# workforce planning risks and challenges in the victorian public sector

## update report 2011

The Victorian Government has vested the State Services Authority with functions designed to foster the development of an efficient, integrated and responsive public sector which is highly ethical, accountable and professional in the ways it delivers services to the Victorian community.

The key functions of the Authority are to:

• identify opportunities to improve the delivery and integration of government services and report on service delivery outcomes and standards;

• promote high standards of integrity and conduct in the public sector;

• strengthen the professionalism and adaptability of the public sector; and

• promote high standards of governance, accountability and performance for public entities.

The Authority seeks to achieve its charter by working closely and collaboratively with public sector departments and agencies.

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## update report 2011
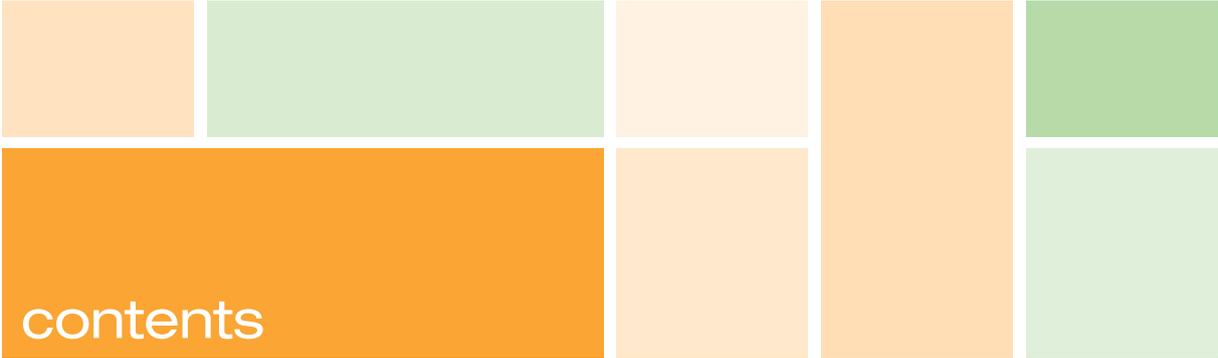
# contents

# chapter 1
## executive summary

## 1.1 the project and its context

### 1.1.1 project purpose and methodology

In 2011, the State Services Authority (SSA) undertook research on the workforce planning risks and challenges across the Victorian public sector. This work updated previous research conducted in 2006, which led to the development of the Victorian Public Sector *Workforce Planning Resource Kit*.

The 2011 project focussed on:

• identifying the current drivers of workforce demand and supply;

• actions taken by Victorian public sector organisations to address workforce risks; and

• identifying any additional actions to ensure that the Victorian public sector can address the workforce risks it faces.

The SSA consulted with around 240 senior managers and HR leaders from 70 state sector organisations, in focus groups and individual meetings. This was supplemented by a review of recently published data and reports discussing past and future workforce trends.[1]

### 1.1.2 operating environment

There are a number of factors in the operating environment that have affected (and will continue to affect) workforce demand and supply drivers.

Since 2006, Victoria has experienced natural disasters, including the 2009 'Black Saturday' bushfires and floods in 2011 and 2012. In 2009, there was an influenza pandemic scare. The unprecedented scale of the natural disasters placed pressures on most of the public sector, and highlighted the need for a workforce capable of rapid response, flexibility, aligned activity and resilience.

The Global Financial Crisis (GFC), which emerged in 2008, and the resultant Commonwealth stimulus package led to considerable demands on the Victorian public sector.

Since the GFC, economic conditions have become unstable across the world. However, Australia has maintained a relatively strong position. Unemployment has increased marginally compared to many developed countries (although this does not mean that all seeking work have equal strengths in the market).

In November 2010, there was a change of government in Victoria.

The ageing population is already having an impact on the demand for public services and the population aged 65 and over in Victoria is projected to increase from 13.7 per cent in 2010 to 19.1 per cent in 2021.

The community also has increasing expectations of the manner and timeliness of the delivery of public services, driven by technological change.

Reductions in government income and the impact on expenditure will mean that constraints on public sector employment are likely to continue. In late 2011, the Victorian Government announced a range of measures to achieve savings by reductions in the size of the non-service delivery Victorian Public Service (VPS) workforce by the end of 2013.

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1   These were derived from a mix of state, national and international research pieces.

Areas experiencing shortages in the available number of skilled staff remain as was highlighted in 2006. The areas of greatest shortages are those which share the existing labour pool with the private sector, such as engineering, infrastructure project management, information and communication technology, health and aged care professions, science and economics.

The age profile of the Australian workforce as a whole will change over the next ten or so years, with an expected drop in new workforce entrants from 170,000 per annum to 125,000 in the decade of the 2020s.[2] This will contribute to the working age group (15 to 64 years) shrinking from 67 per cent of the total Victorian population in 2011 to 65 per cent in 2021.[3]

The 2006 study identified retirement as the biggest separation risk[4]. The 2011 research found that, in the main, a dramatic exodus of older public sector workers has not occurred, despite a steady ageing of the public sector (the percentage of the public sector aged 55 and over has risen from 15 per cent in 2006 to 21 per cent in 2011).

A significant factor in the retention of staff during the period 2006–2011 is likely to have been the Global Financial Crisis (GFC). The SSA's workforce data showing the separation rate of public sector employees seems to support the hypothesis that they are more likely to remain with their current employer than before the GFC. Separation rates for staff aged 55 and over illustrate this trend with a sharp drop from 2008 to 2009.

table 1: separation rates from 2006–2011 for public sector workers aged 55 plus

| Aged 55+ | June 2006 | June 2007 | June 2008 | June 2009 | June 2010 | June 2011 |
|---|---|---|---|---|---|---|
| Separation rate (%) | 10.4 | 10.1 | 13.8 | 9.9 | 9.9 | 10.2 |

Source: SSA Workforce data collection 2011

However, the absolute numbers of staff retiring will steadily increase over the next ten years and beyond and the impact will be felt by public sector organisations, particularly as experienced and senior staff leave.

The announcement by the Victorian government of fiscal restraint, coupled with a target reduction of 3,600 public servants over two years, is likely to encourage a number of older employees to consider retirement options in light of the financial benefits of departure packages.

## 1.2 the Victorian public sector response (findings)

### 1.2.1 workforce planning governance and capability

The importance of workforce planning activity is accepted across the public sector. Activities that can address workforce risk are generally understood, at least in theory.

The 2011 research found that there was considerable workforce planning work being undertaken within education, police, health and human services for specific professional/occupational groups. There also were some departments and entities that were thinking carefully and clearly about their workforce planning challenges and putting appropriate strategies in place.

The research found that half of the organisations consulted said that they are working to improve their workforce planning, forecasting, data analysis, and reporting capability. The remaining organisations said that they were planning to do this in the next 12 months. This latter finding might be encouraging if it were not for the fact that 2006 research heard the same thing. The 2011 research found that where organisations have done little in the area of workforce planning, it was often due to issues relating to accountability for the function (poor or confused), capability (lack of skills and data); capacity (time to plan) and confidence (uncertainty about where to start).

Demand management is the activity of changing the nature or extent of service demands so that they better align with what can be achieved within current organisational capability and capacity. The 2011 research identified some examples of organisations using community awareness or preventative strategies to better manage demand.

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2    Commonwealth Department of Health and Aged Care, *Population ageing and the economy: research by Access Economics*, Canberra, 2001, p.54. Please note that despite this data projection being made in 2001, it has continued to be quoted extensively in many publications to this day.

3    ABS, *Australian social trends,* Cat. No. 4102.0, ABS, Canberra, 2010.

4    Separation rate measures the number of employees that ceased employment with their organisation over a specified period of time. It is calculated by dividing the number of separated employees by the number of active ongoing employees.

### 1.2.2 increasing labour supply

The 2011 research found that there were some instances of organisations collaborating with other organisations to address workforce issues, and working with the tertiary sector to increase supply of appropriately skilled labour. However, partnerships are not the norm. The research also found that in some areas there was heavy reliance on contractors, consultants and overseas recruitment.

### 1.2.3 attraction, recruitment and staff development

There was activity and progress in the areas of attraction and recruitment (although not always informed by competitors' strategies) and development (although not always targeted towards future capability gaps or staff with greatest potential to develop).

### 1.2.4 work, job and organisational design

The 2011 research found that there was little substantial activity around using organisational and job design or improving agility in employment practices to alleviate particular workforce risks. There were limited examples of organisations actively working to retain particular cohorts (such as older workers), or managing critical knowledge transfer to alleviate particular risks. However, the consultations did reveal a number of examples of good workforce practice, some of which are included as case studies in this report.

## 1.3 recommendations

In the current environment there is a risk that the focus by agencies on reducing workforce numbers over the next two calendar years will result in less strategic workforce planning. However, this does present an opportunity for leaders to redesign and re-engineer their organisations and the work they are required to deliver with a reduced workforce. Given the ongoing workforce risks faced by public sector organisations, there is value in refocusing their approaches to workforce planning.

The following are four key areas in which public sector organisations, individually and in collaboration, should be prioritising their workforce activities.

### 1.3.1 workforce planning governance and capability

**Accountability**

- Recognise that responsibility rests with the Secretary/CEO.
- Give workforce risk management equivalent status to financial and other areas of risk.
- Include workforce risk as a standing item on senior leadership meeting agendas.
- Assign clear accountability for workforce planning to senior and line managers as a collaborative function.
- Integrate workforce planning into strategic and business planning at all levels of the organisation.
- Provide training and support for line managers to improve their understanding of the importance of workforce planning and how it informs everyday workforce decisions.
- Focus HR activity on collecting, analysing and reporting on workforce risks and the provision of advice on strategy design and specific interventions.
- Ensure that HR and other corporate areas are sharing information and expertise in developing responses to workforce risks.

**Using evidence**

- Build and use an evidence base to inform workforce decision making, both strategic and operational.
- Collect, analyse and apply both forecast (lead) data and evaluative (lag) data.
- Monitor and evaluate workforce strategies and activities to communicate successes and inform future work.
- Consider trends relating to the future state of the internal workforce, the external labour market and the operating environment more generally.

**Demand management**

- Identify and address service demands that are unsustainable, given the organisation's current and future resource constraints, including workforce capacity and skill shortages. (This may involve working with the wider community and other sectors, such as the private sector, peak bodies and the not-for-profit sector, to enable demands for public services to be addressed by individuals and organisations outside the public sector).

- Investigate alternative fee structures or co-payments for services.

- Create realistic expectations about scope, quality, speed, and cost of public services.

## 1.3.2    increasing labour supply

- Assess the cost, benefits and risks of using contingent (contractor, consultants, overseas) workforces for service and project delivery. This includes monitoring and understanding what competitors for contingent workforces are doing.

- Better understand how the demand and supply drivers that create workforce risks for the public sector itself also apply to the contingent workforce and to outsourced service providers.

- Work proactively with the tertiary sector to strengthen the supply of candidates willing and able to work in the public sector and with specific skills required for critical delivery areas.

- Collaborate with other organisations in the same line of work or location to share intelligence and work to address common workforce planning challenges and risks.

## 1.3.3    attraction, recruitment and staff development

- In developing competitive employee value propositions and recruitment campaigns, understand what competitors in the labour market are offering.

- Streamline recruitment processes to ensure that good candidates are retained.

- Ensure non-financial public sector employment arrangements remain attractive and competitive.

- Make sure that line managers understand the organisation's workforce planning strategies and that they are making recruitment decisions that will build future capability and not just respond to short term needs.

- Use the recruitment process pro-actively to ensure that employees at all levels have qualities and attributes that support innovation, resilience and flexibility.

- Target staff development activities so that they unambiguously address current and future critical capability gaps, including skill shortfalls in recruits for key roles.

- Build management capability in key workforce planning and organisational management activities.

- Focus development on the skills needed to use/implement technological and work practice innovations needed to meet service demands.

## 1.3.4    work, job and organisational design

- Start with the work. Focus workforce planning strategies on meeting output commitments to government.

- Use organisational and job design to improve the capacity and capability of the organisation to respond to service delivery demands.

- Focus on initiatives, including technology solutions, that eliminate duplication of effort and promote efficiency, flexibility and responsiveness.

- Incorporate an understanding of workforce planning risks into the planning for EBA negotiations.

- Look at organisational practices, norms and traditions which may be impeding workplace flexibility.

- Develop specific initiatives to manage retirements and other departures, so that corporate knowledge is successfully captured and transferred.

# chapter 2
## introduction

In 2011, the State Services Authority (SSA) refreshed our earlier research on workforce planning risks and challenges across the Victorian public sector. The 2011 work had a particular focus on identifying:

- the current drivers of workforce demand and supply;
- what Victorian public sector organisations are doing to address workforce risks; and
- what more needs to be done to ensure the Victorian public sector is able to address workforce risks in the future.

This work sought to update previous research conducted in 2006. This document presents the findings of the 2011 research, including information on the operating environment (current and future), and makes recommendations to guide better practice.

### 2.1    looking back to 2006

#### 2.1.1    the 2006 workforce planning research project

In 2006, the Government requested the SSA to examine the workforce planning challenges facing the Victorian public sector and the sector's preparedness to meet those challenges.

The work that the SSA undertook led to the development of a suite of workforce planning tools, reports and guides, published collectively in 2006 as the *Workforce Planning Resource Kit* (see Appendix C).

The 2006 kit defined workforce planning as getting the right number of people with the right skills in the right jobs at the right time.

