NSW GOVERNMENT Public Service Commission

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State of the NSW Public Sector Report 2012

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State of the NSW Public Sector Report 2012

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Foreword

Graeme Head, Commissioner

The inaugural *State of the NSW Public Sector Report* represents a significant milestone in what is a comprehensive push to put the NSW public sector back at the leading edge in both its approach to service delivery and the way it conducts itself as the steward of significant public resources and important institutions.

An annual *State of the NSW Public Sector Report* is one of a number of early initiatives introduced by the NSW Government in 2011 which, together, aim to drive major reform in the public sector over coming years. In summary, these reforms include:

- establishing, in legislation, an independent Public Service Commissioner with broad powers and functions across the entire public sector workforce
- establishing a dedicated government department – the Public Service Commission (PSC) – to support the Commissioner in carrying out those functions
- legislating a set of core values for the entire public sector
- acting on the Commission of Audit's 52 recommendations arising from its examination of financial management, people management and asset management in the public sector
- establishing a Customer Service Commissioner and a dedicated team – Service NSW – to focus on improving the experience of customers in dealing with NSW government agencies.

The *State of the Public Sector* reports will provide a time-series assessment of the key factors that influence the shape, performance and behaviour of public sector agencies and the people who work in them. Considerable effort has gone into developing a model for these annual reports, which will provide a reliable commentary to drive continuous improvement across the sector.

This first report contains data from:

- the first whole-of-sector employee survey – the *People Matter Employee Survey* – that attracted nearly 61,000 responses (16% of the public sector workforce) when it was rolled out earlier this year
- a revamped *Workforce Profile*, providing detailed information on the makeup of the entire NSW public sector workforce
- the Senior Executive Service Executive Development Program, which targeted all executives at SES levels 4–6 or equivalent (approximately 430 people). An objective assessment was undertaken using eight tools to measure the relative strengths and development needs of this leadership group against 13 capabilities
- analysis of the *Ethics Stocktake*, a significant piece of original qualitative research undertaken on my behalf by the St James Ethics Centre that deals with perceptions and practices relating to ethical issues in the public sector
- a broad review of relevant literature.

Three key drivers of performance: values and ethics; capability; and productivity.

There are also emerging issues that affect the state of the public sector and future reports will examine these in more detail. One such issue is the increasing range of government services now delivered by the not-for-profit and private sectors. In addition to the examination of these issues, data assessing customers' experiences in relation to government services will be included. Public sector employee surveys will be undertaken only once every two years to allow time for action to be taken in response to key findings and for the impacts of these actions to be measured.

The report is organised around three key drivers of performance: values and ethics; capability; and productivity. It establishes a baseline against which progress can be measured over time. Importantly, it sets out not only the state of things as they are today, but the pressures on the sector and some of the responses that will either address existing problems or prevent new ones.

The two original research pieces referred to above (the *People Matter Employee Survey* and the *Ethics Stocktake*) have provided us with the most comprehensive picture ever of how our workforce perceives the extent to which core public sector values are reflected in the way their workplaces operate and in the services they provide to customers.

A complex picture emerges: people generally take pride in the organisations they work for; they are engaged in their work; and they are aware of the principles that guide their conduct. However, they are also critical about the lack of proper performance management, and the quality of organisational communication. A significant proportion of people (higher than both our Victorian and Commonwealth counterparts) are concerned about bullying in the workplace.

Bullying is an issue that is attracting significant attention in all workplaces and in most jurisdictions, here and internationally. The House of Representatives of the Australian Parliament is presently conducting a major inquiry into the issue of bullying in the workplace. It has received nearly 300 submissions and has held hearings but is yet to report. The PSC will carefully examine the findings of this inquiry as an important element in framing anti-bullying actions in the NSW public sector.

In the short term, I will require Directors-General and agency heads to develop organisation-specific approaches to better understand the extent of bullying in their workplaces and to prioritise actions in response to these issues. The PSC believes it is likely that a proportion of what people perceive as bullying arises from the absence of good performance management practices and organisational culture. A priority area of work for the PSC over the coming year is a new, sector-wide approach to performance management, mandated in recent amendments to the *Public Sector Employment and Management Act 2002*.

In September 2012 the Chief Executive of the Business Council of Australia, Ms Jennifer Westacott, attracted widespread media attention around the country for her comments regarding the role of ministerial advisers in the policy process.

Foreword

Work undertaken for the PSC by the St James Ethics Centre echoed Ms Westacott's sentiments, insofar as NSW public servants who were interviewed, identified the increased involvement of ministerial advisers over the past 15 to 20 years as a development that creates challenges for our system. Specifically, there is a strong view that there needs to be absolute clarity about respective roles and responsibilities if public servants are to effectively perform their unique roles in our system of government. The emphasis of the PSC's work in this area will be to ensure that all public servants, at all levels, properly understand their roles and responsibilities and receive appropriate support to enable them to act in accordance with those roles.

The first *State of the NSW Public Sector Report* provides an array of valuable insights into the capacity and capability of the largest workforce in Australia. Around 400,000 individuals (making up around 330,000 full-time equivalent employees) work in the NSW public sector. Over 60% are women. We are nearly twice as likely as the private sector workforce to be educated to degree level. We are older on average than the total NSW workforce. Our senior executives have considerable strengths in customer orientation, managing highly complex dependencies and change management; but they have relatively lower levels of capability in strategic financial and human resource management. Our workforce is diverse, but not to a level that reflects the diversity of the wider community.

Both the outputs of the *Workforce Profile* and the work of the Commission of Audit point to some significant issues that affect workforce capability. The NSW public sector has a plethora of executive structures across the sector, making leadership capability development and mobility difficult. Our relatively low level of strategic human resource management capability affects our capacity to effectively undertake sophisticated workforce planning which, in turn, is essential for attracting and retaining people, and critical in driving innovative service delivery reform. The PSC believes there is some evidence of relatively narrow 'spans of control' for senior executives and senior officers and their equivalents. This has an effect on organisational efficiency, communication and decision-making.

A significant component of the PSC's foundation work program is reforming the underlying systems and processes that give rise to these problems. We are currently developing reform proposals to create a single senior executive structure for the public sector. We are also examining recruitment processes and practices with a view to streamlining processes and focusing strongly on recruiting for broad capabilities. Specifically, we are examining whether, initially at the senior executive level, we should be appointing against specified capabilities rather than appointing to narrowly defined individual employees.

In short, the PSC believes that a focused program of reform will allow the considerable talent that resides within the sector to be released. It will also allow us to attract and retain the right people going forward. The PSC will take the lead in 11 of the 52 recommendations of the *Commission of Audit Interim Report*, which provide a significant platform for this important reform work.

Importantly, the PSC is seeking to understand and report on the factors that will improve the public sector's productivity. This is the area of the report that will require the most development over time, given the current paucity of productivity measures and related data. The PSC will work with NSW Treasury and the Department of Premier and Cabinet to explore ways to measure labour productivity, as well as making its own contributions where appropriate. One such contribution commenced this year, with a survey of public sector employees' connection and commitment to their organisation and its goals and values. For the first time, we have a measure of employee engagement, which can be benchmarked over coming years and with other public sector workforces. Employee engagement has been attributed to achieving improvements in workforce performance, productivity, motivation, satisfaction, commitment, attendance and retention.

It is my hope, and that of the PSC's Advisory Board, that these reports will become an essential tool in focusing effort and thinking on the key issues that affect the public sector's capacity to deliver on behalf of the government of the day. Public servants perform difficult roles in complex organisations against a wide range of expectations. The *State of the NSW Public Sector Report* can provide analysis that assists in unlocking talent, identifying gaps in capability, building proper organisational cultures and improving productivity. I take great pride in presenting the *State of the NSW Public Sector Report 2012*.

The full data from the 2012 *Workforce Profile* and the *People Matter Employee Survey* are available at: www.psc.nsw.gov.au/sopsr/2012/

Graeme Head
Commissioner

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Thanks also to the State Services Authority, Victoria for the use of its employee survey instrument, 'People Matter' and for agreeing to let us benchmark against them.

Snapshot

The NSW public sector at a glance

Our mission

The NSW public sector works to deliver services and the NSW Government's priorities that are set out in *NSW 2021*.[1] This is a 10-year plan to rebuild the economy, return quality services, renovate infrastructure, restore accountability to government, and strengthen the local environment and communities of the state.

A significant number of services and programs are also delivered on behalf of the NSW Government through the not-for-profit and private sectors.

Share of the economy

The NSW public sector made up about 14.9% of the NSW economy in 2010–11.[2] NSW general government expenditure on goods and services was $55.8 billion and general government capital expenditure was $7.0 billion.[3] The state's net worth was $170.4 billion as of June 2012.[4]

Employees

The NSW Government is the largest employer in Australia and represents just over 11% of the total NSW workforce. The NSW public sector comprises 332,555 full-time equivalent (FTE) employees.[5] '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.

Where we work

Just over 37% of the NSW public sector workforce work outside of Sydney.[6] The Hunter region has the largest proportion of public sector employees outside of Sydney with 9.56%.

Employee growth

There was minimal overall annual growth in the sector between census dates in 2011 and 2012, with an increase of 2,155 FTE or 0.65% on the previous year.[7] The growth that did occur was mainly in the health sector.

What we do

Almost 30% of the public sector works in health, including 220 public hospitals; 500 community, family and children's health centres; and 220 ambulance stations.

Another 30% of the public sector workforce works in education, providing services in schools and preschools, through TAFE, and via community grants and programs. Other major services include transport, police and justice, trade, investment and finance, and family services.[8]

Public sector workers who provide frontline or direct services to clients make up 86.6% of the workforce.

1 NSW Government (2011a)
2 NSW Treasury (2012a)
3 ibid. Note: includes general purpose Commonwealth GST revenue grants
4 See pages 3-13 of NSW Treasury (2012b)
5 NSW Public Service Commission (2012)
6 ibid
7 ibid
8 NSW Government (2011a)

The NSW Government is the largest employer in Australia.

Skills

The NSW public sector workforce is highly skilled and diverse. It includes accountants, barristers, doctors, economists, electricians, fire fighters, nurses, police officers, policy specialists, scientists and social workers, as well as clerical and administrative staff, labourers, machine operators, managers and technicians.[9]

Qualifications

There are greater levels of qualification and professional occupation in the NSW public sector compared to the private sector. In NSW, 54% of public sector workers hold a Bachelor's degree or higher, compared to 28% in the private sector. Fifty-two per cent of public sector workers are professionals, compared to 31% in the private sector.[10]

Representation of women

Women account for 60.9% of the NSW public sector workforce and hold almost 33% of Senior Executive Service (SES) roles. More women than men are represented in lower income bands, with women representing 63.7% of staff who earn less than $75,552 a year.[11]

Age

On average, NSW public sector employees are older than workers across the state as a whole (public and private sector) and Australia in general. In 2012, the median age of NSW public sector employees was 45 years.[12] The median age for all NSW employed persons in 2012 was 40 years.[13]

Just over one-fifth (22.9%) of the NSW public sector workforce is more than 55 years of age. The remainder of the workforce is as follows: 4.7% are under the age of 24; 20% are aged 25–34 years; 24.5% are 35–44; and 27.6% are 45–54.[14]

Retirement intentions

About 55% of public sector workers aged over 65 years say they intend to leave the public service within a year; and 34% of those aged over 55 years also intend to leave within a year. Almost 74% (2,417 of 3,284 FTE) of those who retire have worked in the public sector for over 20 years.[15]

Mobility

The NSW public sector workforce is not highly mobile. In the year to 30 June 2012, 0.47% of the workforce transferred to a different role and 0.52% received a promotion.[16]

9 Australian Bureau of Statistics Census FTE 2012 by ANZSCO (Australian and New Zealand Standard Classification of Occupations)
10 Yury and Yu 2011
11 NSW Public Service Commission (2012). Note: this percentage is based on the annualised remuneration rate.
12 ibid
13 Australian Bureau of Statistics (2011b) (NSW employed persons at 2012 not available)
14 NSW Public Service Commission (2012)
15 ibid
16 ibid

Chapter 1

Introduction

The report is to be produced annually to provide an evidence-based picture of factors that affect how work is organised and executed by the NSW public sector.

About this chapter

This inaugural *State of the NSW Public Sector Report* gives an overview of the values, capabilities and productivity of the NSW public sector workforce in 2012. It also identifies selected actions that are either planned or being undertaken to improve the performance of the NSW public sector.

The report is to be produced annually to provide an evidence-based picture of factors that affect how work is organised and executed by the NSW public sector. It will also help identify barriers to improvement and be a valuable tool in driving high performance across public sector agencies.

The report contains original research to describe ethical issues, work experiences and labour force characteristics as they relate to the 401,703-strong workforce that makes up the NSW public sector. These data are also used to establish baseline measures that will be used in future *State of the NSW Public Sector* reports to track changes in the sector over time.

Our operating environment

NSW faces important structural shifts that require major changes in terms of the culture, capabilities and performance of the state's public sector. These changes are not unique to NSW and can be seen in comparable Westminster systems of government around the world.

There are four big factors impacting how work is organised in NSW and other states and countries: population trends; new technology; changing levels of public confidence in the institutions of government; and budget constraints.

Population trends

Australia's population is projected to rise from 22.5 million in 2011[17] to 27.2 million in 2026.[18] NSW is expected to see its population rise from 7.2 million[19] to 8.4 million[20] over this same period. The population is also ageing. In NSW, the 'dependency ratio' (the ratio of those under 15 and over 64 years old to those between those ages) is expected to increase sharply from 48.8% in 2010 to between 68.2% and 70.1% by 2051.[21] In other words, there will be fewer people working – and generating wealth – compared to the number of people who depend on them.

These trends have important implications for the skills needed for public sector service delivery and the public sector workforce itself. As the population ages, there will be a greater demand for public services to be customised to meet the needs of older people and those who care for them. Public sector employees will need to have strong capabilities to redesign services and work within fundamentally changed service models.

The need to refocus services to meet the needs of the ageing population will also occur at a time when the public sector workforce itself is ageing. Currently there is a slight trend for employees to stay longer in the workforce, but the data also show a continued intention of older employees to leave at or near their retirement age (this is despite the impacts of the global financial crisis on their superannuation savings). For this reason, new workforce policies are required to support people to work beyond the traditional retirement age (typically 65 years);[22] to retain employees and to attract younger people to join the public sector. It will be vital to have sophisticated strategies to manage and build this multigenerational workforce at a time when government will be competing with other sectors for specialist skills.

Technology change

The second factor changing the organisation of work and the nature of public sector employment is technological change. In addition to new information and communication technologies (ICT), this change includes developments in science, engineering, robotics and biotechnology.

17 Australian Bureau of Statistics (2011b)
18 Australian Bureau of Statistics (2008)
19 Australian Bureau of Statistics (2011b)
20 Australian Bureau of Statistics (2008)
21 NSW Treasury (2011a), pp.ii and 2-11
22 NSW Treasury (2011b)

There are four big factors impacting how work is organised in NSW and other states and countries: population trends; new technology; changing levels of public confidence in the institutions of government; and budget constraints.

