practices**

Workforce Practices	Integration of government sector values		Development and integration of agencies' own values	
	%Imp	%HD	%Imp	%HD
Culture change	78	14	86	19
Workforce planning	62	10	68	11
Recruitment and selection	77	15	81	14
Learning and development	74	12	83	14
Performance management	79	15	81	15

Imp = implemented at basic, developed and highly developed levels; HD = highly developed level

## Bullying

The instances of workplace bullying have shown a large decrease over the past two years, as measured by the results of the People Matter survey, but it continues to be a major concern for the NSW public sector.

In 2014, 23% of People Matter survey respondents reported that they had been subjected to bullying, and 41% reported witnessing bullying in the past 12 months. This is lower than the 2012 figure, when 29% of respondents reported personally experiencing bullying and 48% of respondents reported witnessing bullying.

This year, employees reported that bullying consisted of a combination of different behaviours. The most frequent forms (reported three times or more) in 2014 were:

- negative body language, gestures or glances (63%)
- mistreating one or more co-workers (67%)
- withholding important information (50%)
- devaluing work efforts (53%)
- avoiding or ignoring employee(s) (60%).

Of the respondents who had experienced bullying, 21% submitted a formal complaint. Of those who submitted a formal complaint, 19% felt their complaint was successfully resolved, and 19% were awaiting resolution. Sixty-two per cent of complaints were unresolved.

There was no clear pattern as to who was a bully: employees reported that bullies could be supervisors (28%), senior managers (23%) and co-workers (23%). Nor was workplace bullying uniform. For example, the proportion of female employees who experienced bullying (24%) was higher than the proportion of male employees (20%). This was similar to the 2012 results. There were also large differences in 2014 across clusters with responses ranging from 12% (Premier and Cabinet) to 28% (Health) of employees who had experienced bullying.

## Snapshot – Culture change Sydney Water

Sydney Water's My Ripple Effect program is one of a number of initiatives being adopted to target culture change. The program focuses on individuals' contribution to culture change, which is in line with research that shows the fastest way to make changes to organisational culture is to work at the individual level. The internally designed and delivered program is initially targeting 150 middle managers with additional cohorts planned. Using workshops and internal coaching, managers explore their 'ripple effect' across their team, organisation and customers, which they then use to develop a constructive working culture. The program helps individuals to make changes to thinking, attitude and behaviour that will support culture change.

The potential outcomes of the program are multidimensional, including improved career satisfaction, better relationships at the individual level, better engagement and better performance within teams. The expected flow on to our organisation is improvements in customer responsiveness and our ability to evolve as changes in the external environment occur.

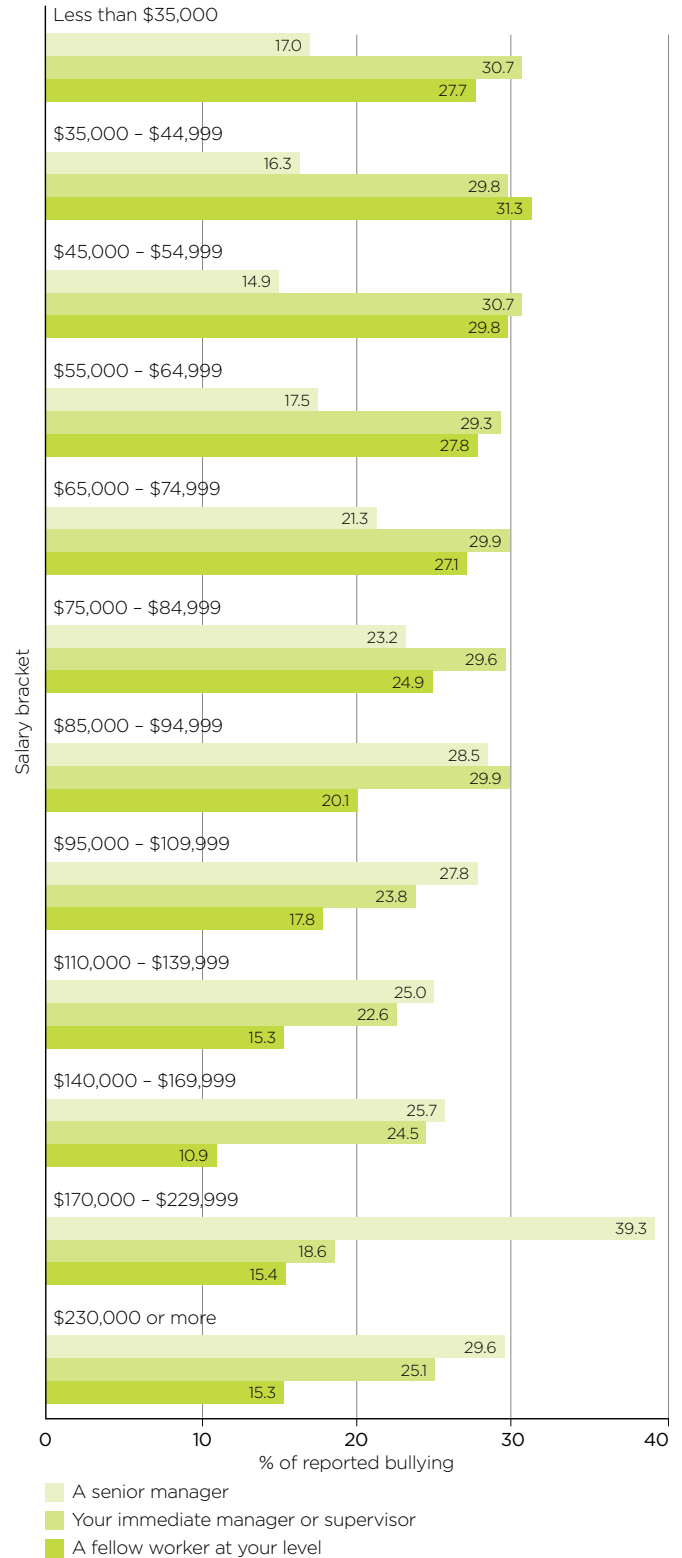
"Culture starts with me and comes alive within and between our teams, to make our company thrive and enable the lives of our customers."

