



Progress

**State of the NSW Public Sector
Report 2017**

Publication and contact details

State of the NSW Public Sector Report 2017

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Foreword

This is the sixth State of the NSW Public Sector Report published since the office of the Public Service Commissioner was created in 2011. As my fixed, seven-year term as Commissioner must finish no later than 31 October 2018, this will be the last report handed down by me. So, I am extremely pleased that the information presented in this year's report tells a story of continued and significant progress in most key aspects of the transformation of workforce management across the public sector. Our story underscores the value that the work of the Public Service Commission (PSC) brings to the sector and, in turn, to the NSW community.

The past year was a milestone year for the sector in the reform and redesign of executive structures. The three-year implementation of Public Service senior executive structures was completed in February 2017. As promised, this delivered: a reduction in senior leadership layers in organisations, a simpler broad-banded structure for senior executive roles and a reduction in the number of senior executive roles and improvements in spans of control within agencies. In January this year, executive arrangements in the Health Service were harmonised with those in the Public Service, with the Transport Service making similar changes in July this year. New and similar arrangements for NSW Police came into effect in October this year.

For the first time, the design of executive roles across the entire Government Sector is consistent, allowing for development and mobility pathways to be better designed and executed and, importantly, providing a basis for leaders in the Government Sector to see themselves as part of a sector-wide leadership community: this is important as a basis for good collaboration between agencies, and it is critical to attracting and retaining talented people.

Driving improved diversity across the public sector is also an area of strong progress. The data presented in this report shows us that the focussed efforts of the sector have resulted in a changed quantum and pattern of representation of Aboriginal and Torres Strait Islander people in the sector. Aboriginal people are more represented across the range of classifications and across more agencies. There is good progress towards the Premier's Priority target of doubling the number of Aboriginal senior leaders by 2025.

There has been equally strong progress towards the target of gender equity among senior leaders by 2025, with the current level of representation hitting 37 per cent this year. The gender pay gap is now almost closed, with significant and strong improvement since 2007.

According to the People Matter Employee Survey, about 4 per cent of our workforce identify as LGBTI, and generally report a positive experience of inclusion and opportunity in the public sector.

Significantly less positive is the sector's performance in respect of people with a disability. Representation continues to decline and the experience of the workplace is quite negative for many people with a disability. However, the same focus and data-driven effort that we have brought to other aspects of diversity is being directed to turning the sector's performance around on disability.

The Disability Employment Advisory Committee (DEAC) has been jointly chaired by the Secretary, Family & Community Services and myself. It includes peak bodies from the disability sector and leading experts in the field. It has now agreed an approach that will underpin a work program for the sector; progress will be measured against a target for levels of representation and also against measurable improvements in the experience of people with disability in the sector. I believe that the collaborative effort and thoughtful deliberations by the DEAC has set us up for success in doing significantly better in this key area.

We continue to make really good progress in driving down the prevalence of bullying across the sector. When the PSC called this issue out in 2012 after the first results were released, we embarked on a journey with the sector and with other key players, such as public sector unions, to come up with an approach to addressing this issue that put the accountability for change squarely on agencies, and used contemporary thinking to underpin action. The work of the Public Service Commissioner's Roundtable, the resultant *Positive and Productive Workplaces Guideline* and the 'Respect.Reflect.Reset' campaign – combined with now annual measurement of what is happening in workplaces – have all contributed to the statistically significant reductions in bullying that we are now seeing.

Generally, this year's report shows a mix of some improvement and some areas of under-performance in key aspects of workforce management practice:

- **the capability framework is better utilised, but recruitment practice remains as an area that requires attention, both from the employee's perspective and in the level of practice expected by the PSC;**
- **the framework for mobility is robust, its utilisation below senior executive level is largely in a very immature state;**
- **performance management is improving each year, from the employee's perspective and in its broad alignment to the PSC framework;**
- **there are some positive trends in some aspects of organisational culture, but still a need to improve the connection between senior leaders and their teams;**
- **workforce analytics are more available and are being better utilised but the full benefits are yet to be realised.**

Over the next year, the PSC will continue to support the sector to consolidate where it is already doing well and to improve in areas of relative underperformance.

I will issue a Government Sector workforce flexibility strategy before the end of this year. This will assist agencies to become more responsive to employees' needs and will greatly assist in supporting the achievement of workforce diversity targets.

I am concerned to optimise the sector's use of the recruitment framework embedded in the *Government Sector Employment Act 2013* (NSW) arrangements. To this end, I am about to initiate a capability review of recruitment practice in the sector. This will provide the basis for additional guidance to the sector, and may result in modifications to the GSE Rules to ensure that agencies are applying the framework in a way that drives capability uplift through a process that is well understood and well respected by candidates and existing employees alike.

We can already see the benefits of where the process is applied well: the whole-of-sector graduate intake is managed through a bulk recruitment process that uses all of the features of the recruitment framework. It delivers high-quality employees who are highly suited to the roles they are placed into through a process that has a high level of participant satisfaction and is well regarded by agencies.

The PSC is supporting the sector's already improved approach to performance management with some modifications to the framework and new guidance material. A framework for workforce planning is currently in draft form and subject to consultation with the sector.

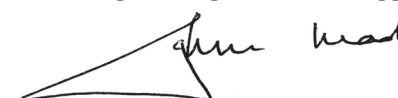
Six years ago the picture that Dr Kerry Schott painted (in the Commission of Audit) of the sector's approach to workforce management was one where our key asset – our people – was not at the centre of our agencies' approaches to managing their respective businesses. We have made very significant progress in turning that situation around and we've done that in a large and very complex system. A system that remains the country's largest employer and that touches the lives of people of NSW in almost every way imaginable.

These changes have happened without disrupting service delivery largely because the PSC has not been doing this work alone. There is genuine collaboration at the Secretaries Board in leading workforce reform and there is deep engagement with the sector at multiple levels in designing and executing specific initiatives.

Since this is my last report as Commissioner, I want to specifically acknowledge the strong support from the two Secretaries of Department of Premier & Cabinet that I have worked with – Mr Chris Eccles AM and Mr Blair Comley PSM. Chris' support during the establishment phase of the PSC was instrumental in our early successes, and Blair's work with me to establish a new approach to developing leadership capability in the sector (among other things) is delivering, and will continue to deliver, real benefits to the sector and the people it serves.

I also feel blessed to have had a great Board to work with, under the Chairmanship of Professor Peter Shergold AC, and a team of talented and hard-working staff who have brought creativity and enthusiasm to the task at hand.

Together we have made very good progress. The job now is to keep building on that to ensure that the people of NSW have the best possible public sector supporting their lives.



Graeme Head
Public Service Commissioner
November 2017

About this report

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

How to read the data discussed in this report

This report draws on additional evidence from a range of sources, including the 2017 *People Matter Employee Survey* (the Employee Survey), the 2017 NSW whole-of-government *Customer Satisfaction Measurement Survey* (the Customer Survey) and the 2017 *NSW Workforce Profile*. The report also uses data from previous sector-wide Employee and Agency Surveys, and specific reviews and projects that assessed components of sector workforce management and reform.

The Employee Survey

The *People Matter Employee Survey* asks those currently working for the NSW Government about their experiences at work, including working with their team, managers and organisations. The survey provides an important opportunity for employees to give feedback about their workplace, by agreeing or disagreeing with a series of statements. Information gathered via this survey is the source of references in this report to what 'employees said', noting this relates only to survey respondents. Most scores relate to a percentage 'agree' response that combines the number of 'agree' and 'strongly agree' answers to questions.

The Customer Survey

The 2017 NSW whole-of-government *Customer Satisfaction Measurement Survey* (the Customer Survey), delivered by the NSW Customer Service Commissioner, supports the government's focus on areas in which customer service can be improved. It assesses how public services are performing against important components of customer services relating to employee values, processes and goals. It does this by measuring the satisfaction and expectations of individual consumers and business customers. It is the source for content in this report referring to customer satisfaction.

The NSW Workforce Profile

The *NSW Workforce Profile* is a comprehensive annual collection of data about the demographic characteristics and employment arrangements of all public sector employees. The survey is completed jointly by the PSC and all public sector agencies, and the resulting data appears throughout this report.

Public sector agencies classify roles according to the Australian and New Zealand Standard Classification of Occupations (ANZSCO ABS Cat No 1220.0) minor group category. For example, 'tertiary education teachers', as discussed in 'changing the nature of jobs', is an ANZSCO minor group category that includes employees who educate tertiary students in one or more subjects within a prescribed course of study at universities, polytechnics, technical and further education (TAFE) institutes and other vocational training providers.

Which services does this report cover?

This report addresses performance across the Public Service, Government Sector and public sector:

- **The Public Service includes those employed under Part 4 of the *Government Sector Employment Act 2013* (NSW) (GSE Act) in the service of the Crown.**
- **The Government Sector is defined by the GSE Act to include the Public Service, as well as the Teaching Service, the Health Service, the Transport Service, the Police Force and other Crown services such as TAFE.**
- **The public sector is all of the Government Sector, as well as agencies such as the Independent Commission Against Corruption, the Audit Office of New South Wales, Parliament NSW, the Judicial Commission, and State-owned corporations such as water and energy companies.**

Some data relates only to specific elements of the public sector, which is clearly identified in context. For example, progress against the Premier's Priority to Drive Public Sector Diversity relates only to Government Sector agencies.

Acknowledgements

The Commissioner would like to acknowledge the assistance of the following:

- **The Public Service Commission Advisory Board – Professor Peter Shergold AC (Chair), Blair Comley PSM, Vince Graham AM, Martin Laverty, Susan Lloyd-Hurwitz, Sandra McPhee AM, Michael Pratt AM, and Rob Whitfield (until June 2017).**
- **Staff members of the Public Service Commission who developed the report, led by Scott Johnston, Siobhan Brahe, Kent Norton, Alpna Malik and Eliza Quinert.**
- **ORC International and the Office of the Customer Service Commissioner, which provided data for the Employee and Customer Surveys respectively.**
- **The various departments and other agencies that supported the Employee Survey, Agency Survey and *NSW Workforce Profile* data collections.**
- **Editor Group and Folk for their expertise in editing and designing the report.**

Chapter One

NSW public sector at a glance

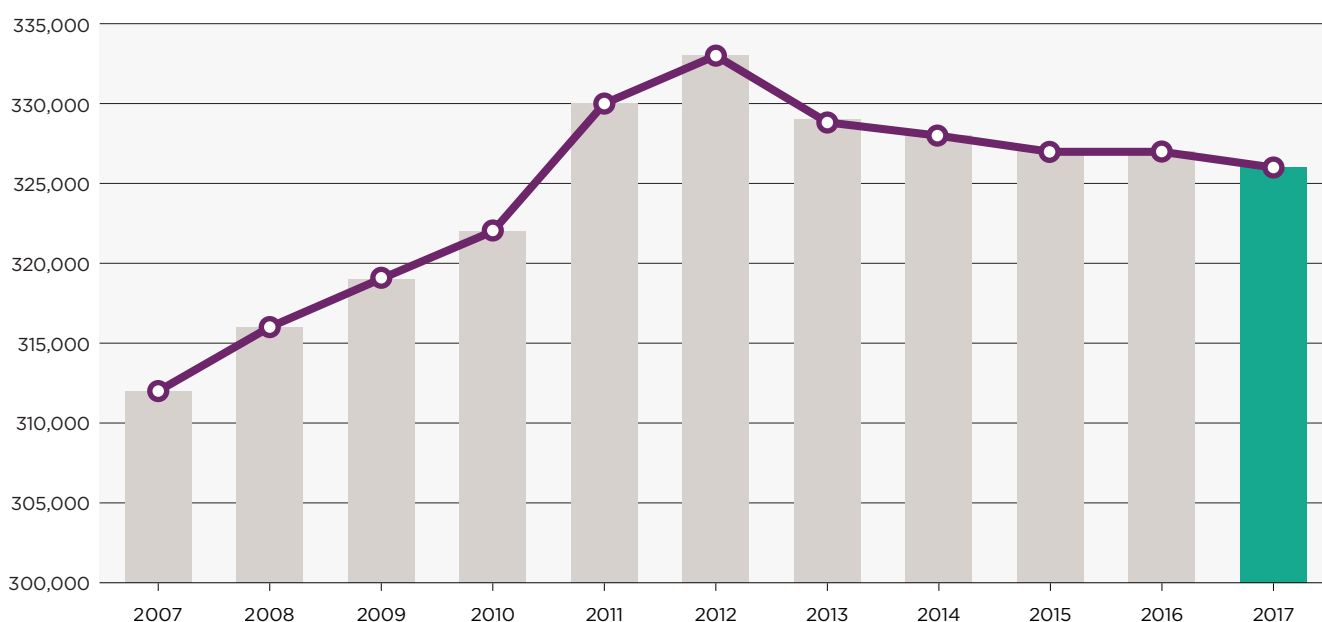
Our size and shape

Number of full-time equivalent employees (FTE) in the NSW public sector in 2017

325,900 

Source: 2017 NSW Workforce Profile

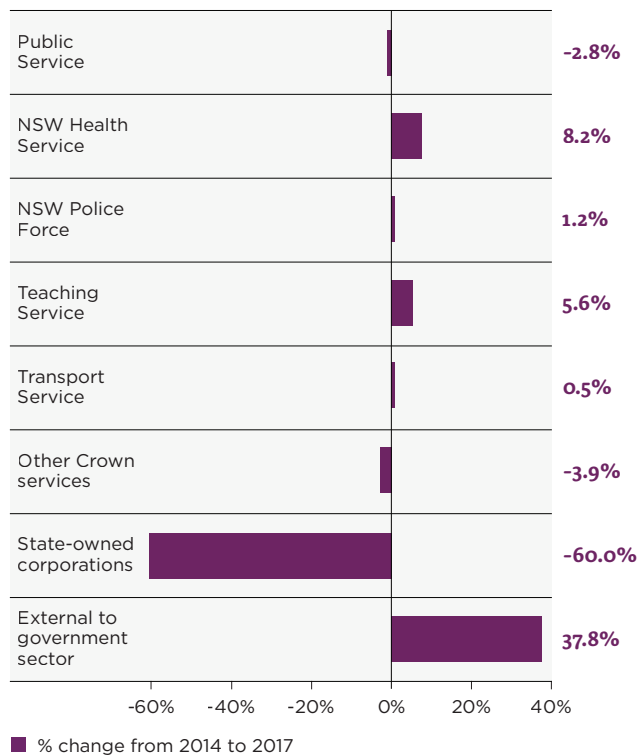
Number of full-time equivalent employees (FTE) in the NSW public sector 2007-2017



Source: 2017 NSW Workforce Profile

Public sector FTE employees in 2014–17

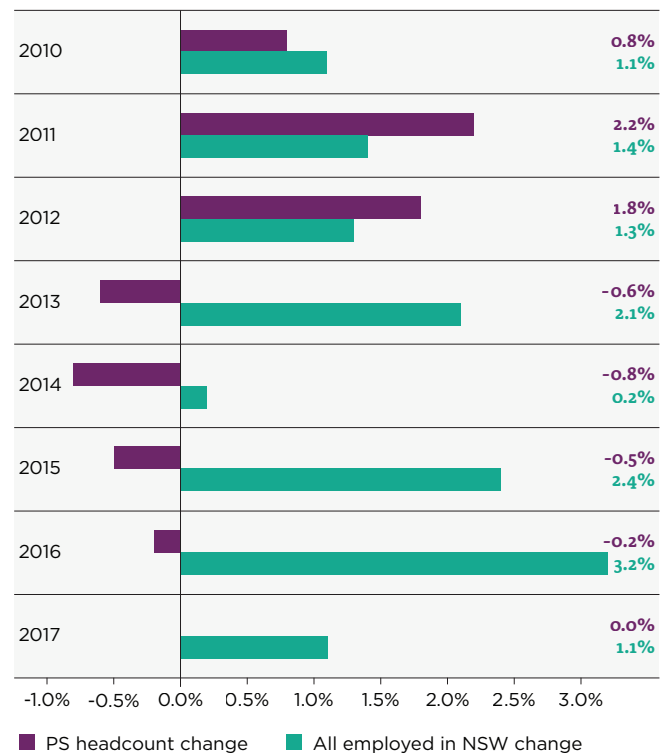
The number of employees across the public sector can be examined by service or by cluster. Examined by the services listed in the *Government Sector Employment Act 2013* (NSW), the Government Sector has grown **2.9%** since 2014. The overall decline in the public sector FTE since 2014, as shown in the graph above, results from a number of State-owned corporations exiting the public sector, among others.



Source: 2017 NSW Workforce Profile, 2017 census period

Note: Examples of Public Service agencies are policy and regulatory agencies, and the Department of Family and Community Services. Examples of other Crown services are Sydney Trains, NSW Trains and TAFE.

Changes in total NSW public sector headcount compared with total NSW employment, 2010–17

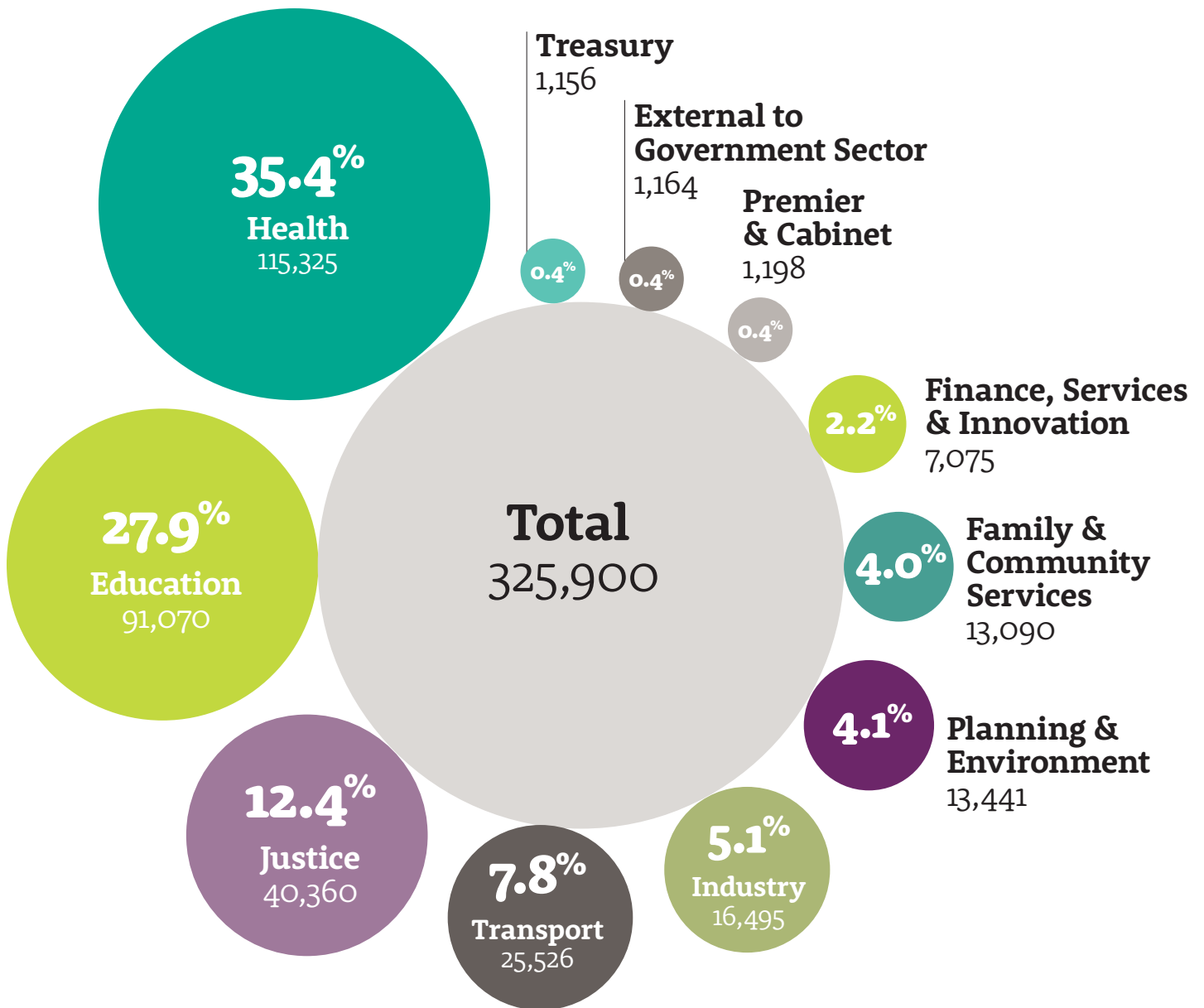


Source: NSW Workforce Profile figures from 2010 to 2017 using total sector headcount; Australian Bureau of Statistics, 6291.0.55.001 – Labour Force, Australia, Detailed – Electronic Delivery, July 2017 – Table 16, released 24 August 2017.

Chapter One: NSW public sector at a glance

Number of full-time equivalent employees by cluster

The NSW Government Sector is structured into 10 clusters to coordinate related services. Each cluster includes the Public Service and other government entities. Entities labelled 'external to the Government Sector' are Parliament NSW, the Judicial Commission, the Independent Commission Against Corruption and the Audit Office of NSW.



Source: 2017 NSW Workforce Profile

Note: These numbers have been adjusted to reflect current machinery of government cluster arrangements.

Number of employees in key occupations

While services have changed shape, frontline roles have continued to grow in key areas.

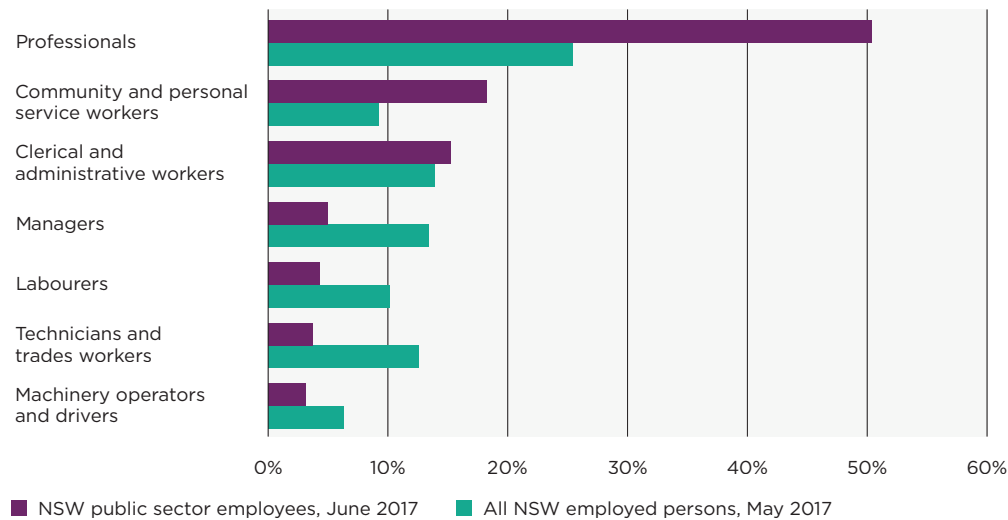


Source: 2017 NSW Workforce Profile. Census period full-time equivalent numbers used.