The following definitions for workforce planning are also derived from the kit:

- determining and shaping the capacity and capability of the workforce that is needed to achieve an organisation's goals and directions; [5]
- comprehensive process that provides managers with a framework for making staffing decisions based on an organisation's mission, strategic plan, budgetary resources, and a set of desired work competencies;
- a 'reality check' to ensure the organisation's strategic goals are realistic and achievable within the capacity and capability of its workforce.

The 2006 kit also established the concept of thinking about workforce planning in terms of risk management. Workforce planning risks arise as a consequence of misalignment between the demands for public services and the availability of a capable workforce (labour supply) to meet these demands. Based on the standard approaches to risk management, the 2006 kit established a workforce planning 'best practice' process model, as depicted in Figure 1.

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5    This definition comes from the Auditor-General Victoria Report, *Meeting our future Victorian public service workforce needs*, 2004.

**Monitor & Evaluate**

Effectiveness of strategies is evaluated to determine success of planned changes and impact on business performance.

**Workforce Analysis**

Analyse workforce against the organisation's goals and outputs; internal workforce characteristics and capabilities; and external labour market and environmental factors.

**Implement Strategies**

Investment in strategies, and change management processes to address workforce planning issues.

*Workforce* Planning Framework

**Forecast Future Needs**

Future business needs, scenarios and workforce characteristics and capabilities are identified.

**Develop Strategies**

Integrated business and HR strategies are developed to address the gaps between current and future workforce needs.

**Analyse Gaps**

The gaps between future workforce needs and current workforce profile are identified and analysed.

## 2.2　findings in 2006

The 2006 project consulted with organisational leaders and senior human resources (HR) staff from across the Victorian public sector to test the extent to which possible risk factors (for both workforce demand and supply) were likely to create workforce risks in critical sectors and skill sets. The capacity of the relevant Victorian public organisations to address the risks resulting from demand and supply drivers was a further overlay.

### 2.2.1　workforce risk

Four levels of risk were described: low, medium, high and extreme risk. The two highest risk levels were defined as:

- **Extreme:** requires significant and coordinated forward planning at a whole-of-government level extending five or more years to address; and

- **High:** requires advanced planning at a strategic level by the Department, State Coordination and Management Council or by government, extending from two to five years to address.

The researchers posited that, if left untreated, these risks would eventuate between 2011 and 2016.

An assessment of the interplay of demand and supply factors, along with existing risk management controls, identified particular areas that faced the most severe workforce risks as shown in Table 2.

**table 2: workforce risks in 2006**

| Risks | Segments | | | |
|---|---|---|---|---|
| Extreme | Health and Aged Care | | Infrastructure and Project Management | |
| High | TAFE | Science | Water | ICT |

## 2.2.2    workforce demand and supply drivers

The 2006 researchers concluded that the most significant drivers impacting on workforce planning risks were:

- **changing priorities** driven by changing community expectations of services, their availability and speed of delivery, increased political activism and increased governance arrangements;

- **demographic changes** driven principally by the ageing population, growing geographical spread, population increase and changing client profiles;

- **labour market conditions** including skills and labour pool shortages, erosion of talent, reducing supply from tertiary institutions and competition with private and non-government sectors;

- **retirement**, including the potential for a surge in retirements leading to loss of knowledge and succession gaps across all organisations; and

- **employment constraints**, including restrictions in staffing numbers and salaries and rigidity in meeting new priorities.[6]

## 2.2.3    assessment of capacity to address workforce risk

The 2006 assessment of the Victorian public sector workforce's planning activity and current capacity to address workforce risk identified that:

- most VPS and Victorian public sector organisations were actively involved in the process of workforce planning;

- a number of organisations had been undertaking special initiatives to significantly improve workforce planning capacity in areas of growing sensitivity to government, namely infrastructure and emergency response;

- on the whole, organisations were experienced at developing and implementing strategies to deal with a number of workforce planning challenges, often in response to an analysis of internal data (and to a lesser extent from external data sources);

- VPS and Victorian public sector organisations had intentions to significantly improve workforce planning methodologies over the next two years;

- there appeared to be significant gaps between the development of organisational directions, priorities and workforce planning in many areas; and

- further work was needed around the capacity and capability of forecasting and data projections, and evaluating and monitoring workforce planning activity.[7]

The concepts, approaches and findings contained within the *Workforce Planning Resource Kit* have informed subsequent SSA research and publications. Please refer to Appendix D for a list.

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6    SSA, Understanding the workforce planning challenges facing the Victorian public sector, in *Workforce planning resource kit*, 2006, book 3, chapter 4.

7    SSA, Understanding the workforce planning challenges facing the Victorian public sector, in *Workforce planning resource kit*, 2006, book 2, chapter 4.
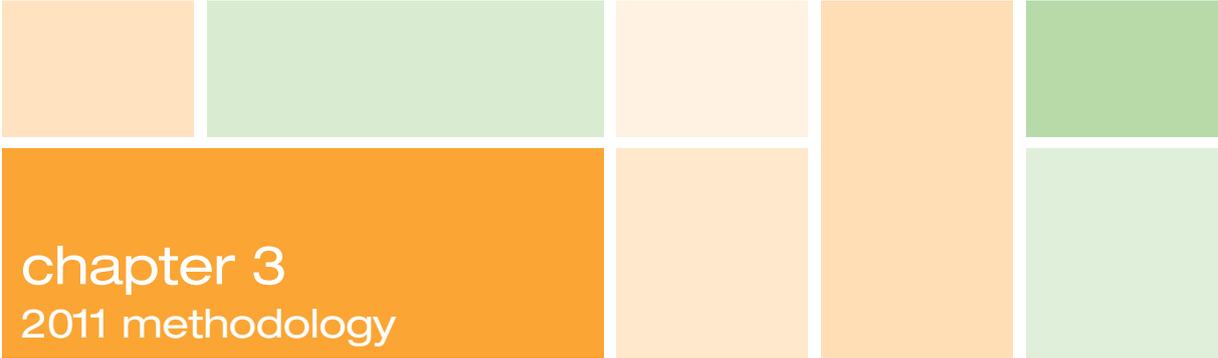
# chapter 3
## 2011 methodology

### 3.1 objectives

The 2011 research project sought to examine:

- the current drivers of change and pressures on the Victorian public sector workforce;

- what Victorian public sector organisations are doing in the workforce planning arena;

- what workforce challenges organisations expect to experience within five years; and

- what organisations are doing in anticipation of these challenges.

The 2011 project used focus groups and interviews as the primary methodology. A literature review on the operating environment was also conducted, supplemented by a review of recently published data and reports showing past and future workforce trends (see Appendix B for bibliography).

### 3.2 consultation

The SSA invited 220 organisations to participate in the project. Seventy organisations and 240 senior managers and HR leaders from across the state provided input.

Organisations were provided with an information kit of relevant existing data, from the SSA's Workforce Data Collection and the People Matter Survey, on the segment of the sector to which they belong. This overview data, aggregated and de-identified, was used to provide organisations with an evidence base from which to discuss the existing workforce and the impact of activities over the last four years.

Ten focus groups were held across Victoria with participants from across the sector. Focus group attendees were asked a series of questions, and were also asked to provide detailed background information on specific workforce issues and activities. A number of organisations were also consulted individually, particularly those with whole of sector responsibility for workforce planning.

The questions put to focus groups and individual interviewees related to:

- implementation of the recommended future directions from the 2006 project;

- what changes in the operating environment had the biggest impacts on the organisation since 2006;

- what impact workforce planning efforts had made on the workforce;

- what the workforce challenges were expected to be for the organisation in the coming years;

- governance and accountability arrangements for workforce planning and workforce management strategies;

- where responsibility for carrying out workforce planning activity lies within organisations;

- the extent to which an evidence based decision making model is used to determine workforce strategies;

- whether workforce data is used in conjunction with organisational performance data to inform analysis of workforce productivity;

- whether success criteria are developed during the planning of workforce strategies; and

- whether the effectiveness of strategies is subject to monitoring, evaluation and reporting.

### 3.3    literature review

Demographic, economic and workforce data, as well as information about workforce planning activities were also examined in developing this report. Sources included the SSA's Workforce Data Collection and People Matter Survey, Australian Bureau of Statistics, Department of Business and Innovation and the federal Department of Employment, Education and Workplace Relations.

# chapter 4
## the operating environment: what's happened from 2006 to 2011, and beyond

The 2011 project sought to understand the key factors creating workforce risks. The project team investigated the capacity and capability of the public sector workforce and how it can deliver public services now and in the future. Those key factors, which are discussed in this chapter, are:

- significant events;
- mature aged workers;
- demographic changes;
- labour market conditions;
- empowered workforce; and
- technological change.

### 4.1    Victorian public sector snapshot

The Victorian public sector[8] comprises 35 Victorian Public Service (VPS) organisations (departments, authorities and offices) and 1,774 Victorian public entities (including schools, TAFEs, health care, police, emergency services, water, land management organisations).

| Total employees (head count) | 264, 223 | Regional Distribution | |
|---|---|---|---|
| | | Metropolitan Melbourne | 69% |
| **Employment Type (FTE)** | | Regional Victoria | 31% |
| Ongoing | 76% | | |
| Fixed Term/Casual | 24% | **Education** | |
| | | Diploma or higher | 72% |
| **Full time/part time (all employees)** | | Certificate level | 13% |
| Full time | 59% | Year 12 equivalent or less | 15% |
| Part time | 41% | | |
| | | **Turnover** | |
| **Gender** | | Separations by age | |
| Male | 33% | Less than 30 years | 14% |
| Female | 67% | 30–54 | 8% |
| | | Over 55 | 11% |
| **Age** | | | |
| <30 years | 18% | | |
| 30–49 years | 49% | | |
| 50+ years | 33% | | |

Source: SSA, The state of the public sector in Victoria 2010-11.

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8    For more details about the Victorian public sector workforce, refer to the 'State of the public sector' publications produced annually by the SSA, which are available at www.ssa.vic.gov.au.

## 4.2    significant events

Since the 2006 research, several significant events have impacted upon government priorities and demands on the public sector. Most notable are natural disasters (the 'Black Saturday' bushfires and floods); a pandemic scare; and the Global Financial Crisis (GFC) in 2008–2009. In November 2010 there was a change of government.

The unprecedented scale of the natural disasters placed pressures on most of the public sector and, in terms of demand, highlighted the need for a workforce capable of rapid responsiveness, flexibility, aligned activity and resilience. These disasters also reflected the need for a workforce able to establish and work within clear accountabilities.

The Commonwealth Government's Stimulus Package, in response to the GFC, placed a significant burden on the States to deliver programs including the 'Building the Education Revolution' and public housing initiatives.

Since the emergence of the GFC, economic conditions globally have continued to be unstable creating uncertainty for national and state economies in terms of growth and sustainability.

Victoria is forecast to receive $4.1 billion less in GST revenue than expected for the four year period 2011 to 2015. This is partly due to a $2.5 billion decline in GST revenue[9] following the recalibration of the Commonwealth Grants Commission formulae[10] and partly due to a slowing national economy. In December 2011, the Department of Treasury and Finance reported a revised figure of $148 million for the budget surplus in the 2011–12 financial year.[11] In December 2011, the state economy forecast was revised down. It is expected to expand by just 2.25 per cent in 2011–12, compared to the May 2011 budget prediction of 3 per cent.[12]

Economic conditions appear likely to remain unstable in the short to medium term, requiring fiscal conservatism from governments. Impacts on the Victorian public sector are ongoing and are probably yet to be fully realised in future State Appropriations.

### 4.2.1    capacity to employ

The Government has announced initial efficiency measures worth $1.9 billion including a cut in public service numbers by 3,600[13] over two calendar years, beginning 1 January 2012. Under the Sustainable Government initiative, the required decrease in non-service delivery staff will be achieved through controls on recruitment, non-renewal of some fixed term contracts and a voluntary departure package program. Other measures include reducing the number of contractors and consultants across government and capping non-wage departmental expenditure growth for non-service delivery areas.[14]

The tight fiscal outlook and the government's decision to reduce public service numbers means that departments will need to critically examine the way business is done. Identifying the capacity and capability of the current and future workforce is an essential part of this process.

Reduced budgets also can drive efficiencies and increase the scrutiny of organisational priorities.

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9    Department of Treasury and Finance, *2011–12 budget overview,* DTF, 2011, p.1.

10   The distribution of GST revenue, as advised by the Commonwealth Grants Commission, saw Victoria's share reduce from 23.4 per cent in 2010–11 to 22.5 per cent in 2011–12. See http://www.cgc.gov.au/publications2/publications/2011_update/2011Update/contents/chairmans_press_release.

11   Department of Treasury and Finance, *2011–12 Victorian budget update*, Melbourne, DTF, 2011, p.19.

12   Department of Treasury and Finance, *2011–12 Victorian budget update*, Melbourne, DTF, 2011, p.3.

13   K Wells, *Coalition government strengthens finances to grow Victoria's economy*, in premier.vic.gov.au, 15 December 2011, <http://premier.vic.gov.au/media-centre/media-releases/2759-coalition-government-strengthens-finances-to-grow-victorias-economy.html>.

14   Ibid.

## 4.2.2    impact of GFC on the public sector workforce

The most immediate and tangible impact of the GFC on the public sector workforce was on staff turnover as shown in Table 3. While separation rates for all age groups increased from 2006 to 2008, by June 2009 there had been a distinct decrease coinciding with the impact of the GFC on the economy and in particular, on superannuation funds.