# Chapter 5: Culture and behaviours

Workplace bullying was also disproportionate for other demographic groups of employees. Some 32% of Aboriginal and Torres Strait Islander employees and 36% of employees with a disability had experienced bullying in the past 12 months. This compared to 43% of Aboriginal and Torres Strait Islander employees and 42% of people with a disability in 2012, and may reflect the clearer definition of bullying rather than a drop in occurrences. Workplace bullying was also more common among front-line workers than other workers.

The People Matter survey’s investigation of salary bands revealed that bullying from an unspecified senior manager became more prominent among better-paid employees, while employees on lower salaries were more likely to identify a co-worker as a bully (see Figure 19).

**Figure 19: Source of bullying by salary bands**



Younger employees were more likely to report serious bullying from their contemporaries than from older employees. However, those aged over 40 were more likely to identify a senior manager or their immediate supervisor as the primary source of serious bullying.

### Action on bullying

The Public Service Commissioner took urgent steps to address the unacceptably high rates of bullying when they were first reported in the 2012 People Matter survey. In 2013, he directed agency heads to report on the actions they had taken to address bullying in their agencies. All agencies reported they had policies and strategies to prevent or counter bullying, suggesting they needed improvement.

In March 2014, the Commissioner convened NSW's first roundtable on bullying with agency and union representatives to develop a new, evidence-based approach to the problem. A major theme of its discussions is the importance of tackling the organisational culture (psychosocial factors) that influences workplace bullying, rather than just the traditional approach, which focuses on the behaviours of individual bullies and victims.<sup>17</sup> This approach of preventing bullying by managing workplace factors is new to the NSW public sector.

PSC is using the 2012 and 2014 People Matter survey findings to explore two strategies to prevent bullying, including:

- identifying workplace-level factors that prevent bullying
- being aware of early warning indicators to trigger pre-emptive management action before bullying patterns develop.

Based on recent research that investigated associated indicators of workplace bullying, specific items from the 2014 People Matter survey were examined and the data combined to form indexes. The results in Table 8 show how employees who experienced bullying rated items in the People Matter survey by index score.

**Table 8: Differences in People Matter survey findings for employees who experienced bullying**

Item from People Matter survey	Index score - impact on bullying
Supportive leadership	25% lower
Team morale	20% lower
Stress	17% higher
Engagement	15% lower
Performance feedback	15% lower
Work demands	14% higher
Role clarity	7% lower

These findings are consistent with workplace research by the Australian Psychological Society.<sup>18</sup> This suggests that in addition to having anti-bullying policies and procedures, agencies need line managers to demonstrate a high standard of professional conduct to employees and teams, and to give line managers the support, authority and training to promptly tackle unethical conduct if it occurs.

PSC is developing a dashboard to be used as a tool by HR managers to identify areas that are at risk of bullying. In addition, PSC is reviewing the procedures and skills managers need to promptly and effectively investigate and respond to cases of bullying, with due process and in such a way that individuals are supported and any contributing organisational climate factors are eliminated.