Note that the 2016 census period FTE for Ambulance Officers has been updated from last year's State of the Public Sector Report to 3,673.

Chapter One: NSW public sector at a glance

Most employees working in professional occupations have tertiary qualifications

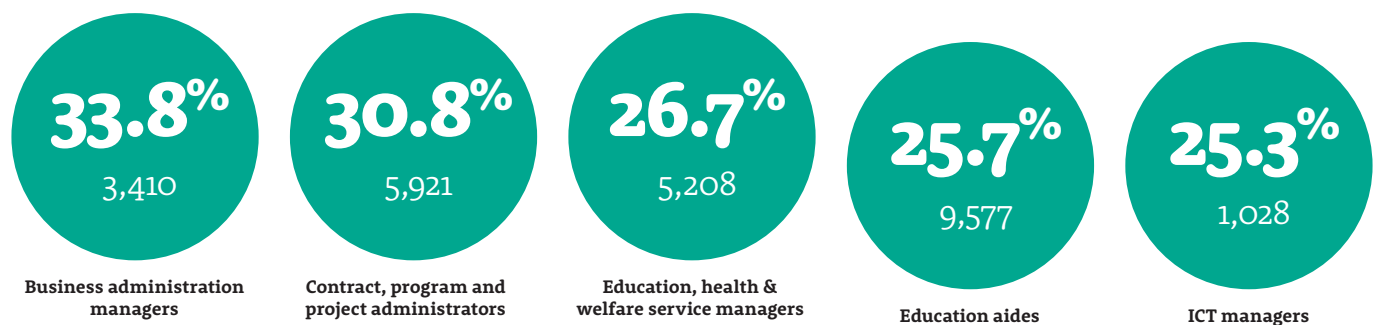


Source: 2017 NSW Workforce Profile

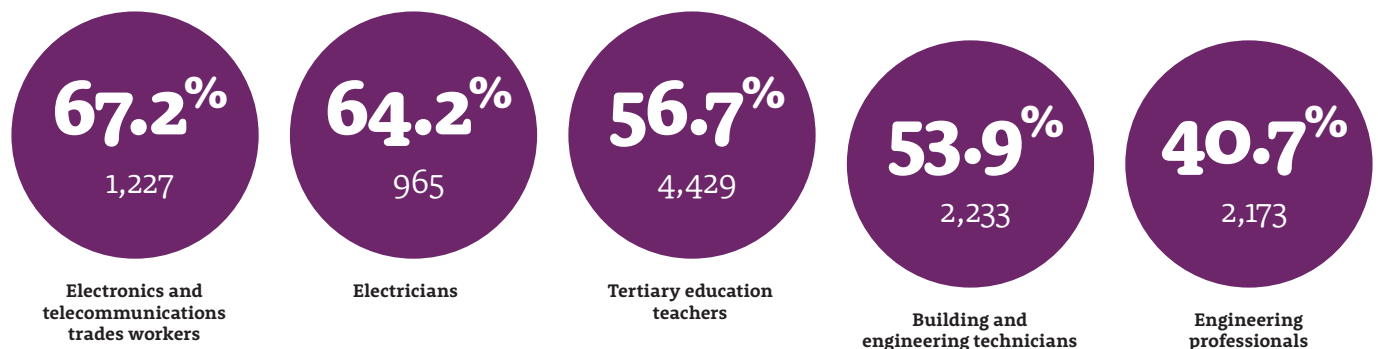
Note: Most occupations in the professionals group have a level of skill commensurate with a bachelor degree or higher qualification. At least five years of relevant experience may substitute for the formal qualification (ANZSCO Skill Level 1), or an Australian Qualifications Framework associate degree, advanced diploma or diploma, or at least three years of relevant experience (ANZSCO Skill Level 2).

Jobs in the public sector are evolving, in line with the changing services, 2012–17

Largest increases, 2012–2017, and 2017 FTE



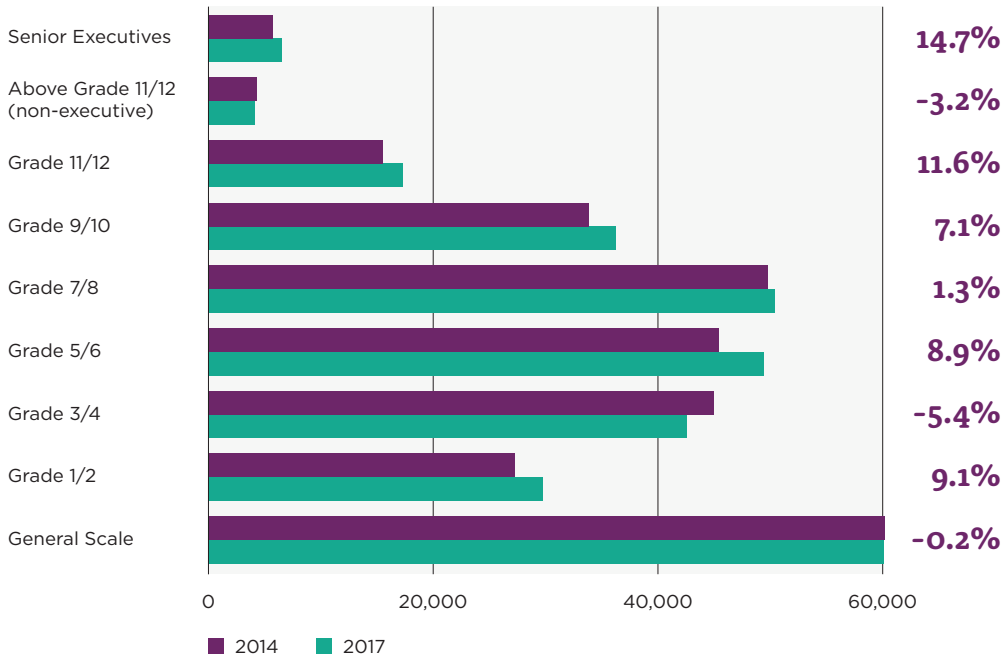
Largest decreases, 2012–2017, and 2017 FTE



Source: 2017 NSW Workforce Profile

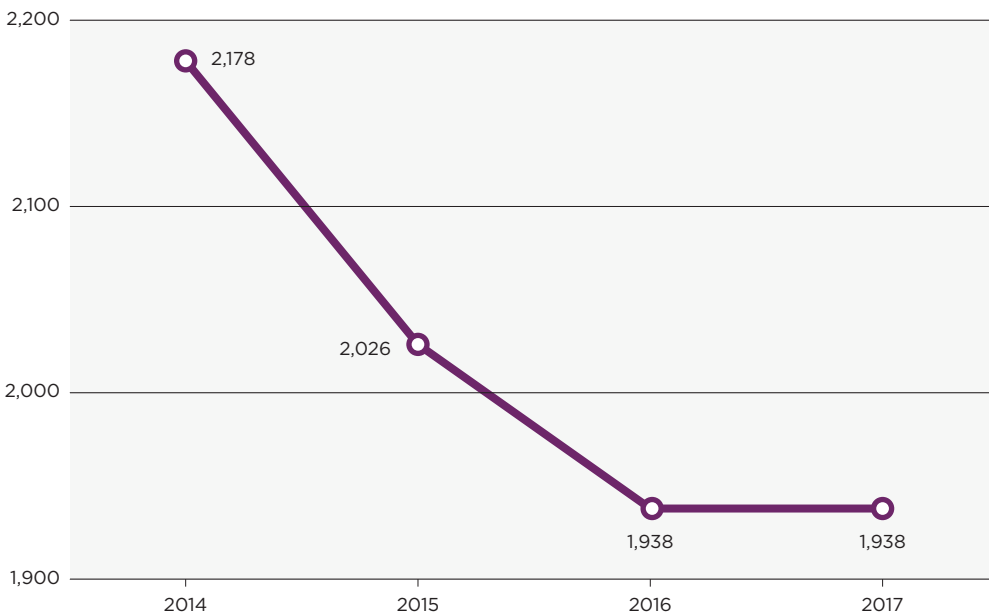
Note: tertiary education teachers are as defined on page 4 of this report.

Changing shape of the Government Sector workforce, FTE by grade, 2014–17



Source: 2014–2017 NSW Workforce Profile, full-time equivalent.
 Note: Remuneration bands are aligned with the Crown Employees (Administrative and Clerical Officers – Salaries) Award 2007.

Post GSE reform, senior executives in the Public Service are a lower proportion of its total workforce than executives in the Government Sector as a whole in 2017



Source: NSW Workforce Profile 2017. Headcount at census date.

Who we are and where we are

Median age in years, 2017



Source: 2017 NSW Workforce Profile, Australian Bureau of Statistics 3235.0 - Population by Age /and Sex, Regions of Australia, 2016 - released 28 August 2017, Australian Bureau of Statistics 2006.0 - Census of Population and Housing: Working Population Profile, 2016, - released 20 November 2017

Representation of women, 2017



Source: 2017 NSW Workforce Profile, Australian Bureau of Statistics 6202.0 - Labour force, Australia, Table 4 - released 19 October 2017, Australian Bureau of Statistics 3101.0 - Australian Demographic Statistics, Mar 2017, Table 4 - released 27 September 2017

Representation of Aboriginal and Torres Strait Islanders, 2017



Source: 2017 NSW Workforce Profile, Australian Bureau of Statistics 2071.0 - Census of Population and Housing: Reflecting Australia - Stories from the Census, 2016 - released 28 June 2017, Australian Bureau of Statistics 4714.0 - National Aboriginal and Torres Strait Islander Social Survey, Australia, 2014-15, Table 20 - released 28 April 2016

Representation of people with English as a second language, 2017



Source: 2017 NSW Workforce Profile, Australian Bureau of Statistics 2001.0 - Census of Population and Housing: General Community Profile, Australia, 2016 - released 27 June 2017, Australian Bureau of Statistics - Census of Population and Housing, 2011

Representation of people with a disability, 2017



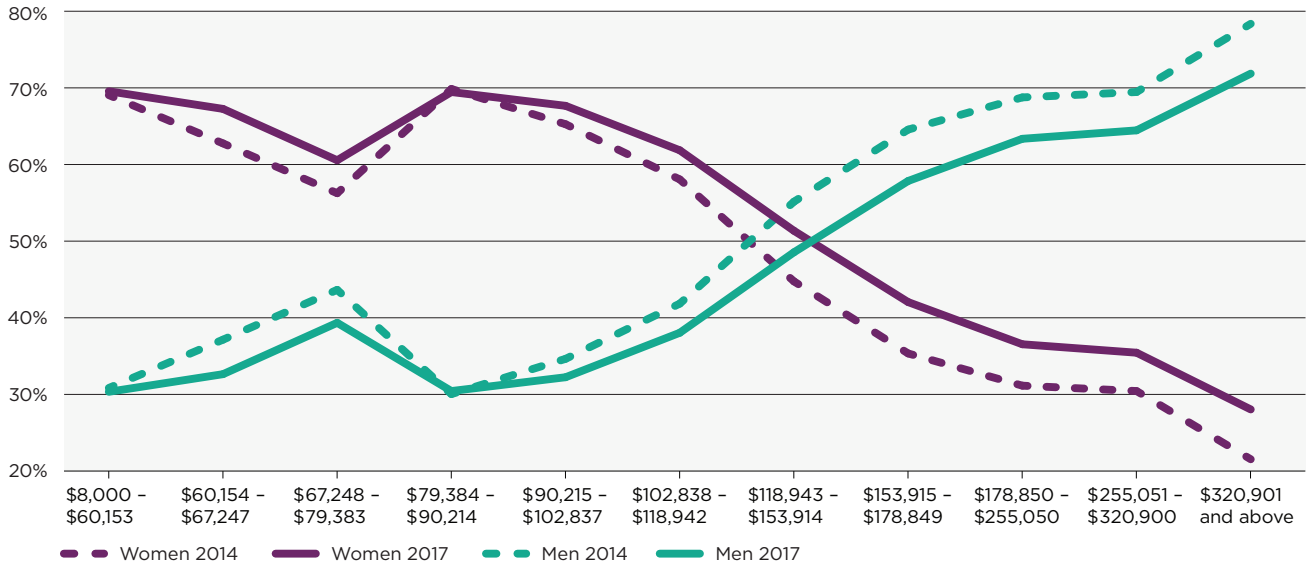
Source: 2017 NSW Workforce Profile, Australian Bureau of Statistics - 4430.0 - Disability, Ageing and Carers, Australia, 2015 Table 1.3 - released 18 October 2016

Representation of lesbian, gay, bisexual, transgender, intersex or gender diverse people, 2017



Source: People Matter Employee Survey
Note: NSW population data was unavailable for comparison.

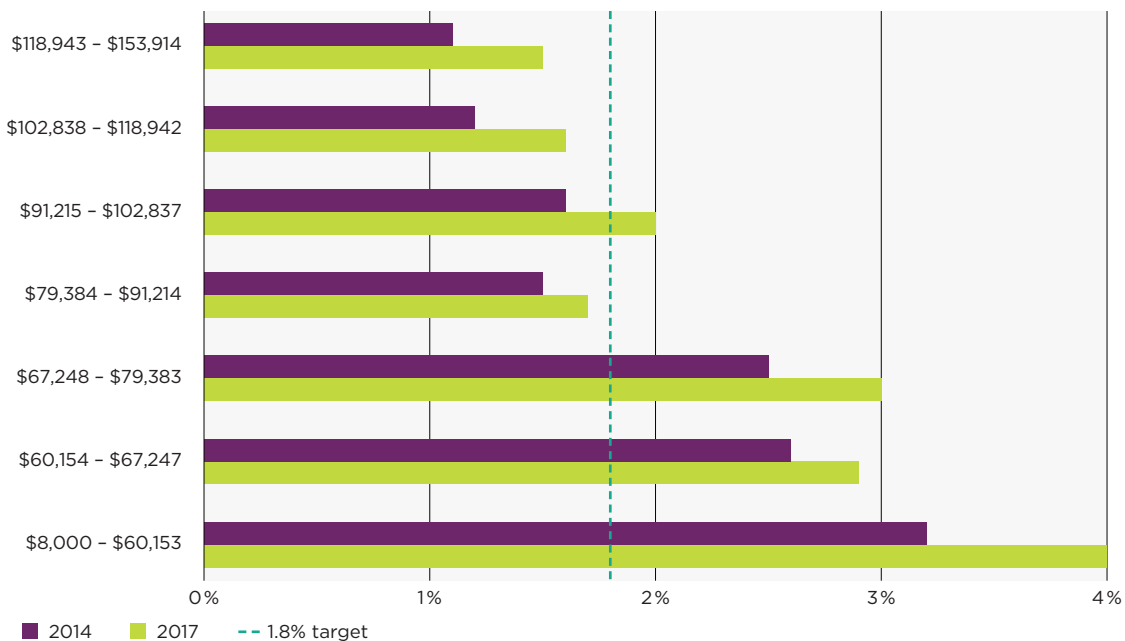
Gender profile across the NSW public sector, 2017



Source: 2017 Workforce Profile, 2014 remuneration values have been adjusted to 2017 salaries

Aboriginal and Torres Strait Islander employees across non-executive pay grades

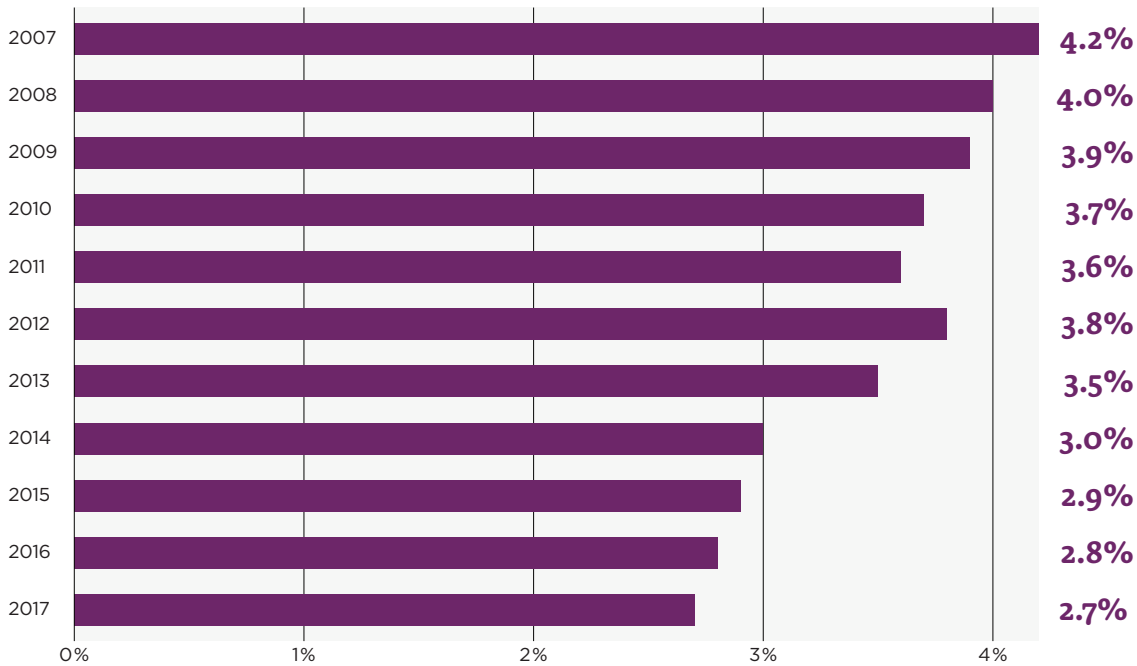
Progress towards meeting the 1.8% representation target



Source: 2017 Workforce Profile

Chapter One: NSW public sector at a glance

Representation of NSW public sector employees with a disability



Source: 2017 Workforce Profile

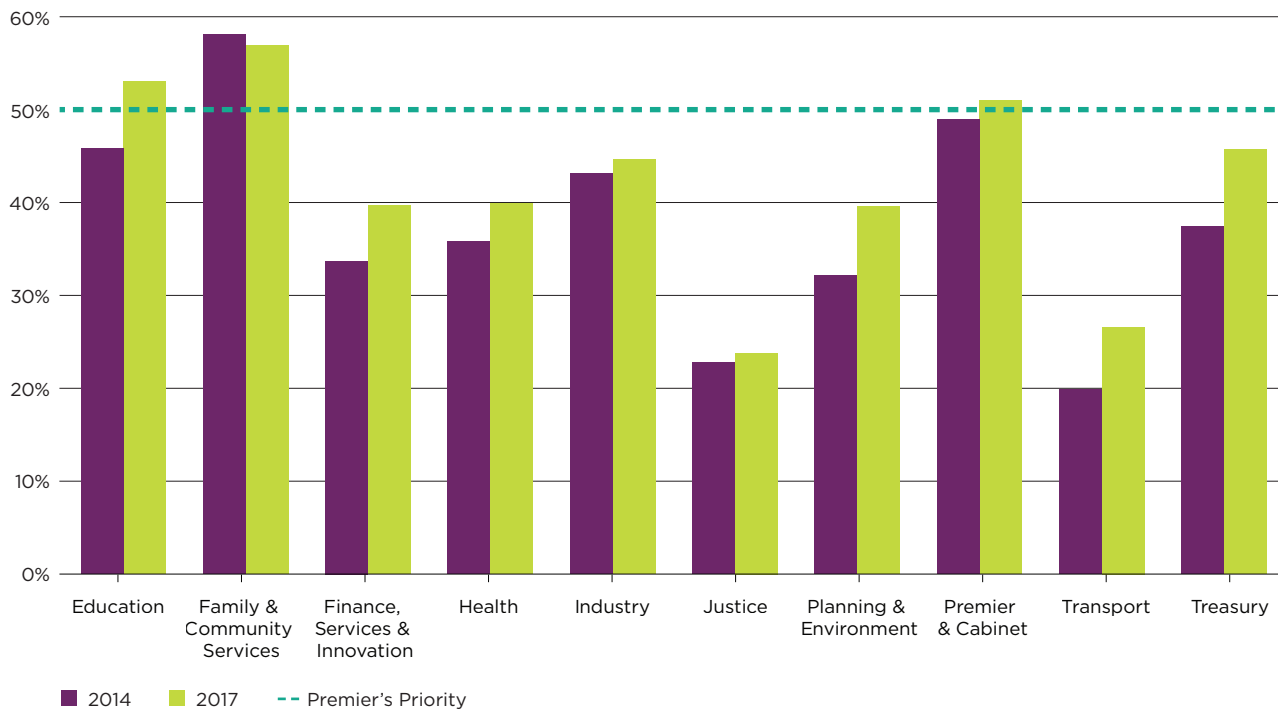
Premier's Priority to drive public sector diversity

Progress to double to **114** the number of Aboriginal and Torres Strait Islander employees in senior leadership roles in the Government Sector by 2025 (headcount)



Source: 2017 NSW Workforce Profile

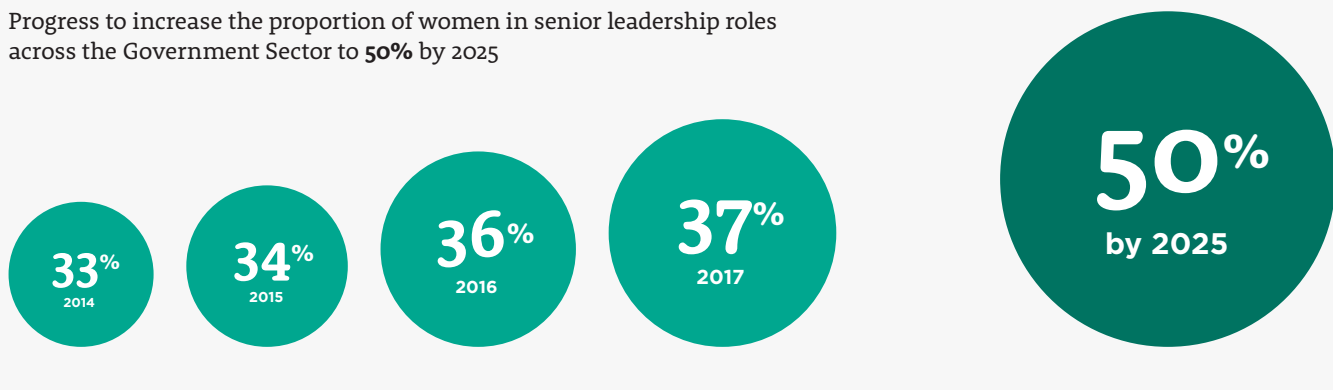
Women in senior leadership roles by cluster, 2014–17



Source: 2017 NSW Workforce Profile. Note: target applies to Government Sector only.

