



Clarius

Submission to the National Commission of Audit
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Summary

Thank you for the opportunity to provide a submission to the National Commission of Audit. The Clarius Group's submission aims to highlight the HR issues associated with the government's cost-saving initiatives, in particular the public service jobs policy.

This submission is structured as follows:

1. What is the HR problem associated with savings initiatives:
 - a. Identifying and managing surplus staff
 - b. Re-skilling staff
 - c. When to start recruiting again – and how to do it
 - d. Organisational culture
 - e. Reputation / morale
2. Possible Solutions
 - a. Current practice
 - b. Alternative solutions
 - c. Technology
3. Summary of recommended solutions
4. Clarius Group – experience and expertise

The recommendations contained in this submission highlight a pathway the government and APS can follow to achieve the following:

- A 'right-sized' public service workforce
- Budget savings
- Avoiding costly voluntary redundancy payments
- An equitable, valid and impartial way to identify surplus staff
- A streamlined, centralised and efficient way to manage surplus staff
- Managing risks associated with morale and reputational issues
- Improved human resources practices and organisational culture
- Alternative staffing solutions to avoid a lengthy recruitment freeze

These recommendations have been arrived at through the Clarius Group's observations as a Human Resource and Recruitment provider in Asia Pacific, and through reviewing the recent efforts of the Queensland and New South Wales State Governments in conducting similar cost-savings initiatives, including the lessons learnt from the processes used at the State level.

HR Issues

2. What is the HR problem associated with savings initiatives:

While budget pressures the government is currently grappling with are largely seen as a financial issue, substantial human resources (HR) issues will arise from the government's cost savings initiative linked to the public sector jobs policy to cut 12,000 public service jobs through natural attrition. The government and the Australian Public Service (APS) will be required to engage in a range of HR challenges as a result of this policy. Aptly managing these challenges will ensure the government attains the cost savings it sets out to achieve.

At present very tight hiring restrictions are in place to attempt to achieve job cuts through natural attrition and avoid resorting to costly redundancies which hit the budget bottom line. This has resulted in a slowdown of voluntary departures from the APS making the target very difficult to achieve through natural attrition in the timeframe expected (i.e. 12,000 jobs in 2 years). As a result we are already seeing multiple government agencies commencing programs to offer voluntary redundancies (VR). This is contrary to the government's objective to meet the target through natural attrition.

Seeking to achieve job cuts through a VR program will:

- result in higher than expected budget costs; and
- loss of talent from the APS required for the government's future direction.

Hence, job cuts through redundancy programs are not recommended. APS employees attracted to the financial benefits of a VR are typically long serving employees. Long serving employees possess considerable corporate and policy knowledge needed to increase productivity in the APS. High-performing employees are often more willing to take a voluntary redundancy when offered as they are confident of securing a new position elsewhere.

In summary, the current HR issue facing the government is to increase natural attrition in the APS without increasing the cost of redundancy payments. This must be achieved while maintaining positive staff morale, economic conditions and the reputation of the government.

Elements of the HR issues to be considered include:

- a) Identifying and Managing surplus staff
- b) Re-Skilling Staff
- c) Future recruitment
- d) Organisational Culture
- e) Reputation / morale

a. Identifying and managing surplus staff

The task ahead of the APS is to identify and manage surplus staff effectively within a relatively short period of time to deliver on the government's expectations.

Adequate HR practices need to be implemented to ensure the identification of surplus staff is conducted in an equitable, impartial and intelligent way.

The ultimate goal of a 'right-sizing' exercise should be to identify employees who do not meet the requirements of the APS as follows:

- i) Employees without skills to meet the future needs of government
- ii) Employees who do not meet performance standards

The current practice of VR programs will result in a quick cull of employees, but will also result in the loss of individuals and talent from the APS that could be utilised to increase innovation and productivity. A VR pathway will increase the pressure on the budget bottom line in three ways:

- i) Increased cost of redundancy payments
- ii) Increased cost of future recruitment to replace lost talent
- iii) Loss of productivity through loss of talent

Once surplus staff have been identified, a streamlined, centralised and efficient method of managing surplus staff, in line with HR best practice, will enable the APS to more effectively manage and measure the downsizing process.