## Conclusion

Public sector agencies are actively implementing the core values of integrity, trust, service and accountability throughout the public sector. A high proportion of employees are positive about the overall commitment to values in their agency, and ratings for multiple factors also show positive improvement since 2012. While bullying has decreased since 2012, it continues to be a major concern. PSC is examining the factors that influence workplace bullying, and working with agencies and unions to develop resources that facilitate early preventative action in agencies as well as the effective investigation of any unethical conduct.

17. Dollard et al (2013), *The Australian Workplace Barometer: Report on psychosocial safety climate and worker health in Australia*

18. Australian Psychological Society, *The Psychologically Healthy Workplace Program*

# 6. Productivity and innovation

**With almost half of NSW budget expenditure being employee-related, the NSW Government has signalled more efficient workforce management as a key priority.**

Increased productivity in the NSW public sector will have a positive impact on services to the community as well as the economy generally. It is therefore a key performance issue for public sector organisations.

A lot more can be done in public sector agencies to develop a productivity policy agenda that helps drive reform and build on existing strategies for performance, efficiency, continuous improvement and management of resources in a tight financial climate. A key to this work is understanding the drivers of productivity and their impact in individual agencies.

The Audit Office of NSW is examining performance reporting for several areas of government activity to see if the information is available to identify and assess changes in their productivity. The capacity of agencies to track and measure productivity and efficiency is being examined and a report will be tabled in Parliament in early 2015.

## Chapter at a glance

- The adoption of new technologies for greater workplace and service delivery productivity is gaining momentum across the public sector.
- Employees feel they are encouraged to be innovative in their work (73%) but only 56% feel the sector as a whole is innovative.
- The population is growing and ageing, and planning is needed for a public sector workforce of the future.
- Agencies are taking early steps to improve workforce flexibility and mobility, informed by the new GSE Act.



## Drivers of productivity

In 2013, the PSC engaged Deloitte Access Economics to identify key drivers of productivity in the public sector. It found that priority areas where reform in public sector organisations can lead to change include:

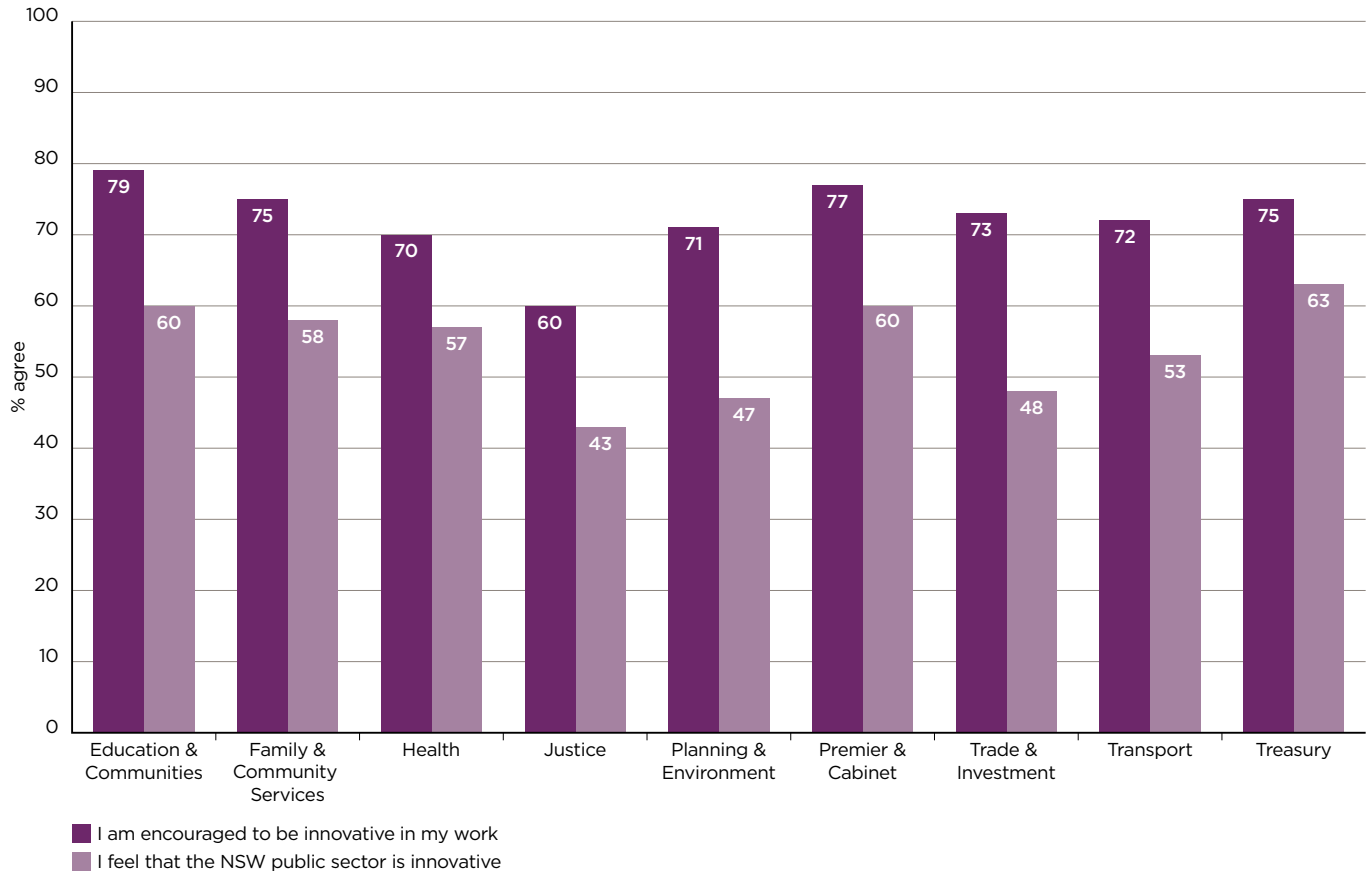
- increasing the contestability of service provision
- adopting new technologies
- improving workforce flexibility
- employment measurement and benchmarking
- developing a skilled workforce
- establishing a culture of innovation.