These new technologies have had – and will continue to have – an impact on:

- how reporting accountabilities and work practices are organised (for example, through the automation of work processes)
- the creation of new services (for example, through the greater use of biotechnology to deliver new medical services)
- the redesign of how existing services are delivered (for example, remote delivery of services to isolated regions)
- demand for new skills needed to use the new technologies efficiently and effectively.

To ensure agencies make the most of these technological developments it is important to ensure employees have skills in leading and implementing agency culture change, forward planning, organisational change and continuous improvement. They should also be able to implement innovative systems that support the efficient use of technologies and the development of flexible, localised and customised service delivery to individuals and communities.

Confidence in government

A third driver of change in public sectors around the world is the level of public confidence in the institutions of government. Surveys of populations in many established democracies report declines in confidence in government and public institutions.

In the United States, for example, the Gallup organisation reported that trust in Congress has fallen to 19%.[23] A Guardian/ICM report into five leading European Union countries found 78% of respondents had 'not very much' or 'no' trust in government.[24]

With the Australian Government, confidence in democratic government has generally been comparatively high, but national polling shows there was a drop in confidence between 2007 and 2010. Satisfaction with the way democracy works here dropped from 86% to 72%, and trust in the people in government to 'sometimes' or 'usually' do the right thing fell from 43% to 37%.[25] A Roy Morgan survey conducted in June 2012 confirms the trend, with 60% of respondents saying they 'don't trust the current Australian Government', up from a low of 32% in 2009.[26]

United Nations research based on governments around the world clearly shows that rebuilding citizen trust and confidence is a complex task and takes time.[27]

23 Stevenson and Wolfers (2011)
24 Rogers (2011)
25 McAllister and Pietsch (2010)
26 Roy Morgan (2012)
27 United Nations (2007)

Budget constraints

The fourth factor affecting public sectors is sustainable budgets. Weaknesses in the US and European economies and financial systems have put strong, direct pressure on government revenues and expenditures in those countries. This has also had flow-on effects on governments elsewhere including NSW.

The demographic changes mentioned above, the need for new or replacement infrastructure and other issues have put additional pressure on the NSW budget. In the 2012–13 State Budget, for example, there was an unprecedented fall in revenue growth and a reduction in the federal government contribution to the costs of building infrastructure.[28]

These financial constraints require new approaches by the public sector to improve productivity. This is essential to deliver more services to NSW's growing population at a time of fixed or declining public sector budgets.

Maintaining service levels

Like their counterparts in Australia (at both state and federal levels) and in other developed nations, NSW public servants work hard to maintain high-quality service delivery in an environment characterised by the structural changes outlined above. They also have to meet demand for more and better services, and address pressure on the private and not-for-profit sectors to have greater involvement in service delivery. The NSW public sector has also experienced what the *NSW Commission of Audit Interim Report*[29] has described as poorly conceived or implemented organisational design.

Reforming the NSW public sector

The NSW Commission of Audit

The NSW Government established the NSW Commission of Audit, led by Dr Kerry Schott. The *NSW Commission of Audit Interim Report* was released in January 2012.

The focus of the *NSW Commission of Audit Interim Report* was on the structure and management of the public sector. Among the *NSW Commission of Audit Interim Report's* key findings were that changes made over the past decade greatly reduced public sector agencies' capacity to manage their people in best-practice ways. These included:

- directives from central agencies that have restricted new hires
- informal government directions that make redeployment and redundancy difficult
- central agency expenditure directives that remove management flexibility
- cumbersome and complicated industrial arrangements
- inflexible position classifications and structures
- a lack of information for managers and staff about performance
- shortcomings in the capabilities of some human resource units.

The audit also noted that requiring employees to be linked to specific positions in organisational structures impedes flexible and efficient resourcing. This is especially the case in organisations where there are too many managerial layers. Further, many agencies' organisational structures have narrow 'spans of control', in both executive and non-managerial areas, which makes responsibility and accountability unclear.

According to the audit, the structure of executive employment in the NSW public sector does not align to the new clusters and requires fundamental overhaul. Workforce planning should also be closely tied to business planning, and there should be a common approach to all aspects of workforce planning.

Four specific and serious challenges were also identified:

- **Performance management:** there are weaknesses in the way managers at all levels manage underperforming employees.
- **Recruitment:** position descriptions are long and bureaucratic, and in some cases incomprehensible to anyone outside of the sector.
- **Planning for particular workforce needs:** workforce plans are needed to address skills shortages, the ageing workplace and the difficulty of attracting and retaining employees in certain locations.
- **Mobility:** the sector needs to encourage a sensible turnover rate, and fill roles from within and outside of the sector.

28 NSW Treasury (2012a)

29 NSW Government (2012a). The NSW Government established the Commission of Audit to review the state fiscal situation and establish a framework for reform.

Chapter 1: Introduction

New legislation

In 2011, the NSW Government introduced legislation to reinforce that the fundamental role of NSW public sector employees is to act in the public interest and serve the government of the day. These amendments to the *Public Sector Employment and Management Act 2002* (PSEM Act) were made in November 2011 to enable long-term public sector reform.

The amended legislation established an Ethical Framework[30] that applies to all NSW public sector employees. The Framework:

- recognises the role of the public sector in preserving the public interest, defending public value and adding professional quality and value to the commitments of the Government of the day
- establishes an ethical framework for a merit-based, apolitical and professional public sector that implements the decisions of the Government of the day.

The legislation embeds four core values (integrity, trust, service and accountability) for the public sector and 18 principles of behaviour that are expected of all NSW public sector employees.

The amendments to the PSEM Act also created a new independent statutory office – the Public Service Commissioner – which has seven principal objectives:

1. to promote and maintain the highest levels of integrity, impartiality, accountability and leadership across the public sector
2. to improve the capability of the public sector to provide strategic and innovative policy advice, implement the decisions of the Government and meet public expectations
3. to attract and retain a high-calibre professional public sector workforce
4. to ensure that public sector recruitment and selection processes comply with the merit principle and adhere to professional standards
5. to foster a public service culture in which customer service, initiative, individual responsibility and the achievement of results are strongly valued
6. to build public confidence in the public sector
7. to support the Government in achieving positive budget outcomes through strengthening the capability of the public sector workforce.

What you'll find in this report

In the relatively brief span of less than 12 months from the introduction of the amendments to the PSEM Act to June 2012, the PSC established its workforce, converted its legislative role into specific business operations and projects, and carried out research into the values of the public sector and the experiences of public sector employees.

This inaugural *State of the NSW Public Sector Report* is the first major statement by the Public Service Commissioner on approaches to address the structural challenges facing the NSW public sector. It focuses on three strategic factors that directly affect the ability of the public sector to carry out its functions: values and ethics, capability and productivity.

Values and ethics

Public sectors around the world, including those in the Westminster systems of government, have typically developed policies, allocated budgets, recruited employees and organised work, designed and delivered services and other operations based on a number of fundamental assumptions. These include what is in the public interest, what is fair, what is professional behaviour and – more generally – what is right and good. In other words, value-laden ethical assumptions underlie pragmatic decision-making and the practical day-to-day work activities of the public sector.

However, there is often a mismatch between the publicly stated values of agencies and the actual operating values of those agencies which drive the behaviour of public sector employees. For example, different NSW public sector agencies have recently identified the importance of employees behaving consistently with values, including openness, respect and empowerment (Health); excellence, trust, honour, impartiality, commitment, accountability and leadership (Police); and safety, customer service, teamwork, integrity, respect and continuous improvement (RailCorp).

The *NSW Commission of Audit Interim Report* found that in practice, there was often a significant discrepancy between the *stated* values of organisations and their *actual* values; and that these actual values in some agencies included 'risk aversion, insularity, adherence to procedure and powerlessness, even defeatism'.[31] The *Ethics Stocktake*,[32] discussed below, also found significant differences between stated and actual values.

For this reason, the PSC is particularly focused on bringing about a cultural change to ensure alignment between the new core values established by the Government's amendment to the PSEM Act – integrity, trust, service and accountability – and the actual values present in the

30 Other Australian states, as well as the Commonwealth Government, also have an ethical framework. See, for example, the Australian Public Service Commission *Values and Code of Conduct*.

31 NSW Government (2012a) p.141

32 St James Ethics Centre (2012)

NSW public sector today. Chapter 2 of this report includes detailed findings on this issue based on two original pieces of PSC research: the *Ethics Stocktake* and the *People Matter Employee Survey*. The chapter also discusses many of the PSC's current and planned initiatives to embed the values in the culture, systems, practices and services of agencies and the conduct of employees.

Capability

Capability refers to the sum of knowledge, skills, abilities, behaviours, expertise and experience and the work cultures, systems, practices and networks that make it possible for employees to work together in an organised and accountable way to deliver agreed services and results for the people and communities of NSW.

If the NSW public sector is to address the challenges it faces, it needs to strengthen its current capabilities and develop new capabilities to meet emerging needs. This will require a wide-ranging approach focused on the abilities, behaviours, skills and knowledge held by individuals and within organisations. There should be a particular emphasis on leadership and management, skills and knowledge development, and tools to improve organisational effectiveness, including performance management.

In addition, new capabilities are needed to better enable the public sector to deliver services through a mix of providers including public sector employees, private companies and not-for-profit providers. Government policy is to continue such diversification, including models of service provision such as outsourcing, public–private partnerships and joint ventures. Public sector services will also be benchmarked against other providers to improve productivity and service delivery.

As discussed in Chapter 3, there is currently an inconsistent approach to implementing the state's capability framework and little evidence that capability information is being collated or used to improve workforce planning. For example, information about the capabilities and qualifications of individual employees is not generally recorded. Without such information, it is difficult to reliably and effectively map capability against business and service delivery requirements. A key challenge for NSW is to establish capability as a foundation framework for workforce management and measure its connection to business outcomes.

Chapter 3 outlines the strategies for building the capability of the public sector. These include strengthening leaders (particularly their capacity to deal with future challenges) through the Senior Executive Service Executive Development Program; enhancing financial management expertise; promoting workforce diversity; fostering a more inclusive and engaged workforce; improving workforce mobility; and expanding learning and development opportunities throughout the sector.

A key challenge for NSW is to establish capability as a foundation framework for workforce management and measure its connection to business outcomes.

Productivity

The third strategic factor that directly affects the performance of the public sector is productivity. Productivity is a measure of the number of services delivered to the public and communities of NSW (outputs) compared with the amounts of labour, capital, technology and other resources (inputs) used to deliver those services. The more productive the public sector, the more services it can deliver with the same resources.

Traditionally all public sectors have developed measures of inputs (such as number of employees or amount of money allocated to a budget) and activities (such as how many clients were visited by nurses or the number of charges laid by police). Increasingly, agencies are also measuring service outputs and outcomes delivered to individual citizens, communities, businesses and the environment of NSW by the public sector.

The focus of the public sector and the PSC on productivity is important for two reasons. First, it draws attention to the importance of the public sector in delivering results. Second, it provides the sector with a way to measure how well it is performing in delivering those results.

Chapter 4 is divided into two parts. First, it discusses some of the measurement issues that need to be addressed so that a rigorous measure of the NSW public sector's labour productivity can be produced. In the coming months, the PSC will work with NSW Treasury, the Department of Premier and Cabinet and clusters[33] to identify ways to measure labour productivity. Second, the chapter considers the drivers of productivity. As flagged above, these drivers include the values of agencies and workplaces, and the management and other capabilities of the workforce.

Our research

In line with taking an evidence-based approach to analysing the state of the sector, this report provides the findings of four major sources of research and data:

- *People Matter Employee Survey*
- *Workforce Profile Data*
- *NSW Public Service Ethics Stocktake*
- Senior Executive Service Executive Development Program.

People Matter Employee Survey

The *People Matter Employee Survey* gathered quantitative data on the values, experiences and working conditions of more than 60,000 public sector employees, with a focus on the work experiences of colleagues, workplaces, managers and the organisation. Frontline staff (for example, teachers and nurses) comprised more than 60% of respondents, with the remainder made up of non-frontline staff such as those in administrative support, corporate services and the executive.

This is the first such comprehensive survey of NSW public sector employees. It was developed with the assistance of the Victorian State Services Authority. As a result, it is possible for answers to 64 of the questions asked in NSW to be benchmarked against the 2011 and 2012 results for Victorian public sector employees.

In interpreting the two states' data sources, there are some matters of context to consider. First, in general, there are common trends in the views and experiences of NSW public sector employees and their Victorian colleagues. This is not surprising given the sectors have similar characteristics.

Second, and in general, NSW data are consistently around five to 10 percentage points lower than the Victorian data. Given this was the first time that the *People Matter Employee Survey* was implemented, the reliability of these differences will be clearer when the NSW survey is repeated in two years.

A companion report setting out the main findings of the *People Matter Employee Survey* can be found at www.psc.nsw.gov.au/sops1/2012/

Workforce Profile

The NSW public sector *Workforce Profile* provides data about the characteristics of the NSW public sector labour force. All agencies within the NSW public sector participate in the data collection (including budget-funded general government agencies as well as State Owned Corporations and Government Trading Enterprises). Collections have been undertaken annually since 1999 and information published every year.

The *Workforce Profile* provides current data and historical trends on the characteristics of the NSW public sector workforce including its size, demographic composition (such as its gender, equal employment opportunity (EEO) and age profile) and the employment status of individuals (such as numbers of permanent, part-time and casual employees).

A companion report setting out a more detailed analysis of the *Workforce Profile* data is provided at www.psc.nsw.gov.au/sops1/2012/

Ethics Stocktake

The *Ethics Stocktake* is an in-depth study of the ethical issues facing employees in the NSW public sector.[34] This independent qualitative research was carried out by the St James Ethics Centre for the PSC and completed in September 2012. It is the first time such a far-reaching study of NSW public sector values, culture and practices has been undertaken.

The St James Ethics Centre carried out 63 detailed interviews and 23 in-depth focus groups involving more than 220 public sector employees from all nine clusters that make up the NSW public sector. These employees were predominantly middle managers and chief executives, and six of the focus groups were held in regional NSW.

33 Note: In the NSW Government the various entities and organisations are grouped into nine clusters. They allow similar government services to be coordinated within broad policy areas. Clusters are groupings around service delivery areas like education, health, human services, transport, economic development and justice.

34 St James Ethics Centre (2012)

The St James Ethics Centre used interviews and focus groups to identify 79 ethics issues that exist in the culture and work practices of agencies as well as the decision making and conduct of employees. It also explored the ethical cultures, systems and behaviours that have developed over past years in different parts of the public sector.

Senior Executive Service Executive Development Program

The Senior Executive Service Executive Development Program targeted all executives at SES levels 4–6 or equivalent (approximately 430 people). The executives were assessed against 13 capabilities to provide a baseline of the relative strengths and weaknesses of this cohort and a sound basis for planning their capability development.

This report also uses data collected from PSC projects undertaken in 2011–12.

A new view of the NSW public sector

This inaugural *State of the NSW Public Sector Report* takes a different approach to previous overviews of the NSW public sector. In the past, a variety of approaches were used to describe the state of the NSW public sector, including the machinery-of-government approaches (which show how agencies are organised into nine clusters) and the budget approach (which lists the general government agencies and the actual and estimated expenditure and revenue for those agencies). While these overviews of the public sector have value, they are also static and cannot be easily used to identify strategies to improve the sector's performance.