A streamlined and centralised method of managing surplus staff will:

- reduce the burden on HR resources at the agency level;
- create efficiencies in redeploying appropriately skilled staff back into the APS;
- provide a clear holistic picture on the contingent of surplus staff;
- enabling individual agencies to identify suitable employees for redeployment;
- enable clear reporting in order to measure the timeliness and effectiveness of right-sizing.

A method aligned to HR best practice will:

- support surplus staff in being re-skilled;
- reduce the negative impacts on employee morale;
- reduce the reputation cost on the government as a result of its cost savings initiatives.

b. Re-skilling staff

The Current APS Redeployment Policy advocates for support and training to be provided to APS employees placed on the Redeployment Register to assist them in re-skilling. This recommendation is supported by HR best practice.

However, the current policy only points government agencies and surplus employees to a list of APSC run training courses available at a fee. These courses are focused primarily on delivering additional APS skill sets. This solution only results in APS employees being re-skilled back into the APS and does not result in increased natural attrition that is required to meet the government's target.

It is recommended the definition of redeployment be extended to include re-employment i.e. surplus employees should be encouraged to seek alternative employment outcomes outside the APS. Re-skilling of staff on the redeployment register should include the development of skills relevant and suitable to the private sector. This strategy will result in increased natural attrition from the APS.

c. When to start recruiting again – and how to do it

The current recruitment freeze is counter to the government's objective of increasing the productivity and efficiency of the public service. It prevents the APS from recruiting individuals with skills aligned to the future direction of the government, and who are able to inject fresh thinking and expertise to improve productivity and outcomes.

In addition, a recruitment freeze will lead to a stagnant workforce and local and national economy, as has been seen at the State level in recent years after the downsizing of the Queensland and New South Wales public services.

Conducting a streamlined and effective 'right-sizing' process will allow the APS to lift the recruitment freeze in a timely manner. In the mean time, the workforce and economy can be stimulated by recruiting a contractor/contingent workforce providing the resources and skills the government requires in the APS to deliver on its objectives in the short-term. This approach will increase the productivity of the APS workforce while not adding additional Full-Time-Equivalent (FTE) headcount to the APS while the 'right-sizing' process is conducted.

Ongoing external recruitment should resume as soon as the spill-and-fill process has been completed across the APS. Individuals identified for redeployment or reemployment can apply for new positions and compete based on merit with external applicants, therefore returning to a practice of merit based selection within the APS rather than redeployment of 'suitable with training' individuals.

New external recruitment within the APS should be conducted using best practice and robust recruitment methodologies that incorporate capability-based assessment methods.

The predictive validity of a recruitment exercise increases by combining several assessment methods. Capability-based assessment methods include the use of assessment tasks such as:

- work simulations;
- group exercises;
- skills testing; and
- psychometric assessments.

It is noted the NSW Government has recently advocated the use of capability-based assessments to increase the performance of the NSW Public Service after completing a review of HR practices in light of findings from the Commission of Audit report.

The benefits of using a capability-based assessment method for recruitment include:

- increased productivity of the workforce;
- reduction in ongoing attrition in the public service as a result of making invalid hiring decisions.

It is also recommended to simplify the application processes which often require lengthy selection criteria responses. This will increase the attractiveness of the APS to applicants from the private sector, and increase the efficiency of the shortlisting and assessment process of APS panels.

In the State of the Service Report 2011-2012, two of the top five reported greatest workforce risks related to skills shortages and the inability to recruit appropriately skilled employees. A greater focus on implementing talent pipelining and talent pooling strategies that are currently used successfully in the private sector will address the skill shortage issues for the APS in the future.

d. Organisational culture

Using more robust and valid recruitment practices in the future will facilitate a high performance culture, excellence in customer service and attract talented individuals to the Australian Public Service for rewarding careers.

In addition to improved recruitment practices, improving the performance management culture of the APS will assist the government in maintaining a more moderate sized public service after the initial 'right-sizing' process.