While different drivers affect productivity across agencies, one of the common drivers is establishing a culture of innovation with the right environment for ideas and action, and where employees are given incentives and opportunities to come up with innovative approaches to the services they provide.

Findings from the 2014 People Matter survey revealed that while public sector employees feel they are encouraged to be innovative in their work (73%), only 56% feel the sector as a whole is innovative. Those with the highest positive results for being encouraged to be innovative were in the Education and Communities, Premier and Cabinet, and Treasury and Finance clusters (see Figure 20). The group of employees with the highest positive scores was senior managers (85%), followed by employees aged 20–24 (80%) and new or temporary employees (81%).

# Chapter 6: Productivity and innovation

**Figure 20: Employee perceptions of innovation**



The NSW Government has a commitment to introduce more contestability in the delivery and funding of public services and is developing a new strategic commissioning framework, led by the Department of Premier and Cabinet.

Strategic commissioning focuses on service outcomes and identifying the best way to deliver public services to customers. It requires careful consideration of community needs and the best type of service or system to enhance innovation and reduce inefficiencies and costs. Contestability is the practice of providing opportunity for competition in public services. The intention is not to assume that other sectors are more efficient or better, but to adopt a more strategic approach to the delivery of public services.

The importance of developing a skilled workforce has been discussed throughout this report, together with a focus on workplace flexibility. Flexibility can mean different things, from identifying service areas with higher levels of employee over-qualification or under-utilisation, to focusing on skill mix and job redesign, flexible working hours and role flexibility, and mobility within and beyond the employing organisation. Mobility is discussed in some detail below.

It is widely acknowledged that a rapid adoption of technologies across agencies is vital for greater workplace and service delivery efficiency. Technology was the most frequently raised issue when agencies were asked in the Agency survey to identify one thing that would improve the effectiveness of their workplace. Work processes were rated frequently by employees for the same question in the People Matter survey, and customers were critical of government processes in the Customer survey.

## The future of service delivery

### Professor Peter Shergold, Chair of the Public Service Commission Advisory Board

The size and scope of the public sector as a program funder, service deliverer and market regulator means that it should constantly seek better ways of meeting the needs of the community. Strategies must focus on improving state performance through identifying and measuring outcomes, and assessing the most effective means of delivering them.

A 'public economy' is emerging that requires public servants to facilitate the engagement of both the not-for-profit community and private sector businesses in service delivery. Public servants can no longer go it alone. A well-considered approach to commissioning the procurement, delivery, funding and evaluation of services can maximise public value. The goal should be to improve outcomes for customers, increase choice for users and enhance flexibility for providers. Organisations from other sectors can add

significant public value in a manner which complements government-delivered services.

Change is already evident. Innovation within the NSW public sector is leading to exciting new approaches such as the introduction of Australia's first Social Benefit Bonds. What sometimes seems to be missing is the vision or courage to turn disparate elements of change into systemic transformation. A burden of red-tape micro-management is too often imposed on front-line staff and contracted service providers in order to avoid any risk. This stifles the creativity that might come from diversity, program flexibility and customer choice.

Cross-sectoral collaboration is essential. Increasingly the role of NSW public servants will be to facilitate the best means to deliver public benefit, working in partnership with community organisations and businesses.