The State of the NSW Public Sector Report, like state of the sector reports in other jurisdictions, focuses on the people who make up the public sector, their capabilities, the organisational contexts they work within, how their work is organised and how well the workforce is delivering services to the people of NSW.

Together, the *Ethics Stocktake*, the *People Matter Employee Survey*, the Senior Executive Service Executive Development Program and the *Workforce Profile* give deep insights into the state of the NSW public sector, its strengths and weaknesses, and possible public sector performance improvement strategies.

The findings are reported at two levels of analysis: the individual employee level and the organisational level. Employee-level data include references to the experiences, views and behaviours of individual public sector employees. Organisation-level data include references to the culture, leadership, systems and practices of organisations which, depending on the context, may include agencies and/or clusters.

These two levels of analysis are summarised in Table 1 below, with the 'Workforce' row referring to the characteristics and experiences of individual employees, and the 'Policies, systems and functions' row referring to the characteristics and experiences of organisations.

Table 1: Levels of analysis in the *State of the NSW Public Sector Report 2012*

Level	Values & ethics	Capability	Productivity
Workforce (overall sector, by service type, by occupational group, by geographical distribution)	• Understand and work within the legislated values	• Is competent and fit-for-purpose • Reflects the diversity of the community	• Are engaged and perform at appropriate levels of productivity • Retention
Policies, systems and functions (overall sector, within and across agencies)	• Values are embedded in policies and systems • Support integrity, trust, service and accountability	• Leadership and leadership development • Workforce planning • Recruitment and training	• Efficient and cost-effective deployment • Performance management • Support innovation

Chapter 2

Values & ethics

By instilling strong ethical practices, organisations can increase efficiency, engage employees and enhance their corporate reputation.

About this chapter

This chapter documents the state of values and ethics in the NSW public sector in 2012.

It uses original research from the *People Matter Employee Survey* and the *Ethics Stocktake* to identify the current values and practices of public sector organisations (including their corporate culture, leadership, system and practices) and of public sector employees (including their experiences and conduct with colleagues, managers and customers).

This research also provides information that can be used to develop strategies to further embed the Ethical Framework core values and principles into agency and employee practice.

What's the issue?

The NSW Government enacted an Ethical Framework for the public sector in 2011. The amendments to the *Public Sector Employment and Management Act 2002* (PSEM Act) formalised two ethics objectives, four core values and 18 ethics principles that are to be applied by all people employed in the NSW public sector.

These objectives, values and principles were not new; they had been implemented by best-practice organisations, workplaces and employees in NSW and in other Westminster-style public sectors in other jurisdictions. However, this is the first time that the objectives, values and principles of good public sector practice have been embedded in the legislation that is the basis for employing NSW public sector employees. In turn, there is now a legal requirement for public sector agencies and employees to implement the Ethical Framework.

The Ethical Framework is also important for a second reason, which was also discussed in the previous chapter: the public sector must improve its productivity. There is now clear evidence that the productivity of the labour force is significantly influenced by the values that underpin the culture, leadership, systems, services and practices of agencies and workplaces.[35]

The core values for the NSW public service – integrity, trust, service and accountability – are likely to promote improved service quality and productivity, encourage stronger citizen participation in shaping policy and service delivery, and engender trust in the institutions of government including the NSW public sector.

These core values focus on the delivery of results for:

- customers and clients
- people (the organisation's beliefs, systems and practices prioritise caring, collaboration and concern for employees)
- processes (the organisation's beliefs, systems and practices prioritise innovation, responsiveness and adaptation).

They challenge the negative values the *NSW Commission of Audit Interim Report* found in some agencies, which are associated with minimal public trust, poor employee relations and low productivity.[36]

35 See, for example, Boedker et al (2011) or Corporate Leadership Council (2010).

36 NSW Government (2012a)

Chapter 2: Values & ethics

The importance of ethics, values and culture change

The focus on ethics, values and culture change is increasingly recognised as an important element of public sector reform.

In the past two decades, public sector management and public sector administration reform consisted of numerous strategies: restructuring organisations, program budgeting, using new (private sector) service delivery models, ICT reforms, outsourcing and emphasising practices such as risk management and compliance. Many of these reforms did not always produce the expected outcomes because of factors such as the intangible elements of the organisation's corporate culture, employee beliefs and values, and control-based routine work practices.

These elements continued to influence agencies' operations, regardless of changes to organisational structures, policies and service delivery models. On the other hand, individual government policies aimed at making agencies more customer-focused and requiring agencies to survey staff views have explicitly focused on changing the culture of the public sector.

Today, experts with extensive experience in the public and private sectors stress the need to take a coordinated and systematic approach to changing corporate culture and practices in government organisations. They also emphasise the importance of sustained leadership over time to making these changes. Reform needs to be based on open, accountable and fair government,[37] with leaders who encourage ethical behaviours, high morale and pride in the public service.[38]

As Gary Sturgess, the NSW Premier's Australian and New Zealand School of Government Chair of Public Service Delivery, notes, the challenge is to build a new public sector culture and related practices:

> Far too often, we design our public institutions to minimise scandal, not to maximise the social value of the services they deliver. It has long been recognised that the traditional bureaucratic response to this blame-oriented culture is a retreat into accountability systems based on compliance with due process. And the history of public management in the entire post-war period is an attempt to turn that around – to get public service managers to focus on performance, on the results, on the outcomes.[39]

Effecting change

As outlined in the Introduction, in 2011 the NSW Government instituted a new Ethical Framework to promote ethical behaviours and practices in the NSW public sector by amending the PSEM Act.

The Ethical Framework outlines four core values – integrity, trust, service and accountability – and 18 principles. It applies to all employees in the NSW public sector, including health, police, teaching and transport services areas, and prescribed State Owned Corporations. The Framework is to be embodied in agency and workplace cultures, systems, practices and service delivery, and is expected to deliver major improvements in public trust, employee relations and productivity.[40] This culture-change approach to improving public administration is part of the NSW Government's broader vision to make the NSW public sector the best in Australia and a leader in the world.[41]

The strength of this culture-change approach is that it provides employees with guidance on delivering better services under complex conditions, where they may be faced with competing social, economic and political priorities; an intricate mix of Commonwealth, state and local government service providers; and a multi-faceted mix of individual and community needs. It differs from the traditional rules-based compliance approach to government operations and conduct, which can be useful when employees face relatively simple ethical dilemmas, but is less helpful in complex, conflicted and context-dependent situations.

Our research

In developing a culture change–based approach to public sector reform, the PSC needed to understand the values and practices that exist in the NSW public sector, and the attitude of employees to the implementation of the Ethical Framework's objectives, core values and principles.

To do this, the PSC sponsored the *People Matter Employee Survey* and *Ethics Stocktake* described in the Introduction. Both addressed three key questions:

1. Are the cultures, systems and practices of NSW agencies and workplaces consistent with the Ethical Framework values of integrity, trust, service and accountability?
2. If not, what values and practices currently underlie the culture, systems and practices of the NSW public sector?
3. What strategies will assist the NSW public sector to align its approach with the values and principles of the Ethical Framework?

The surveys provide unique insights into the culture, systems and practices of the NSW public sector and establish a benchmark from which to measure future progress. They also provide the evidence needed for the PSC to develop improvement strategies for the sector.

37 Institute of Public Administration Australia 2011
38 Gleeson (2010)
39 Sturgess (2011)
40 NSW Government (2012b)
41 NSW Government (2011a)

The focus on ethics, values and culture change is increasingly recognised as an important element of public sector reform.

What we found

Findings from the *People Matter Employee Survey*

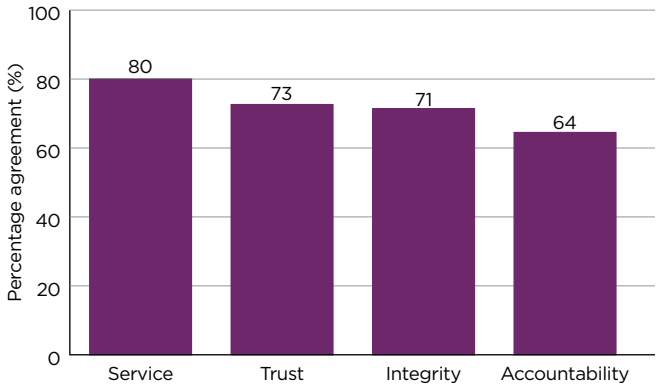
The *People Matter Employee Survey* provided quantitative data on the values and behaviours of public sector employees, workplaces and organisations. It asked participants to what extent they agreed or disagreed with a series of statements about their experiences of their workgroup, manager and organisation. The first part of the survey focused on employee understanding of the four core values, and the second on employee experiences. The results discussed in this chapter relate to the first part of the survey on values, including the issue of bullying discussed at the end of this chapter.

Perceptions across all core values

Figure 1 below outlines responses to the core values (service, trust, integrity and accountability). Most respondents (80%) agreed that their workgroup[42] and organisation were delivering services that met customer needs.

Of the four core values, employees were most positive about service. Overall, 80% of participants agreed that their workgroup and organisation provide, and strive toward, high-quality service. This sentiment was expressed by managers (81%), non-managers (80%), frontline (79%) and non-frontline (83%) staff.

Figure 1: Employee perceptions of the extent to which the four core values of the Ethical Framework have been applied in their workplace



42 'Workgroup' is defined as the respondent's immediate team for the purposes of the survey.

Chapter 2: Values & ethics

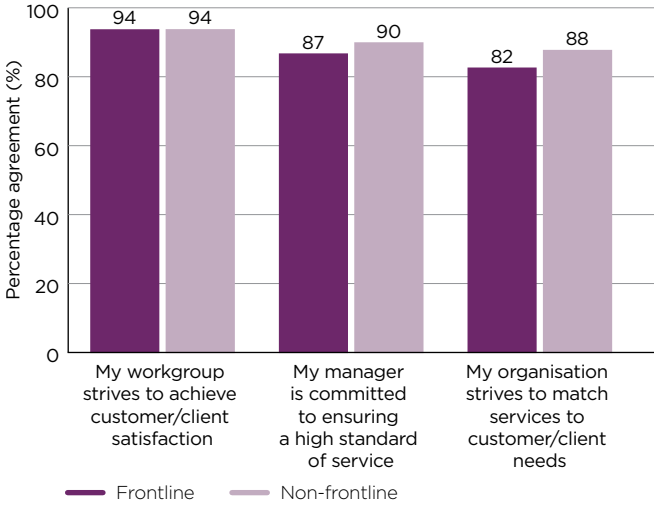
Customer service by workgroup, manager and organisation

There were perceived differences between the extent to which workgroups, managers and whole organisations were committed to customer service.

Almost all frontline and non-frontline employees agreed that their workgroup strived to achieve customer and client satisfaction (94% for both) (see Figure 2). However, slightly fewer frontline and non-frontline employees considered that their managers were committed to service delivery (87% and 90% respectively) and fewer considered that their organisation as a whole was committed to matching services to customers' and clients' needs (82% and 88% respectively).

The views of NSW public sector employees about service were similar to those of Victorian public sector employees. For example, 94% of all NSW employees agreed that their workgroup strived to achieve customer and client satisfaction, while 97% of Victorian employees had the same view. Similarly, 84% of all NSW employees agreed their organisation strived to match services to customer or client needs, while 91% of Victorian public sector employees agreed with this view.

Figure 2: Employees' perceptions of the support for customer service by their workgroup, managers and organisation



Elements of trust

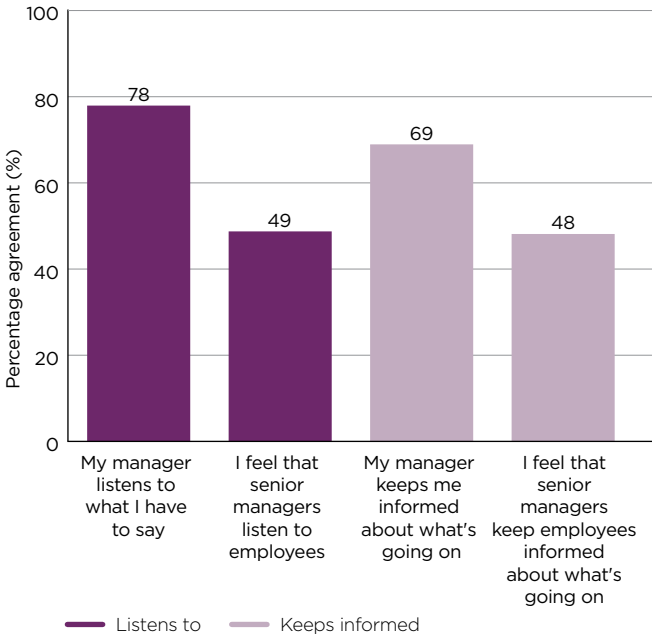
Participants were asked about various elements of the core value of trust at the organisation, management and workgroup level. This included whether members of their workgroup treated each other with respect; whether their manager listened to what they had to say, and whether their organisation provided procedures and systems that ensured employees avoided conflicts of interest.

The majority of employees (85%) agreed their organisation strived to earn and sustain a high level of public trust. Most employees (80%) also reported that their organisation had procedures and systems to ensure employees avoided conflicts of interest. Even more employees (85%) said managers encouraged them to avoid conflicts of interest. Even so, some 42% were not confident that – in practice – they would be protected from reprisal if they reported improper conduct.

Another indicator of trust is the respect that employees have for each other, their immediate managers and more senior levels of management. More than three-quarters (77%) of respondents indicated that members of their workgroup treated each other with respect and slightly more (78%) believed their manager treated employees with dignity and respect.

By contrast, less than half (48%) of the employees surveyed felt their senior managers kept employees informed about what was going on. Similarly, only 49% of employees reported that senior managers listened to employees. However, when asked about their manager, 78% of employees reported they were listened to, and 69% reported they were kept informed about what was going on (see Figure 3).

Figure 3: Employees' perceptions of trust in their managers and senior managers



NSW public sector employees had similar levels of agreement on the value of trust as their Victorian colleagues. For example, 85% of NSW employees considered that their organisation strived to earn and sustain a high level of public trust, and 92% of Victorian public servants had a similar view.

The largest difference on this value between NSW and Victorian public sector employees is whether members of a workgroup treated each other with respect: 77% of NSW employees agreed with this statement compared to 88% of Victorian employees.

Some responses, such as those relating to the role of senior managers, reinforced the need to focus on improving executive leadership capability, as well as systems and processes.

Views on integrity

For the core value of integrity, employees were asked about their perceptions of honesty, impartiality and objectivity in decision-making. Close to three-quarters (70%) of employees agreed that their organisation had procedures and systems that ensured objectivity in decision-making; their manager emphasised the need for impartiality in decision-making (77%); and that people in their workgroup were honest, open and transparent in their dealings (79%). A similar proportion (77%) of public sector employees believed their manager would take appropriate action if decision-making processes were found to be biased. This means that around one-quarter of public sector employees held contrary views on integrity.

