CHAPTER 5: STAFFING (PUBLIC SECTOR WORKFORCE)

Key findings of the Committee:

5.1 **In June 2009 the Victorian Public Sector provided employment for 258,507 staff, an increase of 4.7 per cent from June 2008 (246,844 staff). In full time equivalent (FTE) terms, in June 2009 the Victorian Public Sector provided employment for 207,306 FTE, an increase of 3.6 per cent from June 2008 (200,134 FTE).**

5.2 **Approximately one third of Victorian public sector employees work in the public health sector (32.6 per cent), while a further 25.9 per cent are employed by government schools. The Victorian Public Service, including the 10 departments and 18 authorities and offices, accounts for only 17.0 per cent of the Victorian public sector workforce. The largest increase in staff numbers, from 2007-08 to 2008-09, occurred in the TAFE and other education sector, where staff numbers rose by 8.3 per cent.**

5.3 **Departmental staff numbers (including the Department of Parliamentary Services and all school staff) increased from 81,644.4 FTE in June 2008 to 83,916.0 FTE in June 2009, an increase of 2.8per cent. This compares with the whole of government increase of 4.7 per cent for the same time period. For the same period, departmental staffing costs increased by $472.2 million (7.8 per cent). Given the various pay awards that cover staff included in this figure and the increase in FTE staff numbers, an overall increase in staff costs of 7.8 per cent across departments and school staff is not unexpected.**

5.4 **The single largest increase in staffing costs occurred in the Department of Education and Early Childhood Development where staff costs increased by $305 million. Further, staff costs within five departments, the Department of Innovation, Industry and Regional Development, the Department of Justice, the Department of Planning and Community Development, the Department of Sustainability and Environment and the Department of Transport increased by more than 10 per cent.**

5.5 **Bonus payments were made to 482 executives across the 10 departments, 76.4 per cent of total eligible executives. Total bonus payments amounted to $6.5 million at an average of $13,600 per executive.**

5.6 **Bonus payments were made to 798 executives across selected agencies, 95.3 per cent of total eligible executives. Total bonus payments amounted to $13.7 million at an average of $17,200 per executive. In particular, the Victorian Funds Management Corporation awarded an average performance bonus of $165,900 and Treasury Corporation of Victoria awarded an average performance bonus of $79,500.**

5.7 Publicly available public sector executive bonus data is limited in scope. The Committee believes that good executive bonus data should include, as a minimum, three years of data showing:

- the number of executives eligible for a performance bonus;

- the number of executives awarded a performance bonus; and

- the total value of executive performance bonuses paid.

5.8 The Committee continues to advocate that a system of performance bonuses should be introduced into the Parliament for Clerk and other senior officers in order to improve accountability and performance standards.

5.9 The Committee is of the firm view that the performance bonus system for state agencies needs to be reviewed and brought into line with the bonus system for state departments.

5.10 Victorian Urban Development Authority awarded bonuses to executives where their performance was assessed as 'improvement required'. The Committee has recommended that the Government Sector Executive Remuneration Panel (GSERP) review and consider amending the GSERP policy for remuneration of executives in the broader public sector to explicitly prohibit the awarding of performance bonuses to executives where performance is assessed as not meeting expectations.

5.11 Contract expenditure within the 10 departments increased from $419.1 million in 2007-08 to $696.6 million in 2008-09, an increase of 66.2 per cent. The Department of Sustainability and Environment had the single largest increase at $154.3 million, which was primarily attributed to contract expenditure associated with the February 2009 'Black Saturday' bushfires.

5.12 Departments identified a total of 335 contractors or contract staff who were paid over $100,000 per annum that had been engaged for over 12 months. The two departments with the largest number were the Department of Human Services (112) and the Department of Transport (84).

5.13 Two departments and selected agencies do not undertake analysis of sick leave taken by quarter. Further, seventeen departments and selected agencies do not undertake analysis of sick leave taken by day of the week. This is primarily due to their current human resource information systems not readily being able to provide this level of information. The Committee has recommended that all departments and agencies should have the capacity to generate reports on sick leave from their human resource information systems to allow routine analysis of sick leave taken. This could assist in improving the management of sick leave through identifying sick leave trends and strategies being implemented to reduce the level of sick leave taken, where possible.

5.14 The Committee's analysis of sick leave found that the July–September quarter had the greatest level of sick leave taken by departments and agencies in both 2007-08 and 2008-09. This was followed by the April–June quarter with the second highest level of sick leave taken.

5.15 Each department has various forms of succession planning strategies in place.

5.16 Departmental costs of delivering professional development, per FTE, varied significantly. The Department of Premier and Cabinet spent the most, per FTE, at $4,407, whereas the Department of Innovation, Industry and Regional Development spent the least at $135. Three other departments (the Department of Education and Early Childhood Development, the Department of Planning and Community Development and the Department of Treasury and Finance) had relatively low professional development costs, per FTE, with each of these departments spending less than $400.