The Office of Finance and Services (OFS) is leading ICT reform in collaboration with public sector agencies. The NSW Government ICT Strategy sets out a plan to deliver better, more customer-focused services and to gain better value from public sector ICT investment. It focuses on best practice service delivery, open data and information management, infrastructure and procurement, and ICT skills and innovation.

The public sector has adopted the industry standard Skills for the Information Age ICT Capability Framework, which will allow for a consistent approach to skills and capability across the sector. PSC is working with OFS to build the capability of public sector ICT professionals.

The Accelerating Digital Government Taskforce will develop a vision and a roadmap for the transition to digital government in NSW. Technology, innovation and creativity are changing the ways we communicate and are transforming our lives. The Taskforce will develop recommendations on how to improve community participation in policy development, how to redesign public sector processes using 'digital by design' principles, and how to ensure that citizens have high-quality, digital services. This may include leveraging social media tools for industry and community engagement, sharing information more effectively across the public sector and encouraging takeup of online services.

The NSW Identity Hub will provide every public sector employee with a Government Employee Number (GEN) as the key to accessing cross-sector computer systems and applications such as the booking of vehicles through State Fleet. There are also significant opportunities for the GEN to improve sector-wide management, measurement and analysis of employee mobility, capability and career paths – between agencies and in and out of the public sector.

# Chapter 6: Productivity and innovation

## Snapshot – Productivity and collaboration

### Department of Premier and Cabinet

Property Exchange Australia Limited (PEXA) is developing a national electronic conveyancing system that will allow real property transactions (including mortgage creation, discharge and property transfers, conveyances of land) to be conducted and settled electronically.

It was formed in 2010 with seed funding from the state governments of NSW, Victoria and Queensland, with Western Australia joining as a co-investor shortly afterward. PEXA was initially established as a public company limited by guarantee, with a Board including representatives of the four states, the Australian Bankers Association, the Law Societies and the Australian Institute of Conveyancers. Subsequently, the company was converted into a public company limited by shares, and the four major banks joined the states as investors.

Further capital has since been contributed by other private sector investors, including the Macquarie Group, and PEXA is now approximately 50% owned by the State shareholders and 50% by the private sector. It is expected that the four shareholding states will eventually sell their shares in PEXA (possibly by way of an Initial Public Offering).

The company has commenced real-world operations, initially involving transactions from 10 financial institutions (including the four major banks) and land titles offices in the four largest states (such as removal of caveats and mortgage discharges). Simple transactions involving lawyers and conveyancers commenced on the PEXA platform in June 2014. In November this year, the full suite of transfer transactions involving banks and practitioners will be available on PEXA and this will be delivered for the first time in New South Wales as part of the national rollout.

If successful, PEXA will have delivered a major new piece of national infrastructure, improving the efficiency of land transactions, as well as providing a positive financial return to the originating states.

There may also be opportunities in the future for the technology to be licensed to other countries. Once fully operational, the information collected by PEXA may also be of value to industry and macro-economic policy makers (eg instantaneous property transaction data).

## Prevalence of workforce plans

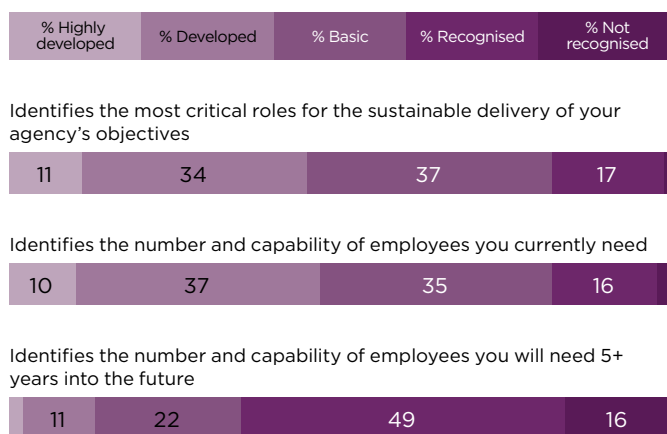
There is a strong case for a more comprehensive approach to workforce planning across the NSW public sector. Workforce planning assists agencies in meeting their service delivery objectives while managing other challenges such as tighter budgets, changing workforce demographics, competition for talent and increasing service delivery demands. The 2012 NSW Commission of Audit highlighted the importance of workforce planning as a key requirement for attaining excellence in people management and addressing issues such as skills shortages, the ageing workforce, and difficulties attracting and retaining employees in certain locations.

