



# Public Sector Reform

Reforming the public sector to deliver improved services to the NSW community



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The Public Service Commission should present reform proposals to the Government regarding the executive structure of the NSW public service (SES, SO and other executives) to:

1. establish a separate structure for cluster Directors General
2. create a new executive structure combining the SES and the Senior Officer classification and, as appropriate, other executive groupings.

NSW Commission of Audit, Interim Report: Public Sector Management, January 2012 (recommendation 45)

# Foreword

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We demand extraordinary things from our public service.

Whether front line or senior management, on any day we are asking public servants to save lives, educate children, oversee multimillion dollar transactions, and develop policy to solve our most complex problems.

Yet the legislation these people work under was written before we all had the internet – and even before the Berlin Wall fell.

There has not been a major overhaul of the NSW public sector legislation since 1988. Meanwhile private business, industry and non-government enterprise have revolutionised and are working in a global economy with fast-moving competitors.

So, while senior managers in these businesses work in modern and innovative frameworks, NSW public servants are working in the organisational equivalent of the Betacam era.

The Public Service Commissioner, working with an advisory board including top NSW business, not-for-profit, academic and community sector leaders, is committed to reforms that support the NSW Government's determination to ensure our public sector is world-class, high-performing and professional. The Commissioner has proposed substantial reforms as the next stage in focusing our public service on customers and citizens.

This document outlines policies and plans to:

- move more government resources onto the front line – becoming customer-focused at every level
- reward talent not time – we want an innovative and accountable public service which encourages and rewards performance
- create a modern, professional public service that uses the best management approaches from both the private sector and leading public sectors, here and internationally.

To do this, the Commissioner has recommended changes to the structure of the service, flattening and simplifying executive layers to make it more efficient and effective and making expectations clear so non-performance can be dealt with fairly and quickly.

These reforms will be challenging and will confront some long-held but outdated traditions and practices.

The public service performs unique functions. It must adopt the best management disciplines, remuneration and performance arrangements to attract and keep the best and brightest, and improve the value it delivers to taxpayers who fund the 60 billion dollars a year the NSW Government spends on recurrent services.

As independent Public Service Commissioner for NSW, my task is to review the state of the NSW public sector and identify opportunities for reform that will lead to better services for the people of NSW.

One of the early priorities, supported by the findings of the NSW Commission of Audit, was to examine how the sector's executive structure and management arrangements were working. In this examination, I have been supported by a group of eminent former public sector leaders and guided by the Public Service Commission Advisory Board.

Reform needs to start with addressing the accumulating issues at the workforce's executive levels. Fixing these problems will provide the right platform for working our way through other issues facing the sector's workforce.

In collaboration with departments and agencies, I established for the first time a single picture of the sector's entire executive. I then benchmarked it against executives in other jurisdictions and comparable private sector entities. It is clear from this work that the NSW public sector executive is not structured for optimal performance as an integrated leadership group for the departments and agencies which together deliver services on behalf of the NSW Government.

A fundamental overhaul is needed in the size, form and operation of the NSW public service executive. My proposals for reform draw on the best contemporary practice but also take account of the unique aspects of the NSW Government. Importantly, an expanded and ongoing executive development program will complement the overhaul.

At the same time, I have been reviewing workforce management practice more broadly across the public sector and here also there is great opportunity for improvement. The sector is still very much a collection of separate agencies that offers limited options for cross-sector mobility. Position descriptions and recruitment decisions are focused on specialist knowledge rather than more generic and transferable capabilities. Recruitment processes are lengthy and anchored in adherence to process rather than attention to selecting the best talent. The current **Public Sector Employment and Management Act 2002** contributes to this through prescriptive and complex provisions. This Act will be replaced with one that will be simpler, setting only essential elements. It will also provide the foundation for a modern and effective public sector workforce, attractive to talented people wanting a rewarding career but also well-equipped to deliver the best services to the people of NSW.

Delivering these reforms will be challenging but ultimately rewarding. We at the Public Service Commission look forward to working with all parts of the public sector to achieve these goals.



**Barry O'Farrell**  
Premier



**Graeme Head**  
Public Service Commissioner

# Focused and capable senior executive leading the public service

**The Commission [of Audit] has seen pockets of good practice in the NSW public sector, but generally managerial performance is far from excellent. This will hinder the achievement of the Government's five strategies [for NSW]. Capabilities need improving and the Commission is surprised at the low importance that has been attached to financial, people and asset management.**

NSW Commission of Audit, Interim Report: Public Sector Management, January 2012

The current public service executive comprises eight levels in the Senior Executive Service and three in the award-based senior officer structure and equivalents on other contract and award-based arrangements.

About 3900 executive-level positions were included in the Public Service Commissioner's review. Twenty per cent of the employees in these positions are in the Senior Executive Service on fixed-term contracts; 40 per cent are Senior Officers under their industrial award; and the remaining 40 per cent are either covered by other contract-based executive arrangements or by other enterprise or occupational awards.

## Principles for forming a new senior executive

The senior executive structure must be:

- simple and easily understood by government, executives, staff and the community
- adaptable in meeting changing needs, comprising executives that can identify and respond quickly to new challenges
- capable of supporting and encouraging the executive talent needed to deliver high-quality services and able to retain and attract the best and the brightest.

The new structure must:

- provide for a single NSW public service executive with members employed on a common basis and working within consistent service-wide work levels
- allow for simplified operating arrangements, primarily focused on broad executive management functions (particularly staff management), working within a flatter executive structure and operating closer to direct service delivery functions
- provide principal department chiefs with the means to manage all executives in their clusters.