An examination of separation rates for workers aged 55 and over is of particular interest given concerns in the 2006 research about the impacts of the ageing workforce and anticipated increases in retirements. Separation rates for the over 55s increased by 3.4 per cent from 2006 to 2008, coinciding with a strong national and Victorian economy. This was followed by a drop of 3.9 per cent by June 2009.[15]

table 3: separation rates, public sector workers

| Age cohort | June 2006 | June 2007 | June 2008 | June 2009 | June 2010 | June 2011 |
|---|---|---|---|---|---|---|
| 15–24 | 14.6% | 16.2% | 17.2% | 13.7% | 14.2% | 12.6% |
| 25–34 | 13.6% | 14.3% | 15.4% | 12.7% | 12.0% | 12.5% |
| 34–44 | 7.5% | 8.1% | 9.9% | 8.3% | 7.6% | 7.8% |
| 45–54 | 5.5% | 5.8% | 8.1% | 6.4% | 5.9% | 5.9% |
| 55+ | 10.4% | 10.1% | 13.8% | 9.9% | 9.9% | 10.2% |

Source: SSA Workforce data collection 2011, Note: Separation rate is for the whole of the financial year and does not include government schools.

A Retirement Intentions Survey[16] undertaken by the SSA in 2009 found that just over 40 per cent of respondents reported that the GFC meant they were likely to retire later than originally anticipated.[17] The majority of respondents indicated that superannuation was going to be their main source of income during their retirement, followed by a Government pension or allowance and then a partner's income or superannuation.[18] Factors affecting the decision to retire are explored further in the next subheading 'Mature aged workers and separation'.

Other impacts of the GFC included a drop in the number of Australians working overseas. With Australia being one of the few developed economies to weather the global downturn, many young Australian expatriates in the UK and US returned to Australia because of the tightening job market in those countries. About 20,000 Australians left the UK in 2008 to return home, an increase of 25 per cent on the previous year. Finance recruitment company Michael Page registered a 27 per cent rise in the number of Australian white-collar expatriates looking to return home for work in August 2008 compared with the same month the previous year.[19] Australians moving to Britain fell by 4,000 to 14,000 during the same period.[20]

Job security was a major concern, and with minimal private sector growth, the public service saw a significant increase in applications for Grade 3 positions (base salary $50,175) from 12,944 in 2006–7 to a peak of 28,472 in 2008–9.[21]

Similarly, applications for the VPS Graduate Recruitment and Development scheme increased from around 2,000 in 2008 to over 3,000 in 2009, dropping back to 2,000 for 2010, reflecting the impact of the GFC on competing graduate programs in the private sector.

15   SSA, *Workforce data collection,* SSA, Melbourne, 2011.

16   SSA, *Retirement intentions of VPS employees*, SSA, Melbourne, 2010, p.7.

17   Ibid., p.ix.

18   Ibid., p.ix.

19   J Dart, 'Frozen-out expats return to Australia for jobs', in *Sydney Morning Herald*, 29 September 2008, <http://www.smh.com.au/business/frozenout-expats-return-to-australia-for-jobs-20080928-4ppl.html>.

20   E Tadros, 'Jobs market tough for returning expats', News.com.au, 2009, <http://www.news.com.au/business/jobs-market-tough-for-returning-expats/story-e6frfm1i-1225804607021>.

21   SSA, *eRecruitment reporting database 2011*, SSA, Melbourne, 2011.

## 4.3    mature aged workers and separation

The potential impacts of an ageing workforce have been highlighted in workforce planning literature for a number of years. The fact that the median age for the Victorian public sector is 44[22] (compared to 37 for the Victorian population)[23] heightened concern that the public sector workforce might not have the capacity or capability to meet future community service requirements. A key prediction of the 2006 workforce planning study, and indeed a significant catalyst for it, was the prospect of a dramatic large scale retirement of older public sector workers. The mass exodus of older workers, coupled with fewer entrants into the workforce, was raised as a significant concern in terms of the resultant skill shortages and potential loss of corporate knowledge.

This is one area where the predictions from the 2006 risk assessment have not yet been met. This was despite an increase in the percentage of Victorian public sector employees aged 55 and over (from 15 per cent of the public sector workforce in 2006 to 21 per cent in 2011).[24] It would appear that the mass retirement scenario is unlikely to play out in the way that was previously predicted. And contrary to the perception that it is older workers with high separation rates, from 2005–6 to 2010–11, it was employees in the 15–24 and 25–34 age groups who had the highest separation rates (table 3).

The 2009 SSA VPS *Retirement Intentions Survey* found that the top three factors that would influence employees to continue working in the VPS past their intended retirement age were financial insecurity, personal continued good health, and the availability of flexible working opportunities.[25] As previously noted, the majority of respondents to the survey indicated that superannuation was going to be their main source of income during their retirement[26] and just over 40 per cent of respondents reported that the GFC meant they were likely to retire later than originally anticipated.[27]

Another factor affecting separations rates is that women, who make up 67 per cent of the public sector workforce, have lower separation rates than men for those aged 55 and older, about 10 per cent to 11 per cent respectively for the last five years.[28] Most women have less superannuation than men upon retirement, which may partly explain the lower separation rates.

However, the lack of a mass exodus among mature-aged workers is due to a number of factors.

Age is not the only, or even the most significant factor in determining separation from employment and Australians have the option of remaining in the workforce past the traditional retirement age of 65. The age of retirement has increasingly become a personal choice.[29]

Employees aged 55 and over[30] are eligible to access their superannuation and the ages 55, 60 and 65 are seen as key psychological milestones for retirement decisions. Those public sector employees who are members of all defined benefit schemes (17 per cent) receive a benefit on retirement, which is related to the employee's salary at the time of retirement and their length of time in the scheme.

The majority of employees (83 per cent who joined the sector after 1993), are members of accumulation superannuation schemes where the employer contribution is nine per cent of salary, as required under Commonwealth legislation. The most common of these schemes is Vic Super. These schemes provide a benefit on retirement which is based on the amount contributed to the scheme by the employer and the employee. In contrast to members of defined benefit schemes, accumulation scheme members (who are generally younger people) are more likely to be mobile in the workforce because there is no superannuation disincentive to leave the sector for alternative employment.

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22  SSA, *Workforce data collection*, SSA, Melbourne, 2011.
23  ABS, *Australian demographic statistics,* Cat. No. 3101, ABS, Canberra, 2010.
24  SSA, *Workforce data collection*, SSA, Melbourne, 2011.
25  SSA, *Retirement intentions of VPS employees*, SSA, Melbourne, 2010, p.7.
26  Ibid., p.ix.
27  Ibid., p.ix.
28  SSA, *Workforce data collection*, SSA, Melbourne, 2011.
29  SSA, *Separations in the Victorian public sector: 2005–06 to 2009–10 research report*, SSA, Melbourne, 2011.
30  For anyone born before 1 July 1960, the preservation age is 55, the age at which one is able to access their super benefits. The preservation age steadily increases until it reaches 60 years of age for those born on or after 1 July 1964.

Increasingly retirement is experienced as a re-balancing of work and non-work activities over a period of time, rather than a single-day event where someone switches from being employed to not being employed. There is an increasing trend for mature-aged workers to transition into retirement through a gradual reduction in the number of days worked or by moving into a role at a lower grade. In 2010, 50 per cent of those aged 65 and over worked part time, compared to between 27 and 39 per cent for all other age groups.[31]

However, the drop in separation rates among those aged 55 and older cannot be relied upon to suggest that people in general will defer retirement. An additional element is the superannuation reform introduced in 2007 by the then Federal Treasurer Peter Costello. These reforms meant that any superannuation pension no longer had earnings tax on the capital and no tax on any benefits paid to the superannuate after age 60.[32] These reforms simplified the rules and made it easier for people to make retirement decisions with less need to pay for professional advice to understand the tax treatment of their superannuation.[33] This policy decision may have enticed some mature aged workers to retire earlier than planned to begin enjoying their tax-free superannuation income. People now have a greater understanding of the amount of superannuation they need to retire, and the costs of living post retirement. This will influence people's retirement decisions or intentions, dependent upon their financial situation.

It is also worth noting that while keeping people longer in the workforce, thereby retaining knowledge and skills, can be a positive for many organisations, there can be challenges if employees stay longer solely for financial reasons. These employees may feel disengaged or unfulfilled in their employment or not have the required skills for new work demands.

The net result of the interplay of all these factors is that the proportion of staff within particular age cohorts has remained more or less the same. Any retirement-age 'bubble' will dissipate more gradually, over a period of years (rather than suddenly) as individuals choose the age at which they retire and the speed with which they ease into retirement. However, there is no doubt that the impact of retirements will be felt by public sector organisations as the absolute numbers of those retiring steadily increases over the next ten years and beyond.

## 4.4    demographic changes

Demographic changes continue to have a significant impact on both demand for public services and on the capacity of the public sector to maintain a workforce able to deliver these services. Demographic factors of note are population growth, distribution and ageing.

The State's population has been steadily increasing, growing by 8.2 per cent from 2006 to 2010.[34] Population growth is being driven by three factors:

- the high level of births in Victoria – with 71,100 births recorded in 2010 (approximately 7,300 more than those recorded in 2006);[35]

- overseas immigration – an additional 60,400 people arriving in Victoria through overseas immigration in 2010 compared to 39,600 in 2006;[36] and

- movement from other parts of Australia – there was a net gain of 2,600 people from interstate migration in 2010, compared to a net loss of 1,800 to other states in 2006.[37]

Victoria is predicted to grow to 6,285,000 people by 2021, an increase of about 14 per cent from 2011.[38] Population growth increases both revenue and the labour pool, but it also places a range of pressures on public services.

The majority of Victorians (74 per cent) reside in the greater Melbourne area.[39] The remainder of the population live in regional Victoria, with the majority living in or close to the major towns: Albury/Wodonga, Geelong, Warrnambool, Ballarat, Bendigo, Shepparton, and Mildura.

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31   SSA, *Workforce data collection*, SSA, Melbourne, 2011.
32   G Liondis, 'Longevity can have a down side' in The financial review, 10 October 2011, p.43.
33   P Fernandez, 'The benefits of simplified superannuation reform' in *The agricultural industry*, Vol. 9, Curtin University of Technology, Sydney, 2007.
34   ABS, *Australian social trends*, Cat. No. 4102.0, ABS, Canberra, 2010.
35   Ibid.
36   Ibid.
37   Ibid.
38   Ibid.
39   ABS, *Regional population growth Australia*, Cat. No. 3218.0, ABS, Canberra, 2010.

The concentration of populations in particular areas may have two consequences. While it is 'geographically convenient' to meet such demand for public services, it could lead to a situation where demand cannot be met. On the other hand, in areas without a concentration of population, demand for public services is likely to be

insufficient to justify investments to build the service capacity, potentially leading to a situation where some services become unsustainable and even modest service demands cannot be addressed locally.

For the period 2005 to 2009, the ratio of metropolitan to rural populations was 73 per cent to 27 per cent; in the period 2009 to 2010 this changed to 74 per cent to 26 per cent.[40] This is a small change in the ratio, but the makeup of the population has changed. Young adults have consistent patterns of net migration loss from regional areas as many move to Melbourne for education and employment. However, regional Victoria gains population from Melbourne in older age groups.[41] While on balance this means that the number of people in any given area stays more or less the same, the change in the type of people, and consequently their need for public services, impacts on the type of services required.

The median age of Victorians has been rising for the last 40 years. Currently the median age of the Victorian population is approximately 37 years.[42] Those aged over 65, the cohort most likely to require health, aged care and community services, made up 13.7 per cent of the Victorian population in 2010, compared to 13.4 per cent in 2006.[43] By 2021 19.1 per cent of the Victorian population will be aged 65 and older.[44] Populations in small rural and remote regions are ageing faster than the rest of Victoria.

## 4.5 labour market conditions

Labour market conditions refer to the factors affecting supply and demand, including the size of the working age population, whether the skills needed are available in the workforce, and the number of organisations competing for people with particular skills. Skill shortages occur when there are comparatively few people with skills that are in high demand. This situation can be exacerbated if the total size of the workforce is shrinking, either as a consequence of retirements, people leaving the workforce for other reasons, and/or a drop in the number of people entering the labour market, especially skilled workers. The current challenges of attracting and retaining staff with particular specialist skills are unlikely to diminish in the foreseeable future for some parts of the Victorian public sector (and indeed the private sector).

### 4.5.1 shortages

Shortages in some critical skill areas of the public sector were still evident in 2011, as they were in 2006. Areas of greatest shortages were those which share the existing labour pool with the private sector – such as engineering, infrastructure project management, information and communication technology (ICT), health and aged care professions, science and economics. In general, these shortages continued to be more acute in rural and regional areas of Victoria, where there are fewer people with the required skills.

New entrants to the workforce are part of the labour supply. However, the age profile of the Australian workforce as a whole will change over the next ten or so years, with an expected drop in new workforce entrants from 170,000 per annum to only 125,000 in the 2020s.[45] This will contribute to the working age group (15 to 64 years) shrinking from 67 per cent of the total Victorian population in 2011 to 65 per cent in 2021.[46] Concern about the size of the workforce may be mitigated by a change in the necessary skill mix, potentially requiring a higher skilled but smaller workforce.

Government policies increasingly are focusing on developing the higher level skills required, and providing the opportunities for people to develop them through education and training. In Victoria, the Department of Education and Early Childhood Development reflects the lifelong learning approach and covers early childhood learning, the school system and the vocational education and training (VET) system.