There is no agreed definition of workforce planning across the public sector. It can encompass a diverse range of activities that may vary between organisations and situations. The Agency survey gauged the extent to which agencies had documented workforce plans that aligned workforce requirements with business objectives, and addressed future workforce demand and supply of workforce capabilities. Almost three-quarters of agencies reported that they had implemented such a plan, with the majority (44%) describing their maturity level as basic and 8% rating it as highly developed. Out of all clusters, education and transport agencies were most likely to have implemented documented workforce plans.

Identification of critical roles, and of the number and capability of employees currently needed, have the most frequent implementation ratings (83% of agencies) out of 14 workforce planning factors. Approximately 46% of agencies report implementation at developed or highly developed levels.

However, the results also showed a relatively lower focus on future requirements. Only 35% of agencies reported they had plans to identify the number and capability of employees that would be needed more than five years into the future. Further, only 9% of agencies had estimated demand and supply of workforce capabilities likely six to 10 years into the future.

**Figure 21: Workforce planning strategies implemented by agencies**



Agencies ranked the following workforce planning factors among their top challenges in the Agency survey: the resources, time or cost involved in undertaking workforce planning (listed by 62% of agencies with 32% ranking it number one), and the limitations of the existing human resources management system (52% of agencies with 17% ranking it first). The first factor was also the most nominated challenge by the Australian Public Service (APS) in its 2013 *State of the Service* survey.

There are excellent opportunities for organisations to develop their workforce planning practices and deliver workforce productivity through the use of technology. Specifically, human capital management (HCM) information systems provide a central point where workforce information, including skills, experience, training and on-the-job development activities can be captured for analysis. They can help employees get the most out of capability development and career paths, and assist managers and organisations to better understand their workforce and to develop a high-quality organisation.

PSC has worked with agencies to identify NSW Government HCM requirements and products that meet these requirements. Agencies will decide how to adopt HCM systems based on their workforce needs and business priorities. PSC is providing tools that help with HCM projects and access to seed funding to encourage a smooth and early adoption.

**Important work is occurring around innovation, contestability, technology, workforce capability and flexibility, but more needs to be done to raise awareness of the issues and the action required to bring about change.**

# Chapter 6: Productivity and innovation

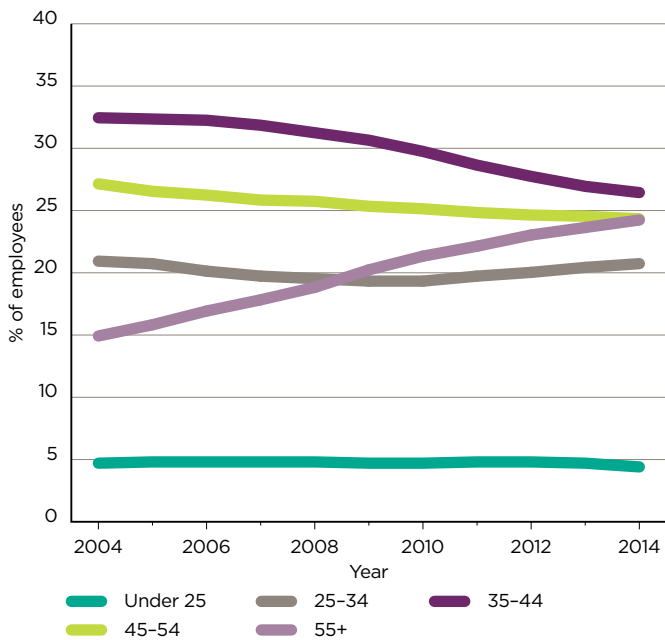
## The ageing workforce

Australia has an ageing population and an ageing workforce, which has economic, productivity, service delivery and workforce planning ramifications.

Broadly, the pressures from an ageing population are twofold. First, there is a fiscal impact from more people relying on the age pension and from higher demand for aged care and health services. Second, there will be fewer employees available to deliver services as the workforce participation rate declines over time, although it may be softened slightly by expected delays in retirement.<sup>19</sup>

As in other states, the NSW public sector workforce is ageing at a faster rate than the private sector workforce and there is growing interest by governments in the impact of these trends. As Figure 22 shows, the only significant growth is in employees aged 55 years and older.

Figure 22: Age trends in the NSW public sector



Source: NSW Workforce Profile 2004-2014.

Retirements will escalate across NSW as the large group of baby boomers grows older. Baby boomers are currently aged 49-68, and in the public sector make up 40% of the workforce (156,549 employees). However, since 2007 there has been a downward trend in the retirement of those aged 55-59. The main increase is in employees 65 years and older, with relatively stable trends at 60-64 years, the group with the largest number of retirees (see Table 9).