5.17 Some departments advised that the costs of delivering professional development provided to the Committee were not inclusive of all professional development across the department, such as costs incurred for training delivered by individual divisions, as this data was not captured. The Committee has recommended that departments and agencies review their current processes for capturing the costs of delivering professional development and consider implementing enhanced processes that will facilitate the accurate and complete recording of all costs associated with the delivery of professional development.

5.1. Victorian public sector workforce overview

In June 2009 the Victorian Public Sector employed 258,507 staff, an increase of 4.7 per cent from June 2008 (246,844 staff). As many of these staff were employed on a part time basis, a more accurate measure of employment is full time equivalent (FTE) staff numbers. In June 2009, the number of FTE staff in the Victorian public sector was 207,306 FTE, an increase of 3.6 per cent from June 2008 (200,134 FTE).[91][92]

Table 5.1 outlines that the largest increase occurred in the TAFE and other education sector. Significant increases were also identified in the Victorian Public Service (5.5 per cent) and water and land management (5.4 per cent) categories.

Table 5.1:   Victorian public sector workforce – employees by sector (FTE)

|	2009 Staff	2008 Staff	% change
Victorian public service	35,267	33,422	5.5
Government schools	53,744	52,881	1.6
TAFE and other education	12,184	11,247	8.3
Public health	67,629	65,432	3.4
Police and emergency services	18,567	17,982	3.3
Water and land management	7,208	6,836	5.4
Other	12,708	12,334	3.0
Total	**207,306**	**200,134**	**3.6**

Sources: State Services Authority, The State of the Public Sector in Victoria 2008-09, March 2010, pp.8–9;

State Services Authority, The State of the Public Sector in Victoria 2008, February 2009, pp.14–15

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91   State Services Authority, *The State of the Public Sector in Victoria 2008-09,* March 2010, pp.8–9

92   State Services Authority, *The State of the Public Sector in Victoria 2007-08,* February 2009, pp.14–15

Approximately one third of the Victorian public sector employees work in the public health sector (32.6 per cent), while a further 25.9 per cent are employed by government schools. The Victorian Public Service (the bureaucracy) accounts for 17.0 per cent of the Victorian public sector workforce. The Victorian Public Service includes the 10 departments and 18 authorities and offices including the Essential Services Commission, Victorian Auditor-General's Office and the Environment Protection Authority among others. Figure 5.1 shows the distribution of employees across the major sectors of government.

Figure 5.1: Victorian public sector workforce – employees by sector
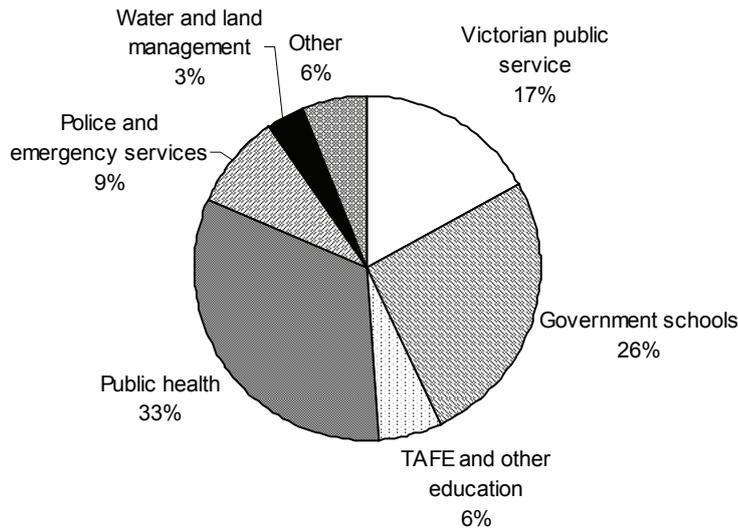
Source: *State Services Authority, The State of the Public Sector in Victoria 2008-09, March 2010, pp.8–9*

5.2. Staff costs and performance bonuses

The Committee requested details from departments and selected agencies on their full time equivalent (FTE) staff numbers at 30 June 2009 and staffing costs for the categories of ongoing, fixed term and casual staff for 2008-09 and 2007-08.

5.2.1 Staff numbers and staff costs in departments

Departmental staff numbers (including the Department of Parliamentary Services and all school staff) increased from 81,644.4 FTE in June 2008 to 83,916.0 FTE in June 2009, an increase of 2.8 per cent. For the same period, departmental staffing costs increased by $472.2 million (7.8 per cent).

