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Executive Summary

In 1997, the setting of the pay and conditions of employment for Commonwealth public servants was devolved to individual agencies. Within the bounds of centrally determined policy parameters, agencies were free to make agreements with their staff that best suited their own operational requirements and met the needs of their staff. Most agencies have now experienced two rounds of agreement making, and many are soon to embark on a third round.

This report was commissioned by DEWRSB to tap the experience of those involved in agreement making. Specifically, DEWRSB wanted to identify the need for any changes in the *Policy Parameters for Agreement Making in the APS (April 2000)* (the Policy Parameters), and ways in which it might improve its own support services to agencies, with an overarching objective of making future agreement making more effective. The report presents the findings from a survey of managers involved in agreement making in 88 APS agencies—94 per cent of those eligible to take part—conducted in August and September 2001, and builds on an earlier survey on the same topic conducted two years previously.

Agreement making is more widespread in the APS than any other industry. Almost all staff are covered by either certified collective agreements (94.3 per cent) or by Australian Workplace Agreements (5.2 per cent). In both cases, the proportions covered far exceed those applying across the Australian workforce as a whole, where in May 2000, 35.2 per cent were covered by certified collective agreements and 1.8 per cent by registered individual agreements.

There were two agencies where all staff were employed under Australian Workplace Agreements, and six agencies—all without Senior Executive Service (SES) staff—where all staff were employed under a certified agreement. In 61 per cent of agencies at least nine in ten staff were covered by a certified agreement, and in a further 20 per cent of agencies at least eight in ten staff were covered.

We now look in more detail at the use of Australian Workplace Agreements, before shifting focus to certified agreements.

Australian Workplace Agreements (AWAs)

The use of AWAs was extensive within the SES, with 93.8 per cent of staff at this level covered. In lower classifications, many agencies used AWAs but their coverage was minimal. For example, 72 per cent of agencies employed one or more Executive Level staff on AWAs, but only 14.6 per cent of all staff at this classification were employed on AWAs. In other words, below SES level the use of AWAs is highly targeted.

Since 1999, the coverage of AWAs has been extended, in particular at the Executive Level. Just under half of all agencies, 44 per cent, reported that they had extended AWA coverage since the last round of agreement making. Larger agencies and policy/advisory agencies were more likely to have extended coverage. Those that had done so had double the AWA coverage of those agencies which had not, 7.0 per cent of all staff compared with 3.6 per cent. One in five agencies reported that they had plans to extend AWA coverage in the future, mostly confined to the Executive Level.

The extension of AWAs into the lower classifications invites questions as to the purpose of doing so, and ways in which the content of AWAs differs from certified agreements. While agencies reported a raft of objectives for extending coverage, the most frequently mentioned were to do with rewarding key staff. For example, 92 per cent of agencies reported that they had extended coverage so as to improve the recruitment and retention of key staff, and 82 per cent so as to meet the needs of individuals. Also important, but mentioned less frequently, was using AWAs as a device to promote enhanced performance. This was noted by 49 per cent of agencies. Just 13 per cent of agencies reported that an objective in extending AWAs was that it accorded with staff preferences.

The most important difference between AWAs and certified agreements was that pay levels were higher under AWAs. This difference applied *within* job classifications. For example, in agencies where some but not all Executive Level staff were covered by AWAs, 71 per cent reported that pay levels were higher for those on AWAs. There was some evidence that agencies with relatively high AWA coverage (10 per cent or more of all staff) used them in more strategic ways than agencies with low coverage. They were more likely to incorporate performance pay, job specific targets, have streamlined conditions and a focus on a total remuneration package.

Types of certified collective agreements

An important aspect of the *Workplace Relations Act 1996* was the provision (under s.170LK) for certified agreements to be made with employees directly—that is, without the involvement of a trade union. Since the advent of the Act, 11.4 per cent of all collective agreements certified by the Australian Industrial Relations Commission have been made with employees directly. This proportion is far higher in the APS, where 35 per cent of all agencies currently have agreements of this kind. What is also notable about this figure is that it has *fallen* since 1999 when it was 45 per cent, while corresponding to that the proportion of agreements made with unions has risen from 55 per cent to 65 per cent—this against a backdrop of declining union membership in the public sector.

Another important aspect of certified agreements is that they may operate in conjunction with awards, or they may fully supplant awards. In 1999, when most agencies had experienced only one round of agreement making, 60 per cent of agencies had agreements which were “stand-alone”. Two years later, when most had been through a further round, that proportion had risen to 88 per cent of agencies. This clearly indicates a maturity in bargaining infrastructure and confidence over that period.

The process of agreement making

It is clear that agencies are learning from each successive round of agreement making, and improving processes as a result. The clearest indication of this is that the time taken to finalise agreements has shortened considerably. In 1999, half of all agencies took more than nine months to finalise their agreement. By 2001, this proportion had halved to 26 per cent. One in three agencies (37 per cent) surveyed in 2001 concluded their agreements within six months of commencing, compared with 15 per cent in 1999. Nonetheless, despite the improvement in this period, the process does remain protracted: the median agency took somewhere between six and nine months to finalise their agreement, compared with a typical agreement life span of 24 months. The main contributing factor to the duration, according to agency respondents, were the consultative arrangements. This was mentioned by 66 per cent of agencies, more than double the proportion mentioning any other factor. It is unclear from this whether they meant that these were too extensive—unlikely as only 4 per cent reported that communication with staff over the agreement was more than what was needed—or the simple truism that negotiation takes time. There were just 5 per cent of agencies which reported that their own lack of knowledge and expertise was a contributing factor, down from 33 per cent in 1999.

Another important aspect of the process, particularly considering the amount of elapsed time involved, is the administrative cost of making agreements. The monitoring of these costs is rather limited: just 4 per cent of agencies indicated that they could precisely state the magnitude of costs, and 68 per cent that they could do so approximately. The 28 per cent of agencies unable to even roughly estimate their costs were disproportionately made up of large agencies. Two in five of the largest agencies (those with 500 employees or more) did not know the magnitude of costs. Overall, and including those unable to estimate costs, 28 per cent of agencies incurred costs of over \$100,000, and 8 per cent costs of over \$250,000. As larger agencies that could estimate their costs spent, on average, more than smaller agencies, the proportion of agencies with costs in excess of \$250,000 most likely understates the true figure.

In a summary overview question, agency respondents were asked to reflect on the process of making the current agreement compared with the previous agreement. There were three times as many cases where agencies reported that things had got better rather than worse, and this applied to the time taken and the costs incurred. Almost half (47 per cent) said that, overall, it was a less difficult process in the current round, compared with 14 per cent who thought it more difficult.

Wage outcomes

The average increase to base pay in current agreements was 3.9 per cent per annum. Around two thirds (69 per cent) of agencies paid somewhere between 3.0 and up to 4.5 per cent per annum. Those covered by stand-alone agreements and those covered by union agreements were more likely to have received a marginally higher than average increase (of around 0.25 per cent per annum), while those working in agencies primarily involved in program management and delivery were more likely to have got a below average increase. The main

factor identified by agency respondents as leading to an above average increase was delay in reaching agreement. There was some slight evidence to suggest that a consistent and concerted approach to how to fund the increase was associated with an above average rise. Those agencies focused only on cutting costs paid an average of 4.1 per cent per annum, those focused only on driving productivity improvements paid an average of 4.0 per cent per annum, while those doing a bit of both (or neither) paid an average of 3.8 per cent per annum.

About two in three agencies (68 per cent) had clauses in their agreements which delivered automatic pay increases to be paid on set dates, while just 28 per cent had a provision that some or all increases were conditional. In most cases these were conditional on productivity improvements or other specified corporate objectives being met. Some were also conditional on changes in the agreement being implemented, and a small proportion (less than 10 per cent of all agencies) included clauses to the effect that the increase would only be paid if it could be afforded. It was much more likely that agreements contained provisions for individuals to obtain higher increases than the base increase or additional bonus payments—57 per cent of agencies had such provisions in their agreement. Overall, a perusal of the pay provisions in agreements indicates a very wide variety in how these are structured. It is apparent from these that they are closely tailored to individual agency requirements.

Productivity and performance enhancement provisions

Agency respondents were asked to state the broad nature of the most important performance enhancing provisions in their agreements. The top five ranked were performance management arrangements (74 per cent), family friendly working arrangements (also 74 per cent), flexible working hours (61 per cent), tailoring conditions to agency business (57 per cent) and simplification of leave entitlements (56 per cent). When asked to assign rankings to these and other items, the clear stand out feature was performance management arrangements, scoring 26.0 out of the total 100 points allocated on the “importance index”.

When asked to give specific details, by citing clause numbers and quoting from the agreement, of up to five particularly innovative performance enhancing features of their agreement, agencies responded with alacrity. This material will be used by DEWRSB to give concrete advice to agencies on clauses that have “worked” for other agencies. Broadly, the clauses quoted bear out the findings in the previous paragraph about which types of provisions yield the largest dividend. There is also, as with the pay provisions, a substantial degree of variety and creativity in the way in which many of these clauses have been drafted.

Relatively few agencies, 37 per cent, included specified objectives within their agreements (whether or not tied to pay increases). This sits somewhat oddly with the central focus of agreement making, and the extensive level of organizational performance monitoring undertaken by agencies. For example, 59 per cent of agencies keep records and report upon

labour turnover and staff retention, but not one agency includes targets on these in their agreement.

Meeting objectives of agreement making

Agency respondents were asked at the start of the questionnaire to state what their goals were *prior* to commencing negotiations over the current agreement. Towards the end of the questionnaire they were asked to indicate whether these goals had been met. The two most common goals were to tailor conditions more closely to agency needs (81 per cent) and to generate productivity improvements and/or cost savings (80 per cent). Importantly, the first goal was met in 83 per cent of cases, but the second in only 55 per cent of cases (though 35 per cent of the remainder said that it was too early to say if the goal had been met).

Agencies were more concerned with the outcomes of agreement making than the process, and they were more concerned with the process than with the more controversial aspects of the form of agreement (i.e. whether union or non-union, extension of AWAs).

More effective agreement making

One of the main objectives of this survey was to find ways of making agreement making more effective. Agencies were asked for their own suggestions. A majority (51 per cent) wanted changes made to the funding arrangements. This also came up as an important issue in a further question on the impediments to successful agreement making. Three quarters of all agencies reported that funding arrangements were either a “highly significant” or “significant” impediment.

One in three agencies (32 per cent) said that less prescriptive Policy Parameters would help them better achieve their objectives, and a further 12 per cent sought greater details in the parameters. These were also the two main recurring themes in a question seeking the views of agencies on desired changes to the parameters. Without over-interpreting the responses, there are a small number of agencies which find the clearance process a constraint and, possibly more importantly, believe that it frustrates genuine agreement making.

A significant minority of agencies also identified problems on the staff side, including employee resistance to change (37 per cent of agency managers reporting this as a “highly significant” or “significant” impediment) and lack of trust between management and staff (49 per cent on the same basis).

The next round of agreement making

The final question in the survey asked agency respondents what the key issues would be in the next round of agreement making. Far and away the most common response to this question was the pay-productivity-funding nexus, mentioned by two in three agencies which gave a response. Many either directly stated or implied that they did not know how they would identify *further* productivity improvements—the general tenor of these responses was that they had reached the point of diminishing returns—and a concern that

they may not be able to meet staff expectations on the scale of pay increase desired. There were, however, a minority of agencies which had developed a clearly articulated agenda of issues, spurred on seemingly by the impending expiry of their current agreement.

1. Introduction

This report presents the findings from a survey of 88 Australian Public Service (APS) agencies conducted by the National Institute of Labour Studies (NILS) in August and September 2001. It builds on an earlier survey undertaken by DEWRSB in conjunction with Twyford Consulting in July and August 1999.

Study objectives

The general objective of the survey was to tap the experiences of APS managers directly involved in agreement making, so as to learn from that experience and make future agreement making more effective. This extends to considering changes that might be made to Policy Parameters and the range, type and quality of services provided by DEWRSB.

Over and above that, however, the survey was intended to focus on how agencies were able to achieve their goals within the bounds of the centrally determined Policy Parameters. Under these parameters, agencies are required to link improvements to pay and conditions with productivity gains and higher performance, and not to changes in general taxation arrangements. Improvements in pay and conditions under agreements should not result in either increased prices or a reduced quality of service. There is no cap on the quantum of salary increases that may be agreed by agencies—this is a matter to be settled at agency level.

On the one hand, these parameters provide agencies with a good deal of freedom to determine pay and conditions as they and their staff see fit; on the other, agencies are constrained by their ability to generate productivity improvements and/or cost savings so as to meet the costs of enhancements to the terms and conditions of employment. In doing so, they must be mindful that they operate in a wider labour market, where wages are determined by supply and demand factors—to lag behind other APS agencies, or (especially for specialists) remuneration movements in the private sector, could well cause problems with recruitment and retention. Agency managers, therefore, have a very close interest in the experience of other agencies, in particular how they have been able to use agreement making as a tool for driving improvements in performance.

The brief provided by DEWRSB to NILS was as follows.

“The specific survey objectives are to:

- ☞ examine progress on key issues specifically coming out of the first round of agreement making in the APS under the *Workplace Relations Act 1996*, managing agreement making, performance linked remuneration, tailoring conditions to agency requirements, organisational change through agreement making, staff retention and (the situation of) small agencies;

- ☞ gather information on the benefits for agencies and employees arising from agreement making, including the impact of innovative and other new initiatives on organisational performance;
- ☞ identify, and assess the success and failure of, measures included in agreements that are aimed at improving organisational performance, including productivity initiatives, and gather information on where agencies expect to generate future productivity improvements;
- ☞ examine how agencies measure productivity improvement and what type of monitoring and evaluation arrangements are being included in agreements and/or adopted by agencies to assess outcomes;
- ☞ identify any other emerging issues in agreement making; and
- ☞ seek the views of agencies about the processes supporting the policy framework underpinning agreement making in the APS, including any impediments to agreement making and assess the need for change.”

Conduct of survey

Advances in information technology mean that the completion of traditional “pen and paper” questionnaires can now be simulated on the Internet. This offers many advantages over the traditional approach. First, it is possible to incorporate some of the programming features of other modes of computer-aided interviewing, such as routing, and logic and consistency checks. Second, the data is entered at source, thus avoiding a potential source of error when data is entered by a third party. Third, the elapsed time to conduct the survey can be shortened as there is no need to post out questionnaires and wait for them to return by the same means. NILS, in conjunction with an experienced researcher in this field, Kathy Dix of the School of Education at Flinders University, proposed to DEWRSB that the 2001 survey be conducted via the Internet, whereas the earlier survey had involved a mixed postal questionnaire and telephone approach.

The starting point for questionnaire design was to conduct a thorough review of the 1999 survey to identify areas where the questionnaire would need updating, and also where it might need adapting to the changed methodology. One particular concern was the very high number of “open-ended” questions included in the 1999 survey. Such questions are useful for adding a qualitative feel to the findings, but without documented rules on how responses can be coded, there is considerable doubt about the consistency of coding across different coders and across time. We sought to reduce the number of such questions by generating lists of pre-coded responses—based, wherever possible, on the coding frames developed in the 1999 survey—which respondents could then mark as applying to their agency. In each case, there was also provision to enter an alternative response in an “other” text box, if none of the pre-codes suited the circumstances of the agency. This type of questioning is much more suitable for making comparisons across agencies and over time. Because of the different approach used in 1999, the range of comparisons between 1999 and 2001, and the validity of those comparisons, is restricted.

Six agencies agreed to take part in a pilot survey, conducted at the start of August. Representatives from these agencies then took part in a meeting, or were interviewed via telephone, to review their experiences. As reported by them, the experience was largely a positive one, and the questions mostly required only a small amount of fine tuning.

Except for the six agencies which had taken part in the pilot survey, emails were sent out to the relevant contact person, usually a senior manager involved in agreement making, in 90 APS agencies from 16 August. Subsequently, two agencies were withdrawn from the list, as they were duplicate cases for the purposes of this survey (e.g. a relatively new agency was presently operating under a certified agreement of the agency from which it had been created, which was also taking part in the survey). The six pilot agencies were sent a hard copy of the final questionnaire with their pilot responses transcribed on to it, and asked to review this, make changes as appropriate and return via post.

Of the 94 potential respondents, 88 took part in the survey, a response rate of 94 per cent. As this survey effectively constitutes a complete census of APS agencies, any differences shown in tables and graphs are “real” in the statistical sense (i.e. there is no need, as there ordinarily is with sample surveys, to conduct tests to establish if differences are statistically significant).

Background characteristics of agencies¹

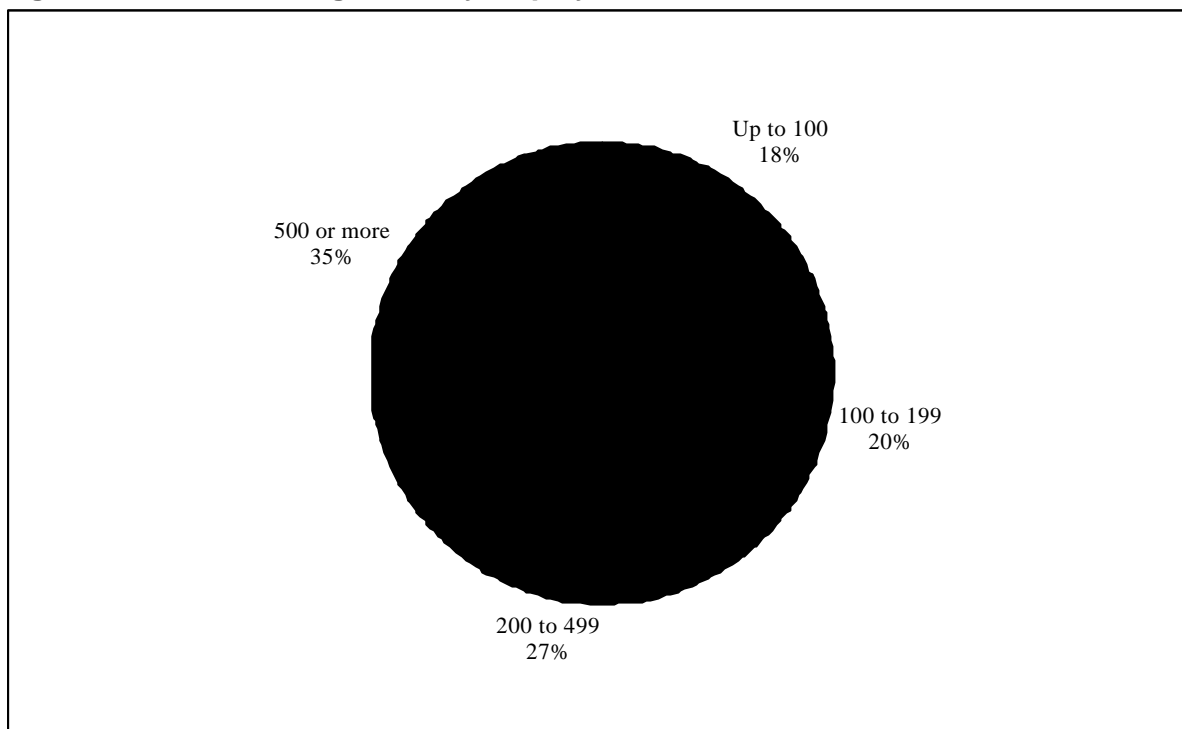
Employment size and composition by job classification

Agencies were asked to state how many employees were on their payroll as at the end of June 2001. They ranged in size from the very small (19) through to the very large (24,356). The distribution is very right-skewed such that the three largest agencies employed more staff between them than the remaining 85 agencies. Figure 1 shows a division of agencies by employment size into four substantial groups.

