To the next level

State of the NSW Public Sector Report 2015

Contents

Acknowledgements

The Commissioner would like to acknowledge the assistance of all those involved in creating this report, including:

Foreword

Graeme Head, Commissioner

The foundations for major workforce reforms are in place, and agencies have started using the changed policy settings, frameworks and tools.

This year's *State of the NSW Public Sector Report* coincides with the fourth anniversary of the Public Service Commission (PSC) and of my time as Public Service Commissioner.

These past four years represent a period of unprecedented focus on whole-of-sector workforce reform in the NSW public service, and I'm pleased to report that there has been substantial progress in some areas:

- The foundations for major workforce reforms are in place, and agencies have started using the changed policy settings, frameworks and tools.

- Reforms of the executive level are well advanced.

- There is a renewed focus on developing leaders and leadership roles across the public sector.

- Agencies are operating within their Labour Expense Caps.

- The growth in employee numbers that took place over 10 years has been reversed. From 2002 to 2012 the number of people employed in the sector grew by 17.5%. Since this peak, the sector has shrunk by 6,000 roles.

- Although the sector as a whole is smaller, there are more people employed in nursing, teaching and police roles, reflecting a more needs-based distribution of employees.

- Aboriginal representation in the sector continues to improve.

Notwithstanding these achievements, a recent review of our progress shows there is considerable work to be done in taking the sector's management of people to the next level; hence the title of this year's report.

Foreword

The *State of Workforce Reform Review* (the Reform review) – a study conducted in 2015 by Deloitte for PSC – examined sector-wide awareness and understanding of the government's reforms; commitment to and progress in implementing the reforms; workforce management capabilities; and whether there are any issues with policy settings. It also gathered feedback on how PSC could better support the reform effort.

The review found very strong support for the direction of current reforms, meaning there is widespread recognition and acceptance of the need to make significant changes and to modernise the public sector's workforce management practices. That said, agencies are struggling to understand how the elements of the reform package combine to form an integrated whole. In particular, there is little understanding of the relationship between workforce management reform on the one hand, and delivering improved outcomes for both business and citizens on the other.

The review findings highlighted a number of priorities for the future:

• PSC needs to better articulate the overarching reform narrative, and how the component parts – legislation, the Capability Framework, the Performance Management Framework, recruitment models and workforce planning strategies – work together.

• Some individual components of the reform package need to be refined. For example, agencies have difficulty with some aspects of the new approach to recruitment.

• Capability remains an issue – for human resource management teams within agencies, as well as managers' and leaders' individual people management capabilities.

• PSC needs to draw a clear picture of all the 'people management' behaviours we expect of individuals at all levels and in all roles.

• We need to use workforce data more effectively in our efforts to improve workforce planning and management.

PSC and the Secretaries Board[1] are using these report findings, along with insights from the most recent *State of the NSW Public Sector Agency Survey* (the Agency survey), to guide our combined efforts to realise the full potential of the reforms already underway.

Last year, we achieved a significant milestone in securing the NSW public sector's commitment to developing our existing and future leaders. At the Institute of Public Administration Australia (IPAA) NSW State Conference in July 2014, the Premier of NSW announced a new leadership initiative – the NSW Leadership Academy – to foster talent in the public sector.

The Leadership Academy is being delivered by PSC in close collaboration with the Secretaries Board. It will focus on supporting high-potential individuals at key transition points in their careers: when they first become people managers; when they begin to lead managers and other executives; when they are at the most senior executive levels and planning to take on CEO roles; and when they have become established CEOs.

Through a mix of rigorous assessments, coaching, mentoring, executive education, online learning, and alumni and networking events, the Leadership Academy will provide the support our existing and emerging leaders need to best serve the people of New South Wales.

As the body of this report shows, workforce diversity is a key area for improvement in the NSW public sector. For example:

• Aboriginal representation in the public sector workforce has improved greatly in recent years, but there is more work to be done in improving representation across all types and levels of work.

• Women comprise the majority of the public sector workforce but are under-represented in senior executive roles.

• Overall, the proportion of public sector employees from culturally and linguistically diverse backgrounds is close to that of the general population, but again there is a lack of representation in senior executive roles.

• There is an ongoing under-representation of people with disability in the workforce.

Major efforts are underway to tackle the issue of workforce diversity. The Premier has announced that two of his key priorities in the next 10 years are to double the number of Aboriginal and Torres Strait Islander people in senior leadership roles and to increase the proportion of women in senior leadership roles to 50% of the government sector.

PSC and the Department of Family and Community Services have established a Disability Employment Advisory Committee, with members from key disability-focused organisations. This committee will work with PSC to develop a disability employment strategy for the NSW public sector.

Throughout 2016, PSC will examine the issues affecting the participation of people from culturally and linguistically diverse backgrounds in senior executive public sector roles.

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1. The Board comprises secretaries of departments and the Public Service Commissioner, and is chaired by the Secretary of the Department of Premier and Cabinet

Foreword

Workforce diversity is important. It is a critical factor in establishing an equitable workplace, and is also vital to making sure organisations have the range of perspectives and talents necessary to help them flourish. Workforce diversity is also a crucial element in organisations that support innovation, which is critical to developing public policy and designing public sector services.

Performance management is the other notable area of activity requiring a strong focus on improvement. Agencies continue to move slowly in adopting modern, effective staff performance management systems. Lifting performance in this area will be a focus for PSC over the coming year.

Finally, on the *State of the NSW Public Sector Report* itself, from 2016 onwards all reports will contain employee survey results, and the previously biennial *People Matter Employee Survey* (the People Matter survey) will be conducted annually. This means that each future report will track the views of employees and customers alongside those of agencies, serving as a valuable accountability mechanism while identifying areas for focus and/or improvement.

Graeme Head
Commissioner

Workforce diversity is important. It is a critical factor in establishing an equitable workplace, and is also vital to making sure organisations have the range of perspectives and talents necessary to help them flourish.

About this report

The *State of the NSW Public Sector Report* is the Public Service Commissioner's independent assessment of the performance, notable achievements, challenges and priorities of the NSW public sector.

Each edition represents an evolution in the reporting and analysis provided. This 2015 edition, *To the next level*, is PSC's fourth annual report.

The 2012 report, *How it is*, focused on three key indicators of performance: values and ethics, capability and productivity. It included baseline data from the inaugural 2012 People Matter survey, a biennial sector-wide survey of how public sector employees perceive workforce management practices. The 2012 report also drew on a NSW Public Sector Ethics Stocktake, which focused on perceptions and practices relating to ethical issues in the public sector.

The 2013 report, *Getting into shape*, reported on reforms undertaken in response to the first report, especially in the areas of performance, capability frameworks and recruitment. This report also assessed issues around productivity, customer satisfaction and collaboration.

The 2014 report, *A better picture*, told a narrative about the state of the sector from the perspective of public sector employees, employers and customers. It also identified the six characteristics common among high-performing organisations.

In addition to a second People Matter survey, the 2014 report drew on the inaugural Agency survey and *Customer Satisfaction Measurement Survey* (the Customer survey) – each of which is introduced in more detail in this chapter.

The 2015 report, *To the next level*, assesses the state of workforce reform in the NSW public sector. Since 2011, a number of major reforms have been vital to improving how efficiently the public sector delivers services to the community and government.

This year's report follows a similar structure to the 2014 report, but since it was an 'off year' for the biennial People Matter survey, it views the state of the sector primarily from an employer and customer perspective. It also assesses the state of the sector against the six factors common among high-performing organisations:

• workforce capability and diversity

• employee engagement

• customer focus

• leadership strength

• culture and behaviours

• productivity and innovation.

These factors are based on national and international research that assesses the most important contemporary issues, together with findings from the 2012 NSW Commission of Audit. Additional evidence for the 2015 report comes from a range of sources, including the 2015 Agency survey on agency workforce management practices; the 2015 Customer survey; the *State of Workforce Reform Review* (the Reform review); and a sector-wide workforce data collection, the *NSW Workforce Profile*. The report also looked at data from previous sector-wide People Matter surveys, and specific reviews and projects that assessed components of workforce management and reform across the sector.

About this report

How to read the data discussed in this report

The Agency survey

The 2015 *State of the NSW Public Sector Agency Survey* provides a qualitative self-assessment from an employer perspective on the extent to which specific elements of workforce management – such as values and ethics, customer service, change management, employment diversity, productivity and collaboration – have been implemented and/or improved within specific agencies. It also offers insights into workforce planning, talent management and capability-based practices. This year's Agency survey was refined in response to sector-wide feedback from the inaugural survey in 2014.

The Agency survey assesses the extent of implementation as well as the level of development (giving a basic, developed or highly developed rating). In other words, rather than just measuring whether or not an agency has implemented a reform, the survey also measures how far advanced the agency is in reforming certain practices, and its success in applying these practices. The analysis used in this report looks at specific initiatives as well as groups of similar initiatives related to communication, planning, monitoring and assessment.

The Customer survey

The 2015 *Customer Satisfaction Measurement Survey* supports the government's focus on areas where customer service can be improved. PSC and the Customer Service Commissioner jointly developed this survey in 2013. It is delivered by the Office of the Customer Service Commissioner and assesses how customers perceive the performance of the public services that they have used in the last 12 months. It does this by measuring the satisfaction and expectations of individual consumers and business customers, and then benchmarks these results against other jurisdictions and industries.

The Reform review

A PSC-led *State of Workforce Reform Review* reflects the views of 120 staff members from five different clusters[2] in assessing the workforce reforms underway and the effect of the resulting changes. The review included input from secretaries, public sector business and human resource leaders, people managers and employees in an attempt to understand the extent to which the reform intent has been realised in practice. The findings of the review have already helped define future initiatives and the policy changes required to address identified issues.

The review also identified areas across the sector where reform is limited and performance is already high. As such, this report provides a view not only of where the sector is placed, but also of what reform refinements are needed to take the sector to the next level.

The *NSW Workforce Profile*

The *NSW Workforce Profile* is a comprehensive sector-wide collection of data regarding the demographic characteristics and employment arrangements of all public sector employees. The annual census is conducted as a joint exercise by PSC and public sector agencies, and the resulting data appears in different sections throughout this report.

Accessing the report

The 2015 report is available in print and PDF versions, and details are circulated widely in and beyond the public sector. The easy-to-navigate digital version – available on the PSC website: www.psc.nsw.gov.au – includes report highlights, additional information and visual media not included in the printed version.

Separate reports for the Agency survey and *NSW Workforce Profile* are also available at www.psc.nsw.gov.au.

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2. Family and Community Services; Justice; Planning and Environment; Premier and Cabinet; and Industry

NSW public sector at a glance

The NSW public sector delivers a wide range of services to the community, including those related to education, health, housing, family support, business advice, public transport, roads, water supply, agriculture, environment, fire and emergency response, police, prisons and courts.

These services are delivered by 326,765 full-time equivalent (FTE) employees[3] working in a large number of departments and agencies across NSW. Note that the total headcount is 394,194 though FTE is primarily used throughout this report. This chapter includes a snapshot of the demographics and distribution of the public sector workforce. Further details are included in the annual *NSW Workforce Profile* report, available on the PSC website: www.psc.nsw.gov.au.

Share of the NSW economy

The NSW general government sector had a net worth of $174.4 billion in 2014–15.[4] Employee-related costs accounted for 48.9% of general government expenditure,[5] an increase of 0.9% since 2013–14. Including infrastructure and public corporations, which are not reported as part of the general government sector, the total NSW state sector represented about 13.5% of the NSW economy in 2013–14.[6]

Workforce size and composition

The NSW public sector is 1.7% smaller than in 2012 in terms of full-time equivalent employees, after continuing to shrink in 2014–15. This reverses the trend of continuous growth over the 10 years to June 2012. However, although the total workforce decreased, the key roles of nurses, teachers and police officers continued to increase over the same period (see *The workforce* on page 11).

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3. *NSW Workforce Profile* 2015
4. 2015–16 Budget Paper No. 1 – Budget Statement, pB1–11
5. 2015–16 Budget Paper No. 1 – Budget Statement, p19
6. Australian Bureau of Statistics CAT 5220.0 – Australian National Accounts: State Accounts 2013–2014. Table 2: Expenditure, income and industry components of gross state product, New South Wales, chain volume measures and current prices

Trends in public sector employment, 1999–2015
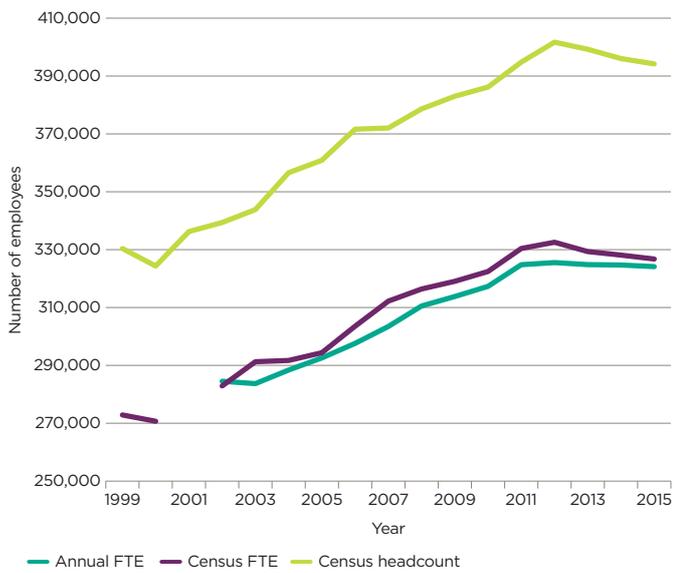
Source: *NSW Workforce Profile*; data not available where there are gaps

The smaller size of the public sector workforce contrasts with the overall growth in the total number of people employed in NSW. Indeed, 2015 marked the largest increase in total employment since 2008.

Growth in the NSW public sector compared to total NSW employment, 2010–15
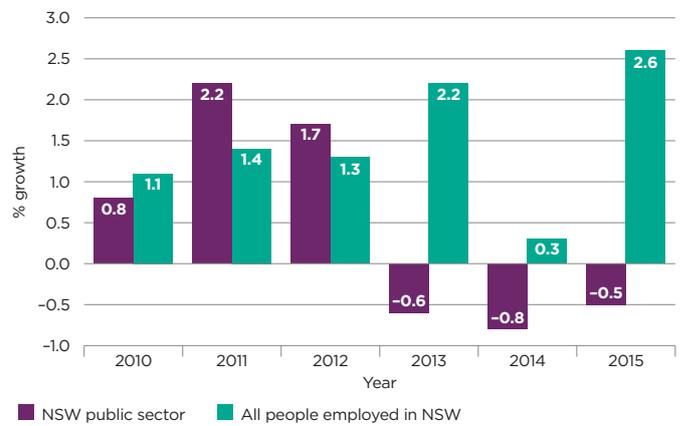
Source: *NSW Workforce Profile* and Australian Bureau of Statistics CAT 6202.0 – Labour Force

NSW public sector at a glance

Structure of the public sector

Government Sector	Employees (2015)	% of total (2015)
Departments	*43,188*	*13.2*
Public Service Executive Agencies	*17,308*	*5.3*
Separate Public Service Agencies	*3,319*	*1.0*
Total Public Service	63,815	19.5
Teaching Service	63,949	19.6
Health Service	108,031	33.1
Police Force	19,781	6.1
Transport Service	13,001	4.0
Other Crown Services	39,866	12.2
Total Government Sector	**308,443**	**94.4**
State Owned Corporations	17,471	5.3
External to Government Sector	850	0.3
Total Public Sector (FTE)	**326,765**	**100**

Total public sector 326,765

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. FTE has been rounded to the nearest whole number, so the total for the public sector may not equal the sum of the components

Other Crown Services: examples are Internal Audit Bureau, NSW Treasury Corporation, NSW Self Insurance Corporation, NSW Trains, Sydney Trains, Transport Cleaning Services, school administrative and support staff, TAFE Commission

State Owned Corporations: primarily energy and water corporations

External to Government Sector: examples are Independent Commission Against Corruption, Audit Office

NSW public sector at a glance

The workforce

326,765 Number of employees in NSW public sector (FTE)

2,199 Increase in number of nurses, teachers and police officers from June 2014 (FTE)

1,346 Decrease in number of employees from June 2014 (FTE)

10.6% Public sector as a percentage of all NSW employed persons

24.4% Employees aged 55 and over

45 years Median age of public sector employees

63.3% Proportion of employees who are women

$79,656 Median salary for 2015

Median salary for...

women $79,363

men $80,896

9 years Median length of service in agency

38% Proportion of public sector employees working outside Sydney

27% Proportion of part-time employees

3% Proportion of Aboriginal and Torres Strait Islander employees

61.4 hours Average sick leave taken annually (per FTE)

Decrease in total employees: For the third year in a row there was a small decrease in the total number of employees over the previous 12 months. While nursing, teaching and police staff numbers increased by 2,199, all other employees decreased by 3,545, resulting in an overall decrease of 1,346 employees

Public sector as a percentage of all NSW employed persons: Australian Bureau of Statistics, Labour Force, Australia

NSW public sector at a glance

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

33.3%
Health
108,847

External to Government Sector
850

0.3%

Treasury
1,217

0.4%

Premier & Cabinet
2,045

0.6%

Planning & Environment
5,252

1.6%

26.3%
Education
85,850

Total
326,765*

2.2%
Finance, Services & Innovation
7,202

5.2%
Family & Community Services
16,839

12.5%
Justice
40,941

9.9%
Industry
32,392

7.8%
Transport
25,329
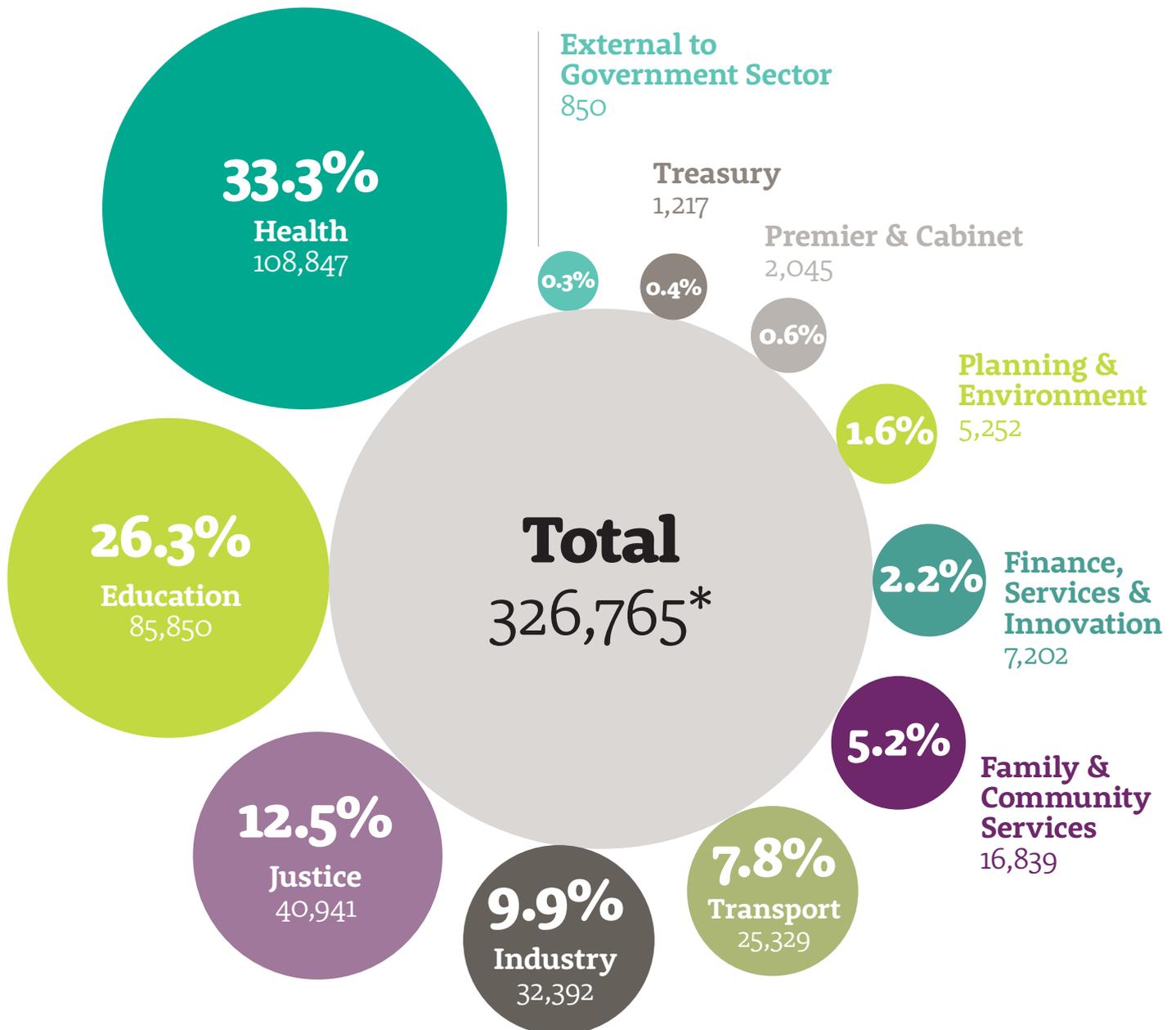
*FTE. Services are grouped in clusters. A cluster is an administrative arrangement that enables departments and agencies to coordinate related services