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40  ABS, *Regional population growth Australia*, Cat. No. 3218.0, ABS, Canberra, 2010.

41  DPCD, *Regional Victoria: trends and prospects*, DPCD, Melbourne, 2010, p.8.

42  DPCD, *Victoria in future 2008*, DPCD, Melbourne, 2009.

43  ABS, *Australian social trends,* Cat. No. 4102.0, ABS, Canberra, 2010.

44  ALGA, *Australian local government population ageing action plan 2004– 2008*, <www.alga.asn.au/policy/healthAgeing/ageing/plan/ discussionPaper/0.2demographic.php>.

45  Commonwealth Department of Health and Aged Care, *Population ageing and the economy – research by Access Economics*, Canberra, 2001, p.54. Please note that despite this data projection being made in 2001, it has continued to be quoted extensively in many publications to this day.

46  ABS, *Australian social trends,* Cat. No. 4102.0, ABS, Canberra, 2010.

Recent national reforms to the VET system have focused on moving to demand-driven funding from 2012, to ensure training is more responsive to the needs of industry and individuals in a dynamic economy (Victoria already operates a fully contestable demand-driven VET funding system).

To ensure universities and VET providers complement each other in the delivery of courses that meet Australia's training and education needs, (rather than universities expanding their course offerings downwards in the demand driven funding system), the Commonwealth Government has announced that courses offered by public universities leading to qualifications below bachelor degree level will be subject to annual allocations agreed between the Government and each university. The Commonwealth government also removed caps on undergraduate student places from January 2012 and public universities will be funded based on student and industry demand. There were 44,000 first round tertiary offers from Victorian universities in January, with increased numbers of offers in health, education and engineering.[47]

### 4.5.2    competition for labour

There were conflicting opinions among the organisations consulted regarding the level of competition for labour. Some of the organisations observed that, as a consequence of the GFC, employment in the public sector had become more attractive than employment in the private sector, presumably because of the perceptions of stability. However, other organisations, especially those in direct competition with the private sector for engineering and infrastructure project management skills, still found it difficult to compete.

There was also evidence of localised labour market conditions. For example, water organisations close to the site of the desalination plant reported difficulty recruiting water engineers and hydrologists. However, other water organisations in Gippsland did not report any loss of staff to the plant. Such experiences show that there are more factors at play rather than straight demand and supply.

As noted in the 2006 study, there are acute labour supply issues for particular skill sets in some areas of regional Victoria. In 2011, attracting doctors (in particular, specialists), nurses, occupational therapists and physiotherapists to regional Victoria continued to be an ongoing problem.

It is also predicted that Victoria will continue losing skilled and unskilled labour to the mining states, where strong growth is expected to continue over the next few years.[48] Australia's economy had a 2011 second quarter of strong growth on the back of the extraordinary mining boom in Western Australia. Looking at the States individually, Western Australia's growth was 8.4 per cent, Queensland 3.5 per cent, while Victoria contracted by 0.1 per cent.[49]

## 4.6    empowered workforce

A shrinking labour pool may lead to the relative empowerment of the skilled workforce, with the following effects:

• increasingly skilled workers have more opportunities to choose jobs and negotiate on benefits available to them; and

• skilled workers will also have greater capacity to demand changes to less tangible aspects of their working life, for example greater influence on their workplace culture and practices.

Already the majority of people in the contemporary workforce, especially those aged under 50, will have spent most of their working life working in an environment where a 'job for life' is an aberration rather than the norm. As a consequence, today's workforce generally accepts mobility between jobs and organisations as standard practice. Worker loyalty can no longer be assumed and is constantly renegotiated as employees move through different life stages and encounter new interests and opportunities. Organisations must invest time and resources in retaining their high performing employees, whilst also accepting that most employees will seek to leave them sooner rather than later.

This means that organisations need to pay more attention to promoting competitive employment terms and conditions (not just financial) and having an inclusive culture and strong management capability, as poor management can result in disengaged staff and increased turnover.

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47   *More students heading into health, education and engineering*, in premier.vic.gov.au, 16 January 2012.
48   Deloitte Access Economics, *Business outlook June quarter 2011*.
49   P Martin & J Gordon, 'Australia surges, Victoria stalls' in *The Age*, 8 December 2011.

## 4.7    technological change

Technological change is accepted as a given. Similar to changes in community priorities, natural disasters or significant economic events, the shape and impact of technological changes are difficult to predict. Moreover the full extent of the impact is often not clear for many years.

The last ten years has been characterised by the rise of social media and portable interface technology (smart phones and iPads). Wikipedia (launched in January 2001), Facebook (February 2004), YouTube (February 2005), Twitter (July 2006), and the iPhone (June 2007) have profoundly changed the way in which the community interacts with each other, with services (including public sector services) and with information. This technology has given significant impetus to a trend, evident since last century, for round-the-clock access to information and services, in 'real time' and through a single access point. In turn, this expectation increases the demands on the public sector workforce to be able to operate with the speed and seamless connections that characterise contemporary ICT.

These technologies have also created new phenomenon which the public sector has to deal with. For example, new versions of old crimes – identity theft, cyber-bullying and sexting – have emerged which have created demands for portfolios like justice and education to work in different ways.

However the impacts of technological change are not just felt in terms of changing demands for public services. Technology can help ease some of the labour supply challenges by delivering public services in different and potentially more efficient and effective ways. For example, the rollout of the National Broadband Network from 2012 to 2015 is expected to improve broadband access to Australian businesses and households, and in doing so support innovative service delivery practice in areas such as education and health.[50]

This may alleviate some of the need to attract and recruit technical experts to live and work at specific locations.

Technology also provides the ability to shift tasks from the provider to the user such as providing quality and easy to access information, registration and entry points to services. This can mean fewer staff are required in front line information and processing roles. The strategic use of technology enables government to achieve efficiencies, particularly in service delivery and in some cases, to stop undertaking functions by shifting the responsibility to the user.

The factors discussed in this chapter create a complex operating environment which we are seeking to better understand so that public sector organisations can make more informed decisions about addressing their workforce risks.

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50  Access Economics, *Australian business expectations for the NBN,* Access Economics, 2011, p.13, <www.accesseconomics.com.au>.

# chapter 5
## the public sector response: 2011 findings

The following themes emerged from the 2011 research:

- workforce planning, governance and capability;
- addressing labour supply;
- attraction and recruitment activities;
- staff development;
- retention; and
- organisational agility.

### 5.1    workforce planning governance and capability

The complexity of the workforce planning challenge was noted in SSA's 2006 *Future Directions* report. That report recommended that workforce planning governance and capability needed to be strengthened in the public sector, commensurate with the seriousness, scale and complexity of the workforce risks the sector is facing. The report emphasised the need to:

- ensure that workforce and business planning were linked;
- build capacity to forecast workforce risks; and
- address demand where workforce capacity could not be built or obtained in other ways.

#### 5.1.1    links between business and workforce planning

In the main, workforce planning does not receive the same attention or status within organisational planning and management practices as is given to, for example, the management of financial resources or to organisational reputation risk. In many instances, workforce planning is viewed as an 'optional extra'; nice to have but not vital or urgent.
This attitude was evident even in areas experiencing critical workforce shortages.

Nearly all organisations who participated expressed support for the need to link business and workforce planning, and suggested they would do so in the next 12 months. However only 40 per cent said they had taken tangible steps to incorporate workforce planning considerations into policy development and business planning activities.

Some departments and entities had recognised the need to link business and workforce planning and were undertaking useful work. In other organisations there was informal planning or low key activity.

#### 5.1.2    forecasting and addressing workforce risks

The 2011 research found that the most sophisticated use of data occurs in the health, human services and education (for teachers only) departments and in Victoria Police (for sworn officers). The approach generally has been occupation based rather than whole of workforce based.

In other portfolio areas and especially at agency level, the 2011 research found that most organisations struggled with the collection, interpretation and application of data relevant to workforce planning. Only 38 per cent of organisations consulted stated that they incorporated workforce data in business reporting.

A number of organisations were trying to establish systems of measurement and evaluation that enabled them to link workforce performance and productivity to business performance. However only 19 per cent of participating organisations stated that they had systems in place to evaluate the effectiveness of workforce strategies against clear success criteria.

### 5.1.3   demand management

There are limits to the extent to which an organisation can build its workforce to meet service demands. Sometimes the demands are simply too great; or they are unrealistic given the operating environment or constraints within which the organisation must operate.

Demand management is the activity of actively changing the nature of the demands so that they align better with what can be achieved within current organisational capability. The most common demand management strategy is the management of community expectations so that they are realistic, given the capacity of the public sector to respond. An example is community awareness campaigns that explain, for example, the scale of disruptions to transport systems that will arise from infrastructure projects and manage expectations about the speed with which the projects will be completed.

Another demand management strategy is to empower the community to address certain demand itself, or to prevent demands escalating to unmanageable levels. An example of the former is the provision of information to communities in bushfire prone areas (see case study below). An example of the latter is public health campaigns that seek to reduce the rate of disease, through preventative measures and hence reduce pressure on public health systems.

Typically demand management strategies are driven by anxieties about capacity to meet escalating demand, rather than, specifically, capability gaps. The 2011 research did not find any instances where an identified workforce gap had provided the basis for a concerted demand management strategy.

**case study: Country Fire Authority's fire prevention strategies**

**Background**

- The Country Fire Authority (CFA) is a volunteer and community based fire and emergency services organisation, responding to fire and other emergencies 24 hours a day, seven days a week.
- It has more than 60,000 members, including 58,000 volunteers along with career firefighters, community educators and support personnel.
- CFA works together with communities to keep Victorians safe from fire and other emergencies. It serves about 3.3 million Victorians, protecting more than one million dwellings.

**Demand management strategies**

CFA uses a number of strategies to manage the demand for its fire-fighting services. These are aimed at fire prevention and safe practices, and some examples are listed below.

- In 2011, CFA's FireReady Roadshow visited the 52 most at-risk townships in Victoria. Volunteers across the State took part in this face-to-face opportunity to engage with the community on local information, including people's individual fire plans and advice on bushfire prevention.
- CFA also engages with the community online about fire prevention, particularly through social media. Its Facebook page has 90,000 followers, and warnings and advice are now automatically distributed through Twitter. CFA held online bushfire safety meetings across the summer. These meetings ensure critical fire safety messages can be shared with community members unable to attend offline meetings. They are hosted by a live presenter and incorporate the content of regular FireReady Victoria meetings with embedded graphics, audio and video. These engaging one-hour meetings allow participants to receive critical bushfire preparation advice without leaving the comfort of their homes.
- CFA's updated website makes it easier to navigate and a specific mobile version was created for users of smart phones and other portable network devices. It received an award from Vision Australia for the improvements to the website to make it easier to use for vision impaired people. CFA Connect, an online multimedia news and chat site, was redesigned in May 2011 and was a national finalist in the Australian Government Information Communication Technology Awards, under the category 'Excellence in e-Government'.

### 5.1.4   emerging focus: positioning workforce planning and risk management

The 2011 research found that there was a high level of awareness of the importance of workforce planning across the sector. There was also high awareness of the usefulness of the SSA's *Workforce Planning Resource Kit* and suite of associated products.

Organisations that were actively engaged in addressing workforce risks tended to be in areas with recognised high risks and shortages in essential skills.

Half of the organisations consulted said that they are working to improve their workforce planning, forecasting, data analysis, and reporting capacity. Most of the remaining organisations (45 per cent) said that they were planning to do this in the next 12 months. This latter finding might be encouraging if it were not for the fact that 2006 research heard exactly the same thing, where the majority of organisations stated that they had intentions to significantly improve workforce planning methodologies over the next two years (that is, by 2008).

This begs the questions: why didn't the aspirations identified in 2006 eventuate? What is stopping organisations doing more than they have?

The 2011 research found that where organisations had done little in the area of workforce planning, it was often due to matters of accountability, appetite, capability and confidence.

**Accountability and appetite**

The 2011 research found a limited sense of urgency regarding workforce planning and risk in some organisations. This was driven, in part, by a lack of any direct experience of workforce supply or demand imbalances. Or else there was faith in innovation (that naturally occurs at the point of crisis) and/or that the situation would take care of itself through the market.

Workforce planning activity and accountability were located within the human resources (HR) division in most organisations. The 2011 research did not find many instances where line managers actively embraced and were consciously acting upon, their responsibility for ensuring the organisation's current and future workforce capability. It is important to recognise that workforce planning is much more than preparing a high level plan for the organisation. It is managers who must take responsibility for ensuring everyday management activities address (and not exacerbate) workforce planning challenges and risks. HR should focus on workforce planning activities relating to data collection and the provision of expert advice about specific actions to support the organisation's managers.

Overall accountability for workforce planning must rest with an organisation's leaders. In most organisations, senior leaders might acknowledge the importance and significance of workforce planning and risks. However, the 2011 research found that few organisational leaders placed clear emphasis on workforce planning accountabilities in the same way as for other business accountabilities. Leaders should use workforce risk as a key factor in business decision making in the same way they do for financial and reputation risk.

With regard to influencing workforce planning, the 2011 research also found evidence that some organisations felt unable (sometimes with some justification) to help shape the external environment or the future. Some interviewees, especially in the health sector, spoke of being the 'takers rather than the makers' of employees. Other people consulted for the project talked about the difficulties of being actively engaged with workforce planning when machinery-of-government, policy and similar changes can make it difficult to predict, plan for, or influence the future.