As well as the overall employment number, figures were also obtained on the number of staff in broad job classifications—the Senior Executive Service (SES), Executive Level staff, APS 1-6 level staff, and a residual “other” category for groups such as graduates and trainees. Table 1 shows the composition of staff by broad job classification and how this varies by employment size. As can be seen, SES staff made up 1.5 per cent of all staff and Executive Level staff, 18.2 per cent. Both numbers were considerably higher in the smaller agencies than in the larger agencies (where, because they account for the bulk of APS employment, the numbers largely match those for all agencies). There were, on a proportional basis, more than five times as many SES staff in the smallest agencies when compared with the largest agencies, and twice as many Executive Level staff.

¹ Most numbers presented in this report are percentages rounded to whole numbers. This means that, on occasion, the sums do not total exactly to 100.

Figure 1: Division of agencies by employment size



Base: all agencies

Table 1: Broad job classification composition of employment, by employment size (row per cent)

Agency employment size	Senior Executive Service	Executive Level	APS 1-6 Level	Other employees	Total
Up to 100	8.0	33.2	58.7	0.1	100.0
100 to 199	2.5	28.2	68.5	0.9	100.0
200 to 499	2.8	22.0	74.1	1.1	100.0
500 or more	1.3	17.5	79.1	2.1	100.0
All agencies	1.5	18.2	78.4	2.0	100.0

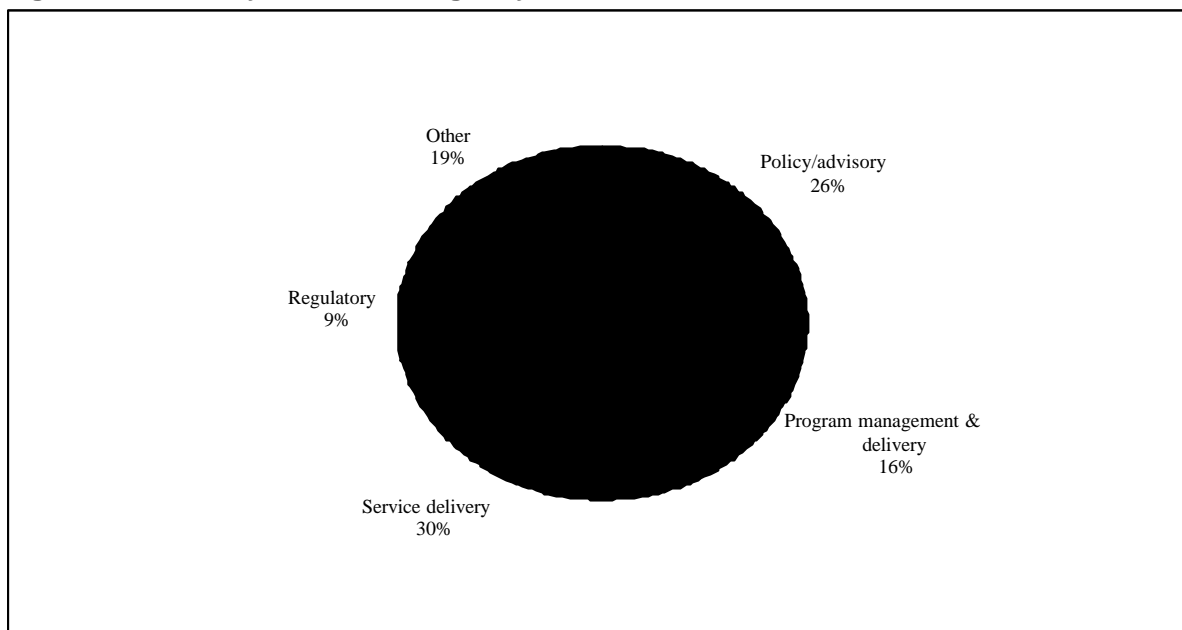
Base: all agencies

Primary function

Figure 2 reports the agency's *primary* function. The two largest groupings were service delivery (30 per cent) and policy/advisory (26 per cent). The "other" category accounted for 19 per cent and was made up of disparate agencies including those involved in research, library services and the collection of statistics.

Agency function was related to employment size. Those primarily involved in service delivery or other activities had average employment levels of around 1,500 staff, about twice the average number of staff in agencies primarily involved in policy/advisory work or regulatory functions. The smallest agencies were those primarily involved in program management and delivery at a bit over 500 staff.

Figure 2: Primary function of agency



Base: all agencies

Geographical concentration of activities and staff

About a third of all agencies (31 per cent) had all of their staff and activities located in the one city. The remaining two-thirds were made up of three groups of roughly similar magnitude found in 2 to 5 cities or towns (21 per cent), 6 to 10 cities or towns (25 per cent) and more than 10 cities or towns (24 per cent). While this reveals something of the dispersion of an agency, it does not indicate whether staff are more or less heavily concentrated. A further question found that, of those agencies based in two or more cities or towns, 55 per cent had at least half of their staff located in just one city or town, while the remaining 45 per cent had their workforces more widely dispersed.

Condensing the information from these two questions, there were 31 per cent of agencies where operations and staff were centralised in a single location, 38 per cent where they were relatively centralised around a head office location, and 32 per cent where they were dispersed around many locations across the country. This was related to both employment size and primary function, as can be seen in Table 2.

Table 2: Average employment and primary function, by geographical concentration

<i>Geographical concentration</i>	<i>Average employment size</i>	<i>Most common primary function</i>	<i>Second most common primary function</i>
Centralised, single location	202.7	Service delivery	Policy/advisory
Relatively centralised around head office	637.0	Policy/advisory	Program management and delivery
Dispersed, many locations	3270.4	Service delivery	Other

Base: all agencies

Structure of the report

Having now set the background to the study, described how the survey was undertaken and the key characteristics of agencies, the remainder of the report deals with the substantive findings from the survey. Chapter 2 looks at the types of agreements in operation. It provides a breakdown on the coverage of the key different forms of agreements, certified collective agreements and Australian Workplace Agreements, before looking more closely at the nature of certified agreements.

Certified agreements are also the focus of Chapters 3 and 4. In Chapter 3, we examine “process” issues—how was the agreement arrived at? how long did it take? what did it cost?—with a sub-theme throughout of whether the process has become any easier over time. In Chapter 4 we move on to “outcome” issues, specifically the pay increases granted under the agreement, the sources of productivity improvement contained within the agreement, and what linkages there are between the two.

In Chapter 5 we once more revert attention back to Australian Workplace Agreements. The use of these, particularly outside the SES, constitutes a strategic choice exercised by agency management. Our interest is in the types of agencies which have sought to exercise that choice, their rationale for doing so, and whether these aims have been met. We also examine ways in which the content of Australian Workplace Agreements differs from that of certified agreements.

Overall reflections on agreement making is the topic of Chapter 6. This entails an initial evaluative assessment of the current round of agreement making, and a look forward to what might be done differently in future rounds. Agencies were also given a chance to comment on changes they would like made to Policy Parameters and this is reported upon here.

The last chapter concludes by discussing several themes recurring through the report.

2. Agreements in Operation

In this chapter we review the survey evidence, and other material where appropriate, on agreements in operation.

Agreement coverage

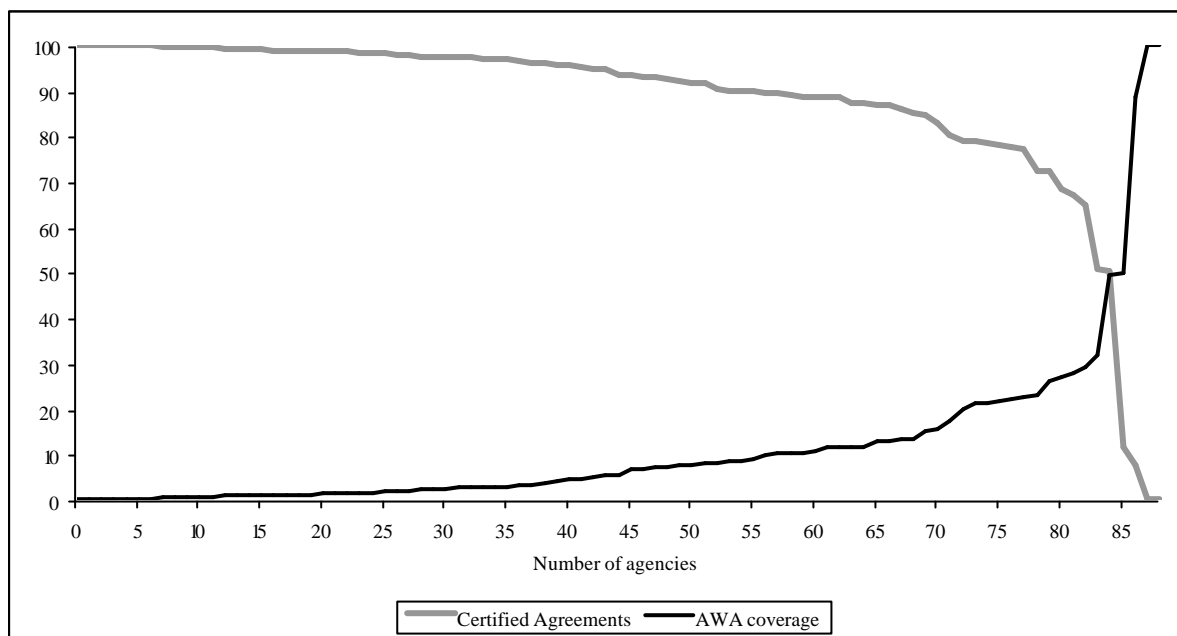
Consistent with its role of “government as employer”, agreement making has been taken up with more gusto in the Australian Public Service than in any other industry—this holds for both certified collective agreements and individual Australian Workplace Agreements (AWAs). According to the May 2000 Survey of Employee Earnings and Hours, 35.2 per cent of all employees had their pay set by reference to a registered collective agreement and just 1.8 per cent by registered individual agreements, such as AWAs (ABS Cat. No. 6306.0). The corresponding figures from our survey (which broadly replicate the administrative data held by DEWRSB) is that 94.3 per cent of Commonwealth public servants are covered by certified collective agreements and 5.2 per cent by AWAs, with the remaining 0.5 per cent covered by other arrangements, such as awards.

In Figure 3, agencies are arranged along a continuum showing the number with 100 per cent collective bargaining coverage through to zero coverage. Similarly, a continuum of AWA coverage, this time reversed, shows agencies with zero through to full AWA coverage. From the figure it can be seen that in six agencies, none of which had SES staff, all staff were covered by collective agreements. At the other end of the spectrum there were two agencies where all staff were covered by AWAs. (Only two agencies had an appreciable number of staff not covered by either collective agreements or AWAs and it was most common (78 per cent of agencies) for all staff to be covered by collective agreements or AWAs.)

In 61 per cent of agencies, at least nine in ten staff were covered by collective agreements and, correspondingly, no more than one in ten staff were covered by AWAs. There were a further 20 per cent of agencies where at least eight in ten staff were covered by collective agreements, followed by 13 per cent where a majority were covered by collective agreement, leaving just 5 per cent (4 agencies) where collective agreement making covered a minority of staff or, as previously mentioned, no staff at all.

As implied by Figure 3, AWAs were a feature of most agencies but with relatively modest coverage—indeed, in 48 per cent of cases fewer than one in twenty staff were covered by AWAs. This implies that the spread of AWAs across agencies has largely been confined to the upper echelons of staff, a finding which is confirmed in Table 3. Among agencies with SES employees, 99 per cent used AWAs in that job classification, and 93.8 per cent of SES staff were on AWAs. There was also high agency use of AWAs for Executive Level staff, with 72 per cent of agencies (with these staff) using AWAs. However, the penetration of AWAs at this level within agencies was patchy, such that only 14.6 per cent of all Executive

Figure 3: Coverage of wage setting instruments (per cent of staff)



Base: all agencies

Level staff were on AWAs. A similar tale can be told about staff in the APS 1-6 level classifications, where AWAs were used by a bit over a third of agencies, but in doing so were highly targeted, such that only 1.4 per cent of staff at this classification were on AWAs. Across all agencies, 93 per cent had one or more staff on AWAs and, of all staff employed in the APS, 5.2 per cent were on AWAs. The general picture, therefore, is one of extensive, but highly targeted, use of AWAs with most staff covered by certified collective agreements. All but two agencies—those where there is 100 per cent AWA coverage—were signatories to a collective agreement, and 94.3 per cent of all APS staff were covered by these agreements. The discussion now concentrates on certified agreements (with further discussion of AWAs in Chapter 5).

Table 3: Use of AWAs, by job classification (row per cent)

	<i>Agencies with any employees covered by AWAs^a</i>	<i>Proportion of employees covered by AWAs</i>
Senior Executive Service	99	93.8
Executive Level	72	14.6
APS 1-6 Level	36	1.4
Other classifications	12	6.3
All employees	93	5.2

Note: a Percentage of agencies with employees in that classification

Base: all agencies

Number and type of certified agreements

Agencies may have one or more certified agreement. Those with multiple agreements may use them to cover different classifications of staff where, for operational or other reasons, they find it in their interests to do so—for example, the Australian Taxation Office has a

separate agreement for Executive Level 2 staff. It is, however, overwhelmingly the case that agencies have only one agreement, with 91 per cent of agencies (with collective agreements) in this category. Those agencies with more than one agreement were asked to respond to later questions with reference to the agreement which covered the *most* employees.

Almost all agreements, 88 per cent, were “stand-alone” in the sense that they fully supplanted relevant awards (and any previous agreements). Most agreements contain a clause to this effect in the preamble or opening clauses. This is a significant change since 1999 when 60 per cent of agencies had stand-alone agreements and 40 per cent operated in conjunction with awards. It clearly indicates a maturity in bargaining infrastructure and confidence over that time, as many agencies progressed from first-round to second-round agreements.

Another way of distinguishing between agreements is whether they are made jointly with trade unions as agents of employees, or with employees directly (i.e. without any “third party” involvement). These two types of agreements are made under different heads of the *Workplace Relations Act 1996*. Section 170LJ agreements are those made with unions, section 170LK agreements are those made with employees directly, sometimes known as non-union agreements. Both type of agreements require valid majority support from those employees who would be covered by the agreement. Relatively few collective agreements certified by the Australian Industrial Relations Commission are made with employees directly, just over one in ten. Since the Act’s inception, section 170LJ agreements have outnumbered section 170LK by a factor of more than five to one.² By contrast, section 170LK agreements are far more prevalent in the APS, with 35 per cent of agencies (with agreements) having agreements falling into this category, while the remaining 65 per cent have agreements certified under section 170LJ. Agreements made directly with employees were more likely to be found in larger agencies, i.e. those with 500 or more employees (40 per cent), in agencies whose primary function was policy or advisory (61 per cent), and where the agency had multiple locations but the majority of staff were based at the head office (45 per cent).

What is perhaps most notable about the findings, however, is that the incidence of section 170LK agreements has *fallen* since 1999, from 45 per cent of agencies with agreements to

² As at August 2001, 61.3 per cent of all Federal agreements had been certified under section 170LJ and 11.4 per cent under section 170LK, with 5.5 per cent under section 170LL (“Greenfields” agreements) and 21.8 per cent under section 170LN (agreements about industrial disputes). Source: DEWRSB Fact Sheet “Progress in Workplace Bargaining”, August 2001.

35 per cent in 2001³; moreover, this is set against a backdrop of declining union membership levels in the public sector.⁴

This raises the issue of how a particular form of agreement is arrived at. Table 4 shows that union agreements are made for a mix of pragmatic and principled reasons, while non-union agreements become possible whenever management preferences and, to a lesser extent, staff preferences are “unimpeded” by union strength. Comparing the reasons for the two types of agreements on a line-by-line basis, it is apparent that management preferences are a strong spur to non-union agreements, but considerably less so for union agreements. The type of agreement is often made in response to staff preferences (though, in the absence of supporting evidence, it would be prudent to be cautious about how accurate managers’ views are on this matter). More revealing are the differences according to union “strength”. Where union membership levels are high, and co-operation is high, and also the potential for dispute is high, a union agreement often results. Correspondingly, where union membership is low, a non-union agreement may result. What does not appear to matter for the non-union agreements is whether the union is unco-operative or there is potential for disputes to arise, both of which may be a function of union membership. Finally, what has worked in the past is, for many agencies, sufficient reason for sticking with the type of agreement they already have.

Table 4: Reasons for type of certified agreement, by type (column per cent)

	<i>Union agreement (Section 170LJ)</i>	<i>Employee agreement (Section 170LK)</i>
Management preference	36	77
Staff preference	55	52
Union membership high/low	30	52
Union strength high/low	13	3
Union co-operation high/low	36	7
Dispute potential high/low	39	10
Same as previous agreement	55	74
Other reasons	9	3

Note: total sums to more than 100 as more than one response possible

Base: agencies with certified agreements

³ The database of current APS agreements maintained by DEWRSB shows that, of all agreements, 42 per cent were certified under section 170LK. Part of the discrepancy with our figure of 35 per cent may be accounted for by confining our analysis to the agreements which cover the most employees in an agency. If, however, the survey finding understates the true extent of section 170LK agreements, the finding that they have declined in incidence since 1999 needs to be qualified.

⁴ In August 2000, 38.1 per cent of employees in government administration and defence were members of a trade union. Two years earlier than that, the corresponding figure was 45.4 per cent (ABS Cat. No. 6310.0).

3. Making certified agreements

This chapter looks at the process by which certified collective agreements were made. Most agencies were, at the time of the survey, operating under their second agreement since the authority to do so had been devolved to individual agencies. A small number were in the process of finalising their third agreement. As we have seen, in moving from the first to the second round (or second to the third), a clearly observed change was the much higher incidence of stand-alone agreements. This chapter allows us to reflect on the lessons that were drawn in moving from one round to another, and whether the experience gained is resulting in the process become more or less easier over time.