NSW public sector at a glance

Age profile across the sector

Median age
45

Boomers: 50–69 years
145,766

99,230
Under 35 years

198,722
35–54 years

95,997
55+ years

Largest single group: 45–54 years
26%
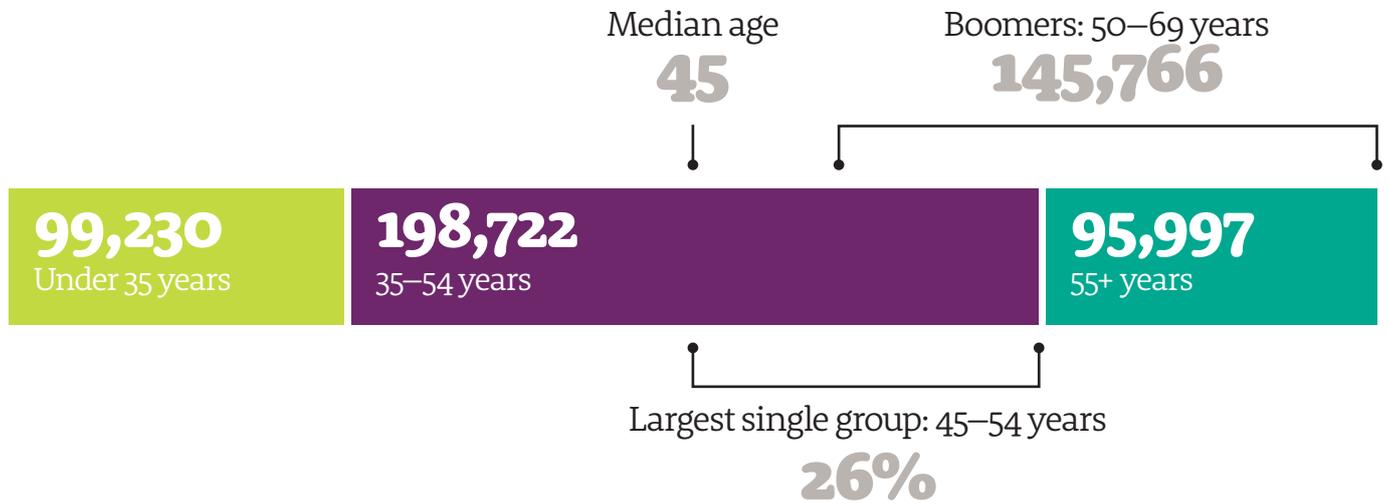
In a workforce of almost 330,000 people, half are aged 35–54; the younger and older age groups together make up the remaining half. The largest single age group (26%) is made up of those aged 45–54.

The workforce is ageing. The past year saw a small increase in the oldest age group and a relatively larger decrease in the mid-range age group, while the number of younger employees remains stable. Baby boomers aged 50–69 make up 37% of the total workforce but these numbers are declining. The median age of 45 years has not changed in the last 12 months, but varies between clusters.

The overall reduction in numbers in 2015 is due to 5,316 retirements in addition to a restructuring of the public sector.

Age in clusters

Median age

Cluster	% Young employees (under 35)	% Baby Boomers	Median age
Education	27%	29%	45
Family & Community Services	4%	6%	48
Finance, Services & Innovation		2%	44
Health	39%	33%	44
Industry	6%	11%	48
Justice	13%	9%	42
Planning & Environment	2%	1%	43
Premier & Cabinet	1%	0%	41
Transport	5%	8%	47
Treasury	0%	0%	41

■ % Young employees (under 35)   ■ % Baby Boomers
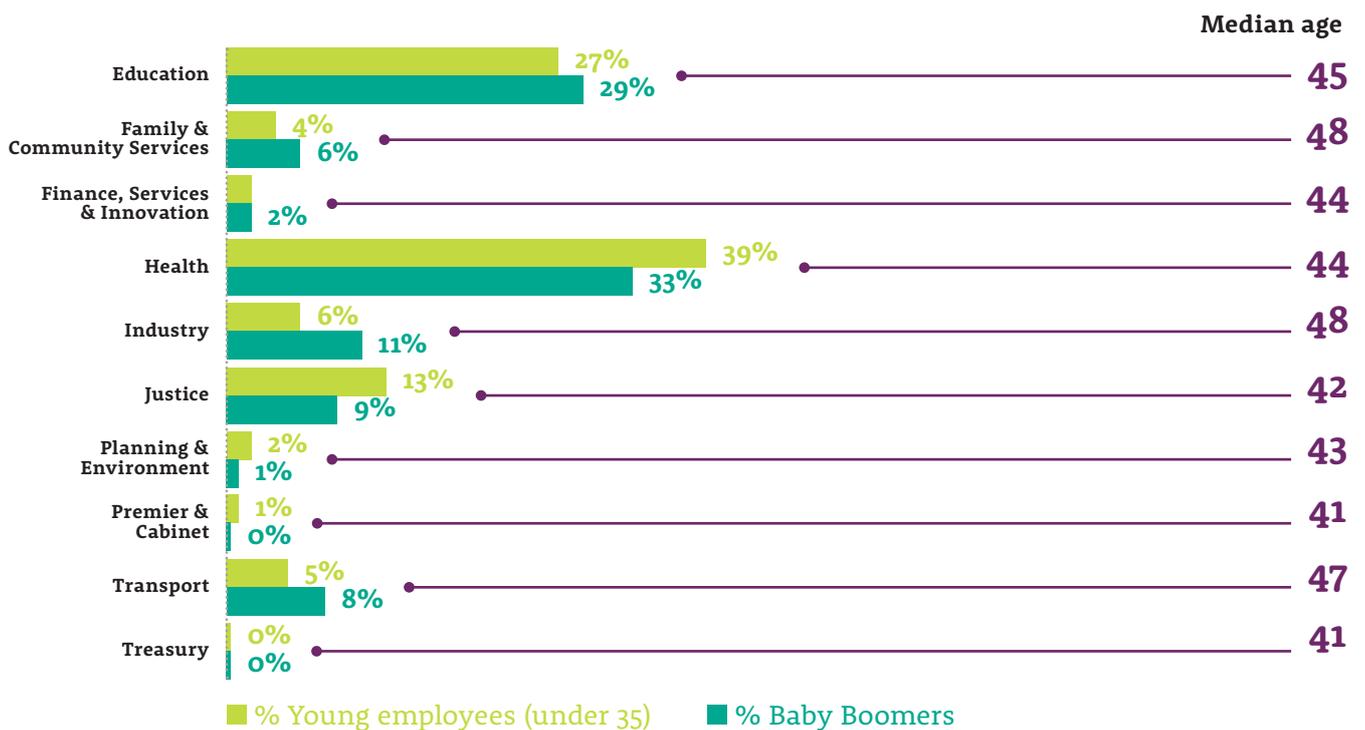
NSW public sector at a glance

Gender profile across the sector

Men and women are employed in different roles and levels throughout the sector, and the gender balance varies from cluster to cluster.[7] Overall, women make up two-thirds of the public sector and hold one-third of executive positions. In most clusters, there is a clear pattern of the gender balance changing between lower and higher salary levels.

Key

Salaries and grades[8]
Grade 1–8: $57,256 to <$97,883
Grade 9/10: $97,883 to <$113,212
Grade 11/12: $113,212 to <$146,499

SEB 1: $146,499 to <$242,801
SEB 2: $242,801 to <$305,401
SEB 3–4: $305,401 and above

Women   Men

NSW Public Sector
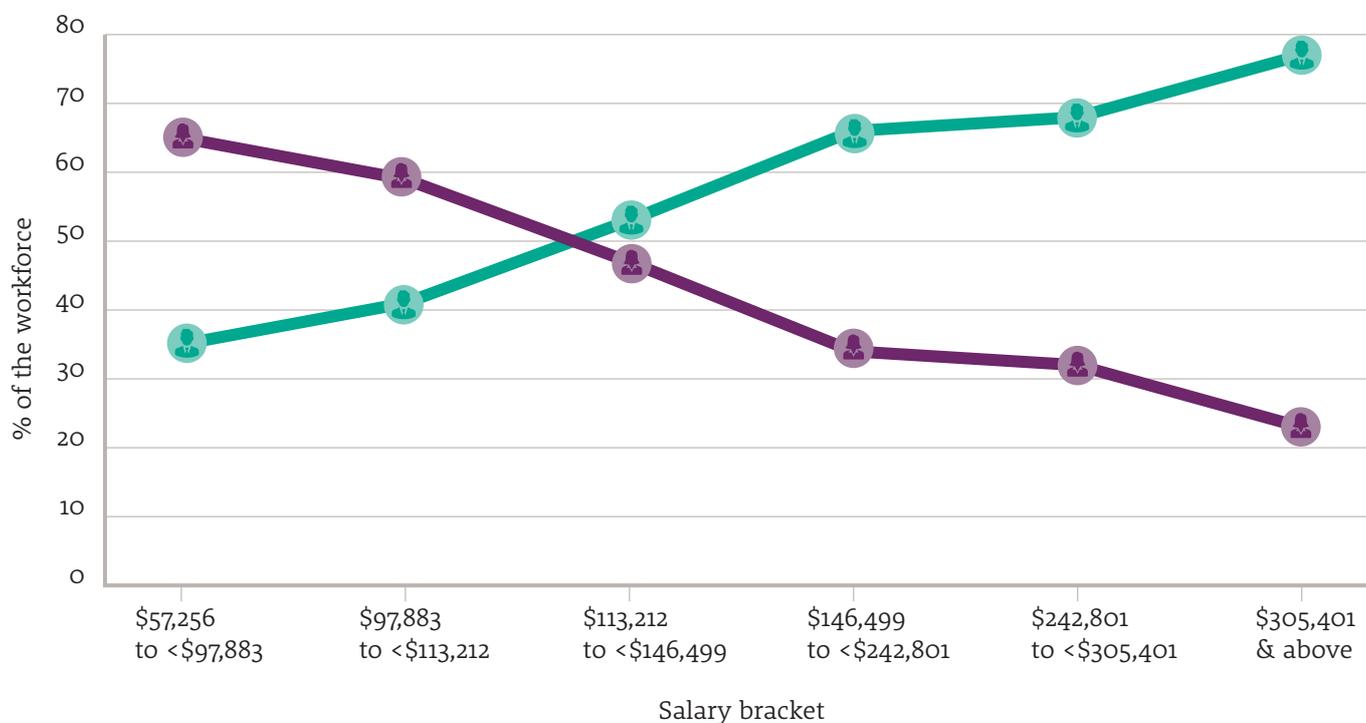
Education
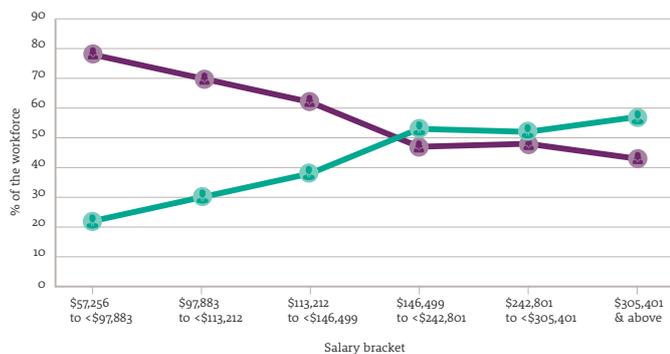
Family & Community Services

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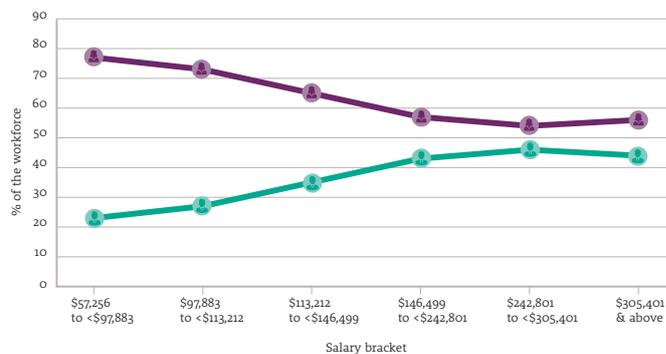
7.   A cluster is an administrative arrangement that enables departments and agencies to coordinate services
8.   Grades relate to administration and clerical awards and the *Government Sector Employment Act 2013*

NSW public sector at a glance

Health

Y-axis: % of the workforce (0–90)
X-axis: Salary bracket — $57,256 to <$97,883 | $97,883 to <$113,212 | $113,212 to <$146,499 | $146,499 to <$242,801 | $242,801 to <$305,401 | $305,401 & above

Finance, Services & Innovation

Y-axis: % of the workforce (0–90)
X-axis: Salary bracket — $57,256 to <$97,883 | $97,883 to <$113,212 | $113,212 to <$146,499 | $146,499 to <$242,801 | $242,801 to <$305,401 | $305,401 & above

Industry

Y-axis: % of the workforce (0–80)
X-axis: Salary bracket — $57,256 to <$97,883 | $97,883 to <$113,212 | $113,212 to <$146,499 | $146,499 to <$242,801 | $242,801 to <$305,401 | $305,401 & above

Justice

Y-axis: % of the workforce (0–90)
X-axis: Salary bracket — $57,256 to <$97,883 | $97,883 to <$113,212 | $113,212 to <$146,499 | $146,499 to <$242,801 | $242,801 to <$305,401 | $305,401 & above

Planning & Environment

Y-axis: % of the workforce (0–90)
X-axis: Salary bracket — $57,256 to <$97,883 | $97,883 to <$113,212 | $113,212 to <$146,499 | $146,499 to <$242,801 | $242,801 to <$305,401 | $305,401 & above

Premier & Cabinet

Y-axis: % of the workforce (0–90)
X-axis: Salary bracket — $57,256 to <$97,883 | $97,883 to <$113,212 | $113,212 to <$146,499 | $146,499 to <$242,801 | $242,801 to <$305,401 | $305,401 & above

Transport

Y-axis: % of the workforce (0–100)
X-axis: Salary bracket — $57,256 to <$97,883 | $97,883 to <$113,212 | $113,212 to <$146,499 | $146,499 to <$242,801 | $242,801 to <$305,401 | $305,401 & above

Treasury

Y-axis: % of the workforce (0–80)
X-axis: Salary bracket — $57,256 to <$97,883 | $97,883 to <$113,212 | $113,212 to <$146,499 | $146,499 to <$242,801 | $242,801 to <$305,401 | $305,401 & above

NSW public sector at a glance

Location of public sector employees in NSW

29,624 7.5%
North Coast

36,369 9.2%
Western NSW

37,080 9.4%
Hunter Region

101,946 25.9%
Western Sydney

15,625 4.0%
Central Coast

125,715 31.9%
Sydney East

23,732 6.0%
Southern NSW

20,301 5.2%
Illawarra

3,366 0.9%
South Coast
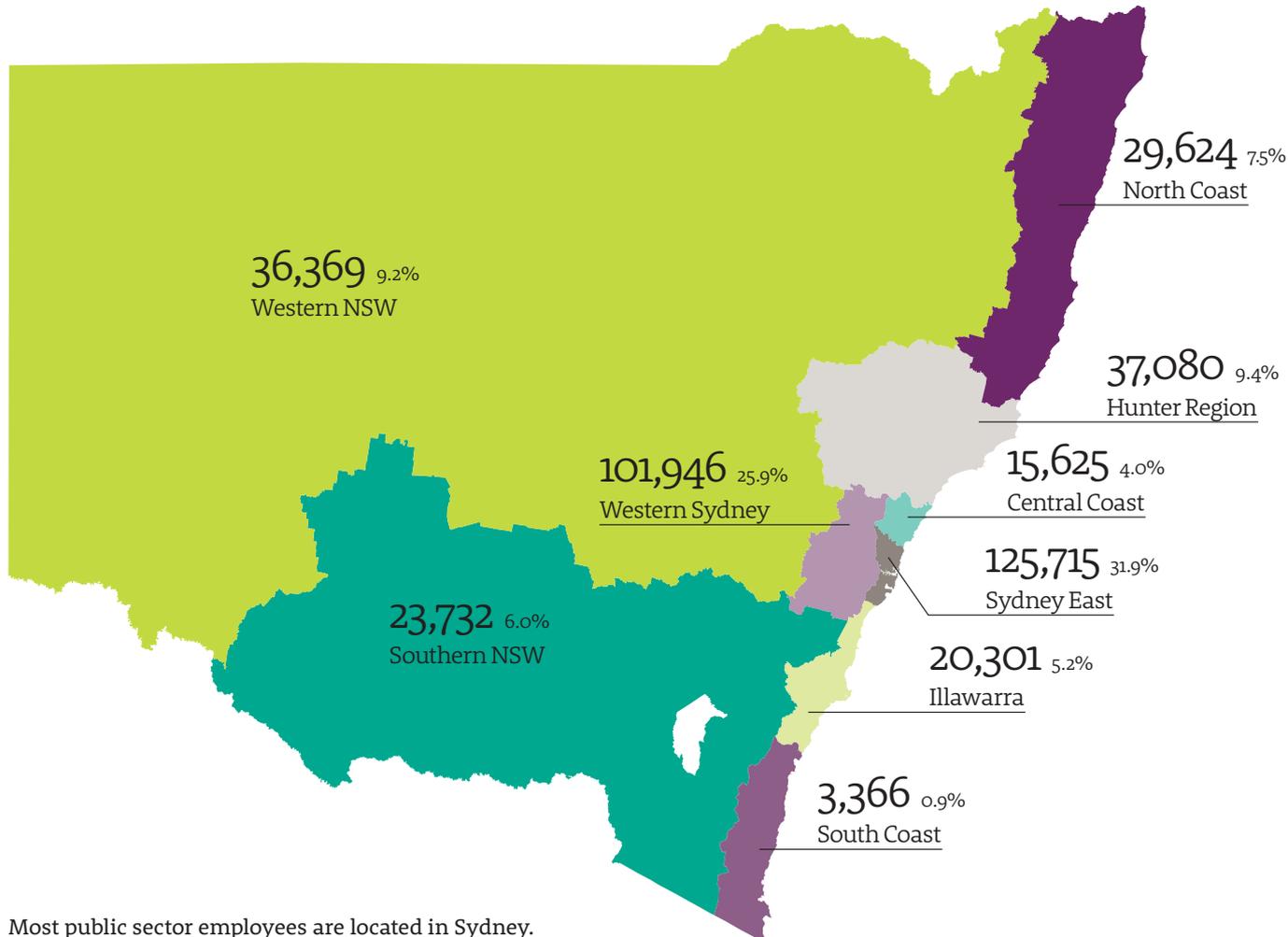
Most public sector employees are located in Sydney.
Public sector employees make up 10.6% of all people
employed in NSW.