The 2011-2012 State of the Service Report shows the time of current APS managers is consumed by poor performers. While most government agencies report having a structured performance management process in place, approximately 68% of agencies are yet to achieve a centralised and strategic approach to performance management; representing a considerable challenge for the APS. Improving the quality and proliferation of performance management training to APS managers will assist the APS with tackling this challenge. In addition, recruiting individuals into the APS who demonstrate a strong capability to manage staff performance effectively through a capability-based assessment method will assist the APS in tackling the performance management challenge.

e. Reputation / morale

Morale of APS personnel will be impacted by the current cost saving initiatives related to 'right-sizing' the public service. Morale will be impacted by personnel losing their colleagues through retrenchments or attrition, lack of mobility as a result of recruitment freezes and increased output required as a result of reduced resources.

The prospect of looming job cuts in the APS has already been reported to be dragging down morale and feeding into a climate of deep uncertainty over job security.

The reputation of the government will be impacted if the anticipated savings are not achieved through the 'right-sizing' of the public service and if adequate HR practices are not utilised in identifying and managing surplus staff.

3. Possible Solutions

a. Current practice (Agency / APSC)

The current APS Redeployment Policy and APS Redeployment Register, implemented in 2011, goes some way in addressing the issues relating to managing surplus staff.

However, these mechanisms are focused solely on redeploying individuals back into the APS workforce, thereby not resulting in actual attrition from the APS. The current system and policy has not resulted in a major reduction in the external recruitment activities of government agencies, or an increase in natural attrition from the APS, rather it has seen an increase in the cost of redundancy pay outs under the former government. In its current form, the APS policy and system for redeployment will not increase natural attrition.

The current system does not actively encourage those on the redeployment register to seek external APS employment. This should be encouraged and assistance provided to individuals to support them in seeking employment in the private sector. This is particularly vital for regional areas where there are limited government agencies employing staff in the region.

In addition, the current system does not advocate for a robust, equitable and impartial identification process of surplus staff and in fact, provides little to no advice for agencies on how surplus staff should be identified. The current system does advocate providing support to affected individuals and ensuring clear and early communication.

Under the current system, it is optional for government agencies to register its surplus employees on the APS Redeployment Register. If this option is taken, the agency adds the employee to the register; the employee activates the record and fills in information relating to their skills. Self-registration processes have significant disadvantages as follows:

- Individuals are often unskilled at identifying and “selling” their relevant skill sets;
- Individuals are often unaware of their relative suitability to the rest of the employment market; and
- Individuals would be unaware of the skill sets needed by other agencies outside of their current employer.

Anecdotal evidence, gained from feedback at the agency level, suggests the APS Redeployment Register is seen as a list of employees with unsuitable skill sets and/or performance levels. As a result, most agencies avoid recruiting individuals from this register, instead preferring to recruit new external employees.

Despite being in place since 2011, information relating to the effectiveness of this policy and system is hard to find; a possible reason for this is the current system is not accurately capturing reportable data.

The State of the Service Report 2011-2012 identifies the ‘people (human resources)’ job family as being one of the top 4 skill shortages within the public service. This suggests the APS as a whole and the APSC lack the resources to conduct a comprehensive and centralised ‘right-sizing’ process. This represents a substantial risk to the governments cost saving initiative and ongoing reputation.

b. Alternative solutions

A robust, equitable and valid assessment process, as described under 1.c. for future recruitment, is also recommended as the best method for identifying surplus staff.

The APS should be encouraged to conduct workforce planning and assessment/selection processes ('spill-and-fill' process) to introduce an equitable, impartial and intelligent 'right-sizing' process. The application of a 'spill-and-fill' process should be carefully managed through a valid assessment methodology to base redeployments on the performance and capability of APS personnel. An APS-wide spill-and-fill process will effect large-scale change through a streamlined and merit based process. Through this process new positions will be clearly defined, the application process is impartially conducted and the selection criteria are tailored to the requirements of the relevant workplace, department or agency.

Assessment centres are an efficient way to conduct bulk assessments resulting in valid outcomes which will result in an intelligent right-sizing of the public sector in line with the government's expected timeframe. Use of external HR specialists is recommended to add expertise and impartiality to the process.