As shown in Table 5.2 below, staff costs within five departments (the Department of Innovation, Industry and Regional Development, the Department of Justice, the Department of Planning and Community Development, the Department of Sustainability and Environment and the Department of Transport) increased by more than 10 per cent over the period. Explanations for the increases provided to the Committee by these departments were:

- the transfer of staff from Major Projects Victoria following the Machinery of Government changes (DIIRD); [93]

- the recruitment of additional positions resulting from new 2008-09 Budget initiatives;

- an increase in workload, in particular, the Bushfires Royal Commission, drove an increase in new appointments at the Victorian Government Solicitors Office (DOJ); [94] and

- increased staff overtime and penalty rate expenses associated with the February 2009 'Black Saturday' bushfires (DSE). [95]

Further, the single largest dollar increase in staff costs occurred in the Department of Education and Early Childhood Development, where staff costs increased by $305 million. However, this includes all school staff across the State, with the percentage increase in staff costs being the same as the average increase across all departments.

Table 5.2 details the staff numbers and costs for each department.

93   Department of Innovation, Industry and Regional Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 15 December 2009, p.4

94   Department of Justice, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 3 December 2009, p.8

95   Department of Sustainability and Environment, response to the Committee's 2008 09 Financial and Performance Outcomes Questionnaire – Part One, received 1 December 2009, p.7

Table 5.2: Staff numbers and staff costs in departments

Department	Staff numbers at 30 June 2009 (FTE)	Staff numbers at 30 June 2008 (FTE)	Variance in staff numbers (%)	Staffing costs for 2008-09 ($ million)	Staffing costs for 2007-08 ($ million)	Variance in staffing costs (%)
Education and Early Childhood Development, including schools(a)(b)	55,121.9	54,021.3	2.0	4,235.0	3,930.0	7.8
Human Services, excluding public hospitals	11,413.0	11,122.0	2.6	928.1	897.1(e)	3.5
Innovation, Industry and Regional Development	1,029.8	994.3	3.6	74.2	62.0	19.7
Justice, excluding Victoria Police(c)	7,387.4	6,827.7	8.2	522.1	469.1	11.3
Planning and Community Development	1,047.7	958.4	9.3	95.5	86.6	10.2
Premier and Cabinet	339.3	361.0	-6.0	29.6	33.2	-10.9
Primary Industries	2,410.3	2,574.6	-6.4	169.2	154.4	9.6
Sustainability and Environment	2,900.0	2,602.0	11.5	259.5	221.7	17.1
Transport	1,192.6	1,106.7	7.8	93.2	83.4	11.8
Treasury and Finance(d)	583.0	589.6	-1.1	61.7	61.6	0.2
Subtotal	**83,425.0**	**81,157.6**	**2.8**	**6,468.1**	**5,999.1**	**7.8**
Parliamentary departments	491.0	486.8	0.9	49.9	46.7	6.9
Total	**83,916.0**	**81,644.4**	**2.8**	**6,518.0**	**6,045.8**	**7.8**

Notes: (a) The Department of Education and Early Childhood Development advised the Committee that 'figures reported are indicative as the department does not maintain records in a manner which enables direct tracking of expenditure in these categories.'

(b) The Department of Education and Early Childhood Development (DEECD) staff numbers and staff costs include all schools due to DEECD's financial statements in their annual report consolidating the school staff balances with those of the department.

(c) The Department of Justice advised the Committee that its 'current human resources system is not designed to provide a precise breakdown of these figures' and that the figures submitted to the Committee provide 'an approximate breakdown of the total year split.'

(d) Figures for the Department of Treasury and Finance do not include the State Revenue Office, Essential Services Commission, CenITex or the Emergency Services Superannuation Board.

(e) The Department advised the Committee that 'historically an on-cost rate of 13% (of total gross) has been used. However for the 2008-09 series of responses internal advice from the Chief Financial Officer recommended a revised on-cost estimator of 19%. Therefore to ensure reliable comparisons, the 2007-08 gross level was also recalculated at 19% of total gross.'

Sources Department responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One.

5.2.2   Staff numbers and staff costs in selected agencies

The Committee has continued to gather information on staffing numbers and costs beyond departments to include a selection of agencies that are considered to have a significant financial and community impact.

At 30 June 2009, 68,880.8 FTE staff were employed across the 22 selected agencies, an increase of 3,194.8 (4.9 per cent) from 30 June 2008. The majority of staff, 57.6 per cent were employed in the eight largest public hospitals with a further 20.9 per cent employed by Victoria Police. Together they accounted for 78.5 per cent of FTE staff across the selected agencies. Five other agencies employed over 1,000 staff, being Roads Corporation, Metropolitan Fire and Emergency Services Board, Country Fire Authority, V/Line Passenger Corporation and Victorian Workcover Authority.