NSW public sector at a glance

Profile of employees in key occupations

Occupations	No. of employees (2015 FTE)	Median age	Median salary ($)	Women (%)	Part time (non-casual) (%)	Average sick leave (hours per FTE)	Median tenure (years in agency)
School teachers	63,274	43	93,138	75.5	26.3	58.5	13.7
Nurses	44,331	43	79,656	86.9	37.7	66.6	7.5
Clerical and administrative workers	42,270	48	65,764	75.2	21.0	64.7	7.9
Police officers	16,157	38	81,470	27.3	6.7	54.2	11.5
Labourers	11,812	51	43,934	49.0	30.3	73.6	9.3
Medical practitioners	10,607	36	112,725	45.7	23.4	26.8	3.3
Firefighters	3,967	43	79,897	5.8	0.6	70.9	13.9
Ambulance officers	3,846	42	67,159	33.7	4.6	85.8	9.9
Bus drivers	3,556	50	52,884	6.1	8.3	69.0	7.8
Prison officers	3,271	46	67,341	22.5	1.0	100.7	12.8
Residential care workers	3,134	49	59,819	63.0	51.8	87.8	8.1
Aged or disabled carers	2,569	52	42,969	89.0	86.2	65.1	7.8
Train drivers	1,840	45	70,960	6.9	0.7	75.7	11.4
Total all staff	**326,765**	**45**	**79,656**	**63.3**	**26.9**	**61.4**	**9.0**

Workforce capability and diversity

In 2011, the NSW Government began rolling out significant reforms aimed at improving the capability of individuals and better managing talent in the state's public sector.

These reforms have focused on the strength of senior executives; capability-based reform; performance management and development; and strategies on workforce diversity.

Benefit of these reforms will be realised when they can be considered as forming an integrated management approach aimed at achieving business outcomes through a capable, engaged and diverse workforce.

This chapter highlights the need for a significant shift in how the sector prioritises workforce management, and the need for more sophisticated planning if the reforms are to deliver maximum benefit. It looks at key reform elements and the extent to which they have been implemented across the sector.

The analysis includes assessing the progress of talent management strategies; capability-based workforce management and recruitment; performance management; and efforts to improve diversity – including steps taken to increase Aboriginal representation and employment opportunities for people with disability. Workforce planning and mobility are considered in Chapter 6, since they are readily aligned with productivity outcomes.

Chapter at a glance

- Workforce reform has continued to progress in the NSW public sector.

- Linking workforce management to achieving business outcomes – and encouraging a focus on extracting value rather than mere compliance – requires a significant shift in mindset.

- Agencies are using workforce planning and new recruitment methods, but performance management remains a weak spot.

- There is a strong commitment to workforce diversity, but progress has been slow and more effort will be required to fully integrate diversity into workforce management strategies.

Talent management

Talent management is a business process that enables better workforce planning and capability development. It can take many different forms but is often used to attract, select, develop and retain high-potential or high-performing employees. As a workplace strategy it can be applied generally to all employees, but more commonly targets specific groups of peoples.

The 2015 Agency survey shows that in the NSW public sector, 44% of agencies have implemented a talent management strategy but only 15% have done so to a developed or highly developed level. The majority of agencies (86%) actively identify high-performing or high-potential employees within specific categories – including executives (48%), executive feeder groups (49%), other managers and supervisors (43%), other employees (31%) and graduates (22%).

The focus of talent management strategies varies across agencies.

Figure 1: Agency implementation of talent management strategies

- 44% Implementation
- **64% Developing** high-potential or high-performing employees
- **62% Retaining** high-potential or high-performing employees
- **36% Identifying** high-potential or high-performing employees
- **33% Building leadership** 'bench' strength
- **31% Building capability** for critical roles
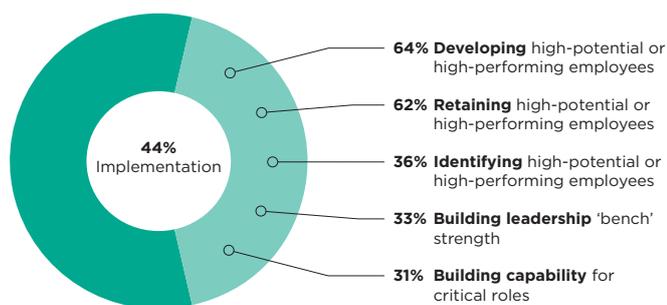
Source: Agency survey 2015

The NSW Capability Framework provides agencies with guidelines for talent management. It sets out a common foundation for creating roles, recruiting new employees, managing performance and developing skills at all levels. It also guides workforce planning for the sector, helping agencies assess future workforce needs and gaps in the short and longer term.

The 2015 Agency survey shows that most agencies have adopted the Capability Framework to some extent; 80% are using it to develop role descriptions for core capabilities and 40% are using it to develop job-specific capabilities. The proportion of agencies using their own capability frameworks for the same purpose is 22% and 26%, respectively.

In PSC's Reform review, stakeholders described in more detail how exactly they are applying the framework. Agencies reported strong support for the framework itself, although some felt the capabilities were too generic and that not all employees understood the benefits of a capability-based approach in the context of their employment and career progression.

Agency stakeholders see the framework as a positive tool for capability development and performance management, and are using it – especially in recruitment processes – to improve capabilities in particular fields such as ICT.[9] However, there is more work to be done in linking the Capability Framework to other aspects of workforce management such as designing team structures based on individual and collective capabilities. It is especially crucial to make sure employees understand how capability development affects their employment life cycle once the recruitment phase is over.

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9. An ICT Pilot Reference Group comprising agencies from across the sector developed an occupation-specific capability set and a suite of 55 role descriptions. The NSW Government ICT Leadership Group has endorsed the development of five-year workforce plans using the ICT capability set and role descriptions

Chapter 1: Workforce capability and diversity

Recruitment

The NSW public sector has started using capability-based recruitment to create a more agile workforce. This is a significant cultural shift from the longstanding practice of selecting and promoting people purely on experience or role-specific skills, rather than considering what broader capabilities they may have.

As of February 2015, all public service agencies must use new recruitment strategies that emphasise merit-based selection. This means using generic role descriptions, streamlining the application process, using bulk recruitment methods including talent pools, and applying a range of capability-based assessment methods.

An early review of this change found that overall, it has strong support within the sector, and agencies are looking for more guidance on how best to get the most from it – for example, by using fit-for-purpose assessment methods.

Agency representatives noted various positive effects of this new approach to recruitment:

- Hiring managers are proactively paying more attention to the capabilities they need in a role.

- There is more awareness of the need to select an appropriate recruitment strategy.

- Generic role descriptions improve access for applicants external to the agency.

- Recruitment decisions are now based on more robust information.

However, there are clear opportunities to build on what is already working well and to overcome some challenges:

- Agencies are not always clear on how to identify and consider the range of options when filling roles, or how to select fit-for-purpose application filters and assessment methods.

- Although the recruitment process creates a wealth of information, selection panels can find it challenging to turn this evidence into balanced insights and it may not be used later – for example, as the basis of a development plan for the successful candidate.

- Some aspects of the new recruitment process are unnecessarily constraining.

- Pre-existing processes and systems may not be adjusted to suit the new recruitment settings, which can create additional layers of complexity.

- The new approach may unintentionally create additional difficulties for people from key diversity groups (for example, some psychometric assessments may deter candidates from certain groups).

- There is no information on how well candidate assessment characteristics predict on-the-job suitability and success.

PSC is already taking actions to address these concerns, including:

- providing additional training and guidance to human resources and hiring managers – including sharing templates and leading practices – so they understand and use the benefits of the new settings

- reviewing specific statutory provisions related to recruitment and mobility

- using existing recruitment systems and new human capital management systems (see Chapter 6) to support the reform elements and ensure effective, efficient recruitment

- partnering with the Disability Employment Advisory Committee (see *Diversity and inclusion*, on the following page), representatives of other diversity groups, and public sector stakeholders to improve support for diversity and inclusion in the recruitment process.

Performance management

The NSW Public Sector Performance Development Framework sets out best-practice principles and performance management guidelines for agencies, and forms the foundation for a high-performing public sector. When effectively executed, performance management can be an efficient, focused business process that improves employee engagement and drives business results.

We can make three general observations based on implementation surveys agencies have completed to date:

1. Progress in embedding performance management systems within agency processes has been slower than expected.

   When the framework was published in July 2013, it was expected that by July 2015, all agencies would have in place performance management systems that meet the core requirements set out in the *Government Sector Employment Act 2013* Rules (the GSE Rules). Survey results suggest it may be another two years before all agencies meet these requirements.

2. Most agencies have a performance management system in place; however, few currently apply the system consistently across their organisation.

   Some 94% of responding organisations say that at least some of their employees have performance agreements in place, but only 25% of agencies have performance agreements in place for 95% or more of their employees. And although 90% report that at least some of their employees undergo formal performance reviews, only 35% have performance reviews in place for 95% or more of their employees.

   Agencies are optimistic about how quickly they will be able to embed their performance management systems in a way that fully meets the essential elements of the framework; however, a dramatic culture shift would be needed before this can happen.

Chapter 1: Workforce capability and diversity

Snapshot – Department of Education

The Department of Education has collaborated with the NSW Teachers Federation (NSWTF) to produce a Performance and Development Framework for principals, executives and teachers in NSW public schools.

In 2015, principals, executives and teachers in 2,211 NSW public schools participated in performance and development processes under the new framework. The Department of Education and NSWTF jointly developed and co-delivered training to more than 50,000 staff members to ensure

the continuous development of a skilled, effective and professional teaching workforce.

Probation, induction, accreditation, career pathways and leadership development are all features of a teacher's career cycle, and are supplemented by ongoing performance and development processes. Informal feedback shows the performance and development process has been positively received and has wide support across schools.

3. Only 8% of responding organisations reported that their agency's performance management system met all elements in the framework at the time of the survey, yet 86% say their system could do so by July 2016. Furthermore, the Reform review found that agencies' stakeholders still see performance management treated as a procedural requirement, and that the experience is inconsistent across the sector. Employees in particular reported that performance management focused too much on managing underperformance. They felt there was not enough emphasis on the value of the whole process, meaningful conversations, positive feedback and individual development.

Agencies need to move beyond processes and forms to true engagement and dialogue around performance and development. They also need to use their performance management systems to recognise good performance as well as managing poor performance. If this shift doesn't happen, performance management risks becoming another regulatory compliance activity rather than a tool for enhancing business outcomes.

Diversity and inclusion

The NSW public sector is increasingly focused on developing a diverse and inclusive workforce that includes people of different genders, and cultural and linguistic backgrounds; Aboriginal people; and people with disability. It is also working to increase diversity in broader dimensions such as education, knowledge, skills, work styles, experience, values and ideas.

The Reform review found that although agencies generally support diversity and inclusion policies, many have yet to address the reforms comprehensively. There is a tendency to think of diversity in terms of cultural background, gender and disability rather than applying a more inclusive definition, and there is still a lack of understanding about the benefits for organisational culture and productivity. The workforce is still largely unaware of diversity and inclusion initiatives, particularly at the employee level.

Findings from the Reform review aligned with the Agency survey results. There has been activity across the sector to implement foundational elements around diversity and inclusion, but the level of development is relatively low. The only initiative with high levels of implementation and development is the uptake of flexible work practices aimed at supporting a diverse workforce – 86% of agencies have implemented this initiative, and 65% have a well-developed program in place.

Chapter 1: Workforce capability and diversity

Other results in the 2015 Agency survey reveal a marked increase in the number of agencies incorporating diversity into workforce plans (77% implemented, up from 59%), driven by the *Government Sector Employment Act 2013* (GSE Act), although only 33% say these plans are developed or highly developed. While 75% of agencies have implemented an approach to diversity that expands beyond traditional equal employment opportunity dimensions, only 29% report their approach is developed or highly developed.

Some 72% of agencies have set specific targets for desired levels of diversity and 62% explicitly promote diversity to achieve innovation and service quality. However, more than two-thirds of agencies report that their activities in these areas are at a relatively early stage.

Good workplaces have an inclusive culture where everyone can participate, contribute and feel they belong, without the risk of losing their uniqueness. The Agency survey results show that while 64% of agencies have implemented actions to embed inclusion into their work design and workforce strategy, only 26% rate these strategies as mature.

Furthermore, the lower number of agencies reporting developed initiatives suggests that although agencies have started implementation, they need time to develop the expertise and experience required to derive outcomes from these practices. Despite the potential benefits of a more diverse workplace, in the early stages of implementation agencies tend to focus more on complying with legislation and maintaining traditional practices than on making concrete commitments to transform their organisation. To some agencies, adopting a diversity strategy is still seen as 'the right thing to do' rather than a way to help achieve business objectives.

Women in senior roles

Previous reports have found that while women constitute a majority of the sector's workforce, this percentage falls at executive levels. This challenge is not unique to the public sector, and addressing the gap is a focus area for CEOs across the Australian economy.

The current proportion of women in leadership roles in the NSW public sector is 36.3%; Premier Baird has set a 10-year target to increase this to 50%. See Chapter 4 for further discussion of why women in senior roles are essential to strengthening leadership capability and quality.

Aboriginal employment

As the biggest employer in NSW, the public sector is well placed to contribute to the social and economic wellbeing of Aboriginal Australians, and to create meaningful employment for Aboriginal people across the state.

In 2015, the *NSW Public Sector Aboriginal Employment Strategy 2014–2017* was released. The strategy aims to ensure the sector has a capable Aboriginal workforce, represented at all levels and in all agencies.

Agencies across the sector have made a collaborative commitment to implement the strategy, and departments will work towards achieving the target of 1.8% for Aboriginal employment representation in the sector, especially at higher grades. There is a separate target to double the number of Aboriginal people in senior leadership roles (see page 23).

There has been a small but steady annual increase in the total number of Aboriginal employees over the past 10 years. In 2015, the public sector had a total of 7,896 Aboriginal employees (non-casual) – an increase of 628 since 2014 – which is 3% of the sector's workforce (see Figure 3). The exit rate of Aboriginal staff aligns more closely with the NSW workforce as a whole; in 2015, the difference between the public sector and the wider workforce was only 1.1 percentage points, compared to 1.5 in 2014 and 2.1 in 2012.

Progress in meeting the 1.8% target for employing Aboriginal people at more senior levels varies between clusters and salary levels. The majority of clusters have met – and in some cases far exceeded – the target for employees at lower salary levels, but Aboriginal representation is still quite low in the higher salary brackets.

In the Agency survey, 48% of agencies reported that they have processes and practices in place to meet the target, but only 27% said these initiatives are mature.

Figure 2: Agency action to improve diversity

% Highly developed	% Developed	% Basic	% Recognised	% Not recognised

Flexible work practices that support diverse workforces: **86% implemented**

20	45	21	12	2

Diversity incorporated into your agency's workforce plan: **77% implemented**

8	25	44	21	2

An approach to diversity that expands beyond the traditional equal employment opportunity dimensions and also includes reference to other dimensions of diversity: **75% implemented**

6	23	46	20	5

Explicit targets for desired levels of diversity: **72% implemented**

5	23	44	18	10

Inclusion built into work design, workforce strategy and system-level decision making: **64% implemented**

2	24	38	32	4

Explicit promotion of diversity as one way of achieving greater innovation and improving service quality: **62% implemented**

7	11	44	24	15

Source: Agency survey 2015

Chapter 1: Workforce capability and diversity

Figure 3: Estimated public sector representation of Aboriginal and Torres Strait Islander people, 2006–15
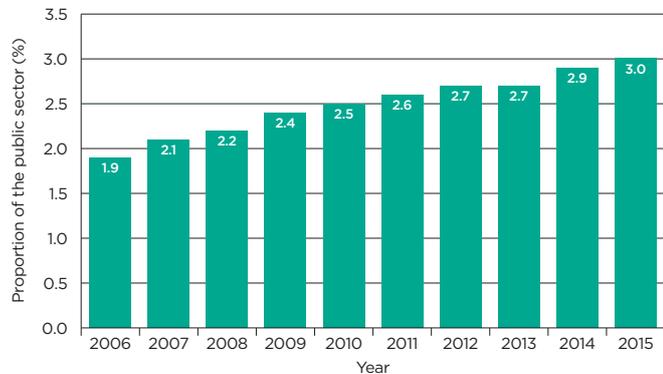
Source: *NSW Workforce Profile*

One of the Premier's priorities is to double the number of Aboriginal people in senior leadership roles – from 75 to 150 – by 2025. To achieve this goal, PSC's cornerstone Aboriginal Career and Leadership Development Program creates a pipeline of talent to help build career pathways so that high-potential Aboriginal employees have the opportunity to enter senior leadership roles. This program will run twice a year under the new Leadership Academy. To date, 44 public sector employees have graduated from the program and nine participants have achieved career development opportunities including job appointments in more senior roles.

Figure 4: Cluster progress in meeting the Aboriginal employment target of 1.8% at all levels

Salary	Grade	Family & Community Services	Education	Planning & Environment	Justice	Premier & Cabinet	Health	Industry	Finance, Services & Innovation	Transport	Treasury	Total public sector
$8,000 – $57,255	Clerk General Scale	3.6%	4.3%	11.3%	2.9%	2.5%	3.9%	2.4%	1.2%	1.3%	0.0%	3.7%
$57,256 – $64,007	1–8	3.6%	1.9%	9.3%	5.0%	1.6%	2.2%	1.8%	1.1%	1.7%	0.0%	2.8%
$64,008 – $75,558	1–8	5.9%	2.7%	4.8%	3.1%	2.7%	2.1%	2.8%	2.5%	0.9%	1.6%	2.6%
$75,559 – $85,867	1–8	5.4%	2.8%	3.6%	2.7%	1.6%	0.7%	1.3%	1.8%	0.9%	0.9%	1.6%
$85,868 – $97,882	1–8	6.3%	1.5%	3.6%	2.4%	1.2%	1.4%	1.3%	1.1%	1.0%	0.0%	1.8%
$97,883 – $113,211	9/10	4.3%	2.0%	1.6%	1.6%	2.3%	0.8%	1.1%	0.8%	0.6%	0.0%	1.4%
$113,212 – $146,498	11/12	2.2%	2.1%	2.6%	1.3%	0.6%	0.8%	1.0%	0.8%	0.3%	1.3%	1.2%
$146,499 – $242,800	SEB1	2.4%	1.7%	0.0%	1.4%	1.1%	0.1%	0.3%	0.9%	0.1%	0.0%	0.5%
$242,801 – $305,400	SEB2	0.0%	8.7%	0.0%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%
$305,401 +	SEB 3–4	0.0%	0.0%	0.0%	0.6%	3.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%

■ Well above 1.8%   ■ 1.8% or above

Source: *NSW Workforce Profile*, June 2015

Chapter 1: Workforce capability and diversity

Snapshot – NSW Police Force

In May 2015, the NSW Police Commissioner launched the NSW Police Force (NSWPF) Aboriginal Employment Strategy 2015–2019 (AES). The AES aims to increase Aboriginal representation in the NSWPF to 4%. In partnership with the GenerationOne movement, in 2012 the NSWPF made a target commitment to employ 1,000 Aboriginal people over the next 10 years.