Premier's Priority to drive public sector diversity

Progress to increase the proportion of women in senior leadership roles across the Government Sector to **50%** by 2025



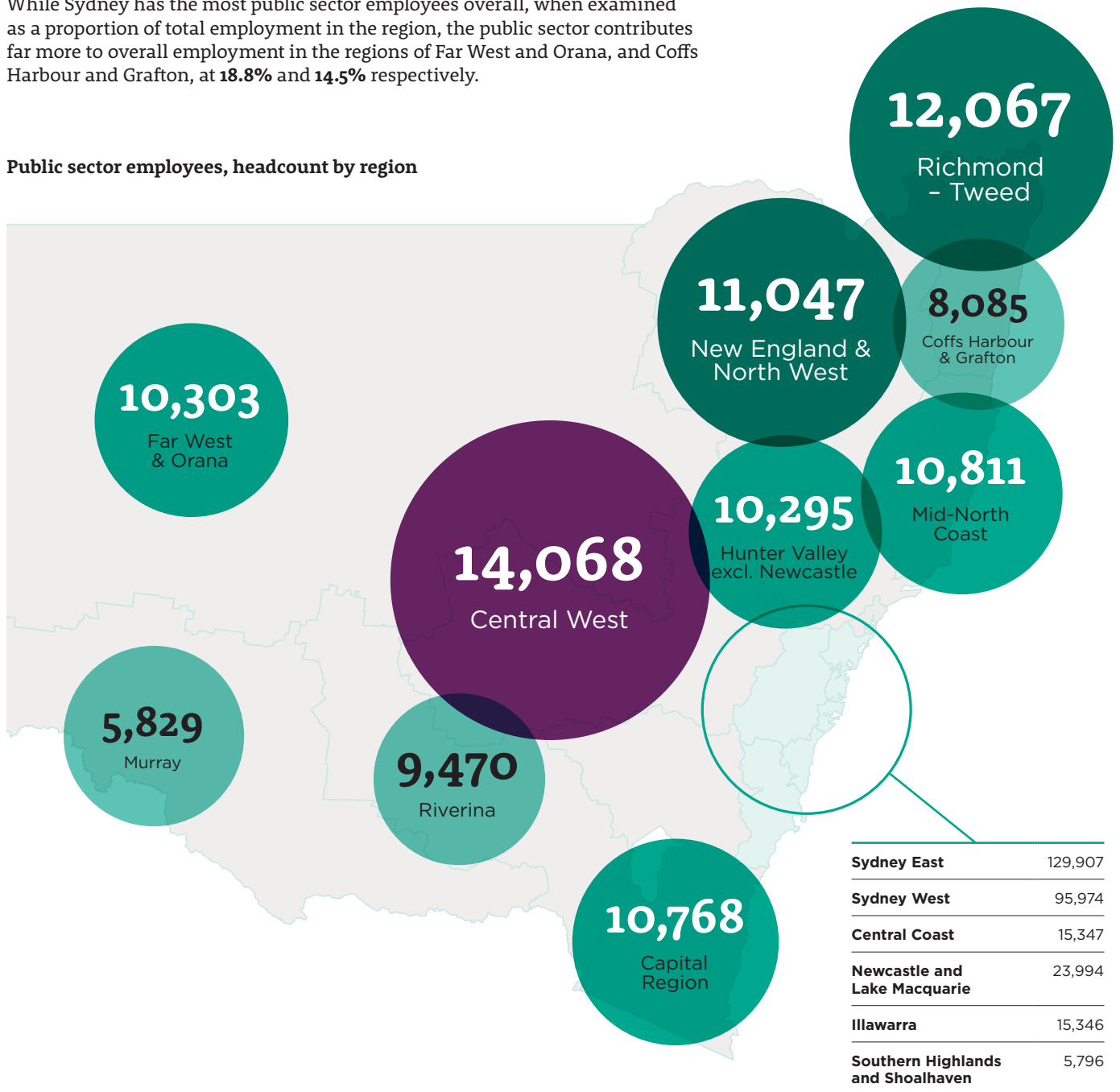
Source: 2017 NSW Workforce Profile

Chapter One: NSW public sector at a glance

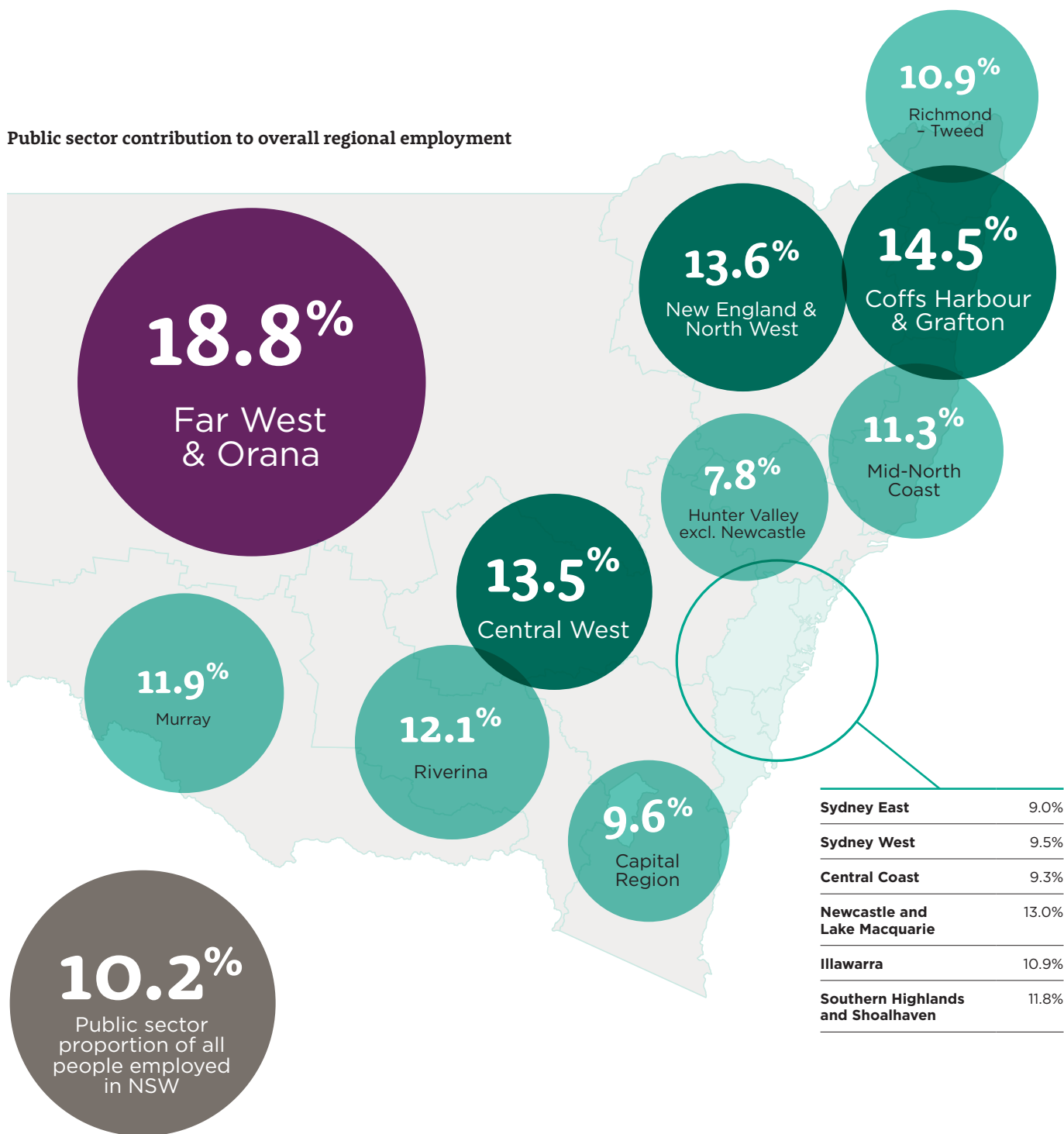
Where NSW public sector employees work

While Sydney has the most public sector employees overall, when examined as a proportion of total employment in the region, the public sector contributes far more to overall employment in the regions of Far West and Orana, and Coffs Harbour and Grafton, at **18.8%** and **14.5%** respectively.

Public sector employees, headcount by region



Public sector contribution to overall regional employment

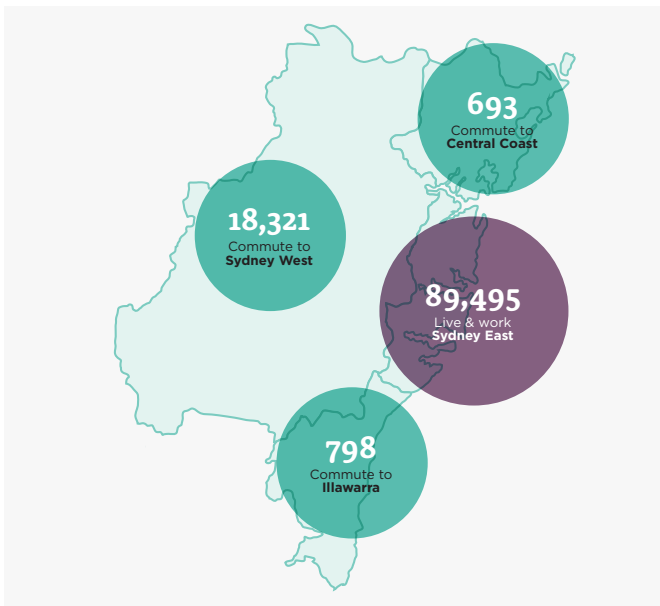


Source: 2017 NSW Workforce Profile; Australian Bureau of Statistics, 6291.0.55.001 – Labour Force, Australia, Detailed – Electronic Delivery, August 2016, released 22 September 2016

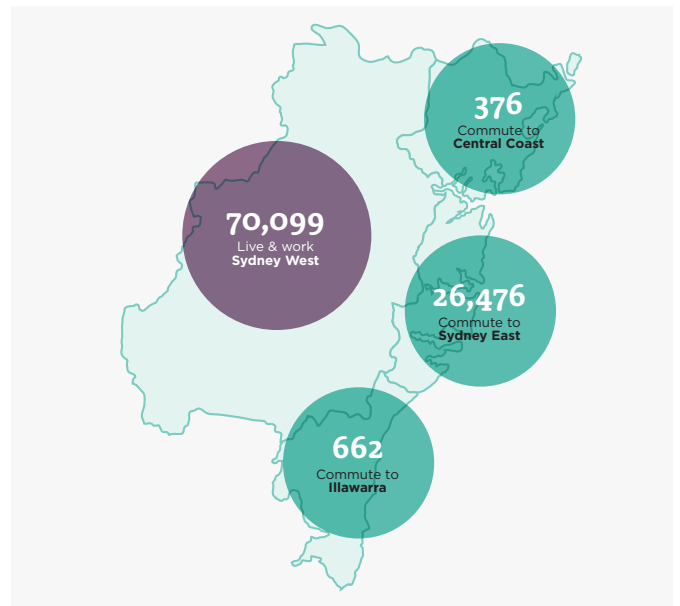
Chapter One: NSW public sector at a glance

NSW public sector commuting patterns

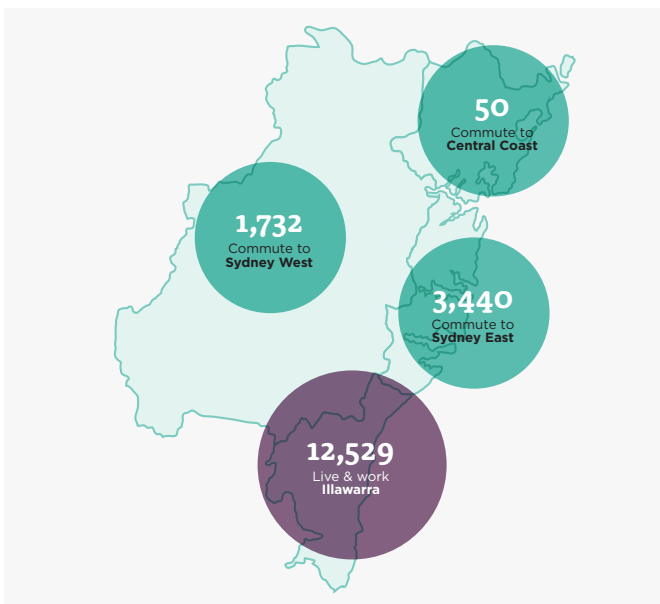
People are more likely to work in the region in which they live than another region. However, substantial numbers of NSW public sector employees commute to Sydney from each of the surrounding regions.



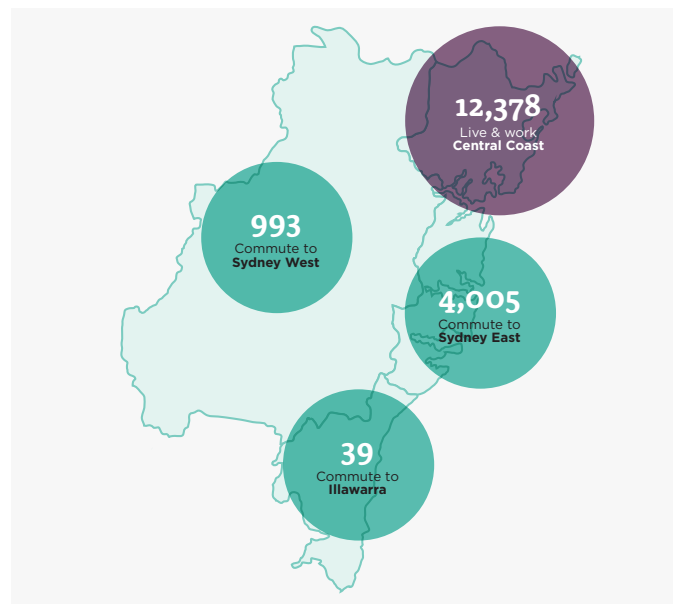
Sydney East



Sydney West



Illawarra



Central Coast

Source: 2017 NSW Workforce Profile

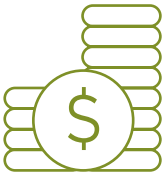
Note: All figures are 2017 census period headcount.

Our performance

Government Sector net worth has steadily increased, while the proportion of general government expenditure related to employee costs decreases. Note this decrease in employee expenditure correlates to the decline in full-time equivalent employees over the same period.

Government Sector net worth in 2016-17

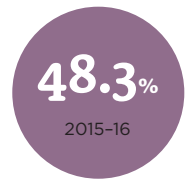
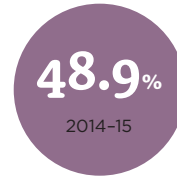
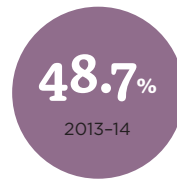
\$224.9 bn



Source: NSW Treasury, Budget Statement 2017-18

Employee-related costs as a percentage of general government expenditure

47.6 %
2016-17



Source: NSW Government Treasury Budget Statement 2017-18, p. 7-3, and Budget Statement 2015-16, p. 5-31.

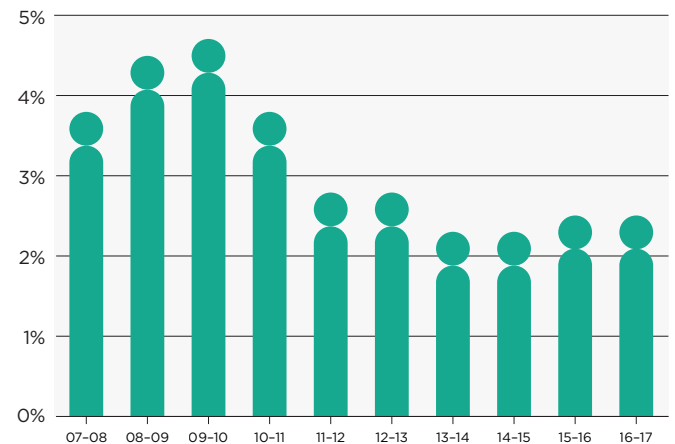
Median salary in the NSW public sector, 2017

↑ \$83,689



Source: 2017 NSW Workforce Profile

Percentage increases in median salary, 2007-17



Source: 2017 NSW Workforce Profile

Chapter One: NSW public sector at a glance

Median salary by gender, 2017

\$83,689 **\$83,941**
Women **Men**

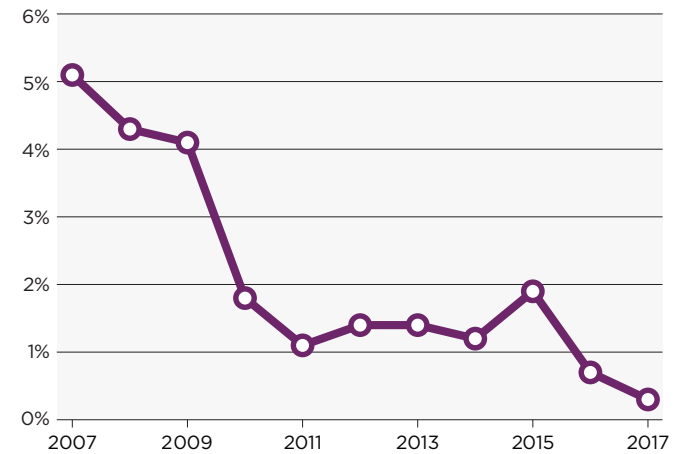
Annual gender pay gap, 2017

\$252

Source: 2017 NSW Workforce Profile

Note: The gender pay gap calculation follows the Organisation for Economic Cooperation and Development (OECD) method, and is defined as the difference between the median salaries of males and females, relative to the median salary of men. Employee salary means the full-time base remuneration of the role, regardless of whether the employee is working part-time or full-time.

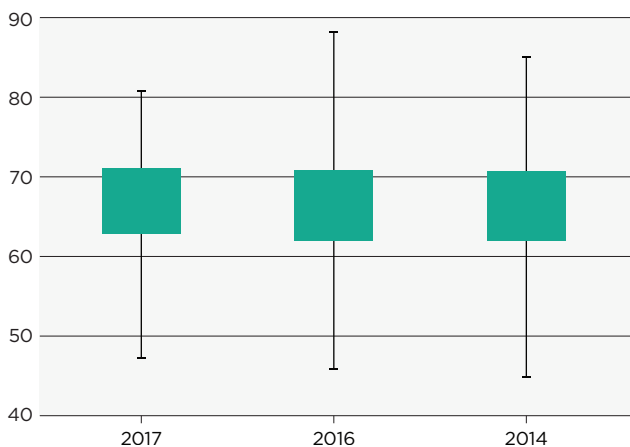
Decreases in the annual gender pay gap, 2007–17 (%)



Source: 2017 NSW Workforce Profile

NSW public sector engagement score range, 2014–17

Sector employee engagement remained at **65%** in 2017, but each year the range of agency scores narrows, and more agencies have moved closer to the mean.

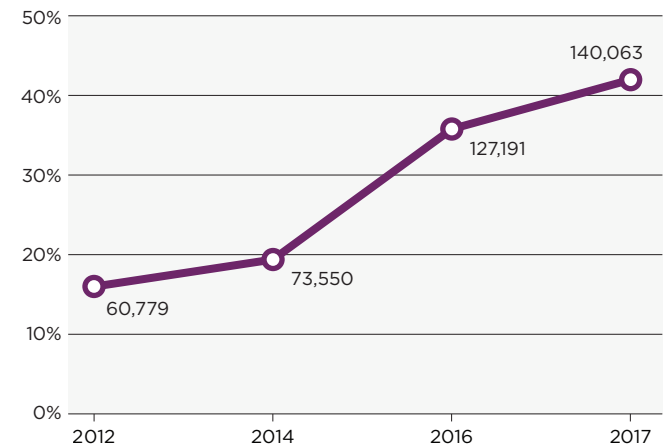


Source: People Matter Employee Survey

Note: The boxes show the range of agency scores that sit within the second and third quartiles of the engagement index, and vertical lines show the minimum and maximum agency engagement scores across each year.

NSW public sector response rates, 2012–17

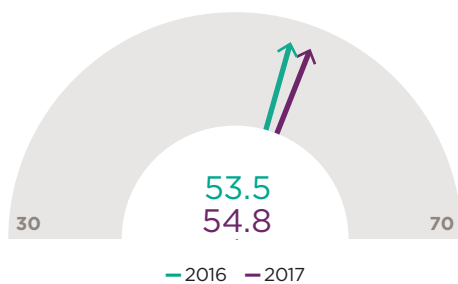
140,063 public sector employees responded to the *People Matter Employee Survey* in 2017, more than double the number who did in 2012.



Source: People Matter Employee Survey

Senior Leadership Index key performance indicator, 2016–17

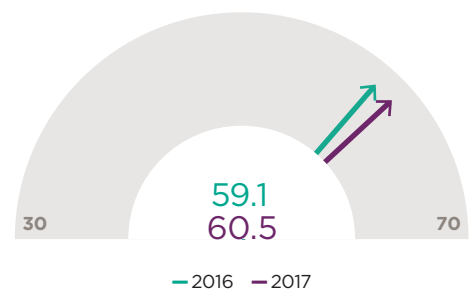
The Senior Leadership Index tracks trends in employee perceptions of senior leaders. Chapter 3, on leadership, contains further details of the People Matter Employee Survey questions used for the index.