Table 9: Age group retirement trends

Year	50-54 (%)	55-59 (%)	60-64 (%)	65+ (%)
2007	1	33	46	18
2008	1	24	51	22
2009	1	28	49	21
2010	1	23	53	23
2011	1	24	52	21
2012	0	22	52	25
2013	0	20	51	28
2014	1	16	49	34

Source: NSW Workforce Profile 2007-2014

In the 12 months to June 2014, 3,958 employees retired (mostly teachers) and the mean age of retirement was 62 years. In the People Matter survey, relatively high proportions of employees said they intend to retire after 65 years of age. Of those currently 55-59 years old, 21.3% intend to retire at 60, 36.5% when aged 61-65 years and 23.3% when they are over 65. Of those 60-64 years old, 24.3% intend to retire at 65 and 41.3% when they are over 65 years of age.

## Pressures on supply and demand

The public sector is not a uniform workforce. Groups with the youngest median age are police, trainee doctors, nurses and trades workers in energy companies, while older workers cluster in TAFE, home care, aged care, health, school education and transport. Table 10 shows larger agencies with a median age above the public sector mean of 45 years.

19. Australian Bureau of Statistics (2014), *Does size matter: population projections 20 and 50 years from 2013*

**Table 10: Larger agencies with a high median age**

Cluster	Agency	Median age	Total employees
Education & Communities	TAFE Commission	52	16,943
Family & Community Services	Home Care Service	52	4,182
Education & Communities	Education & Communities (Public Service)	51	6,919
Education & Communities	School Administrative and Support	50	22,913
Transport	State Transit Authority	50	4,799
Family & Community Services	Ageing, Disability and Home Care	49	8,215
Health	HealthShare NSW	49	6,698
Health	Northern NSW Local Health District	49	5,207
Health	Southern NSW Local Health District	49	2,490
Transport	NSW Trains	49	1,961
Transport	Roads and Maritime Services	48	7,325
Justice	Department of Justice	47	13,085
Health	Mid North Coast Local Health District	47	4,043
Trade & Investment	Primary Industries	47	2,950
Health	Health Pathology	46	4,558
Planning & Environment	Office of Environment & Heritage	46	3,184
Family & Community Services	Housing NSW	46	1,766

Source: *NSW Workforce Profile* June 2014 (headcount greater than 1,000)

# Chapter 6: Productivity and innovation

There are pressure points in some services where employees have a high median age overall and there is not always a pool of young employees within that service to replace them as they retire. Older employees are located in the fastest growing services of health and aged care. There is a concentration of older employees in some occupational groups, including health workers in chronic disease management, support workers in disability, and home care and housing workers.

Women play a key role here: 14% of the total public sector workforce is made up of women over 55 years old, yet fewer young people are moving into the services where they work. There are also regional differences. For instance, while there is an adequate supply of teachers to replace those who retire, there are still shortages in specific regional areas.

## Planning for an ageing workforce

Considering the trend in pending retirements over the next 15 years and beyond, agencies need to be vigilant regarding trends in all age groups, not just older people. Attracting young people to the public sector is a key factor in planning for an ageing workforce.

As large numbers of employees move into retirement, particularly in high-demand services, replacing them from a decreasing pool of employees may not be viable and it is here that productivity gains are required. Redesigning jobs and developing innovative models in service delivery are already being considered by some agencies. There are opportunities for the public sector to take a lead in facilitating the continuing employment of older public servants who choose to remain in the workforce by offering flexible working hours and roles that make best use of their skills.

All agencies collect workforce data. However, not all agencies develop workforce plans that are able to align with future workforce requirements. Examination of workforce trends using three-to-five-year projections will enable sufficient planning lead time for many services, but for others more urgent attention is required.

The Agency survey asked agencies about the practices in place to manage their ageing workforces and the results are shown in Figure 23.

Some 80% of agencies had created a report showing the distribution of employees across all ages, and 16% describe that report as highly developed. In total, 84% of agencies noted they were to some extent aware of the percentage of employees likely to retire in the next five to 10 years and 9% described this work as highly developed.

**Figure 23: Ageing workforce planning by agencies**





The survey also showed that agencies had varying levels of focus on attracting and retaining employees of different ages. Just under two-thirds had a plan for attracting and retaining younger employees (9% highly developed), while 57% had taken similar measures for older employees (1% highly developed).

Plans for reducing age discrimination and stereotyping were more common in transport agencies (72%) compared with 25% to 46% of other clusters. Health and wellbeing programs, life transition management programs and succession planning were more common among education agencies than in other clusters.

## Employee mobility

Workforce flexibility, including ease of mobility, is a key driver of productivity. In 2012, the NSW Commission of Audit Interim Report identified mobility as one of the serious challenges facing the NSW public sector. The report pointed to numerous barriers to mobility including centrally imposed freezes, remuneration that is not comparable, slow recruitment procedures and a lack of courage to try an unknown recruit.