Assessment of previous round of agreements

Slightly under half of all agencies (with certified agreements)⁵, 44 per cent, had conducted a formal evaluation of their agreement before they commenced negotiations over the current agreement. There was no discernible relationship with agency employment size, but agencies involved in program management and delivery (62 per cent) and agencies with multiple locations but with staff relatively concentrated at head office (61 per cent) were more likely to have conducted evaluations.

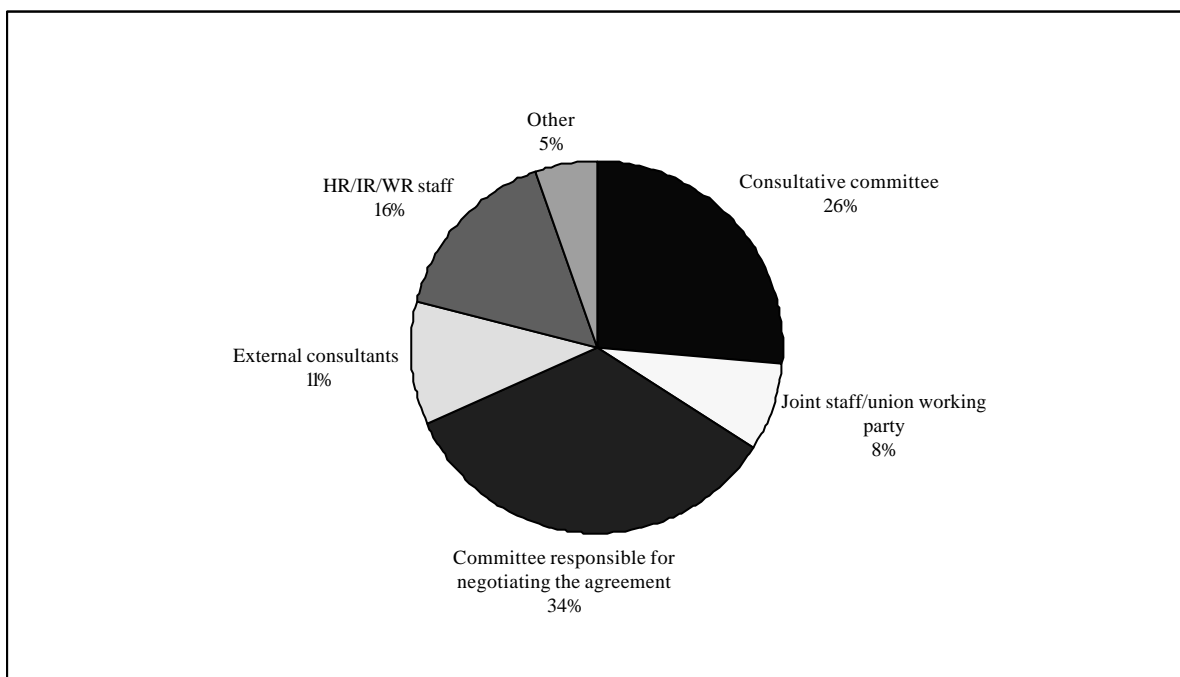
The parties involved in the evaluation are shown in Figure 4. It was most common for the evaluation to have been done by the committee that was charged with negotiating the agreement. This was the case for 34 per cent of agencies conducting evaluations, followed by 26 per cent where the evaluation was conducted by an ongoing agency consultative committee. In 16 per cent of cases, only management involved in employment relations oversaw the evaluation. There were 11 per cent of agencies which drew on independent advice, in the form of external consultants, to conduct the evaluation for them. A handful of agencies, 5 per cent, had other, usually more elaborate evaluation arrangements, as characterised in the quote alongside.

“Issues arising from the previous agreement and options for a new agreement were identified by senior corporate employees. This process involved consultation with the organisation’s senior managers, employees and their representatives on issues arising from the previous agreement and priorities for a new agreement. The process of assessing the effectiveness of the previous agreement had been occurring throughout the life of that agreement.”

⁵ In this and the next chapter, the two agencies without certified collective agreements are excluded from the analysis. We use “all agencies” as a shorthand (ie. rather than the cumbersome “all agencies with certified collective agreements”).

A list of nine possible options for what was included in the scope of the evaluation was the next question asked. This found that agencies nominated anywhere from none of the issues covered (5 agencies) through to all nine (2 agencies), with a median and an average of four. The most frequently mentioned issue was the implementation of initiatives in the agreement (71 per cent). Other retrospective or evaluative issues which were covered by a majority of agencies conducting an evaluation were the cost savings captured by the agreement (53 per cent), impact on organisational and/or individual performance (50 per cent) and productivity improvements achieved (53 per cent). Agencies also used the evaluation to deal with prospective issues, such as pay rates relative to other agencies (55 per cent) and the scope for change in future rounds of agreement making (50 per cent). There was less of a focus on non-financial staff outcomes, such as recruitment and retention (34 per cent) and changes in staff morale (24 per cent).

Figure 4: Parties involved in evaluation



Base: agencies with certified agreements that conducted an evaluation.

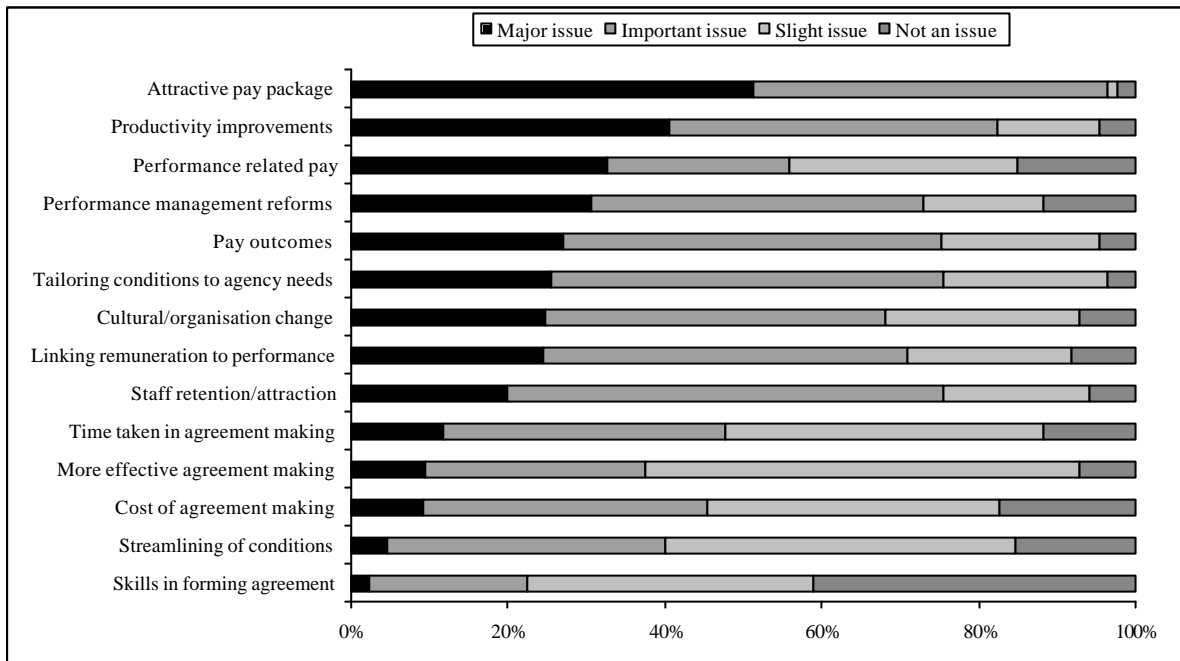
Which issues were important?

The report on the 1999 survey identified a range of process and outcome issues that were “emerging” and likely to shape the types of agreements made in subsequent rounds. Drawing on these issues we asked agency respondents to rate each one on a scale from “major issue” through to “not an issue”. The results of this are shown in Figure 5, where the issues are ranked in order of importance. As can be seen from this, outcome issues clearly predominated over process issues in importance, the most important being developing an attractive package of pay and conditions, where over half of all agencies (51 per cent) rated this a major issue and almost all considered it to be at least an important issue.

By contrast, no more than 12 per cent of agencies rated any of the four process issues to be of major importance. More than half the agencies thought that the cost of agreement making

and the time expended was, at best, an issue of slight importance. This might reflect an ex post rationalisation as process matters are akin to a “sunk cost” once agreement has been reached—as we shall go on to see, however, the cost and time of making agreements is far from trivial.

Figure 5: Importance of issues in agreement making



Base: agencies with certified agreements

Who was involved in agreement making?

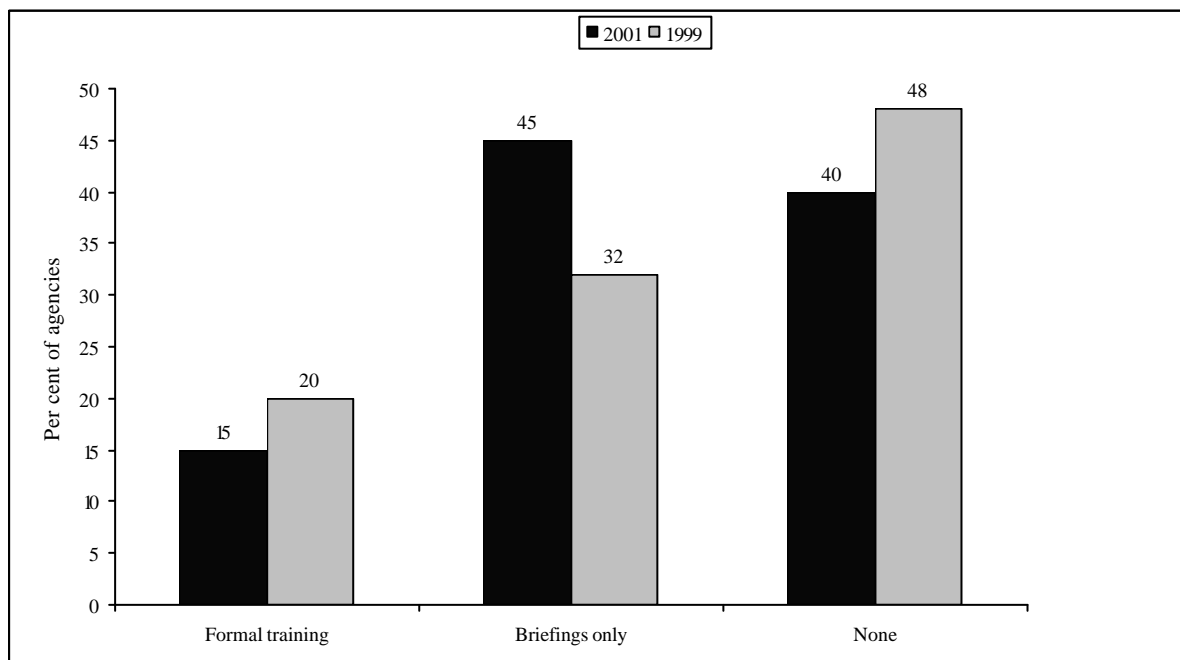
Agencies were asked to indicate the range of people involved in agreement making. All agencies involved in-house specialists, 70 per cent involved SES managers who were not specialists in employment relations, and 57 per cent involved the CEO of the agency in the process.

On the staff/union side, there were 74 per cent of agencies which involved paid union officials (including 60 per cent of agencies which eventually made a section 170LK agreement), and 93 per cent which involved employees of the agency. There were four agencies which purportedly involved neither staff nor paid union officials. Of those involving employees, 26 per cent did so only with employees nominated by staff, and 15 per cent only with employees nominated by unions. The remaining 59 per cent used some combination of these. Finally, there were four agencies which indicated others who were involved—these highlighted a more complex process of staff involvement than suggested by the question.

“A parallel consultation process was used involving negotiation with union representatives and direct consultation with employees. These consultations initially were focused on a draft management agenda (rather than a draft agreement) and once agreement in-principle on the contents of the agreement was reached the final document was drafted.”

The preparedness of those involved to undertake negotiations may be related to their skills and experience. Relatively few agencies, just 15 per cent, provided formal training in negotiating skills for those involved. A further 45 per cent provided briefings to those involved. Figure 6 shows that, in comparison with 1999, there has been a substantial rise in the number of agencies which provided briefings and a decline in those providing formal training or nothing at all.

Figure 6: Training provided for those involved



Base: agencies with certified agreements

Besides those directly involved in the negotiations, agencies frequently turn to outside groups for advice and assistance. In Table 5, those outside groups used and the proportion of those using them rating the advice and/or assistance as “very helpful” or “helpful” is

shown. The most frequently used source of outside advice was the service provided by the DEWRSB Workplace Relations Implementation Group (93 per cent), which was followed by advice obtained from less formal links and networks with other APS agencies, used by 79 per cent of agencies. The Australian Electoral Commission was used by 63 per cent of agencies, presumably to hold ballots to endorse the agreement. There were just three agencies which listed sources other than those mentioned—two of these were the relevant union and the other specifically mentioned use of the Internet to access the OSIRIS database of agreements, itself a service provided by DEWRSB. By and large, the pattern of use of external sources of advice and assistance is broadly comparable with 1999, but with greater use of other APS agencies or networks and lower use of external consultants.

The incidence of external sources used is not correlated in any way with ratings as to their helpfulness. Disregarding the small number of agencies which mentioned “other” sources, the two external sources considered the most helpful were the Electoral Commission (96 per cent of those using) and consultants (89 per cent of those using). For the Electoral Commission this represents a remarkable turnaround in assessments of its services compared with two years previously when only 15 per cent of agencies using the Commission rated it as “most helpful”.

Table 5: External sources of advice used and their helpfulness (row per cent)

	<i>Advice or assistance sought^a</i>	<i>Percentage reporting advice to be “very helpful” or “helpful”</i>
DEWRSB Workplace Relations Implementation Group	93	82
Other APS agencies/networks	79	67
Australian Electoral Commission	63	96
Public Service & Merit Protection Commission	49	63
Legal advisors	30	78
External consultants	30	89
Other sources	4	100

Base: agencies with certified agreements.

Note: ^a total sums to more than 100 as more than one response possible.

It is also worth pointing out that across all of the sources there was never more than two agencies which thought the advice or assistance provided was of no help at all.

Time and resources expended in reaching agreement

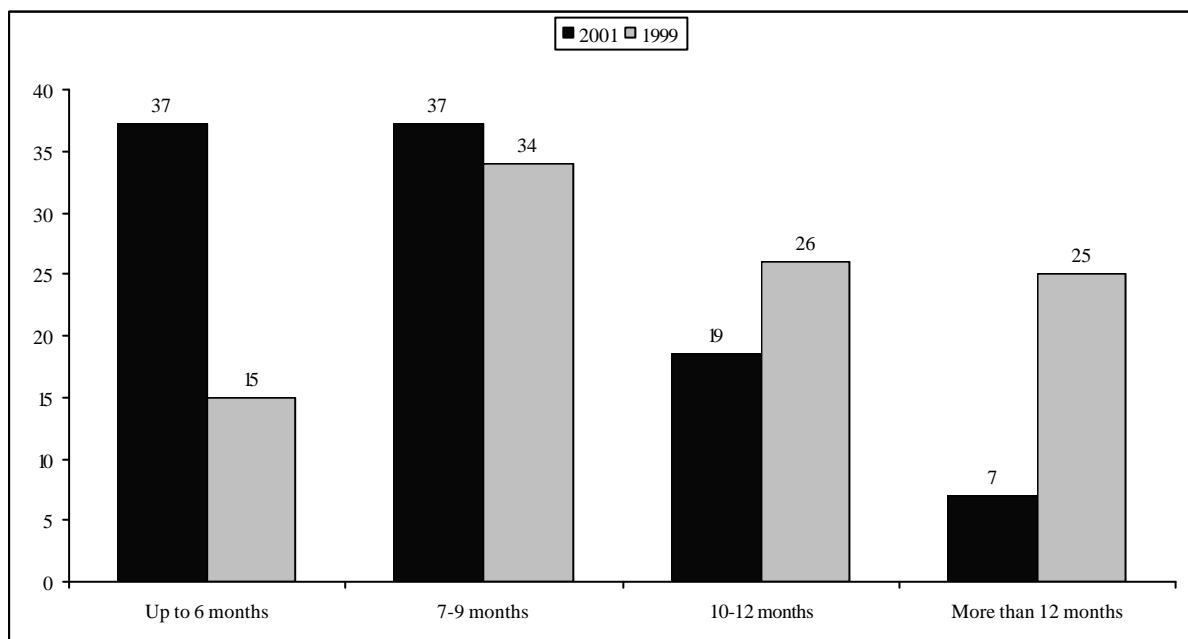
Agreement making can often be an intensive process, absorbing a good deal of time and resources. It is likely to be more so the fuller the consultation and negotiation process. Also of interest for this report is the extent to which experience gained in previous rounds has led to more effective processes being put in place.

Figure 7 shows the elapsed time between articulation of the management agenda to having the resultant agreement certified by the Australian Industrial Relations Commission. This very clearly shows that the elapsed time has shortened in the past two years. In 1999, half of all agencies had taken over nine months to finalise their agreement, but by 2001 this

proportion had halved. Similarly, at the other end of the spectrum, only 15 per cent of agencies took up to six months or less to finalise their agreement in 1999, and this proportion had more than doubled to 37 per cent by 2001.

We can safely conclude from this that the average elapsed time has shortened since 1999, probably by several months. However, it remains the case that the median agency spent somewhere between six and nine months in finalising their agreement. Data from DEWRSB's current agreements database shows that the median life span of agreements in the APS is 24 months. A six to nine month negotiating cycle every two years does suggest that the process remains well drawn out. This is borne out by evidence from the agencies themselves, where 58 per cent reported that the process took longer than anticipated, while 42 per cent said that it was about the expected duration. Not one agency reported that the process was *shorter* than anticipated. Unsurprisingly, the longer the process did take the more likely was the agency to regard it as having taken longer than anticipated—of those agencies that took over nine months to finalise the agreement, 81 per cent said that it took longer than anticipated.

Figure 7: Time taken to finalise agreement (per cent of agencies)



Base: agencies with certified agreements

Factors associated with a longer process

There are two types of factors that can be considered as contributing to a longer duration. The first are known characteristics of the agency and the type of agreement it has—for example, one would expect stand-alone agreements to take longer to finalise than those which operate in conjunction with awards, as the former would be more wide-ranging. Second, agency respondents were asked to select from a list of factors those that contributed most to the duration of the process. This question can be directly compared with responses to the same question in 1999.

The largest agencies, those with 500 employees or more, took longer on average to finalise their agreements. Almost half of them, 43 per cent, took over nine months, and only one in five (20 per cent) took no more than six months. Agencies with fewer than 500 employees did not differ substantially in duration irrespective of their size. Centralised agencies (i.e. based at a single location) took less time to finalise agreements than did those with multiple locations—more than half (56 per cent) had finalised their agreement within six months. Contrary to expectations, there was no difference in duration between those agencies with stand-alone agreements and those with agreements that operated in conjunction with awards. Duration was longer, however, in agencies with non-union agreements where 33 per cent took over nine months compared with 22 per cent of those with union agreements.