Significant numbers of the executives in the review group are many reporting layers down below their chief executives. Forty per cent of them reside at layers five, six and seven of their respective organisations (see Figure 1).

Reporting Layers	SES8	SES7	SES6	SES5	SES4	SES3/SO3	SES2/SO2	SES1/SO1	TOTAL*
1	10	6	3	6	1	2		3	31
2	16	25	32	28	18	33	32	20	204
3	3	2	33	88	138	168	142	169	743
4			2	5	71	283	505	566	1432
5					5	62	294	766	1127
6						8	64	236	308
7							1	38	39
<b>Total</b>	<b>29</b>	<b>33</b>	<b>70</b>	<b>127</b>	<b>233</b>	<b>556</b>	<b>1038</b>	<b>1798</b>	<b>3884</b>

Figure 1: NSW public service – multiple reporting layers of senior management; \* includes SES, SO and equivalent (at 2012)

The number of staff a manager oversees directly is called the span of control.

In best practice, in the private sector and some other government jurisdictions, the benchmark for efficient span of control is over six people per executive.

In the NSW public service only 85 per cent of executives directly manage staff (executive managers) and the median span of control is only five, with approximately 30 per cent of these managers overseeing teams of no more than 1, 2 or 3 people (Figure 2).

This means that one third of this executive managers group manage less than half the direct reports managed by their professional counterparts.

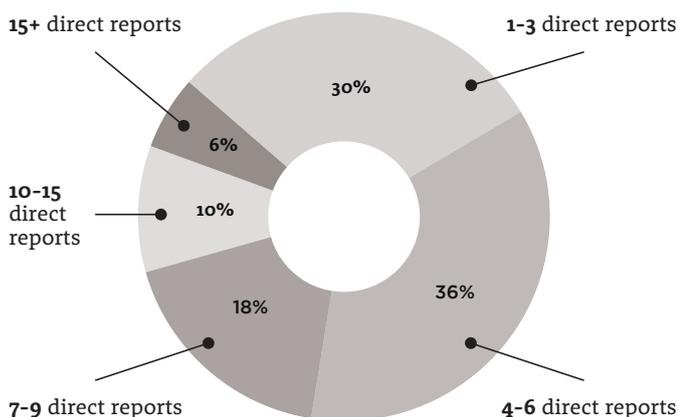


Figure 2: Estimated span of control: current executive managers at 2012

A further 16 per cent of the group comprise individual contributors, that is, they have no direct reports (though some may manage contractors or large outsourced contracts).

## Future executive structure

The new public service executive will provide a single structure and one set of arrangements for all.

A simpler four-level executive structure will apply across the public service (Figure 3). Departments and cluster agencies will design and implement wholly new executive structures based on the simplified design and principles. The majority of the new executive structure will be implemented within two years, and the whole completed within three years.



Figure 3: Future executive structure

The result will be fewer reporting layers leading to streamlined decision-making and clearer lines of accountability. Recruitment to executive roles and performance management will include assessment against relevant capabilities. Secretaries will determine the size and deployment of their cluster executives across their department and cluster agencies.

The proposal is not to freeze or to arbitrarily cut executive numbers but to redesign the way in which agencies' executives are structured and managed to achieve significant improvements in flexibility, responsiveness and management of services. Reductions can be achieved by flattening executive structures (i.e. creating a structure with fewer layers) and increasing individual executives' spans of control, where appropriate.

This new structure will apply to all executives other than those covered by profession-specific statutory arrangements (for example the NSW Police Force Senior Executive Service) or public office holders (including those heading up independent review agencies) and judicial office holders.

## A modern NSW public sector meeting our service priorities

**At an administrative level... clarity is needed between Directors General and Chief Executives. While all systems are dependent on the cooperation of individuals to make them work – whether they are Coordinating or Portfolio Ministers, Directors General or Chief Executives – setting up the right structures, governance arrangements and clarifying roles and accountabilities assists in delivering clear and transparent processes and better outcomes.**

NSW Commission of Audit, Interim Report: Public Sector Management, January 2012

The **Public Sector Employment and Management Act 2002** will be replaced. The new Act will provide for better outcomes for individuals, including improved arrangements for attracting, retaining and managing the performance of employees and using the best available employment management tools and practices. The aim is to have a public sector that is focused on improved service delivery performance while also offering good career prospects, opportunity for cross-sector mobility and well-targeted, capability-based development.

Key features of the new Act include:

- establishing the new executive structure
- replacing the concept of an officer appointed to and holding a position with that of an employee employed at a specified classification level and assigned to a role
- providing for employees to move more easily from role to role within their classifications
- underpinning the concept of merit with better tools for selecting the best person for the job
- clearer rules about staff performance.

The Public Service Commission will provide more information on these changes as they unfold over coming months.

### Next steps

The NSW Government is currently drafting the Bill to bring about these changes. Given that these are major reforms, the Public Service Commission will also revise, update and replace many policies and guidelines that will support the new Act and its subordinate regulation.

The NSW Government is aware that these changes will impact on many individual employees. The Premier has asked the Public Service Commissioner to develop a comprehensive communications package that will set out the reforms in detail and provide the means for employees to seek further information. The Commissioner will discuss the new arrangements with stakeholders, including, as an early step, speaking directly to senior executives and senior officers across the sector.

Information will be made available at [www.psc.nsw.gov.au/publicsectorreform](http://www.psc.nsw.gov.au/publicsectorreform)





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