The responses of Victorian and NSW public sector employees were similar on this issue. Both considered that the people in their workgroup were honest, open and transparent in their dealings (79% for NSW employees and 87% for Victorian employees). The greatest discrepancy between the two jurisdictions concerned the procedures and systems that their organisations had in place to ensure objectivity in decision-making: 70% of NSW public sector employees agreed that their organisations had such procedures and systems compared to 82% of Victorians.

Questions about accountability

Accountability elicited the weakest responses by employees among the four core values.

Only 46% of NSW Government employees considered that their senior managers provided clear direction for the organisation's future.

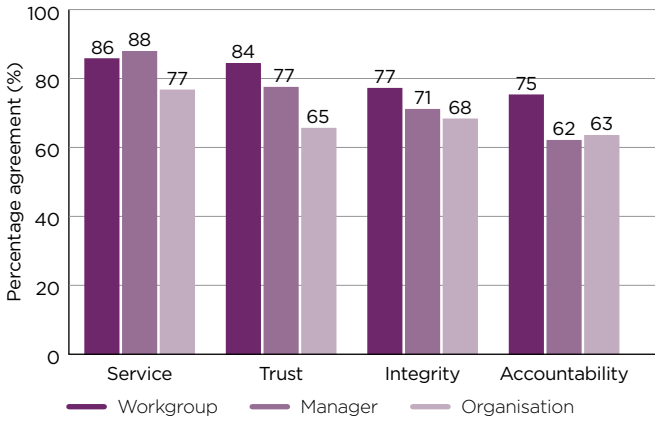
Half of employees supported the view that 'My manager appropriately deals with employees who perform poorly'. Less than two-thirds (61%) felt they received feedback on their performance that was useful in enabling them to deliver the results required of them. Three-quarters of employees believed that their manager encouraged people in their workgroup to monitor and improve the quality of their work.

There are similarities between NSW and Victorian public sector employees on the core value of accountability. Three-quarters of NSW public servants considered that people in their workgroup used time and resources efficiently, while around 81% of Victorians agreed with this view. However, there was a 10 percentage point difference between NSW and Victorian public sector employees on the issue of whether their manager encouraged people to monitor and improve the quality of their work: 75% of NSW employees agreed with this statement compared to 85% of their Victorian counterparts.

How values are applied at the workgroup, manager and organisation level

Participants were asked the extent to which they agreed with a series of statements about their workgroup manager and organisation under each of the four core values. Questions about the organisation focused on culture, systems and processes, as well as leadership and senior management actions. While respondents generally agreed that their workgroup observed the values, they were less certain about their organisation (see Figure 4).

Figure 4: The extent to which employees perceive the four core values of the Ethical Framework as applied by their workgroup, manager and organisation



It is important to note that this result is not surprising. In most surveys of workplace issues, employees feel more positively about the people they work with directly compared to other employees who are further removed from their day-to-day work experiences.

Chapter 2: Values & ethics

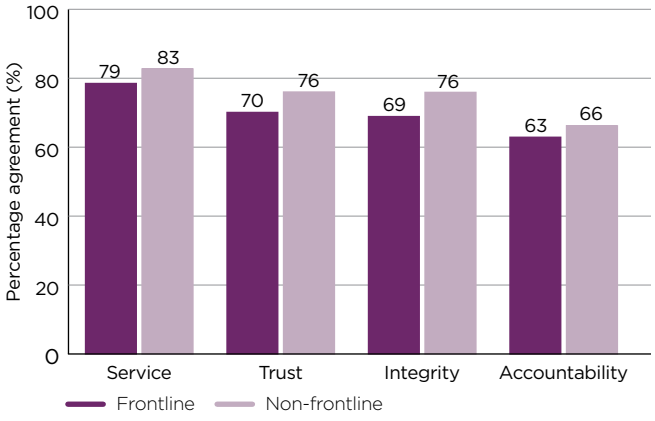
Frontline and non-frontline staff perspectives

While managers and non-managers shared similar views on each of the four core values, more non-frontline staff agreed with all of the statements about their workgroup, manager and organisation than frontline staff.

The most significant difference[43] between these two groups was on the questions about integrity. Non-frontline staff reported an average of 76% agreement with the questions about their manager, workgroup and organisation, compared with 69% of frontline staff (see Figure 5).

Many of the questions about integrity centred on objectivity and impartiality in decision-making. While these results are not especially low, the difference between the two perceptions may help inform how strategies are implemented for frontline and non-frontline staff.

Figure 5: The extent to which frontline and non-frontline employees perceived the four core values of the Ethical Framework as applied in their workplace



A detailed companion report of data from the *People Matter Employee Survey* is available at www.psc.nsw.gov.au/sopsr/2012/

Findings from the *Ethics Stocktake*

As well as gathering the views and experiences of employees across the public sector through the *People Matter Employee Survey*, the PSC engaged the St James Ethics Centre to identify links between the ethical issues that public sector employees faced and their causes.

Managers listed 79 ethical issues that affected the performance of the NSW public sector. These concerned working relations with colleagues, clients and customers, ministerial officers and stakeholders, as well as the personal conduct of individuals. The eight most commonly mentioned were:

1. difficulties in responding to and/or managing poor performance, including issues with systems, employees and management
2. the need for transparent relations between ministerial offices and public sector employees which recognise the unique roles of each. What the St James Ethics Centre work points to is the need for very clear articulation of these roles and ongoing education of *both* advisers and public sector employees to ensure not only that Ministers receive frank and fearless advice but also that public sector employees are properly responsive once that advice has been considered
3. the need for transparent relations between ministerial offices and public sector employees
4. the challenge of resisting bias in decision-making
5. support for affirming public service values and the Ethical Framework across the sector
6. the need to better address poor performance
7. challenges to the merit system which too often delivers 'jobs for mates'
8. bullying.

In light of these findings, the *Ethics Stocktake* made 15 recommendations on strategies that would assist agencies and employees to implement the objectives, core values and principles of the NSW Government's Ethical Framework.

These recommendations address:

- **Corporate culture:** move to values-based corporate cultures that encourage discussion of ethical issues (replacing the existing approach of risk avoidance and self-censorship).
- **Leadership:** public sector leaders at all levels need to 'walk the talk' – leading by example to set ethical standards and drive change in their organisations.
- **Systems:** revise agency systems – including the merit-based human resources and agency procurement systems – to be more principles-based rather than regulatory.
- **Individual conduct:** revise codes of conduct so they are based on values and principles.
- **Performance measurement:** regularly measure and monitor the ethical health of organisations, operations and workforces.
- **Agency-ministerial relations:** promote greater transparency in relations between agencies and ministerial staffers.
- **Ethics governance:**
  - agencies establishing ethics committees/panels to lead change management in their cultures, systems design and practices
  - establishing a cross-agency network of ethics practitioners across the public sector
  - reviewing the practice under which Senior Executive Service employees are engaged on service contracts, yet senior officers are permanently appointed.

43 Note: all figures from the *People Matter Employee Survey* are significant at the 5% level

Almost all frontline and non-frontline employees agreed that their workgroup strived to achieve customer and client satisfaction.

The role of the PSC and current projects

Respondents to the *Ethics Stocktake* expressed strong support for the PSC to lead agencies and employees in building ethical organisations, practices and services. The PSC has a number of projects currently underway or being planned, including:

- working with Directors-General to secure their support for ethics initiatives in each departmental cluster
- developing and implementing leadership development programs to build the skills and capabilities of Senior Executive Service employees, including a tailored ethics capability program
- replacing the existing prescription-based code of conduct with a new principles-based code of conduct
- developing online resources for agencies to identify and mitigate ethical risks particular to their operating environments
- encouraging employees to openly and transparently discuss ethics issues
- hosting a cross-jurisdictional conference to promote public sector best practice cultures, systems and practices
- exploring the use of a Customer Service Citizen Survey to measure the extent to which the core values are experienced in public service delivery.

Workplace bullying

Workplace bullying is a serious problem that is being reported more commonly in workplaces across all sectors and internationally.[44, 45] It has also been found to have a highly destructive impact on individuals, their families and the workplace, and a very significant cost to organisations and the community.[46]

WorkCover NSW describes workplace bullying as repeated, unreasonable behaviour directed towards a worker or a group of workers that creates a risk to health and safety.[47] Further, in June 2012, the Commonwealth Minister for Employment and Workplace Relations tasked the Education and Employment Committee[48] to inquire into the causes and extent of workplace bullying in Australia and consider proposals to address bullying cultures and prevent their development.

The NSW Government estimates that bullying in NSW workplaces across all industries and sectors has cost the state economy almost $100 million in the last three years. It also recently introduced a Bullying Prevention Kit to help employers tackle the issue in NSW workplaces.[49]

Bullying in the NSW public sector

Responses to the *People Matter Employee Survey* show that bullying is a significant issue in the NSW public sector:

- almost one-third (29%) of respondents said they had personally experienced bullying in the workplace in the last 12 months
- almost half (48%) had witnessed bullying at work
- ten per cent were experiencing bullying behaviour at the time of the survey
- six per cent had formally complained about bullying behaviour.

This bullying typically involved a combination of behaviours, including intimidation (reported by 17% of respondents); exclusion or isolation in the workplace (13%); verbal abuse (12%); psychological harassment (11%); and deliberate withholding of information vital to their effective work performance (9%).

There was a statistically significant difference between male employees (who were more likely to report that they were bullied by a senior manager) and female employees (who were more likely to report that they were bullied by fellow employees). The reasons for this statistical difference will need to be explored more fully because decades of research have shown that there are often a number of complex causes for the differences between the experiences of males and females.

Ethics Stocktake participants reported that bullying was the eighth most mentioned ethical issue, and said behaviour such as verbal abuse was typically part of a collection of workplace characteristics including poor communication, low employee satisfaction and inefficiency.

Although instances of bullying and harassment were seen as a significant problem, there was a perception that attempts by managers to address staff underperformance or to introduce change could be seen as bullying by employees – no matter how they were carried out.

44 Kieseker and Marchant (2001)
45 Tehrani (2005) p.29
46 Kieseker et al (2001)
47 WorkCover NSW (2011)
48 House of Representatives Standing Committee on Education and Employment (2012)
49 WorkCover NSW (2010)

Case study: Addressing bullying in the Ambulance Service

The Ambulance Service of NSW (Ambulance) has been faced with the challenge of addressing workplace conflict, bullying and harassment, and promoting a positive organisational culture. The approach taken by the agency recognises that bullying has a number of systemic contributing factors, and that any approach must focus on reducing the risk of associated psychological impacts.

Integrated suite of initiatives

Ambulance has provided a Healthy Workplace Strategies (HWS) program, which contains an extensive range of initiatives and activities to manage and monitor workplace conflict, bullying and harassment. The program initiatives are designed to comply with relevant legislative requirements and NSW Ministry of Health policy.

The HWS program improves the workplace environment, promotes early resolution of conflict at a local level, helps staff members resolve issues and simplifies policies and procedures for managing workplace concerns.

Ambulance has adopted an organisation-wide approach, with a suite of integrated initiatives including:

- Straight Talk™ Respectful Workplace Training (RWT) for all staff
- the development of Phase 2 RWT program and a DVD, which was provided to all staff in 2011–12 on how to raise and respond to workplace grievances and concerns
- a simplified grievance policy, which sets out specific staff responsibilities in raising and managing workplace concerns
- a tailor-made Ambulance Management Qualification (AMQ) to improve frontline managers' confidence in managing grievances and responses to concerns about bullying and harassment
- the establishment of an internal mediation service with accredited mediators
- the development of 'Our Values', which sets out behaviours that do (and do not) represent respect, care, professionalism, teamwork and accountability, and incorporating these in the agency's strategic plan and performance development program
- enhancing staff support services by establishing a Grievance Contact Officer Program, an expanded Peer Support Officer Program, a Chaplaincy service and an Employee Assistance Program
- establishing Employee Wellbeing Resilience programs to strengthen and complement the range of staff support services available and enhance the capacity of Ambulance to respond to concerns about the psychological wellbeing of employees.

Results

Since these measures were put in place, there have been significant improvements across key areas, including better service delivery and flow-on benefits to patient care.

There has been a 65% reduction in behavioural and human performance complaints, and a positive impact on achieving organisational cultural change.

In 2011–12, more than 90% of employees surveyed were aware of 'Our Values'. Following the training, 83% of participants identified what they would do differently as a result of the training, including respecting confidentiality, taking early action, using Straight Talk and following policy.

Results from a 2011 survey indicated that the awareness and general knowledge of managers resolving workplace concerns and grievances had increased. Some 79% of AMQ participants surveyed indicated that the AMQ had improved their knowledge of how to handle workplace concerns and/or grievances. Similarly, 84% of AMQ participants surveyed specified that the AMQ reaffirmed their responsibility to monitor the wellbeing of their staff.

Reducing psychological injury and costs

The implementation of the HWS program saw a reduction in the cost of psychological claims by over 72% between 2006–07 and 2011–12, representing a potential saving of over $17 million.

Source: Ambulance Service of NSW

The *Ethics Stocktake* also found that almost all agencies had policies to prevent or counter bullying, but implementation was inconsistent. Further, agencies often had differing bullying and harassment complaint systems. For example, some found that treating bullying as a grievance (which does not involve a formal independent investigation) was time-consuming and generally unsuccessful in resolving the underlying issues; however, treating bullying and harassment as a disciplinary matter (with formal complaints that require a threshold of evidence to be met) was more successful.

Future actions

In summary, the *Ethics Stocktake and the People Matter Employee Survey* indicate:

- there is strong support among employees, managers, senior managers and organisations for the Ethical Framework service values
- there appear to be significant differences between organisational statements about the importance of integrity and trust and actual employee experiences
- the most low scoring responses of employees concerned the core value of accountability, where relations between employees and their managers and organisations were only considered to be positive by around half of all respondents.

Based on these and all the findings of the original research studies, the Public Service Commissioner will continue to promote and maintain the core values throughout the NSW public sector through a number of specific whole-of-government projects.

The PSC has begun to develop an ethics training program for agency leaders to assist them to embed the Ethical Framework in their clusters and agencies. In 2012–13, the Ethical Framework will be integrated into the Model Code of Conduct, which identifies the minimum conduct requirements for public sector employees. The PSC also plans to refocus the NSW Capability Framework of the NSW public sector to incorporate the Ethics Framework so that it is central to the recruitment and promotion of all employees.

Further, in 2013, the PSC will conduct a survey to gauge the levels of confidence and trust the public has in the public services they receive. This feedback will help measure the progress of agencies in embedding the core values and principles into the policies, systems and practices of agencies, and the conduct of public sector employees.

Chapter 3

Our capability

An agile, capable workforce is vital if the NSW public sector is to improve efficiency and provide high-quality services.

About this chapter

This chapter describes some of the key influences on the capability of the public sector workforce. It gives a brief overview of certain factors, including the knowledge, skills, abilities and experience of employees and the systems and networks that make it possible for them to deliver services in an organised and accountable way to the people of NSW.

Why capability matters

Building capability is important because the delivery of government services is becoming more complex. Service reform also involves rapid changes in technology and is influenced by automation, outsourcing and the use of contingent labour.

A recent survey conducted by the PSC[50] found that in the four years since it was launched, the NSW Capability Framework[51] has been implemented inconsistently and that there is little evidence of agencies collating and using capability information in their workforce planning. Further, while there is considerable information available about the pay and work history of people employed in the NSW public sector, little is recorded about their capabilities and qualifications.