Table 6 looks at the second group of factors, those nominated by agency respondents. These are ranked according to their overall importance, and results are also shown separately according to whether the duration was about as expected or longer than anticipated. Dealing first at the aggregate level, two thirds of agencies said that consultative arrangements contributed to the duration and one third said that union involvement did the same. Negotiation, by definition, involves two or more parties, and it therefore seems unreasonable to attribute this as a factor causing delay. The negotiation might be seen as too extensive, though in response to another question just 4 per cent of agency respondents reported that communication with staff over the agreement was more than was needed. The real issue is whether the parties are able to reach agreement without undue delay—this was not the case for 23 per cent of agencies.

“There was a ‘no’ vote from staff first time around which delayed the process. The size and organisation of the tripartite consultative model, i.e. which included management, staff and union representatives was also a factor which impacted on the time taken.”

“An ambitious management negotiating agenda, a background of organisational transformation and internal cultural divisions arising from rapid expansion and change.”

Other factors are consistent with those mentioned above, such as the geographic spread of the agency and its size. Obtaining the necessary policy clearance from DEWRSB was mentioned by 13 per cent of agencies, and slowness in obtaining ministerial clearance was mentioned explicitly by 7 per cent of agencies (i.e. in the space allowed for “other” factors not covered on the list).

Table 6: Factors contributing to duration, by anticipated duration (column per cent)

	<i>About expected duration</i>	<i>Longer than anticipated</i>	<i>All agencies</i>
Consultative arrangements	82	55	66
Union involvement	27	37	32
Christmas/New Year break	24	37	31
Inability to reach agreement	0	39	23
Geographic spread	12	25	19
Waiting for related issues	15	22	19
Obtaining DEWRSB clearance	12	13	13
Large agency	12	6	8
Obtaining ministerial clearance	12	4	7
Changes to PS Act	3	6	6
Lack of knowledge/expertise	3	6	5
Unavailability of senior staff	0	6	4
Other factors	12	27	20

Base: agencies with certified agreements.

Note: total sums to more than 100 as more than one response possible.

The table shows that where it took longer than anticipated to finalise the agreement, agencies were more likely to nominate most of the factors. Perhaps the most revealing difference is the inability to reach agreement, clearly a factor that is difficult to anticipate. This was not mentioned by any of the agencies which arrived at agreements according to their expected timetable, but was mentioned by 39 per cent of those reporting that it took longer than anticipated. It is likely that the disagreement was at the negotiating stage, as only 9 per cent of agencies reported that the agreement failed to win the backing of a majority of staff at its first vote.

Both the ranking and scale of the responses is very similar to those put forward in 1999. For example, in 1999 consultative arrangements was ranked first, nominated by 69 per cent of agencies. This was followed by union involvement (40 per cent) and in fourth place was the Christmas/New Year break (28 per cent). The one area where there has been a marked decline is the proportion of agencies pointing to their own lack of knowledge and expertise. In 1999, 33 per cent of agencies said this was a factor contributing to duration. By 2001 this had fallen to just 5 per cent of agencies, suggesting real returns from drawing on past experience—this is also consistent with the overall shorter duration when compared with 1999.

Cost of reaching agreement

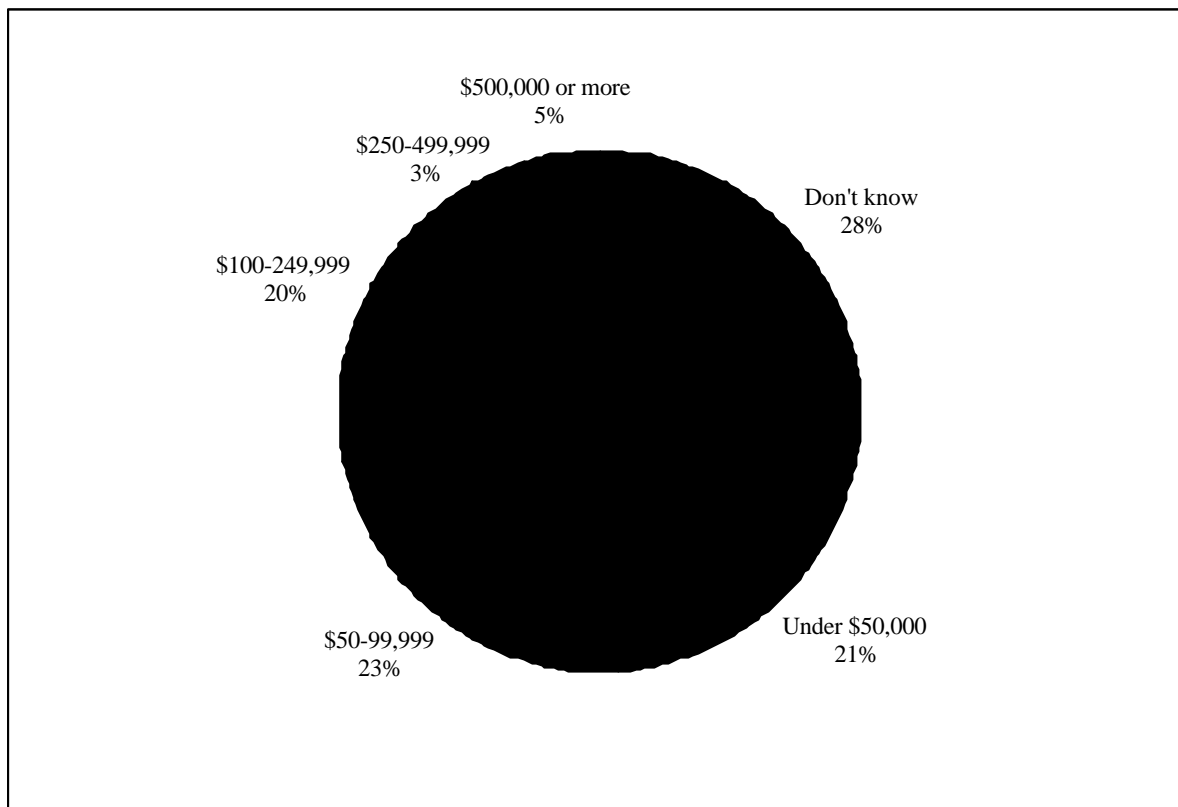
Besides the elapsed time, reaching agreement involves real costs to agencies, most obviously in the salaries of those staff directly involved in the process of agreement making. This issue was notably absent from the Australian National Audit Office report on agreement making

in the APS, which chastised agencies for dwelling on process issues rather than the outcomes of agreement making. Any reasonable assessment, particularly within a cost-benefit framework, must consider both.

Agencies were asked whether they were able to estimate the administrative cost to the agency in reaching their current agreement. Just 4 per cent reported that they could do so precisely, while 69 per cent said they could do so approximately, leaving 28 per cent which said they could not estimate the cost. It is possible to make a broad comparison here with the practice in 1999, where 56 per cent of respondents said they were able to provide an estimate, whether precise or approximate, but, in the event of being asked, only half of these were able to do so. This suggests more agencies are now taking account of the costs of agreement making, even if most do so only on an approximate basis. To take account of the fact that most agencies would only know the costs on an approximate basis, when asked for an estimate of those costs, relatively wide bands were used. Figure 8 shows the magnitude of these estimated costs.

As with time taken to make agreements, we would anticipate that certain characteristics of agencies and their agreements would be associated with the cost of reaching agreement. It would clearly be expected that the larger the agency the higher the cost, and this is confirmed in the results, shown in Table 7. No agency with fewer than 500 employees spent over \$250,000 in costs, while 80 per cent of the smallest agencies spent less than \$100,000. What might not have been expected but was also revealed in this analysis was, the larger the agency, the less likely they were to know, even on an approximate basis, the costs involved. Two in five of the largest agencies could not estimate the cost. Given the clear association between agency employment size and actual cost, the magnitude of costs shown in Figure 8 needs to be qualified—that is, it is likely that most of the agencies who were unable to report costs were at the upper end of the cost distribution.

Figure 8: Cost of agreement-making



Base: agencies with certified agreements.

Table 7: Costs of reaching agreement, by agency employment size (column per cent)

	<i>Under 100 employees</i>	<i>100-199 employees</i>	<i>200-499 employees</i>	<i>500 or more employees</i>
Don't know cost	7	18	33	40
Under \$100,000	80	65	42	17
\$100,000 to \$249,999	13	18	25	20
\$250,000 or more	0	0	0	23
Total	100	100	100	100

Base: agencies with certified agreements.

Besides the association with agency employment size, it was also the case that agencies with agreements operating in conjunction with awards had lower costs (80 per cent under \$100,000), as did, to a lesser extent, agencies which were centralised around a single location (52 per cent under \$100,000).

There were also a number of interesting associations with other process issues highlighted in this chapter. First, agencies which had undertaken a formal evaluation of the previous agreement were more likely to know what their present agreement had cost, 79 per cent compared with 67 per cent of agencies without an evaluation. Second, there was no clear association between the agency respondent's view on the importance of the cost of agreement making as an issue (see Figure 5) and the realised cost, save for the 18 per cent who considered it not to be an issue—rightly, as it transpired, as in 73 per cent of these cases the cost was under \$100,000. Third, agencies which provided no training or briefing to those involved in negotiating the agreement were both more likely to not know the costs (38 per

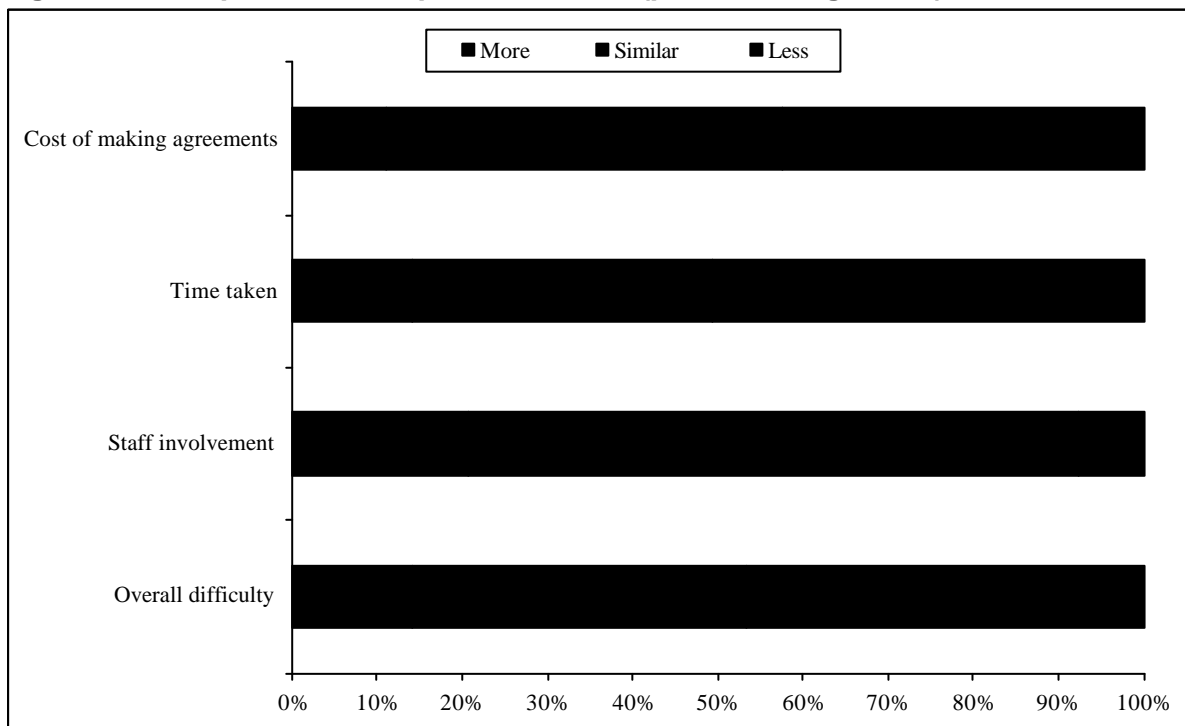
cent) and also, where they could estimate the costs, to have higher costs (11 per cent with \$250,000 or more). Finally, the longer it took to finalise an agreement, the greater on average the cost.

Comparisons with previous round of agreement making

In this chapter we have made frequent references to the results of the 1999 survey, working on the basis of the (sound) presumption that most agencies have since then been through a further round of agreement making. We have been able, by doing this, to show that the amount of elapsed time to reach agreement is now demonstrably shorter than it was two years previously.

Another way of approaching this issue is to ask respondents themselves to make comparisons with the previous round of agreement making. The results of this question are shown in Figure 9. Disregarding those who said they did not know, or that no comparison was possible—mostly relatively new agencies created by machinery of government changes—there is a plainly evident pattern: looked at as a whole, the process of agreement making has become easier. The number of agencies reporting that the current agreement was less costly, less time consuming, and a less difficult process overall outnumbered those who reported that it was the converse by a factor of at least three to one.

Figure 9: Comparisons with previous round (per cent of agencies)



Base: agencies with certified agreements able to make comparisons with the previous round.

In the remainder of this section, we focus on this last comparison as the single best summary measure of change over time. As can be seen from the figure, of those able to make a comparison, 47 per cent considered the process of agreement making was less difficult in the current round than the previous round, compared with 14 per cent who thought the

opposite. Agencies which were more likely to consider the process to be a *less* difficult one included:

- ☞ agencies involved in program management or delivery (62 per cent);
- ☞ those with a section 170LK agreement (63 per cent);
- ☞ those which provided training to those involved in negotiation (67 per cent);
- ☞ all five agencies where the elapsed time to reach agreement was within 3 months; and,
- ☞ those where the time taken to reach agreement was about what had been expected (70 per cent).

In contrast, agencies which were more likely to consider the process to be *more* difficult than in the previous round included:

- ☞ the largest agencies (22 per cent);
- ☞ agencies involved in service delivery (23 per cent);
- ☞ those agencies which took more than 9 months to finalise their agreement (33 per cent);
- ☞ those where the time taken was longer than anticipated (26 per cent); and,
- ☞ agencies which reported an inability to reach agreement as a delaying factor (44 per cent).

4. Content and outcomes of certified agreements

This chapter moves on from the process issues of the past chapter to concentrate on the agreements themselves—what provisions do they contain? what was the rationale behind these provisions? In particular, there is most interest in the ways in which agencies have been able to square the circle of funding pay increases within budget appropriations, as required by the Policy Parameters.

Wage outcomes

As we saw in the previous chapter, the issue which ranked foremost in importance for agencies as they prepared to enter negotiations over their current agreement was developing an attractive package of pay and conditions of employment.

The pay rises contained within agreements can be converted into a percentage increase per annum figure. This number is calculated by DEWRSB staff on the basis of clauses contained within the certified agreement. What is most striking from perusing the main pay provisions within agreements is the remarkable degree of variation, and often ingenuity, in how pay packages are structured across agencies. This makes comparisons across agencies difficult. There are three particular problems.

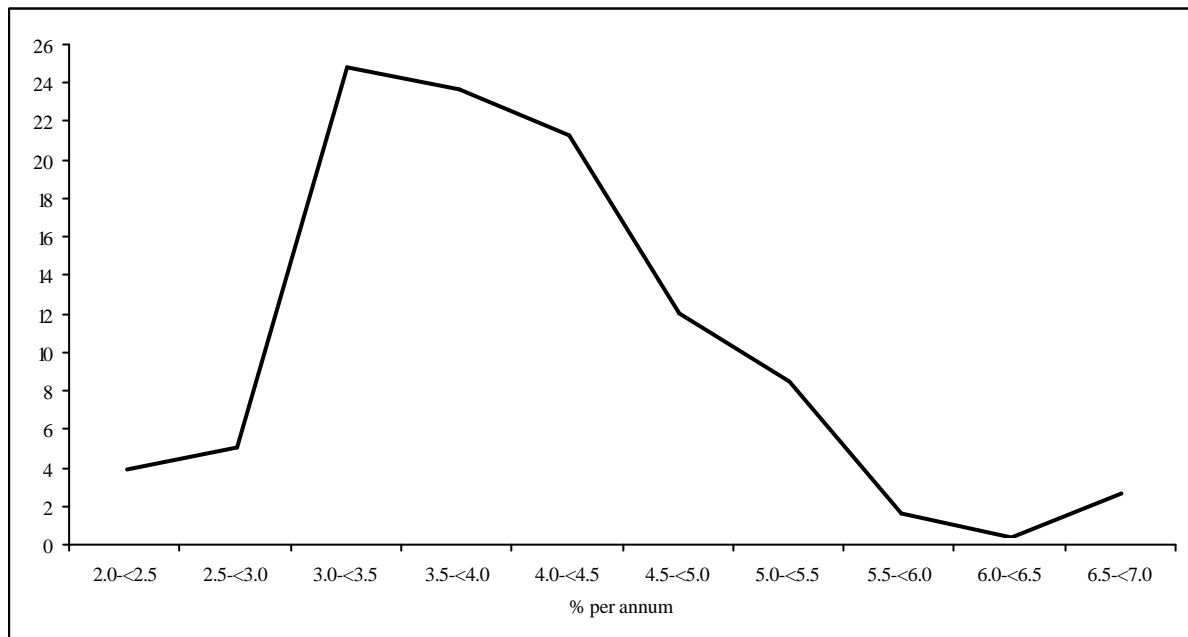
First, some agreements contain provisions for lump-sum payments, often a “signing-on bonus”, which are not incorporated into base salary—these sums are generally not incorporated into the percentage increase per annum figure. For example, the Australian Customs Service agreement included provision for a starting payment of between \$451 and \$1,441 depending on classification. The Department of the Senate paid a bonus payment of \$1,000 to all full-time staff (\$800 to part-time staff) on certification in November 1999 with a further \$1,000 bonus six months later.

Second, pay rises are in many cases conditional on certain goals or targets being met. These are sometimes tied to individual performance, sometimes to organisational performance. Generally, those which are tied to individual performance take the form of bonus payments, while those tied to agency performance become incorporated into base pay. For this latter form of increase we have assumed that it will be (or has been) paid, and it is therefore included within the percentage increase per annum figure. This issue is explored further below.

Third, a small number of agreements provide for different pay increases according to job classification. Some give higher increases to Executive Level staff in comparison with those at the APS 16 level, while others do the opposite. In these cases, we have calculated a weighted average for the agency as a whole based on the employment numbers provided to us in the survey.

Taking these qualifications into account, the figure used is best understood as the average change to base salary within the agency. It will generally *understate* real changes in earnings because of the exclusion of one-off bonus payments and individual performance bonus payments. Figure 10 shows the distribution of pay increases across agencies. These ranged from 2.3 to 6.7 per cent per annum, with a median of 3.8 per cent, and an average of 3.9 per cent. Two in three agencies (69 per cent) fell into a one and a half percentage point band spanning 3.0 up to 4.5 per cent per annum.