Source: People Matter Employee Survey

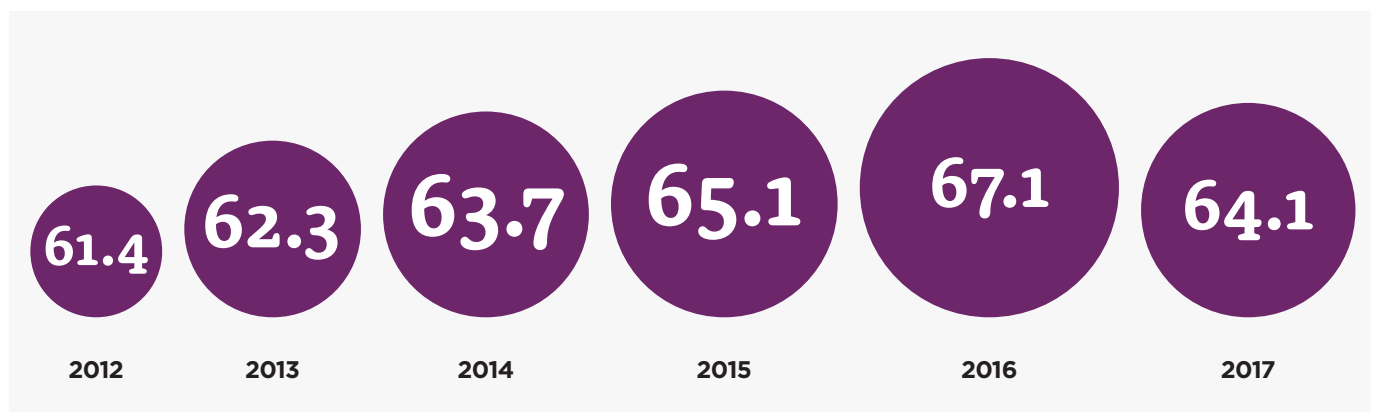
Performance Management Index, 2016–17

The Performance Management Index tracks trends in employees' performance management experiences and provides an overall score. Chapter 2, on acquiring and building capability, contains further details of the People Matter Employee Survey questions included in the index.



Source: People Matter Employee Survey

Hours of paid unscheduled absence per full-time equivalent employee, 2012–17



Source: 2017 NSW Workforce Profile

Chapter Two

Acquiring and building capability

Efforts to fill roles remain compliance-focused

Reform introduced by the *Government Sector Employment Act 2013* (NSW) (GSE Act) established an ethical framework for recruitment and promotion based on merit. A candidate's merit is assessed against the capabilities required for a role, acknowledging that most roles share common capabilities that can be carried across to other agencies, roles or processes.

This approach assumes that a hiring manager thoroughly understands the capabilities required for a role, and how best to assess them. The introduction of simplified, generic role descriptions has made it possible to recruit for common roles in bulk and build talent pools. While many agencies were already using these features internally, the arrangements have been extended across the sector, meaning agencies can now access pre-selected candidates from other agencies.

From an employee's perspective, rather than 'owning' a role, they are now assigned a classification of work (if a non-executive) or senior executive band based on the capabilities the role requires. The recruitment assessment, underpinned by the common capability framework, allows employees to move to similar roles across the sector quickly and efficiently, to broaden their experiences and build their careers.

The full benefit of these reforms is yet to emerge. This section discusses the state of the sector in recruitment, mobility and performance management. To date, recruitment remains compliance-focused, and cross-sector mobility has yet to gain traction. However, employee perceptions of performance management show evidence that agencies and employees are actively engaging in the process.

Recruitment reforms are yet to have a full impact

The way roles are filled indicates that the flexibility offered by the reforms has not been widely accepted. HR leaders report that the recruitment process remains largely single-role focused and reactive to unanticipated vacancies, with low uptake of planned and/or bulk recruitment. Candidate selection remains focused on candidates' prior agency or process experience, and hiring managers do not trust the new assessment processes to effectively and efficiently deliver the required results. The quality or performance of those selected for jobs is rarely used to evaluate the efficacy of the recruitment process. The 2016 Agency Survey reported that **30%** of agencies measuring the quality of hiring had assessed their practices as 'developed' or 'highly developed'.¹ Further, HR and hiring managers do not appear to collaborate effectively to determine the best way to fill roles.

These doubts are reflected in employee perceptions of recruitment. In 2017, employees across the sector continued to report low levels of confidence (**35%**) and high levels of concern (**34%**) about the way recruitment decisions were made in their agency. These scores ranged between **15.8%** and **84.8%**, indicating a wide spectrum of perceptions.

1. 2016 State of the NSW Public Sector Agency Survey.

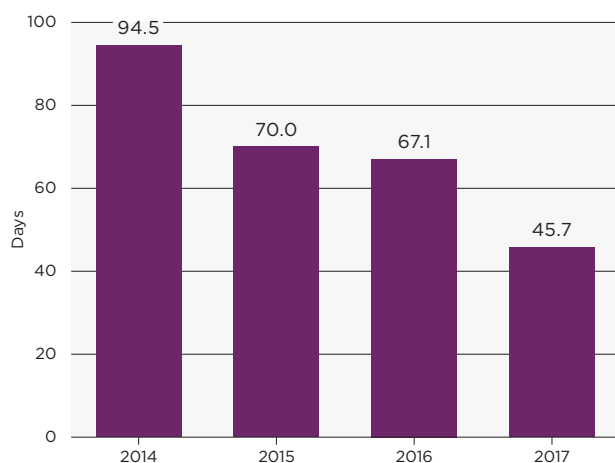
Figure 2.1: Employee perceptions of recruitment, 2017

	Strongly agree (%)	Agree (%)	Neither agree or disagree (%)	Disagree (%)	Strongly disagree (%)	Agreement 2017 (%)
I have confidence in the way recruitment decisions are made	8	27	31	19	15	35
My organisation generally selects capable people to do the job	9	44	26	15	7	52

Source: People Matter Employee Survey

Average recruitment decision time, which measures how long it takes to make an employment offer, has steadily decreased to 45 days.² This would decrease further if bulk recruitment and talent pools were used more often to fill roles.

Figure 2.2: Average recruitment decision time, in days, 2014–17



Source: I work for NSW e-recruitment

An example of the untapped potential of bulk recruitment is recent work in filling the 9/10 senior policy adviser role. There are currently **599** people at this classification in the Public Service, and **120** commenced in the role in 2016–17. A whole-of-sector talent pool was established in January 2017 for this classification, with candidates pre-assessed against a standard capability set, and only requiring an interview with a prospective agency to determine their fit. To date, **22** people successfully secured a role, with an average recruitment decision time of seven days, while individual recruitment processes for the same role continue.

NSW Government Graduate Program shows best-practice recruitment results

The NSW Government Graduate Program was established to attract and retain talented graduates, contribute to public sector capability and develop a cohort of future sector leaders. Its progress shows the outcomes that can be achieved through best-practice recruitment, as intended by reforms introduced under the GSE Act. In this program, candidates are shortlisted against a range of core capabilities and assessed in bulk using three valid and reliable capability-based methods delivered by trained assessors. Selected candidates are matched to agencies based on their qualifications, preferences and agency specifications, then rotated through three roles across the sector over 18 months. This promotes mobility, helps the graduates develop professional networks and builds their foundational skills and knowledge.

Figure 2.3: NSW Government Graduate Program growth, 2016–18

	Applications received	Successful placements
2016	1,218	25
2017	2,077	107 (expanded to include an ICT and digital stream)
2018	2,809	200*

Source: Public Service Commission

*The 2018 final program numbers are approximate only.

Line managers have assessed graduate performance against focus capabilities³ as consistently meeting or exceeding expectations. The greatest improvements in the 2016 cohort in their first year were in the business enabler and relationship capability skill groups. Ninety per cent of 2016 graduates improved their financial competency and **65%** improved their commitment to customer service, from baseline. The program has also exceeded sector averages for diversity representation.

2. NSW Commission of Audit, NSW Commission of Audit Interim Report: Public Sector Management, January 2012, p. 96.

3. Focus capabilities are defined as those for which an employee assigned to a role must demonstrate immediate competence; that is, from day one of engagement.

Chapter Two: Acquiring and building capability

Figure 2.4: NSW Government Graduate Program diversity outcomes over first two intakes

Applications received	Successful placements	Gender	Those with a disability	Aboriginal and Torres Strait Islander
3,295	132 candidates; 17 of 92 possible agencies participating	Applicants: • 51.8% female • 48.2% male Successful • 57.9% female • 42.1% male	• 3.1% of applicants • 3.8% of successful	• 0.6% of applicants • 1.5% of successful

Source: NSW Government Graduate Program

The graduate program has expanded rapidly and is predicted to have an intake of 200 in 2018. However, this is still relatively small compared with the size of the overall workforce, with 17 participating agencies from a potential 92. Given the volume of people recruited each year at the 3/4 and 5/6 levels, this program has the potential to grow and extend participation to more agencies.

Mobility remains an untapped opportunity

Enhanced mobility is one of the great opportunities of GSE Act reforms. It allows employees to easily transfer between agencies to gain a breadth of career experience and improve engagement. It allows employers to rapidly respond to service needs and plan for large systemic changes. PSC modelling also suggests that employees who have been in the same organisation for more than two years are less engaged with their organisation and take more paid unscheduled absences than newer employees, irrespective of age or salary.⁴

However, mobility is yet to become a standard part of the capability acquisition mix, with 39% of agencies reporting in 2016 that mobility and talent pools were generally used to source talent. The successes are visible only in a few clusters and in the highest bands of the senior executive cohort.

Agency and HR leaders report that employee mobility is limited to within agencies, rather than extending across agencies or the sector. Data on separations and exits from the sector supports this.

Figure 2.5: Separation from employer and sector exit rates by service, 2017

	Rate of separation from agency (%)	Sector exit rate (%)	Rate of movement within public sector (%)
Public Service	12.7	10.8	1.9
NSW Health Service	10.5	7.3	3.2
Transport Service	10.0	9.2	0.8
Other Crown services	6.0	5.7	0.3
NSW Police Force	4.0	3.6	0.3
Teaching Service	2.9	2.9	0.0
State-owned corporations	67.6	67.4	0.1
External to Government Sector	11.6	10.1	1.6
Total	10.3	8.7	1.6

Source: 2017 NSW Workforce Profile

Note: Large changes to State-owned corporations reflect the transfer of employment arrangements to the private sector.

Rounding may mean that individual items within this table do not tally to the corresponding total.

This data does not reflect employee mobility within an agency (for example, moving to different teams or internal promotions), preventing the analysis of the total mobility in the sector. More effective collection and comparison of this data would better inform agency leaders about the supply and demand for mobility within their agency.

4. Public Service Commission, 2017 Workforce Profile Report, Chapter 9. Contains additional analysis regarding paid unscheduled absence.

A perceived lack of systemic opportunities to gain experience and exposure is reflected in responses to the Employee Survey. Fifty per cent of employees agreed that their organisation was committed to their development (down from 53% in 2016), and 48% were satisfied with the career development opportunities in their organisation (up from 45% in 2016). Both career development questions are key drivers of overall employee engagement scores in 2017.

Employees cited family considerations as a key barrier to a future career move, but a lack of visible opportunities was the second most cited reason.

Figure 2.6: Employees' perceptions of barriers to mobility, 2017

Perceived barrier selected	Employees (%)
Personal/family considerations	33
Lack of visible opportunities	31
Lack of promotion opportunities	30
There are no major barriers to my career progression	30
Geographic location considerations	28

Source: People Matter Employee Survey

Hiring manager capability affects mobility uptake

The experience of candidates in the NDIS (National Disability Insurance Scheme) Workforce Mobility Pathway highlights some of the challenges in fostering cross-sector employee mobility.

The rollout of the NDIS will change the way people with disability, service providers and governments interact. To support the scheme's implementation, all NSW-delivered disability support services will transfer to the non-government organisation (NGO) sector. This will result in significant changes to the way the Department of Family and Community Services (FACS) operates, and its staffing profile.

About 900 FACS staff members, mainly in common roles, will not move to the NGO sector. These employees have entered, or will enter, the NDIS Workforce Mobility Pathway, to create a sector-wide talent pool. Affected FACS employees will be assessed against the capability framework, for matching to vacant roles at their level. The process from interview to filling a role typically takes about 21 working days, depending on internal agency processes.

Between January and October 2017, 115 employees (about 13% of the pool) were reassigned. Because this was a smaller number than anticipated, hiring managers' decisions were analysed to better understand recruitment practices and potential barriers to mobility. A sample of 51 cases in which hiring managers declined to interview or appoint pathway participants to vacancies was examined. Two of the most common reasons that hiring managers gave were:

- that the candidates did not have enough content knowledge about the proposed work
- that the candidates did not have sufficient experience in the processes or environment of the hiring agency or department.

This is consistent with feedback from HR practitioners that hiring managers require additional support, training and direction to better understand hiring for capability and transferable skills. The agency architecture can then help new employees build specific process experience.

In November 2017, the Secretaries Board agreed to a set of actions to significantly improve the uptake of employees from this pool.

Executive mobility is underpinned by robust performance planning

At the executive level, robust performance planning and talent review processes, and the sector-wide support of leaders has resulted in a more developed mobility approach.

In late 2016, the Secretaries Board undertook a talent review of Senior Executive Band 3 employees to identify cross-sector mobility opportunities that met the capability needs of agencies, as well as individuals for more complex roles or where a lateral move would build a depth of experience. Cross-cluster rotations were then executed throughout 2017. The Secretaries Board will consider how a similar process may be applied in the coming year to the Senior Executive Band 2 group, as well as another Band 3 rotation.

Sector leaders report that they are now conducting talent reviews at the Band 1 and 11/12 levels where mature processes have been developed. This is based on access to rigorous performance data and a robust understanding and application of the capability framework. Review results inform leaders' decisions about the career development and mobility of employees, and appear to be a precondition for cross-agency mobility.

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Figure 2.7: Upward mobility for Public Service senior executives during GSE Act transition, 2014–17

	2014	2015	2016	2017
Proportion of Public Service senior executives under GSE Act provisions (%)	1	19	64	100
Upward mobility (headcount)	N/A	1	38	29

Source: 2017; Government Employee Number.

Most Public Service executives were enthusiastic about their own mobility, with **77%** interested in moving to an executive role in another NSW public sector department or agency in the future.⁵

In the next phase of efforts to improve cross-sector mobility, a model that clearly defines the capabilities and scope required of an 11/12 grade manager or subject matter expert role will be developed. These managers play a key role in communicating agency change, direction and purpose to work teams. Defining their capability requirements will help provide consistency to the way each agency evaluates these roles. The spectrum of capabilities that agencies expect in these roles is currently inconsistent, which impedes mobility and skill development.

Further support for hiring managers may also help agencies build the awareness, trust and skill required to fill roles effectively based on candidate capability, then close any skill gaps in agency or process experience after commencement. Agencies that have shown success in using the GSE reforms to fill roles have embedded recruitment specialists in the business to support hiring managers. Supporting managers to gain maturity in capability-based assessment, and providing them with sector-wide validated data extracted from human capital management systems, will help them use the full range of hiring options.

Employees see the value in performance development frameworks

Performance management is a core workforce development practice intended to build an individual employee’s capabilities and their performance. Key to this is ensuring that the employee’s performance and development objectives are aligned to their team and agency’s broader objectives.

The GSE Act made performance management systems a mandatory requirement for heads of agencies to develop and implement for their NSW Government Sector employees⁶. The performance management framework sets out the core requirements of a performance management system and the essential elements of an agency’s performance management approach.

Last year’s *State of the Sector* report noted that line managers needed to improve how they conducted performance reviews. It showed that:

- **83% of agencies had initiatives in place to help managers align employee work goals with organisational needs**
- **80% were building manager capabilities to provide quality feedback**
- **agencies selected this as their most significant overall capability gap and the third-highest improvement priority.**⁷

Feedback from employees indicates that the focus on building people management capabilities is having an impact. In 2017, **67%** of Employee Survey respondents reported that at the time of the survey⁸ they had a current performance and development plan that set out their objectives. This marked an improvement of **15.5** percentage points since 2014. Sixty-three per cent said they had received useful feedback from their manager that enables them to deliver the required results, up from **59%** in 2016.

5. Public Service Senior Executive Mobility Survey, March 2017

6. The Government Sector comprises the Public Service, the Teaching Service, the NSW Police Force, the NSW Health Service, the Transport Service of New South Wales, any other service of the Crown (including the service of any NSW government agency), and the service of any other person or body constituted by or under an Act or exercising public functions (such as a State-owned corporation), being a person or body that is prescribed by the regulations for the purposes of this definition.

7. 2016 State of the NSW Public Sector Agency Survey.

8. Agencies with human capital management systems typically report that 100% of employees have plans, yet the responses to the corresponding Employee Survey question indicates a lower percentage. This may reflect the impact of new employees who do not yet have plans.

Figure 2.8: Employee perceptions of performance development, 2016–17

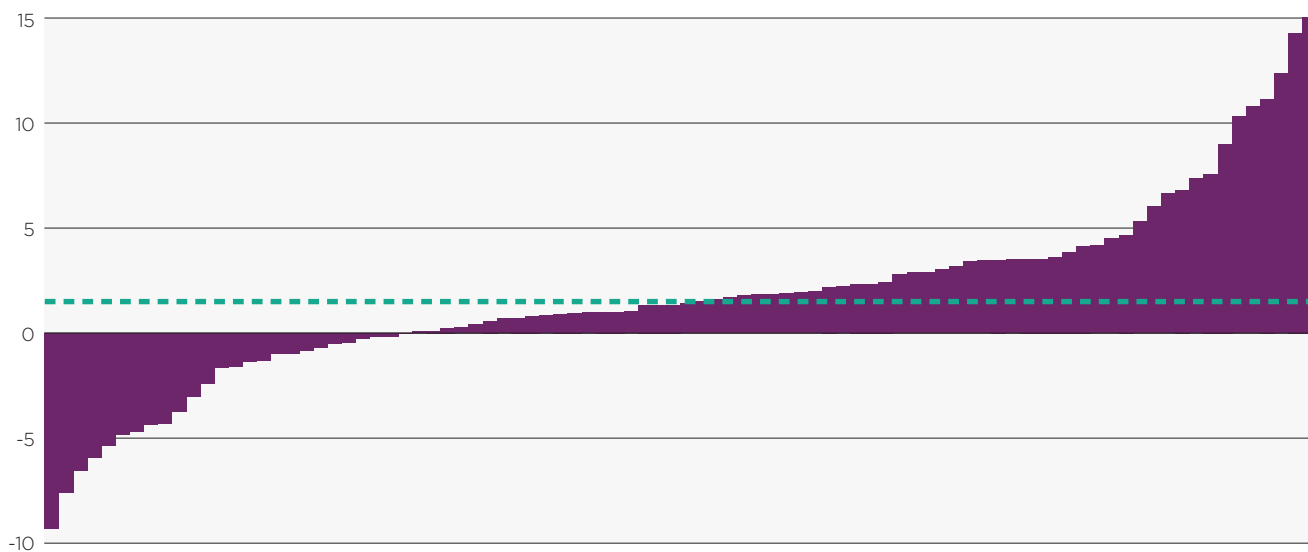
	Agreement 2017 (%)	Agreement 2016 (%)
In the last 12 months I received useful feedback on my work to enable me to deliver required results*	63	59
My performance is assessed against clear criteria*	54	53
I have received appropriate training and development to do my job well	62	63
I am satisfied with the opportunities available for career development in my organisation	48	45
My manager appropriately deals with employees who perform poorly*	44	44

Source: People Matter Employee Survey

*Responses included in the Performance Management Index

Employee perceptions of performance development processes varied across agencies in 2017. However, an analysis of the range and distribution of survey scores indicates a general trend towards improved experiences.

Figure 2.9: Change in Performance Management Index scores across agencies, 2016–17



Source: People Matter Employee Survey

Note: The green line denotes sector average change.

Agency human resource leaders report that introducing a performance management culture requires patience, time and effective change management. They also report that:

- **managers are still building capability in linking individual performance goals to organisational objectives so an employee can see how their performance contributes to organisational outcomes**
- **performance management does not yet produce adequate and/or reliable data linked to agency performance outcomes or to inform other workforce management processes**
- **agencies are still developing their performance rating moderation processes to ensure managers measure performance consistently.**

Analysis shows employee perceptions of performance management improve with seniority. This may reflect the work that sector leaders report doing to ensure executive performance agreements are linked to sector-wide KPIs – such as customer satisfaction and engagement – and their participation in regular, structured, sector-wide conversations on these topics. Leaders note that the next phase will be to ensure this flows to the employee level, where just over half (54%) agree their performance is assessed against clear criteria. Agency-level performance management targets may also help to further improve overall performance.

Chapter Three

Changing workforce culture

While many agencies had run their own longstanding employee surveys, it was not possible to measure and compare employee engagement across the public sector until 2012 when the Employee Survey was introduced to address a perception of low morale and high levels of bullying.

The survey asks employees about their experience of working with their team, managers and the organisation. It gauges their perceptions of their commitment – and that of their peers – to the Government Sector core values. The survey has become a key tool for managers to understand cultural changes and their management from an employee's perspective. It became an annual survey in 2016 to provide a more timely indication of progress across the sector. This chapter addresses the 2017 employee perceptions of their organisations and work, Government Sector values and bullying, and the trends this data has revealed since the survey's inception.

Employee engagement is steady and survey participation is rising

Employee engagement is measured as a weighted index of responses to five questions, based on the level of agreement with feelings of pride, attachment, motivation, inspiration and willingness to recommend the organisation as a great place to work. In 2017, the engagement index was the same as in 2016, at **65%**, although participation in the survey has increased each year.

