



Public Sector Reform

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

QUESTIONS AND ANSWERS

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1. What are the reforms?

There are two parts to these reforms: reform of the executive structure and reforms which will apply to the entire government sector. These changes are in response to the Commission of Audit's recommendations to improve public sector management.

The executive structure reforms generally involve consolidating employment arrangements for senior executives and senior officers (and their equivalents), into a new single executive structure.

The broader government sector reforms involve introducing more contemporary employment management practices, such as best practice recruitment methods.

The *Public Sector Employment and Management Act 2002* (PSEM Act) will be replaced with a new Act.

See Question 3 for more detail on the executive structure reforms and Question 4 on the other public sector reforms.

2. Why is the Government making these changes?

Changes to the executive structure

The executive structure in NSW has changed little since the 1980s and since then it has become larger, more layered and more complex.

The Commission of Audit found that the executive needed a total overhaul and recommended combining the SES, SOs and other executives into a single group and establishing a separate structure for cluster Directors General.

The Public Service Commissioner has examined the sector's executive structure and management arrangements; his assessment was supported by a group of eminent former senior Commonwealth and state public sector leaders and guided by the Public Service Commission Advisory Board.

In collaboration with departments and agencies, the Public Service Commission (PSC) established a single picture of the entire executive. That picture was then benchmarked against executives in other jurisdictions and comparable private sector entities. It is clear from this work that the NSW public sector executive group is not structured for optimal performance as an integrated

leadership group and that a fundamental overhaul is needed to address size, form and operation of the NSW public sector executive.

The aim of the reforms is to create a single, high performing executive group capable of leading the delivery of government services efficiently and effectively, through a leaner, flatter, more mobile structure and contemporary executive employment arrangements.

Other public sector reforms

The proposed legislative changes aim to modernise public sector management and also provide the mechanism to implement the whole range of improvements recommended by the Commission of Audit.

The employment regime contained in the *Public Sector Employment and Management Act 2002* (PSEM) Act is an out-dated, rigid and confusing management tool. The last major overhaul of the Act was in 1988 and it still includes some provisions dating back to 1902.

The PSEM Act contains detailed employment rules which are time consuming to update or otherwise could be adequately and more appropriately provided for outside of the core legislation, meaning less red tape for employees and managers alike.

3. What are the executive reforms?

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

The new structure will comprise a top band for the Directors General of the principal departments and a three level Senior Executive. It replaces the current Chief Executive Services (CES), the eight level Senior Executive Service (SES), the award-based Senior Officer structure and other equivalent arrangements.

The new structure will apply to all executives other than those covered by profession-specific statutory arrangements (for example the NSW Police Force Senior Service) and other specific exceptions such as judicial and public office holders.

Contemporary new employment arrangements will be introduced to ensure attraction and retention of the top talent, ongoing performance management and common employment conditions including fair and transparent termination arrangements. Contracts of employment will be ongoing, excepting if the circumstances require a time-limited fixed term contract such as for designated project work.

A key challenge is to reduce the number of management layers within the executive and achieve greater consistency in reasonable spans of control. Flatter structures will streamline decision making, foster clearer lines of accountability and aid work flow. Ideally, the number of executive positions with none or a very small number of direct reports will be minimal.

See Question 6 for information on how an 'executive' is defined and Question 7 on what these reforms mean for executives.

4. What are the other public sector reforms?

The other reforms are about modernising public sector workforce management, replacing the current outdated laws with new legislation that embraces contemporary employment management. The new Act will provide better outcomes for public sector employees, including improved arrangements for attracting, retaining and managing the performance of employees and using the best available employment management tools and practices.

The following proposals are key elements of the reforms:

- Replacing the concept of an *officer* appointed to and holding a *position* with that of an *employee* who is engaged at a specified classification level and assigned to a role.
- Providing for employees to move more easily from role to role within their classifications.
- Redefining the method of merit assessment for both executive and non-executive roles, using better capabilities-based selection tools and methods for selecting the best person for the job.
- Clearer rules about staff performance, for example separating the provisions for managing misconduct from those for managing poor performance.
- Streamlining the provisions for the employment of temporary (fixed term) staff and conversion to ongoing employment where necessary and appropriate.
- Matters of procedure related to the employment relationship to be removed from the legislation and put in guidelines where possible.

These are broad directions with implementation detail to be developed over coming months.

See Question 8 on what these reforms mean for non-executive employees.