Figure 10: Pay increase from agreement (number of agencies)



Base: agencies with certified agreements.

Analysis of this average figure across the main characteristics of agencies yielded few substantial differences. It is, for example, sometimes claimed that smaller agencies have less capacity to pay increases than larger agencies, but our analysis did not bear this out. The average pay increase was lower in agencies involved in program management and delivery (3.5 per cent per annum) than in other agencies. There were some modest differences depending on the type of agreement which had been struck. Stand-alone agreements resulted in, on average, a 0.28 per cent per annum higher increase than agreements which operated in conjunction with awards. Agreements made with unions were, on average, 0.24 per cent per annum higher than those made directly with employees. These are quite modest differences, amounting to an annual gross pay difference of no more than \$140 for staff earning up to \$50,000 per year.

Agency respondents were asked to indicate which of a range of listed factors had helped to determine the size of the increase delivered over the life of the agreement. The responses to this question are shown in Table 8, alongside the average pay increase. It is clear from this table that the main factors which drive the size of the pay increase is finding the balance between what the agency can afford and the “going rate”. Benchmarking is done much more against other APS agencies (71 per cent) than against the wider external labour market (40 per cent). This is especially interesting in light of the Audit Office’s view that “there is scope to align APS remuneration costs more closely with the private sector” and that agencies should be encouraged to do so⁶. The answers given here, taken together with the response that in 58 per cent of agencies the size of the pay increase was determined by the general expectations of staff, suggests that the reality is the going rate is largely set by reference to the APS. This most likely reflects the pattern of labour mobility—that is, it largely occurs within and across APS agencies, and much less so across the broader labour market. A further interesting feature of the findings in this table is that increases generated by improving productivity and staff commitment were considerably more prominent than the narrower focus on pruning costs by, for example, rationalisation of employment conditions.

The factors cited by agency respondents are similar in rank and magnitude to those mentioned in response to the same question in 1999. Indeed, the first three ranked issues were the same in 1999, reported by 60, 55 and 42 per cent of agencies, respectively.

Table 8: Factors determining size of pay increase, and average pay increase

	<i>Per cent of agencies indicating this as factor</i>	<i>Average pay increase in those agencies (% per annum)</i>
Levels offered in other APS agencies	71	4.0
Limit set by internal budget	65	3.9
Productivity increases	63	3.9
General expectations of staff	58	4.0
Staff commitment to ongoing change	47	3.8
External market forces	40	4.0
Savings identified in agreement	36	3.9
Administrative savings	34	3.9
Rationalisation of employment conditions	30	3.6
Union claim for pay increase	24	4.1
Compensation for delays in reaching agreement	19	4.3
Other factors	7	3.7
All agencies	—	3.9

Note: total sums to more than 100 as more than one response possible.

By and large, there was little association between those factors nominated by agencies as contributing towards the size of the pay increase, and the increase itself. The one factor which stands out is compensation for delays in reaching agreement, nominated by 19 per cent of agencies, and resulting in an average pay increase of 4.3 per cent per annum. This is

⁶ The Auditor-General Audit Report No.13 2000-2001 Performance Audit: *Certified Agreements in the Australian Public Service*, 4 October 2000, page 18.

to be expected as it is partly a retrospective correction to maintaining relativities. There is also some evidence that a consistent and concerted approach to how to generate funds to meet the cost of the pay increases is associated with higher increases. Agencies which focused on achieving cost savings but not productivity improvements or staff commitment had an average increase of 4.1 per cent per annum. Those that focused on productivity improvements and/or staff commitment, but not on cost savings had an average increase of 4.0 per cent per annum. Those that attempted both strategies, or neither, had an average increase of 3.8 per cent per annum. Once again, the scale of these differences is quite modest, so one should be wary of overstating the finding.

Overall, three in five agencies (59 per cent) believed that they would be able to fully meet the cost of the pay increases through productivity improvements or savings contained in the agreement, 29 per cent thought it was too early to judge, and 12 per cent stated that they could not. It is worth noting that this latter group had an average pay increase that was 0.29 per cent per annum *higher* than other agencies. When asked to elaborate on why they would be unable to fund the pay increases from within the agreement, most pointed to operational improvements in performance outside the agreement making process which would generate savings.

“Productivity improvements in the service delivery area have and will be delivered through significant re-engineering, benchmarking performance for some services and investing in new technologies. The department continues to pursue organisational efficiency by consolidating operations and is well advanced in the investigation of appropriate models of service delivery for corporate services including investigating further competitive tendering and contracting.”

Contingent pay increases

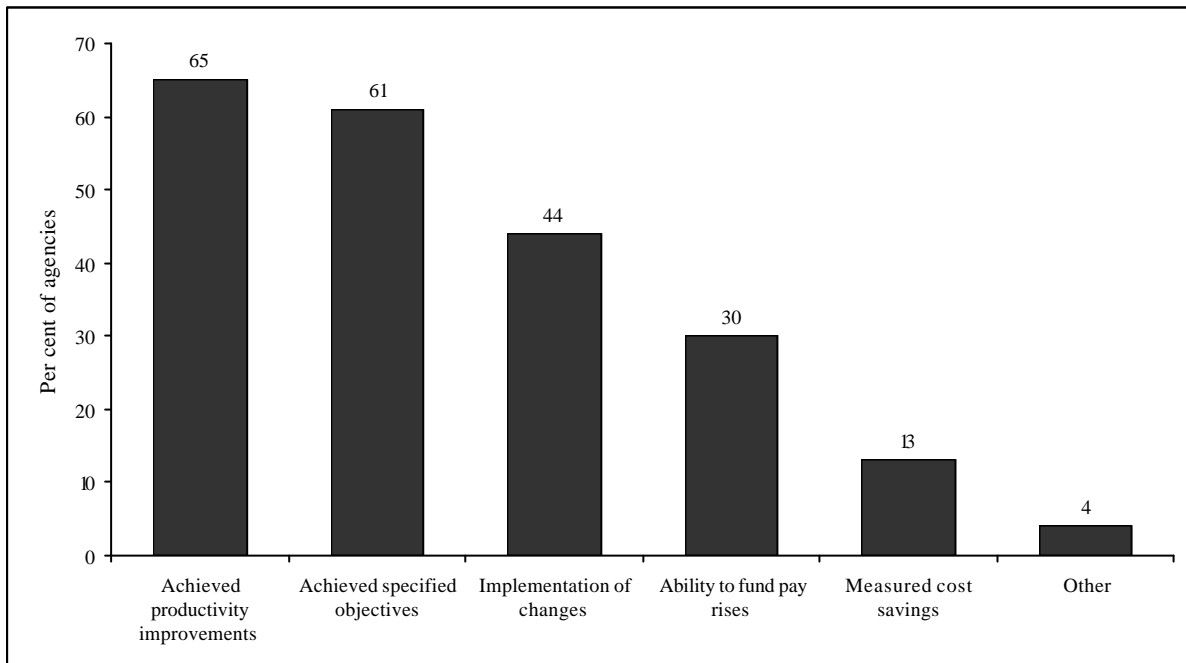
As highlighted in the opening part of this section, behind the single summary figure of the average pay increase lies a good deal of variability in how that increase is structured. We look briefly at this, drawing on evidence from the survey.

In almost all cases, 95 per cent, agreements provided for ongoing agency-wide pay increases to be paid to all staff covered by the agreement. Of these agencies, two in three (68 per cent) had automatic increases to be paid on set dates built into the agreement, and about one in three (28 per cent) had agency-wide pay increases some or all of which were contingent. There were also 4 per cent of agencies where the respondent was unable to answer the question. There has been a slight drift towards agency-wide pay increases becoming more contingent over time—in 1999, 73 per cent of agencies had agreements containing provisions for automatic increases.

Those agencies where some or all pay rises were contingent were asked what the triggers were, the results of which are shown in Figure 11. The two items which stand out are achieved productivity improvements (65 per cent) and achieved objectives as specified in the agreement (61 per cent). While these numbers appear substantial, they need to be translated into an “all agencies” figure to be properly interpreted. Put this way, fewer than one in five of all agencies specify productivity targets or other corporate goals in their agreements. The third most significant item was that changes in the agreement had been implemented (44 per cent, representing 12 per cent of all agencies). In the next section we

explore the issue of delay in enacting provisions in the agreement. Other issues ranked less highly, including clauses which state that pay increases will only be paid if there is an ability to fund within appropriations—this was mentioned by 30 per cent of agencies, translating into fewer than one in ten overall.

Figure 11: Contingent pay targets



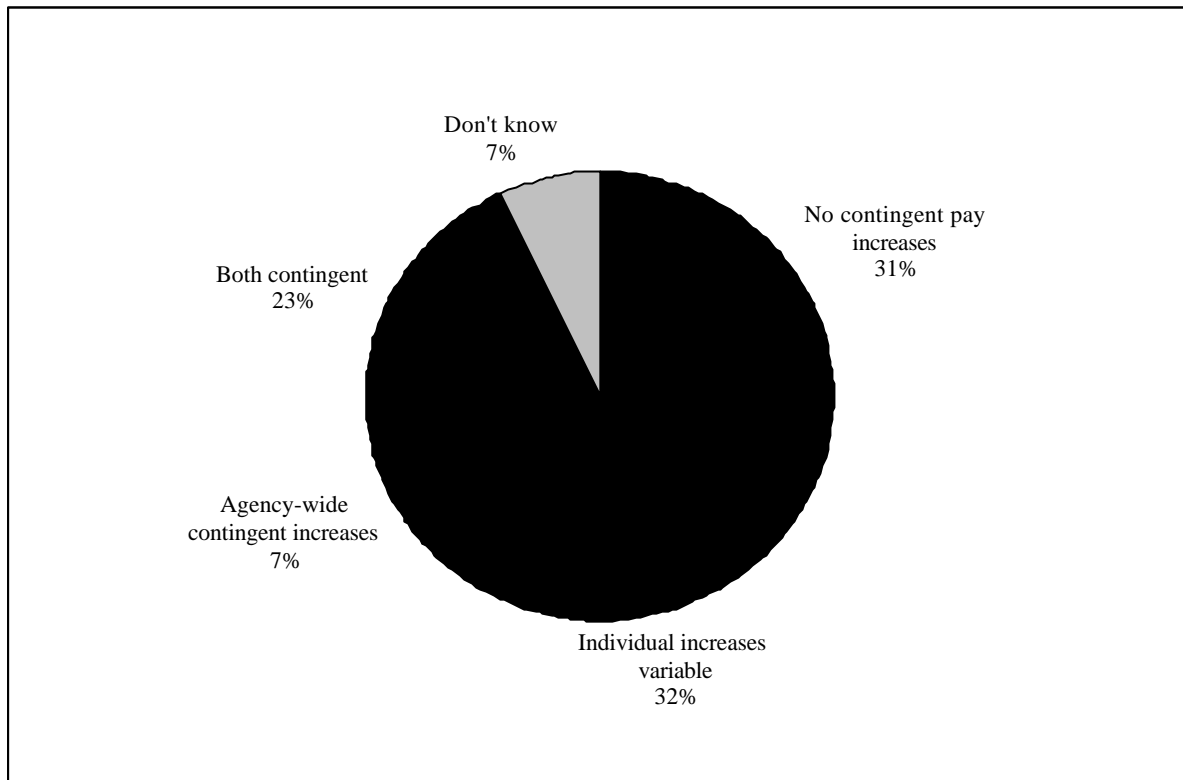
Base: agencies with certified agreements where agency-wide pay rises are contingent.

In addition to making agency-wide pay increases contingent, there are also many agencies where the agreement allows for differential individual pay increases which are dependent upon performance. There are also some cases where the agency-wide pay increase can be withheld from individuals if their performance is unsatisfactory, but we do not explore that here, as this is more to do with management of under-performance. Similarly, in most agencies (85 per cent), individuals progress through a salary scale on the basis of performance assessment. While these provisions are often incorporated into agreements, our focus is on the ability of individuals to obtain *higher* pay increases than others or additional payments on the basis of performance. Overall, 57 per cent of agencies have such provisions in their agreements. This is made up of a combination of any one or more with accelerated salary advancement (42 per cent), additional bonus payments (29 per cent) and higher percentage pay increases (17 per cent).

The above findings are summarised into an aggregate picture of contingent pay increases as shown in Figure 12. In roughly one in three cases (31 per cent) agencies have uniform and predictable outcomes in the sense that all staff get the same pay rise triggered just by the date in the agreement. However, these agencies are outnumbered by a factor of two to one by those where pay rises are subject to certain conditions being met and/or where individuals have the scope to earn pay rises (or bonuses) in excess of the agency-wide rise. The largest grouping is 32 per cent of agencies where agency-wide pay increases are “automatic”, but individuals have the scope to earn additional payments or higher increases

based on their own performance. There is also a substantial group (23 per cent) where pay increases are contingent both upon agency-wide targets being met and on individual performance. It is comparatively rare, just 7 per cent of agencies, for organisation-wide pay increases to be contingent, but for individual pay increases not to be. This very much suggests that the two phenomena go hand in hand.

Figure 12: Contingent pay increases



Base: agencies with certified agreements.

Productivity provisions and outcomes

Among APS agencies there is most interest in finding ways of enhancing productivity, so as to fund pay increases from within appropriations, but also so as to get better value for taxpayers' money. Public sector organisations face a quite different operating environment to the textbook model of the private company producing widgets. Under this model, it is possible to determine the real unit labour cost of producing each widget. Gains in productivity, whatever their source (e.g. technological improvements, efficiency gains), are reflected in lower real unit labour costs—this gain can then be shared with the workforce keeping unit labour costs constant. Such a model does not translate well to organisations delivering services to the public, let alone those engaged in delivering services to Ministers (i.e. provision of policy advice). Furthermore, whether there are productivity improvements or not, private sector firms are also able, subject to competitive constraints, to pass on pay rises to customers, something that public sector agencies which must work within appropriations are unable to do. All of this means that agency managers are obliged to find creative ways of doing more with less, while maintaining, at a minimum, a consistent quality of service.

Table 9 shows the features of agreements which agency respondents reported have contributed most to enhanced performance. The question was deliberately designed to tap the *whole* of the experience with agency-level bargaining, not just the current agreement—the pilot survey revealed that several agencies had found that they had exhausted the limit of gains to be made in particular areas, and the agenda had now moved on to newer ways of improving performance. The left-hand column shows the percentage of agencies nominating particular feature of agreements, while the right-hand column shows the score on an “importance index” from the three features ranked as most important. This score is calculated by assigning a value of 3 to the feature ranked first, 2 to that ranked second, and 1 to the third ranked, and then dividing the total by 6. Across all agencies and features the importance score sums to 100.

“Most of the areas described in this question were addressed as part of the previous agreement and were not substantially changed as they were working well. Some changes were made in the area of further simplification and tailoring of conditions, but the major productivity/performance improvements were delivered through business changes occurring in parallel to the agreement making process. It was these business changes that provided the productivity savings to pay for the agreement.”

Table 9: Most important performance enhancing features of agreements

	<i>Per cent of agencies saying important^a</i>	<i>Importance index score</i>
Enhanced performance management arrangements	74	26.0
Family friendly working arrangements	74	9.0
Flexible hours of work	61	9.8
Tailoring conditions to agency business	57	11.2
Leave simplification/streamlining	56	4.2
Streamlined conditions of employment	52	6.4
Allowance simplification/streamlining	49	2.8
Training and development	39	4.6
Revisions to classification structure/broadbanding	37	7.8
Performance-related pay	29	6.7
Direct communication with staff	29	4.0
Reward and recognition programs	18	0.6
Team based working arrangements and rewards	12	1.2
Other features	23	6.0

Base: agencies with certified agreements.

Note: ^a total sums to more than 100 as more than one response possible.

On average, each agency nominated six features from the pre-designated list of fourteen possible features. Taken together, the clear stand out feature is performance management arrangements, mentioned by 74 per cent of agencies and with a score on the importance index of 26.0. Of those agencies nominating this as a factor, all but one in ten included it among the three most important. In general there is a reasonable match between the incidence of agencies citing a particular feature as important and its ranking on the importance index, but there are some notable movements. Family friendly working arrangements was also reported as an important feature by 74 per cent of agencies, but had a much lower score on the important index (9.0) than for performance management arrangements; indeed, on the basis of this ranking, it falls from equal first to fourth most

important. Similarly, there appear to be only modest returns to simplifying allowances and leave arrangements. These were mentioned as important features by 49 per cent and 56 per cent of agencies respectively, but did not score so highly on the importance index. Revisions to classification structures were reported by just two in five agencies, but in terms of contribution to enhanced performance it appears to deliver dividends, with two in three of those mentioning it rating it among the three most important.

It is possible to compare the results presented in Table 9 with the findings from a near identical question in the 1999 survey. This shows a relatively high degree of stability in the most important performance enhancing features over time. In 1999, the three most highly ranked issues were enhanced performance management arrangements (mentioned by 77 per cent of agencies), flexible hours of work (60 per cent) and leave simplification/streamlining (53 per cent). The proportion of agencies citing these has barely altered. Two issues which are now more important are family friendly working arrangements (up from 22 per cent of agencies in 1999 to 74 per cent in 2001), and tailoring conditions to agency business (up from 25 to 57 per cent).

Specific innovative features of agreements

Doubtless, some readers are still waiting for details of the “magic bullet”, the one provision that they need to include in their agreements, so that productivity improvements result. Of course, nothing is ever so straightforward. It is still, however, one of the objects of this report to provide details of provisions which agencies regard as having “worked”, which might in turn usefully be drawn upon by other agencies. To this end, agencies were asked to detail up to five specific clauses contained in their agreement that they considered to be especially innovative or important in enhancing performance. Appendix A contains some illustrative examples of these clauses—the full set of responses will be drawn upon by DEWRSB as part of its advisory and assistance services.

There are two clear findings from this material. The first is that the clauses quoted largely validate the findings from the previous sub-section, with performance management arrangements, flexible working hours and revisions to the classification structure all figuring prominently. The second main finding is that, similar to the way in which pay increases are structured, there is an enormous amount of variation and creativity in the way in which provisions are drafted. The label “flexible hours of work”, for example, covers a multitude of arrangements, from seven days a week rostering, to bandwidth hours, to part-time work. It is evident that agreements are being made which are specifically tied to the operational requirements of the agency, thus clearly meeting one of the main policy goals in devolving the setting of pay and conditions to individual agencies.

Performance indicators in agreements

A particular issue which arose in the Audit Office report was that agreements should contain specified objectives, these should be measurable and reported upon to staff and in annual reports.