Currently, 503 NSWPF employees, including 211 women, identify as either Aboriginal or Torres Strait Islander. The AES has a strong focus on retaining Aboriginal employees and has partnered with TAFE to offer existing staff access to a Diploma of Management, Advanced Diploma of Management and Certificate IV in Frontline Management.

Aboriginal staff also have access to Lateral Violence and Self Care workshops to help manage the cultural expectations

and obligations their communities place on them. Skills-based training is provided to other administrative officers to improve their competitiveness in future mainstream employment roles.

The Aboriginal Employees Network is growing, with regional meetings occurring at least twice a year. In 2015, the NSWPF will hold its fourth statewide network conference and expects up to 150 Aboriginal staff members to attend.

Central to the strategy is the sector's commitment to improving employment and development opportunities for Aboriginal people. Professional development, networking and peer support contribute to improved levels of retention for Aboriginal employees.

Disability employment

NSW is undergoing a period of major reform in the way it recognises and supports people with disability. It was the first state to sign up to the National Disability Insurance Scheme (NDIS) and to roll out the scheme beyond trial sites.

The *NSW Disability Inclusion Act* came into effect in December 2014 and introduced a rights-based inclusion framework to facilitate full NDIS implementation. The Act makes community services more inclusive and accessible for people with disability. It also requires disability planning at the sector-wide and department levels which includes strategies to support employment.

Employment is an area of great challenge. Representation of people with disability in the NSW public sector workforce continues to decline, estimated at 2.9% in 2015 compared with 3.1% in 2014.

Figure 5: Estimated representation of employees with disability, 2006–15
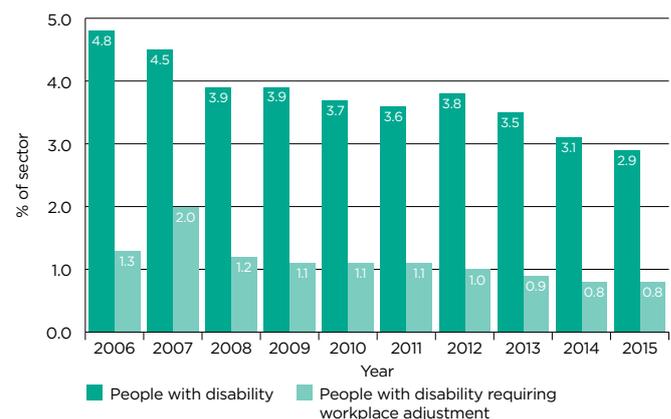
Source: *NSW Workforce Profile*

Chapter 1: Workforce capability and diversity

The Agency survey shows that the majority of agencies have strategies in place to improve opportunities for job applicants with disability (85%); to ensure people with disability have the same opportunities as others to develop their careers (85%); and to design appropriate role specifications and advertisements (82%). However, the proportion of agencies reporting highly developed strategies is much lower (20–24%). To date, 51% of agencies have developed specific attraction and retention strategies for people with disability, 9% at a developed level.

The NSW numbers are consistent with other Australian jurisdictions, which are also experiencing a similar decline or plateau in the number of people with disability in their public sector workforces.

Figure 6: Percentage of employees with disability, by state and territory[10]
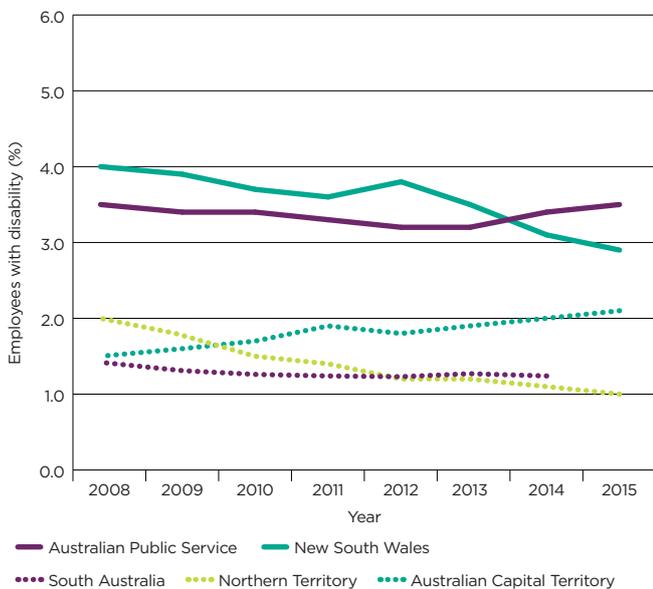
Under-reporting by employees with disability may be a factor and the sector needs to improve data quality. The NSW Government is committed to reversing this practice. The current focus is on identifying and implementing real 'game changers' for disability employment, by working with relevant organisations to learn from leading practice in the private, government and not-for-profit sectors.

PSC, working with the Department of Family and Community Services, has convened a Disability Employment Advisory Committee (DEAC). The committee comprises experts from disability-focused organisations, the private sector and academia, developing advice on how to improve outcomes for people with disability who are employed or are seeking employment in the NSW public sector. The focus is on identifying immediate steps to be taken, as well as long-term action to embed sustainable change.

The NSW Disability Inclusion Plan, released on 26 February 2015, is committed to:

• holding a disability employment forum that engages employers from various sectors, to help identify and develop strategies that support accessible employment

• developing networks of employees who have a keen interest in improving attraction, retention and career development for people with disability in the NSW public sector.

Additionally, agencies are developing and implementing their own Disability Inclusion Action Plans, which are due by 1 December 2015. This process includes actively consulting people with disability to ensure the plans are meaningful and practical, and reflect their needs.

To the next level

Workforce capability is critical to achieving positive outcomes and ensuring the public sector is competitive in delivering services to the people of NSW. The capability-based approach – underpinned by diversity and inclusion strategies – creates a broader mix of knowledge, skills, abilities and behaviours in the workplace, which helps agencies achieve their objectives.

Capability and diversity are no longer just the realm of HR; they are an important consideration for executive and leadership teams, and for all those who manage people and teams. Agencies are beginning to implement capability and diversity strategies, and many of these activities will soon be ubiquitous. Some parts of the sector are already well advanced and will be able to share their insights, lessons and resources with others to help facilitate this growth.

The reforms and frameworks offer powerful tools for performance improvement. By embracing broader capability-based approaches rather than only focusing on technical skills and relevant experience, agencies can extract maximum value from the current workforce reforms rather than merely complying with the related legal requirements.

The adoption of a capability-based approach will also enhance the public sector workforce brand, and broaden the state's appeal to prospective job candidates as an employer of choice.

10. This disability data is collected for all employees through HR and payroll systems. The 2015 data for Queensland and South Australia is not available. Victoria, Western Australia and Tasmania are not included as they use sample surveys. Some caution is required in comparing jurisdictions as definitions of disability vary. Numbers may be under-reported because employee disclosure of disability is voluntary

Employee engagement

Engagement is the relationship between an employee and their work, or between an employee and their organisation.

When employees are passionate about their work and feel a real connection to their organisation, they have the power to drive innovation and move the business forward.

Discretionary effort – that is, an employee's willingness to go beyond what they are asked to do, such as looking for ways to perform the job more effectively or volunteering for new work – and intent to stay are also strongly linked to employee engagement.

Like diversity and inclusion, engagement is critical to creating a positive working culture, aligning employees with organisational values, achieving business goals and driving success. It is an important factor in all productive and innovative workplaces, and therefore a clear contributor to improved customer satisfaction.

Chapter at a glance

- The state's public sector workforce is relatively well engaged compared to other jurisdictions, but more could be done to ensure consistency across the sector.

- Agencies are building on this engagement by encouraging strong leadership; better change management and communication between managers and employees; employee development; and respectful working environments.

- Further gains could come from making employee engagement part of an integrated approach to workforce management within agencies.

Chapter 2: Employee engagement

Employee engagement in the NSW public sector

The People Matter survey measures employee engagement in the NSW public sector. It seeks employees' views on how well their organisations apply the public sector's values and employment practices, and gathers information about how organisations, managers and workgroups operate. The survey report combines participants' responses to five selected survey statements to calculate an averaged Engagement Index.

The Engagement Index represents the extent to which employees feel motivated by, inspired by, attached to and proud of their organisation, and would be willing to recommend it as a great place to work. The calculation is based on the United Kingdom (UK) Civil Service engagement index, which allows PSC to benchmark the score against other public sector jurisdictions.

In 2014, the NSW Engagement Index was 65%, comparing well with other public sectors – including Victoria at 67%, Queensland at 58% and the UK at 58%. The NSW sector-wide results showed a strong association between engagement and employee experiences with senior managers, and between engagement and organisational factors – such as commitment to employee development, organisational involvement in the community and confidence in the way grievances are resolved. These results are similar to the UK Civil Service findings, which showed that good leadership and change management had the strongest connection with positive employee engagement.[11]

To gain additional insight into the relationship between engagement and other factors, PSC examined the 2014 People Matter survey results beyond the Index itself, to compare responses against statements regarding four areas that are closely connected with employee engagement: senior management, the organisation, managers and workgroups.[12] The statements focused on wide-ranging features of the workplace including innovation, efficiency, effectiveness, values, communication, decisions, change management, grievance handling and performance management.

The analysis showed a strong link between all of the statements about senior management, organisations, managers and workgroups: employees who responded positively to the engagement statements were more likely to respond positively about each of these areas of the organisation. This confirms the importance of leadership to engagement in the workplace and the impact on business outcomes.

Not surprisingly, there is a marked difference in the engagement levels of those hoping to continue in their current organisation compared to those thinking about leaving the NSW public sector. Employees intending to leave within a year had a significantly lower engagement score (44%) than employees intending to stay (71%). This pattern remains consistent when tested for factors including age, gender and tenure. As Figure 7 shows, better leadership from senior managers and line managers – more significantly than all other factors – would motivate those intending to leave the sector to change their mind and stay. The numbers also show that employees want more involvement in decisions, increased recognition and better accountability for performance.

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11. UK Cabinet Office (2014), *Civil Service People Survey: Summary of Findings*
12. These groupings were designed specifically for this analysis and are not the same as those used in the main findings report of the 2014 People Matter survey

Chapter 2: Employee engagement

Figure 7: Factors influencing staff retention

Senior manager leadership
My manager's leadership
Involvement in decision making
Recognition
Performance accountability
Work/life balance
Flexible working conditions
Career opportunities
Location
Facilities
Technology and systems
Passion for work
Learning and development
Job security
Pay and benefits

Respondents (%)

■ Intend to leave ■ Intend to stay
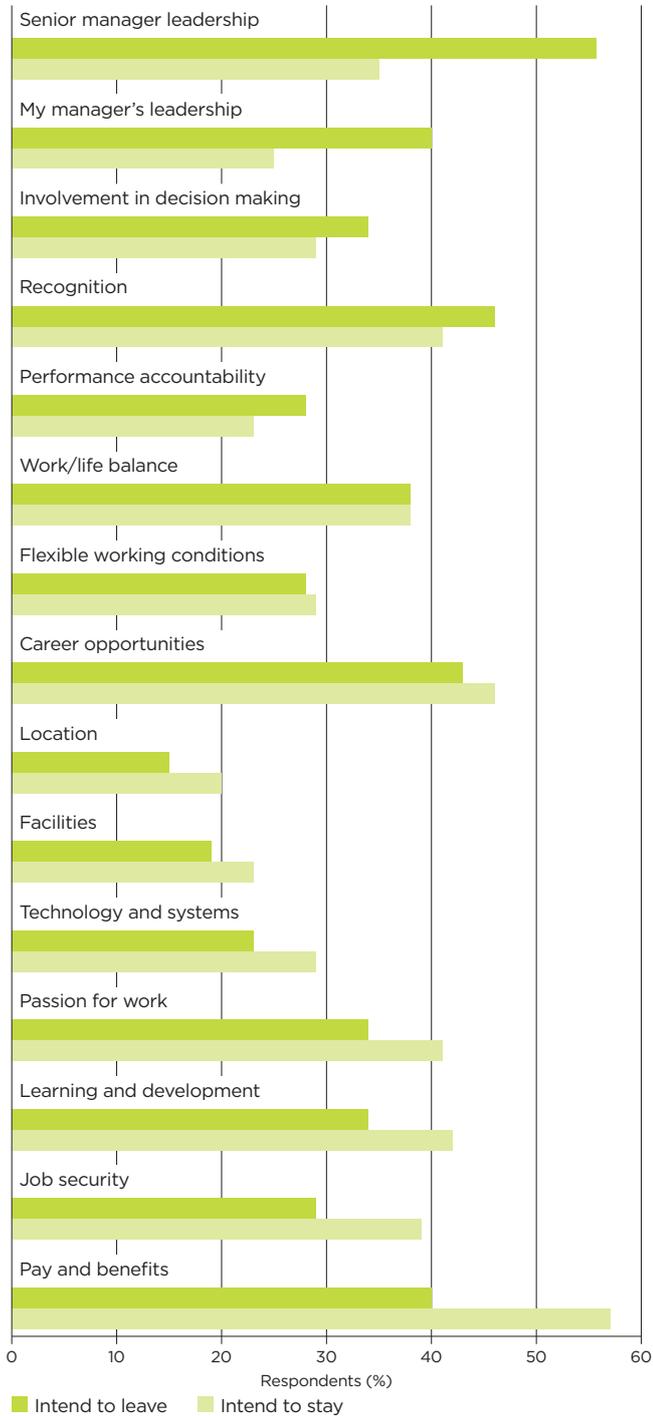
Source: People Matter survey 2014

The findings about management and leadership are important for managers at all levels. They highlight the importance of understanding employee engagement within their agency or workgroup, and the factors that they can focus on in their workplaces.

Research shows that organisations often overlook the importance of senior leadership in influencing these factors. A recent global study shows that while employees rank trust and confidence in senior leadership as the third most important driver of retention, employers do not rank this among their top seven drivers. It also found that employers tend to overestimate the impact of front-line supervisors, when in fact senior leaders and local-level managers also play an important role in employee engagement.[13]

Agency survey findings

The 2015 Agency survey results revealed that the majority of agencies have implemented initiatives in the last 12 months to improve employee engagement. However, less than half of the sector (46%) has taken action to address the wider issues raised in the 2014 People Matter survey. On the other hand, 21% of agencies have developed strong action plans and 16% have started consultation and planning processes. Around 15% of agencies have no plans – or see no need – to address issues arising from the 2014 results. Some of these agencies have low engagement scores – and therefore greater potential to improve employee outcomes relating to organisational culture and practices.

Figure 8: Agency action to address findings from the 2014 People Matter survey

4% No action necessary

13% No plans to address issues arising from the survey results

16% Consultation process is underway and action plans are under development

21% Action plans have been developed to address issues arising from the survey results

46% Action is currently underway to address issues arising from the survey results
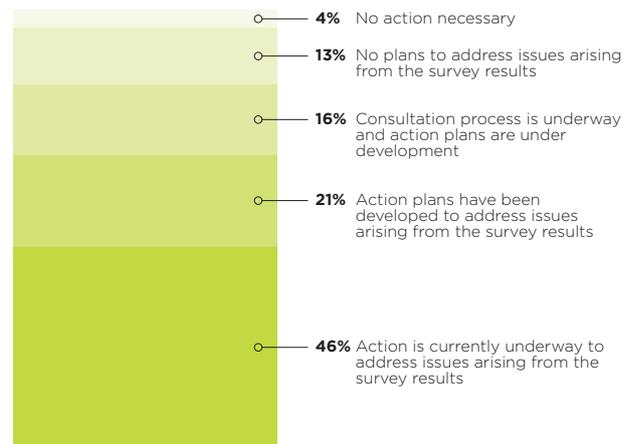
Source: Agency survey 2015

13. Towers Watson 2015, 'People Matter surveys Issue', *Engage*, Towers Watson, London

Chapter 2: Employee engagement

Some agencies are setting goals and targets to improve their engagement scores, as they recognise the very clear link between engagement and performance. Others still are planning to include engagement scores in their executive performance agreements.

It will take time for agencies' engagement-related actions to be fully developed and produce strong outcomes. The next People Matter survey should indicate how far agencies have progressed compared to the 2014 results, and will also look more deeply at some other drivers of engagement.

The next level

Engagement scores in the NSW public sector compare well against other jurisdictions on a sector-wide level but there are marked inconsistencies between different agencies. The sector's strong performance and service delivery depend on consistency across the workforce, so more needs to be done to improve engagement for public sector employees.

The People Matter survey is a rich data source for agencies wanting to understand their own employee engagement drivers and to target their workforce management practices accordingly. With the survey running annually from 2016, agencies will have a more regular source of data regarding employee perceptions, but they will also need to act promptly in responding to the results if they want to use each year's findings to improve their business outcomes.

Some agencies have been transparent in how they have used the results of previous surveys. Recent discussions with deputy secretaries have revealed an intent to focus on three or four areas of engagement, especially relating to performance. These focus areas differ among agencies but generally involve common themes such as change management, communications, employee development, respectful working environments and senior leaders providing a clear sense of direction.

The decision to focus on improving certain areas of engagement often follows lengthy discussions with the workforce. In a further act of engagement, one deputy secretary ran roadshow events across the state, during which she shared her department's People Matter survey results and listened to feedback, to show employees that their opinions had been heard and would be acted on.

Collecting engagement data at lower levels within organisations – and shifting ownership of the results from HR to the executive and then to line managers – is a positive way to improve employee-level awareness of workplace engagement and rates of action.

Some agencies are setting goals and targets to improve their engagement scores, as they recognise the very clear link between engagement and performance. Others still are planning to include engagement scores in their executive performance agreements.

All of these steps – taken from the top down and the bottom up – will send a signal to the workforce that engagement is an important part of workforce management across the NSW public sector.

Customer focus

The experience and perspectives of consumer and business customers are essential in assessing how well the NSW public sector is performing.

This chapter explores these perspectives but also assesses what is being done within the sector to develop the workforce so it can to continue to meet the demands of the community, especially in areas identified as requiring improvement.

The NSW Government believes a strong customer-centred approach is essential for delivering the best possible services. Across NSW, public sector agencies seek customer feedback to help improve the quality of their services. The Customer Service Commissioner's *Customer Satisfaction Measurement Survey*, which the PSC Advisory Board helped establish in 2014, is an additional method of regularly measuring customer satisfaction across the whole public sector. Commentary from the Customer Service Commissioner is included in this chapter.

The Customer survey is designed to provide a greater understanding of how customers perceive public service performance; the overall customer satisfaction with different types of services; the key drivers of customer satisfaction; and areas for improvement to increase overall sector performance.

Chapter at a glance

- Citizens and businesses in NSW generally have a positive impression of the services they receive from the state government. Individuals reported an average satisfaction rating of 7.3 out of 10, and businesses reported a rating of 7.2.

- Satisfaction with the NSW public sector 'brand' (6.5 out of 10) compared favourably with other industries, but was lower than the overall rating for services in NSW (7.3 out of 10).

- The Agency survey shows a high proportion of agencies have introduced customer service strategies, but that only a small number so far have highly developed strategies.