5. Will jobs or conditions be lost?

The government sector reforms are not about down-sizing the sector or achieving direct efficiency savings. Rather they are about modernising and improving management of the public sector. Specifically they are about removing out-dated language and rigid rules peculiar to the public sector and introducing modern methods of recruitment and workforce management. Public sector managers and employees need flexibility in human resource management administrative arrangements to be able to respond to future service delivery challenges. See Question 4 for more detail on the specific changes being made and their drivers.

The PSEM Act 2002 includes a range of employment conditions such as leave and allowance arrangements which will be preserved.

The main objective of the executive reforms is to improve the leadership of the public sector. The proposal is not to freeze or arbitrarily cut executive numbers but to redesign the way in which agencies' executives are structured and managed. Cluster and agency executive groups will be reshaped (fewer layers and increases in individual executives' spans of control where appropriate) and as a result there may be some reductions in the number of agency executives. Directors General will have the authority to determine the size and composition of their cluster's executive. It is important to note that the executive reforms will be phased in (over a maximum period of three years).

Under the executive reforms, Senior Officers and their equivalents currently paid under and covered by an industrial instrument will cease to be entitled to award conditions such as flex time and overtime. The leave arrangements provided for in the *Crown Employees (Public Service Conditions of Employment) Award 2009* will continue to apply to executive officers (CES and SES) as they currently do.

6. How is an 'executive' defined for the purposes of the reform?

The reform will affect a subset of contract-based and award-based executives earning a base salary of \$136,651 and above. Excluded from the scope of the reforms are:

- State Owned Corporation employees
- Public office holders and the judiciary

- Health services and specialist health agencies
- Profession-specific executives (e.g. senior police officers, medical practitioners and school principals).

All executives in the new structure will be on ongoing contracts (replacing the current contracts of up to five years) unless the appointment is to undertake a task or project of specific duration. Award-based Senior Officer employment will be discontinued over the transition period.

Where there is any doubt as to whether a particular role or group is 'in' or 'out' of the executive, the PSC will discuss with the relevant cluster Director General.

7. What do these reforms mean for me as an executive?

Roles in the new executive structure will be filled in the first instance from within the ranks of existing executive staff (contract and award), on the basis of a capability assessment methodology to be provided by the PSC. The PSC will establish executive work level standards to be used across the public service to assign executive roles to one of the three Senior Executive bands.

Detail as to transition arrangements will be released as the implementation proceeds.

See Question 5 for more detail on what these reforms mean for executives and Question 10 for more detail on the transition.

8. What do these reforms mean for me as a non-executive employee?

There may be changes to non-executive arrangements, however these are focused on human resource administration and will not directly affect the continued need for you and your role.

The way you move around the public sector (for example how you apply for promotion or transfer to a new role) will change. The aim is to, over time, create a more mobile workforce by improving the ways people are selected and allocated to certain roles.

The changes aim to provide better career prospects, more opportunities for cross-sector mobility and well targeted capability-based development of staff.

See Question 5 for more detail on what these reforms mean for employees.

9. When will the reforms take effect?

The Government intends to introduce legislation to Parliament later this year, with the aim of beginning phased implementation of the new executive structure on commencement of the new Act.

Implementation of the new executive structure and arrangements will occur at different times and speeds over a three year period in different clusters. For example, Transport will go towards the end of the transition period as it has recently reformed its executive structure.

The majority of the new executive structure will be completed in two years, and the whole completed within three years.

10. How will the transition be managed?

These are major reforms and the Public Service Commission will need to revise, update and replace many supporting policies and guidelines to support the new Act and its subordinate legislation.

Departments and cluster agencies will design and implement wholly new executive structures over a three year timeframe. The PSC will issue supporting directions, policies and guidelines to assist agencies to manage and implement the changes and will provide high-level transition support to agencies.

See Questions 5 and 7 for more detail on the transition to the new executive structure.

11. When will staff be consulted on the reforms?

The Government is aware that these changes will affect individual employees. However we have sound reasons for doing this.

The PSC will be consulting stakeholders including unions during passage of the legislation and development of the regulations and supporting guidance. Directors General will be consulting and working closely with the staff on implementation of the reforms in individual agencies and clusters.

12. How will I find out about the reforms as they are taking place?

The Premier has asked the Public Service Commissioner to develop a comprehensive communications package setting out the reforms in detail and providing the means for employees to seek further information.

The Commissioner will discuss the new arrangements with those affected including, as an early step, speaking directly to senior executives and senior officers across the sector.

The PSC website will be kept up to date with developments at www.psc.nsw.gov.au/publicsectorreform.

Regular updates will also be provided in the PSC newsletter, [Workwise](#).

You may also email any questions to publicsectorreform@psc.nsw.gov.au