50 Informal survey conducted by the Public Service Commission in 2012.
51 NSW Department of Premier and Cabinet (2008)

Other capability reviews[52, 53] have shown it is difficult to reliably and effectively map the capability of employees and organisations against their business requirements. A key challenge for NSW will therefore be to establish capability as a foundation framework for workforce management and to measure its connection to business outcomes.

Capability initiatives are providing governments with a platform for innovation and reform.[54, 55] The PSC has taken up the challenge to improve the overall performance and capability of the NSW public sector to better deliver against government priorities. As discussed in this chapter, a number of interrelated projects are underway to build capability. These include implementing better recruitment processes, developing leadership skills, and improving financial and asset management practices.

Focus on leadership skills

The PSC recognises that strategic leadership is critical to enabling the public sector to respond more effectively to future challenges. Accordingly, it is reviewing leadership and other broader capabilities to leverage the creativity, talent and abilities of the public sector workforce, with the aim of building a high-quality public service comparable to the best in the world.

International capability assessments have revealed deficits in leadership, particularly in leaders' abilities to deal with future challenges in broader workforce capability. The UK Capability Review program,[56] for example, identified leadership as a key area for action. The program has led to further exploration of the connection between employee engagement, overall capability and productivity and performance,[57] including business performance,[58] in the public and private sectors.

The *NSW Commission of Audit Interim Report*[59] noted specific deficits in human resource management in NSW, specifically the need to focus on leadership capabilities, information and communication technology and financial management and procurement capabilities. To address these challenges, the NSW Government is prioritising reforms to boost performance and capability in the public sector.

52 UK National Audit Office (2009)
53 Australian Public Service Commission (2011a)
54 Australian Government (2010)
55 NSW Government (2011b)
56 UK National Audit Office (2009)
57 Engage for Success (2011)
58 Corporate Leadership Council (2012); Corporate Leadership Council (2011)
59 NSW Government (2012a)

Chapter 3: Our capability

Our research

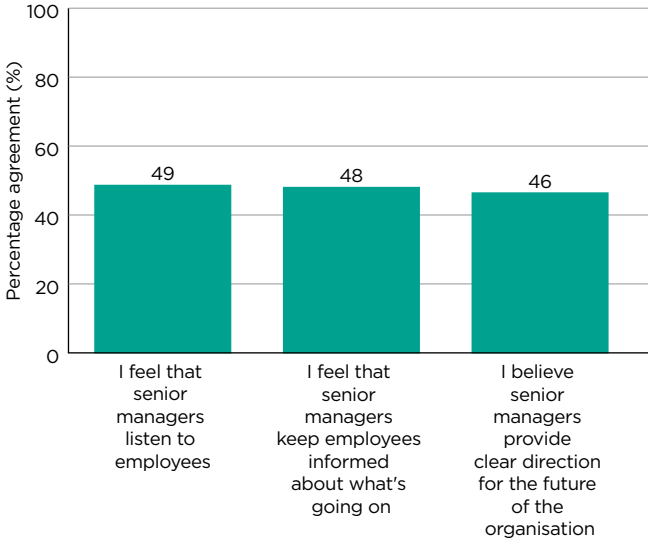
This chapter draws on several data sources, including the *People Matter Employee Survey*, an assessment process as part of the Senior Executive Service Executive Development Program, ABS data and *Workforce Profile* data for 2012, to explore how leadership, diversity, recruitment, mobility, and learning and development can help develop workforce capability.

Leadership communication

The *People Matter Employee Survey* findings, in particular, provide evidence to support the *NSW Commission of Audit Interim Report*'s recommendation that the Government should focus on leadership and management in the public sector. Pertinent findings were whether managers listened to employees, whether employees were kept informed about what was going on and whether managers provided clear direction for the future of the organisation.

When asked whether they agreed with the statement that senior managers 'listened to employees', only 49% of survey respondents agreed. Only 48% of all respondents agreed that senior managers 'keep employees informed about what's going on' and 46% of respondents agreed that senior managers 'provide clear direction for the future of the organisation' (see Figure 6). This means that overall, just over half of employees disagreed that communication by senior managers was adequate.

Figure 6: Perceptions of senior managers' communication with their employees

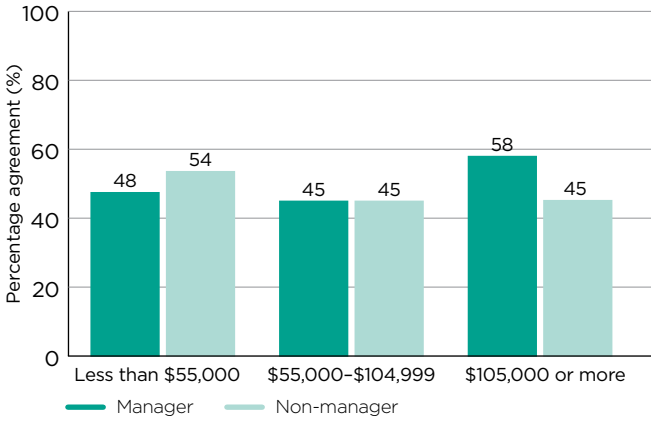


The NSW Government is prioritising reforms to boost performance and capability in the public sector.

Employees on different income levels had contrasting perceptions of the extent to which their senior managers kept them informed. While just over half of all surveyed employees held concerns about communication by management, employees who were on salaries of more than $105,000 were generally less concerned (see Figures 7 and 8).

More highly paid managers (58%) agreed that senior managers kept them informed, but the middle-income groups reported less favourable responses about being kept informed (45%), whether or not they were managers. It appears that those on middle level salaries were most concerned (see Figure 7).

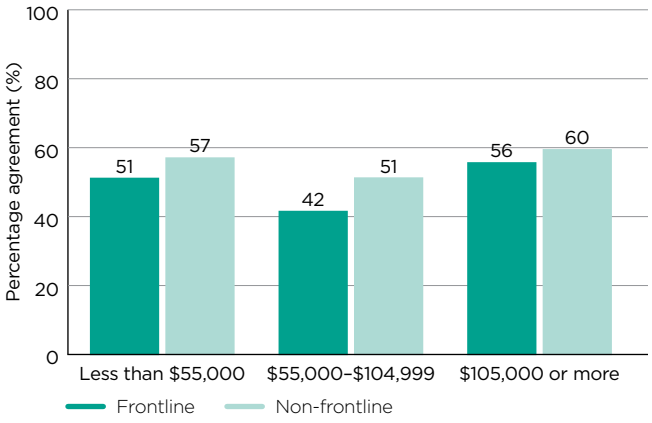
Figure 7: Managers' and non-managers' agreement about being kept informed by senior managers



There were also differences in perceptions between frontline and non-frontline staff (see Figure 8). Frontline and non-frontline workers differed on all questions about communication from senior managers.

There was a greater difference in the middle-income group, where only 42% of frontline staff agreed that senior managers listened compared with 51% of non-frontline employees who agreed that managers listened (see Figure 8).

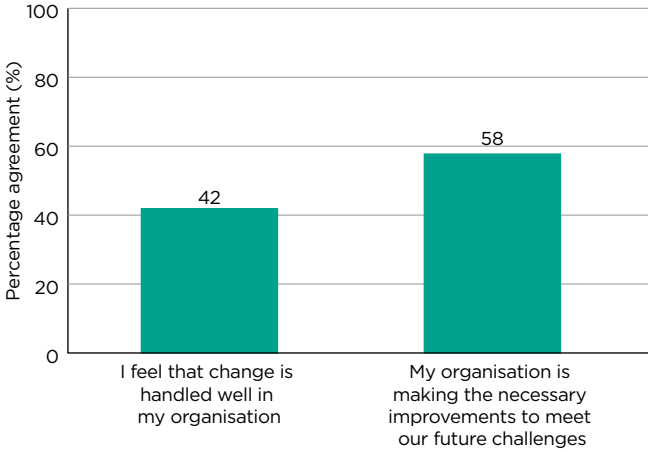
Figure 8: Percentage of frontline and non-frontline workers who feel senior managers listen to employees



Capacity to manage change

Capacity to manage change was another area where employees held poor perceptions of their managers, according to the *People Matter Employee Survey*. Only 42% agreed with the statement that 'change is handled well in my organisation' and 58% agreed that their 'organisation is making the necessary improvements to meet our future challenges' (see Figure 9).

Figure 9: Agreement that organisations are managing change



Note: 12% of respondents did not know whether organisations were making necessary improvements to meet future challenges.

Case study: Developing the leaders of tomorrow

In 2008, it was estimated that 75% of managers in the NSW Department of Finance and Services would retire in the next 10 years, prompting concerns about succession management and the need to develop a pool of managers and leaders for the future.

The Department established the Leadership Development Program (LDP) to build the core capabilities of managers, and to ensure their skills were passed onto the next group of upcoming leaders. The program catered to the development requirements of five distinct groups of leaders: aspiring managers, new managers, business managers (ranging from grade 5–6 to 11–12), senior managers (Senior Officer level) and executives (Senior Executive Service level).

For new and business managers, the emphasis was on building effective individual and team management capabilities. Participants were encouraged to increase their self-awareness by using personality-style assessments and 360-degree feedback tools, supported by individual sessions with their manager and a course coach. The program built managers' skills and knowledge around three key themes – people, business and leadership – and comprised fortnightly modules over 10 months.

For senior managers and executives, the focus was on building constructive leadership attitudes and behaviours. Participants were provided with feedback based on their personality style and leadership behaviours, using a 360-degree survey. Each participant received individual coaching from an independent external coach. Seven modules were delivered over 12 months. Post-program assessment showed that 90% of leaders significantly shifted their constructive leadership behaviours over the year.

A five-day program was also implemented to develop aspiring managers. The program included personality-style feedback, which covered the role of a manager, and skills development in a broad range of key management functions. A pre- and post-program self-assessment revealed that participants' knowledge increased by over 50%.

Now in its fifth year, 500 managers have completed the program. As a result, the Department now has leaders and managers who are more goal- and outcome-focused; can empower others through improved delegation and accountability; are aware of their own and others' behaviours; can program time for strategic work; and who have the communication skills to provide constructive feedback to their team.

The Finance and Services group of managers were the overall best performers in the assessment of SES in the Executive Development Program, demonstrating the value in investment in leadership development programs.

Source: NSW Department of Finance and Services 2012

Addressing leadership capability in the executive group[60]

One of the NSW Government's key objectives is to modernise and transform the NSW public sector to make it the best in Australia. To achieve this objective, the PSC, strongly supported by the Senior Management Council of Directors-General of Clusters, has launched a new sector-wide Executive Development Strategy aimed at building capability. As a first and important step, the PSC developed a Senior Executive Service (SES) Executive Development Program (EDP), targeted at all 430 executives at SES levels 4–6 or equivalent of which 337 participated.

Objective assessment was undertaken using eight tools to measure the relative strengths and development needs of this leadership group against 13 capabilities. Each participant undertook online and face-to-face development centre activities and received a confidential outcomes report, individual feedback about the results and coaching to assist development and career planning.

The SES EDP's specific aims are to assess current status then strengthen strategic leadership capability, develop the knowledge and skills needed to deliver major reform, and foster talent within the pool of potential future chief executives. Consultation has shown that this may be the first time that most NSW Government SES employees have focused on leadership and management development in a comprehensive way.

Based on the existing capability frameworks and priorities identified in the *NSW Commission of Audit Interim Report*, this assessment has provided a baseline view of relative strengths and weaknesses in the assessed cohort and a sound basis for planning capability development. Table 2 (overleaf) shows a summary of these capabilities and the number of executives ranked 'competent' or above in each category.

One of the NSW Government's key objectives is to modernise and transform the NSW public sector to make it the best in Australia.

60 The definition of senior managers varies across the sector. The *People Matter Employee Survey* defined senior managers as the 'most senior group of managers in the organisation', including but not defined exclusively as executive management. For the purposes of this survey, this may include line managers. The following section applies only to executive management.

Chapter 3: Our capability

Table 2: Leadership capability of executives

Capability	Number of executives ranked competent or above (rating of 5–9)	Percentage of executives ranked competent or above (rating of 5–9)
Customer focus	323	96%
Complex dependencies	312	93%
Capacity to lead and manage people	306	91%
Organisational resilience	308	91%
Reform and change management	290	86%
Innovation	284	84%
High-level project management	269	80%
Strategic and innovative policy advice	270	80%
Cross-organisation and sector focus	263	78%
High-level ICT management	245	73%
Strategic human resource leadership	231	69%
High-level contract management	201	60%
Strategic financial management	171	51%

The top four results show executive management is currently well placed to deliver against the critical capability requirements of customer focus (96%) and leading and managing people (91%), while continuing to function effectively in a social and political environment (complex dependencies – 93%) and responding positively to risk and adversity (organisational resilience – 91%).

On the other hand, the results show a need to develop capability in ICT, strategic human resource leadership, contract management and strategic financial management. Targeted development addressing these areas, as well as general leadership development, will be delivered progressively from the third quarter of 2012. This will include access to executive coaching, exposure to best contemporary practice in key management areas, attending events focusing on key government priorities, and holding strategy workshops on sector-wide issues.

These leadership development initiatives will reduce risk by strengthening capability in the existing cohort, and enhance the capacity of current and future executives to meet the challenges of senior leadership roles across the NSW public sector.

Strengthening financial management expertise

The EDP process identified strategic financial management as the capability requiring the most development across the sector. A number of factors may have contributed to this finding, including:

- the diverse range of financial systems and budget management processes across and within the nine service clusters
- a lack of clarity or consistency in the role of Chief Finance Officers and their finance teams within clusters and their agencies
- inconsistencies in the weight given by executives to financial considerations in key organisational decisions
- variability in line managers' levels of financial delegation and accountability.

The PSC will work closely with NSW Treasury to ensure that all group and individual executive development initiatives aimed at improving financial capability are aligned with NSW Treasury's intended system reforms.

In addition, the PSC will include a finance module in the Capability Framework it is developing (see the 'Developing the leaders of tomorrow' case study involving the Department of Finance and Services on page 26). This module will describe expected capabilities across different roles and levels, not only for finance professionals but for all executive and management staff members.

Case study: Recruiting Aboriginal people to the NSW Police Force

For the past four years, the NSW Police Force and TAFE NSW have undertaken a joint initiative called the Indigenous Police Recruitment Our Way Delivery (IPROWD) program. Funded by the Australian Government, the program delivers education and training to Aboriginal people across NSW to assist them to gain entry into the NSW Police Academy at Goulburn.

The IPROWD program was developed as an 18-week, Vocational and Study Pathways Course (Certificate III). It is specifically designed to give Aboriginal people the skills, knowledge and confidence to join the NSW Police Force. The force provides mentoring during and after the course.

Charles Sturt University was consulted during the implementation and supports the IPROWD program as a bridging course for Aboriginal enrolment for the Associate Degree in Policing Practice (ADPP) course.