In the previous section we showed that 28 per cent of agencies had agreements where some or all agency-wide pay rises were contingent on various goals or targets being met. Of those that had such provisions, the two most important targets were productivity improvements being achieved or other specified corporate objectives being met. It is possible, of course, that agreements specify objectives to be achieved over the life of the agreement which are not directly tied to pay increases. Just over one in three agencies (37 per cent) said that their agreement had specified objectives. Agencies were more likely to state this where agency-wide pay increases were contingent (59 per cent). It was also the case that agencies involved in the provision of policy advice (50 per cent), and those which were relatively centralised around a head office (43 per cent) were more likely to have specified performance outcomes detailed in the agreement.

Another way of approaching the issue of performance indicators in agreements is to identify what agencies do generally in the way of monitoring performance, and then whether the results of this monitoring feeds into targets in agreements. Table 10 shows the proportion of agencies which collect and report upon a range of performance indicators in their agency, and of those, the proportion who specify targets for these in their agreement. The findings from this are clear: many agencies keep records on a variety of performance indicators, but very few agencies incorporate set targets for these in their agreements.

Table 10: Agencies with performance indicators and their inclusion in agreements

	<i>Per cent of agencies which collect and report on indicator</i>	<i>Per cent with indicators which include targets in agreement</i>
Program/service delivery costs	61	10
Labour turnover/staff retention	59	0
Client/customer satisfaction	58	10
Absenteeism/lost working time	54	7
Staff job satisfaction/morale	54	0
Non-budgetary revenue	36	3
Ancillary costs	24	0
Skill levels/audit	21	17

Base: agencies with certified agreements.

Between half and three in five agencies keep records on program and service delivery costs, labour turnover, client satisfaction, and absenteeism but no more than one in ten of those keeping records on these measures include targets within their agreement. Why they do not would be a worthy topic for further investigation. In the case of program and service delivery costs, the inclusion of targets would provide a transparent means of linking savings to pay increases. This would certainly match the stated aims of the Policy Parameters, though it may well be the case that making pay rises contingent on specified targets exposes the agency to the risk of frustrated staff expectations and lagging relativities against other APS agencies, both of which were among the most important factors in explaining the size of pay increases. A further example is labour turnover and staff retention. It is frequently claimed that family friendly working arrangements will improve retention rates, saving costs in staff replacement. If retention rates rose above the average, the reduced staff replacement costs could be shared with the workforce. However, not one agency specifies

staff retention targets in their agreement, despite the fact that 74 per cent of agencies cite family friendly working provisions as an important performance enhancing feature of their agreements, and 59 per cent keep records on staff retention. This does suggest something of a disjunction between rhetoric and practice.

Delays in implementing provisions in agreement

In the previous section we showed that in 12 per cent of agencies, pay increases across the board could potentially be withheld if provisions in the agreement were not implemented. Does the inclusion of such a clause act as a spur to encourage provisions to be acted upon? The answer appears to be apparently not. Of the (ten) agencies with such a clause in their agreement, half (five) reported delays in the implementation of various provisions. This is well above the proportion of other agencies, where 21 per cent reported delays, giving an overall figure of 25 per cent of agencies experiencing delays. When asked what were the source of the delays, agency respondents mostly said (48 per cent) that they were waiting for related issues to be resolved. Other reasons for delay included a lack of resources (10 per cent), other competing priorities (10 per cent), and the unavailability of senior people to attend meetings (5 per cent). There were none at all which attributed delays to employee resistance, while 10 per cent (representing just 2 per cent of agencies overall) attributed delays to union involvement.

5. Australian Workplace Agreements

In Chapter 2 we presented the main findings on the different forms of pay setting within agencies. To reprise these findings, Australian Workplace Agreements (AWAs) were used widely across agencies, but applied to relatively few staff, mostly those at SES level. Overall, 93 per cent of agencies had at least some staff on AWAs, and of all APS employees (in those agencies surveyed) 5.2 per cent were on AWAs (see Table 3). There were two agencies where all staff were employed on AWAs. In this chapter, we look more closely at the strategic objectives of using AWAs. The Government's stated policy is that, given the level of their duties, SES employees should be covered by AWAs. Below this level agencies should consider extending the use of AWAs, but are not under any obligation to do so. Agencies therefore face a strategic choice between opting for certified collective agreements or AWAs (as, indeed, they also face a strategic choice in the form of certified collective agreement, i.e. whether with trade unions as a party, or with employees directly).

Extension in AWA coverage

Of all agencies, 44 per cent said they had extended the coverage of AWAs since the previous round of agreement making. This appears to be consistent with the evidence obtained on coverage from this survey compared with the 1999 survey. For example, in 1999, 49 per cent of agencies had one or more Executive Level 2 staff on AWAs, 23 per cent had one or more Executive Level 1 staff on AWAs and 29 per cent had one or more APS 1-6 level staff on AWAs. By 2001 (see Table 3), 72 per cent of agencies had one or more Executive Level staff on AWAs—we do not know the breakdown between Executive Level 2 and Executive Level 1—and 36 per cent had one or more APS 1-6 level staff on AWAs. Clearly, there has been an extension in coverage since 1999, most marked at the Executive Level classifications.

Which agencies are the most likely to have done so? There is a clear positive association between agency employment size and extension in AWA coverage. Among the smaller agencies (those with fewer than 200 employees) less than a third had extended AWA coverage, while more than half of agencies above this size had, rising to 60 per cent among agencies with 500 employees or more. Policy and advisory agencies were also more likely to have extended coverage (57 per cent), as were those with stand alone certified agreements (48 per cent, compared with 20 per cent of those with agreements operating in conjunction with awards). There was no discernible association between the parties to certified agreements and extension of AWA coverage. Not surprisingly, agencies which stated that coverage had been extended had, on average, more employees covered by AWAs than agencies which had not, by a factor of two—7.0 per cent compared with 3.6 per cent. Nonetheless, even in those agencies which have extended coverage, the use of AWAs remains narrowly targeted.

Those agencies which had extended coverage of AWAs since the previous round of agreement making were asked what were the objectives in doing so, and to indicate whether these objectives had been met—the options being yes, no and too early to say. Table 11 shows the responses to these two questions. There was a general tendency with the question

on objectives to “ tick all of the above” with, on average, half of all the 11 possible responses marked. Only one of the listed objectives, that staff have a preference for AWAs over certified agreements, failed to get the endorsement of at least a third of agencies. Nonetheless, it is apparent that there was a greater focus on being able to reward individuals in ways that certified agreements may not permit (so as to retain their services), with somewhat less of a focus on using AWAs as a device to promote enhanced performance. It is also worth noting that three times as many agency respondents reported as an objective that certified agreements do not suit agency needs (for key staff) as did that it accorded with staff preferences.

Table 11: Objective of extending AWA coverage, and whether met

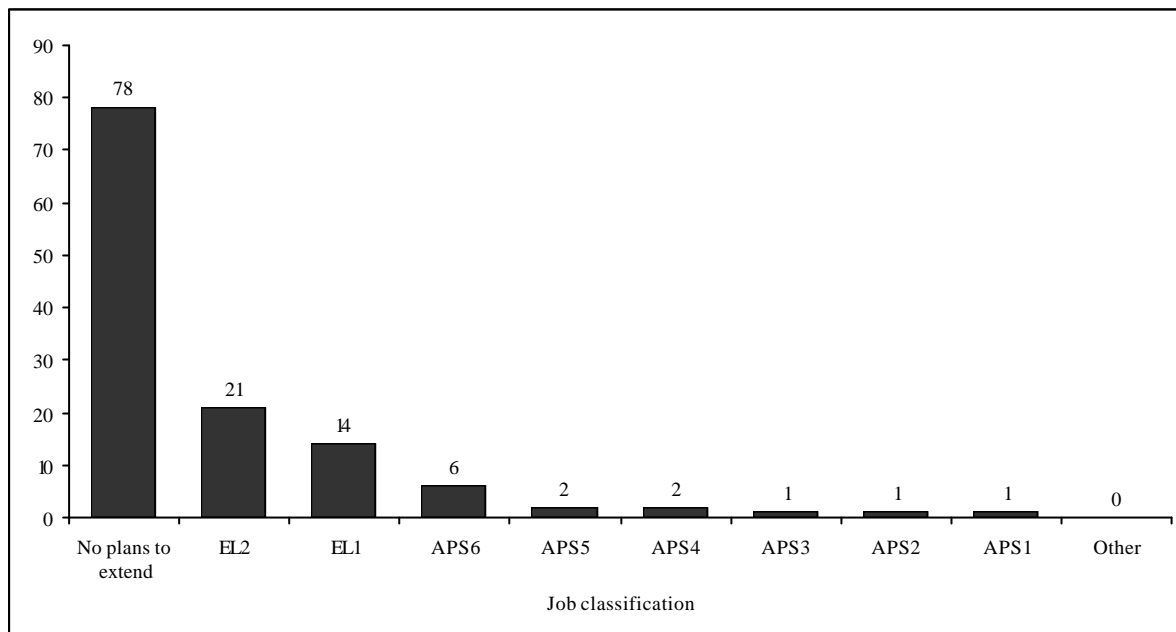
	<i>Per cent of agencies saying objective</i>	<i>Per cent of those where objective met</i>
Recruitment and retention of key staff	92	71
Better able to link pay to individual performance	82	73
Meets needs of individuals	82	86
Achieve greater flexibility	72	85
Improve accountability of key staff	54	48
Increase productivity or performance	49	55
Negotiate directly with staff	41	90
Certified agreements do not suit agency needs	41	90
Promote cultural change	39	61
Staff prefer AWAs to certified agreement	13	63
Other objectives	13	100

Base: agencies that have extended AWA coverage.

By and large, agency respondents were confident that their stated objectives had been met. For all but one objective a majority thought so, and where they did not they invariably stated that it was “ too early to say”; indeed, across all the objectives, no more than one agency reported that it had not been met. As before, it is apparent that the aspirations of individual staff on AWAs are, according to agency respondents, being met—at least three in four said they had been successful in negotiating directly with staff, linking individual pay to performance and meeting the needs of individuals. When the focus shifts more to the agency pay-off, there is somewhat less confidence that the objective has yet been met—around a half thought that individual accountability had been improved, and productivity had increased.

Agencies were also asked whether they had any plans to further extend coverage of AWAs in the future—the results of this are shown in Figure 13. Just one in five agencies (22 per cent) said they had such plans. Those that said yes were asked to indicate to which levels of staff they were intending to extend coverage. Almost all of those saying yes, 95 per cent (representing 21 per cent of all agencies), had plans to extend them to Executive Level 2 staff, and 63 per cent (representing 14 per cent of all agencies) had plans to extend them to Executive Level 1 staff. Very few agencies, no more than 6 per cent, had plans to extend them to any other classifications.

Figure 13: Extending AWAs in future (per cent of agencies)



Base: all agencies.

Differences between AWAs and certified agreements

As well as understanding the objectives of having AWAs in place, it is also important to understand something of their content, in particular the ways in which they differ from the agency's certified agreement. Table 12 shows the responses to this question from those agencies which operate both forms of regulatory instrument (i.e. excluding the six agencies where no staff are on AWAs and the two agencies where all staff are on AWAs). The most important difference is that pay outcomes are higher in AWAs than in certified agreements. One interpretation of this might be that this is because AWAs are largely confined to SES staff who would earn more than staff in other grades irrespective of whether they were on AWAs or covered by a certified agreement. However, if we restrict attention to those agencies where there is *partial* coverage of AWAs at the Executive Level (i.e. some, but not all are on AWAs), the finding still holds: 71 per cent of these agencies stated that pay outcomes were higher for staff on AWAs. This is consistent with the finding in the previous section that the most important objective of extending coverage of AWAs is to retain key staff—that is, in those agencies with partial coverage, some Executive Level staff are more “key” than others, and are placed on AWAs so as to pay them more than could be got under the certified agreement, thus increasing the likelihood that they will remain with the agency.

Table 12: Differences between AWAs and certified agreement, by AWA coverage (column per cent)

	Agencies with high AWA coverage	Agencies with low AWA coverage	All agencies with AWAs and certified agreement
Pay levels higher	68	63	65
Performance pay available	50	44	46
Pay levels more variable	39	44	42
Job specific targets included	29	25	26
Conditions of employment more streamlined	29	19	22
Retention bonus available	25	23	24
Car/other benefits available	0	13	8
No guarantee of job security	7	2	4
No key differences	7	2	4
Total remuneration package	7	0	3
Other differences	7	15	12

Base: agencies with certified agreements.

Interestingly, only 42 per cent of agencies reported that pay outcomes were more variable under AWAs. We take this to mean that in the balance of agencies (i.e. 58 per cent) the pay range or salary scale for staff on AWAs at a particular classification is identical. This is consistent with a body of research findings on the use of individual employment contracts which suggests they are largely “ standardised packages, individually wrapped” .⁷

Two ways in which pay outcomes might be made more variable for staff on AWAs, besides variation in base salary, is the ability to earn performance pay bonuses (available in 46 per cent of agencies) and retention bonuses (24 per cent). The latter is especially interesting in light of the discussion in the previous chapter that no agencies incorporate labour turnover or retention rate targets within their certified agreement.

Finally, just 4 per cent of agencies indicated that ongoing employment was not guaranteed in AWAs (whereas, presumably, staff covered by certified agreements have an ongoing employment contract, subject to performance review procedures).

The comparison between those agencies with relatively high AWA coverage (10 per cent or more of all staff) and those with relatively low coverage showed some slight differences. Those with relatively high coverage were somewhat more likely to point to differences in pay levels, availability of performance pay, streamlined conditions, job specific targets, total remuneration packages and no guarantee of job security. In contrast, those agencies with relatively low AWA coverage were somewhat more likely to highlight that more variable pay levels and the availability of cars and other benefits. Although the differences are not substantial, they are consistent with an overall more strategic focus in how AWAs are used by those agencies with relatively high coverage.

⁷ See, for example, S. Deery and R. Mitchell (eds.), *Employment Relations: Individualisation and Union Exclusion*, Federation Press, Sydney, 1999.

A further strategic option open to agency management, besides extending the coverage of AWAs, is to find ways of making the certified agreement more like AWAs. Agency respondents were asked to indicate the features of AWAs they would like to see included as provisions in their certified agreement—after all, there is no theoretical barrier to including performance pay or retention bonuses in certified agreements, and we showed earlier (see Figure 12) that individual pay increases are often contingent. The most common response to this question was “none”, either expressly stated or inferred from a nil response, which was put forward by 38 per cent of agencies.

Besides this, about one in three agencies stated that they would like to incorporate an ability to offer flexible reward packages, greater accountability for individual performance, and more variation in pay outcomes (presumably, both across and within job classifications). In 18 per cent of agencies, there was also a desire for greater flexibility in working hours and arrangements—it is no surprise that this is mentioned by so few agencies given its high prominence already within certified agreements (see Table 9).

“None, the certified agreement already provides accountability and flexibility.”

6. Overall reflections on agreement making

In this chapter we draw on a range of essentially evaluative questions which asked agency respondents to reflect upon their current agreement—whether it had met the goals that the agency had set, what lessons had been learned for the next round of agreement making, and changes they would like to see made to the system.

Assessment of current certified agreement

Benefits for employees

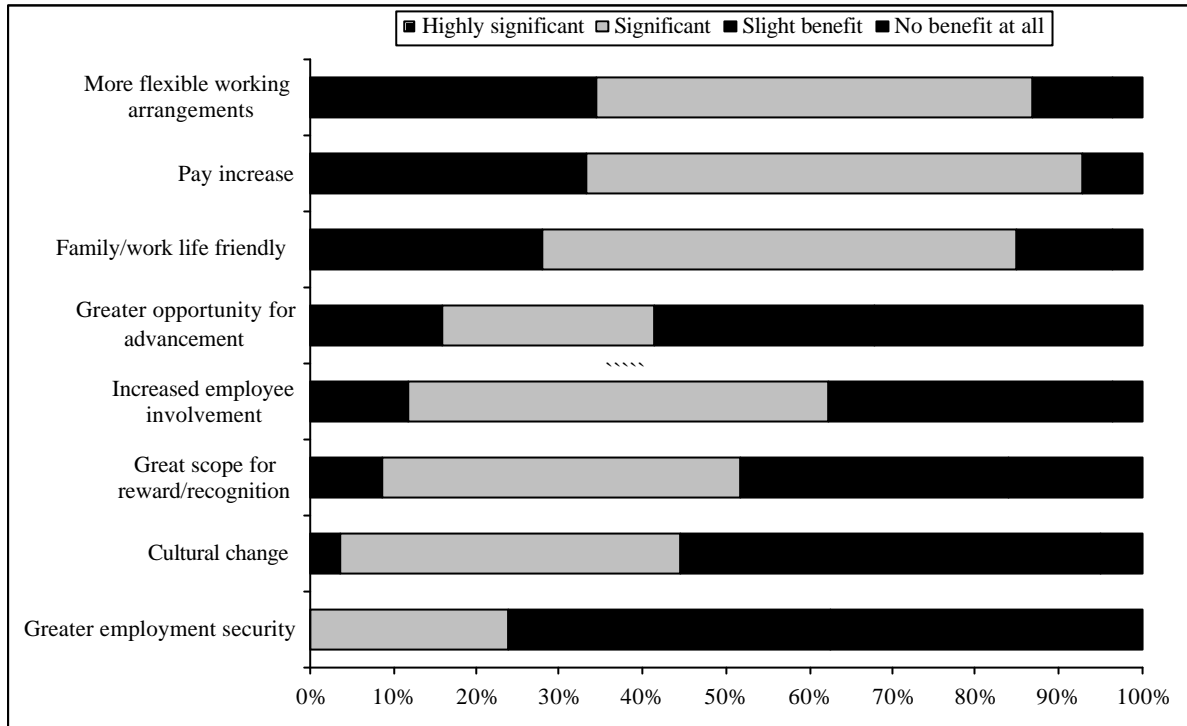
Thus far we have largely focused on agreements from the perspective of what productivity improvements it delivers for agencies. Similarly, discussions of the pay increase quantum have largely focused on the factors driving it. Changing focus, we can invert the question to instead ask “what’s in it for employees?”. Figure 14 shows the results of a question designed to identify the most significant benefits arising to employees from the agreement as reported by agency respondents. As might be expected, the most significant benefit to employees was in fact the pay increase, seen as “highly significant” or “significant” by all but 7 per cent of agencies.

Over and above this, however, were many benefits which were ranked near equal in significance. In particular, more flexible working arrangements, and its corollary, family friendly working or work-life balance policies were considered to be a significant or highly significant benefit in at least four out of five agencies.

The one area where there was little in the way of benefit for employees was employment security. There were no agencies which considered their agreement to provide highly significant benefits for employees in this area and only a quarter (24 per cent) which thought it provided a significant benefit. This is perhaps symptomatic of the general trend in the public services and larger private employers away from the “job for life”.

It would be useful here to supplement these findings with corroborating evidence from employees as to what they regard as the benefits of agreement making—perhaps something that DEWRSB can explore in any further work on the progress of agreement making.