Individuals who have been placed on the redeployment register through a rigorous and valid assessment process (ie. assessment centre) will receive detailed and specific information on their capabilities and skills sets (compared with others at level) which will highlight targeted areas for re-skilling and training. This will be an improvement on the current process where no targeted activity is used to assess areas for re-training that could lead to re-employment outside of the APS.

The 'Excess to Requirements list or Redeployment Register' should:

- be centralised;
- run on a cutting edge technology platform that will allow for ease of use for all agencies;
- allow intelligent reporting on the effectiveness of redeployments;
- measure the cost savings achieved through natural attrition (redeployment and re-employment) compared with costly redundancy packages.

Possible disadvantages of a spill and fill process

The flipside of retaining quality staff through the spill-and-fill process is that those individuals who fail to obtain a new position can feel undervalued or victimised. Some reports suggest that ongoing staff are negatively affected by increased workloads and that targeted use of redundancy and spill-and-fill processes may, in some circumstances, amount to bullying.

In addition, employees may believe that the spill-and-fill process is a smokescreen for getting rid of individuals for reasons such as union involvement, sex, age or other factors that are banned by the Fair Work Act.

Example

In the recent case of National Union of Workers v Qenos, the Federal Court approved the use of a spill and fill to cut about 120 positions at a manufacturing plant in Sydney. Controversially, many of the affected employees were involved in protected industrial action with the employer, Qenos, when the redundancies were announced. Nevertheless, the court accepted that the procedure was not used to get rid of unionised workers.

In this case, the spill-and-fill procedure was successful because it was conducted by an external firm. The firm created selection criteria that identified "human competencies" consistent with the company's values and culture. By externalising the decision-making process, Qenos effectively ensured that employees could not argue convincingly that their union activities were the reason for termination of their employment.

c. Technology

While the APSC currently use the APSJobs website as a technology platform for the APS Redeployment Register, which is accessible by all APS agencies for registering surplus employees and searching for suitable staff for redeployment, the functionality of this technology should be examined in terms of:

- Advanced functionality for candidate searching based on confirmed skills
- Advanced reporting functionality to measure effectiveness of redeployment policy
- Ability to measure actual natural attrition as a result of the redeployment policy
- Ability to report on trends of skill sets no longer required by the APS and trends on skills set that are required
- Ability to report on the success of re-skilling

Many government agencies already run their own internal online recruitment systems, Human Resource Information Systems and utilise the APSJobs website. Providing one centralised and advanced technology platform will streamline the management of surplus staff and the ability to report on important factors to measure the success of the government's public service jobs policy.

4. Summary of Recommendations

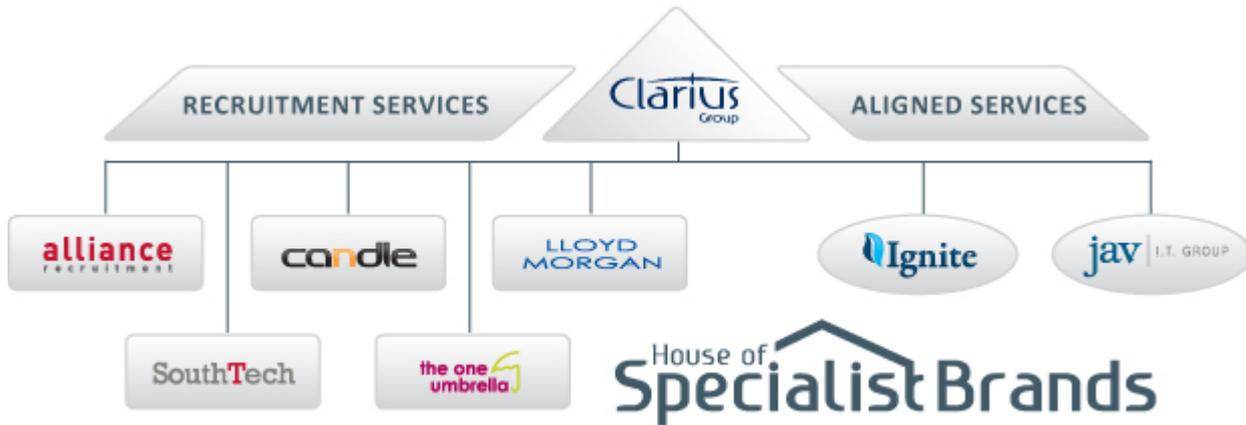
In summary, the recommended approach to the public service jobs policy is as follows:

1. Conduct workforce planning and valid assessment process to identify surplus staff
2. Avoid costly voluntary redundancy payments
3. Manage surplus staff through a centralised and streamlined system supported by technology
4. Utilise outsourced providers who can provide HR expertise and resources to assist with the process
5. Redeploy/re-employ surplus staff outside of the APS to increase natural attrition
6. Recommence recruitment as soon as possible to stimulate the APS workforce and the economy
7. Improve HR organisational culture, through improved performance management and recruitment practices, in the future to increase overall productivity of APS

5. Clarius – experience and expertise

Established in 1984 and listed on the Australian Securities Exchange in 1997, Clarius Group (ASX:CND) has a reputation for high-quality delivery and remains one of the largest, longest standing and best performing recruitment and aligned services suppliers in the Asia Pacific region.

An overview of the Clarius Group is as follows:



Clarius
Group
Employment and
Aligned Services



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Managed IT Services
and Professional
IT Staffing



alliance
recruitment
Corporate
Services



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MORGAN
Accounting, Banking,
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Information
Communications
Technology



SouthTech
Engineering and
Technical Personnel



Ignite
Payroll and
Contractor
Management



the one
umbrella
Library, Records and
Knowledge Management

Clarius has extensive experience and expertise in the recruitment market and a long and demonstrated history in servicing major Australian corporations, multinationals and government bodies, supporting a majority of these clients through preferred supplier agreements for almost 30 years.

We have serviced government clients nationally and internationally for two decades providing a range of services including the supply of temporary personnel, ongoing personnel, executive search recruitment and managed outsourced APS recruitment.

Our expertise and leadership in the field of government recruitment is demonstrated by our experience as the Department of Foreign Affairs and Trades' exclusive HR provider, providing managed outsourced APS recruitment services for all of the department's temporary and ongoing selection processes nationally since 2008. In addition, the Clarius Group has delivered HR and Recruitment Consulting services to a range of government agencies nationally.

The Clarius Group employs over 350 staff through a network of 32 offices located in Sydney, Melbourne, Brisbane, Perth, Adelaide and Canberra in Australia; Auckland and Wellington in New Zealand; Hong Kong, Beijing, Shanghai, Shenzhen in China; Kuala Lumpur in Malaysia; and Singapore.



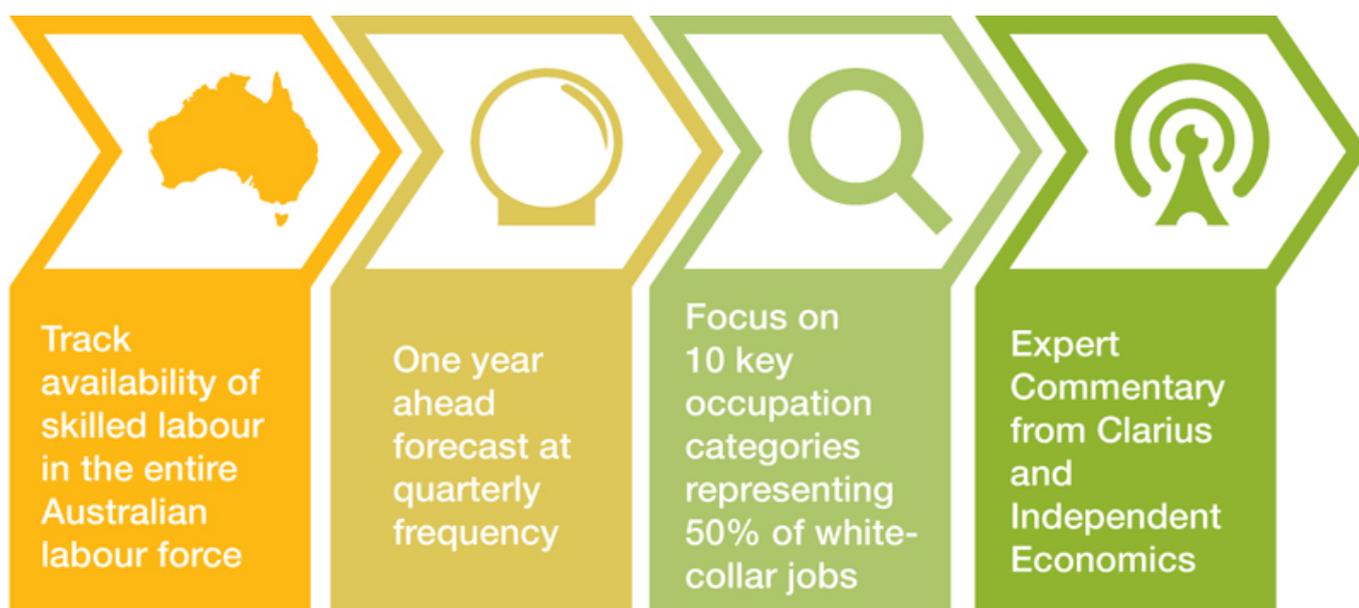
Clarius is viewed as a premier source of accurate, unbiased information concerning the general Australian labour market. The market intelligence we collect is based on in-depth, nation-wide research available on a daily basis. We are able to provide unprecedented access to the hiring expectations of Australian employers and insight into a range of human capital issues currently impacting business and the broader Australian economy.