The IPROWD program has significantly contributed to the capability of the NSW Police Force, with 240 Aboriginal people enrolling in the program since its launch in 2010. Of those, 204 have successfully completed the Certificate III program, and 27 students have gained entry to the NSW Police Academy. Twelve students are on track to graduate from the Police Academy to become full Probationary Constables. Twenty-two IPROWD graduates are currently employed by the NSW Police Force.

IPROWD was recently acknowledged by the Australian Government as one of the most successful programs funded by the Department of Education, Employment and Workplace Relations (DEEWR) across Australia. DEEWR recently committed funding for IPROWD until 2015. A new funding contract for $2.4 million will commence in December 2012 for a two-year period, giving another 240 students the opportunity to take part in the program in 2013 and 2014.

Source: NSW Police Force 2012

Chapter 3: Our capability

Promoting workforce diversity

Another component of capability is diversity. A diverse workforce increases the talent pool and overall capability, and encourages innovation. Most diversity strategies attempt to better represent diverse demographic groups in the workplace; however, there are emerging views about how to use the range of skills available within more diverse groups.[61]

Evidence suggests that diversity can have a significant impact on business outcomes if the skills of different groups are better utilised. Private sector experience suggests that diversity is not only about filling quotas for diverse demographic groups, but recognising the range of skills and capabilities available across the workforce. Deloitte, for instance, describes diversity as a way of leveraging the broader set of skills available in teams to add value.[62]

In addition to exhibiting a culture of openness and merit, organisations with a diverse workforce can expand their talent pool, improving outcomes in a number of ways. This is especially true for senior executives and managers who have the ability to involve all workers in delivering service or business outcomes. In doing so, they increase innovation in the workplace. This is also the case for workers who are provided with flexible work arrangements.

Deloitte suggests that diversity of thinking may not be inherent in all managers but can be developed as part of capability building and capability frameworks.[63]

The Government's *NSW 2021* plan recognises that a diverse workforce will add value to effective service delivery.[64] The NSW public sector employs large numbers of women, Aboriginal and Torres Strait Islander peoples, people from other cultural backgrounds and individuals with disabilities. The following section outlines findings from the *People Matter Employee Survey* regarding perceptions about how well these groups are being employed, including comparisons of employment levels. In turn, it provides some insight into the challenges that must be overcome to better utilise the broad skills of diverse groups in the workforce.

Gender equity

Women account for 60.9% of the NSW public sector workforce,[65] a greater proportion than those women employed across the state (45.5%).[66] This gender composition parallels the Victorian public sector where women represent two-thirds of the public sector workforce.[67]

The slightly larger representation of women in the NSW public sector is due to women making up much of the large nursing and teaching workforces. Women represent 63.7% of staff who earn a salary in the lower level salary bands of less than $75,552.

Far fewer women occupy senior positions than men (see Figure 10). There are also more women than men in lower grade positions. However, there has been substantial improvement in the number of women occupying senior roles, including SES roles, over the last decade. In 2000, women accounted for only 22% of senior positions.[68] In 2012, women make up almost 33% of the SES. Still, men hold 67% of SES positions, despite accounting for only 39% of the public sector workforce.

By comparison, in 2010, 8% of executive key management personnel in Australian Securities Exchange 200 companies were women. While this percentage is gradually increasing over time, 61.9% of Australian Securities Exchange 200 companies remain without any women in their executive key management[69] personnel.[70] Caution needs to be taken when comparing the NSW public sector's Senior Executive with the private sector, as different definitions of executive exist across the two sectors.

Perceptions about equal opportunity for both male and female respondents in the *People Matter Employee Survey* indicated overall agreement that organisations provide equal opportunity and a commitment to diversity.

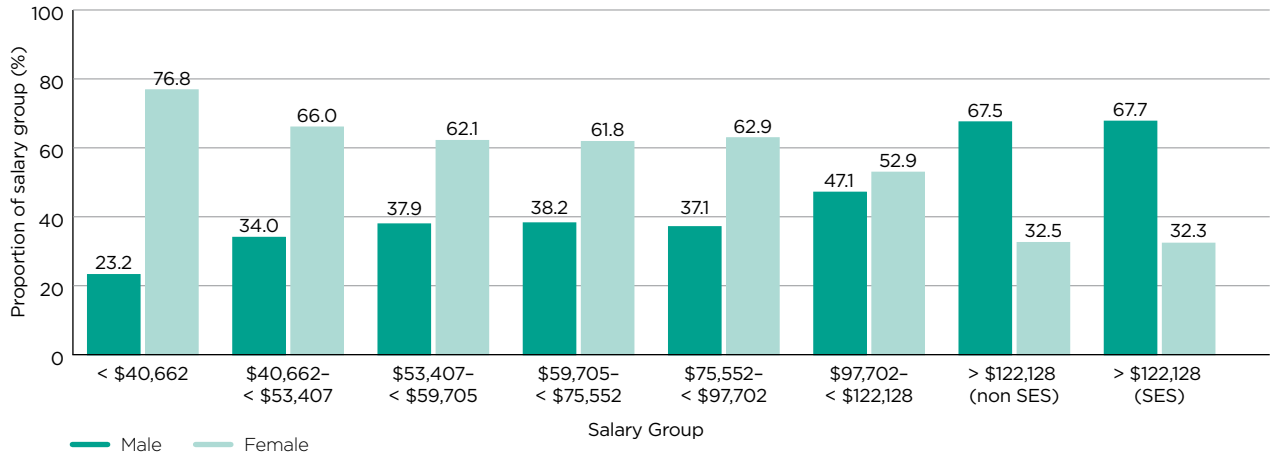
However, there was a small but significant difference in the views of women and men regarding gender as a barrier. A large majority (88%) of women on an annual salary of $105,000 or more agreed gender was not a barrier, compared to 94% of men earning $105,000 or more. There was not a linear relationship between the seniority of female employees and their perception of gender as a barrier.

The PSC is focused on optimising flexibility across the sector to provide a structured pathway for women who want to accelerate their careers. The PSC will monitor impediments to women's careers, which may, for instance, arise from periods in their careers where family has taken priority so that women are not disadvantaged and are offered the widest choices in their career paths.

61 Deloitte Australia (2011)
62 ibid
63 ibid
64 NSW Government (2011a)

65 NSW Public Service Commission (2012)
66 Australian Bureau of Statistics (2012a)
67 State Services Authority, Victoria (2011)
68 Office of the Director of Equal Opportunity in Public Employment (2001)
69 'Executive key management' is defined as key management personnel who are executives of the company.
70 Equal Opportunity for Women in the Workplace Agency (2010)

Figure 10: Remuneration level based on gender (2012 NSW public sector workforce)



Source: NSW Public Service Commission, Workforce Profile Data

Aboriginal and Torres Strait Islander peoples

Aboriginal and Torres Strait Islander peoples represent 2.7% of all NSW public sector employees.[71] This meets the Government's *NSW 2021* priority to improve Aboriginal employment outcomes and the 2.6% target set by COAG's 'Closing the Gap' initiative.[72]

However, compared with the broader workforce, Aboriginal and Torres Strait Islander employees are concentrated at lower classification levels; 48.3% are occupied in salary bands below $59,705 with a further 44.9% in salary bands up to $97,702, and 6.8% up to and over $122,128. There has been some improvement since 2000, when 59% of Aboriginal and Torres Strait Islander employees were at the lowest salary band.[73]

Despite strong progress in growing participation rates by Aboriginal and Torres Strait Islander peoples in the public sector, the separation rates for these staff are significantly higher than for non-Aboriginal and Torres Strait Islander staff, accounting for 5% of all resignations for 2011–12. The *People Matter Employee Survey* showed 79% of Aboriginal and Torres Strait Islander staff intended to stay at their organisation for at least the next year or longer, compared with 84% of the non-Aboriginal and Torres Strait Islander workforce.

The *People Matter Employee Survey* also showed that while 77% of Aboriginal and Torres Strait Islander participants agreed that 'equal employment opportunity is provided in my organisation', this was a significantly lower percentage than for non-Aboriginal and Torres Strait Islander respondents, where 86% were in agreement.

Similarly, while there was fair agreement that 'cultural background was not a barrier to success in my workgroup' among the Aboriginal and Torres Strait Islander workforce (79%), this was a lower percentage than non-Aboriginal and Torres Strait Islander respondents (92%).

Around 80% of Aboriginal and Torres Strait Islander respondents agreed that 'my organisation is committed to creating a diverse workforce'. This was significantly lower than that of non-Aboriginal and Torres Strait Islander respondents, at 88%.

While great strides have been made to improve Aboriginal and Torres Strait Islander peoples' participation in the NSW public sector, the survey findings suggest there are still barriers in the workplace that need to be addressed. The PSC, in collaboration with other government agencies, is seeking to achieve a broader representation of Aboriginal and Torres Strait Islander employees across the sector by supporting greater career progression.

Some of these barriers are being addressed by initiatives such as the NSW Indigenous Cadetship Program. There are also a number of state and national partnerships aimed at better using the Aboriginal and Torres Strait Islander workforce, such as the NSW Police Force and NSW TAFE IPROWD initiative (see above case study). In 2012, the PSC has begun to develop a new Aboriginal workforce management strategy in consultation with Aboriginal staff and organisations to follow on from the existing 'Making It Our Business' (MIOB) Strategy, which ends this year.

Cultural and linguistic diversity

Fewer *People Matter Employee Survey* respondents (18%) reported that they spoke a language other than English at home than the general NSW population. By way of comparison, the ABS Census showed 24.5% of NSW households speak a language other than English at home.[74] The *People Matter Employee Survey* specifically asked 'Do you speak a language other than English at home?' However, it is noted that cultural and linguistic diversity is a much broader concept than the language one speaks at home.

71 NSW Public Service Commission (2012)
72 COAG (2011)
73 Office of the Director of Equal Opportunity in Public Employment (2001)
74 Australian Bureau of Statistics (2011a)

Despite significant progress over the last decade and renewed efforts to champion diversity in the workforce, the figure from the *People Matter Employee Survey* is slightly below the target of 19% outlined in the *Model EEO Management Plan*.[75] The survey results on the capacity of their organisation to meet EEO requirements showed participants who spoke a language other than English at home strongly agreed with the statement that 'equal employment opportunity is provided in my organisation' (79%). However, this was lower than the rest of the workforce (87%).

Further, there was strong agreement that 'cultural background was not a barrier to success in my workgroup' (86%) and 'my organisation is committed to creating a diverse workforce' (85%) among respondents who spoke a language other than English at home. These results were lower than for those who did not speak a language other than English at home (91% and 89% respectively).

People with disabilities

In its *NSW 2021*[76] plan, the Government affirmed its commitment to increasing the participation of people with a disability in employment or further education. It is working to ensure pathways and opportunities for people with disabilities are created and maintained in the NSW public sector.[77]

People with a disability account for 3.8%[78] of the public sector workforce, which has declined significantly from 6% reported in 2000.[79] It is not clear why that decline has occurred, but the PSC is undertaking research to identify systemic barriers to recruitment, retention and career development for people with disabilities in the NSW public sector.

The *People Matter Employee Survey* shows that 79% of people with a disability indicated that they intended to stay working for their organisation until the next year or longer. This was a substantially lower percentage than the rest of the workforce (84%).

Recruitment practices and effective workforce planning are critical to determining whether an organisation is able to build a highly capable workforce.

75 NSW Public Service Commission (2011). 'EEO' refers to 'Equal Employment Opportunity'
76 NSW Government (2011a)
77 AIHW (2012a); AIHW (2012b)
78 NSW Public Service Commission (2012)
79 Office of the Director of Equal Opportunity in Public Employment (2001)

The survey also showed a lower level of agreement that 'equal employment opportunity is provided in my organisation' (78%) among people with a disability, in contrast to the remainder of the respondents (86%). People with a disability were less likely to agree with the statement 'disability is not a barrier to success in my workgroup' (70%) compared with the rest of the workforce (87%). Similarly, 79% of people with a disability agreed with the statement that 'my organisation is committed to creating a diverse workforce', compared with 89% for the rest of the workforce.

Initiatives to diversify the workforce and advance inclusive workplace practices have long been championed by successive NSW Governments. A number of factors contribute to a more inclusive workforce, from attracting staff through to streamlined recruitment processes and providing opportunities for mobility and career development, learning and skills development.

Recruitment

Recruitment practices and effective workforce planning are critical to determining whether an organisation is able to build a highly capable workforce. Barriers that impede the development of a capable public sector include workforce shortages and skills deficits, an ageing workforce and difficulties in attracting and retaining employees.

Responses from the *People Matter Employee Survey* indicate there is room for improvement in recruitment practices across the sector. Overall, only 71% of respondents agreed that 'advertised position descriptions accurately reflect the requirements of the job', leaving almost 30% who disagreed.

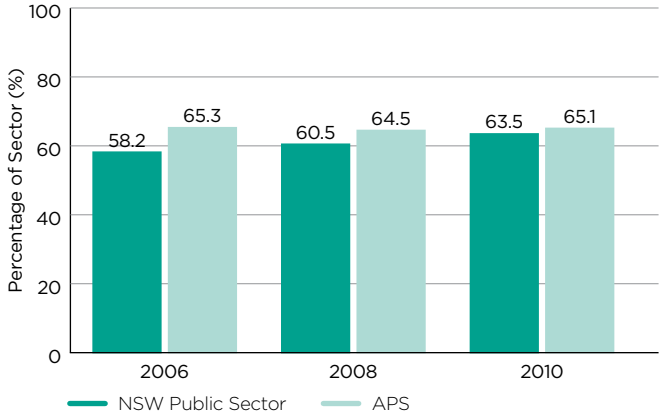
These responses confirm earlier observations by the *NSW Commission of Audit Interim Report* that many position descriptions are 'long and bureaucratic and in some cases incomprehensible to anyone outside the sector'.

Improving workforce mobility

The term 'workforce mobility' describes the movement of employees between positions. Mobility describes a transfer to a different position or a promotion among permanent staff and staff on temporary contractual arrangements for up to two years. Mobility is a related element of recruitment that can help organisations better respond to change and innovation, and broaden skills, particularly those of managers to make the best use of staff capabilities.[80] The *NSW Commission of Audit Interim Report* raised the benefits of a mobile workforce as a key priority for NSW.[81]

Figure 11 shows that employees in the NSW public sector are likely to stay in their organisation for at least five years. From 2006 to 2010, the trend was towards NSW employees staying longer. Tenure in the NSW public sector has been slightly lower than in the Australian Public Service for this period (see Figure 11).

Figure 11: Tenure in public sector with five years or more as a proportion of the sector



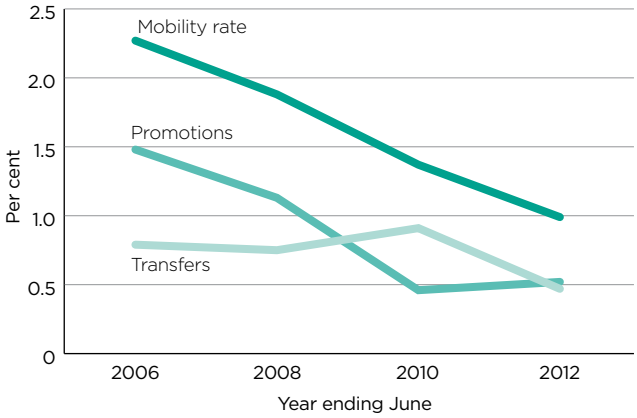
Source: NSW Public Service Commission, Workforce Profile Data and Australian Public Service Commission, APS Employment Database (APSED)

The *NSW Commission of Audit Interim Report* noted that inflexible position classifications, staff freezes and the use of contingent staff, and industrial arrangements restricting redundancy and redeployment practices all undermine mobility, as does the cap on the number of SES positions. Transfer rates continue to fall and the number of promotions has been extremely low (see Figure 12 overleaf). When systems are properly aligned, mobility is a great tool for attracting and retaining employees and for building capability.