**Capability**

The 2011 research found that in examining capability, there were some encouraging signs of good practice. It also found that improvements were needed. The lack of consistent good practice was evidence that, in many cases, both HR and business managers lacked the appropriate capabilities required to fulfil their accountabilities regarding workforce planning and risks. However there were examples of good practice such as the Department of Primary Industries' capability framework which assists HR and business managers to develop capability in workforce planning, specifically, to assess workforce needs and gaps.

**case study: Department of Primary Industries capability framework**

**Background**

- The Department of Primary Industries (DPI) oversees Victoria's agriculture, fisheries, earth resources, energy and forestry industries.
- These industries employ more than 110,000 Victorians and produced $6.8 billion worth of exports in 2009–10.
- DPI employs more than 2,500 staff working in five organisational groups across 70 locations in Victoria and overseas.

**Framework**

- In 2009, DPI People and Culture Division developed a Capability Framework based on 24 capabilities.
- The framework was launched in May 2010 and is used in the online performance management system.
- The framework aligns to the Victorian Leadership Centre (VLDC) leadership framework with the categories of integrity in thought, self and people and integrity in practice. Each capability is identified at four levels – basic, contribute, lead and expert.
- As part of the formal performance management process, staff complete a personal capability assessment where they rate themselves on each capability, in line with the capability descriptors. In conjunction with their managers, staff also select the top six capabilities required for their role. Any difference between the personal and role required capability selection is identified as an area for development.
- Through the performance discussion, managers and staff come to agreement on capability selection and level. This conversation offers the opportunity to discuss individual performance, role clarity, alignment with business and strategic planning and highlights areas for development. DPI has created a supporting guide that outlines learning and development options for each capability, at each level, using the 70% experience/20% coaching/10% education model.

**Outcomes**

- This collated capability data is used to inform workforce planning at multiple organisational levels. This performance cycle has generated new reporting on capabilities including identification of:
  – the frequency of capabilities selected for roles;
  – the frequency and ratio of those requiring development;
  – the level and degree of development required; and
  – the overall capability level at each grade and potentially measure longitudinal capability growth.
- The capability report was released as a part of the larger workforce planning initiative, *The October Book*, which is a compilation of multiple sources of people data.
- DPI has been able to incorporate the framework into more areas to better align people management. The DPI capability framework flows through employees' working life journey and careers beyond performance management, learning and development to recruitment, career and talent management, business planning and change management.

For HR areas, the two key gaps were:
- a lack of ability (and confidence) with data collection and analysis, especially data about the external environment and forecasting; and
- a lack of knowledge of business priorities and systems.

For managers, the three key gaps were:
- a lack of appreciation of their role in workforce planning as a strategic management activity. This can be partly explained by a lack of management development for new line managers and the practice of promoting technical experts into management positions;
- a lack of capability in key activities impacting on workforce planning, including job and organisational design, competitive attraction and recruitment practices, and effective performance management, particularly in the context of managing a multi-generational workforce; and
- a lack of support and tools for managers to undertake these activities.

Not surprisingly, the 2011 research found evidence that the demands of every day challenges dominate the work of both HR and line managers. This meant that workforce and risk management (inherently a future oriented activity) are often given low priority in light of more pressing demands. While line managers must be accountable for recruiting their staff, it was acknowledged by participants that some managers feel compelled to recruit for today, employing a candidate who can hit the ground running, rather than for the longer term skill set required for the organisation. This may be the case even if the line manager is aware of the organisation's strategic long-term needs. This is a problem that must be addressed by organisational leaders. We cannot continue to hide behind a lack of resources or a focus on the urgent at the expense of the important.

**Confidence**

The research also found that some organisations, despite understanding the need to act, and having a desire to do so, were unsure about where to start. They felt overwhelmed by both the apparent scale and complexity of the problems, barriers, and obstacles.

However there are public sector organisations that are identifying and then addressing workforce risk through workforce planning and associated activities. See 5.7 for examples of successful actions.

## 5.2    addressing labour supply

The 2006 *Future Directions*[51] report proposed that the public sector should play a more active role in ensuring an adequate supply of labour able to work within the public sector. Key activities include working with tertiary education providers to deliver people with the right skills, and looking to other non-traditional areas of the labour market from which to recruit staff.

### 5.2.1    working with the tertiary sector

The 2011 study found that just under half (47 per cent) of the Victorian public sector organisations consulted were working to improve their relationships with the tertiary education sector. Most of this work had been done in the areas of health, human services and education for specific professions. In these sectors, there have been significant relationships built and the public sector has maintained a high level of influence over curriculum and the work readiness of new graduates.

In other parts of the public sector, rather than work with the tertiary sector to improve the skills of undergraduates before employment, organisations have chosen to develop the work-readiness and, sometimes, specialist skills, of recent graduates after they have been employed. Almost half (49 per cent) of the organisations consulted had initiatives to support supplementary study and transition to employment. Some of the larger public sector organisations with unique skill requirements trained their staff almost entirely in-house, for example, Victoria Police.

As the State is the major funder of the TAFE sector and a significant employer of both TAFE and university graduates, government employers should have a stronger role in course content and should be taking the initiative to engage with education providers to strengthen the supply of candidates with the skills required, in particular for critical delivery areas.

### 5.2.2    use of non-traditional labour pools and contingent labour markets

In general, public sector organisations focus on traditional labour pools and less so on non-traditional sources, which may include the use of overseas labour markets, previously overlooked groups in the community (disabled, aboriginal, culturally diverse backgrounds) and those outside the conventional specific professional groups.

The 2011 research found evidence that some parts of the public sector were reticent to recruit from non-traditional labour pools, despite facing workforce challenges. This reticence seemed to stem from an entrenched belief that only people with a specific qualification could work within a particular field, despite the fact that not all tasks required the specific profession qualification.

The use of overseas labour markets was evident in some part of the public sector. A number of health organisations recruited, as a regular practice, doctors, dentists, occupational therapists and physiotherapists from overseas. While some organisations acknowledged that this practice can be expensive and poses challenges in terms of recruits' local knowledge and retention, they also regarded it as a practical response to chronic labour shortages.

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51   SSA, *Workforce planning resource kit*, Book 6, SSA, Melbourne, 2006.

## case study: East Gippsland Water's recruitment program

### Background

- East Gippsland Water Corporation serves an area of 21,000 square kilometres in Victoria's south east, providing water services to more than 24,000 customers and wastewater services to over 20,000 of these.
- As at June 2011, it employed more than 80 people.

### Mitigating skills shortages

- Over the last two years East Gippsland Water has taken a lead role in addressing skills shortages within the Australian water industry.

### Overseas recruitment and placements

- The Corporation and VicWater (the peak body for water businesses in Victoria) initiated a professional advancement program targeting overseas water industry specialists from a wide range of disciplines, such as engineering and environmental science. East Gippsland Water signed up three specialists, from the USA, Egypt and Ireland, for 18 months, to assist with key projects. Two have gone on to attain permanent positions within the Victorian industry, including one with East Gippsland water itself.
- The Corporation has also initiated a summer work placement program for young water professionals from overseas. Following a successful trial in East Gippsland in 2010, a French engineering student completed a short-term internship with East Gippsland Water in 2011, with a further three taking up internships with other water corporations in Victoria.
- All gained invaluable practical experience and made very useful contributions to the work of their Victorian employers. The student on this placement scheme in 2010 has now returned as a graduate engineer at East Gippsland Water after completing her studies.

### Placements for apprentice plumbers

- In addition, the Corporation has joined forces with the not-for-profit organisation Apprenticeships Group Australia (AGA) to provide young apprentice plumbers from the local area with an insight into the water industry that they would not otherwise receive.
- These apprentices are being offered short-term placements with East Gippsland Water to gain on-the-job experience and to learn more about the good working practices followed by the water corporation. This training will prove invaluable throughout their plumbing careers as they interact with the water corporation's infrastructure.

### Opportunities for young Aboriginal men

- East Gippsland Water has also developed an excellent relationship with the local Clontarf Academy at Bairnsdale Secondary College, which has resulted in community outcomes and a journey of capacity building and employment opportunities for the young indigenous men involved.
- The Academy exists to improve the education, discipline, life skills and employment prospects of young aboriginal men. Initially, students aged 14 to 18 years were involved in a project to visually transform the exterior of East Gippsland Water's sewer pump station at Bruthen with a vibrant storyboard about Tiddalik the Frog.
- Feedback from the Academy was extremely positive, emphasising the heightened self-esteem and confidence this generated amongst those involved and the desire to develop the positive relationship with East Gippsland Water further to help boost students' employment opportunities.
- As a result East Gippsland Water has joined forces with Clontarf to assist students on the VCAL program, providing practical work-related experience, as well as helping to build life skills. One student on the program is gaining invaluable experience in customer service one day a week, while another will shortly commence work experience with the operations and maintenance team in the field.
- There is a strong desire from each party to continue developing this relationship and progress to a traineeship program in 2012, with an ongoing commitment for employment opportunities into the future. The foundations motto of 'from little things big things grow' is certainly being reinforced in this initiative.

In 2010–11, 11,510 primary applications for the skilled temporary migrant visa were granted for positions located in Victoria.[52] This is a 35.8 per cent increase on the previous year. General medical practitioner and registered nurse (medical) positions were in the top five nominated occupations for applications granted for both years.[53]

The water sector provided short-term employment placements for engineers visiting from overseas. This strategy has helped address challenges of recruiting technical staff in regional areas, particularly as some of the overseas engineers had secured ongoing employment in Victoria, and had helped these organisations remain up-to-date with contemporary practice.

The 2011 research found that increasing workforce diversity was a widely accepted goal. The drivers for attempting to increase workforce diversity were a mixture of a philosophical belief (that it is the 'right' thing to do), a conscious effort to reflect the client base, and as a response to workforce challenges.

The use of the contingent workforce, such as temporary employees, contractors, consultants and in some cases, volunteers, to fill workforce gaps was common in many organisations. In some organisations, this workforce was relied upon heavily to address immediate critical skill gaps.

The use of contractors and casual staff can offer flexibility, but is costly over the medium to longer term. Moreover reliance on a contingent workforce can negatively impact on the retention of critical knowledge within the public sector.

For example, the widespread practice across the public sector of engaging ICT people on a contract basis can lead to a situation where the public sector lacks the skills necessary for scoping, designing, developing and managing ICT contracts. This phenomenon is likely to be replicated in other technical skill areas.

## 5.3 attraction and recruitment activities

The 2006 *Future Directions*[54] documents recommended that sector organisations should improve their attraction and recruitment strategies in order to ensure a continued supply of staff.

### 5.3.1 employment brands and attraction strategies

A popular theme throughout the 2011 consultations was the value of a good employment brand, and this is an area where considerable work has been done. This includes, at the whole-of-sector level:

- the <careers.vic.gov.au> website (a one-stop portal to promote and collect applications for vacancies across the Victorian public sector), the creation of whole-of-government employment branding materials, and the *Saturday Age* page seven advertisement, used to promote senior role vacancies;
- the VPS Graduate Recruitment and Development Scheme (GRADS) which attracts 2,000 applicants annually for around 90 positions and which promotes both the GRADS and VPS employment more generally at careers fairs and university campus presentations.

At the local and specific sector level, many agencies reported trying different ways to market themselves to candidates. For example:

- One water authority drew upon the expertise of a local marketing board to assist them in marketing their vacancies.
- The Department of Human Services (DHS) began a recruitment campaign in February 2011 for a professional group using 46 media touch-points including print, online digital job boards, Twitter, networking sites, Google AdWords and YouTube. This method of recruitment was used to evaluate the most effective way of attracting potential applicants. A mid-project return on investment study found that digital job boards were the overall best performer, but the best value for money was AdWords.

There were also examples of branding and attraction strategies delivering successful outcomes:

- The strength of one metropolitan hospital's employment brand, coupled with their flexible working arrangements, resulted in a waiting list for nursing positions and dramatically reduced job vacancies to zero.
- Another health institution that had ongoing difficulties in attracting nurses based a recent promotion for nursing roles around the concept of organisational and individual leadership. This resulted in an unprecedented 27 applications within one week.

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52  Department of Immigration and Citizenship, *Subclass 457 State/Territory summary report 2010–11 to 30 June 2011*, Canberra, 2011, p.41.
53  Ibid.
54  SSA, *Workforce planning resource kit*, Book 6, SSA, Melbourne, 2006.

## 5.3.2    emerging focus: understanding the competition

The 2011 research found that most organisations consulted have worked to strengthen their attraction and recruitment activities. However, often these activities seemed to be occurring in a vacuum. For example, while 84 per cent of consulted organisations had streamlined their recruitment practices and processes in order to remain competitive, only a quarter of these organisations had undertaken any work to benchmark their employment brand, attraction strategies or recruitment processes against other organisations with which they compete for staff.

The following case study from the Department of Justice not only describes the streamlining of its recruitment processes but highlights the importance of HR partnering with line managers to deliver improved recruitment outcomes.

### case study: Department of Justice's streamlining of recruitment

**Background**

- The Department of Justice (DOJ) is the key coordinating agency for Victoria's justice and core community safety. The department has oversight of nine portfolios and works in partnership with 60 statutory authorities as well as the support of more than 90,000 volunteers.
- Its vision is for a stronger, safe and more just Victoria.
- As at 30 June 2011, DOJ had an FTE of 7,159 and a headcount of 7,563 employees.