The majority of staff increases across the selected agencies occurred in the eight largest public hospitals, where staffing levels increased by 2,044 FTE staff.

The total staff costs for the selected agencies in 2008-09 were $5.4 billion, an increase of 9.4 per cent. The majority of this was accounted for by the eight largest public hospitals. Table 5.3 below shows that staffing costs in 14 agencies increased by more than 10 per cent with Port of Melbourne Corporation (40 per cent), Victorian Rail Track (23.1 per cent) and Victorian Funds Management Corporation (28.9 per cent) having the three largest percentage increases. These three agencies provided the Committee with the following information explaining the significant increase in staff costs:

- *Port of Melbourne Corporation*[96] – *$8.9 million adjustment to recognise the increase in liability for the Port of Melbourne Defined Benefit Super Fund. This was a result of the low government bond rate and the downturn in the investment market.*

- *Victorian Rail Track (VicTrack)*[97] – *growth in staff numbers attributed to VicTrack's growth in the telecommunications business as a result of an increase in project delivery and services required by customers.*

- *Victorian Funds Management Corporation (VFMC)*[98, 99]*:*

   - *during the year there were 15 new starters, 7 redundancy payments and 5 staff resigned. As a result of increased headcount, VFMC incurred additional recruitment costs and termination payments;*

   - *while staff numbers increased by three between 30 June 2008 and 30 June 2009, this comprised an increase of seven full time staff and a decline of four part time staff;*

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96   Department of Transport, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 9 December 2009, p.12

97   ibid.

98   Victorian Funds Management Corporation, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 10 December 2009, p.3

99   Victorian Funds Management Corporation, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 12 February 2010, p.3

- *this was also a period during which VFMC was actively recruiting to build a first class asset management team and boost its in-house investment capabilities. To attract and retain people of the highest calibre, remuneration needs to be competitive with the broader investment management industry; and*

- *VFMC also recruited several experienced professionals within the client services area to improve the client focus.*

The Committee noted that staff costs per FTE varied significantly. The average cost across all agencies was \$80,500, but varied between \$65,200 and \$175,700 from one agency to another.

Table 5.3 details the staff numbers and staff costs for selected agencies.

Table 5.3:   Staff numbers and staff costs in selected agencies

Agency	Staff numbers at 30 June 2009 (FTE)	Staff numbers at 30 June 2008 (FTE)	Variance in staff numbers (%)	Staff costs for 2008-09 ($ million)	Staff costs for 2007-08 ($ million)	Variance in staffing costs (%)	Average staff costs per FTE ($)
Public hospitals[a]	38,668.8	36,537.6	5.8	3,148.2	2,871.3	9.6	81,600
Port of Melbourne Corporation	188.0	173.2	8.5	32.9	23.5	40.0	175,000
Roads Corporation[b]	3,039.0	2,775.0	9.5	198.0	176.0	12.5	65,200
Victorian Rail Track	196.0	159.8	22.7	19.7	16.0	23.1	100,500
V/Line Passenger Corporation	1,367.0	1,292.0	5.8	135.7	118.8	14.2	99,300
Victoria Police[c]	13,987.1	13,815.4	1.2	979.9	923.4	6.1	70,100
Metropolitan Fire and Emergency Services Board	2,011.5	1,967.5	2.2	168.3	158.3	6.3	83,700
Country Fire Authority	1,481.5	1,398.0	6.0	125.9	112.3	12.1	85,000
Victorian Urban Development Authority	227.0	213.0	6.6	27.2	24.5	11.0	119,800
National Gallery of Victoria	276.8	271.9	1.8	18.4	17.5	5.2	66,500
Victorian Energy Networks Corporation	131.0	113.0	15.9	9.9	9.1	8.8	75,200
Barwon Region Water Corporation	370.4	357.1	3.7	28.8	25.1	14.7	77,600
Goulburn–Murray Rural Water Corporation[d]	702.0	659.9	6.4	64.7	59.2	9.3	92,100
Melbourne Water Corporation	779.1	708.2	10.0	65.4	60.9	7.4	83,900
Parks Victoria[e]	969.9	971.9	-0.8	82.3	73.1	12.6	84,800
City West Water Limited	304.4	256.9	18.5	26.0	22.7	14.5	85,300
Rural Finance Corporation	108.6	95.2	14.1	7.7	7.0	10.1	71,100
South East Water Limited	524.3	455.6	15.1	40.0	34.6	15.6	76,300
Transport Accident Commission	745.9	794.5	-6.1	78.2	78.8	-0.8	104,800