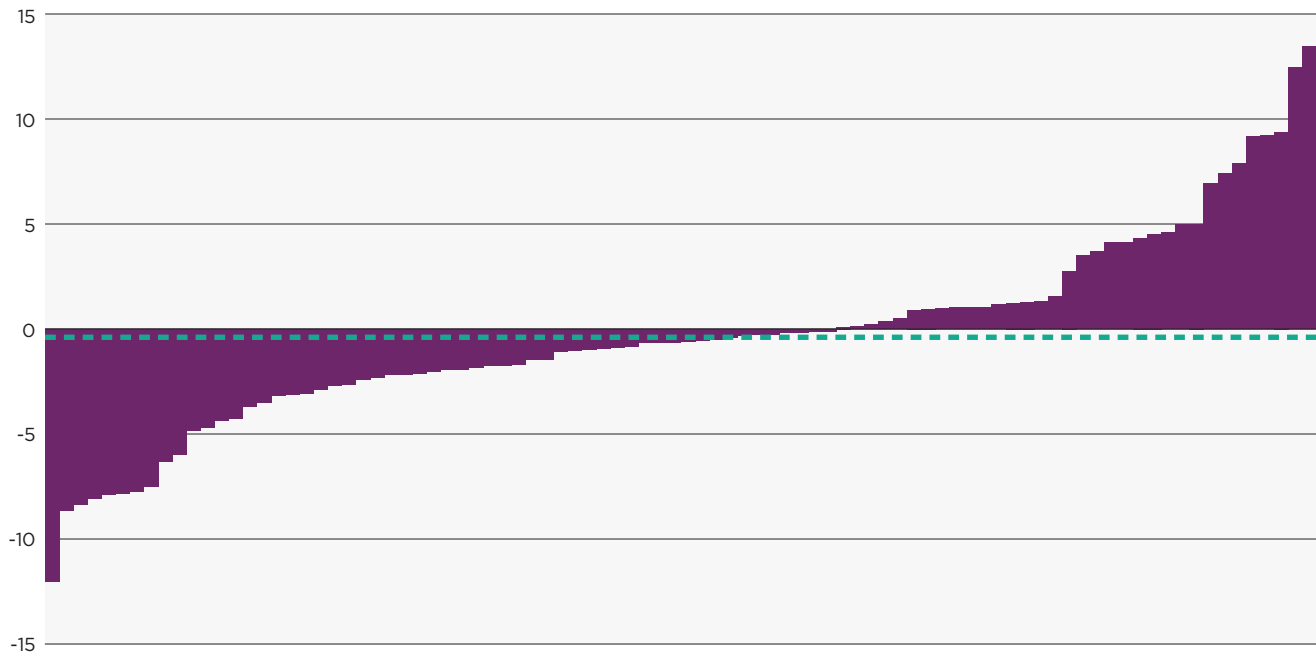
Figure 3.1: Engagement index and Employee Survey participation, 2012–17

	2012	2014	2016	2017
Engagement index (%)	61	65	65	65
Number of employee responses	60,779	73,550	127,191	140,063
Responses as a percentage of sector employees	16.0	19.4	35.8	42.0

Source: People Matter Employee Survey

Closer analysis shows that while the average engagement score hasn't changed, some agencies have significantly improved their scores, while more agencies went backwards, albeit by a smaller increment.

Figure 3.2: Average change in engagement index scores, by agency, 2016–17



Source: People Matter Employee Survey

Note: The green line denotes sector average change.

In 2017, employees reported stronger engagement with their work (72%) than with their organisation. Further, 72% of participants reported that they felt motivated to contribute more than what was required. Job satisfaction increased five percentage points to 68% in 2017.

Engagement scores are influenced by a range of factors, including perceptions of career development opportunities, organisational change management skill and continuous improvement. A feeling of personal accomplishment was a strong driver for most clusters' engagement index, which was particularly true for older employees. These employees reported the largest increase in job satisfaction, indicating that although they may not be as engaged with their organisation as their younger peers, they are generally more positive about their work.

Employee perceptions of working collaboratively and their commitment to customer service were steady between 2016 and 2017. Most employees agreed that their workgroups strived for customer and client satisfaction, and nearly two-thirds (60%) agreed their senior managers communicated the importance of clients and customers in achieving business objectives. Team collaboration has improved, but intra-organisational cooperation has not.

Chapter Three: Changing workforce culture

Figure 3.3: Employee perceptions of organisational high performance, 2016–17

	Agreement 2017 (%)	Agreement 2016 (%)
I understand what is expected of me to do well in my role	90	90
My workgroup works collaboratively to achieve its objectives	78	75
I have received appropriate training and development to do my job well	62	63
My manager encourages people in my workgroup to keep improving the work they do	72	72
I have confidence in the decisions my manager makes	67	67
Senior managers encourage innovation by employees	48	49
Senior managers promote collaboration between my organisation and other organisations we work with	51	52
My organisation focuses on improving the work we do	69	76
My organisation is making the necessary improvements to meet our future challenges	57	62
There is good co-operation between teams across our organisation	47	48
My organisation generally selects capable people to do the job	52	51

Source: People Matter Employee Survey

More employees (34%) agreed in 2017 that their agency would act on the Employee Survey results than did in 2016 (32%). Agencies with a significantly higher score and response rate for this question reported that success had been achieved by executives taking a leading role in exploring results and formulating responses. They encouraged participation using incentives such as inter-divisional competitions, reported the issues identified, promoted planning to address problem areas and monitored progress through pulse surveys.

Embedded values shape new employees' transition to the sector

The ethical framework in the GSE Act established the Government Sector's core values of integrity, trust, service and accountability.¹ In 2015, this ethical framework was built on when the Public Service Commissioner directed relevant agency heads to implement the Code of Ethics and Conduct for NSW Government Sector employees. This is the first sector-wide code of ethics and conduct.

The Public Service Commissioner asked agencies for progress reports on the implementation of this code in September 2016, which indicated that its implementation was largely complete.² Almost all agencies had established measures to manage conflicts of interest, nominated a senior executive to oversee code implementation, and were counselling their employees on the code.

Agencies had made less progress in conducting surveys to gauge employees' understanding of the code (28% of agencies), providing refresher courses on the code (30%), establishing code evaluation and monitoring measures (36%), and providing e-Learning training (38%).

However, many agencies were planning to address these gaps, with 56% planning refresher courses, 52% surveying employees to gauge their understanding of the code and 48% offering e-Learning training.

The Employee Survey reveals a moderate level of commitment to the core values and ethical conduct, with little change from 2016.

1. Part 2 of the *Government Sector Employment Act 2013* (NSW).

2. Implementation of Direction No. 1 of 2015: The Code of Ethics and Conduct for NSW Government Sector employees, September 2016.

Figure 3.4: Employee perceptions of Government Sector values, 2016–17

	Agreement 2017 (%)	Agreement 2016 (%)
My workgroup strives to achieve customer/client satisfaction	85	85
People in my workgroup treat each other with respect	74	72
My manager encourages people in my workgroup to keep improving the work they do	72	72
My manager listens to what I have to say	75	73
I believe senior managers provide clear direction for the future of the organisation	48	47
I feel that senior managers model the values of my organisation	48	48
Senior managers communicate the importance of customers/clients in achieving our business objectives	60	60
I feel that senior managers keep employees informed about what's going on	45	44
I feel that senior managers listen to employees	41	39

Source: People Matter Employee Survey

While most agencies induct new employees on the code, few reported embedding the values in their practices and day-to-day processes (such as business plans and internal controls). The next challenge for agencies will be embedding the values into these practices and processes, further reinforcing the importance of ethical conduct across the sector.

A focus on bullying achieves a steady downward trend

In the 2012 Employee Survey, **29.2%** of respondents stated they had experienced at least one instance of bullying in their workplace. In 2017, this had dropped to **17.8%**.³

The following definition of bullying was used for the 2017 Employee Survey: 'repeated and unreasonable behaviour directed towards a worker or a group of workers that creates a risk to health and safety. Bullying behaviours include actions such as shouting and non-action such as not passing on information necessary to doing a job. Bullying should not be confused with legitimate feedback (including negative comments) given to staff on their work performance or work-related behaviour; or other legitimate management decisions and actions undertaken in a reasonable and respectful way.' The definition is drawn from SafeWork Australia.

Based on the survey results, there has been a consistent downward trend in both witnessing and experiencing bullying since 2012.

Figure 3.5: Reported rates of witnessing and experiencing at least one instance of bullying

Year	Witnessed (%)	Experienced (%)
2012	48.3	29.2
2014	40.7	22.7
2016	35.5	19.9
2017	33.3	17.8

Source: People Matter Employee Survey

While reported bullying rates are still higher than sector averages for Aboriginal and Torres Strait Islander employees and those disclosing a disability, these groups also reported the largest decline in reports between 2016 and 2017.

3. The 2012 question about experiencing bullying was slightly different to the one that has been used since 2014. However, it is evident that the change in wording has not skewed results, as the difference in number between responses to this question and another unchanged question on witnessing bullying has remained steady between 2012 and 2017.

Chapter Three: Changing workforce culture

Figure 3.6: Employees who reported being bullied in the past 12 months (% of demographic group)

	Subjected to bullying (%)	Change over 2016-17 (pp)
Reported sector average	17.8	-2.1
Male	14.4	-2.2
Female	18.5	-2.4
Speak a language other than English at home	15.0	-2.3
Aboriginal and/or Torres Strait Islander	23.5	-4.4
Disability	29.9	-4.0
Mental health issue requiring treatment or support in last 12 months	34.6	-2.4
Lesbian, gay, bisexual, transgender, intersex or gender diverse	22.8	-2.6

Source: People Matter Employee Survey

However, the percentage of employees disclosing a mental health condition who reported experiencing bullying remained high. Overall, all survey respondents who reported experiencing bullying had engagement scores **15.3** percentage points lower than the sector average.

In 2017, for the first time, fellow workers were reported as the largest source of bullying experiences, having increased as a proportion of perpetrators over the past three surveys.

Figure 3.7: Top three sources of bullying for employees reporting experiencing it, 2014-17

Source reported	2014 (%)	2016 (%)	2017 (%)
A senior manager	23.3	22.5	21.6
Your immediate manager/supervisor	28.1	25.5	24.4
A fellow worker at your level	23.1	24.7	26.8

Source: People Matter Employee Survey

While the number of people reporting bullying experiences as a percentage of all Employee Survey respondents is decreasing, analysis shows that agencies with low employee perceptions of how their organisation handles poor performance tended to also have more reports of bullying experiences. Negative trends in key aspects of workforce management practice can indicate an existing or emerging poor work environment across an organisation, and one in which bullying is more likely to occur.

The PSC's Understand Bullying Dashboard helps agencies to understand this data. Analysis shows that agencies with higher rates of employee-reported bullying typically sit below the sector average in at least five of the leading indicators measured. These indicators include supportive leadership, role clarity, performance management, work ease, workplace morale, development and growth, and employee engagement. Agencies improving their reported rates of bullying also improved in an average of five indicators.

Figure 3.8: Deterioration or improvement in leading organisational indicators of bullying, 2017

	Agencies with deterioration in bullying rate	Agencies with improvement in bullying rate
Average improvements in leading indicators	3.0	5.3
Average deterioration in leading indicators	5.0	2.7

Source: PSC Understand Bullying app

The *Positive and Productive Workplaces Guideline* was launched across the sector in 2016 to encourage agencies to reinforce acceptable conduct. This campaign was re-launched in 2017 with *Respect.Reflect.Reset*-branded additional tools to prevent bullying and reduce unreasonable behaviour, to foster respectful and inclusive working teams.

Chapter Four

Strengthening leadership

Structural reform of Public Service leadership is now complete

Leadership restructuring was a cornerstone of the GSE Act reform process, reducing the public service executive to four layers and eliminating hiring in the Senior Officer classification. Senior executive numbers reduced to **1,938** from **2,178** (as shown in 'At a Glance') and executive employment structures reduced to just one.

By 31 October 2017, executive arrangements in the Health Service, Transport Service and Police Force were harmonised with those in the Public Service.

The reform has also resulted in an influx of leaders new to the sector. Data from a 2017 leadership survey¹ indicates that since 2011:

- **31% of executives had recent experience in the private sector**
- **14% of executives had recent experience in other public sectors**
- **4% of executives had recent experience in local government.**

The senior executive group meets regularly at multiple levels to share best-practice ideas, compare achievements and learn from their senior peers.

Leadership Academy nurtures future leadership potential

The Leadership Academy was introduced in 2015 to provide structured, needs-based development at key career transition points for high-performing and high-potential leaders. Data from its pilot program evaluation shows that significant capability improvements were reported by managers and colleagues in the key areas of managing people and inspiring direction and purpose. While the sample size was small, **93%** of respondents said their leadership capability improved and **41%** of participants had secured higher-level roles.²

The Leadership Academy shows the results that can be achieved in core people management areas. It has contributed to a culture of stewardship by fostering participant commitment to making a broader public sector contribution beyond their role alone, through a focus on succession planning, the continuous improvement of their agencies and the people around them. The work of the Academy is complemented in the broader leadership cohort through a combination of mobility, secondments and development programs. Agencies are focused on building individual capability in developing and communicating a vision, and fostering a culture and strategy to achieve that vision. The next phase of work for the sector can now focus on a broader-still development of leadership talent at agency level.

1. Public Service Senior Executive Mobility Survey, March 2017. Did not include Health executives still completing their GSE Act transition. Response rate of 45% of 897 invited to participate.

2. Leadership Academy pilot evaluation data.

Chapter Four: Strengthening leadership

Employee perceptions of all leaders indicate ongoing challenges

Employee Survey scores indicate that the work done to reform leadership and build executive capability across the sector has yet to flow through to employee perceptions. There is a gap between the confidence leaders express in their work and their organisation, and employees' perceptions of senior leaders.

Figure 4.1: Employee perceptions of senior leaders, 2016–17

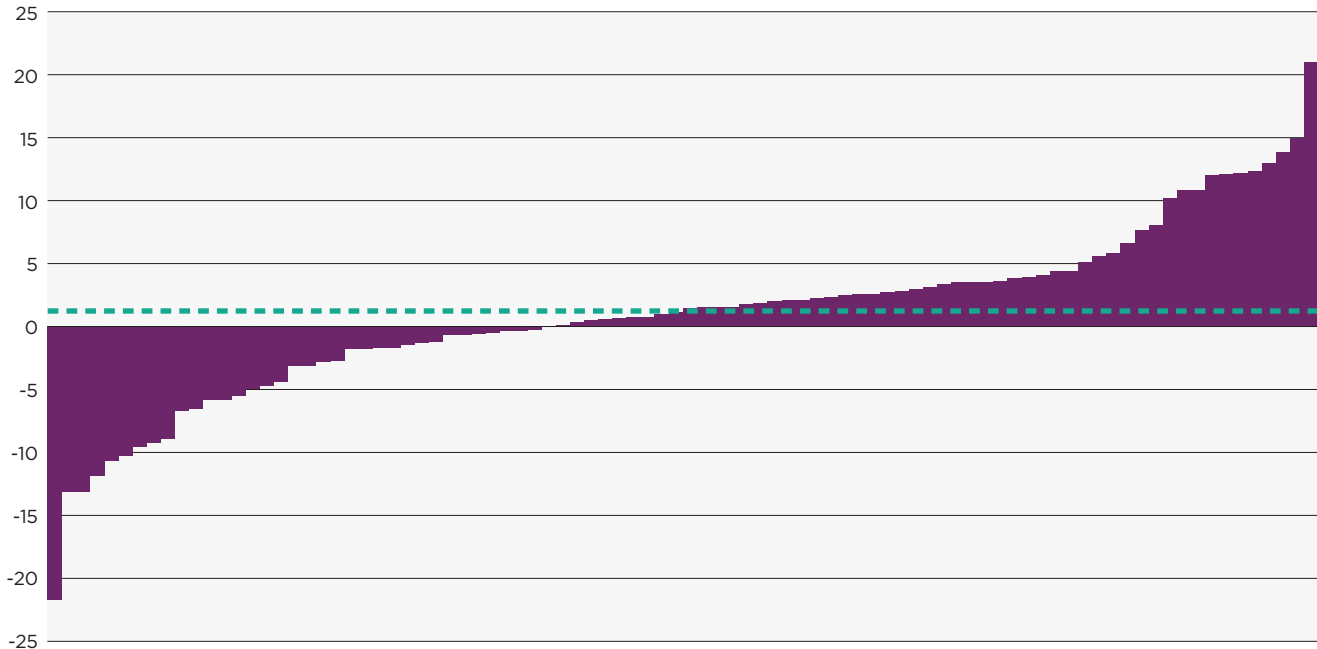
	Agreement 2017 (%)	Agreement 2016 (%)
I believe senior managers provide clear direction for the future of the organisation*	48	47
I feel that senior managers effectively lead and manage change	44	43
I feel that senior managers model the values of my organisation*	49	48
Senior managers encourage innovation by employees	49	48
Senior managers promote collaboration between my organisation and other organisations we work with	51	52
Senior managers communicate the importance of customers/clients in achieving our business objectives	61	60
I feel that senior managers keep employees informed about what's going on*	45	44
I feel that senior managers listen to employees*	41	39

Source: People Matter Employee Survey

* Responses included in the Senior Leadership Index.

The stability of scores at the sector level masks some substantial changes within agency scores, with most agencies showing improvement. Large positive or negative movements generally occur in smaller agencies where changes to one or two key personnel can materially shift the results between surveys.

Figure 4.2: Average change in senior leadership scores, by agency, 2016–17



Source: People Matter Employee Survey

Note: The green line indicates the sector-level average increase.

Variance in leadership scores from the Employee Survey may indicate an issue of proximity. Across the 2016 and 2017 surveys, there was a trend of employees being most likely to agree with questions relating to their teams, then their managers, then their senior leaders. The fact that a large number of respondents chose ‘neither agree nor disagree’ for questions relating to their leaders may indicate that employees do not interact with their leaders enough to feel they can agree or disagree with the questions asked. However, the areas in which employees scores are lowest relate to two-way communication, providing clear direction

and modelling the values espoused. This indicates that more employees need to hear directly from their leaders on the future direction of their organisation.

It may also reflect the relative visibility of leaders. Day-to-day demands can make it hard to talk to employees regularly. However, if most employees report that they do not think their leaders provide clear direction on the future of the organisation or keep employees informed about what is going on, it will make achieving organisational strategy much harder.

Chapter Four: Strengthening leadership

Case study: How leadership visibility and behaviour improves perceptions of culture

The 2016 Employee Survey results provoked a deeper consideration in the Department of Planning and Environment of how best to increase engagement, performance and productivity. Senior leader scores were identified as an area for improvement.

A program of work to improve organisational culture was developed across every division. Leaders were given additional detailed data insights to build understanding and trust in their Employee Survey results. They were then supported across all stages to develop their capability to:

1. build a story that described the division's future direction and how each employee was connected to it, and develop a cultural road map of the values-based actions required
2. reflect on their actions, messages and rituals, and how an employee might feel as part of their division. This might be as simple as ensuring they always greeted employees they knew in the corridor, or a deeper consideration of which actions and behaviours they recognised, rewarded and therefore encouraged. Authentic leadership, where leaders demonstrated the values through their messages and behaviour, was a core component
3. follow a communications strategy to build their preferred divisional culture. This included a calendar of events leaders would participate in across the department
4. provide in-house coaching and support for existing and incoming leaders based on an assessment of their emotional intelligence and occupational personality preferences. This support was aligned with the leadership capabilities in the NSW Public Sector Core Capability Framework.

These were expanded into seven focus areas: senior management as the primary theme, accountability, collaboration, authentic leadership, diversity, respectful and inclusive workplaces, and recruitment.

The 2017 Employee results indicate that the program has achieved significant improvements in 10 months. Scores increased by an average of **9.0%** against the sector average increase of **0.9%** for the same questions.

Figure 4.3: Employee perceptions of senior managers, Department of Planning and Environment, 2016–17

	Agreement 2016 (%)	Agreement 2017 (%)	Public sector 2017 (%)
I believe senior managers provide clear direction for the future of the organisation	50	59	48
I feel that senior managers effectively lead and manage change	47	55	44
I feel that senior managers model the values of my organisation	50	59	48
Senior managers encourage innovation by employees	48	58	48
Senior managers promote collaboration between my organisation and other organisations we work with	55	63	51
Senior managers communicate the importance of customers/clients in achieving our business objectives	64	75	60
I feel that senior managers keep employees informed about what's going on	45	55	45
I feel that senior managers listen to employees	45	54	41
I feel that change is managed well in my organisation	32	37	39

Source: *People Matter Employee Survey*

The focus areas will now shift to building authentic senior management and aligning this with a broader push towards building deeper customer capability. All other areas remain an ongoing focus, with employee data continuing to be analysed as part of an ongoing monitoring approach.

Last year's report was entitled *Leadership matters*; it matters in setting direction, shaping culture, executing strategy and driving results. However, the fundamental changes made to the Public Service executive structures and the influx of people with different experiences has not yet made an impact on employee perceptions. The improvement achieved at the Department of Planning and Environment shows

what a focused capability-building program can achieve in developing a shared vision, becoming more visible and role modelling the values through messages, interaction and communication. Leaders are encouraged to continue to seek out examples of best practice in improving employee perceptions in these key areas, and leverage these for their own initiatives.

Chapter Five

Building diversity and inclusion

Progress comes from focused efforts to meet targets

The public sector touches citizens' lives at critical points and it must consistently strive to improve this interaction. A strong commitment to diversity and inclusion recognises that customer service, productivity and innovation are enhanced by different work and life experiences. This section examines the progress made towards maturity in key areas, using the flexibility provided by the *GSE Act* to move beyond the equal employment opportunity focus.

Work to improve the diversity of the public sector workforce reflects partial success, though further progress is required in some areas. Many entry-level public sector roles are filled by people from key demographics such as women, Aboriginal and Torres Strait Islanders and those whose first language is not English. However, talented employees in these groups do not evenly progress to executive levels. There is evidence of improvement where granular agency targets are set and there is a coordinated push, although the rate of improvement will need to increase to meet leadership diversity targets.

Other employees, such as those with a disability, have an entirely different experience, with a consistent decline in workforce representation, lower engagement scores and higher reported rates of bullying than the sector average. This section identifies challenges to achieving targets in these areas, and shows where an inclusion-based approach has made a difference.

Attracting applications from senior women remains a challenge

While leadership has been transformed through executive reforms, the diversity of skills and experience among the cohort is still emerging, and the rate of progress across the sector is slow.

The Premier's Priority of driving public sector diversity was introduced in 2015 with the aim of achieving the following goals by 2025:

- 1. increasing in the proportion of women in senior leadership to 50%**
- 2. doubling the number of Aboriginal and Torres Strait Islander people in senior leadership roles from the baseline of 57 to 114.**

Much work has been done towards these targets, and retention rates are strong in both demographics. However, the percentage of women in senior leadership grows by increments of 1–2% per year on average, and is now at 37%.