Figure 14: Benefits for employees in agreement



Base: agencies with certified agreements.

Goals of agreement making

Agencies are likely to have a variety of goals when it comes to agreement making, not all of which will be realised, recognising the reality that the art of negotiation is knowing when to compromise. At the beginning of the questionnaire, agency respondents were asked to indicate the agency's goals *prior* to negotiations commencing. Then, at the end of the questionnaire they were invited to reflect on whether these goals had been met. The findings from these two questions are shown in Table 13. The goals covered process, outcome and form of agreement issues. Consistent with the findings throughout, it was outcome matters that were foremost in the minds of agency managers. Most important was tailoring conditions to agency needs, mentioned as a goal by 81 per cent of agency respondents, most of whom reported that the goal had been met. Our discussion of wage outcomes and performance enhancing provisions in the previous chapter is confirmatory evidence of the extent of tailoring across agencies. The next most frequently mentioned goal was to generate productivity improvements or cost savings, a self-evident goal given the Policy Parameters. The proportion of agencies reporting that they had successfully realised this goal is perhaps disconcertingly low at 55 per cent, though of the balance of agencies almost all (35 per cent) reported that it was, as yet, too early to say if the objective had been met.

Table 13: Agency goals in agreement making, and whether met

	<i>Per cent of agencies reporting as goal</i>	<i>Per cent with goal reporting that it has been met</i>
Tailor conditions more closely to agency needs	81	83
Generate productivity improvements/cost savings	80	55
More effective performance management systems	72	71
Extend features of the agreement	52	100
Improve consultation with staff	52	78
More direct communication with staff	45	74
Establish a stand alone agreement	43	92
Reduce time over negotiations	43	54
Introduce/refine broadbanded classification structure	37	78
Better prepared/trained management negotiating team	29	96
Extend coverage of AWAs	14	58
Change to a non-union agreement	5	25
Other features	8	86

Base: agencies with certified agreements.

By and large, there was no clear relationship between how common goals were across agencies and whether a given goal had been met. This is mostly because a very high proportion of agency respondents reported that the goal established at the outset had been met. Of the thirteen specified goals, there was only one where a majority reported that the goal had not (yet) been met.

Interestingly, relatively few agencies were much concerned with the more controversial aspects of the form of agreement making—just 14 per cent had a goal of extending AWA coverage and 5 per cent of changing from a union to a non-union agreement. There appear to be two (complementary) explanations for this. First, most agencies believe they are able to achieve their goals *independent* of the form of agreement making. We have seen that a majority of certified agreements are made with unions, and the proportion of agencies with these agreements has increased since 1999. This does not appear to have prevented agencies from realising broad outcome goals, such as tailoring conditions to agency needs. Second, those agencies that have pursued the objective of altering the form appear to have been frequently defeated. Of those aiming to extend coverage of AWAs, two in five were unsuccessful, while of those wanting to change from a union to a non-union agreement three in four were unsuccessful. The exception to this issue of the form of agreement was the move to stand-alone agreements, a goal of just under half of agencies and successfully realised by almost all of these.

More effective agreement making

One of the objectives of this project was to find ways of improving the processes and outcomes of agreement making. It is assumed that the broad policy of bargaining devolved to agency level, working within centrally set parameters and with productivity improvements as a focus, will remain in place. Within that broad policy, however, agencies are likely to have differing views on how agreement making might be made more effective.

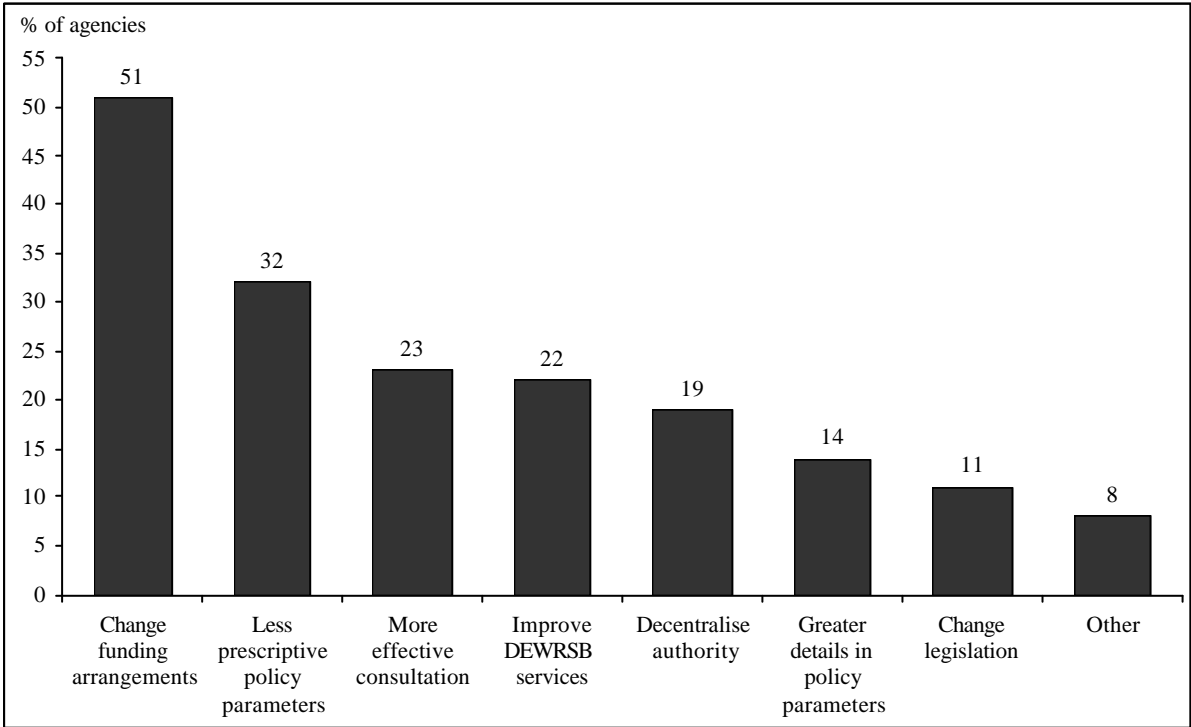
Figure 15 shows the findings from a question which asked agency respondents to indicate the changes that would most help the agency to achieve its objectives in agreement making. The most common response, put forward by half of all agencies (51 per cent), was to change the funding arrangements. This is explored in more detail below. The second most common response, reported by a third of agencies (32 per cent) was for Policy Parameters to be less prescriptive. In addition to this, 14 per cent of agencies said that greater details should be provided in Policy Parameters. This is also an issue we take up in more detail below.

“Greater support to agencies to reduce the cost of agreement making. We often face common issues and have to re-invent the wheel.”

“Briefing by DEWRSB for senior managers and negotiating team on the policy parameters and the extent to which agencies have flexibility to set their own agenda.”

Other changes which were mentioned were ensuring more effective staff consultation (23 per cent)—this despite the fact that just 6 per cent of agencies had previously reported that the levels and quality of communication with staff in drawing up the current agreement were insufficient—improved services to be provided by DEWRSB (22 per cent) and to decentralise authority to agencies (19 per cent).

Figure 15: What would help future agreement making



Base: all agencies.

There have been some notable changes in agency views when we compare the findings in Figure 15 with responses to the comparable question in the 1999 survey. Then, the most important issue was to improve DEWRSB services (mentioned by 37 per cent of agencies), while only 19 per cent sought changes to funding arrangements. There is also heightened interest in the Policy Parameters—roughly three times as many agency respondents in 2001

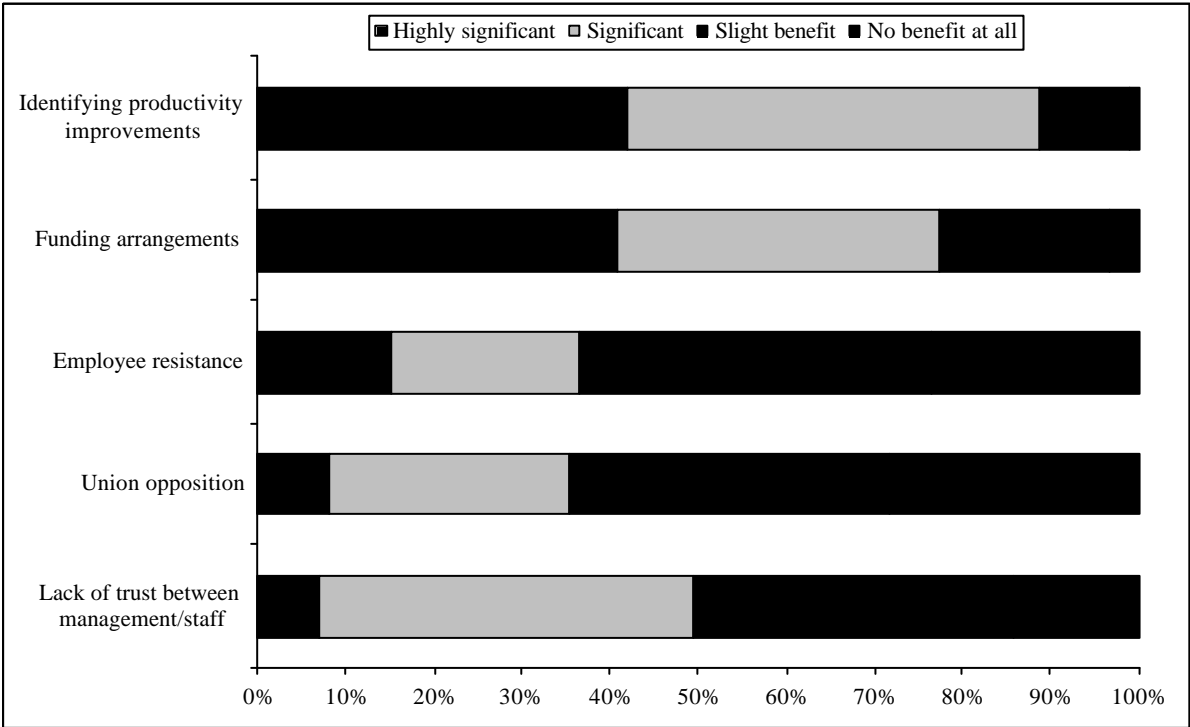
said they would prefer less prescriptive Policy Parameters (11 per cent in 1999) and seven times as many wanted greater details in the parameters (2 per cent in 1999).

Impediments to successful agreement making

An alternative way of approaching the issue of effectiveness is to focus on the factors which agency managers believe constrain them. In Figure 16 we present the findings of a question which asked about the significance of a range of potential “impediments”. It is plainly evident from this that agencies regard the main impediments to be system constraints rather than problems on the staff side. More than two in five agencies reported that identifying further productivity improvements (42 per cent) and funding arrangements (41 per cent) were highly significant impediments to successful agreement making.

There were 30 per cent of agencies which identified both system issues as a highly significant constraint. What is most revealing about this is that these are much more likely to be the agencies for whom the system is *presently working well*. For example, they were twice as likely to be those agencies which had reported that productivity improvements would be sufficient to fund the pay increase in the current agreement as had not, 40 per cent compared with 18 per cent. Similarly, those agencies which reported that they had successfully met the goal of generating productivity improvements were far more likely than those which reported that it was too early to say to point to the two system issues as a major constraint, 41 per cent compared with 8 per cent. Perhaps what this is tapping is a view that there are diminishing returns to be got from funding pay rises through this mechanism—having successfully got through the current round, it becomes even harder in the next. As we shall see below, this is a widely held sentiment.

Figure 16: Impediments to successful agreement making



Base: all agencies.

The number of agencies identifying system issues as a “highly significant” impediment was three times as many as attached the same degree of significance to employee resistance (15 per cent), and six times as many as said the same about lack of trust (7 per cent) and union opposition (8 per cent). However, this does not mean that staffing issues can be ignored. Most importantly, almost half of all agencies (49 per cent) reported that a lack of trust between management and staff was either a highly significant or significant barrier to more effective agreement making.

Suggested changes to the Policy Parameters

Earlier in this section we found that a sizeable minority of agencies thought that changes to Policy Parameters might make for more effective agreement making. To allow this issue to be explored in more detail, agencies were invited to comment freely on changes they would like made to Policy Parameters. Just one in three (30 agencies) took up the invitation. Their responses, which are reproduced in an appendix to this chapter, can be grouped under six main headings:

- ☞ more flexibility, less prescription (7 agencies);
- ☞ more clarity, less ambiguity (4 agencies), one respondent remarking that the parameters were “shrouded in ambiguous language”;
- ☞ improvements to the clearance process (4 agencies), two of which mention the involvement of Ministers;
- ☞ amendment to the funding arrangements (3 agencies);
- ☞ other specific suggested changes (10 agencies), three of which mention treatment of redundancies; and,
- ☞ other general comments (4 agencies), including one respondent who feels the current position is akin to having it both ways, and suggests either scrapping the Policy Parameters or going back to centrally determined terms and conditions.

After having detailed their suggested changes, agency respondents were then asked to state the benefits arising to their agency if the change was made. This was partly intended as a check on the earlier question, to see the extent to which the issue had been thought through in terms of genuine application rather than merely venting frustration. The main threads running through the comments were that it would give agencies enhanced flexibility to tailor terms and conditions to their own operational requirements, and that it would save time. There were also several who made a related, but slightly more subtle point, that agreements were likely to be more durable and effective where management were able to agree on their own terms rather than having to seek clearance.

“This would speed the final stages of the agreement making process and reinforce the fact that the agreement making is a process involving direct consultation with the employees.”

“More ability to genuinely arrive at an agreement which is truly comprehensive and which does meet our particular operating environment and needs.”

“Less cynicism among staff that the process is being controlled by parameters, and that the agency has little if any flexibility within the parameters.”

Key issues for the future

At three points in the questionnaire, agency respondents were asked to look forward to suggest changes they might seek to make, or issues that were likely to confront them. This was asked in respect of further productivity improvements in certified agreements, prospective changes to AWAs and, more generally, the likely key issues as they entered the next round of agreement making. We look at each of these in turn.

Future productivity initiatives

The most common response to this question was that agencies had not yet formulated their plans. This was mentioned by 30 per cent of agencies, and a further 16 per cent of agencies gave no response at all to the question. Many of these agencies still had a considerable amount of time before their present agreement had elapsed, so one might expect that they had not yet developed a position. The tenor of responses did, however, also hint of “fatigue” in finding further ways of improving productivity.

Generally, there was also little in the way of emerging “big” ideas, with many agencies offering a response suggesting matters such as a further streamlining of conditions, or dealing with the minutia of employment conditions such as remote area allowances and overseas travel entitlements. It is difficult to imagine these delivering cost savings of the magnitude required to fund pay increases.

A number of agencies did have clearly developed agendas and/or bold ideas. Many of those doing so appear to have moved away from a narrow focus on the provisions in the agreement to a broader focus on how agreements are just one of the tools which agency management have at their disposal to drive change. Most directly, many agencies envisage more explicit links between the performance management system and agreement provisions. But there were also a number of agencies making reference to other “tools” such as corporate plans.

“There are limited avenues for productivity increases. Previous agreements have delivered the reform required. Both [parties] struggled in the third round agreement negotiations to have meaningful discussions about reform vs pay increases.”

“[We are] a small agency with highly automated and very streamlined processes. New productivity issues are unlikely.”

“This will largely depend on the policy framework/parameters operating at that time. Further simplification of travel allowance arrangements is one area where further change may be beneficial.”

“We will be seeking to directly link CA to new Corporate Plan outcomes, with efficiency and productivity measures against Corporate outcomes stated.”

“Using the negotiation process as a mechanism by which the negotiation team develops a vision of where the organisation should be in 3 years time. Then, committing resources to achieving that vision and rewarding achievement of it. Reducing the emphasis on rewards for individual performance and more on team-based and organisation-wide achievements. Employees seen as ‘shareholders’ not as resources.”

Desired changes to AWAs

If agencies had relatively undeveloped ideas for future productivity enhancing provisions in certified agreements, they had even less developed ideas on what they might do differently with AWAs. A majority of agencies did not have any ideas, made up of 52 per cent who did not answer the question, 18 per cent who said they had no ideas, and 6 per cent who said that things were working satisfactorily as they stood and there was no need for change. This leaves just 23 per cent of agencies which expressed a view on desired changes. Of those that did have ideas of changes they wanted to make there was little consistency in the themes, besides a general desire to maximise flexibility.

Key issues for next round of agreement making

The final crystal ball gazing question was to identify the key issues likely to be facing the agency as they entered the next round of agreement making. This question generated a lot more considered responses than the two other questions discussed in this section. This is perhaps best indicated by the much lower percentage of agencies offering a nil or a blank response, just 18 per cent.

Far and away the most common response to this question was the productivity-pay-funding nexus. This was mentioned by two out of every three agencies giving a response. The tension between needing to fund pay increases from within appropriations while maintaining relativities with other APS agencies is palpable in these responses. Many either directly stated or implied that they did not know how to identify *further* productivity improvements.

“Identifying productivity improvements that will yield savings to pay for salary increases. Staff expectations may not be able to be met.”

“Progressive difficulty in finding productivity and actual savings to maintain the Department as an attractive employer and retain staff.”

Of the other third giving responses that did not touch on the core issue of the system’s underlying logic, these were divided between general comments—many highlighting the uncertain nature of identifying future issues because of the forthcoming Federal election, and the possibility that a change of government would see new arrangements emerge—and very specific comments, which reflected a well-developed management agenda among some agencies about to enter the next round of agreement making.

7. Conclusion

The determination of the pay and conditions of employment for Commonwealth public servants was devolved to individual agencies in 1997. Within the bounds of centrally determined Policy Parameters, which themselves have evolved over time, agencies are free to decide, together with their staff, the precise configuration of staffing, pay and employment conditions which best suit their operational requirements. This is a freedom with which most agencies would have been wholly unfamiliar. Prior to 1992, agencies were largely bound by paid rates awards, such that pay and conditions were set on a service-wide basis. Between 1992 and 1997, pay and conditions were set through centrally negotiated agreements between the central agencies and public sector unions, with some tightly prescribed arrangements allowing individual agencies to make agreements on their own behalf—these were not much used. The changes made in 1997, consistent with the government’s overall policy on workplace relations (as exemplified by the *Workplace Relations Act 1996*), have been described as “a bold step for the Australian Public Service”.⁸

It is timely and appropriate to examine the experience of individual agencies—that was the purpose in conducting a survey of agency managers involved in agreement making, the second survey on this topic since the changes took effect. This report has presented the findings from this survey. In doing so, we have made reference wherever possible to the extent of change since the first survey (conducted in 1999), and we have also attempted to identify associations that might help to shed light on what underlies some of the aggregate findings.