Agency	Staff numbers at 30 June 2009 (FTE)	Staff numbers at 30 June 2008 (FTE)	Variance in staff numbers (%)	Staff costs for 2008-09 ($ million)	Staff costs for 2007-08 ($ million)	Variance in staffing costs (%)	Average staff costs per FTE ($)
Treasury Corporation of Victoria	50.8	53.9	-5.8	6.8	6.6	2.9	133,800
Victorian Managed Insurance Authority	111.8	105.3	6.2	13.0	11.5	13.3	116,300
Victorian Workcover Authority	1,121.0	1,046.2	7.1	119.9	104.3	15.0	106,900
Victorian Funds Management Corporation(f)	68.2	64.8	5.2	12.0	9.3	28.9	175,700
Yarra Valley Water Limited	450.7	410.1	9.9	34.1	30.1	13.3	75,600
Total	**67,880.8**	**64,696.0**	**4.9**	**5,443.0**	**4,973.9**	**9.4**	**80,500**

Notes:

(a)   *These figures include the following public hospitals selected by the Committee: Alfred (Bayside) Health, Austin Health, Barwon Health, Eastern Health, Melbourne Health, Royal Children's Hospital, Southern Health and Western Health.*

(b)   *Roads Corporation advised the Committee that the salary costs reported in the 2007-08 Outcomes report differ from those reported this year as this year's figures are based solely on salary costs and do not include payroll tax, superannuation, agency costs, bonuses and Workcover costs.*

(c)   *The Department of Justice advised the Committee that 'the calculation methodology used for gross salaries more accurately captures all salary expenditure in this year's report when compared to last year's report.' The salaries data presented in this table have been adjusted from those presented in the 2007-08 Outcomes report.*

(d)   *Goulburn-Murray Rural Water Corporation advised the Committee that the 2007-08 salary costs figure reported in last year's Financial and Performance Outcomes Report 'did not take into account superannuation, payroll tax and work cover expenses. These expenses have been included into the increased figure of $59.2 million in this years questionnaire. The 2008-09 figures also include these amounts so they provide a relevant comparative.'*

(e)   *Parks Victoria advised the Committee that the salary costs reported in the 2007-08 Outcomes report was incorrect as it 'incorrectly excluded salary expenses relating to employees that terminated their employment with Parks Victoria during the 2007-08 year.' The salaries data presented in this table have been adjusted from those presented in the 2007-08 Outcomes report.*

(f)   *The Victorian Funds Management Corporation advised the Committee that the 2007-08 salary costs figures reported in last year's Financial and Performance Outcomes Report differed to that contained in the response to the 2008-09 questionnaire because they 'undertook a review of what items should be included in salaries. As a result of this review we felt it was more appropriate to include salary related benefits such as FBT payments, motor vehicle fringe benefits, living away from home allowances as well as the fees paid to contract staff.'*

Sources: Department and agency responses to the Public Accounts and Estimates Committee Financial and Performance Outcomes Questionnaire – Part One and additional information provided by the Department of Justice.

5.2.3   Performance bonuses in government departments

The Committee has once again continued its interest in, and analysis of, performance bonuses paid to executives within departments and selected government agencies.

Overall bonus payments were made to 482 executives across the 10 departments, 76.4 per cent of eligible executives. Total bonus payments amounted to $6.5 million at an average of $13,600 per executive.

The Committee has split the executives into a Senior Management group, which includes Secretaries, CEOs, EO1 and EO2 executives, and an Other Executives group, which includes EO3 executives and all other executive staff.

Senior Management (includes Secretary, CEO, EO1 and EO2 grades)

In total 280 Senior Management executives were eligible for a performance bonus in 2008-09 and 224 (80 per cent) were awarded bonuses. These bonuses totalled $4.0 million with the average bonus paid being $18,000.

The total value of performance bonuses awarded to Senior Management executives increased by 27.7 per cent and the average bonus increased by 15.4 per cent in 2008-09. However, the number of Senior Management executives awarded bonuses decreased by 2.5 per cent. The largest increases in the total value of bonuses were observed in the Department of Education and Early Childhood Development (50.9 per cent), Department of Innovation, Industry and Regional Development (44.7 per cent) and Department of Transport (33.3 per cent).

Full details of bonuses paid by each department are contained in Table 5.4.

In its *Report on the 2007-08 Financial and Performance Outcomes*, the Committee recommended that:[100]

> *...the Department of Treasury and Finance consider amending the financial reporting disclosure requirements for government departments in regard to annual performance bonuses paid to executives to include a minimum of three years of data showing the number of executives eligible for a performance bonus, the number of executives awarded a performance bonus, and the total value of executive performance bonuses paid.*

In response the Government rejected the recommendation as:[101]

> *Information on the payment of performance bonuses to executives in the Victorian public sector is currently provided to the Public Accounts and Estimates Committee (PAEC) by departments and published by PAEC in its reports on financial and performance outcomes, which are tabled in Parliament on an annual basis. This is considered to be the most appropriate mechanism for reporting this information.*

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100   Public Accounts and Estimates Committee, *Report on the 2007-08 Financial and Performance Outcomes,* May 2009, recommendation 10, p.111

101   Victorian Government, response to the Committee's *Report on the 2007-08 Financial and Performance Outcomes*, 9 November 2009, p.9

The Committee reiterates its position from the 2007-08 Financial and Performance Outcomes report on the publication of executive performance bonus data that enables trends to be identified, and the resultant accountability of departments and agencies to Parliament and the general public.