**Longwinded application process**

- The job application previously required a resume, cover letter and lengthy statements against numerous key selection criteria (KSC). This time-consuming and onerous process created a barrier for applicants, and a lot of wasted effort for hiring managers.
- The department has made a commitment to streamline the recruitment process and make it more competitive.

**Streamlined recruitment process**

- DOJ's People and Culture function has a unit within its Recruitment Services Team that partners with hiring managers for the entire recruitment process. The Centralised Recruitment Team, consisting of experienced recruitment advisers, partners with hiring managers for VPS5, VPS6 and STS (and equivalent classifications) recruitment and selection activities.
- KSCs have been replaced using an adaptation of the SSA's Capability Framework as an opportunity for change. The job application now only requires an application form containing two targeted questions, a resume and an optional cover letter.
- The introduction of a capability framework as the foundation of recruitment and selection methodologies has shifted the department's recruitment processes from subjective to objective. It also allows the recruitment advisers and hiring managers to give meaningful feedback.
- The recruitment and selection process is complemented with the delivery of an in-house, accredited, Best Practice Recruitment Training Program. The program is delivered by the Recruitment Services Team.

**Impact**

- Where the Recruitment Services Team has partnered with hiring managers it has resulted in many improvements, namely:
  - an increase in job applications from 7–9 to 16–20 per position;
  - a reduction in 'time to fill' of a position from three months to six weeks (time from advertisement to offer of acceptance); and
  - a reduction in attraction spend.
- Further improvements are planned for attraction, selection and retention in the Department in 2012.

## 5.4    staff development

The 2006 *Future Directions* report recommended targeting investment in staff development as a way for sector organisations to prepare existing staff to fill workforce gaps, especially in light of challenges recruiting skilled staff from the external labour market. Two key aspects of this strategy were to ensure that:

- the content of development activities was aligned to future skill needs and, especially, capability gaps; and

- staff were chosen for development on the basis of their potential to develop and move into other roles in the organisation (picking high potential).

## 5.4.1  targeting development

Staff training and development is an area where there has been considerable activity across the sector. However, not all development activities were targeted towards addressing future workforce challenges.

The 2011 research found that only half the organisations (52 per cent) had examined what capabilities they required now and in the future and used this as a starting point for staff development. This suggests that there is a risk that a proportion of development activities undertaken is not contributing to building the capabilities organisations require to achieve their objectives. There also was little evidence of return on investment analysis being undertaken on staff development programs.

Similarly, the research found that only half of the organisations were working on ways to manage succession risk across their organisations. Where there was succession planning, it was often not supported by an assessment of future work needs, workforce trends, skills gaps or measures of the extent to which succession management initiatives were actually addressing the succession risks. The Department of Transport is an example of an organisation that has embarked on a strategy to build capability for critical roles among its high potential and high performing staff, as the case study below explains.

**case study: Department of Transport's leadership capability strategy**

**Background**

- The Department of Transport (DOT) and its agencies aim to build a safer, fairer and greener transport system for all Victorians to create a more prosperous and connected community.
- At 30 June 2011 DOT had 1,195 total FTE with people in specialist technical transport jobs including transport planners, engineers, planning and strategy and project managers.

**Pertinent case study details**

- DOT commenced a workforce planning exercise in early 2010 based on an internally developed Workforce/Organisation Dynamics report. Key actions arising from this report were to:
  – better target people's development to manage succession risks;
  – safeguard DOT's critical capabilities by accelerating its leadership development; and
  – strengthen its approach to talent management.
- Key initiatives (completed) to support this exercise include the:
  – establishment of DOT's Vacancy Sensitive Jobs list, which identified 146 critical jobs in the Department and included current job occupants and potential successors; and
  – development of a DOT core capabilities report which enables DOT to identify and develop the core capabilities the Department needs for the near-term and long-term future and manage its workforce towards that future.

**Outcomes**

- DOT has strengthened development offerings by implementing:
  – a two-year leadership development program which commenced in September 2011 with an assessment centre. The aim of the program is to develop the leadership capabilities of high protential and high performing people and build a pipeline of people for future leadership roles. This will build the leadership bench strength, and develop a pool of potential successor for vacancy sensitive roles; and
  – the Managing at DOT and Transition to Management programs. DOT's career pathway and development planning tool enables people to identify a career path and the capabilities requirements to achieve their goals across all job families in the Department.
- DOT also implemented and promoted greater use of mentoring, shadowing, and coaching programs, career conversations, increased mobility, as well as fostered a culture of leadership at all levels.
- Finally, DOT values have been integrated into succession planning, leadership and management development. This reinforces a consistent and continuous focus on promoting the desired values and related behaviours and capabilities.

The skill requirements arising from new technologies were a driving force for many of the development initiatives in the sector. For example, representatives from the TAFE sector cited technological change as a major driver of workforce development initiatives. Older teachers are being encouraged to use e-learning tools and various social media when communicating with their students.

In the health sector, there was a strong push from medical leaders to continue to adopt new technologies to improve service delivery. However training and development of staff is essential to ensure that the potential benefits are realised. While this need was frequently identified by people consulted from the health sector, there was less evidence of organisational development strategies being designed around technological change.

Overall, while most organisations invest in training and development, there is a need for improved targeting of this investment to focus on future capability needs.

## 5.5 retention

The 2006 *Future Directions* report recommended that retention activities should be targeted, in particular, at older workers.

The 2011 research did not find evidence of any retention initiatives aimed specifically at retaining older workers. As noted earlier, this may be due, in part, to the impact of economic factors encouraging older workers to delay retirement.

The 2011 research did, however, find some evidence of retention initiatives focusing on the engagement and retention of younger workers, a cohort with a generally high turnover.

### case study: Community Corrections' recruitment and retention strategy

**Background**

- Established in 1984, Community Corrections Services (CCS) supervises adult offenders (aged 18 years or over) who are sentenced by the courts to serve community-based orders or who are conditionally released from prison on parole by the Adult Parole Board.
- CCS plays a vital role in community safety by rehabilitating offenders and diverting low-risk offenders from jail, which helps to break the cycle of reoffending. There are 60 Community Correctional Services offices located throughout metropolitan and regional Victoria, employing 460 staff.

**Issue**

- CCS had a high turnover of 30 per cent among its younger workforce, which it attributed to pay issues and lack of engagement. It decided to introduce a strategy to retain new staff recruits.

**Strategies**

- The strategy changed the approach from recruitment at local level, and 'learning by doing', to a structured recruitment methodology. The recruitment process was streamlined and this led to applications from more suitable applicants. CCS also made efforts to employ diverse ethnic groups and older people to better reflect the make-up of its clients.
- Another strategy employed by CCS was the introduction of a centralised structured training methodology to support staff development, which new employees are expected to complete within six months of commencement. The strategy also introduced a new career path. There is a new CCS officer level position between the Community Corrections Officer (CCO) and the Senior CCO, called a Leading CCO. This role offers better pay, and the opportunity for employees to work with more complex offenders and in a wider range of roles.

**Outcomes**

- These efforts combined have helped to raise employee engagement and contribute to the turnover rate falling to 19 per cent.

Qualitative and quantitative research by the SSA has tested the hypothesis that measures of organisational culture are indicators of subsequent employee behaviours which will in turn influence organisational performance and outcomes. Positive workplace cultures contribute to the attraction and retention of staff and there is a statistical relationship between the employer brand strength (SSA People Matter survey) and staff separation rates (SSA Workforce Data Collection). Joint SSA and Victorian Managed Insurance Authority research has been exploring the relationship between workplace culture and the number and cost of medical indemnity claims in Victorian public hospitals Initial findings support the hypothesis that more positive workplace cultures are linked to lower incidence and costs of claims[55].

A number of public sector organisations had undertaken work on their culture as part of retention and staff engagement strategies. East Gippsland Water focused on values and behaviours and also used the People Matter survey to measure staff satisfaction.

**case study: East Gippsland Water Corporation's culture strategy**

**Background**

- East Gippsland Water Corporation serves a population of around 41,000 people in Victoria's south east.
- Water services are provided to more than 24,000 customers and wastewater services to over 20,000 of these.
- As at June 2011, it employed more than 80 people.

**Trademark values and behaviours**

- These have been developed recognising the influence that staff behaviour has on the work environment and productivity, as well as on relationships with customers, clients, contractors and the wider community.
- Values and behaviours are in the context of the Corporation's commitment to equal employment opportunity and human rights.
- The Corporation has a set of trademark behaviours that staff have identified as important for the effective functioning of the business. These are that staff be dynamic, innovative, passionate and united. They have been built into their annual employee performance and development plans and complement East Gippsland Water's code of conduct for staff, which is consistent with the *Code of Conduct for Victorian Public Sector Employees*.

**Monitoring performance**

- An Employee Consultative Committee provides an invaluable means of communication and information flow within the Corporation. Its primary role is to monitor the contribution made by staff to the Corporation's performance and adherence to key performance indicators, as identified in the East Gippsland Water Certified Enterprise Agreement. It also provides feedback on the quality of staff training and participates in the identification of continuous improvement programs.

**Impacts**

- Trademark values and behaviours are embedded in the Corporation's corporate plans, its vision, mission and objectives.
- The 2010 SSA People in Water Matter Survey showed an overall level of staff satisfaction with East Gippsland Water and its employment practices running at 99 per cent. The level of staff involvement in the survey was the highest of any water corporation in Victoria.

## 5.5.1 emerging focus: protecting against knowledge loss

The 2011 research did not find specific evidence that the retention of critical corporate knowledge was being undertaken in a systematic or effective way across the public sector. However, some organisations are making progress in this area, and the case study outlined below is one example.

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55   SSA, 'Mapping a safety culture in the Victorian public health care sector: a research into the relationship between culture and medical indemnity claim' report, SSA, Melbourne, 2011.

**case study: State Library of Victoria's Alumni**

**Background**

- The State Library of Victoria is the state's largest public reference library, the hub of a state-wide information and communications network and a gateway to the world's information. The collection includes ephemera, artworks, audio and video files, digitised copies of works, music scores and books.

- With a headcount of 330 employees as at June 2011, 25 per cent were aged 55 and over, and the average age was 45.7 years.

**Alumni network**

- The Alumni was established to create a social and professional network to assist and encourage former employees to stay in contact with each other and the Library. The Alumni was officially launched by the Chief Executive Officer/State Librarian in February 2011, and it currently has 142 members.

- Membership of the Alumni offers employees a lifelong extension of their time at the Library and encourages staff to maintain relationships and create new friendships when they leave or retire from the Library. An Alumni membership also offers them invitations to Alumni events, a complimentary Foundation membership (conditions apply based on length of tenure) and some borrowing privileges.

- Further plans exist for the Library to expand and enhance the Alumni, including the launch of an Alumni website, with the ability to promote Alumni and Library events.

**Key aims**

- Establish a forum to assist current and former State Library employees to make or retain contact with one another and the Library.

- Recognise the knowledge and skills staff possess and promote mentoring and knowledge transfer.

- Assist to identify options for employees to remain connected to the Library when planning to leave the Library or transitioning into retirement.

- Cultivate and support social networking among alumni members through communications, programs and services

## 5.6    organisational agility

The 2006 *Future Directions* report argued that increasing the sector's ability to address workforce challenges is linked to its ability to respond with flexibility to supply and demand challenges. Key aspects of workforce agility are a strategic approach to allocation of work and job design and employment rules that allow responsiveness, especially to localised conditions.

### 5.6.1    allocation of work and job redesign

The potential of job redesign as a strategy for reshaping work (making it easier to address workforce gaps) is still not widely understood or applied across the public sector. The research found evidence that organisations are reticent to engage in role or organisational design work for fear of consequences (such as industrial action) or because of a lack of confidence or understanding about how to do it.

The allocation of the work required to deliver an organisation's outputs should determine the size of the workforce, rather than starting from the organisation's or unit's 'profile' or 'establishment'. The preferred approach is consistent with section 31A of the *Public Administration Act 2004* which states the public service body head assigns an employee duties consistent with their classification, skills and capabilities. In practical terms, this requires managers to 'start with the work'.

The most common use of job redesign to address workforce challenges is to separate generic administrative tasks from those tasks that require specialised skills or knowledge. It can be easier to recruit or identify existing staff who are able to undertake generic tasks. People with specialised skills and knowledge are more likely to be attracted to roles where their specialised skills will be used for a greater proportion of the time. Where this strategy has been tried, it has delivered some positive outcomes. For example, a regional health service reviewed and redesigned their nursing roles, which facilitated the filling of some longer term vacancies.

Conversely, broadening jobs and multi-skilling staff has also proved a useful strategy for some organisations in addressing workforce gaps. An interesting example is a land management organisation which experienced recruitment challenges due to its remote location. In response, the organisation broadened the job description of their managerial roles and provided managers with additional training. This enabled the managers to work, and be competent, in a wider range of work areas including customer service, marketing, education and research.

In the following case study, the Maryborough District Health Service has used a combination of work design and staff development strategies to address critical skill gaps.

## case study: Maryborough District Health Service's 'grow your own' strategies

### Background

- Maryborough District Health Service (MDHS) delivers a range of health services across three sites that are responsive to and reflect the community's needs and expectations.
- As at June 2011, it employed 394 people, with a total FTE of 271.36. At least 80 per cent of its employees live in the MDHS' catchment area.