80 Corporate Leadership Council (2005)
81 NSW Government (2012a)

Chapter 3: Our capability

Figure 12: Mobility, promotions and transfers between agencies (2006–12)



Source: NSW Public Service Commission, Workforce Profile Data

Note: mobility rates are calculated as the number of promotions or transfers between and within agencies during the financial year (excludes temporary secondments within an agency as data not available).

It should be noted that although data to determine mobility rates are correct at time of publication, these data are not static at any particular time.

The *NSW Commission of Audit Interim Report* identified mobility as a key challenge across the sector, and recommended that action be taken to encourage greater mobility between agencies. In particular, the *NSW Commission of Audit Interim Report* found that linking employees to a specific position in an organisational structure may impede flexible and efficient resourcing. The PSC is exploring alternative means of appointing employees to the sector, which will allow more flexibility in staff deployment and greater mobility.

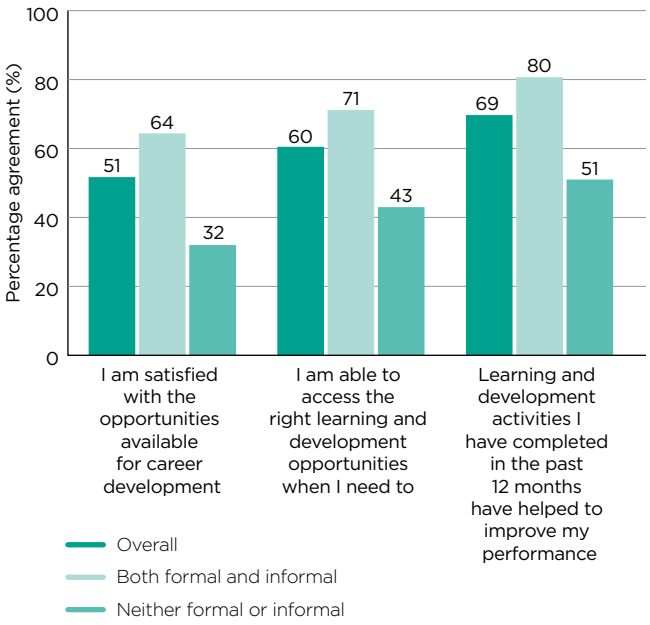
Expanding learning and development

The *People Matter Employee Survey* explored perceptions about learning and development opportunities throughout the NSW public sector. The results indicated that only 51% of respondents were satisfied with the opportunities for career development (see Figure 13).

Access to development opportunities

Compared to the overall agreement with the item in relation to opportunities for career development, respondents were slightly more positive about their ability to access the right development opportunities – 60% of respondents agreed with the statement and 69% agreed that learning and development activities helped improve performance. It also appears that learning and development activities in the sector are well targeted as they are perceived by employees to increase their performance.

Figure 13: Perceptions of learning and development opportunities by type of feedback



Future actions

The NSW Government, through the work of the PSC, has prioritised a number of system-wide improvements to build the NSW public sector's capability. These include:

- developing reform proposals to redesign the executive leadership structure for the sector and to introduce a more structured approach to capability development
- introducing new recruitment practices to ensure the best available processes are used to attract the right capabilities to the sector
- strengthening strategic human resource management
- overhauling the approach to performance management, to focus on delivering outcomes and ensure all public sector employees are given regular, constructive feedback, including on their capability development needs.

The *NSW Commission of Audit Interim Report* identified mobility as a key challenge across the sector, and recommended that action be taken to encourage greater mobility between agencies.

Chapter 4

Productivity

Improving the culture and capability of the public sector will increase service delivery for NSW's people and communities.

About this chapter

One of the most important measures of public sector performance is productivity. This chapter discusses what productivity is, why improving labour productivity in the NSW public sector is so important and what needs to be done to measure this productivity. The discussion builds on the findings of recent research by the Productivity Commission[82] and considers how the Organisation for Economic Co-operation and Development (OECD) guidelines could be used to measure the productivity of the NSW public sector.[83]

It also examines current and planned initiatives in the NSW public sector that will contribute to better labour productivity. These focus on the three major drivers of higher labour productivity:

- human capital (including skills development, stronger management capabilities and strategies to increase employee engagement)
- organisational infrastructure (including corporate culture, innovation and other systems, and work arrangements that increase efficiency)
- capital investment[84] (including information technology).

82 Productivity Commission (Parham) (2012)
83 Organisation for Economic Co-operation and Development (OECD) (2007)
84 Note: funding of capital investment assets may occur through purchasing, leasing, hiring or renting.

One of the key objectives of the NSW Commission of Audit was to examine public sector management and service delivery issues to identify potential productivity improvements that could be made across the sector. A key starting point here is to accurately measure productivity.

The NSW public sector must address two major challenges when it comes to measuring productivity. The first challenge, discussed in this chapter, is that measuring labour productivity is a new development in public sectors around the world, not just in Australia. It will require technical data challenges to be overcome, such as collecting statistics in standardised and comparable ways, which is currently not being done.

As economists usually only measure productivity at an economy-wide level (rather than at an industry or enterprise level) and only measure productivity for market-based sectors (rather than general government), new standards to measure productivity must be established. This will take time and require close collaboration with clusters and agencies that collect data on the quantity and quality of their service outputs.

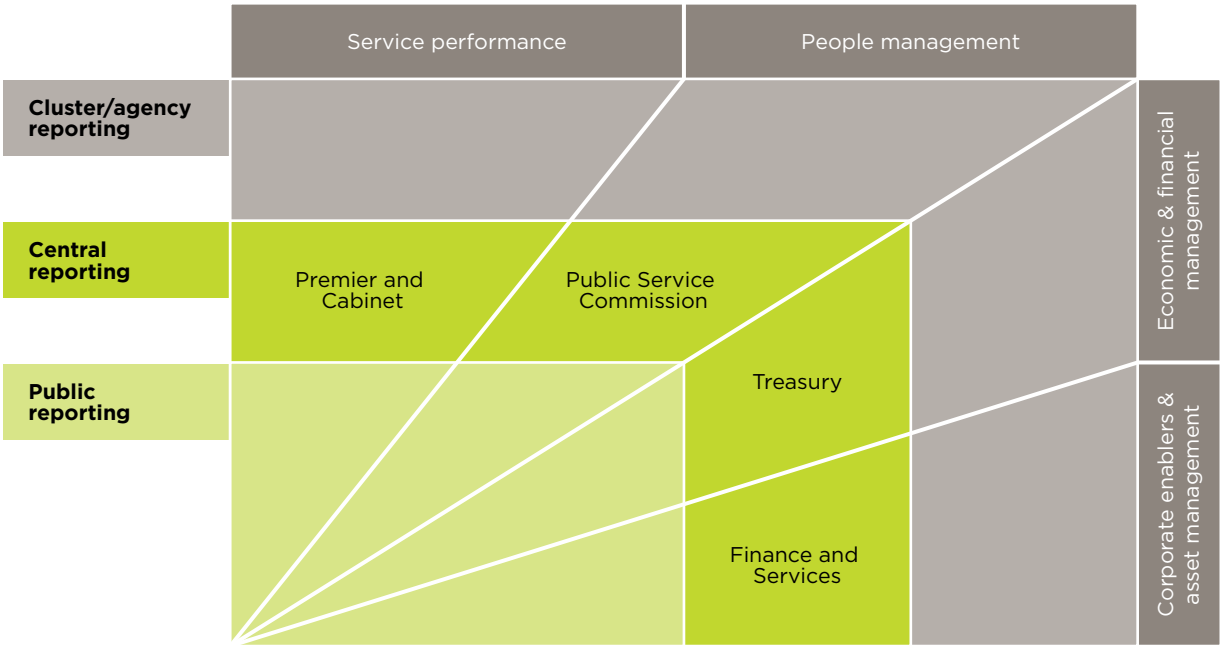
The second challenge, as noted by the *NSW Commission of Audit Interim Report*, is that the sector needs to improve how it measures its performance in general. For example, the *NSW Commission of Audit Interim Report* recommended that an integrated reporting framework be developed in consultation with clusters, specifying minimum data sets which directly link cluster and central data systems.

The NSW Commission of Audit also recommended the PSC lead the development of a common approach to data sets relating to people management issues. Data relating to service priorities and performance were to be led by the Department of Premier and Cabinet; economic and financial data by NSW Treasury; and data on corporate enablers (such as information and communication technologies and other assets) by the Department of Finance and Services.

This division of responsibility for improving productivity measurement across the public sector is summarised in Figure 14 overleaf.

Chapter 4: Productivity

Figure 14: NSW Commission of Audit Integrated Management Information Framework



Source: *NSW Commission of Audit Interim Report* (2012)

The PSC has a clear mandate to help the public sector better measure the labour productivity of individual agencies and the sector as a whole. This is a particularly significant responsibility given there were 401,703 employees in the public sector as at 30 June 2012, and that employee and superannuation expenses for the general government (budget) sector at that time was $29 billion (or 49.3% of total general government expenses). This chapter documents the initial PSC strategies and projects to measure labour productivity, as well as those planned for the future.

In the less than 12 months since the PSC was formed, it has considered its approach to collecting, measuring and reporting on labour productivity. The PSC's initial focus has been on measuring the following:

- the number of employees in the NSW public sector and related issues, including hours of work used by employees to deliver services
- the values, ethics and corporate culture and practices of agencies that affect labour productivity
- staff engagement; that is, the level to which public sector staff are engaged in their job, team and organisation, and are capable of and work within the Ethical Framework
- executive leadership; that is, the extent to which clusters and agencies have leaders to manage, inspire, develop and sustain the workforce.

While this inaugural *State of the NSW Public Sector Report* documents some of the early results, productivity measures will be further developed over time by working with other central agencies and considering practices used in other jurisdictions.

Why productivity growth is essential

As discussed in the Introduction, productivity is a fundamental measure of how well the NSW public sector is performing. A highly productive public sector is one which produces a large amount of goods and services (outputs) while using small amounts of labour, capital, technology and other resources (inputs).

In the past, public sector performance typically referred to inputs (such as the number of people employed in the public sector, or the amount of money spent in delivering services) and activities (such as how many customers received services or how many students were taught). The problem is that while these inputs are able to be measured, the results that are delivered by them do not receive sufficient focus. As Sturgess[85] has said:

> Much of the discourse over public services focuses on inputs rather than outputs – police numbers, hospital bed numbers and spending on infrastructure – and to the extent that outputs are reported, governments have progressed little beyond the measurement of activity – the number of patients admitted or students enrolled.

85 Sturgess (2012) p.11

> Virtually nothing has been done to assess the impact that the expenditure of society's resources has on ultimate outcomes.

Increasingly, however, for the Council of Australian Governments (COAG) and other purposes, public sector agencies are now beginning to measure the *outputs* received by customers as a result of providing services and *outcomes* for communities and the public in general.

The focus by the public sector and the PSC on productivity is important for three reasons. First, it will assist in having a greater focus on reporting on services delivered and outcomes achieved rather than employee and budget inputs and reporting on how busy the sector is (its activities). After all, focus should be on the extent to which the public sector is delivering results (outputs and outcomes) for the people, communities, businesses and environment of NSW.

Second, increasing the number of health, education, transport, emergency and other government services to the public (while maintaining or minimising the resources needed to produce those services) directly contributes to a higher standard of living for individuals and communities in NSW. In addition, by measuring the public sector's productivity (and comparing results within the sector itself), it is possible to identify strategies to reorganise how work is being carried out to improve performance and service delivery.

Third, the NSW public sector makes up around 14.9% of the NSW economy, and improving the sector's productivity will have a significant effect on the economic growth of NSW and Australia as a whole.[86] For example, growth in labour productivity accounted for around 80% of the growth in per capita incomes of Australians over the past four decades.[87] The public sector can also have a significant influence on private sector productivity through the rules, regulations, systems and processes it sets. Sturgess[88] makes a similar point about the importance of public sector productivity, not just for NSW, but for the Australian economy as a whole:

> The limited evidence that is available suggests that the potential for productivity improvement is considerable – perhaps as much as 20–25% where services have not been previously exposed to competition. This matters not only to taxpayers but to the nation as a whole, since the public service sector makes up 15–20% of the national economy and perhaps as much as 25% of the nation's workforce.

Despite its importance, comprehensive measures and rigorous analysis of the public sector's productivity are rare.

Making these productivity improvements, however, is not straightforward. Governments around the world have only recently begun to carry out the research and policy work needed to identify the multiple factors that drive productivity improvements in the public sector (such as labour skills, new technologies, improved managerial capabilities and service innovations), to measure the strength of the impact of those factors, and to identify ways to manage those factors to improve productivity. The NSW public sector is at the forefront of this important new direction.

86 Australian Bureau of Statistics (2011a)
87 Banks (2011)
88 Sturgess (2012) p.7

Chapter 4: Productivity

Measuring labour productivity

Labour productivity is the ratio of outputs (the amount of goods and services produced) to labour inputs (the number of labour hours used to produce those goods and services). Measuring labour productivity is particularly important for the public sector, given that labour expenses account for half the sector's total budget. The aim is to manage the growth in demand for services in a sustainable way.

Despite its importance, comprehensive measures and rigorous analysis of the public sector's productivity are rare. Productivity is typically calculated for profit-making businesses in the market sector, where it is easier to measure inputs and outputs. The first decade of the 2000s saw a consistent fall in productivity in the market-based sectors of the Australian economy.[89] While NSW's total labour productivity has been relatively high – above that of Queensland, South Australia, Tasmania and Victoria – other states' productivity has been growing faster over the past 20 years.

For several years some agencies (such as NSW Health[90] and the Department of Education and Communities[91]) have been providing measures of service outputs to COAG. A new budget-related paper, the *NSW 2021 Performance Report*,[92] also includes administrative data from agencies that can be used to measure public sector outputs.

However, while numerous output measures exist for a number of agencies, to date there has been no known analysis of these data. There is much scope to improve output data, for example, improving data accuracy, focusing on comparability over time and across agencies to better understand productivity drivers; and carrying out more rigorous analysis of the data.

Given the current weakness in measuring service outputs, the OECD[93] recommends using expenditure data, which is readily available from Budget Papers, to measure the output of non-market services. Actual total expenses for general government are also published in the annual NSW Treasury Budget Papers.

There are two other challenges to be addressed when measuring labour productivity. Standard economic measures of productivity focus on quantities of inputs and outputs rather than the quality of inputs and outputs. To date, measures of the quality of inputs and outputs in all industry sectors is underdeveloped.