Recommendation 7:	**The Department of Treasury and Finance amend the financial reporting disclosure requirements for government departments and agencies in regard to annual performance bonuses paid to executives to include a minimum of three years of data showing the number of executives eligible for a performance bonus, the number of executives awarded a performance bonus, and the total value of executive performance bonuses paid.**

The Committee in its *Report on the 2006-07 Financial and Performance Outcomes* recommended that: [102]

> *...the Department of Parliamentary Services consider introducing a system for awarding performance related incentive payments to its executives in line with the practices that apply to executives in government agencies.*

This has not been supported by the Presiding Officers. The Committee believes that the introduction of such a system will enhance accountability and performance standards.

Recommendation 8:	**The Parliamentary Departments introduce a system for awarding performance bonuses to its executives in line with the practices that apply to executives in government departments and agencies.**

Other Executives (includes EO3 grade and other executives)

In total, 351 Other Executives were eligible for a performance bonus in 2008-09 and 258 (73.5 per cent) were awarded bonuses. These bonuses totalled $2.5 million with the average bonus paid being $9,700. Full details of bonuses paid by each department are contained in Table 5.4.

While the overall changes in Other Executives performance bonuses in 2008-09 were far less significant than with the Senior Management executives, there are some individual changes worth noting:

- the Department of Education and Early Childhood Development decreased its overall bonus payment, for the second straight year, by 20.7 per cent, from $158,700 to $125,800;

- the Department of Sustainability and Environment made bonus payments to 57.7 per cent of eligible Other Executives, a decrease of 16.3 per cent; and

- the Department of Treasury and Finance decreased its overall bonus payment by 19.8 per cent, from $534,500 to $428,500 and in doing so decreased its average bonus awarded by 25.2 per cent from $11,900 to $8,900. However, the department increased by 11 per cent the number of eligible Other Executives who were awarded a bonus.

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102   Public Accounts and Estimates Committee, *Report on the 2006-07 Financial and Performance Outcomes*, May 2008, recommendation 36, p.279

Table 5.4: Departmental performance bonuses 2008-09

Department	Number eligible 2008-09	Number awarded 2008-09	Proportion awarded 2008-09 (%)	Proportion awarded 2007-08 (%)	Total 2008-09 ($)	Total 2007-08 ($)	Average 2008-09 ($)	Average 2007-08 ($)	Average % variation 2007-08 to 2008-09
Secretary or CEO, EO1 – Deputy and EO2									
Education and Early Childhood Development	45	39	86.7	84.2	713,000	472,500	18,300	14,800	23.6
Human Services	50	44	88.0	93.2	717,600	607,300	16,300	14,800	10.1
Innovation, Industry and Regional Development	24	19	79.2	66.7	256,900	177,500	13,500	14,800	-8.8
Justice[a]	29	23	79.3	91.7	428,100	352,700	18,600	16,000	16.3
Planning and Community Development	17	11	64.7	66.7	230,000	195,600	20,900	19,600	6.6
Premier and Cabinet	19	15	78.9	82.4	291,900	226,200	19,500	16,200	20.4
Primary Industries	14	12	85.7	75.0	228,500	178,600	19,000	19,800	-4.0
Sustainability and Environment	23	16	69.6	89.5	255,900	245,100	16,000	14,400	11.1
Transport	31	20	64.5	73.5	400,000	300,000	20,000	12,000	66.7
Treasury and Finance[b]	28	25	89.3	84.0	515,700	407,100	20,600	19,400	6.2
Parliamentary departments[c]	0	0	0	0	0	0	0	0	0.0
Total	**280**	**224**	**80.0**	**82.5**	**4,037,600**	**3,162,600**	**18,000**	**15,600**	**15.4**
Other Executives									
Education and Early Childhood Development	23	13	56.5	64.0	125,800	158,700	9,700	9,900	-2.0
Human Services	76	54	71.0	66.2	509,300	436,300	9,400	9,300	1.1
Innovation, Industry and Regional Development	44	30	68.2	80.0	232,800	231,700	7,800	7,200	8.3
Justice[a]	38	27	71.1	69.0	350,700	303,100	13,000	10,500	23.8