### Nursing strategy

- MDHS used a range of short and longer term 'grow your own' strategies to address critical skill gaps. With the support of staff and working with the Australian Nursing Federation, the organisation has further developed the skills of a group of enrolled nurses to be able to address a deficit of nursing skills. In 2009 that deficit was 13.4 EFT across three campuses.
- Previously enrolled nurses were employed in acute care and aged care only. This situation has now changed with the acceptance that the health service has to work with the staff that it already has. The change was achieved using a combination of short and longer term strategies, and some dedicated funding grants from the Department of Health.
- Enrolled nurses at MDHS are now working in theatre, urgent care, district nursing and dialysis. Over two years three groups of enrolled nurses have undertaken a unit of study through University of Ballarat that enabled them to be 'medication endorsed', a critical skill to be able to extend their work practice. Ninety-six per cent of the health service's enrolled nurses now have that critical skill.
- In addition, some of the group have undertaken complex care courses which further extends them. Finally, some of the group are undertaking further work/study to be able to work as Division 1 nurses.
- In 2012, MDHS is continuing a partnership with the University of Ballarat to offer Diploma of Nursing to 20 students, which is an 18-month qualification. This will be the third course supported through the partnership. They are also engaged in other partnership work with other hospitals on the 'medication endorsed' unit.

### Impact

- Can quantify that the skills deficit is being addressed.
- Qualified workforce that can meet all the necessary staff-patient ratios.
- Flexible, multi-skilled workforce that can be redeployed.
- Demonstrated substantial savings through less use of casual staff.

### Health Information Services strategy

- In Health Information Services, a medical records clerk has been supported by MDHS to undertake crucial study and work-based learning to ensure effective succession management.
- The clerk has undertaken a university subject in clinical coding. The clerk has also been able apply that new knowledge in the workplace, with practical support and mentoring by their Manager. This is a critical skill gap that had to be addressed.

### 5.6.2　employment rules

Of the organisations consulted in the 2011 research, 62 per cent stated that they had identified and removed barriers preventing efficient allocation of staff to areas where they were most needed. However, in the main, these actions were undertaken in response to an immediate problem. There appeared to be few systematic attempts at reorganising work, or addressing workforce inflexibilities, as a measure to address workforce risks in the future.

The 2011 research found that tensions exist between industrial frameworks and organisational needs and labour markets at the local level. Many organisations commented that current industrial frameworks left little room for them to try more flexible ways of engaging staff in response to local recruitment and retention challenges and opportunities.

For example, some health services would like to offer shorter shifts to older staff who wish to continue working, but for whom the physical demands of a full shift are becoming too great. Current industrial inflexibilities prevent this from occurring, or at least make this difficult. Nonetheless, workforce flexibility was being promoted where possible across the sector.

### 5.6.3　emerging focus: organisational design and flexibility

How an organisation defines, distributes, sequences and connects the activities that contribute to the delivery of organisational outcomes is a critical factor in organisational agility. The 2011 research did not specifically inquire into how, and upon what basis, organisational leaders make decisions about organisational design. However, there was anecdotal evidence to suggest that organisational design has been neglected as an area of strategic focus, with regards to the management of workforce risks.

### 5.7　workforce planning successes

The consultations did reveal a number of examples of good workforce planning practice and successes. These include organisations who:

- provided ongoing strong messages to managers about their responsibilities for managing workforce and performance risks;
- overtly linked specific learning and development activities to People Matter survey data and organisational performance outcomes;
- had been able to reduce 30 per cent turnover to 19 per cent by developing career pathways for staff;
- had created management development programs where the key assignment is for managers to prepare and present a workforce plan for their division;
- had the HR Director as part of the senior executive management team;
- worked collaboratively with other organisations from different sectors in the same region to attract and engage occupational health specialists;
- used a physical change of location to rebrand the organisation and change the service delivery model, resulting in lower turnover and a waiting list for job vacancies (where in the past it was difficult to attract candidates);
- used an alumni program to keep former employees connected with the organisation and to enable the organisation to tap into their tacit knowledge;
- had leadership teams who are driving and taking responsibility for succession risk management; and
- provided technical workers with training in broad 'working in government skills' to enable flexibility and better collaboration across government.

This chapter has identified examples of good practice in workforce planning and development along with a range of challenges and opportunities for significant improvement. One of the benefits of the consultations and follow-up meetings with a range of public sector organisations is the opportunity to share strategies and initiatives that have been developed to address workforce risks.
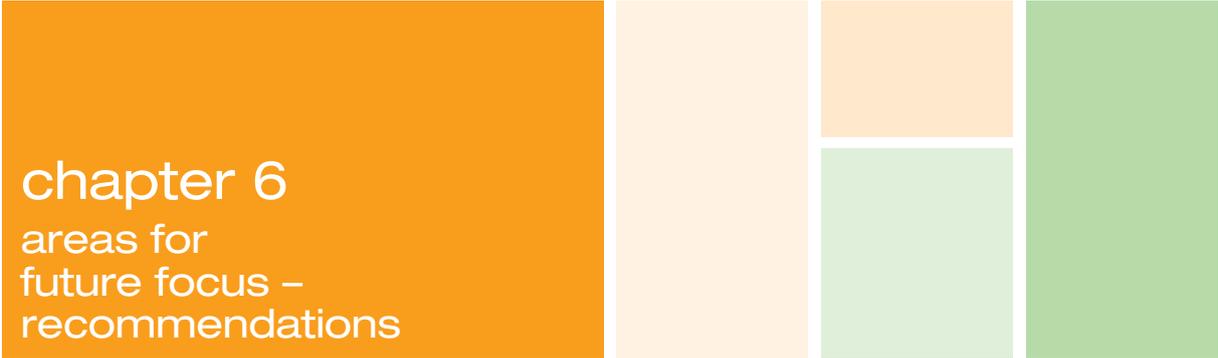
# chapter 6
## areas for future focus – recommendations

The importance of workforce planning is generally accepted in public sector organisations. Activities that can address workforce risk are generally understood, at least in theory. Across the Victorian public sector, there are organisations that are undertaking activities that will deliver a positive impact on the workforce planning challenges facing them.

However, there is a need for many organisations to improve their workforce planning, development and management practices. As described in Chapter 4, demographic change, technological change, and challenging economic conditions have created a complex operating environment. While people appear to be delaying retirement, the public sector workforce is an ageing one and there are still skill shortages in some critical service delivery areas. The risks of organisations not having workforces with the capabilities to meet current and future challenges is real.

A series of recommendations is presented under the following headings, which should be key priorities for organisations in refining their workforce planning practices:

- workforce planning governance and capability;
- increasing labour supply;
- attraction, recruitment and staff development; and
- work, job and organisational design.

The SSA is also undertaking ongoing work to assist public sector organisations in workforce planning and associated workforce activities.

## 6.1    workforce planning governance and capability

**Accountability**

- Recognise that responsibility rests with the Secretary/CEO.
- Give workforce risk management equivalent status to financial and other areas of risk.
- Include workforce risk as a standing item on senior leadership meeting agendas.
- Assign clear accountability for workforce planning to senior and line managers.
- Integrate workforce planning into strategic and business planning at all levels of the organisation.
- Provide training and support for line managers to improve their understanding of the importance of workforce planning and how it informs everyday workforce decisions.
- Focus HR activity on collecting, analysing and reporting on workforce risks and the provision of advice on strategy design and specific interventions.
- Ensure that HR and other corporate areas are sharing information and expertise in developing responses to workforce risks.

**Using evidence**

- Build and use an evidence base to inform workforce decision making, both strategic and operational.
- Collect, analyse and apply both forecast (lead) data and evaluative (lag) data.
- Monitor and evaluate workforce strategies and activities to communicate successes and inform future work.
- Consider trends relating to the future state of the internal workforce, the external labour market and the operating environment more generally.

**Demand management**

- Identify and address service demands that are unsustainable, given the organisation's current and future resource constraints, including workforce capacity and skill shortages. (This may involve working with the wider community and other sectors, such as the private sector, peak bodies and the not-for-profit sector, to enable demands for public services to be addressed by individuals and organisations outside the public sector).

- Investigate alternative fee structures or co-payments for services.

- Create realistic expectations about scope, quality, speed, and cost of public services.

## 6.2    increasing labour supply

- Assess the cost, benefits and risks of using contingent (contractor, consultants, overseas) workforces for service and project delivery. This includes monitoring and understanding what competitors for contingent workforces are doing.

- Better understand how the demand and supply drivers that create workforce risks for the public sector itself also apply to the contingent workforce and to outsourced service providers.

- Work proactively with the tertiary sector to strengthen the supply of candidates willing and able to work in the public sector and with specific skills required for critical delivery areas.

- Collaborate with other organisations in the same line of work or location to share intelligence and work to address common workforce planning challenges and risks.

## 6.3    attraction, recruitment and staff development

- In developing competitive employee value propositions and recruitment campaigns, understand what competitors in the labour market are offering.

- Streamline recruitment processes to ensure that good candidates are retained.

- Ensure non-financial public sector employment arrangements remain attractive and competitive.

- Make sure that line managers understand the organisation's workforce planning strategies and that they are making recruitment decisions that will build future capability and not just respond to short term needs.

- Use the recruitment process pro-actively to ensure that employees at all levels have qualities and attributes that support innovation, resilience and flexibility.

- Target staff development activities so that they unambiguously address current and future critical capability gaps, including skill shortfalls in recruits for key roles.

- Build management capability in key workforce planning and organisational management activities.

- Focus development on the skills needed to use/implement technological and work practice innovations needed to meet service demands.

## 6.4    work, job and organisational design

- Start with the work. Focus workforce planning strategies on meeting output commitments to government.

- Use organisational and job design to improve the capacity and capability of the organisation to respond to service delivery demands.

- Focus on initiatives, including technology solutions, that eliminate duplication of effort and promote efficiency, flexibility and responsiveness.

- Incorporate an understanding of workforce planning risks into the planning for EBA negotiations.

- Look at organisational practices, norms and traditions which may be impeding workplace flexibility.

- Develop specific initiatives to manage retirements and other departures, so that corporate knowledge is successfully captured and transferred.

## 6.5    SSA's ongoing work

The SSA continues to develop resources that will assist organisations in addressing workforce planning and people management challenges. In 2010 and 2011, a range of resources were published including a series of myths and fact sheets on recruitment, flexible work, secondments, executive employment, performance management and bullying and short guides to job analysis and writing positions descriptions and interviewing and selection. Two new publications are *Making Flexible Work a Success* and *Dealing with High Conflict Behaviours*. In early 2012 an Employer Toolkit to grow Aboriginal employment in your organisation will be published. In addition, each year the SSA

provides 216 public sector employers with annual workforce data reports and around 130 participating organisations with People Matter data about the perception of their employees about values and other people management issues.

The SSA is currently scoping the following work to support some of the key recommendations.

- **Appetite and accountability:** Building upon the SSA's existing workforce planning and succession risk management tools, the SSA is developing new shorter, simpler publications aimed at engaging line and senior managers in workforce planning analysis and responses.

- **Workforce analytics**: Building upon the SSA's *People Metrics Toolkit* and workforce data reports, the SSA is undertaking a new project to help organisations interpret and then apply different types of data to better inform business and workforce planning.

- **Organisational design:** The SSA is developing a set of core organisational design principles to support the process of organisational change which may be required to respond to emerging service delivery needs, realigned priorities or resource constraints. An associated project is researching the management of staff in dispersed locations, across regions, in suburban hubs or working from home.
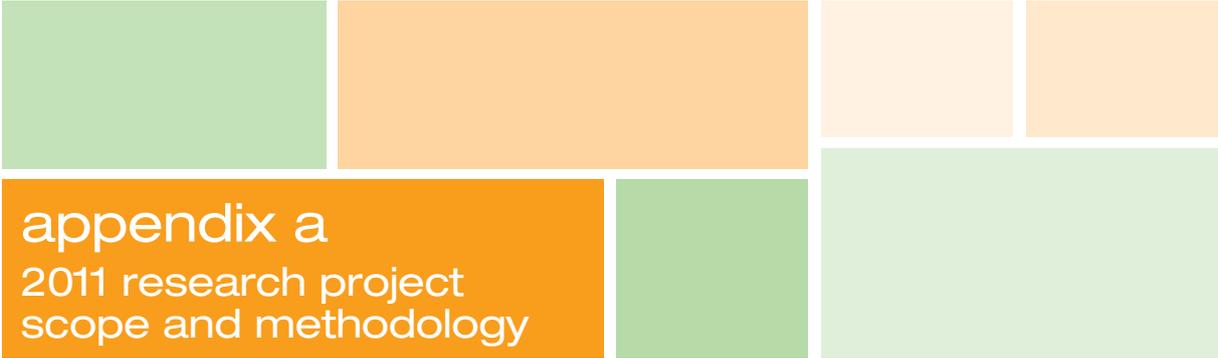
# appendix a
## 2011 research project scope and methodology

In 2011, the SSA undertook research to update government on the workforce planning risks and challenges across the Victorian public sector. This work sought to update previous research conducted in 2006. The 2011 work had a particular focus on:

- identifying the current drivers of workforce demand and supply;
- what Victorian public sector agencies are doing to address workforce risks; and
- what more needs to be done to ensure the Victorian public sector is able to address the workforce risks it faces.