We provide ongoing business intelligence in the following areas:

About the Clarius Skills Indicator

During the past five years the Australian labour market has undergone significant swings, driven by the shock and recovery from the GFC. Employers and hiring managers have advised us it is now more important than ever to plan for the future, and to have expert insight into current and future trends.

As a result of the feedback we are taking a fresh approach by creating the all-new *Clarius Skills Indicator* with our research partner Independent Economics. The Indicator tracks the availability of skilled labour in the entire Australian labour market and, for the very first time, a forecast for the year ahead at a quarterly frequency is provided.



The *Clarius Skills Indicator* draws on the best available data from the Australian Bureau of Statistics (ABS) and Commonwealth Department Employment to measure oversupply and shortfalls for 10 major occupation categories, covering approximately half of all “white-collar” jobs (more than four million employees) or 35 per cent of the total Australian labour force.

Combined with the knowledge from Clarius’ ‘House of Specialist Brands’, the *Clarius Skills Indicator* has been designed to help executives and hiring managers plan their recruitment settings and is the only report providing information for employers on the availability of skilled staff, and how that environment may evolve in the future.

The new *Clarius Skills Indicator* replaces the well-regarded Clarius Skills Index introduced in 2008.

Other independent research as an organisation:

Productivity Research

Productivity is a key driver of growth, competitiveness and living standards but over the past decade Australia's productivity has been slipping, particularly apparent when we strip away the positive impacts of the commodity boom.

Labour productivity is a common measure of productivity performance and is a "hot" agenda item for corporate Australia.

Clarius Group recently commissioned a survey of 1,000 white-collar professionals nationally to explore the drivers and hurdles of productivity at the coal face.

In a short series, we will explore the issues of productivity, motivation and leadership.

Brand specific reporting:

Candle Salary Intelligence Report

In addition to MySalaryPortal, Candle also publishes a Salary Intelligence Report for 28 permanent and contract IT positions across Asia Pacific.

The report draws on data from 7,600 IT specific anonymous salary entries from MySalaryPortal as well as in-depth on the ground knowledge from our teams in Australia, New Zealand and Singapore.

Industry networks and affiliations

Clarius draws on industry networks to gain intimate knowledge of current trends and relevant information. We maintain active industry networks and affiliations including (but not limited to) the following professional bodies:

- Chambers of Commerce
- Advance – Global Community
- Australian Life Underwriters and Claims Association (ALUCA)
- Financial Services Institute of Australasia (FINSIA)
- Women in Mortgage Broking Network
- Plan Australia
- Information Technology Contract and Recruitment Association (ITCRA)
- Recruitment and Consulting Services Association (RCSA)
- Australian Institute of Management (AIM)
- Seek Learning
- Excom Training
- Women's Network Australia (WNA)
- Australian Institute Company Directors (NF membership)
- Australian Human Resources Institute
- Women in Information and Communication (WIC)