- Priority areas for improvement include employee efficiency and effectiveness when carrying out simple processes, and access to information. Improving these areas would achieve the biggest increase in overall customer satisfaction.

Chapter 3: Customer focus

The voice of the customer

All customers involved in the 2015 Customer survey had dealt directly with NSW public services in the last 12 months. They included consumers, businesses, patients, passengers and students. The survey aimed to involve a representative sample of the general population based on age, gender and region (metropolitan, regional and rural), and a representative sample of the business community based on location and size (number of employees).

The methodology was tested in 2014 with a survey of 6,208 customers and results were published in last year's *State of the NSW Public Sector Report*. In 2015, 5,263 customers completed the online survey: 4,137 consumers and 1,126 businesses.

The survey gathered feedback on 21 types of services related to roads, public transport, vehicle and boat registration, water supply, agriculture, environment, health, education, art galleries and museums, family support, housing, business advice, fire and emergency services, police, prisons and courts.

Customer satisfaction

Customers in NSW were generally positive about the individual services they used. Consumers reported an average satisfaction rating of 7.3 out of 10, and businesses reported a satisfaction rating of 7.2 out of 10. Although these satisfaction ratings were below customer expectations of the services they received (7.7 for consumers and 7.6 for businesses) compared to their idea of an ideal service, 65% of consumers and 67% of businesses still stated that the service they received was close to their ideal experience.

Variations in satisfaction

Retirees had more positive perceptions (8.0) than full-time employees (7.1) or students and unemployed people (6.8); smaller businesses were more satisfied (8.0) than larger businesses (6.9); and rural businesses were more satisfied (8.1) than those in regional and metropolitan NSW (7.1). There were no significant differences between male and female respondents.

Ratings were higher for customers using online services (7.5 for consumers, 7.4 for businesses) than those accessing services in person, often due to shorter waiting times and the perception that online processes were simpler.

Customers were generally positive about service performance against the public sector values of integrity, trust, service quality and accountability (6.8 for consumers and 7.2 for businesses across these factors). Performance against standards of integrity received the highest rating, and accountability received the lowest score.

Customers whose complaints were handled well rated their satisfaction as higher than average, which suggests that the simple step of improving how agencies handle complaints could significantly improve customer satisfaction overall (see Figure 9).

Chapter 3: Customer focus

Figure 9: Impact of complaints handling on customer satisfaction

- ···· Overall average satisfaction
- Consumers
- Businesses
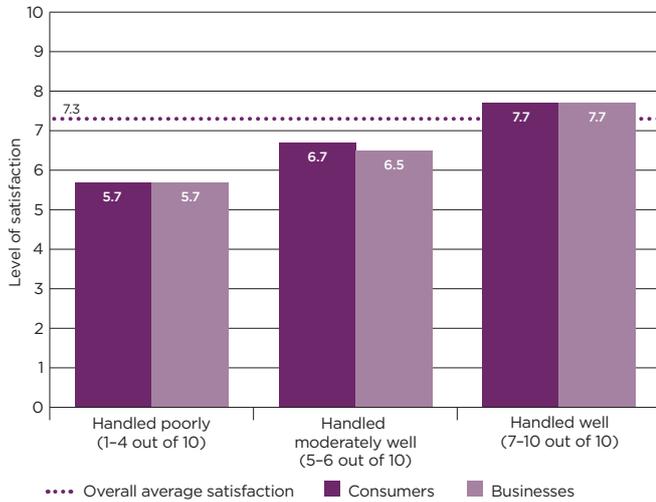
Source: Customer survey 2015

Employee performance in delivering services

Customer perceptions of employee performance when delivering services ranged from 6.7 to 7.6 for consumers and businesses, consistent with the 2014 results. The highest ratings were for honesty, safety standards and services without bias. The lowest ratings were for accountability, getting things done quickly and seeing things from a customer perspective.

Figure 10: Customer perceptions of performance by employees delivering a service

	Consumers	Businesses
Are honest	7.6	7.5
Deliver high safety standards	7.5	7.5
Provide services without bias	7.4	7.5
Explain intended actions clearly	7.3	7.3
Are reliable	7.2	7.3
Are consistent	7.2	7.2
Communicate well	7.2	7.2
Engender confidence in their knowledge	7.2	7.3
Do what they promise	7.2	7.2
Focus on addressing customer needs	7.1	7.1
Provide good-value services	7.1	7.2
Are proactive in helping	7.0	7.1
Are held accountable	6.9	6.9
Get things done as quickly as possible	6.8	6.8
See things from my perspective	6.7	6.8

- Consumers
- Businesses

Source: Customer survey 2015

Satisfaction ratings for processes were lower (6.1 to 6.8). The highest ratings were for processes being easy to understand, while the lowest were for processes being designed to reduce waiting times, and getting the right person the first time.

Chapter 3: Customer focus

Drivers of satisfaction

The responses suggest employee actions fall into three key categories affecting customer satisfaction:

- Honesty and integrity – providing services without bias, being honest, having high safety standards, doing what they promise and being consistent

- Communication – explaining intended actions clearly, communicating well and engendering confidence in their knowledge

- Efficiency and effectiveness – getting things done as quickly as possible, being held accountable, focusing on addressing customer needs, seeing things from the customer's perspective, providing good-value services, helping proactively and being reliable.

Analysis shows that these three drivers – and those relating to access to services – are more important for explaining satisfaction than drivers relating to privacy, transparency, processes and employee autonomy. When performance against each of the drivers is taken into account, employee efficiency and effectiveness (in delivering simple and efficient processes) and access to information are two priority areas where the public sector could achieve the biggest increase in overall satisfaction with services.

While the survey identified common drivers of satisfaction for the entire sector, their relative importance does vary across services (see Figure 12). This implies the need to target improvements in specific services in order to increase sector-wide satisfaction.

Figure 11: Relative importance of drivers affecting customer satisfaction

Source: Customer survey 2015

Chapter 3: Customer focus

Figure 12: Focus areas for building customer satisfaction with different services

Access to information and online services
- Car and boat registration
- Fire brigade
- Public transport
- Public schools and TAFE
- Courts
- Consumer affairs

Efficiency and effectiveness of employees
- Public transport
- Water supply
- Public schools and TAFE
- Public hospitals and ambulance services
- Police
- Environment and wildlife protection
- Documentation services
- Disability services
- Courts
- Art galleries

Employee autonomy
- Public hospitals and ambulance services

Transparency
- Major roads
- Public housing
- Consumer affairs

Simplicity and efficiency of processes
- Public housing
- Major roads
- Car and boat registration
- Services for older people

Privacy

Honesty and integrity of employees

Communication
- Public housing
- State emergency services
- Child welfare services

Services for which the driver is a primary opportunity

Mapping to whole-of-government drivers

Primary opportunities   Secondary opportunities   Areas to 'build on'

Source: Customer survey 2015

Comparisons to other governments and industries

When the same survey was undertaken with customers in other government jurisdictions, the results showed that NSW is performing on par with the other eastern states, New Zealand and the UK in terms of customers' overall satisfaction with services provided (7.0 to 7.3 for consumers and businesses).

Satisfaction with the NSW public sector 'brand' (6.5) compares favourably with other industries, and although this is lower than the overall rating for services in NSW (7.3), it is on a par with Queensland, Victoria and the UK, and above New Zealand (6.1).

Chapter 3: Customer focus

Figure 13: Customer satisfaction with the NSW public sector 'brand' compared to other industries

	UK	NSW	Vic	Qld	NZ
Highest ↑ Average consumer satisfaction rating	Airlines: 8.0	Airlines: 7.0	Airlines: 6.9	Airlines: 7.1	Airlines: 7.2
	UK Public Service: 7.6	NSW Public Service: 6.5	Vic Public Service: 6.5	Banks: 6.5	Banks: 7.0
	Telcos: 7.3	Banks: 6.4	Banks: 6.4	Qld Public Service: 6.5	Energy providers: 6.4
	Banks: 7.1	Telcos: 6.0	Telcos: 5.9	Local council: 6.1	Telcos: 6.3
	Local council: 7.0	Local council: 6.0	Local council: 5.8	Telcos: 6.0	NZ Govt. Service: 6.1
Lowest	Energy providers: 6.6	Energy providers: 5.9	Energy providers: 5.6	Energy providers: 5.7	Local council: 5.6

Source: Customer survey 2015

While there are minimal differences at the sector-wide level across jurisdictions, the variations in satisfaction based on service type and mode of delivery may present opportunities for cross-jurisdictional education and training. That is, agencies that perform better could share resources with those that receive lower ratings, in an effort to raise satisfaction levels for the sector as a whole.

The results of the 2015 Customer survey highlight areas of excellence and opportunities for targeted improvement. The overall analysis indicates the need to focus on customer service that promotes integrity and trust, and builds perceptions of accountability, efficiency, effectiveness, simplicity, communication, access and inclusiveness in all delivery modes – in person, online, by phone and via email.

The survey also provides baseline scores that will help guide decisions about sector-wide priority focus areas. These figures will be used to gauge future performance and the success of reforms from the customer's perspective.

Implications for workforce management

The workforce, particularly in the front line of delivering services, has a major impact on customer experience – and how customers perceive that experience. The 2015 Agency survey looked at customer service from two perspectives: from government agency to consumers or businesses, and from government agency to government agency. This provides valuable insights into how all agencies deliver services, regardless of who their customers are.

The survey shows that around two-thirds of the 105 responding agencies primarily provide services to individual consumers or businesses. A large proportion of these agencies report implementation of the strategies listed in Figure 14 (70% to 98%) but a smaller number have well-developed strategies in place.

Chapter 3: Customer focus

Figure 14: Agency strategies to improve customer service

% Highly developed	% Developed	% Basic	% Recognised	% Not recognised

Business processes take into account the needs of the customer: **98% implemented**

31	50	17	2

Employees are trained in delivering a high level of customer service: **88% implemented**

11	46	31	11	2

Strategies exist specifically to improve complaints handling: **91% implemented**

21	45	25	5	4

A process exists for regularly collecting customer feedback from all major customer groups: **84% implemented**

24	40	20	9	6

A process exists for acting on customer feedback data: **83% implemented**

16	36	31	11	5

Customer service is a key performance indicator for front-line employees: **88% implemented**

20	48	20	13

Customer service is a key performance indicator for senior managers: **87% implemented**

14	52	21	12	1

Agency benchmarks its customer service against other organisations: **70% implemented**

14	18	38	18	11

Source: Agency survey 2015

These findings are similar to those of the Customer survey, and show that while good progress is being made with customer service, there is more work to be done to cement these gains.

There was a similar result for innovation, where agencies reported high levels of implementation for statements relating to intent and leadership, although some of the actions that have an immediate effect are still in the early stages of being implemented and are not fully developed.

Improvements in collaboration regarding service policy and regulation (see Chapter 6) may also help improve customer satisfaction in coming years as agencies develop partnerships with consumer and business customers or their representatives, and strengthen their customer-centred approach to decision making.

High satisfaction ratings for online services are a sign of NSW's growing maturity, innovation and investment in technology, and advanced digital service provision. A sector-wide focus on improving service processes and the inputs required to access them will help improve customer satisfaction, especially with regard to getting things done quickly and seeing things from the customer's perspective.

To the next level

With around two-thirds of individuals and businesses saying that the service they receive from agencies is close to their ideal, NSW is performing well in customer service. However, as discussed in this chapter and the Customer Service Commissioner's message, there is still extensive scope to further develop current initiatives and to address areas of concern.

To get to the next level of performance, it will be especially important for agencies to focus on doing straightforward tasks efficiently and well, providing citizens with clear information about services, providing good-value services, seeing things from a customer perspective, being accountable and reliable, and further developing the strategies that build perceptions of integrity and trust.

Chapter 3: Customer focus

Snapshot – Service NSW

Service NSW has instigated a program based on a philosophy of continuous front-line service improvement.

Called Circle of Service (CoS), the program gives all Service NSW employees a say in 'what we do and how we do it'. Initially launched in June 2014, the program examines ways to increase long-term productivity through the better use of resources while simultaneously improving customer satisfaction levels.

Since its launch, more than 1,500 ideas have been submitted and almost 400 have been or are in the process of being adopted. These include changes that have enhanced customer service for people taking a driving test, making a digital transaction or using children's entertainment in a service centre. All of the adopted ideas have made Service NSW more efficient and improved customer experiences.

CoS is now at a stage where money is being invested in digital engagement platforms that will allow customers and employees to vote on new ideas. The results will be published on the internet and the Service NSW intranet.

Message from Michael Pratt, Customer Service Commissioner

The NSW Government is working hard to transform our state. Pivotal to this is putting customers at the centre of policy and service design.

The results from the 2015 *Customer Satisfaction Measurement Survey* highlight the need to continue to improve our services. The survey identified primary focus areas of opportunity to improve overall customer satisfaction. This includes improving the efficiency and effectiveness of our employees, supported by simpler processes and improved access to information. That is to say, we need to ensure our staff are supported by improved processes to deliver a great outcome.

The success of Service NSW is a testament to the importance of a customer-centric culture, and how improved processes support employees in delivering great customer outcomes.

The 2015 survey results also emphasised the role that online services play in improving customer satisfaction. The NSW public sector will be delivering more transactions through digital channels, and a Digital Council has been created to provide a whole-of-government focal point for digital services.

We will continue to build on the momentum with a number of whole-of-government initiatives being delivered over the coming years. These include the Digital Licence Program, a whole-of-government Community Engagement Platform, the launch of the *MyServiceNSW Account*, and also the delivery of the Easy To Do Business initiative which provides businesses with a single entry point to navigate government. We are also developing a NSW Government Customer Dashboard that will not only improve transparency, but will ensure that senior leaders across government understand the customer experience delivered every day.

These initiatives will be supported by a measurement framework that will build on the annual *Customer Satisfaction Measurement Survey*. The 2015 survey benchmarked our performance against other jurisdictions, highlighting opportunities for cross-jurisdictional learnings and education. This survey will be implemented each year, and we will continue to benchmark our performance against other governments and leading public sector organisations.

Leadership strength

The NSW Government is committed to creating more agile leaders who can deal with the public sector's increasing complexity, strengthen its customer focus, and collaborate and innovate with the private and not-for-profit sectors.

The foundations are already in place; workforce reforms to create a leaner and flatter executive structure are well underway. The NSW Leadership Academy will build on these reforms and grow leadership strength in key areas by targeting high-potential executives and people managers. An increase in the number of women in senior executive roles will further strengthen leadership for the future.

Executive structures

The Schott Commission of Audit recommended that the Public Service Commissioner "Present reform proposals to the Government regarding the executive structure of the NSW public service (SES, SO and other executives) to establish a separate structure for cluster Directors General, and create a new executive structure combining the SES and the Senior Officers classification and, as appropriate, other executive groupings."[14]

Chapter at a glance

- The quality of leadership – especially in leading change and reform, communicating a sense of direction and making tough decisions for the long term –

is key to achieving the NSW Government's priorities and those of the public sector as a whole.

- The new NSW Leadership Academy will help develop high-potential leaders at different levels, including senior executive and non-executive leaders.

- The Premier has set a goal for women to hold 50% of senior leadership roles in the next 10 years, and for the number of senior leadership roles held by Aboriginal and Torres Strait Islander people to double in the same period.

14. NSW Commission of Audit (2012), *NSW Commission of Audit Interim report: Public sector management*, NSW Government, Sydney

Chapter 4: Leadership strength

In 2013, the NSW Government endorsed a number of key design principles for the public service executive structure, namely:

- broad bands, to reduce layers

- correct sizing, to improve spans of control and reduce the number of individual contributors

- consistent remuneration, so that work-level standards determine which of the broad bands an executive role fits into

- mobility of executives

- capability assessments for all senior executives.

The GSE Act and its regulations and rules form a statutory framework that enables the delivery of these key design principles.

The new executive structure has 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.

During 2014–15, the sector made substantial progress in implementing the executive reform program. The Public Service Commissioner endorsed a total of 74 high-level implementation plans, and approved more than 90 senior executive implementation plans. Early indications suggest that these new executive structure design principles are being applied across public service agencies. Almost 20% of executives across the sector have transitioned to the new structure (see Figure 15). The split of numbers across the four bands is shown in Figure 16.

Figure 15: Number of executives transitioning to the new structure, June 2015

Transitioned	Will transition in the future	Total executives
384	1,642	2,026

Source: *NSW Workforce Profile* 2015

Chapter 4: Leadership strength

Snapshot – Transport for NSW

In March 2014, Transport for NSW developed a consistent strategy for leadership development for all its agencies, called DriveIt.

The strategy focuses on developing leaders who *are values-led, deliver results and are capable of leading change.* Prior to DriveIt, there were different approaches to leader development across Transport for NSW.

DriveIt aims to efficiently deliver practical and impact-focused leadership development across all leadership levels. It is aligned with the PSC Capability Framework.

DriveIt includes offerings for transition support between different leadership levels (core programs), for high-potential people and to address specific capability development needs.

The core learning principles underpinning DriveIt include:

• strong alignment with business drivers

• collaborative learning so that participants learn from each other's feedback and experiences

• leader-led development, where all leaders actively contribute to their team's development

• accountability for impact resting with the participants and their managers

• the 70-20-10 approach, which emphasises the importance of learning on the job and 'learning as you work'.

Figure 16: Number of executives transitioned at each level

Total 384

Senior Executive Band 4: Secretaries (7)

Senior Executive Band 3: Deputy Secretaries (45)

Senior Executive Band 2: Executive Directors (100)

Senior Executive Band 1: Directors (232)
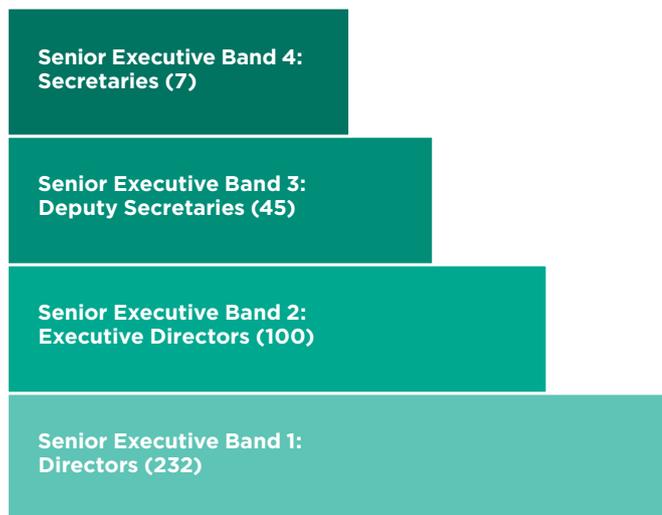
Source: *NSW Workforce Profile* 2015 – public service headcount

In larger departments, initial reviews, restructures and determinations focused on the strategic design of Band 3 leadership teams – and some Band 2 roles – in transitioning to the new structure. Many of the smaller agencies reviewed their executive structure and implemented the reforms in a single-stage process.

By the end of 2015, more than 1,000 executive roles will have transitioned to the new GSE Act employment arrangements, representing approximately half of all executive roles covered by the Act.

Leadership capabilities

The Reform review reveals variable leadership capability in different public sector agencies, especially regarding structural transitions under the GSE Act. Employees and people managers want leaders to play an active and visible role in the organisation, especially when it comes to implementing workforce reform. The review identified a number of areas where leaders could improve, including mentoring, communication and change management skills. This is in line with previous People Matter surveys, where employees' said there was room for improvement in their leaders' communication and change management skills, but noted that communication was improving.