Department	Number eligible 2008-09	Number awarded 2008-09	Proportion awarded 2008-09 (%)	Proportion awarded 2007-08 (%)	Total 2008-09 ($)	Total 2007-08 ($)	Average 2008-09 ($)	Average 2007-08 ($)	Average % variation 2007-08 to 2008-09
Planning and Community Development	23	19	82.6	81.8	176,000	163,600	9,300	9,100	2.2
Premier and Cabinet	16	14	87.5	94.1	176,400	150,300	12,600	9,400	34.0
Primary Industries	17	14	82.4	75.0	157,200	137,600	11,200	11,500	-2.6
Sustainability and Environment	26	15	57.7	74.0	141,300	120,800	9,400	6,000	56.7
Transport	33	24	72.7	66.7	200,000	200,000	8,300	9,100	-8.8
Treasury and Finance [b]	55	48	87.3	76.3	428,500	534,500	8,900	11,900	-25.2
Parliamentary departments[c]	0	0	0.0	0.0	0	0	0	0	0.0
Total	**351**	**258**	**73.5**	**73.0**	**2,498,000**	**2,436,600**	**9,700**	**9,500**	**2.1**

Notes:

(a) *figure includes the Victorian Commission for Gambling Regulation*

(b) *figure includes the State Revenue Office*

(c) *Executive Officers in Parliament are not eligible for performance pay or bonuses*

Source: *Department responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One*

5.2.4   *Performance bonuses in selected agencies*

In total, 837 executives within the selected agencies were eligible for a performance bonus in 2008-09 and 798 (95.3 per cent) were awarded bonuses. These bonuses totalled $13.7 million with the average bonus paid being $17,200.

Full details of bonuses paid by each selected agency are contained in Table 5.5.

The Committee's review of the performance bonuses of executives in selected public sector agencies noted the following:

- thirteen agencies paid bonuses to all of their executives;

- Victorian Workcover Authority and Yarra Valley Water had the highest number of eligible executives at 122 and 121 respectively. These two agencies awarded bonuses to all of these executives;

- Victorian Rail Track awarded performance bonuses to 69.2 per cent of eligible executives, the lowest of all selected agencies; and

- a wide range of average performance bonuses were paid. Roads Corporation had the lowest average at $10,600 and Victorian Funds Management Corporation (VFMC) the largest average at $165,900. The Treasury Corporation of Victoria also had a large average performance bonus at $79,500.

The Committee is of the firm view that the performance bonus system in virtually all agencies appears to bear little relationship to performance, but seems to be more of a salary supplement. It beggars belief that 95.3 per cent of executives merited bonuses in agencies, while the comparable figure in departments was 80 per cent.

The Committee believes that the same system of awarding performance bonuses in government departments should apply in state agencies. A comprehensive review of the bonus system should be conducted by the Secretary of the Department of Premier and Cabinet with the assistance of the State Services Authority. Its conclusions should lead to change including, where necessary, by appropriate regulation or legislation.

> **Recommendation 9:**   **The Secretary of the Department of Premier and Cabinet with the assistance of the State Services Authority conduct a comprehensive review of the system of awarding performance bonuses. The conclusions from this review should lead to change including, where necessary, by appropriate regulation or legislation.**

The Committee noted that in October 2009 the government appointed Dr. Michael Vertigan to review the level of performance bonuses paid to VFMC executives during 2008-09. Dr. Vertigan reported back to the government in December 2009 with five recommendations as follows:[103]

- *That the applicability to VFMC of the provisions of the Public Administration Act 2004 and the policies and requirements of the Government Sector Executive Remuneration Panel (GSERP) be clarified;*

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103   Department of Treasury and Finance, *Government Adopts Vertigan's Recommendations*, media release, 18 December 2009

- *That VFMC seek clarification of, and if necessary, approval for the extent to which they are entitled to exercise discretion to apply remuneration initiatives outside of the strict provisions of the approved framework in order to meet their objective of creating an Investment Centre of Excellence. Such discretion would include provision of guaranteed Short Term Incentive (STI) entitlements in the first year of employment and sign-on payments, should such a practice continue;*

- *The Department of Treasury and Finance establish a reporting framework which enables the application and implementation of the remuneration framework to be professionally monitored to ensure full transparency for the shareholder. The framework should be designed to ensure that areas where uncertainty exists or arises are discussed and resolved;*

- *The assessment of the STI be revised so that it fully conforms to the approved remuneration framework. This would require significant restructuring of the process/ Ideas Generation component. Alternatively, VFMC may seek an amendment to the approved structure to permit increased flexibility in the design of the STI; and*

- *The Rules for the Long Term Incentive Program (LTIP) be changed to remove carryover of out-performance in excess of two per cent in any period to a subsequent period.*