There are three main questions addressed in this conclusion:

- ☞ has agreement making worked satisfactorily from the perspective of agency managers?
- ☞ what are the main ways in which agreement making has enhanced agency performance?
- ☞ is agreement making sustainable under the current Policy Parameters?

How well is agreement making working?

From the accounts provided in this survey, agreement making *is* working for agencies. They have been able to deliver pay rises and other benefits to their staff, and to fund the cost of these from within budget appropriations. We are not aware of evidence which suggests that service standards have been compromised in meeting these costs. On that basis alone, it can be argued that agreement making functions satisfactorily as a system, but there are two important respects in which that finding can be extended.

⁸ Dr Peter Shergold, Secretary of DEWR/SB, in oral evidence to the Senate Finance and Public Administration References Committee, 18 February, 2000.

First, there have been real improvements *over time* in the process of agreement making. There is clear evidence that the time taken to finalise agreements has shortened. In 1999, half of all agencies took more than nine months to finalise their agreement. By 2001, this had fallen to a quarter. More than a third of agencies in 2001 reported that they had completed their agreement within six months, more than twice the proportion which had done so when surveyed in 1999. Only 5 per cent of agencies said that a contributory factor to the duration was their own lack of knowledge or expertise, a marked fall from the 33 per cent of agencies citing this as a factor in the 1999 survey.

There were three times as many agencies which reported that the cost of agreement making had fallen since the previous round as reported that it had risen—though, a more objective comparison with 1999 is made difficult by the generally poor standard of monitoring in this area. As an overall measure, 47 per cent of agency respondents reported that the process of agreement making was less difficult in the current round, while only 14 per cent thought that it had become more difficult. It was larger agencies, and those involved in service delivery, which were more likely to state that it had become more difficult.

There were some other indicators of process improvements. Agencies used a wide variety of external sources of advice, and were inclined to regard this advice as helpful. The Electoral Commission was given close to uniform endorsement for its services (compared with 1999 when it rated poorly), and four out of five agencies using DEWRSB services regarded this as “very helpful” or “helpful”. When asked what would help future agreement making, 22 per cent of agencies suggested an improvement in DEWRSB services, down from 37 per cent making the same suggestion in 1999.

The second respect in which agreement making has delivered benefits for individual agencies is the freedom that it has given them to tailor agreements to their own circumstances, and the extent to which that freedom has been exercised. Almost all agencies, 88 per cent, now have stand-alone agreements which fully supplant awards (and any previous agreements). This proportion has risen substantially since 1999 when it was 60 per cent. Taken together with the improvements in the process mentioned above, this is a clear indication of growing confidence and maturity with bargaining at an agency level.

That growing confidence and maturity is reflected in the extent to which agencies are willing and able to tailor the agreement to their own requirements. Four in five agencies stated that this was a goal of agreement making *prior* to negotiations commencing, and of these, 83 per cent believed that the goal had been realised. In a similar vein, 57 per cent of agencies said that tailoring conditions to their own business was among the most important performance enhancing features of agreements. After ranking of importance was taken into account, this was considered the second most important feature.

More generally, the extent of individual agency tailoring is plainly evident from the material provided by agencies on what they considered to be the more innovative performance enhancing features of their agreements. A selection of this material is reproduced in Appendix A, and it reveals a marked degree of variety and creativity in the drafting of provisions.

Individual tailoring is least likely to occur with respect to the quantum of pay increases. The most commonly mentioned factor determining this quantum was the pay levels offered in other APS agencies. This was mentioned by 71 per cent of agencies, while 58 per cent also mentioned the general expectations of staff. This does highlight one of the tensions in the system—how far to go it alone in setting pay and conditions of employment while operating in the “internal labour market” of the APS.

Contribution of agreement making to enhanced performance

Three in five agencies reported that they believed they could fully meet the cost of pay increases contained in agreements through productivity improvements. Most of the remainder thought it too early to say, but even where they stated they could not, agencies pointed to operational improvements made outside the agreement making process. This is an important point, as agreement making is only one of a suite of “tools” at management’s disposal to drive changes in performance. It is, nonetheless, among the more important. Given that, in what ways have agreements been used to make changes to working arrangements which might elicit enhanced performance?

The most important has been changes to performance management arrangements. This was mentioned by 74 per cent of agencies as among the most important provisions of their agreements, and after importance rankings are taken into account, it was the clear stand-out feature. In many cases the agency’s performance management system is tied to individual pay increases. Most agencies, 85 per cent, make progression through a salary scale subject to satisfactory individual performance. Performance assessment is also the basis for *higher* pay increases (e.g. accelerated advancement) or bonus payments in 57 per cent of agencies.

Performance management arrangements were also the most commonly mentioned area in the 1999 survey. Another area which is now considered more important, consistent with what we have reported above, is tailoring conditions to agency business—this was mentioned by 57 per cent of agencies, up from 25 per cent in 1999. Family friendly working arrangements also rose markedly in importance, from being mentioned by 22 per cent of agencies in 1999 to 74 per cent in 2001. Family friendly working arrangements also, of course, deliver important benefits for employees—a “highly significant” or “significant” benefit in three out of four cases. This is an illustration of the need to be generally mindful of the point that agreements do not only deliver benefits for agencies, and that they “work” better where they also deliver for employees.

Although agencies have clearly been able to use agreement making as a means of delivering performance improvements, they are less inclined to *explicitly* build this into agreement making. Just 28 per cent had agency-wide pay increases which were in any way contingent (usually on productivity improvements or other specified corporate objectives), a proportion which had risen only fractionally since 1999. Moreover, there is a wide variety of performance monitoring which takes place across agencies, but these indicators very rarely feature in agreements. For example, 59 per cent of agencies collect and report statistics on labour turnover and staff retention, but not one agency specifies a target for these in their agreement. If family friendly working arrangements are as important as agency respondents

report, then it is reasonable to ask why such targets are not incorporated into agreements. What this seems to indicate is a slight fuzziness in the mechanics of the system—that is, so long as the system works and is seen to work, then there is no need to explicitly link pay increases to measured agency performance as this runs the risk that the increase will not be paid. Most likely, this reflects the reality of the downside of frustrating staff expectations and lagging relativities against other APS agencies.

Portents of the future

The assessment thus far has been relatively favourable, but what of the future?

Half of all agencies wanted changes made to the funding arrangements, well over twice the proportion which had done so when asked the comparable question in the 1999 survey. Three quarters of all agencies reported that the funding arrangements constituted either a “highly significant” or “significant” impediment to successful agreement making. Nine in ten agencies also reported that identifying productivity improvements were, at least, a “significant” impediment. Taking these two questions together, there were one in three agencies which identified both of these factors as “highly significant” impediments. That this is an important finding, rather than mere carping, is evidenced by the fact that these agencies were more likely to be those where the system is *presently working well*—agencies reporting that productivity improvements in their current agreement would be sufficient to meet the cost of the pay increase, and agencies which had successfully met the goal of generating productivity improvements. When examined in conjunction with open questions inviting agencies to identify future productivity initiatives and key issues for the future, there is a clear impression that many agencies feel daunted by the prospect of being able to generate reasonable pay increases under the current Policy Parameters.

There are three counter-arguments to accepting this as a general condition across all agencies. The first is that it was *not* general; indeed, there were a substantial number of agencies (32 per cent) which wanted more freedom in the form of less prescriptive Policy Parameters. The second is that a number of agencies had developed a clearly articulated agenda for the next round of agreement making. The bolder among these were moving away from the rationalisation of employment conditions seen to characterise many of the first generation of agreements, towards an approach where agreement making was subsumed under a whole of business approach to improving performance. The third is that *the process itself* appears to drive agencies to find ways of making agreements pay for themselves. Thus, as the current agreement reaches expiry, agencies are devoting their attention and resources once more to the task of making the system work. In this respect, perhaps the one area where agencies might fruitfully benefit from more assistance from DEWRSB is in the provision of better information services. The innovative features of agreements cited by agencies for this survey is to be made available as an on-line resource, and is likely to prove valuable to agencies. Other information services that DEWRSB may consider are an easier ability to search and trawl through all APS agreements, and some “good practice” case study material.

Appendix A: Innovative clauses in agreements—selected examples

As part of the questionnaire, agencies were asked to identify up to five specific clauses in their agreement that they considered to be innovative and/or important in enhancing performance.

This appendix outlines selected examples nominated by agencies. The provisions have been grouped under five main headings: performance management, flexible working hours, classification structures, work and family, and other key issues.

The full set of agency responses will be drawn upon by DEWRSB as part of its advisory and assistance services. For example, DEWRSB is in the process of preparing a user friendly on-line resource, containing all agency contributions, with nominated clauses sorted under relevant subject matter headings. This on-line resource will be available at: <http://www.dewrsb.gov.au/workplaceRelations/publicSector/default.asp>

1. Performance Management

Commonwealth Grants Commission Certified Agreement 2000-2002

17.6 Where employees are assessed as "Meets Agreed Expectations" or better and are at the top of their salary range, the Secretary will make a one-off lump sum payment to those employees equal to 1.5% of their salary point.

17.7 Where an employee or a work team is recognised, from time to time, as having made a significant extra effort or sacrifice to achieve a particular Commission goal, objective or task, the Secretary may make an award in recognition of that effort. The award shall be to a value of no more than \$50 (per person involved). Nominations for this award may come from any employee, a member of the SES or the Commission, and should be forwarded to the Secretary for consideration as soon after the particular event as possible.

Department of Foreign Affairs and Trade Certified Agreement 2000-2003

☞ A performance management system linking performance to remuneration, postings, placements and promotions was established in January 1998 under the DFAT Certified Agreement 1998-2000. The system has been extensively revised for this Agreement, although the annual performance appraisal will continue to be used to determine the pay point movement of employees within broadbands, and payment of bonuses in lieu of pay point movements, and will be taken into account in postings, placements and promotion processes. The Department is committed to a performance management system which is fair, conducted with integrity and is in accordance with the Public Service Act 1999.

2. Flexible Working Hours

Department of Industry Science and Resources Certified Agreement 2000-2003

Subclause 5.2.3 Flexible working hours

For the purpose of calculating flextime, the working day will be 7 hours and 30 minutes. As a consequence of the increase in hours, employees will be awarded 5 days additional leave. The additional leave arrangements will be administered in accordance with ISR's Hours of Work and Flextime Policy and Procedures.

Department of Immigration and Multicultural Affairs Certified Agreement 2001-2004

Subclause 3.100 Variable Working Hours, including Part-Time Hours

Managers may recruit employees to part-time jobs that have hours of duty within the standard working day. A manager may recruit employees to jobs which have hours of duty outside the standard working day only as part of the pilot of extension of visa and citizenship processing hours of operation in the Gateway (NSW) Office, described in paragraph 3.51 and Attachment D. Where an employee is recruited to a job with variable working hours as part of the pilot, the variable working hours agreement will apply as long as those arrangements continue and the provisions in paragraphs 3.96 to 3.98 (review of variable working hours agreements) will not apply. During the pilot, the variable working hours arrangement may only be varied or terminated by agreement between the manager and the employee.

National Library of Australia Certified Agreement 2000 – 2002

Flexible Working Arrangements

63. Hours worked by employees will contribute to an employee's Flextime balance, unless approved as Additional Paid Time under Clause 84. Employees may work a normal flextime week between 7:00 a.m. and 9:00 p.m. Monday to Friday, subject to operational requirements of the Library and the agreement of the employee's Supervisor.

3. Classification Structures

Australian Competition and Consumer Commission Certified Agreement 2000-2001

14 Classification Structure and Arrangements

14.2 The ACCC Classification Structure (for classifications other than ACCC lawyers) is comprised of the APS eight classification levels grouped into five bands, with work value standards providing a guide for the type of work done at each classification level. Movement within a band is not a promotion. Within each band each classification level has a salary range and a number of pay-points attached to it.

Agriculture, Fisheries and Forestry – Australia (AFFA) Certified Agreement 2000 to 2003.

36 Classification Structure

36.1 Effective 1 July 2000, AFFA will implement the single remuneration structure as outlined in Attachment I. All existing classification arrangements across the Groups and Bureaux will be integrated into three streams. The three streams are:

- ?? Policy and Technical;
- ?? On Plant Veterinarian and Veterinary; and
- ?? Science.

36.2 The persons bound by this Agreement agree to develop and disseminate to the workplace common work level standards for each of those streams within the first six months of this Agreement. The work level standards will be broadly consistent with the current APS classification work level standards and will identify AFFA specific skill requirements.

36.3 The persons bound by this Agreement commit to a work value review of positions classified under this agreement at work level 3 performing quarantine inspection functions within six months of certification of this Agreement. The review will be managed by the AQIS Business Strategy Group in conjunction with the AQIS HR Committee and the AQIS Consultative Committee to be established under this Agreement.

36.4 In determining an appropriate classification profile, AQIS will take into account its current and future operational requirements in providing its service level obligations to both Industry and Government.

4. Work and Family

Refugee Review Tribunal Agreement 2001

Clause 156 Recreation Leave

The Tribunal will subsidise child care costs incurred by employees who for operational reasons are unable to be granted recreation leave during a scheduled school holiday. The subsidy will be \$10 per day towards the cost of care for each school child enrolled in an accredited program. The maximum payment an employee may receive under this arrangement is \$100 per week.

Office of the Commonwealth Ombudsman - Certified Agreement 2000-2002

Subclause 6.4.2 Child and Dependant Care Policy

In recognition of child and dependant care responsibilities Regional Managers may authorise reimbursement of reasonable expenses arising from additional family care arrangements made necessary where an employee is:

- ?? required to travel away from their normal work location for business purposes;
- or
- ?? directed to work additional hours or attend a conference or training course outside the bandwidth or outside the employee's normal hours of work.

IP Australia Agency Agreement 2000-2002 (Intellectual Property)

Subclause 69.1 Flextime

This Agreement introduces changes to the flextime arrangements in place prior to certification. The changes involve the removal of core hours and the extension of the bandwidth. The intention of these changes is to provide increased flexibility to staff to balance their work and personal lives.

Equal Opportunity for Women in the Workplace Agency (EOWA) Certified Agreement 2000-2002

Clause 113 Parental Leave

Four week's paid paternal leave will be granted to on-going employees with 12 months continuous service, immediately following the birth, adoption, or long term fostering of a child. This clause does not apply if a staff member's partner is accessing paid paternal/maternity leave within the A.P.S.

5. Other key issues

Agriculture, Fisheries and Forestry – Australia (AFFA) Certified Agreement 2000-2003

Clause 38 & Attachment 1.9 Remuneration

38.1 Two forms of remuneration are payable within the AFFA structure: Fixed Remuneration and Variable Remuneration. Fixed remuneration being the regular, standard payment for work undertaken. Variable Remuneration is additional remuneration paid for work undertaken with a higher work value (but not so high to the extent that it crosses into the next AFFA level), targets achieved, or retention payments.

Australian Greenhouse Office Certified Agreement 2000-2002

Clause 238 Promoting a Healthy Lifestyle

The AGO recognises that healthy employees are more productive employees and will actively promote healthy lifestyles for AGO employees by subsidising employee activities, which promote a healthy lifestyle. A subsidy of \$200 per staff member will be provided per calendar year on production of receipts for health related lifestyle expenses.

Securing Our Future – DETYA Certified Agreement 2000

Subclause 18.1.3.1 Use of Travel “Charge” Card

An employee who is to incur Departmental travel related expenses, for official purposes will be provided with a Travel Card.

Appendix B: Suggested changes to the Policy Parameters

More flexibility, less prescription

- ☞ Slightly less prescriptive.
- ☞ More flexibility, ie less focus on the minutia (words) and on the cost benefit side of certified agreement making.
- ☞ Possibly less prescriptive - allow greater freedom for agencies to negotiate issue that best suit agency needs.
- ☞ Option for SES to be covered by certified agreements; less prescription on a range of issues from wording of AWA references in the certified agreement, to the so-called “GST clauses”.
- ☞ Greater scope for agencies to make their own decisions subject to ministerial endorsement.
- ☞ Less centrally imposed restrictions.
- ☞ Less prescription.

More clarity, less ambiguity

- ☞ A clearer explanation of policy rationale and context would help.
- ☞ Clarification of the extent to which agencies are required to identify concrete savings within the terms of their agreement.
- ☞ Where the government has a particular position on a matter this should be explicitly stated instead of shrouded in ambiguous language.
- ☞ The Policy Parameters should be specific about the Government’s workplace relations policy. Currently Policy Parameter 1 is open ended in that it potentially allows excessive external interference in arrangements that may suit an agency. For example, this parameter was used to rule out a back-pay offer that was used as a negotiating tactic. This makes it difficult for agencies to hold out for a better deal. The arrangement whereby differences with central agencies are resolved at Ministerial level in effect mean that small agencies must toe a line from a central agency.

Amend funding arrangements

- ☞ Vary the requirement that pay increases need to be almost wholly accounted for by productivity improvements or savings.
- ☞ Amend Policy Parameter 3 in such a way that recognises that small agencies may need outside funding assistance if they are to remain competitive in terms of attracting and retaining valuable employees.
- ☞ For small agencies it is important to remain competitive. With a very high proportion of the total budget devoted to staffing costs there is little room to find savings year after year. Some additional funding assistance from Government would be welcome.

Improve clearance processes

- ☞ Streamlining of the approval process.
- ☞ Remove the need for Minister's approval or clearly define the role of the Minister.
- ☞ Agency self assessment of compliance within the Policy Parameters.
- ☞ The requirement to seek Ministerial approval of the complete agreement after the DEWRSB comment process and before the staff approval process could be changed to require the agency to inform the Minister if any (significant?) issues were identified and not resolved through the DEWRSB process. This change could be supported by reintroducing the parameter requiring agencies to keep Ministers informed of major policy issues arising through the agreement process.

Other specific suggested changes

- ☞ Clearer definition in relation to "no disadvantage".
- ☞ Include Defence Force Reserve Leave as a mandatory requirement for all agreements.
- ☞ Ability to make substantial changes to: LSL; Maternity Leave provisions and Salary Packaging arrangements.
- ☞ Remove salary packaging as a mandatory requirement - admin costs too high although Policy Parameter says it should be at no cost to agency.
- ☞ Limitations on broadbanding.

- ☞ Vehicle leasing arrangements.
- ☞ Cost neutral basis for redundancies.
- ☞ More flexibility with redundancy provisions.
- ☞ Removal of barrier to some retrospective pay issues.
- ☞ Less prescription in relation to the redundancy provisions.

Other comments

- ☞ Bit more recognition of specific requirements/problems.
- ☞ Remove the Policy Parameters or introduce a single set of conditions.
- ☞ More flexibility for smaller agencies in negotiations and not to expect the same outcomes as the bigger departments.
- ☞ Policy Parameters per se aren't really the problem. Re PP3 - the need to fund through current agency appropriation is a good discipline but it makes it very difficult for small lean agencies to compete in the salary war that has arisen under the agreement making process.

Appendix C: Survey questionnaire