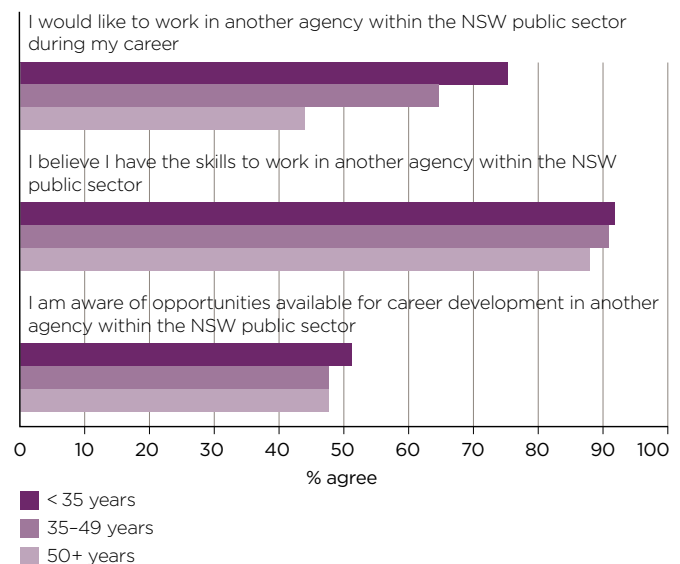
Previous *State of the NSW Public Sector* reports also highlighted the low and declining mobility rates within the NSW public sector workforce. In this year's Agency survey, 25% of agencies described 'limited career advancement or mobility opportunities for employees' as one of the greatest workforce risks they faced.

The proportion of NSW public sector employees who spend five years or more in an agency (65.5% in 2013 and 65.3% in 2014) is significantly higher than in the national workforce (44.4% in 2013, the latest available data). Further, the majority of movement is confined within agencies, indicating there are untapped opportunities for movement between agencies and other sectors.

This year's People Matter survey introduced new questions on mobility between agencies. The results show most employees (90%) believed they had the skills to work in other agencies, and a majority (58%) of employees indicated a desire to work in other agencies, although a limiting factor for mobility appears to be that only 48% were aware of opportunities to work in other agencies.

Regarding the intention to stay, responses indicated a large proportion of those employees planning to leave their current organisation were considering moving to another agency. When asked 'If you are thinking about leaving the NSW public sector, what factors would motivate you to stay?', the second most frequently selected motivator across genders and age groups was improved career opportunities (see Figure 24).

**Figure 24: Employee motivation for working in another agency**



# Chapter 6: Productivity and innovation

## Reforming mobility

Employee movement within and between agencies can benefit agencies and individuals. It enables the expeditious movement of staff to priority areas. It can strengthen links and partnerships between agencies and other sectors, and enhance awareness of whole-of-government priorities. Also, employees gain opportunities for personal and professional growth that can enhance their career opportunities.

The GSE Act promotes mobility in the public service by employing people in classifications of work or bands, rather than narrowly defined positions, and assigning them to suitable roles. Non-executives may be assigned to other roles within the classification and agency. Senior executives may be assigned to other roles within the same band across the public service. The GSE Act also promotes mobility between agencies and between sectors, through transfer and secondment provisions.

There can be disadvantages in mobility, including potential loss of experienced employees, but available research suggests the benefits offset the disadvantages and that agencies can achieve reductions in turnover costs and productivity gains by embracing employee mobility.<sup>20</sup>

The Agency survey shows that selected agencies have taken early steps to improve mobility – 29% of agencies reported having a documented plan for workforce mobility, informed by the new GSE Act, with 7% of agencies reporting that their implementation is above a basic level.

## Planned initiatives

Mobility will be facilitated by a number of initiatives to improve consistency in workforce management practices across the sector. These include:

- implementation of the NSW Public Sector Capability Framework, which provides a shared language to describe capabilities required in all roles, with accompanying tools and resources
- development of specific capability sets for occupations common to the sector
- capability-based recruitment reforms and the forthcoming creation of a talent pool for quick-filling vacancies and supporting sector-wide movements within and beyond agencies
- evaluation of the impact of the above initiatives as well as mobility.

A Remuneration Review is also being conducted to assess consistency in remuneration for work of similar value.

## Conclusion

Important work is occurring sector-wide and within agencies around some of the enablers of productivity, including innovation, contestability, technology, workforce capability and flexibility, and planning for the future. More needs to be done in the NSW public sector to raise awareness of the issues and the action that is required at different levels to bring about change.

20. PSC Advisory Board (2014), *Doing things differently: Raising productivity, improving service and enhancing collaboration across the NSW Public Sector*

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