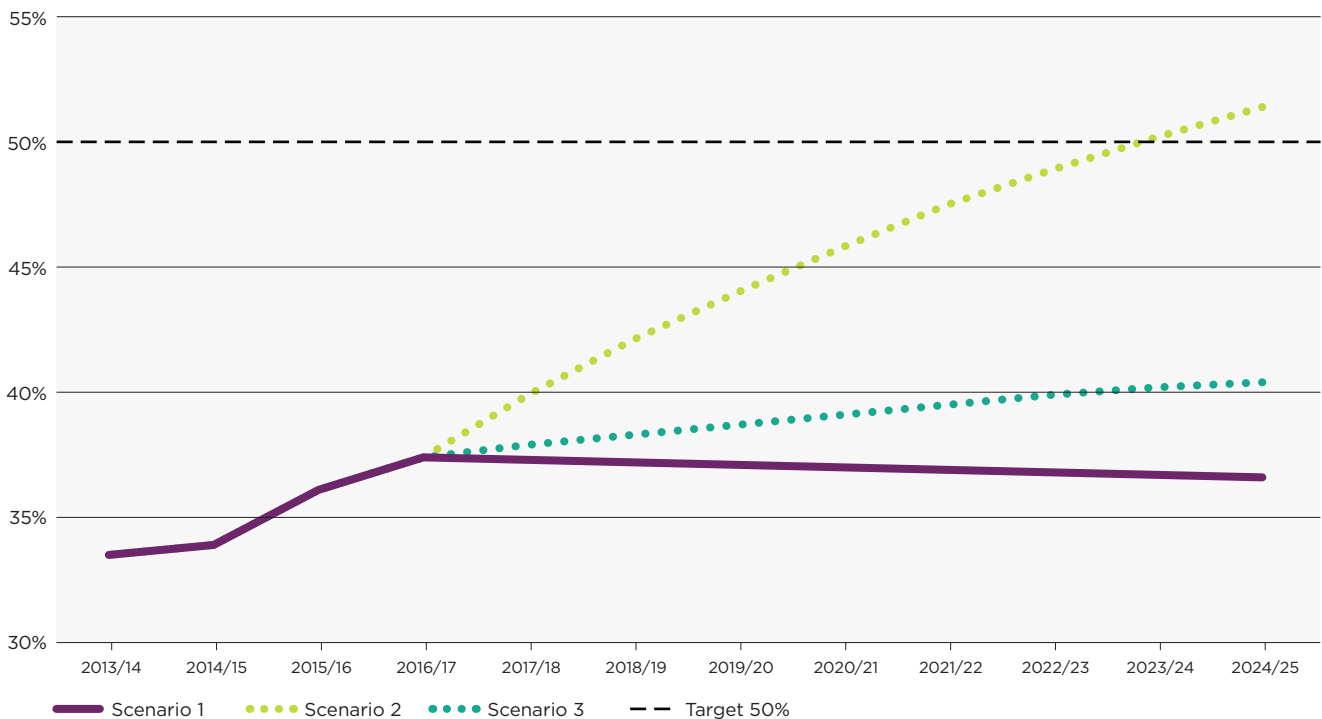
While women had higher success rates in winning employment at executive levels in 2017, they remained far less likely to apply than men, with a rate of one woman applying for every 2.8 men. This ratio deteriorates at each executive level. As a result, more men than women continue to be appointed to executive roles overall.

If agencies replicated this rate annually until 2025, the 50% goal may be unlikely to be reached. The approach taken in collaboration with the Premier's Implementation Unit assists agencies to develop targeted strategies that, when combined with merit-based recruitment, can result in six out of every 10 senior leader hires being women, and the target achieved.

Chapter Five: Building diversity and inclusion

Figure 5.1 shows the possible scenarios between now and 2025. Scenario 1 shows what would happen if the sector continued on its 2017 trajectory of hiring approximately four women for every 10 leadership roles. Scenario 2 shows that if six out of 10 appointments for every executive role were female, the number of female senior leaders in 2025 would be **51.4%** of the total. Scenario 3 shows what would happen if every cluster continued at the average recruitment rate of the past three years: **40.4%** of senior leaders would be women (2015–17).

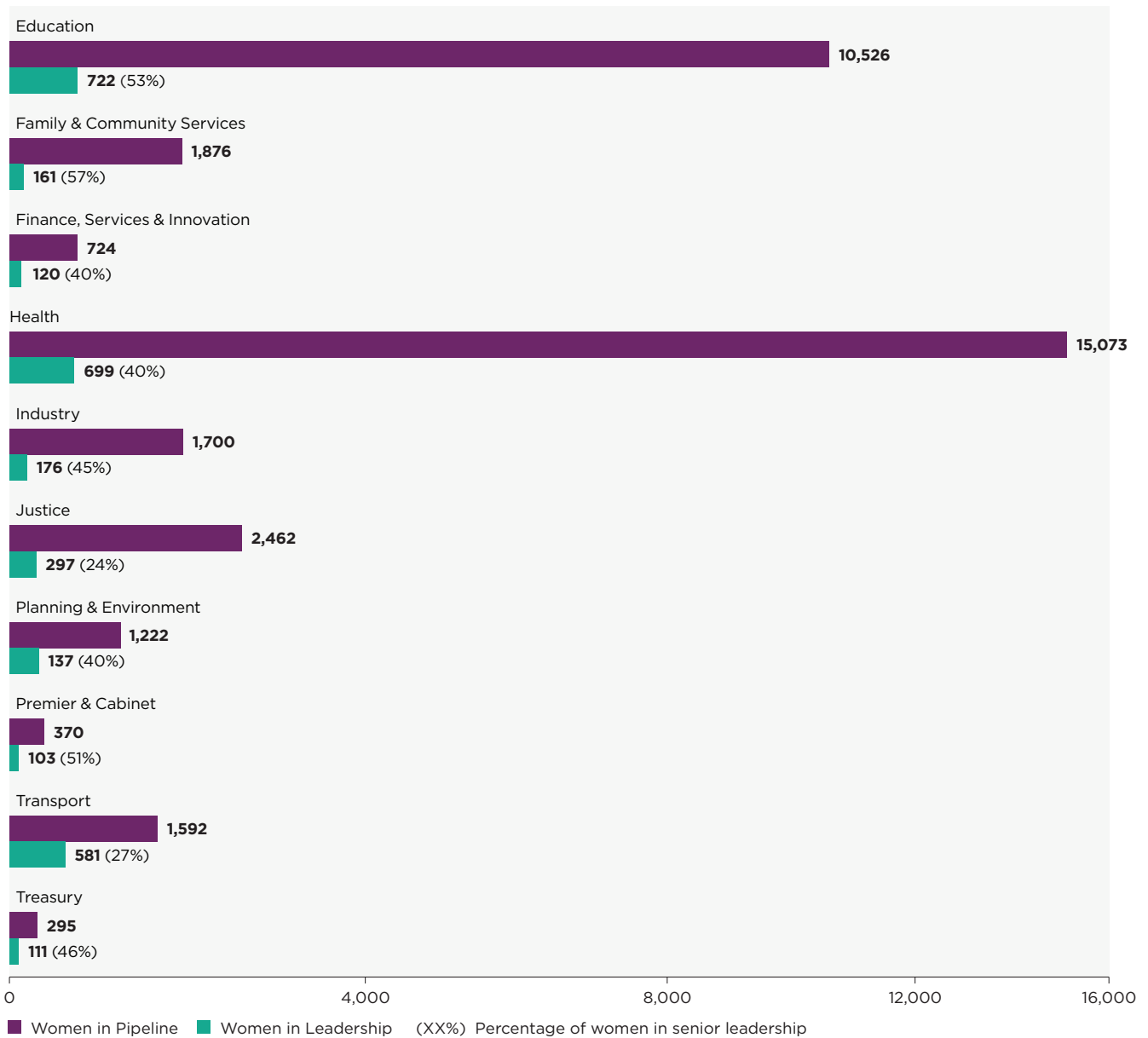
Figure 5.1: Different recruitment rates for senior female leaders compared with required target



Source: NSW Workforce Profile; I work for NSW e-recruitment; PSC modelling

Most clusters appear to have a generous number of potential leaders in their pipeline. In the next phase, agencies may need to reconsider how they can encourage applications from this pool. This may involve sponsoring and promoting talented female employees, actively encouraging women to apply for roles, considering possible career pathways for women and identifying how organisational culture may need to be changed to provide support for these initiatives. Clusters with smaller internal pools will also need to extend this consideration beyond the sector.

Figure 5.2: Number of women in the leadership pipeline, number in senior leadership, and their percentage representation in overall senior leadership, by cluster, 2017



Source: 2017 NSW Workforce Profile

Note: The 'pipeline' is defined as women currently in 9/10 and 11/12 and equivalent level roles; this includes a large number of teachers and nurses in the Education and Health clusters.

Some pockets of the public sector, such as the Public Service, have increased female representation, and several clusters have made real progress, as shown. The representation of women in the Public Service senior executive roles rose from 41% to 48% by the end of the GSE Act executive transition

process. While not quite at parity, and notwithstanding the fact that the Public Service has historically displayed better gender parity in many roles, this shift is an example of the trajectory of increase possible across the sector.

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Case study: Driving diversity improvements at Transport for NSW via three strategic priorities

Transport for NSW (TfNSW) has introduced a leadership-led diversity model with targets across three areas to drive progress towards achieving the Premier's Priority for driving public sector diversity.

TfNSW designed programs to meet its strategic priorities of improving the representation of Aboriginal and Torres Strait Islander people and women in leadership, and introducing flexible working (known as TfNSW's Diversity and Inclusion Strategic Framework). All agencies in the Transport cluster adopted the same targets and guiding principles.

Data helped develop a portfolio of diversity solutions

One of the priority targets was to increase the number of women in senior leadership roles. Flexible working was identified as a key enabler for attracting and retaining women, including those in senior leadership roles. TfNSW began embedding flexible working by identifying some of the common barriers. This data showed that TfNSW leaders could benefit from challenging their perspectives on diversity and flexibility and shifting the way they responded to change. The TfNSW Conscious Inclusion Program was created in response.

This program helped TfNSW leaders understand and challenge their biases and reflect on ways these could affect their team culture and decision making on diversity and flexible work arrangements. The program included a facilitated, conscious inclusion session for TfNSW's top 250 leaders. The executive team, which comprised the Secretary, deputy secretaries and chief executive officers were also coached in developing inclusive leadership capabilities, through one-on-one training sessions. This capability-building program provided rich data. The teams of TfNSW leaders assessed as demonstrating strong inclusive behaviours achieved **20%** better performance and decision-making results than the cluster average.

Other attraction, retention and leader-sponsored elements of the strategy included:

- establishing clear performance targets and including these in the performance agreements of male and female senior leaders
- monitoring the number of women applying for, being interviewed for and being hired for TfNSW leadership roles, and regularly communicating the progress to leaders
- launching a 'women in leadership' employment awareness campaign
- supporting women aspiring to senior leadership roles through events and programs such as TfNSW's International Women's Day Forum, regular Women of Transport networking events, and a connecting program that targets women in roles immediately below the senior leader level
- initiatives to build a pipeline of talented female employees, including attracting talented female students to entry-level programs. Around **52.5%** of TfNSW's February 2017 intake of scholars, cadets and graduates were female.

The impact is shown in the rate of change

By March 2017, TfNSW had exceeded its target of **25.5%** female leader representation, nine months ahead of schedule. This rate of representation improved significantly faster than the rate seen for the sector as a whole.

Figure 5.3: Representation of women in senior leadership roles, TfNSW and Government Sector average, 2014–17

	TfNSW (%)	Sector average (%)	TfNSW headcount	Sector headcount
2014	20	33	326	2,520
2015	21	34	374	2,522
2016	22	36	377	2,795
2017	27	37	581	3,107

Source: 2017 NSW Workforce Profile

These initiatives are flowing through to employee perceptions of leadership support for women. TfNSW's score has improved from the lowest in the sector in 2016 to align with the sector average in 2017.

Figure 5.4: Senior leader support for the career advancement of women, TfNSW and public sector average, 2016–17

	Transport (%)		Sector (%)	
	Male	Female	Male	Female
2016	52	48	57	54
2017	63	56	63	57

Source: People Matter Employee Survey

The next phase of work will target interventions using data

TfNSW's next phase will be to move from building awareness of the benefits of diversity and inclusion to changing its culture. Further analysis of its workforce data will guide targeted interventions. An example may be using recruitment progression information by gender to track progress from the initial application stage to the acceptance of offer. TfNSW will also establish a new employment target for women in leadership roles for 2017-18.

This data-driven approach will also enable pipeline planning and identify where incremental targets may be required. Merit-selection training will also be redesigned to further promote workforce diversity.

Aboriginal representation growth remains focused in a few key clusters

Steady progress has been made across almost all salary bands towards meeting the target of **1.8%** representation of Aboriginal and Torres Strait Islander people in all salary bands by 2021.¹ This strategy provides focus in shifting the distribution from junior roles into more senior roles, and a connection to the pipeline to support achievement of the Premier's Priority for senior leaders.

Figure 5.5 Aboriginal and Torres Strait Islander representation across all pay grades, by cluster, 2017 (%)

Salary	Education (%)	Family & Community Services (%)	Finance, Services & Innovation (%)	Health (%)	Industry (%)	Justice (%)	Planning & Environment (%)	Premier & Cabinet (%)	Transport (%)	Treasury (%)	External to Government Sector (%)	Total (%)
\$8,000 to \$60,153	4.9	3.9	1.0	4.1	2.3	2.6	8.2	4.4	1.4	0.0	7.8	4.0
\$60,154 to \$67,247	2.2	3.9	1.8	2.4	2.0	5.0	6.1	2.6	1.8	6.3	0.0	2.9
\$67,248 to \$79,383	2.9	4.9	3.3	2.6	2.6	3.9	4.4	6.3	1.3	3.3	1.1	3.0
\$79,384 to \$91,214	2.8	4.8	3.7	0.8	0.9	2.9	2.5	0.6	1.4	0.8	0.0	1.7
\$91,215 to \$102,837	1.8	6.4	3.7	1.7	1.2	2.3	2.0	0.9	1.0	0.9	1.1	2.0
\$102,838 to \$118,942	2.2	4.6	2.5	0.9	1.6	1.6	1.5	3.1	1.2	0.4	0.0	1.6
\$118,943 to \$153,914	2.7	2.5	3.9	0.9	1.2	1.3	1.5	0.7	0.5	0.4	0.0	1.5

Well above 1.8% 1.8% or above

Source: 2017 NSW Workforce Profile

However, closer analysis shows that these employees are still focused in a small number of clusters, and predominantly in front-line roles. Typically, front-line areas have a much smaller proportion of senior leaders compared with the total workforce, making it harder to step up from providing a service to leading one. Solutions that include innovative approaches to role locations and cross-sector mobility will assist, rather than rely on, a traditionally siloed vocational path to overcome the unevenly distributed pipeline.

1. NSW Public Service Commission, NSW Public Sector Aboriginal Employment Strategy 2014-2017.

Chapter Five: Building diversity and inclusion

Figure 5.6 Number of Aboriginal and Torres Strait Islander employees in front-line roles, 2017

Aboriginal and Torres Strait Islander people in front-line roles	Aboriginal and Torres Strait Islander people in other roles
7,313	858

Source: 2017 NSW Workforce Profile

Note: 'Front-line role' is defined as a role in which the employee spends 70% or more of their time providing services to members of the public. Agencies' interpretations of this definition may differ.

While median tenure is consistently improving for Aboriginal and Torres Strait Islander employees, they remain lower than the sector average. This has typically been explained by the younger median age profile of Aboriginal and Torres Strait Islander employees, given all 15-24 age groups exit the sector at higher rates. However, further analysis shows Aboriginal and Torres Strait Islander employees aged between 15 and 24 also exit the sector at a rate 5.5 percentage points higher than that of their non-Aboriginal peers.

Figure 5.7: Median tenure for Aboriginal and Torres Strait Islander employees compared to all public sector employees, 2012-17

Year	Aboriginal and Torres Strait Islander median tenure (yrs)	NSW public sector median tenure (yrs)
2012	6.8	8.5
2013	7.0	8.9
2014	7.1	8.9
2015	7.1	9.0
2016	7.3	9.3
2017	7.3	9.3

Source: 2017 NSW Workforce Profile

Figure 5.8: Age-adjusted sector exit rates for Aboriginal and Torres Strait Islander employees compared to all public sector employees, 2017

Age (yrs)	Aboriginal and Torres Strait Islander exit rate (%)	NSW public sector exit rate (%)
15 to 24	15.6	10.1
25 to 34	8.5	8.7
35 to 44	8.9	7.8
45 to 54	7.1	6.4
55 to 64	7.9	9.9
65 plus	17.0	20.1
Total	8.9	8.7

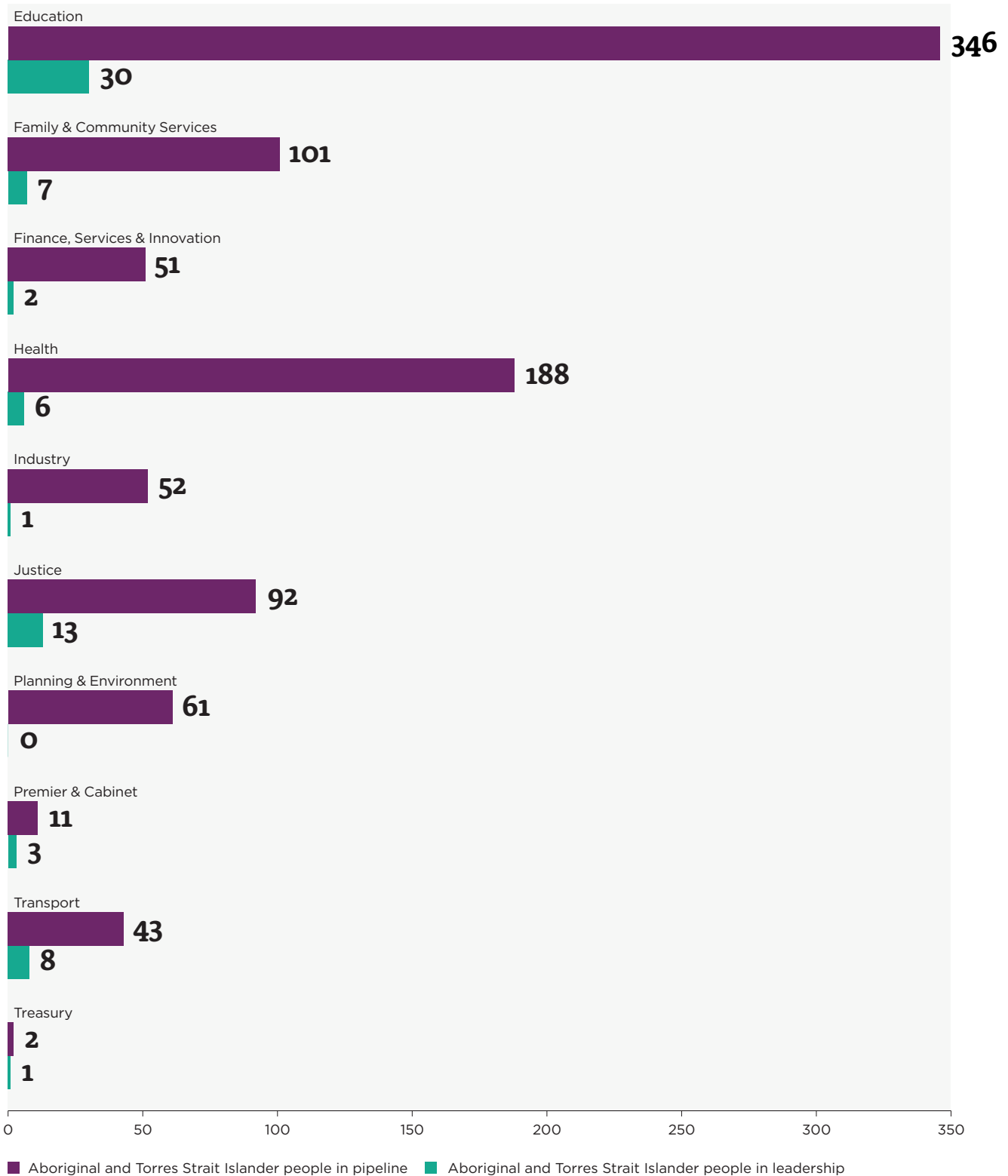
Source: 2017 NSW Workforce Profile

The higher exit rates from the sector in key age groups for Aboriginal and Torres Strait Islander employees will constrain the capacity to meet both the 1.8% aspirational representation goal, as well as the Premier's Priority leadership target of doubling the number of Aboriginal and Torres Strait Islander leaders across the Government Sector by 2025 to 114.

Leadership representation grows steadily

The number of Aboriginal and Torres Strait Islander senior leaders increased to 71 in 2017. However, because overall numbers are small, achieving the target is far from certain. Based on the four-year growth average to date, the 2025 target will not be achieved even if the sector maintains the current retention rate of 94%, which is higher than the sector average for executive roles. This means work to increase average tenure and decrease the exit rate of potential future leaders may be worthwhile.

Figure 5.9: Number of Aboriginal and Torres Strait Islander employees in pipeline and in senior leadership, 2017



Source: 2017 NSW Workforce Profile

Note: The pipeline is defined as Aboriginal and Torres Strait Islander people currently in 9/10 and 11/12 and equivalent level roles.

Chapter Five: Building diversity and inclusion

The total pipeline of potential future Aboriginal and Torres Strait Islander leaders available across the sector comprises **22** times more employees than the number required to fill target gaps. However, most Aboriginal employees are in regional areas (**63.2%** in 2017), yet only a minority of overall senior leadership roles are located outside Sydney (**20.1%** in 2017). Maintaining a steady trajectory of net growth therefore will require the use of retention strategies at earlier stages. Broadening the range of roles and agencies, re-thinking where these roles could be located, and building a supportive and culturally competent workforce to help Aboriginal and Torres Strait Islander people progress to senior executive roles can be considered.

Agencies can also build on the success of the Aboriginal Career and Leadership Development Program by nominating talented Aboriginal and Torres Strait Islander employees to the Leadership Academy. As noted in last year's report, **54%** of participants in the Aboriginal Career and Leadership Development Program had gained career opportunities, including promotion.

Arresting the decline in disability representation will require significant effort

A work program to improve the representation of employees sharing their disability status will shortly commence, with progress measured against a target for levels of representation, and against measurable improvements in the experience of people with disability in the sector. Achieving these goals will require a concerted effort to understand why the representation of employees with a disability has declined, and how best to improve it.

Disability representation has declined for 10 years

The proportion of employees reporting a disability in the NSW public sector continues to decline, as it did across most public sector jurisdictions in 2016–17. In NSW, the largest percentage of employees with disability are leaving the sector at the highest salary bands, at a rate **5.5** percentage points higher than the sector average for all other employees. While there is a correlation between age and disability that may inform this disparity, employees reporting a disability also have lower starting rates at **1.5%** of all new employees across the sector, and have higher agency separation and sector exit rates overall, resulting in an decade-long trend in declining representation.