The other measurement issue arising from labour productivity focuses on the outcomes for the wider community delivered by the public sector (as distinct from the outputs received by customers and clients of public services). Productivity measures are not aimed at measuring societal outcomes; however, this is an area where there is great interest and scope for further investigation. To this end, the PSC will work with its central agency counterparts to develop labour productivity measures and better analyse any existing productivity measures.

Strategies to improve public sector labour productivity

Measuring labour productivity is an important step in identifying the drivers of high and low productivity. Traditionally, the main drivers of productivity were considered to be outside the control of individual organisations, such as investment in education and training, science and research, and infrastructure. However, it is increasingly recognised that improvements in labour productivity are also driven by issues that are within the control of individual organisations. These include human capital, organisational infrastructure and investment and use of technology.[94]

Here, 'human capital' refers to the competencies, skills, knowledge and experience of all employees (from frontline service delivery officers to managers and leaders). Strategies for enhancing productivity through human capital improvement therefore include:

89 Productivity Commission (Parham) (2012)
90 COAG Reform Council 2012a
91 COAG Reform Council 2012b
92 NSW Department of Premier and Cabinet (2012)
93 Organisation for Economic Co-operation and Development (OECD) (2007)
94 Dolman and Gruen (2012)

- implementing effective performance management across the sector to align workforce efforts with organisational outcomes
- developing high-performance workplace practices and cultures that engage employees and embrace new ways of working
- developing leadership capability, especially at the senior levels to influence, define and drive performance improvements across the sector
- offering formal and on-the-job training, learning and development, and mentoring and coaching.

In terms of technology, capital investment[95] that improves labour productivity typically refers to using new information and communication technologies to more efficiently meet the community's service needs and expectations. It also includes new modes of transport, better designed buildings, and improvements in energy sources and the use of land and natural assets. It is crucial that public sector employees learn to and are supported to make efficient and effective use of these forms of capital equipment.

Diversifying service provision, increasing competition and expanding collaboration for some public sector services will also enable the public sector to provide customers with greater choice in the type and level of services. Sturgess proposes that a mix of providers (public, private and not-for-profit) across a range of policy and service areas can drive better value, efficiency and quality outcomes for individuals and the community.[96]

How the PSC is approaching productivity

Against this background, the PSC has focused on issues such as engaging employees and improving their attitudes towards job security and performance management, each of which can have a significant impact on productivity.

'Employee engagement' is a relatively new term in human resource management literature. The concept builds upon, but goes further than, employee 'satisfaction', 'commitment' and 'motivation' to align more closely with employee organisational commitment and citizenship behaviour.[97]

While there is no single definition of 'employee engagement', the concept is generally recognised as an employee's connection and commitment to their organisation, its goals and values as a whole.[98, 99] The term is used to encapsulate a range of human behaviours and attitudes, including motivation, commitment, and advocacy for the employer; a sense of alignment with organisational goals; a desire to work hard; and a willingness to exert discretionary effort to achieve these goals.[100, 101, 102]

The defining feature of employee engagement is that it represents a two-way, mutual support process between the employee and the organisation that influences the employee to exert greater discretionary effort on their work.[103, 104] According to the UK Chartered Institute of Personnel and Development, 'engagement is not about driving employees harder, but about providing the conditions under which they will work more effectively – it is about releasing employees' discretionary behaviour'.[105]

Employee engagement has contributed to improvements in workforce performance, productivity, motivation, satisfaction, commitment, attendance and retention. It has also been linked to higher levels of customer service, improved organisational agility, and greater efficiency in driving change initiatives and workplace innovation.

Development of a NSW Public Sector Engagement Index

For the first time, a NSW Public Sector Engagement Index has been developed using results from the *People Matter Employee Survey*. The index measures how engaged an individual is with their organisation. Changes in the index can be tracked over time as the survey will be run every two years.

As a global comparison to another Westminster government public sector system, the NSW public sector followed the methodology used by the UK Civil Service when developing the engagement index.

The *People Matter Employee Survey* included five questions from the UK Civil Service People Survey (CSPS)[106] – one of the world's largest employee surveys. A companion report setting out the main findings of the *People Matter Employee Survey* provides a more detailed analysis of the Engagement Index and can be accessed at www.psc.nsw.gov.au/sopsr/2012/

95 Note: agencies may purchase, lease, hire or rent fixed assets as a way to fund capital investment.
96 Sturgess (2012)
97 Scottish Executive Social Research (2007)
98 ibid
99 Boedker et al (2011)
100 Chartered Institute of Personnel and Development (CIPD) (2007)
101 Boedker et al (2011)
102 Scottish Executive Social Research (2007)
103 ibid
104 Purcell (2010)
105 Alfes et al (2010)
106 UK Civil Service (2012)

Employee engagement has contributed to improvements in workforce performance, productivity, motivation, satisfaction, commitment, attendance and retention.

The engagement index for the NSW public sector in 2012 was 63%. This indicates moderate to high levels of engagement and compares well to the UK Civil Service, which had an engagement index of 56% in 2011 and 2010.

This is a strong base from which to improve the sector's productivity. An engagement index alone does not tell how best to improve engagement levels in the NSW public sector. Further technical analysis must be carried out to identify how employees' experiences of work influence their level of engagement.

Promoting innovation

Under *NSW 2021*[107] Goal 30, the PSC has taken on the task to improve innovation within the public sector. A more innovative public service would help improve services to the public and provide those services more efficiently.

As well as reviewing world-leading practices in managing innovative organisations, the PSC is meeting with people across the full spectrum of government service delivery, from chief executives of agencies through to people involved in face-to-face interactions with NSW citizens. This will help establish the factors that prevent agencies from providing the best possible service to the people of NSW.

Based on this work, the PSC will develop an iterative, practical approach to improving innovation that takes into account what happens at the 'coalface'. The PSC will identify the conditions that promote and prevent innovation, and develop pragmatic, workable approaches that will help agencies create the environment where innovation can flourish. This will involve identifying the capabilities that employees need to create innovative cultures and helping build those capabilities. It will provide leading thinking and tools to agencies to help them identify approaches to innovation that make sense for the services they deliver.

The PSC will also consult citizens and the private and not-for-profit sectors to 'brainstorm' ideas about new ways to deliver services. Not every idea is equal and not every example can be implemented, but the aim is to work with the sector to remove barriers that stop the best ideas from being heard and implemented.

To enable this, the PSC is working on a plan that combines practical actions with leading research. The plan will be refreshed each year to ensure the PSC learns from the work completed, and constantly improves the approaches taken to develop an innovative culture across the NSW public sector.

107 NSW Government (2011a)

Table 3: Employee perceptions of the type of performance feedback received in the previous 12 months

Feedback type	Less than $55,000	$55,000–$104,999	$105,000 or more
Both formal and informal	29.4%	42.7%	47.4%
Informal only	26.4%	24.1%	26.4%
Formal only	7.4%	8.5%	7.0%
Neither formal or informal	36.9%	24.7%	19.2%
Total	**100.0%**	**100.0%**	**100.0%**

Our research

The *People Matter Employee Survey* results indicated that overall, many of the conditions required for a productive public sector are not yet in place. This section reports on two of these conditions, attitudes towards job security and performance management, and discusses the implementation of a sector-wide Performance Development Framework.

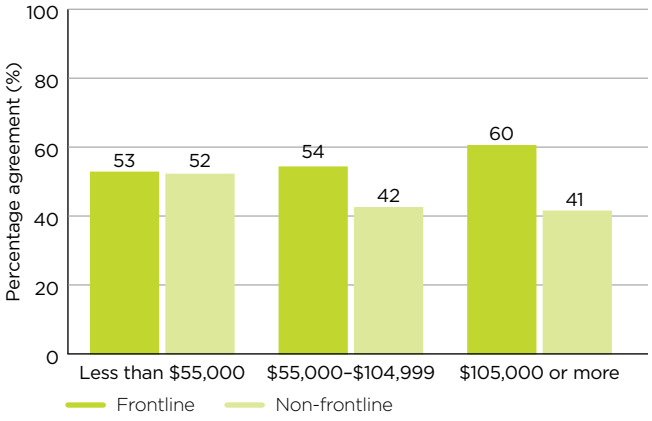
Attitudes towards job security

The survey showed that only about half of employees felt secure in their employment. Frontline workers felt more secure than non-frontline workers and this difference appears to increase the more that one earns (see Figure 15).

Staff perceptions of performance management

The *People Matter Employee Survey* also explored performance management across the sector by asking how staff perceived formal performance appraisals, regular and informal feedback, organisations' commitment to staff development and managerial considerations regarding employees' career aspirations. In the previous 12 months, 66% of survey respondents received informal feedback and 49% underwent formal performance appraisal processes.

Figure 15: The extent to which employees feel that their job is secure by salary group and frontline and non-frontline positions

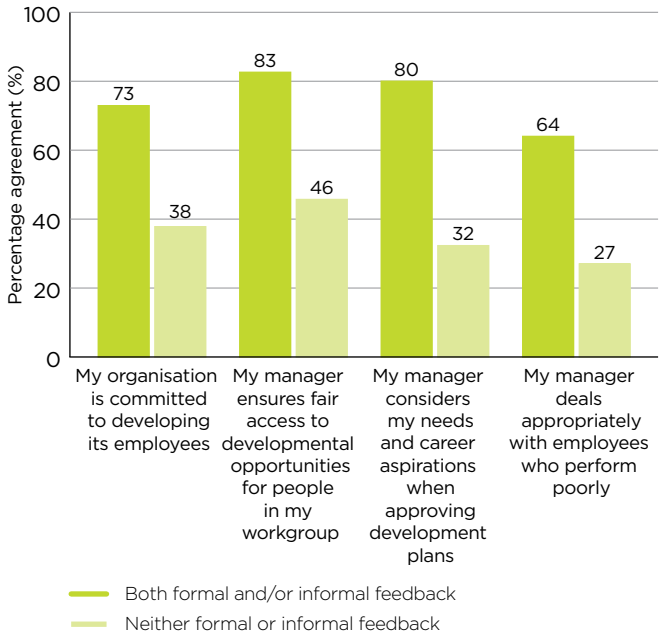


While 40% of respondents overall received both types of performance feedback, 26% said they received neither. The proportion of respondents receiving both types of feedback was larger at the higher salary levels and smaller at the lower salary levels (see Table 3) across both Sydney and regional areas of NSW. Frontline workers were more likely to receive both formal and informal feedback than their non-frontline counterparts.

Influence of feedback on performance

The type of feedback received in the previous 12 months was found to be associated with all other aspects of performance management measured in the survey. Respondents receiving informal feedback or a combination of formal and informal feedback had more positive perceptions of performance management than respondents who were provided neither formal nor informal feedback (see Figure 16).

Figure 16: Employee perceptions of the ways in which performance management is approached

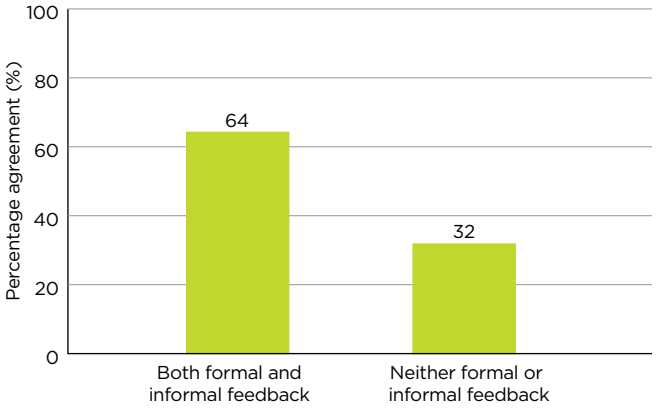


Respondents who received informal feedback in the previous 12 months were also more highly engaged than those who only received formal performance appraisals or no feedback at all.

Influence of feedback on development

Whether or not employees received feedback and also the type of feedback respondents received in the previous 12 months seemed to influence their perception about whether they were satisfied with career development opportunities. Employees who received a formal appraisal and informal feedback on performance also reported that they had more learning and development opportunities (see Figure 17). This is a significant finding and one that will be taken into account when developing a performance management framework for the sector.

Figure 17: Staff satisfaction with opportunities for career development with formal and informal feedback



Implementing a Performance Development Framework

To engage employees, it is important to have robust, fair and transparent performance management processes in place. Such frameworks help align employee efforts with organisational goals, support the achievement of organisational outcomes, and increase job satisfaction and staff retention.

The *NSW Commission of Audit Interim Report*[108] makes the comment that 'the effectiveness of agencies' performance management practices is not centrally known'. It recommends that the PSC:

- develops a program to promote the importance of performance management, set minimum standards and encourage each supervisor to understand that performance management, especially conducting appraisals, is an integral part of their job
- develops clear and effective mechanisms and guidance to managers to address poor performance
- investigates mechanisms to provide remuneration and/or other incentives to high performers, including greater use of broad-banded positions and the introduction of a small component of 'at risk' pay for executives.

108 NSW Government (2012a), p.94

Work is underway by the PSC to address the first two recommendations above, and an investigation into the mechanisms regarding remuneration for high performers will be conducted in future years.

Changes to the *Public Sector Employment and Management Act 2002* require all public sector agencies to have performance management systems that meet guidelines to be set by the Public Service Commissioner.

To meet the *NSW Commission of Audit Interim Report's* recommendation and the legislative requirement, the PSC will develop and oversee the implementation of a sector-wide Performance Development Framework. This framework will align individual effort with organisational and government objectives, ensure consistent performance management processes across the sector and focus on the importance of formal and informal feedback.

The Performance Development Framework will be linked to the Capability Framework to improve the public sector workforce's performance and productivity. The Performance Development Framework will define the essential elements of a good performance development system, including setting expectations, providing regular feedback, recognising and rewarding good performance and managing poor and underperformance. A range of activities and resources will be developed to support the Performance Development Framework's implementation over the next three years. This may include guides, fact sheets, templates, information forums and skills development.

The Directors-General of each Department endorsed the Framework's development in August 2012. The approach will be to build on existing good practice; develop a consistent and evidence-based approach to performance management; and for departments to review their existing practices to ensure they align with the new Performance Development Framework. The PSC will engage with the Union Consultative Forum on the Performance Development Framework over the next few months.

Future actions

As indicated by the discussion in this chapter, productivity is both a critical issue and one where significant work needs to be done to quantify performance and find solutions for improvement.

In the coming months, the PSC will work with NSW Treasury and the Department of Premier and Cabinet to explore ways to measure the labour productivity of the NSW public sector. It will also continue to pursue a number of initiatives, as outlined above.

Another advantage of the focus on productivity is that it draws attention to performance improvement strategies that can be undertaken by agencies, individually or together. There are three broad productivity improvement strategies that agencies can pursue.

The first is to build on the competencies, skills, knowledge and experiences of all public sector employees, from Directors-General to management and frontline officers.

The second is to refocus agency cultures, systems, and management and work practices so services meet the needs of customers and clients, and they are provided with less duplication, fewer delays, and using minimal time and resources.

Finally, employees should be supported to apply new forms of technology (including information and communication technologies) that do not duplicate old systems and work practices but that instead re-engineer systems, cut out unnecessary bureaucracy and develop innovative ways to deliver public services.

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