Chapter 4: Leadership strength

The 2015 Agency survey showed that most agencies (80%) had experienced significant workplace change over the past 12 months, including organisational restructures (60%), changes in the agency's work priorities (40%) or a change in the head of the agency (22%).[15]

The survey asked a series of questions around initiatives for dealing with change. The results were generally consistent with those reported in 2014, with minor increases or decreases for most initiatives. The overall results for the three types of initiatives – communication, planning, and monitoring and assessment – are shown in Figure 17. The clearest overall difference is the lower results for monitoring and assessment initiatives.

Figure 17: Agency management of change initiatives

% Highly developed	% Developed	% Basic	% Recognised	% Not recognised

Planning: **96% implemented**

24	55	17	3	1

Broad-based communication: **93% implemented**

18	51	24	6	1

Monitoring and assessment: **78% implemented**

4	35	39	18	4
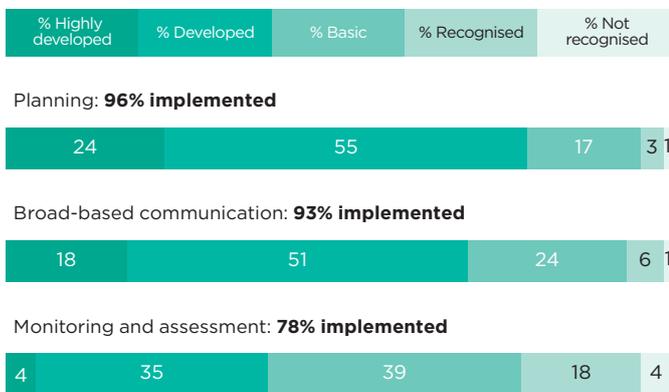
Source: Agency survey 2015 – responses to 12 questions grouped into three categories

Most agencies had well-developed strategies for face-to-face communication by senior managers (81%), multidisciplinary committees (80%) and project plans (79%). Far fewer agencies had formal mechanisms for determining success (30%), assessing managers for success at the local level (30%) and ensuring the accountability of local managers (47%).

These last three activities are critical for leaders in a sector undergoing significant change. The transition from planning and broad-based communication to locally based and targeted change management may well be the biggest challenge facing senior leaders.

> The transition from planning and broad-based communication to locally based and targeted change management may well be the biggest challenge facing senior leaders.

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15. The Agency survey does not describe the nature or scale of an agency's restructure, but the senior executive reforms under the GSE Act are likely to be a main driver of restructuring within the sector

Chapter 4: Leadership strength

The NSW Leadership Academy

Many of the challenges facing leaders – and some capability gaps within agencies – are common across the sector. They require a sector-wide and, at times, cross-jurisdictional approach.

The NSW Leadership Academy represents a whole-of-government effort to identify potential leaders and equip them with the best possible skills for leadership. The Academy offers carefully structured, individualised programs focused on developing the skills and capabilities required for the next level of leadership. It also gives special attention to gender balance and the number of places designated for Aboriginal participants, in support of the Premier's priorities for reaching diversity targets in senior leadership roles.

The Academy's programs operate alongside existing department and agency leadership programs, and other PSC leadership development courses. Entry to the Academy's programs is via nomination and selection; the programs identify talent and potential at the senior executive level and key roles below the executive level, in order to build a pipeline of leaders. The Academy programs target high-performing leaders, and high-potential leaders who are ready to transition to bigger roles – individuals who are at the right point in their career and who show strong potential and/or performance. The bespoke nature of the Leadership Academy course structure recognises that there is no one-size-fits-all solution for developing leadership.

The Secretaries Board defines a high-potential leader as someone who displays the potential to be promoted two levels above their current role within the next three years (or one level for Senior Executive Band 3), and also:

• demonstrates an effective leadership style

• learns and adapts quickly

• is engaged and committed

• is values-driven

• seeks to diversify their experience

• is motivated to deliver for the people of NSW.

Two Leadership Academy pilot programs commenced in October 2015, and initial intakes will target deputy secretaries. Over the next 12 months, the Academy will offer additional programs to include other bands in the senior executive level, and will then extend new programs to levels that make up the future executive pipeline.

The initial programs target individuals who are ready to transition:

• from leading executives to leading an agency or cluster (current Band 3 and equivalent)

• from leading other managers to leading executives (current Band 1 and 2, and equivalent)

• from leading a team to leading other managers (current Grade 11 and 12, and equivalent).

There is also an opt-in program for current department secretaries.

The Academy will offer a number of development options tailored to the individuals completing each program, and is designed to provide the appropriate combination of education, exposure and experience required to enhance leadership capability. Options include executive education activities, coaching, mentoring, networking opportunities, secondments and other types of on-the-job exposure.

In September 2015, the Premier signed a Memorandum of Understanding with the Business Council of Australia to help pilot executive secondments between the public and private sectors.

The Leadership Academy will enhance the capabilities required to address the future challenges associated with change management that are common to so many leaders in the sector. This improvement will support the sector-wide delivery of better services and value for the people of NSW.

Chapter 4: Leadership strength

Figure 18: Leadership Academy transition points and programs

Opt-in program for secretaries to guide the sector on its leadership journey

Academy programs

Leading agency or cluster

Leading executives

Leading other managers

Leading team

Individual

Programs targeting key transition points to develop a succession pipeline

Transition points

Programs for existing leaders targeting key capabilities…

Existing programs

Executive leadership essentials

Delivering business results

Aboriginal career and leadership development

…work alongside agency-specific leadership programs…

Agency programs

Agency-specific leadership programs to achieve targeted business outcomes

…delivered through three mechanisms.

Education: Leadership courses to develop skills and capabilities required at particular leadership levels.

Exposure: Networking events, conferences, coaching and other forums to expose leaders to new ideas and practices.

Experience: Support for emerging leaders to develop and actively manage their career plans.

See the PSC website for more details about the Leadership Academy.

Chapter 4: Leadership strength

Women in senior roles

Leadership diversity can strengthen service delivery, productivity and capability – within individual agencies and for the NSW public sector as a whole. It can also increase an organisation's ability to innovate by encouraging a greater diversity of thinking. One of the Premier's top priorities is to increase the proportion of women in senior leadership roles in the NSW public sector from today's 36.3% to 50% by 2025.[16]

Research on gender diversity commissioned by PSC provides solid evidence of what needs to be done to achieve effective and sustainable change in the longer term. The research report[17] was published in December 2014. Since then, PSC has worked with departments and agencies to develop a sector-wide response to the report's recommendations on:

- the endorsement of gender equity by senior leaders
- setting gender equity targets and key performance indicators (KPIs)
- prioritising flexible work options
- raising awareness of gender equity
- fostering collaboration and information sharing on gender equity initiatives
- gathering and analysing data.

The current baseline of evidence depends on whether one takes a sector, cluster or agency view. Clusters such as Education have already achieved gender equality in senior leadership roles, while others still have a long way to go (see the gender graphs at the front of this report). Analysis at an agency level shows that much depends on the specific agency, and the different occupational patterns, feeder groups and career pathways surrounding it.

Following PSC's response to the recommendations in the *Advancing Women* report, NSW departmental secretaries and heads of various agencies agreed to use workforce planning processes to identify gender targets at executive levels, appropriate to their workplace context.

In the 2015 Agency survey, 36% of departments and separate agencies indicated that they had not started planning to determine targets for women in senior positions. Another 36% had completed their workforce planning efforts and determined there was no need to set gender targets. Only 16% had already set gender targets, and a further 12% had started planning to set targets.

Figure 19: Agency action on gender targets for senior executives

- **36%** Targets have not been established and workforce planning for determining targets has not commenced
- **12%** Targets have not been established but workforce planning for determining targets has commenced
- **16%** Targets have been set, workforce planning completed
- **36%** Targets not required, workforce planning completed
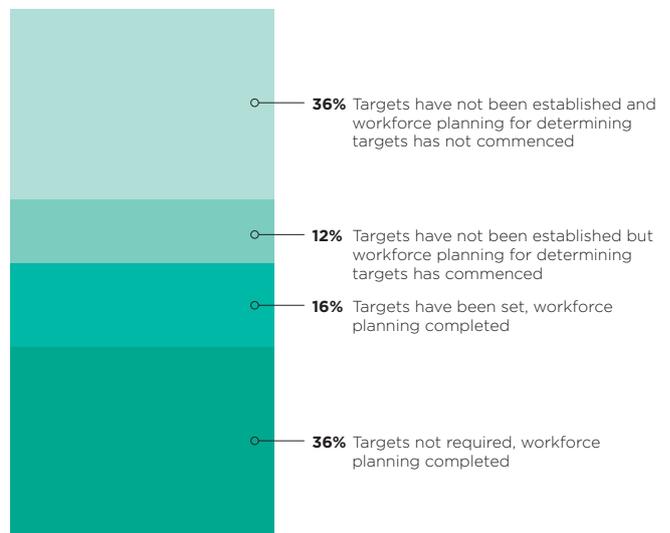
Source: Agency survey 2015

Clearly, agencies across the sector will need to do more to achieve greater leadership balance and diversity, and meet the Premier's stated 10-year target.

To help build the pipeline for female talent to enter senior leadership roles, 50% of Leadership Academy places will be designated for high-potential female employees. This will also help women in the lower levels access and realise opportunities to move through the ranks.

Another enabler for implementing targets for women in senior roles is overt sector-wide commitment to gender equality at all levels of management, including at the CEO and executive management level.[18] In addition to the Premier's commitment, department and agency heads have publicly endorsed the need to achieve gender equity, raise the visibility of talented senior female leaders, and remove systemic barriers – such as unconscious bias – that block women from transitioning into senior roles.

16. NSW Government, *Making It Happen: State Priorities*, www.nsw.gov.au/making-it-happen
17. Baird M, Evesson J and Oxenbridge S (2014), *Advancing women: increasing the participation of women in senior roles in the NSW Public Sector*, The University of Sydney Business School, Women and Work Research Group, Sydney
18. Workplace Gender Equality Agency (2013), *How to set gender diversity targets: Guidelines for setting and meeting targets to increase gender diversity in the workplace*

Chapter 4: Leadership strength

To the next level

Leadership influences all of the factors that characterise high-performing organisations, and is a crucial factor in achieving workforce (and other) reforms across the sector. However, while many leaders support workforce reform in principle, these considerations are not always a top priority.

The Reform review showed that more is needed for the sector to align good workforce management with the achievement of core business outcomes. Furthermore, the emphasis tends to be on individual performance management. Leaders rarely use workforce management strategies to address systemic business goals and challenges – such as in delivering services, designing work roles, creating people development strategies and improving employee engagement.

With these points in mind, the first step is to develop and implement strategies aimed at raising managers' understanding of how good workforce management can help their people and agencies achieve desired organisational outcomes. Investing in initiatives such as the Leadership Academy – and further developing the management capabilities, work design skills and mobility management experience of Band 1 executives and the levels immediately below executives – will also strengthen leadership within the sector, as will ongoing efforts to achieve gender equality in leadership positions.

Clearly, agencies across the sector will need to do more to achieve greater leadership balance and diversity, and meet the Premier's stated 10-year target.

Culture and ethics

Cultural change is crucial to the performance of the NSW public sector, but has rarely been a focus of past reforms.

This is perhaps because workforce culture is not directly visible, nor is it under the direct control of any single person. It exists in every organisation as an interlocking set of organisational values, goals, roles, work practices, standards of conduct, attitudes and assumptions, all of which require time and effort to change.

The Schott 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."[19]

The traditional view of workforce management in the NSW public sector focuses on selecting or developing technical skills and knowledge to help agencies meet their business objectives.

Chapter at a glance

- Effective organisational reform depends on the presence of a strong and positive workplace culture.

- Almost half (44%) of agencies surveyed are aligning their workforce management practices with the sector's core values. The remaining 56% continue to align practices with their own internal values.

- Strong leadership is required to embed the core values of the Ethical Framework into workplace cultures and employee behaviours.

- PSC has developed an ethics guide and a dashboard tool to help agencies address bullying and unreasonable behaviour. PSC will continue collecting and building on employee survey data to monitor the impacts of bullying prevention initiatives.

19. NSW Commission of Audit (2012), Interim Report, p141. The Ethics Stocktake, research undertaken for PSC by The Ethics Centre, made similar findings

Chapter 5: Culture and ethics

A shift in thinking is required if the sector wants to develop an organisational culture that yields more benefit from its skills base. Agencies need to recognise the significance of a good workplace culture, including for the following reasons:

• Culture is a critical element of productive and innovative organisations. Leadership and the tone from the top help mould workplace culture, and a capable and diverse workforce helps build productive and innovative cultures.

• A culture that supports collaboration will allow employees to work across internal and external boundaries to deliver better results for customers in a more innovative way.

• A culture of ethical behaviour allows people with existing skills to work within a framework of values to deliver sustainable outcomes developed in a rigorous manner. The same skills produce even better outcomes when combined with the right culture and conditions.

The 2015 Agency survey shows that since 2014, more agencies have implemented and developed the government sector's four core values of integrity, trust, service and accountability. The Reform review echoed this finding, and agency participants gave positive feedback regarding their incorporation of values and ethics into the workplace. Interviews conducted as part of the review indicate that it is now time to build a deeper understanding of what these reforms mean.

PSC is aware that many departments have worked hard to diagnose, understand and develop healthy workplace cultures guided by sector-wide values and frameworks. The following sections focus on three areas that have sector-wide impacts, are relatively recent initiatives, and/or reflect trends and concerns revealed by the research data: work that relates to values, ethics and bullying. When applied effectively, these efforts can significantly impact other areas of workplace management, such as employee engagement and improved organisational performance.

Values and ethics

Agencies are well on the way to embedding the government sector's four core values of integrity, trust, service and accountability. The 2015 Agency survey found almost half (44%) of the 105 agencies surveyed had aligned their workforce management practices with the core values, and the remaining 56% of agencies were maintaining alignment with their internal values.

Figure 20 shows the extent to which agencies have aligned their communication, leadership and monitoring practices with the core values. Good progress has been made since the 2014 survey, with an increase in the levels of development for most initiatives. The most developed approaches included induction and training programs, executive performance management systems and KPIs, and agency objectives and management policies. The least developed were monitoring and assessment practices.

Chapter 5: Culture and ethics

Ethics and leadership conference

In 2015, 200 senior executives and public sector scholars attended NSW's first conference on ethics and leadership in the public sector. The attendees heard from public sector leaders in NSW and other states on best-practice approaches to everyday ethical issues.

Dr Kerry Schott talked about the need for long-term persistence in building a culture of openness so that all employees view problems in the context of preventing or managing them when they occur. She also touched on the importance of leaders 'walking the talk' when it comes to ethical practice, and how workforce diversity can be a powerful tool for improving workplace culture.

Professor Joanne Ciulla addressed the need for leaders to demonstrate courage when making ethical decisions, and to establish and be informed by good decision-making processes.

A group discussion on building ethical cultures stressed the dangers of leaders becoming isolated from the day-to-day business of their agencies, and how to prevent this by regularly gathering and reviewing customer feedback about their experiences accessing public services.

Presentations by the NSW Ombudsman, the NSW Auditor-General and the ICAC Commissioner stressed the value of building resilient, ethical cultures as a way to prevent unethical behaviour in the workforce.

Conference transcripts are available on the PSC website.

Snapshot – HealthShare NSW

HealthShare NSW has developed a constructive culture leadership program focused on a safe and healthy workplace and positive interaction with customers.

The program, called Our People Our Culture, was introduced in 2014 and includes leadership development strategies such as the Manager Capability program to develop core leadership skills. A senior leadership program pilot commenced in October 2015.

HealthShare has also introduced a series of formal recognition programs such as the annual Service Recognition program, the Staff Excellence Awards and the Annual HealthShare Expo Awards. These formal programs are complemented by informal Recognition In the Moment initiatives. The Our People Our Culture program actively promotes the behaviours associated with the NSW Health CORE values of collaboration, openness, respect and empowerment).

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Figure 20: Agency initiatives to embed core values in policies and practice

% Highly developed	% Developed	% Basic	% Recognised	% Not recognised

Broad-based communications

19	43	22	13	2

Leadership-based approaches

15	41	28	15	

Monitoring and assessment

4	19	32	34	11

Source: Agency survey 2015

The results of next year's People Matter survey will show whether this increased implementation and development has improved workplace culture across the sector, or whether further effort is needed to enhance leadership-based approaches, and monitoring and assessment.

Work is already underway to help the sector enhance these areas for improvement. In 2014–15, the Public Service Commissioner led a suite of initiatives to help agencies develop workplace cultures and practices consistent with the core values of the Ethical Framework.[20] This included issuing the first sector-wide Code of Ethics and Conduct for NSW public sector employees. The code identifies the standards of ethical conduct expected of all employees, and requires all senior executives to make a written declaration of any private interests and relationships that could influence – or be perceived to influence – decisions they make or advice they give.

Throughout 2015, 50 senior executives participated in workshops that explored ethical dilemmas affecting leaders. The workshops provided useful insights aimed at strengthening leaders' capacity to identify ethical issues and address them in an innovative way when they do occur – especially when there is no obvious 'right' solution; to make difficult decisions while balancing high costs and high benefits; and to act in the public interest when challenged by short-term pressure and constraints.

Given that key ethics initiatives for PSC and NSW agencies only began in 2014–15, it is too early to pinpoint a measurable impact; however, the Reform review found that values and ethics are well understood and clusters are performing reasonably well in this area, with some opportunities for improvement. While there is common understanding that having a strong sense of values and ethics is an implicit part of working for the public sector, most respondents demonstrated only a basic understanding of the deeper meaning of this reform. Overall, employees and people managers reported more positive experiences as a result of the values-based reforms than did secretaries and business leaders.

Creating respectful workplaces

As well as promoting ethical conduct within workplaces, PSC is working to prevent unethical conduct. Key indicators used to diagnose whether a workplace has an ethical culture and uses ethical practices include whether it has:

- a supportive leadership team that can respond to staff needs and contribute to an environment that fosters employee engagement, development and support

- high workplace morale, since the emotions staff experience while at work underpin their motivation and commitment

- role clarity, provides staff members with a sense of purpose and clearly explains what is expected of them. Clear policies should communicate how employees are expected to interact with each other and contribute to the organisation.

If these factors are not in place, not only is a workplace unlikely to be based on a strong ethical foundation, but there is also a much greater likelihood that issues such as bullying will arise.

PSC is in the final stages of developing a Bullying Dashboard, an innovative management tool that monitors risk areas associated with bullying. The dashboard helps agencies reduce the incidence and severity of workplace bullying by regularly monitoring workplace and culture data. By displaying relevant information, the dashboard helps managers and leaders understand why bullying might have occurred and the broader ramifications. As such, the dashboard will enhance awareness of bullying when it occurs, and also increase understanding about the organisational costs of operating in an environment where bullying exists.

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20. Sections 25 and 30 of the GSE Act make agency heads responsible for conducting and managing their agencies in accordance with the core values listed in Part 2 of the GSE Act: integrity, trust, service and accountability

Chapter 5: Culture and ethics

Figure 21: Bullying Dashboard

Prevention What can be done to prevent bullying?		**Impacts** What kind of damage may result from bullying?
Psychosocial factors	**Bullying incidence**	**Potential outcomes**
• Supportive leadership • Workplace morale • Staff engagement • Workplace ease • Development and growth • Role clarity • Performance management	• Witnessing bullying • Experiencing bullying • Reporting bullying	• Workers compensation claims • Turnover • Loss of tenure • Sick leave • Psychological damage

PSC designed the Bullying Dashboard using data collected through the *NSW Workforce Profile* and the People Matter survey. Drawing on these sources, it will track:

- the incidence of bullying – measured by employee reports of witnessed and experienced incidents, and formal complaints made

- psychosocial factors – the key workplace factors most related to bullying, including leadership support, team morale and performance feedback practices

- potential outcomes – issues that may arise as a result of bullying, including sick leave, turnover, loss of tenure and workers compensation claims.