Figure 5.10: Key statistics for employees with disability compared with sector averages, 2017

	Employees reporting a disability (%)	NSW public sector (%)
Commencement rates	5.9	8.3
Agency separation rates	12.6	10.3
Sector exit rates	11.4	8.7
Median tenure (years)	14.4	9.3

Source: 2017 NSW Workforce Profile

Note: Commencement is calculated as the percentage of new starters sharing disability status divided by the percentage of current employees sharing disability status.

Employee Survey numbers echo the decline in representation seen in the workforce census

People with disability, like other groups, may be hesitant to share their disability status when joining an organisation. However, the Employee Survey has also seen a decline in employees sharing their disability status, with a sharp drop between 2014 and 2016. In 2017, the number of employees who preferred not to reveal their disability status exceeded the number sharing it.

Figure 5.11: Employee Survey disability disclosure rates at sector level, 2014-17

	2014 (%)	2016 (%)	2017 (%)
Employee answered 'Yes' to having a disability	6.1	3.4	3.1
Employee answered 'No' to having a disability	90.6	92.9	92.7
Prefer not to say	3.4	3.7	4.2

Source: People Matter Employee Survey

The PSC partnered with the University of Sydney and the Department of Family and Community Services to consider the types of survey questions used to ask employees to identify their disability and, where relevant, their workplace adjustment. Nearly 600 NSW public sector employees provided their feedback on alternative questions. This feedback indicated that questions requesting information on disability may benefit from wording that uses a more functional approach, asking about everyday difficulties related to a long-term health condition or impairment rather than relying on employees to self-identify. Self-identification can be affected by a range of issues, such as identity and personal circumstances, whether the disability is a barrier to performance, or being unaware that a condition is classified as disability.

Where inclusion is made a priority, representation and engagement improve

Last year's report noted that agencies self-assessing their combination of strategic and transactional disability employment practices as mature (including proactively making their workplaces accessible and having policies and procedures to enable adjustments), also tended to have a higher representation of employees reporting a disability.

While employees who shared their disability status, or who preferred not to say, reported lower engagement across all questions in the Employee Survey, closer analysis indicates the success of a workplace adjustment requested by an employee with disability has a positive impact. Employees sharing their disability status and who are happy with their workplace adjustment have engagement scores **4%** higher than the sector average. Those unhappy with their workplace adjustment have engagement scores approximately **18** percentage points lower than the sector.

Figure 5.12 Engagement scores for successful and unsuccessful adjustments for employees with a disability

	Engagement Index (%)	
Do you have a disability?	Yes	60
	No	65
	Prefer not to say	52
If adjustments were made to any aspect of your work situation to accommodate your needs, were the adjustments successful?	Yes	69
	No	47
	Prefer not to say	56

Source: People Matter Employee Survey

Many of the sector's diversity and inclusion initiatives are underpinned by a commitment to improving services. Agencies report that having a workforce that reflects its community leads to better policies, service design and delivery. Disability targets have been implemented before² but are not an end-to-end solution. The 2017 data for employees with disability shows that before the new target can be realised, there is much work to be done to proactively build inclusive workplaces that welcome these employees. The sector will need to re-calibrate its systems and capability towards proactive inclusion to achieve it.

2. The previous strategy to increase the employment of people with disability in the NSW public sector, EmployABILITY, ended in 2013. EmployABILITY set an incremental target for the sector to increase the representation of people with disability requiring workplace adjustment to 1.5% by 2013. Based on 2013 data, while 3.46% of the sector's employees identified as having a disability, only 0.91% identified as having a disability that required a work adjustment. See http://www.dpc.nsw.gov.au/__data/assets/pdf_file/0007/116188/EmployAbility.pdf.

Chapter Six

Planning and arranging work

The completion of GSE implementation enables an enhanced focus on how work will evolve in the coming years, and therefore how it can best be planned and arranged. Flexible working and strategic workforce planning provide the ability for agencies to adapt their business models to improve service delivery and citizen outcomes, in addition to responding effectively to longer-term societal transitions such as changing workforce requirements and technological demands. This section will examine the drivers of change in each of these areas, and identify the data that can propel further development.

The Government Sector asks ‘if not, why not’ for flexible working

On International Women’s Day 2016, the NSW Government announced that all Government Sector roles would be flexible, on an ‘if not, why not’ basis, by 2019. The PSC was asked to analyse how this could be achieved, and closely consulted with agencies to identify the enabling factors.

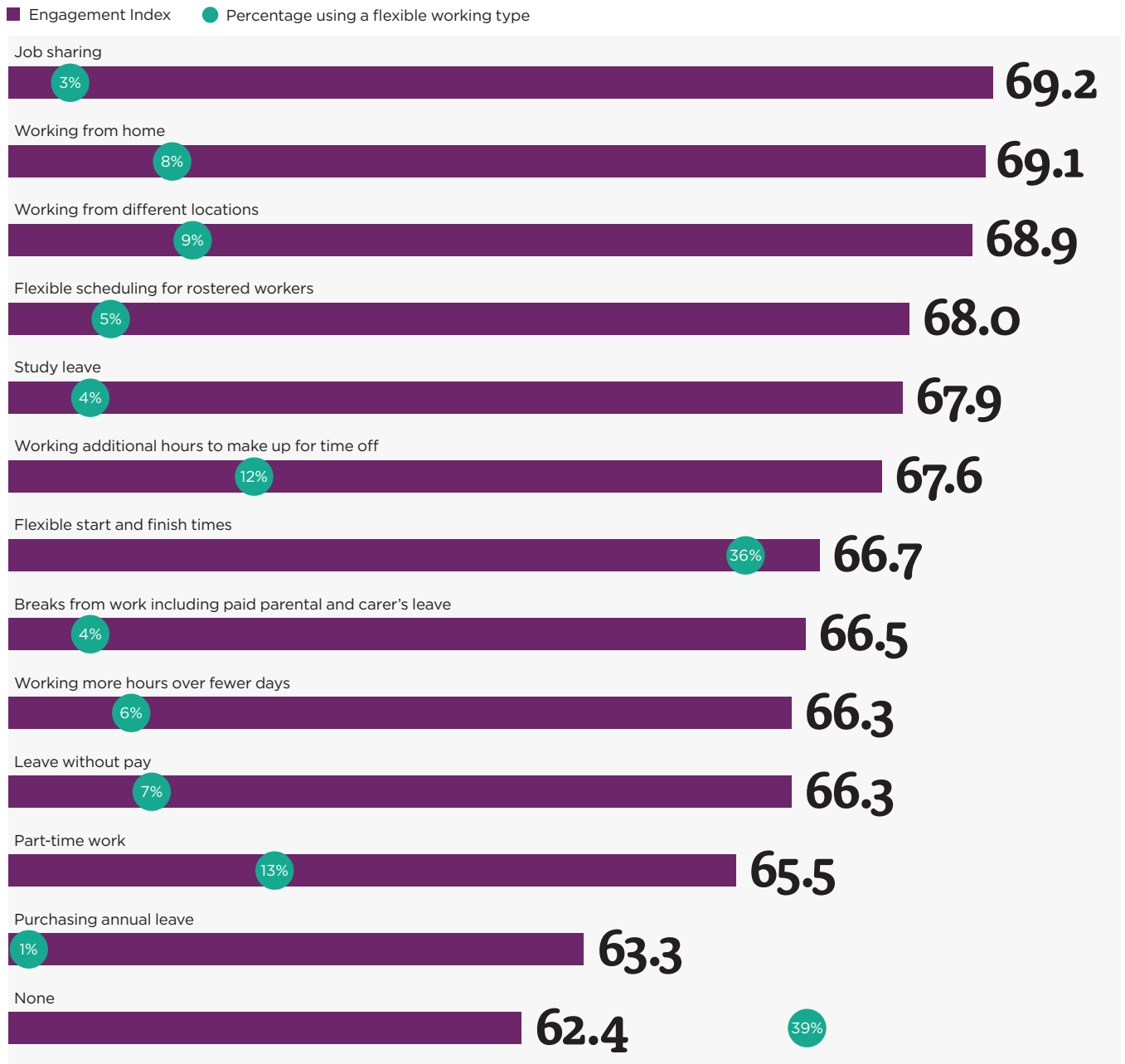
Flexible working has often been framed as a strategy for enhancing gender equity, leading to a focus on part-time work or reduced hours. However, as more employers recognise the need for adaptable workplace wellbeing

models, competing demands for workspace and the need to attract and retain talented older and younger employees, they are also realising that flexible working arrangements can both accommodate employee needs and evolving work demands. This, combined with technology that facilitates working remotely, makes flexibility a key lever to improve productivity and staff engagement.

Flexibility has an impact on employee engagement

Employees using flexible working arrangements reported higher engagement scores by an average of four percentage points than other employees. Analysing these engagement scores by the type of flexible working arrangement used revealed a scores varied significantly by flexible working type. This could indicate how well each type has been implemented and supported in their organisation.

Figure 6.1: Employee engagement scores across flexible work arrangements, 2017



Source: People Matter Employee Survey

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The impact that flexible work arrangements had on an employee's perception of wellbeing was pronounced. Employees working flexibly were more likely (by 10.2 percentage points) to agree that they could keep their work stress at an acceptable level.

Figure 6.2: Impact of working flexibly on employee perceptions of work stress, 2017

	I am able to keep my work stress at an acceptable level
No flexible working arrangements	53.0%
One or more flexible working arrangement	63.2%

Source: People Matter Employee Survey

Agencies reported that managers displayed a limited understanding of what it meant to work flexibly. Agencies also reported that line managers appeared not to have the confidence, skills or tools to arrange and manage flexible working practices in a way that did not hinder their team's work.¹

Flexible working is an important consideration when arranging the way work can be undertaken and, in turn, when designing the roles required for that work. It provides the ability to re-design how work can be completed and where a role can be located. This also makes it a useful mechanism for encouraging talented people to an agency who may not want conventional employment arrangements, and foster the career development of regional employees and/or key diversity groups at all classifications. Solutions can be developed according to the operational context, and employee and business needs.

Case study: Department of Premier and Cabinet, and Transport for NSW: finding the flexibility approach that works

The Department of Premier and Cabinet (DPC) and the Transport cluster (TfNSW) extended their flexible working programs to all employees during the past 12 months. Despite having entirely different workplaces, work and industrial arrangements, both have developed core principles that allow for local adaptations and supported managers with training. Employee satisfaction has improved with the access to flexible arrangements.

DPC data revealed that nearly half of new parents left in their first year back from parental leave. While part-time work was already available, retention needed to be improved. An online coaching program for returning employees was implemented and, in 2016, managers were trained to support employees working flexibly and address any biases they had towards flexible working arrangements. The training established that many managers were unsure of what flexibility should look like. There was a need to build awareness that it would be different for everyone, and resolve concerns regarding risk, compliance and legislation.

For TfNSW, flexibility was part of a program of work focused on improving diversity and inclusion. Leaders were supported to consider what flexibility practices would work effectively in each operating environment, rather than introducing a central set of rules.

Both DPC and TfNSW introduced behavioural 'nudges', such as adjusting core calendar hours and running a competition to award points to work teams that adjusted their start and finish times. These initiatives normalised flexible working for everyone. Both advertise the possibility of requesting flexible working in all job postings (single and bulk), and include it in new employee inductions. Videos were created

in which leaders and employees discuss their support for, or experience of, working flexibly, including beyond typical carer arrangements.

DPC reports that a well-embedded performance development framework allows managers to focus on outcomes and monitor for their achievement. Employee satisfaction is monitored via the *People Matter Employee Survey*. Both DPC and TfNSW registered increases in the number of employees reporting that they were satisfied with their flexible working arrangements.

Figure 6.3: Percentage of employees agreeing they were satisfied with their flexible work arrangement, 2016–17

	2016 (%)	2017 (%)
Transport (cluster)	58	62
Premier and Cabinet (dept only)	69	80

Source: People Matter Employee Survey

The successful implementation of flexible work arrangements in the quite different contexts of the DPC and TfNSW is attributed to using 'principles' instead of 'rules', keeping it simple and adaptable, and consistently reinforcing key messages. The challenge in the next phase will be to keep up the momentum despite leader turnover, and monitoring the data in performance appraisals and broader productivity metrics.

1. NSW Public Service Commission, Discussion Paper: Flexible Working Strategy, 2016.

Strategic workforce planning provides cohesion across the GSE reform pillars

The PSC considers strategic workforce planning as key to an agency's ability to link its strategic planning to its longer-term requirements. Strategic workforce planning allows agencies to identify how they will ensure they have the right workforce design and capabilities to achieve their future business goals. It typically covers a period of more than three years and is aligned to the strategic planning cycle. It may involve redesigning work, the workforce or the workplace; for example, organisation and role redesign, and establishing optimal workforce size, characteristics and costs. There is regular public debate over the future of work, yet workforce planning that considers the optimal business outcomes balanced by an analysis of the future capabilities required and impact of technology remains an underexplored area.

Good strategic workforce planning is based on a deep understanding of the environment in which an agency operates and how changes to that environment (such as shifting community demographics) will shape the agency. It can then identify its ideal capability and structure, and the options it has to fill any workforce gaps. These options can include choosing from recruitment, transfer, contracting, commissioning, buying as a service or automating, and these options are based on technology, current and future labour market conditions, and future sources of supply.

The sector has reported that its maturity in workforce planning is low². This is a likely factor in:

- **recruitment remaining largely reactive, vacancy-focused and with only a few examples of longer-term planning for future needs or capacity**
- **the under-use of mobility as a planned approach to recruit and address capability shortfalls**
- **reliance on past experience rather than capability in recruitment decisions**
- **high levels of contingent labour use**
- **slow progress towards targets for employing women and Aboriginal and Torres Strait Islanders in senior roles**
- **the absence of talent pipelines or retention plans for future leaders and diversity groups**
- **the piecemeal approach to these workforce management areas, rather than treating each as part of an integrated whole.**

This section examines how sector maturity in strategic workforce planning can be a reliable indicator of maturity in a range of other workforce management areas because of its capacity to link key elements of the GSE Act reforms.

Agencies mature in future capability planning are also mature in other areas

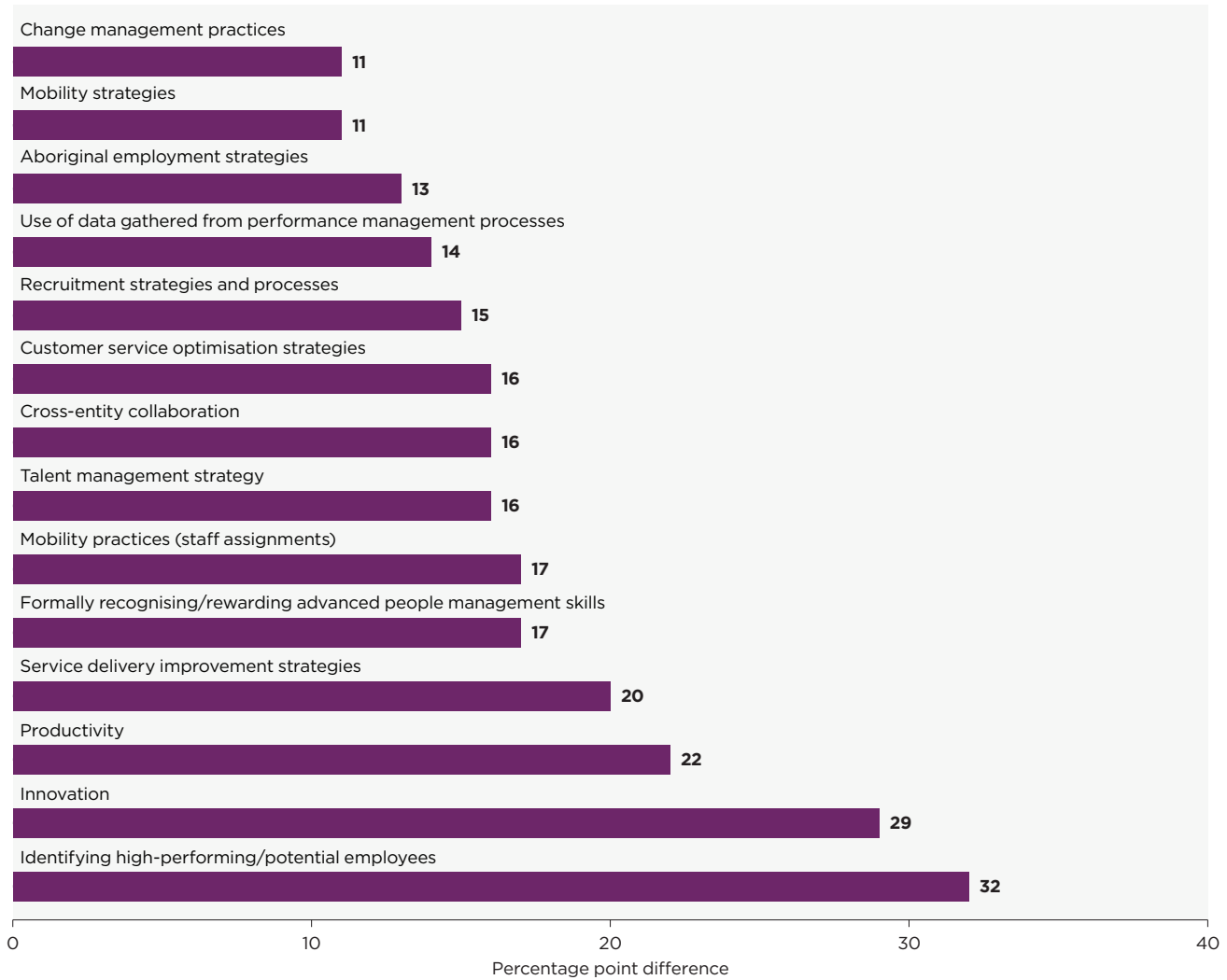
In 2017, **57%** of respondents to the Employee Survey agreed that their organisation was making the necessary improvements to meet future challenges, down from **62%** in 2016. Further analysis from the 2016 State of the NSW Public Sector Agency Survey (Agency Survey) found that agencies were typically mature in short-term resource planning, but as the planning horizon became longer or the analysis required more complex inputs, fewer agencies reported developed or highly developed practices.

This analysis also found that agencies self-assessing their future planning capability as mature also reported more maturity in a wide range of other organisational and workforce management areas. These areas included collaboration, leadership capability development, change management, productivity and innovation, and a wide range of workforce management practices in recruitment, performance management and talent management. This link was evident irrespective of agency size.

2. In the 2016 State of the NSW Public Sector Agency Survey, 37% of agencies rated themselves as being mature in planning for the capabilities and roles needed to deliver effective services three or more years into the future.

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Figure 6.4: The percentage point difference between agencies with mature future capability planning and the sector average across key organisational areas



Source: 2016 State of the NSW Public Sector Agency Survey

However, this maturity was reported by only a relatively small number of agencies. Few reported having an advanced understanding of the external drivers for change, linked to how these drivers inform the shape the organisation would need to take, what capabilities it would require over the next three years and how it would meet the labour market it will face. Agencies with advanced rostering systems (which provide data) and critical workforce requirements (which instil an understanding of labour supply and demand) have a natural advantage. For example, Health works closely with universities to source and train future employees in critical workforce requirements.

The *GSE Act*, through the labour expense cap and work classifications, allows agencies to think beyond the ‘establishment’ view that assumes a fixed headcount and that employees gain – and own – a position. However, sector leaders report that the often near-term requirements of business planning, or the more conventional approaches taken by payroll systems may be driving adherence to this ‘establishment’ convention. Workforce planning, as a discipline, encourages a change in mindset to instead identify how to extract the real flexibility the GSE reforms allow.

Workforce planning and contingent labour use are linked

The state of the sector's workforce planning can be highlighted in its increasing use of contingent labour³, reported to cost \$1.27 billion per annum in 2017. The roles most commonly recruited are in information and computer technology, and projects driving innovation in service delivery.

Figure 6.5: Top five contingent labour roles by expenditure, 2017

Role type	Percentage of total expenditure
Project coordinator/project manager/ program manager	7.1
ICT business analyst	4.1
ICT project manager	2.7
Administration assistant	2.6
IT specialist/ICT consultant	1.8

Source: Procurement NSW; Contractor Central

Note: A significant proportion of expenditure is not allocated to a role type.

The NSW Auditor-General published a performance audit on the use of contingent labour across the sector in April 2017.⁴ The report shows there is no evidence that the agencies audited chose to use contingent labour based on an understanding of what their workforce should be, despite their being among the highest users of this labour. It is acknowledged that short-term projects, and the rise of the so-called 'gig' economy can mean many of the capabilities in demand for innovation can be sourced only via contingent labour in order to meet prevailing labour market expectations for rates reflecting expertise and preferences for short-term contracts. However, the lack of articulated workforce planning makes it hard to defend contingent labour in these high volumes.

Further maturity in strategic workforce planning capabilities can address some of the challenges mentioned earlier in this report, particularly around filling roles, and driving diversity and leadership change. The closer the linkage between an agency's strategy and the workforce plan required to achieve it, the greater the likelihood that executive and line management will have the time-sensitive information needed to succeed.

Workforce planning prepares agencies for the changing nature of work

To date, agencies have implemented the GSE reforms using a graduated approach that is designed to assist them to meet tight deadlines in a way that best supports their business. As more of the building blocks have been laid down, sector leaders have identified how the different reform pillars are linked. For example, more sophisticated approaches to the mix used to fill roles can be taken if informed by structured workforce plans, an understanding of future capability needs and labour market/sector supply. In turn, this provides the opportunity to design in workforce diversity.

Linking planning to how an agency arranges its work also makes better use of flexible working arrangements or inter-agency collaboration. In this way, the reforms can be seen as connected rather than discrete elements. Structured workforce planning therefore provides the glue for the reform components.

The PSC worked with agencies across the sector in 2016 to analyse how the sector's information and computer technology (ICT) workforce was changing. The analysis included emerging roles, what proportion of roles would disappear, and what needed to be done to redeploy people into the emerging roles. The ICT Capability Assessment Strategy was then developed in 2017 to help recruit, develop, and manage a skilled and capable ICT workforce to meet future business needs. This was accompanied by the development of the ICT Career Pathway Framework, which covers potential career paths between 55 ICT sector role descriptions and seven emerging ICT roles.

This sort of planning may help agencies respond to the changes promised by large-scale automation and the changing nature of work. It will also ensure that the required transition takes place in a way that retains engaged, committed employees, even if their traditional roles may alter considerably.

3. The NSW PSC defines 'contingent labour' as people employed by government agencies through a recruitment agency to provide labour or services.

4. Audit Office of New South Wales, New South Wales Auditor-General's Report: Performance Audit - Contingent workforce: procurement and management, Department of Education, Transport for NSW, Department of Industry, April 2017.