### appendix 1.1  organisations consulted

Focus groups and individual consultations conducted for this project included one or more participants from the following organisations:

- Adult Multicultural Education Services
- Australian Centre for the Moving Image
- Building Industry Commission
- CenITex
- Chisholm Institute of TAFE
- Department of Business and Innovation
- Department of Health
- Department of Justice
- Department of Planning and Community Development
- Department of Primary Industries
- Department of Transport
- East Gippsland Water
- Essential Services Commission
- Geelong Cemeteries Trust
- Gippsland Water
- Kerang District Health
- Maryborough District Health Service
- National Gallery of Victoria
- Parks Victoria
- Peter MacCallum Cancer Centre
- Plumbing Industry Commission
- Royal Melbourne Hospital
- Skills Victoria

- Alfred Health
- Ballarat Health
- Castlemaine Health
- Central Gippsland Health Service
- Country Fire Authority
- Department of Education and Early Childhood Development
- Department of Human Services
- Department of Parliamentary Services
- Department of Premier and Cabinet
- Department of Sustainability and Environment
- Department of Treasury and Finance
- Environment Protection Authority
- Forensicare
- Gippsland TAFE
- Growth Areas Authority
- Latrobe Regional Hospital
- Melbourne Health
- Ombudsman Victoria
- Peninsula Health
- Philip Island Nature Park Trust
- Royal Botanical Gardens
- Rural Northwest Health
- South East Water

- South West Institute of TAFE
- State Library of Victoria
- Stawell Regional Health
- Swinburne University
- The Royal Women's Hospital
- Victoria Police
- Victoria University
- Victorian Government Solicitor's Office
- Victorian TAFE Association
- Western District health Service
- Western Port Water
- WorkSafe Victoria

- Southern Health
- State Sport Centres Trust
- Sustainability Victoria
- Transport Accident Commission
- VicRoads
- Victoria State Emergency Service
- Victorian Commission for Gambling Regulation
- Victorian Major Events Company
- West Gippsland Healthcare Group
- Western Health
- Western Water
- Yarram and District Health
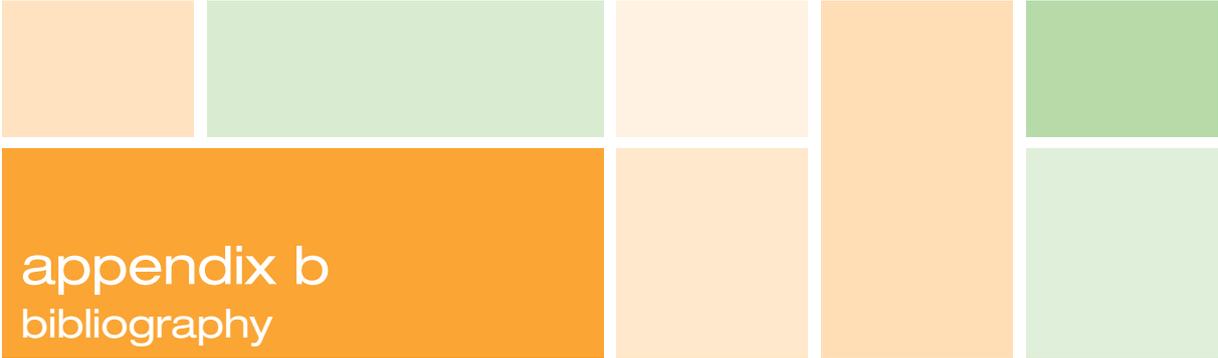
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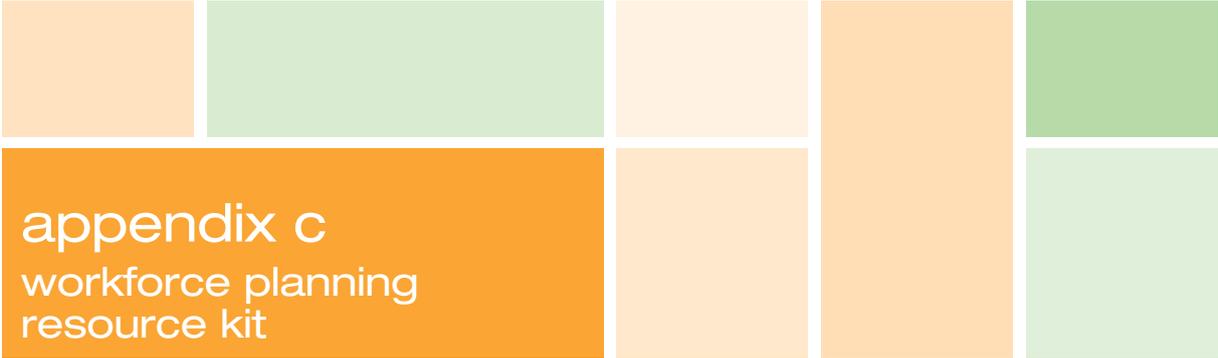
# appendix c
## workforce planning
## resource kit

The *Workforce Planning Resource Kit* was published by the SSA as a culmination of its 2006 workforce risk assessment project. The resource kit is available from www.ssa.vic.gov.au and comprises the following:

**Book 1: Workforce planning toolkit** – a diagnostic tool for small to medium sized Victorian public sector organisations.

**Book 2: A review of workforce planning in the Victorian public sector** – an assessment of the activity of public sector entities in line with workforce planning best practice.

**Book 3: Understanding the workforce planning challenges facing the Victorian public sector** – provides findings about areas posing the greatest risk for the Victorian public sector as a consequence of labour supply, service demand and/or organisational capacity to address workforce risks.

**Book 4: Understanding the critical workforce segments in the Victorian public sector** – provides a more detailed analysis of risk and the impact of various drivers on key sectors and skills sets within the Victorian public sector.

**Book 5: Future directions for workforce planning** – provides a framework for addressing Victorian public sector workforce risk. It outlines four key actions – adoption of six workforce planning goals; review of workforce risk and actions every four years; development of specific initiatives to address sectors and skill sets facing greatest risks; and collaborative implementation of whole of sector strategies to achieve the six goals. The six goals identified in this publication are:

1. improving attraction and recruitment strategies
2. increasing labour supply in selected areas
3. targeting investment in staff development
4. improving the public sector's agility in employment practices
5. improving workforce participation and retention in high risk work categories
6. improving workforce planning governance and capability.

**Book 6: Future directions for workforce planning, analysis and discussion** – provides further commentary and rationale for the future directions.

**Book 7: Attracting and retaining staff: a guide for the public sector in rural and regional Victoria**[56] – highlights key workforce challenges facing public sector organisations in regional Victorian and suggests strategies for addressing them.

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56   This resource was added to the kit in 2009.
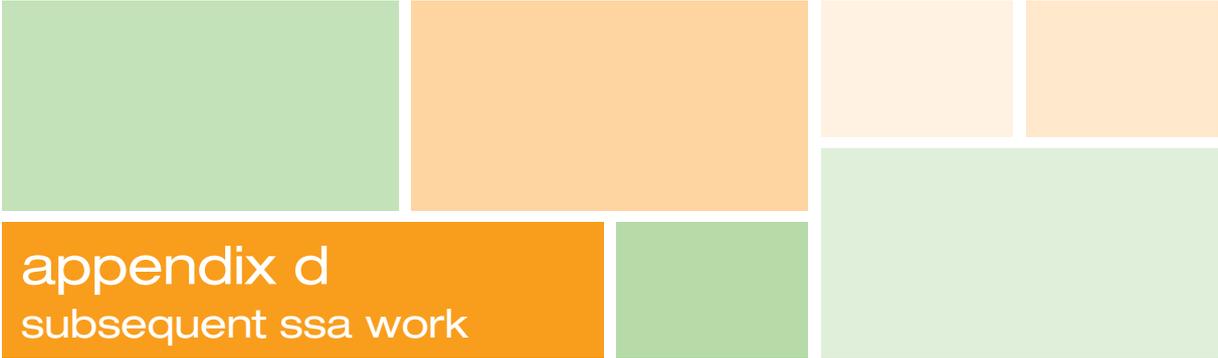
# appendix d
## subsequent ssa work

The following publications were produced following the 2006 *Workforce Planning Resource Kit* and are useful for workforce planning.

- *Developing Leaders* (2007): A review of strategies for building leadership capacity in the Victorian public sector.

- *Succession Risk Management Toolkit* (2008, expanded 2010): A resource to help public sector executives, managers and HR undertake a risk-based approach to addressing succession challenges.

- *Best Practice Recruitment and Selection Toolkit (*2008, expanded 2011): A resource to help public sector managers design and implement competitive and effective attraction and recruitment processes.

- *Barriers and enablers to the attraction, recruitment and retention of mature-aged workers* (2008): Research and practical guidance for managers about how to capitalise upon an ageing workforce for public sector workforce risk management and productivity.

- *Great Manager, Great Results* (2009): A resource to facilitate targeted development for public sector managers, ensuing that they build the capabilities required for success in their role.

- *The VPS HR Capability Framework* (2010): Outlines the capabilities that HR staff require at different levels.

- *Public Sector Graduate Schemes: A blueprint for regional, specialist and generalist programs* (2010): Provides a step by step guidance for developing a program to attract, recruit , develop and retain recent graduates.

- *People Metrics* (2010): A dictionary of key metrics that public sector HR should collect, analyse and report in support of organisational performance and risk management strategies.

- *Making Flexible Work a Success* (2005, revised 2011): A resource to facilitate the use of flexible working arrangements as a strategy for increasing organisational performance and managing workforce risks through the engagement and retention of staff with competing demands on their time.

- *Myths and Facts – a series of Information Sheets* (2011). Each information sheet is a compilation of common myths and facts surrounding an important topic within the VPS or the wider Victorian public sector. These include Recruitment, Flexible Work, Secondment, Public Sector Executive Employment, and Public Service Executive Employment.

The SSA also established the Victorian Leadership Development Centre in 2007 as a strategy for addressing succession risk for the senior most Victorian Public Service roles.
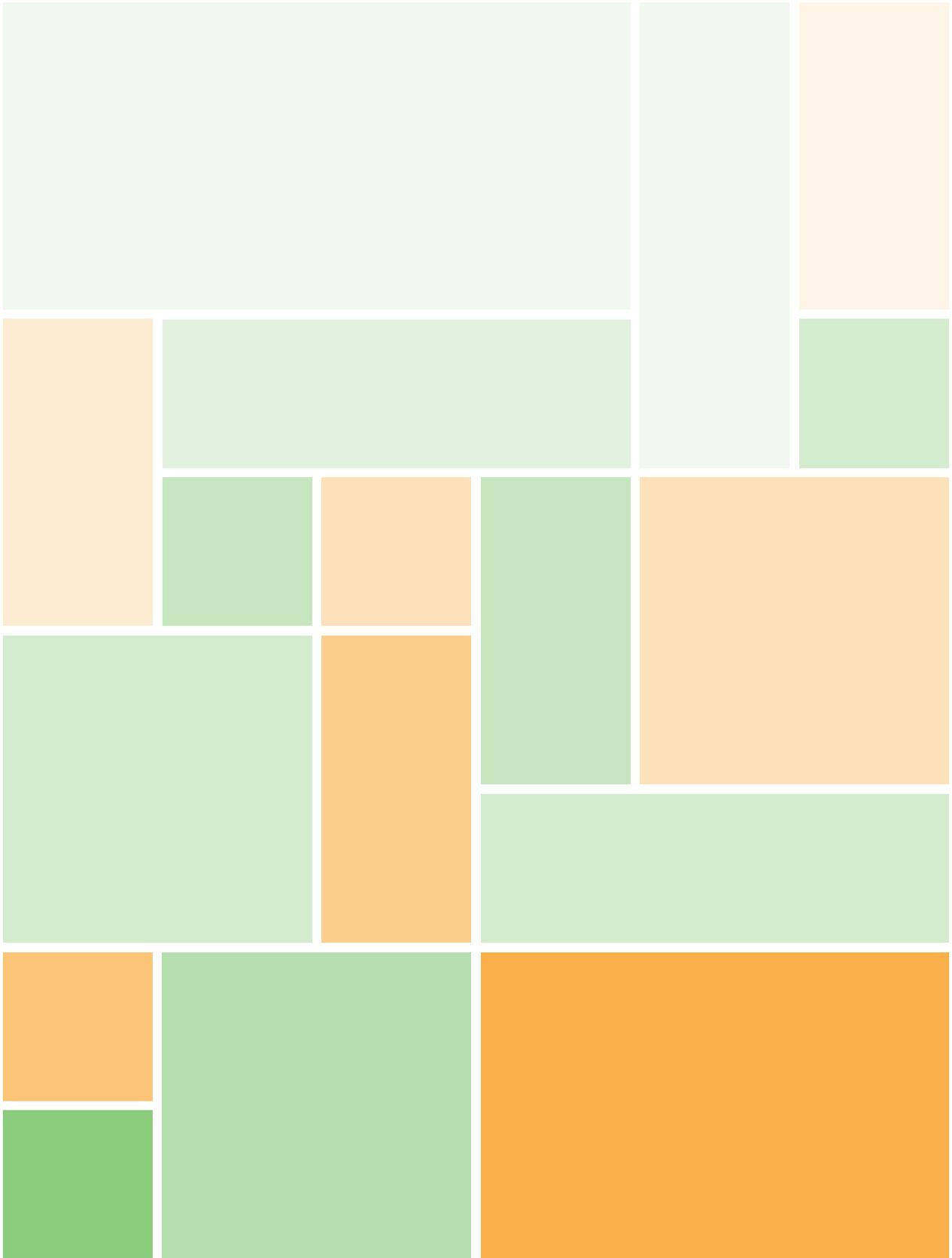
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