The People Matter survey tracks the incidence of workplace bullying, and the most recent results indicate that bullying decreased between 2012 and 2014. For those who did experience bullying:

- the most common initiators were their immediate manager or supervisor (28%), a senior manager (23%) or a fellow worker at the same level (23%)

- the most frequent forms of bullying – those that occurred more than five times – were directing negative body language, gestures or glances (44%); avoiding or ignoring (43%); mistreating one or more co-workers (41%); withholding important information (33%); and devaluing work efforts (32%)

- the most common roles involved in bullying were direct service delivery (58%), administrative support (11%), other service delivery (8%) and corporate services (8%).

Bullying creates a range of negative consequences for individuals and their agencies. In 2014, the NSW Self Insurance Corporation (SICorp) received 467 claims purely due to work-related harassment and/or bullying, with a current total net incurred cost of $16.7 million.[21] Of these claims, 43% were related to anxiety or stress. This is an improvement compared to the previous year, when SICorp received 500 such claims with a current total net incurred cost of $20.8 million.

The Public Service Commissioner has engaged unions and key sector leaders through a bullying roundtable, which started in 2014. The work of the roundtable has continued in 2015 and has led to the development of an action plan to address bullying.

Actions include developing principles-based guidance on fostering and maintaining respectful workplace cultures, including on dealing with bullying, and a social marketing campaign to influence workplace behaviours. The campaign will feature leading practice resources including sector case studies and will be complemented by a data-driven analytical dashboard to help managers and leaders recognise and address systemic factors associated with the risk of bullying.

21 . Net incurred cost is likely to develop over time as a claim matures

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To the next level

The 2014 People Matter survey and 2015 Agency survey results indicate that agencies have begun embedding the Ethical Framework core values in their cultures, systems, practices, workplaces and employee behaviours.

From 2016, the People Matter survey will be conducted annually, enabling more regular reporting and measurement of the sector's culture and practical commitment to ethical behaviour.

While there is strong sector-wide support for the Ethical Framework, some agencies and individuals are still confused as to what an ethical culture looks like in practice. In the next 12 months, PSC will seek to clarify this by providing advice and developing resources that illustrate ethical behaviour in the public sector, and by helping to further embed ethics into leadership programs.

Departments and agencies should continue developing respectful workplace environments that eschew harassment and bullying. This can be done by fostering cultures that encourage 'speaking up'; developing supportive leadership teams to prevent this type of conduct; and identifying and tracking the progress of specific management actions to ensure issues are quickly addressed when they do arise.

While there is common understanding that having a strong sense of values and ethics is an implicit part of working for the public sector, most respondents demonstrated only a basic understanding of the deeper meaning of this reform.

6

Productivity and innovation

The sector's ability to meet growing community expectations and demands will be largely driven by the productivity and innovation of its component departments and agencies.

Despite the challenges of measuring productivity in delivering public value[22], the sector is continuously focusing on how it can deliver more or better services with the same or fewer resources, or how it can deliver services differently. Achieving these goals requires efficiency, effectiveness, innovation and different ways of working.

Factors that can help boost productivity include improving contestability; applying innovative service and infrastructure delivery models; using technology more effectively; increasing workforce flexibility; delivering services in collaboration and partnership with other providers; and establishing a culture of innovation.

In working to increase productivity, the sector must:

- determine the best way to deliver services, which includes costing and measuring activities and services against those of other providers, and/or genuinely collaborating with other agencies, non-government organisations, the private sector and customers – especially in terms of improving timeliness and quality

Chapter at a glance

- Workforce management is critical to delivering major productivity improvements, such as creating a culture of innovation and collaboration, using technology more effectively and increasing workforce mobility.

- Digital technology and online delivery is improving the way agencies connect to customers, partners and each other, by automating standard processes and creating self-serve options.

- There are strong correlations between engagement and productivity. An engaged workforce is more likely to be more productive. A productive workforce that is more mobile and has greater autonomy will also be more engaged.

22. Moore, M & Khagram, S (2004), *On Creating Public Value*, John F Kennedy School of Government, Harvard University

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- use technology to automate processes or to provide customer self-service options – the 2015 Customer survey showed greater satisfaction with online and digital government services than with some services provided in person

- design processes that consider customer satisfaction as a performance benchmark as well as an important factor in improving services (see Chapter 3)

- assess how its work affects consumers and businesses, which can help build a greater understanding of how regulations impact businesses, and lead agencies to combine efforts across the sector rather than duplicating work

- develop leadership capabilities in a way that improves productivity, such as encouraging autonomy and giving leaders the freedom to explore creative or innovative solutions.

The sector has done well to act on these areas in the past four years. For example, a number of human services, infrastructure and maintenance contracts are now executed by non-government partners specialising in the relevant service being delivered, and this approach is likely to accelerate in the short and medium term. Innovative financing models, performance-based contracting, and reinvesting asset and service sales are some other examples.

Embracing these productivity drivers requires a capable workforce with the right culture, the right conditions and a diverse mix of experiences and skills.[23] It requires a focus on what customers need and want, and the quality of service they demand. The ageing NSW workforce and projected decline in workforce participation rates make productivity an increasingly important focus point for the public sector. As is often the case, agencies may have to work out how they will do more with less.

All of these factors must be underpinned by strong leaders who can clearly communicate an agency's direction and vision, are willing to work across sectors and jurisdictions, and can manage significant change and reforms.

When managed properly, improved productivity can lead to improved employee engagement, and create a culture of creativity and innovation that aims to meet customer needs and achieve desired business outcomes.

This chapter looks at what the NSW public sector is currently doing to create a productive and innovative workforce driven by contestability, new technologies, collaborative ways of working and workforce flexibility.

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23. NSW Public Service Commission (2012), *How it is: State of the NSW Public Sector Report 2012*

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The following sections will look at the sector in the context of:

- the extent to which agencies have implemented and developed strategies aimed at boosting productivity
- the size and shape of the sector
- use of workforce planning to support changed delivery models
- collaboration and co-design
- technology
- innovation.

Productivity initiatives

The Agency survey sought information about agencies' plans and strategies for productivity improvement. The results show more advanced implementation of strategies that allow flexible work arrangements (31% highly developed) and improve flexibility around common role descriptions and capabilities (21% highly developed).

In all other areas, the reported level of development was much lower; only 10–16% of other productivity initiatives were highly developed. Implementation was also lower (around 10–15%) in areas with a direct impact on productivity performance – such as improving contestability of services provided, and designing more flexible roles.

The results show that large parts of the sector are actively exploring how they can accommodate workforce flexibility reforms, but their progress in other areas is less advanced. Many of these efforts – such as redesigning reviews, processes and work arrangements – have been internally focused rather than being incorporated into broader strategies that can directly influence productivity.

Figure 22: Agency strategies to improve productivity

% Highly developed	% Developed	% Basic	% Recognised	% Not recognised

Improving workforce flexibility via use of flexible work arrangements: **97% implemented**

31	40	26	3

Undertaking systematic reviews, management and improvement of processes to improve efficiency and effectiveness: **95% implemented**

10	53	32	4

Adopting new technologies with potential for transformative changes (e.g. automation, customer self-service): **94% implemented**

14	55	25	6

Establishing a culture that focuses on productivity: **93% implemented**

15	50	28	8

Improving workforce flexibility via generic role descriptions and common capabilities to allow movement of staff across multiple functions/services: **90% implemented**

21	39	30	8	2

Improving workforce flexibility via role design flexibility to meet changing needs: **88% implemented**

16	35	37	10	2

Conducting performance measurement and benchmarking: **85% implemented**

11	41	33	13	3

Increasing the contestability of service provision: **79% implemented**

10	33	35	15	8

Source: Agency survey 2015

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The use of technology is an area of strength across the sector – most agencies have well-developed mobile, social and online technology strategies in place. The Customer survey highlighted growing customer satisfaction with self-service and other online technologies. Future surveys will reveal the full extent to which technology can improve productivity and deliver better customer experiences.

Audit Office review

The Audit Office reviewed[24] productivity in the sector in 2015 and its findings tend to support much of the above discussion, although its focus was more specific.

The purpose of the review was to identify whether there was sufficient information to identify and assess productivity changes in the NSW public sector. The focus was on education in schools, transport, health, the police force and local courts.

Overall, the Audit Office findings provide a valuable insight into how well these agencies can measure productivity. The agencies examined, understood and reported on input, output and quality indicators, but did not have clear guidance or direction about how this information could be used to track productivity. Consequently, none of these agencies reported its productivity to Parliament. Agencies had a much better understanding of, and reporting for, efficiency, defined as cost per unit of output.

There are some examples of a significant shift, especially around contestability of services. In recent years, the range and scope of such services have increased as other sectors – including not-for-profits – have been able to compete in providing services, and have been able to address barriers to entry such as size, access to expertise and sharing of corporate services. Technology has also enabled closer connections between dispersed service providers, customers, funders and regulators.

The growth in commissioning has been significant in human services and infrastructure. This will introduce significant innovation and result in changes to the size and shape of the sector and the role of government. As a result, the sector will need to improve its capabilities in contract management, collaboration and co-design with other sectors, and how it responds to regulation.

Remuneration review

Limiting the size of the workforce has a direct impact on productivity but doing so can take some time to generate benefits and savings. Furthermore, reducing the number of employees can be a blunt instrument, negatively affecting the number and quality of outputs delivered, generating discontent in the community and reducing the public value delivered. Other approaches may drive greater productivity outcomes with fewer negative consequences.

The sector has been looking at a range of other macro factors relating to the workforce, including its shape and flexibility. The shape of the sector has changed significantly over the past 10 years. While it provides roughly the same core services, the proportion and number of senior roles has increased. See Chapter 4 for a discussion of the work being undertaken to streamline executive layers and reduce spans of control.

Effective organisational design is critical to high productivity. This includes having work undertaken by people with the right level of authority. Remuneration commensurate to the work is also critical in maintaining the sector's attractiveness as a place of employment, building staff engagement and thereby driving productivity.

A PSC remuneration review conducted across 2014 and 2015 assessed roles, remuneration and activities in a large sample of the workforce. PSC then compared these findings against similar data in other jurisdictions and in the private sector.

The review identified a growing imbalance in the responsibilities allocated to people at different levels. The majority of roles evaluated (70–80%) were assigned to people in grade levels consistent with their actual NSW public service grade level. However, 18–25% of investigated roles were over-graded; that is, up to a quarter of roles were assigned to employees in higher grades than necessary. Eighty-eight per cent of those roles were identified at the top two levels of awards: clerk grade 9/10 and 11/12. The assessment revealed a small percentage of roles (7%) were under-graded, or assigned to people in grades lower than required.

Figure 23 shows the changing numbers of staff at different levels between 2008 and 2014, and the fast rate of growth within this period. This shift is not a result of conscious workforce planning, and raises questions about equity, job design, performance management, and staff attraction and retention strategies. In addition, 9,049 full-time employees are classified as grade 9/10 and 11/12 managers, but as many as 36,972 are classified as professionals.[25] In other words, the data suggests there is a large group of relatively well-paid specialists who are not managing people or teams.

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24. Audit Office of NSW (2015), NSW Auditor-General's Performance Audit Report, *Identifying productivity in the public sector*
25. The method of interpreting and coding occupations in workforce information systems may have produced an underestimate in the number of managers

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Figure 23: Distribution of public sector employees by grade, 2008 vs. 2015

	2008		2015		
Clerk Grade 11/12	2,810	8%	10%	3,699	+32%
Clerk Grade 9/10	4,679	13%	16%	5,619	+20%
Clerk Grade 7/8	6,031	17%	20%	7,128	+18%
Clerk Grade 5/6	7,566	21%	20%	7,150	-5%
Clerk Grade 3/4	8,306	23%	19%	6,951	-16%
Clerk Grade 1/2	6,364	18%	15%	5,414	-15%
	n=35,755		n=35,962		

FTE
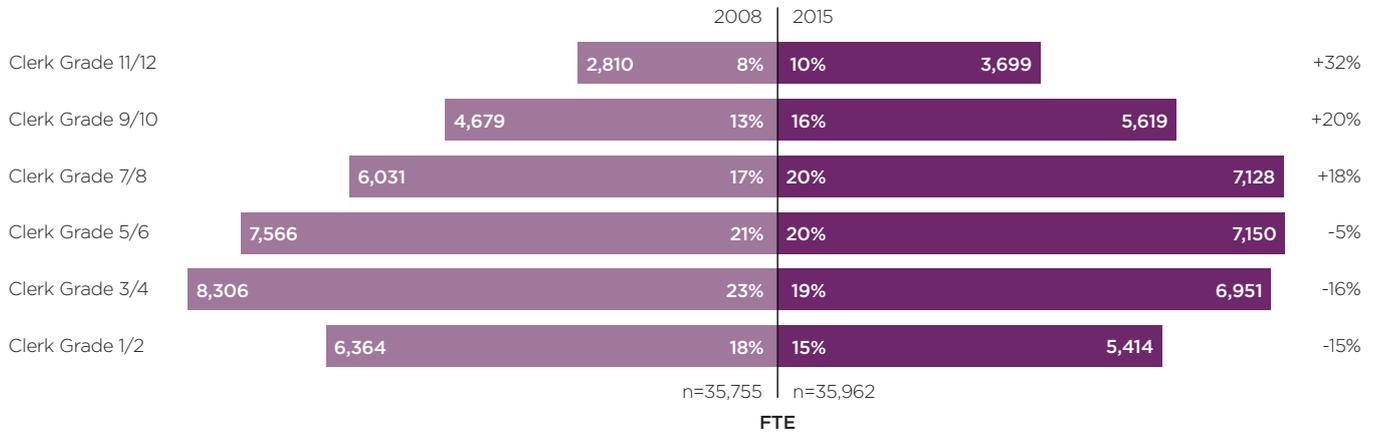
Grades relate to administration and clerical awards; employees are FTE

While senior executives are in the process of transitioning from a complex executive structure to a simpler one under the GSE Act reforms (see Chapter 4), similar challenges exist for non-executive staff. There is still a need to further redesign the sector's workforce – including its hierarchical structure – and the level of responsibility for people employed below the executive grades. In the coming years, the sector will need to focus on initiatives to keep non-executive employment structures in check, and in line with the service expectations of the NSW community.

Sick leave

The amount of sick leave taken in NSW is similar to that taken in the Australian Public Service and less than in all other states and territories except Queensland.[26] Nonetheless, an upward trend in NSW raises concerns about the health of the workforce and the impacts on productivity.

The average amount of sick leave taken by NSW public sector employees rose by 7.9% in the past five years. Indeed, in 2015 to date, the average amount taken rose by 0.9 hours per person compared with 2014, to 61.4 hours.

Figure 24: Sick leave trends, 2010–15

2010	2012	2013	2014	2015
56.9	58.3	59.3	60.5	61.4

Source: *NSW Workforce Profile*. Average hours of leave per FTE (non-casual). The 2011 data is incomplete

Sick leave allowances vary across NSW. For example, nurses receive 10 days (76 hours) per year, while employees under the Crown Employees Award receive 15 days (approximately 105–120 hours).

Patterns and implications of sick leave in the sector are complex, and rising sick leave figures are putting pressure on service delivery. The annual *NSW Workforce Profile* is a rich data source for understanding the patterns and incidence of sick leave. Certain patterns remain stable over time; on average older people take more leave than younger staff members, and those in some occupations that call for a lot of interaction with the community, and in jobs that are more physical, tend to take more sick leave. Whether this is due to levels of engagement, the nature of the work or other factors requires further exploration.

While these patterns remain consistent, the overall hours of leave taken have increased over time. The variation in figures for different employment and demographic groups should guide human resources leaders and staff managers in developing more sophisticated workforce planning practices.

The ageing workforce is an important consideration when discussing sick leave. Employees, especially men, tend to require more sick leave as they age. The average annual sick leave taken by those under 50 is 54 hours, compared to 72.5 hours for those aged over 50. Compounding this, the proportion of public sector employees aged over 55 increased between 2011 and 2014, and with the average retirement age rising, this trend is expected to continue.

The data also shows that on average, people in higher grades take less sick leave than those in lower grades. This may imply there is a connection between sick leave and engagement levels – if those in lower grades are less engaged in their work and more willing to take leave – but it may also indicate that work pressures and accountability lead managers to take less leave, even when they need it.

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26. Caution is required in comparing jurisdictional sick leave as there is variation in the 'what and how' of data collection

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Figure 25: Sick leave variation by age and income group
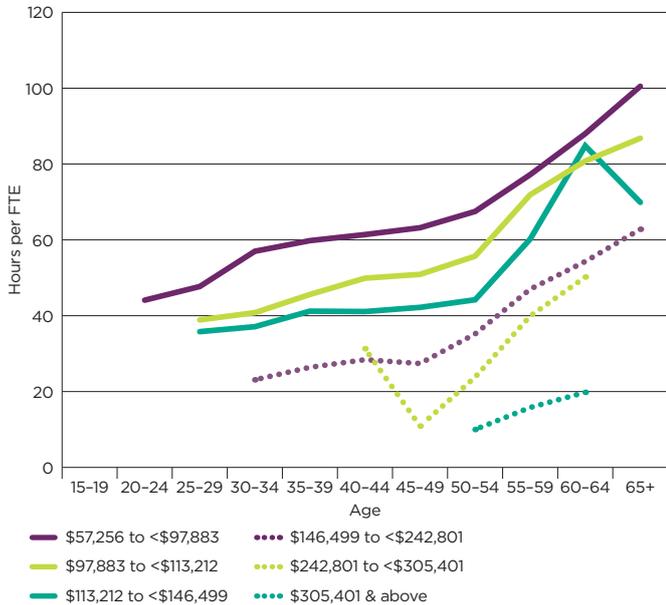
Source: *NSW Workforce Profile* 2015

Agencies need to put in place strategies that help them monitor sick leave figures and trends; create strategies for preventing and managing the impact of unplanned leave; and create plans for addressing the ageing NSW public sector workforce. This may require a more developed and nuanced approach to workforce planning and management. PSC plans to launch a Workforce Dashboard for all agencies by the end of 2015, which will bring together various data sources – including the *NSW Workforce Profile*, People Matter survey and recruitment statistics – to enable a more sophisticated approach to analytics and planning.

Workforce planning

Managing the workforce of the future requires sound, strategic planning. Using data to generate deeper insights into workforce capabilities, demographics and composition is a key step in developing strategies that address current and future labour needs and gaps – such as internal and external labour market shortages, job redesign, imbalances in different employment types and grades, and shortfalls in the number of people who can fill critical roles. Workforce planning also includes succession planning, so it is essential for addressing the future impacts of the ageing population.

The Reform review revealed that although agencies are aware that workforce planning has significant potential to help address current and future capability needs, progress to date has been limited. Departments that participated in the review were more likely to consider and react to short-term changes than to focus on strategic, structural change and long-term workforce requirements.

Workforce planning needs to be business-led and viewed as a business enabler, not just the responsibility of HR. The Reform review found that agency stakeholders are not widely aware of what workforce planning aims to achieve; agencies are just starting out on their workforce planning journeys and no cluster has a clearly defined approach. The sector needs access to better evidence and data on the effects of workforce management, but does not currently have the capability to translate the relevant data into insights.