Chapter Six: Planning and arranging work

Case study: Workforce planning for the NSW Police Force

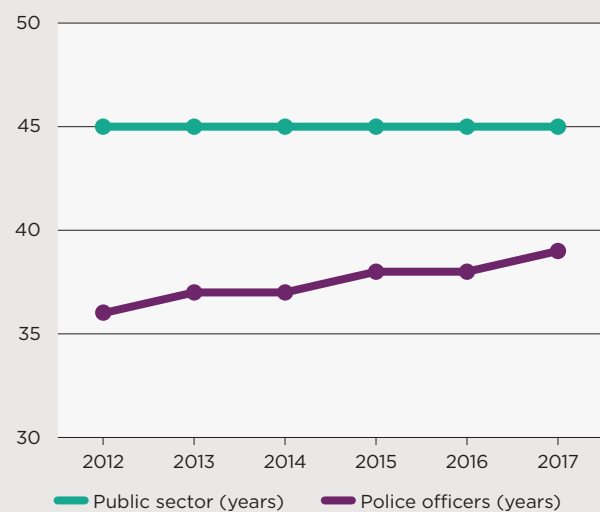
Robust near-term resource planning and data from rostering systems have provided the NSW Police Force (NSWPF) with a strong platform to build more complex planning capability.

The NSWPF currently has a short-term planning framework that helps leaders assess workload demand and supply requirements for its sworn police, as well as the effectiveness of its workforce utilisation. Software draws on the rostering system to analyse officer supply, tracking the availability of officers per hour. Absences such as leave, injuries, training commitments and court appearances are included. This is matched with an in-house system that provides insight into demand requirements. A labour management tool optimises complex rostering requirements, improves operational agility and ensures the appropriate allocation of police officers.

Analyses identified a key change in retirement trends from 2012 after superannuation provider arrangements were altered. Exiting officers over the age of 55 were no longer able to access certain lump-sum payments. Retirement rates declined steadily, leading to increases in the median age and tenure of the workforce. Further, criminal activity has decreased over the past decade. Modelling now suggests that the growth rate of the workforce, which had been at **1.4%** over the past 10 years, can slow to **0.2%** yet maintain the NSW Government's commitment to maintaining the number of sworn police.

This trend potentially places older, public-facing officers at a higher risk of injury. Longer tenure also means fewer vacancies at leadership levels, which in turn makes it more challenging to achieve the NSWPF's diversity targets and promotion pipelines for talented younger officers.

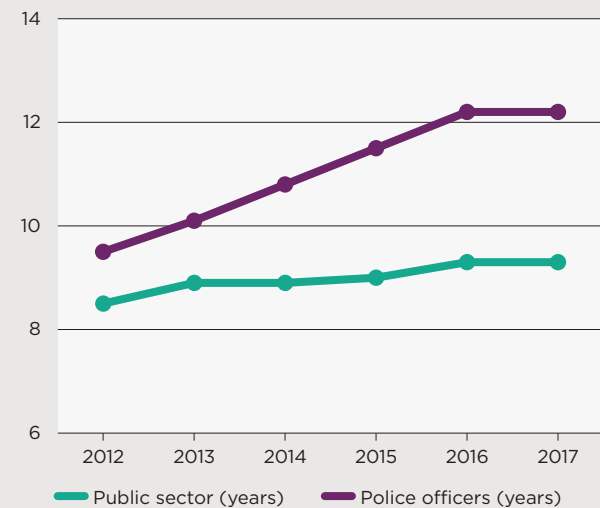
Figure 6.6: Median age of police officers compared with the NSW public sector average, 2012–17



Source: 2017 NSW Workforce Profile

The next phase will be to use data further to determine how this older, highly experienced workforce with valuable skills can be deployed to meet the demands of the job in a safe workplace. The NSWPF is considering redesigning roles to focus on the strengths of experienced officers – such as witness and stakeholder management, and mentoring – as a means of better matching workforce requirements and organisational outcomes. As the nature of crime evolves from the street to the laptop, re-training opportunities in cybercrime and cyber-fraud prevention and detection also emerge.

Figure 6.7: Median tenure of police officers compared with the NSW public sector, 2012–17



Source: 2017 NSW Workforce Profile

This process of re-examining NSWPF's workforce profile will be based on NSWPF's commitment to maintaining the culture and conditions to support all officers across all stages of their careers. Careful resource planning will provide the base for a longer-term analysis of its workforce demographics. Understanding supply and demand drivers for its sworn workforce can help determine the optimal workforce size, shape and capability for the future.

Chapter Seven

Creating adaptive organisations

Capability requirements become broader and deeper as agencies mature

Last year's report noted that the sector was becoming better at collaboration and customer service, as measured in the Employee Survey. However, change management and data analysis capabilities were shown to be underdeveloped. This year, sector leaders reported that as maturity grew in all these areas, there was also a better appreciation that the more they know, the more there is to learn. The capability required becomes broader and deeper. This chapter discusses these trends in organisational capability.

Cross-sectoral partnerships require effective collaboration

Collaboration remains a challenge for many in the sector, despite broad acknowledgement that it is a critical driver of success. Only half of the sector's workforce feels that their senior managers promote collaboration with other organisations (51%), and less than half (47%) feel there is good co-operation between teams within their organisation.

The 2016 Agency Survey found that while collaboration within the sector is growing (whether in policy development, regulation, program design and management, or service delivery), collaboration with the not-for-profit or private sector is much less common and focused on service design or delivery. The drivers for cross-sectoral collaboration have been given fresh impetus by the NSW Government's commissioning and contestability agenda. The shift of service delivery from the Government Sector to other sectors makes collaboration more important, and the required capabilities more complex.

The Premier's Priorities have provided the drive for collaboration across agencies and clusters as the nature of the targets mean agencies can't achieve them alone. For example, the priority to reduce the overweight and obesity rates of children by 5% over 10 years requires that the lead agency (Health) work with Education to refresh and strengthen physical activity and healthy eating programs in schools, encourage active travel by working with Transport, and develop guidelines for the planning, design and development of healthy built environments with Planning and Environment.

The challenges for many agencies leading Premier's Priorities is in facilitating common goals and a shared vision, which can be complex when supporting agencies have different perspectives on key goals. This may influence the way they participate and to what extent. For example, one agency may be motivated by managing demand for their services, while another may be driven by a focus on citizen wellbeing.

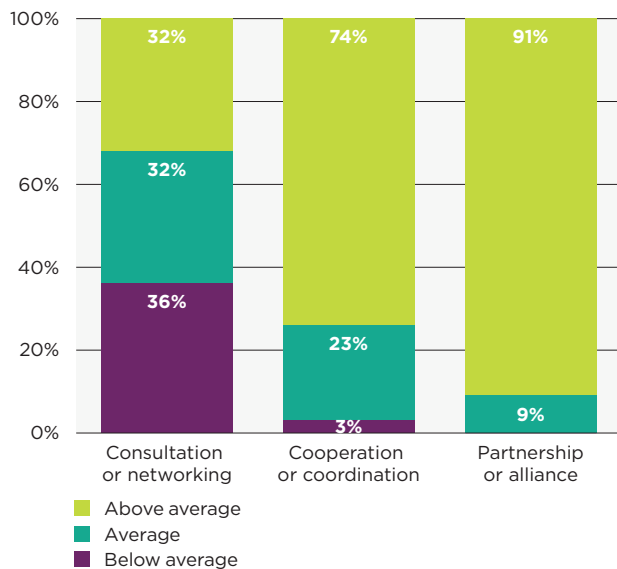
In 2016, the PSC surveyed NGOs that work with government to deliver human services to the community. This is an area where more collaborative approaches are gaining traction. Some NGOs advised that they preferred partnership relationships with government that would give them the opportunity to help define problems and shape policy at the outset, as well as being involved in service delivery. Sixty-five per cent of the NGOs said their relationships were based on cooperation and coordination, as typified by contracted services, and typically were involved at the service tender stage. NGOs aspire to be in an alliance or partnership with agencies, reporting that their active participation at different stages of the development and delivery process typically led to far more effective service delivery.

The survey found that the small number of NGOs in the more intensive alliance or partnership mode were significantly more likely to rate the quality of their collaborative relationship as average or above average, despite these being the minority of collaborative structures in place.¹

1. NSW Public Service Commission, Collaboration Capability Review, October 2017.

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Figure 7.1: NGO ratings of the quality of collaborative relationships with government



Source: PSC Collaboration Capability Review, October 2017

The adjustment required is to build ability to move beyond a purely contracting mindset to a focus on outcomes. Ideally, partnering organisations would be engaged at all stages of the project life cycle, including when policy and strategy settings are being established.

Case study: Health's program for Ending HIV

Common stumbling blocks for agencies working collaboratively with NGOs include the funding approach, governance and an agency's ability to monitor and report on progress and quality when the services are being delivered by others. Managing outcomes can become more complex when the agency doesn't 'own' the workforce concerned, and depends instead on building mutual trust with their partner.

The New South Wales Ministry of Health has worked with different NGOs since 2013 to reconfigure funding arrangements through its Grants Management Improvement Program. The launch of the initial NSW HIV Strategy 2012-15, followed by the 2016-20 strategy, provided the opportunity to implement grants funding reform in the HIV/AIDS program area and identify other areas for a more collaborative approach.

The community sector across Australia historically worked in partnership with government to respond to the HIV health crisis, providing a basic framework and process for collaboration. NGOs were also involved in developing the most recent NSW HIV strategies. Health built on this history of the NGOs having a literal 'seat at the table' to invite them to join as the group responsible for implementing the HIV strategy and monitoring its progress against targets. This group reports to the NSW Chief Health Officer on the new or revised actions required to support the strategy's targets, including in clinical practice, prevention, service arrangements and strengthening data collection and progress surveillance systems. This approach encourages far more engagement from all parties to build strong relationships of trust and a willingness to work collaboratively, rather than working to contractual rules. This has been helped by Health and the NGOs investing considerable time on talking and troubleshooting.

The move from a grant to rolling annual funding agreements was a significant change. Annual funding allowed NGOs to confirm their services are being delivered according to objectives and to identify areas of service duplication. Once an NGO's role and responsibility in the strategy was clarified and performance targets consistently met, longer-term funding was introduced. This change has facilitated service redesign to meet contemporary needs and improve efficiency.

NGOs were then invited to refine and amend the KPIs included in their funding arrangements to ensure they aligned with the HIV Strategy's targets. Progress is reviewed quarterly, and the KPIs can be adjusted to respond to new and emerging issues, for example, to better service a demographic group. This model of participatory, negotiated governance is considered to be contributing to the strategy's success, with NSW on track to significantly increase testing, treatment and prevention, and virtually eliminate HIV transmission by 2020.

Customer service capability is shifting to meet growing expectations

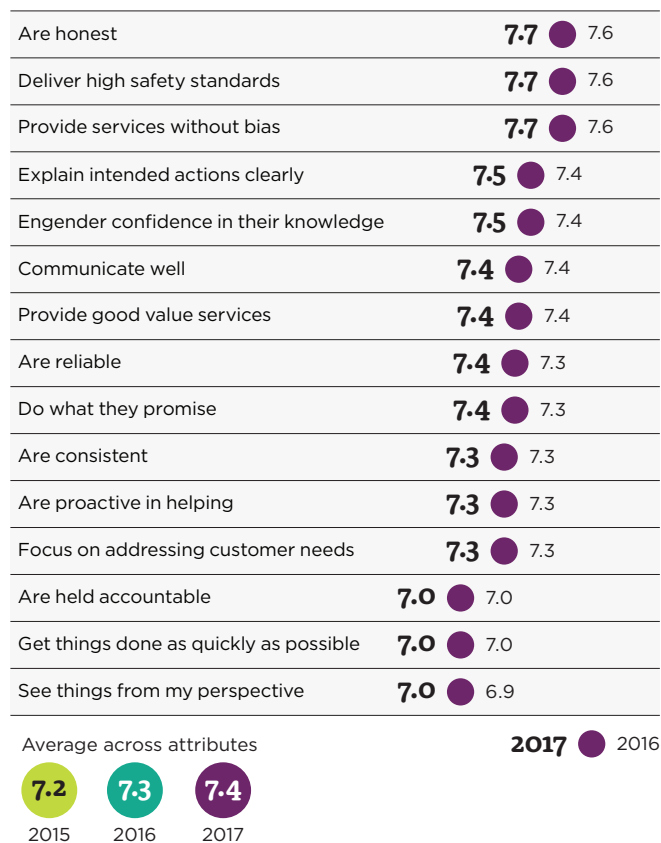
Individual citizens and businesses conduct 40 million transactions with the NSW Government each year. Good customer service is typically provided by employees who are honest, accountable, efficient and effective, who communicate well and see things from the customer's perspective.

Significant effort has been put into measuring and improving customer satisfaction with NSW Government services in the past few years, guided by the Premier's Priority to increase customer satisfaction year on year. Since 2015, the NSW Whole of Government Customer Satisfaction Index has measured customers' perceptions of NSW Government services and their employees, processes and customer values. The resulting data showed material improvements in 2015 and 2016, but perceptions remained largely unchanged in 2017. It is worth noting, however, that customer satisfaction in all other industries included in the benchmark also declined over the same period, in some instances significantly.

A customer-centric focus has been embedded in the public sector workforce. When employees were asked about their perceptions of customer service, **85%** agreed that their workgroup strived to achieve customer or client satisfaction. Sixty per cent agreed that senior managers communicated the importance of customers or clients in achieving objectives. These scores were unchanged from 2016.

However, the whole-of-government *Customer Satisfaction Measurement Survey* found that customer perceptions of what service level they expect differed between individual consumers and businesses. For example, businesses viewed effective customer service as tailoring services to customers and providing elements such as a single point of contact. When it came to perceptions of employee-specific accountability and seeing things from the customer's perspective, individual consumers' scored public sector agencies at a steady **7.0** out of **10** in the 2017 customer satisfaction survey, as in 2016. However, the overall scores from businesses for these employee attributes declined to **6.8** and **6.7** respectively, down from **7.0** each. Both were the lowest areas of performance from customers' perspective overall in 2016 and 2017. Communicating well (**7.4** in 2016 to **7.2** in 2017) and providing good-value services (**7.5** in 2016 to **7.1** in 2017) also declined for businesses, perhaps indicating the feedback from business on appreciating tailored service. While online services achieved the highest overall satisfaction scores, they were not the most accessed, and customer feedback showed a preference for a range of service options. This indicates the potential to integrate more service platforms with online delivery.

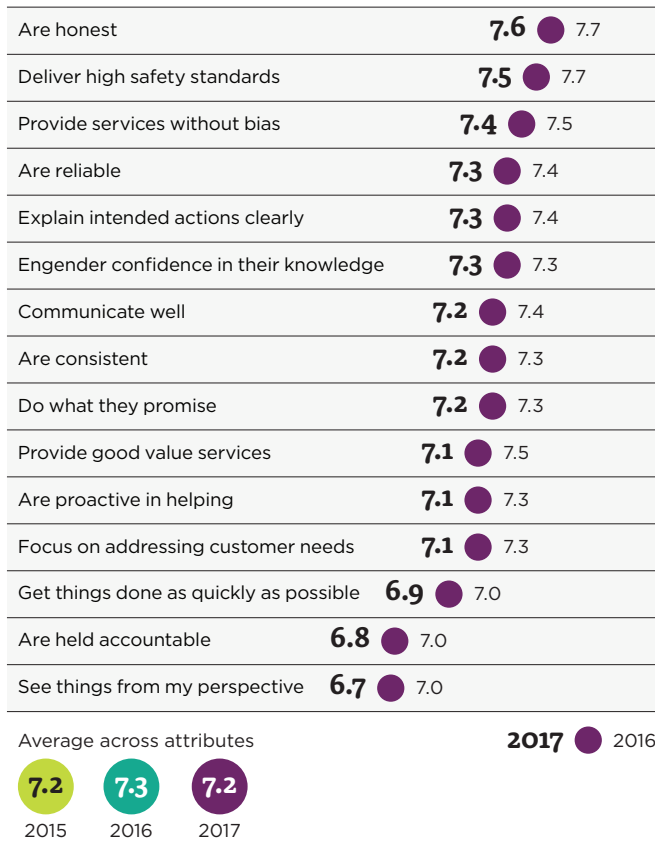
Figure 7.2: Consumer customer satisfaction scores for employees, 2016–17



Source: 2017 Annual Customer Satisfaction Measurement Survey

Chapter Seven: Creating adaptive organisations

Figure 7.3: Business customer satisfaction scores for employees, 2016–17



Source: 2017 Customer Satisfaction Measurement Survey

Sector leaders confirm that there is a gap in sector employees' capacity to see things from the customer's perspective. At the leadership level, customer service is the focus of conversations held across the sector and measured in performance plans, supported by internal surveys and regular testing of service design, with much collaboration on where progress in one cluster can be shared with another.

However, these processes and capabilities have yet to flow through to the local level. This is indicated in the customer satisfaction scores, which show that empathy and communication have become key drivers of customer satisfaction. There is an opportunity to move beyond an initial focus on the mechanics to the quality of the customer interaction, particularly when resolving complaints.

Sector leaders report that at the local level, the emphasis for employees needs to shift from being engaged with work to improving customers' outcomes. This may be a challenge when contracting service delivery outside government. For example, how do employees maintain a shopfront mentality when the agency itself may not be the shopfront?

Data capability shifts from reporting to extracting insights

Sector leaders report that there is a capability gap in extracting insights from customer, workforce and operational data to drive policy, strategy, service design and delivery, and decision making. They also say it is a challenge for their agencies to use workforce data linked to operational and customer data to understand and measure the agency's impact that their people have on delivering their organisational priorities. This has high value in business and workforce planning, contributing to efficient and effective organisations and engaged workforces.

Many of those involved in achieving the Premier's Priorities say using operational and customer data effectively has shaped their intervention at key stages. An example is in Education, where the Centre for Education Statistics and Evaluation, set up five years ago, provided a single data hub that informed the combination of financial, human and information resource interventions needed to address the Premier's Priority for improving education results. Data identified a relatively small number of schools where a slight improvement in NAPLAN results would make a significant contribution to meeting the target of increasing the proportion of NSW students in the top two NAPLAN bands by 8% by 2019. School-based targets were set to 'bump it up' (i.e. make relatively small improvements), and focused attention at these schools saw the target achieved two years early. Other initiatives focused on early intervention and developing learning progressions, and using the School Excellence Framework to monitor changes. The Centre also evaluates the progress and impact of major reforms, and recommends adjustments to deliver the intended outcomes.

Agencies vary widely in the maturity of their data acumen. Some Priority-leading agencies report that they are still growing capability in using data to drive practice change and more effective decision making. For example, there are some collaborating on Priority dashboard-style performance reports that enable comparability between agencies – a powerful tool to compare relative progress and identify areas of improvement. Recruitment processes are now informed by the need for specific analytic capability in knowing how to distinguish between true performance metrics and general noise.

In Justice, data on when and how quickly domestic violence perpetrators reoffend was used to identify strategic gaps, optimise interventions and better track progress. Justice worked with the Bureau of Crime Statistics and Research and the Premier's Implementation Unit to analyse the timing of reoffending and breaches of apprehended domestic violence orders (ADVOs), and the characteristics and sentencing outcomes for reoffenders. This identified the need to offer interventions before the court process is finalised. New programs for offenders on bail or remand have been implemented.

Fieldwork with victims and offenders has also shaped the design of innovative domestic violence interventions. Justice has partnered with DPC's Behavioural Insights Unit to develop and introduce Plain English ADVOs, conduct a controlled trial of text messages to increase court attendance, and design a brief one-to-one intervention with Aboriginal ADVO defendants.

Regional strategy groups established to support the Priority are using data to identify specific challenges in each region. For example, the discovery of a high rate of domestic violence reoffending among young people in some areas of Western Sydney has reinforced the need for protocols between out-of-home care providers and NSW Police.

Justice and partner agencies have also developed a monitoring framework to improve their understanding of progress towards their target of reducing the proportion of domestic violence perpetrators reoffending by **25%** by 2019. Tracking reoffending is challenging because time must be allowed between the first and any subsequent offences, but agencies have developed an agreed method to project the impact of different programs based on evidence of their effect size and the target number of offenders.

Sector leaders report that data capability across the sector via the use of dashboards and predictive analytics has improved significantly in recent years, and that this will continue. The data-driven monitoring approach used for achieving Premier's Priority targets has helped, as has an emphasis on seeking to establish where success in one initiative can be translated to another. In workforce data, 160 users are now licensed to use the PSC Workforce Dashboard, giving them the opportunity to extract insights to feed into strategic workforce planning. Efforts are now directed to seeking reliable evidence and proof of outcomes through data analysis, to provide a clearer picture of agency performance.

Change management processes are becoming more important as transformation continues

Leaders across the sector acknowledge that technology, workforce characteristics, government policy and the needs of customers will continue to evolve. Claims of change fatigue are based on the incorrect assumption that there will be a steady state at some stage, but while the speed and scale of change ebbs and flows, its existence is a constant. Leaders report that they are driving awareness that the sector will always need to adapt and build new capabilities in people, processes, culture and systems to accommodate change. Managing this transition is becoming more complex.

Questions about employee confidence in change management received some of the lowest score in the 2017 Employee Survey, consistent with the responses to the 2014 and 2016 surveys. These scores tend to be low across government, not only those parts of the sector undergoing significant institutional change.

Figure 7.4: Employee perceptions of change management, 2016–17

	Agreement 2017 (%)	Agreement 2016 (%)
I feel that senior managers effectively lead and manage change	44	43
I feel that change is managed well in my organisation	39	41

Source: People Matter Employee Survey

Much of the sector has changed significantly in the past five years but capability has been built in:

- **managing change in a real-world setting**
- **learning from common mistakes**
- **learning how to anticipate rather than react to typical challenges.**

The 2016 Agency Survey² reported that employee perceptions of change management tended to be better in agencies that evaluated the outcomes of their change initiatives and manager performance. Agencies are encouraged to find these pockets of experienced excellence and leverage these to lead their own change.

Growing capabilities in collaboration, customer service, change management, and data collection and analysis will require agencies to use the key GSE Act reforms efficiently and effectively, particularly when accessing and mobilising talent employees, and developing their performance. Capability can be further grown by a strategic approach to planning and arranging the work required. A culture and leadership that are open to rethinking how to best use these enablers is required to drive it forward.

2. Customer Service Commissioner of New South Wales, 2017 *Customer Satisfaction Measurement Survey*.