The Agency survey supports these findings. Although implementation of workforce planning has increased over the past year, it has mostly focused on the immediate to middle term rather than planning for the longer-term challenges that are likely to face an agency.

Promisingly, the survey found that 84% of agencies undertook operational (resource) workforce planning for the next 12–18 months, and just over 70% have a documented strategic workforce plan that aligns capability requirements with business objectives for the next three years. However, only 8% and 10% of agencies (respectively) reported that these strategies were highly developed; 98% identify current staffing and capability needs, but only 50% identify the number and type of employees the agency will need five years from now.

Workplace planning is especially important in an environment where government and service delivery models are constantly changing. Wherever there is a burning platform for change – such as a significant shift of workforces to other sectors – line managers can work with human resources teams to apply workforce planning strategies, allowing senior executives to make evidence-based decisions for the future.

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Snapshot – Department of Family and Community Services

The Department of Family and Community Services (FaCS) is in the process of undertaking a significant commissioning exercise. Some services it has previously delivered directly to the community will now be delivered by providers in the non-government sector.

FaCS has taken a pragmatic approach to workforce planning to support this strategic direction, by planning for significant transitions of staff and services to other providers while also being able to provide the capability and capacity needed to deliver services today.

Comprehensive workforce plans address workforce transitions, industrial issues, communications/message planning, culture and morale programs, knowledge transfer and operational issues. A critical challenge is planning and decision making to retain the capability, knowledge and capacity to meet today's demands and address the future roles the department will play.

The department has undertaken detailed scenario planning to assess the different types of transitions. They include timing, numbers of staff, different service providers, regional shifts and service types. This granular approach informs various pathways to transition.

The department has explored a range of pathways, including the characteristics and capabilities of the groups, logistical support requirements, and different risk and treatment strategies to help assess the best likelihoods of success. This approach also includes some cost and benefit modelling.

These plans were developed and then devolved to those managers who, over the next year or so, may need to closely understand potential changes. These plans provide the evidence and data to support critical decisions made by senior executives in the department.

This example shows how workforce management is essential in achieving strategic goals including those that drive productivity savings and better outcomes for customers. It also shows the need to devolve workforce planning capability to line managers.

Workforce mobility

Mobility is one of the key objectives of the GSE Act. A mobile workforce enables agencies to deploy people to the areas where they are most needed to deliver high-priority services. Mobility also gives employees opportunities to broaden their range of experience, acquire a wider range of capabilities, enhance their own career options and prospects, and, if they so choose, develop into well-rounded future leaders.

The concept of a mobile workforce is relevant to most if not all of the drivers of high performance referenced in this report, and has a particular impact on productivity. Mobility is one of the more tangible elements of workforce flexibility, and can allow a large, diverse, siloed sector to work as a more cohesive body. Moving the right people with the right capabilities to the right areas quickly and cost-effectively improves productivity for those delivering and receiving services.

The Agency survey found that the percentage of agencies with a documented mobility strategy has increased significantly from 28% to 61% since 2014. The number of agencies with a mature mobility strategy (19%) also increased in the past year, and 27% of agencies reported having a developed or highly developed program to promote mobility. Most of these current mobility strategies relate to opportunities within the same agency.

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The Reform review showed that agencies are well aware of the potential that mobility offers to the sector, even if they do not harness it regularly. Secretaries are already using mobility to manage senior executive employment. This practice has yet to extend into other layers of the workforce.

Manager capability and mindset is critical to facilitating mobility. For managers there is a prevalent culture of 'owning a resource', which increases reluctance to release employees.

Procedural and bureaucratic processes can make it difficult to capture information about resources and skills, and then match them to potential opportunities while providing visibility of opportunities to interested employees. Previous People Matter surveys have shown that although employees may feel they have the skills and willingness to work elsewhere in the sector, they lack awareness of what opportunities are available, or the processes and rules around mobility, transfers or secondments are confusing.

Human capital management systems (HCMS) can help address some of these process and technology barriers. They provide managers with a complete picture of the available workforce, allowing them to support their team's development while aligning work efforts with business priorities.

HCMS are being rolled out across the sector, and will support all aspects of workforce management including performance, learning and recruitment. Nearly 10,000 employees in three departments are already using performance modules, and other agencies are in the process of implementing learning, development and succession modules.

HCMS should also improve employee visibility regarding the opportunities they have to grow, develop and realise career goals. And by better understanding their people – including capabilities, opportunities and results, all in one place – agencies can make more informed decisions.

As this roll-out moves beyond the early adopters, agency-based HCMS will become commonly used tools that can integrate with those in other departments and with the jobs.nsw portal, removing some of the systems, processes and awareness gaps that have limited the use of mobility to date.

Collaboration

Collaboration is essential for delivering services more productively and effectively to meet government priorities and customers' needs. A 2014 PSC study identified a span of collaboration, with activities ranging from simple to complex (see Figure 26). It found that most public sector collaboration is focused on coordination and cooperation within and between sectors. Arrangements across sectors are predominantly contractual rather than being formal alliances or partnerships that require joint missions, purpose, authority and control, plus sharing of risk, resources and benefit.

Collaboration generates productive outcomes in a number of ways, and is not limited to the following:

1. By bringing a broad array of talent, thinking, experience and skills from across many agencies, jurisdictions, sectors and customers, collaborative ways of working can deliver a solution more quickly, in a more targeted and relevant manner, and with less duplication of effort. When done correctly, the right resources are dedicated to the right problem at the right time for the right amount of time. While this may require more effort initially, clearer articulation of requirements, better understanding of feasibility, better-quality solutions, better planning and less rework mean the overall outputs from such an arrangement are likely to be more productive.[27]

2. As more traditional government services are likely to be contested, the sector will need to form collaborative partnerships to realise planned benefits. This means co-designing future services and the appropriate performance- and outcomes-based contracting mechanisms; clearly defining delivery roles and accountabilities; and identifying ways to realise projected benefits, and to evaluate and continuously improve. Commissioning services without collaborative work practices will eventually deliver sub-optimal results.

3. Greater collaboration across agencies, jurisdictions and sectors is likely to result in greater innovation by combining experiences and insights from those who have previously worked on different solutions.

4. Collaboration done correctly also allows teams to predict and address the impacts of decisions – especially around policy and regulation – early in the process. This creates productive outcomes by reducing duplication of work and potential redesign.

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27. Mankin D and Cohen SG (2004), *Business without Boundaries* and Roberts P (1997), 'Group Genius' in *Fast Company*

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**Figure 26: Variation in types of collaboration**
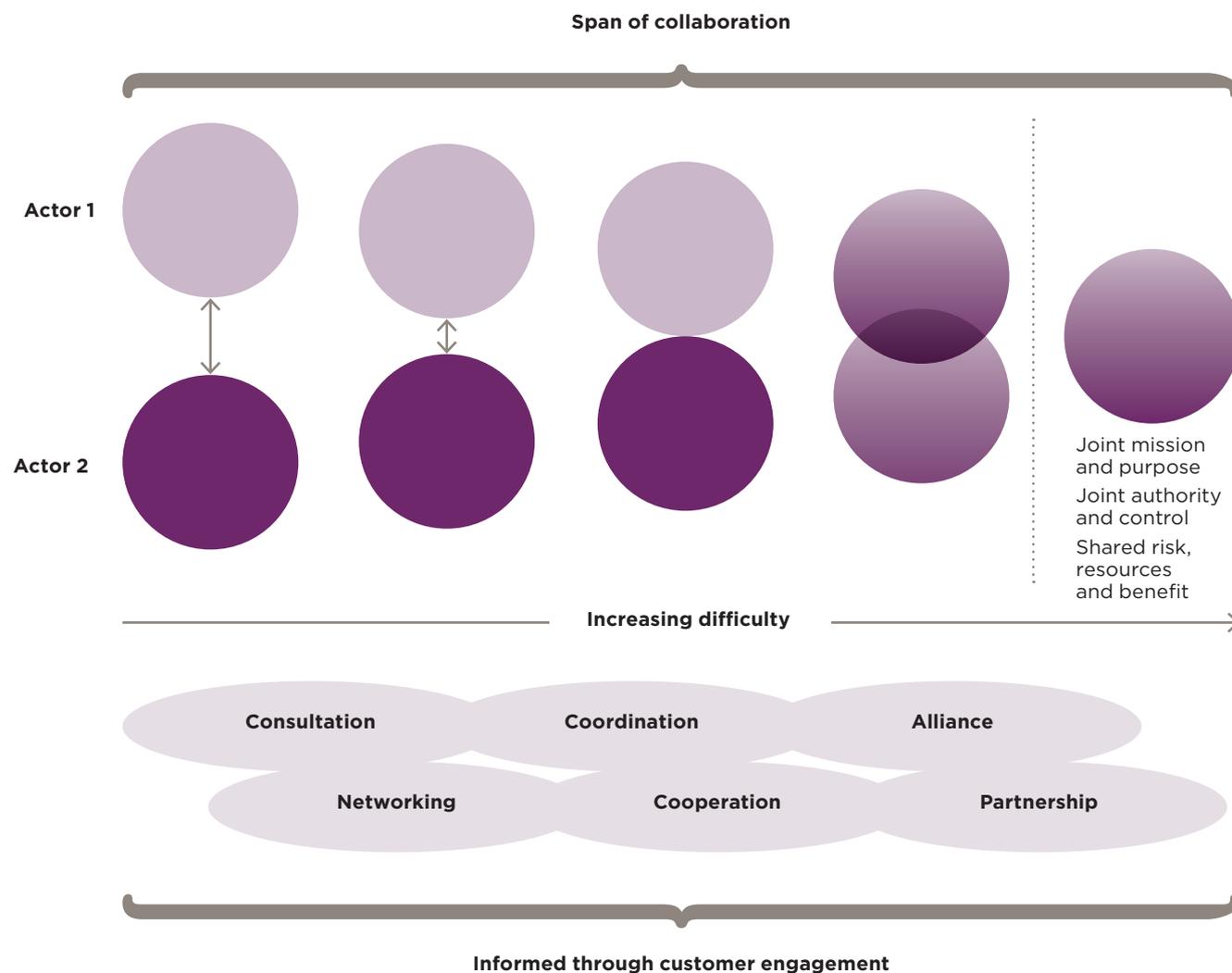
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The 2015 Agency survey results show that most agencies have guidelines in place or a culture of collaboration that encourages people to identify and act on collaboration opportunities (91%) and most felt that these practices were well developed (71%).

Almost all agencies indicated they have formally collaborated with other NSW public sector agencies and within their own agency during the past 12 months. Agencies were relatively less likely to collaborate with other sectors or jurisdictions, although the number of agencies that had done so was still significant.

Figure 27: Agency collaboration within and between sectors
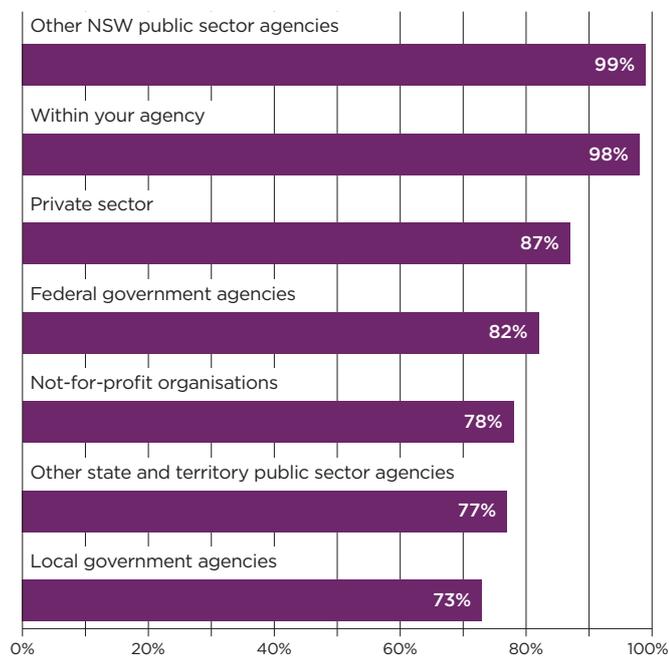
Source: Agency survey 2015

The focus of collaboration was most commonly around service delivery (77% of agencies), and program design and management (71%). Collaboration on policy development and regulation was less common (63% and 54% respectively).

Further analysis suggests that similar levels of collaboration focused on these four functions occurred at the intra-agency, NSW public sector, federal, and other state and territory public sector levels. However, there were variations in the private sector – at this level, collaboration on service delivery, and program design and management functions was much more common than collaboration on policy development or regulation. Collaboration on these last two functions is critical to developing a sense of real partnership and co-design, as well as managing impacts on other sectors (for example, due to over-regulation and excessive red tape). There is a similar pattern for collaboration with local government.

Collaboration with not-for-profit organisations recorded the largest variation – just 27% of agencies that collaborated with this stakeholder group did so in relation to regulation, 52–63% collaborated on policy or program design, and 85% worked with not-for-profits in relation to service delivery.

Despite high scores from the Agency survey, much of the collaboration remains within the sector, which highlights the sector's inherently internal focus.

The relatively low levels of collaboration with not-for-profits on regulation, policy and program design reflects findings in PSC's 2014 research into the private and not-for-profit sectors (see page 59). This research found that public sector activity focused primarily on simple forms of collaboration, with relatively few formal alliances and partnerships. From the perspective of potential partners, there are a range of barriers to success, including power asymmetries, a risk-averse public sector culture, excessive red tape and reporting requirements, and a focus predominantly on contractual arrangements rather than service delivery partnerships to improve customer outcomes. Some excellent models of collaboration such as the Newpin family support program[28] already exist, but further work is required to identify the extent of public sector activity in complex partnerships.

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28. The Newpin Social Benefit Bond funds the New Parent and Infant Network Program managed by UnitingCare Burnside. Social benefit bonds are a new way of building innovative partnerships between the public, private and not-for-profit sectors to deliver measurable social outcomes

Chapter 6: Productivity and innovation

Innovation

Innovation is a means of developing new solutions to improve productivity and the customer experience. There are many examples of highly innovative agencies in the sector, particularly in the area of service delivery. They regularly survey customers, and try to understand services from the customer's perspective. Agencies that closely assess developments in other jurisdictions or in the private sector are likely to share and reuse ideas and thoughts. The process of sharing increases innovation and improves services, while also reducing costs.

Leaders have a crucial role in driving innovation. In the 2015 Agency survey, the majority of agencies said their senior leaders provided clear authority and support for innovation (94%) but the level of those that did so at a highly developed level was much lower (15%) (see Figure 28). The majority of agencies are actively engaging stakeholders to come up with new or better ways to do things (96%) but only 16% say this practice is highly developed. Implementation levels were lower for allocating resources (76%) and systems to monitor and promote innovation (73%), and the number of those reporting highly developed systems was again significantly lower.

Figure 28: Agency strategies to improve innovation

% Highly developed	% Developed	% Basic	% Recognised	% Not recognised

The agency actively engages both internal and external stakeholders to come up with new or better ways to do things: **96% implemented**

16	47	33	4

Senior leaders provide clear authority and support for innovation in the workplace: **94% implemented**

15	50	29	6

Resources are allocated specifically to take advantage of identified innovations: **76% implemented**

10	36	30	20	3

There are systems in place to monitor and promote innovation: **73% implemented**

5	34	34	22	5

Source: Agency survey 2015

Technology

Technology can have a significant impact on productivity, by minimising and simplifying inputs, streamlining processes and improving the quality of the final output. It automates processes, accelerates complex processes and allows customers to self-manage their interactions with the services they receive. Well-developed systems can also reduce error rates and eliminate the need for multiple handling and sign-offs. However, these benefits can be offset by the long development times, and the significant investments and project risks involved in creating an effective technology solution, not to mention the risk of low adoption rates among employees and customers alike.

The NSW public sector has made significant progress in its use of technology. It has engaged in innovative forms of investment and has cleverly used digital tools to support partnerships and its customers.

Digital reforms have helped build a public sector that is more efficient, responsive and customer-focused in its delivery of simpler, more connected services. This has required a sector-wide cultural shift focused on adopting customer-centred services, and connecting with research and industry bodies to inject challenging and new ways of thinking into government agencies.

Service NSW is an example of an agency with which customers can now complete 800 different types of transactions at a one-stop service centre. Service NSW has also set up a number of digital stores to help customers complete their digital transactions.

Data is another key element in the shift towards welcoming technology throughout the NSW public sector. Plans are underway for a data analytics centre where agencies can share data that was previously stored behind traditional organisational boundaries. Sector-wide access to this previously siloed data will help identify new ways to design customer services and deliver better policy outcomes.

The NSW Government has established an ICT Investment Process aimed at improving organisational productivity through coordinated ICT investment, smart procurement, use of emerging technologies, and cloud-based and networked computing.

A workforce with the skills and capabilities needed to deliver world-class digital services is vital to achieving optimum productivity. To address this, PSC and the Department of Finance, Services and Innovation have developed a comprehensive sector-wide ICT workforce strategy that sets out role descriptions, helping agencies identify, attract and develop an ICT workforce of the highest standard.

Chapter 6: Productivity and innovation

Snapshot – Sydney Local Health District

Sydney Local Health District encourages and supports innovation through The Pitch, its workplace challenge.

The Pitch empowers staff members to 'pitch' their innovative ideas – big or small – to improve systems, the patient experience and healthcare delivery, as well as minimise waste.

The Pitch:

- infuses a culture of innovation
- encourages junior and senior employees, clinical and non-clinical, to compete for resources and funding
- allows employees to quickly identify where to invest adequate resources
- showcases six or seven new presentations each quarter with up to $50,000 in prize money for each winning pitch
- supports winning ideas and project teams through further coaching, mentoring and project management training by the District's finest clinicians and project managers.

The Pitch program was launched in August 2014. Since then, 11 pitches have been accepted from 70 applications received from over 30 departments across the District. Successful applications so far have included innovations for community mental health, dentistry, operating theatres and medical records.

Service delivery has been greatly enhanced by these innovations. For example:

- Nasendoscopes for speech pathologists assess swallowing on a hospital ward and allow faster access to the safest diet, reducing discomfort for patients and limiting the risk of malnutrition and aspiration.
- The Fire Training Simulation Centre allows staff to respond to fire situations in a range of controlled scenarios to ensure best patient care in the event of an emergency evacuation.
- The Environmental Decontamination system for burns rapidly reduces the time taken to disinfect a burns care isolation room, meaning patients can be admitted to a unit without delay and with a reduced risk of infection.

To the next level

Productivity is central to the sector delivering services effectively, efficiently and to the level of quality expected by consumers, businesses and government. However, there is much work to do in developing the sector's response to issues in this crucial area.

Using technology and workforce mobility to streamline systems is already an area of strength that allows the sector to deliver services more efficiently and from a greater number of locations.

It is crucial for agencies to develop the culture and conditions that foster productivity and innovation, and that includes building strong leadership. Many factors can help enhance productivity, including a tone from the top that sets a culture of creativity, encourages an element of risk taking, and welcomes the use of new tools, technology and ways of working.

Employee engagement is also critical to high productivity; sick leave and other unplanned absences can have a significant impact on productivity and performance. Appropriately grading the workforce and allowing greater responsibility across more layers of staff is another step that will improve productivity while also helping to expedite processes, enhance accountability to customers and increase employee engagement.

Data from the Agency survey and Reform review indicate that agencies are already putting in place the right reform mechanisms to strengthen productivity and innovation across the sector. However, there needs to be a greater focus on understanding how data analysis and more effective technology use can boost productivity in the sector.