The Victorian Government announced that:[104]

> *…it would take action to implement all recommendations made by Dr Vertigan's review of the compensation framework in a move to ensure employees of the Victorian Funds Management Corporation (VFMC) received appropriate remuneration for the organisation's investment returns and performance.*

The Committee is concerned that the Victorian Urban Development Authority (VicUrban) awarded bonuses to executives where their performance was assessed as 'improvement required'. The Committee sought clarification from this agency on the rationale for awarding bonuses to executives who were assessed as 'improvement required'. This agency responded by advising the Committee that: [105]

> *…the payments were made in accordance with the formally established bonus structure. Employees can receive an overall assessment of 'improvement required' however receive higher ratings on elements of performance. The bonus eligibility criteria is currently under review.*

Recommendation 10:	**The Government Sector Executive Remuneration Panel (GSERP) review and consider amending the GSERP policy for remuneration of executives in the broader public sector to explicitly prohibit the awarding of performance bonuses to executives where performance is assessed as not meeting expectations.**

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104   ibid.

105   Victorian Urban Development Authority, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – clarification questions, received 22 April 2010, p.1

Table 5.5:   Selected agencies performance bonuses 2008-09

Department	Number eligible 2008-09	Number awarded 2008-09	Proportion awarded 2008-09 (%)	Total 2008-09	Average 2008-09
Public Hospitals(a)	70	62	88.6	868,100	14,000
Victoria Police	17	11	64.7	86,600	7,900
Country Fire Authority(b)	29	28	96.6	322,500	11,500
Metropolitan Fire and Emergency Services Board	36	31	86.1	411,900	13,300
Victorian Urban Development Corporation	7	7	100.0	121,800	17,400
National Gallery of Victoria	5	5	100.0	64,100	12,800
Victorian Energy Networks Corporation	27	27	100.0	974,000	36,100
Barwon Region Water Corporation	10	10	100.0	151,800	15,200
Goulburn–Murray Rural Water Corporation	6	6	100.0	108,400	18,100
Melbourne Water Corporation	52	52	100.0	1,191,800	22,900
Parks Victoria	17	17	100.0	213,500	12,600
Port of Melbourne Corporation	34	34	100.0	900,000	26,500
Roads Corporation	72	66	91.7	700,000	10,600
Victorian Rail Track	13	9	69.2	110,000	12,200
V/Line Passenger Corporation	10	8	80.0	100,000	12,500
City West Water Limited	64	63	98.4	887,300	14,100
Rural Finance Corporation	8	7	87.5	143,200	20,500
South East Water Limited	8	8	100.0	274,900	34,400
Transport Accident Commission	63	60	95.2	1,141,500	19,000
Treasury Corporation of Victoria	7	7	100.0	556,700	79,500
Victorian Managed Insurance Authority	31	31	100.0	514,200	16,600
Victorian Funds Management Corporation	8	6	75.0	995,600	165,900
Victorian Workcover Authority	121	121	100.0	1,343,800	11,100
Yarra Valley Water Limited	122	122	100.0	1,535,200	12,600
Total (* Average)	**837**	**798**	**95.3***	**13,716,900**	**17,200**

Notes:

(a)   *These figures include the following public hospitals selected by the Committee: Alfred (Bayside) Health, Austin Health, Barwon Health, Eastern Health, Melbourne Health, Royal Children's Hospital, Southern Health and Western Health.*

(b)   *The Country Fire Authority advised the Committee that at the time of providing a response to the questionnaire that one performance assessment was yet to be completed.*

Source: Department and agency responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One

5.2.5   Relationship of bonuses to salaries for departments and selected agencies

Bonuses are generally paid to highly performing executive officers. The approach taken differs for executives in the Public Service and executives in the broader Public Sector.

Executive remuneration policies for Public Service executives are established in the *Executive Employment Handbook* prepared by the State Services Authority. Executive remuneration policies for Public Sector executives are administered by GSERP.

The *Executive Employment Handbook* indicates that bonuses are payable only to executive officers whose performance is rated at 3 or 4 in the four-level rating scale established in the handbook. Details of the rating scale are set out in Table 5.6.

Table 5.6:   Rating scale for performance-related incentive payments made to executives in Government departments

Rating	Category	Bonus range (proportion of total remuneration package) (%)	Description
Rating 4	Exceptional	9–17	Exceeds the requirements of all criteria and far exceeds expectations in the more critical areas
Rating 3	Superior	0–8	Exceeds the requirements of most criteria
Rating 2	Competent	No bonus	Meets all or most criteria
Rating 1	Improvement required	No bonus	

Source: State Services Authority, Victorian Public Service Executive Employment Handbook, February 2010, p.33

The Committee examined the range of bonuses paid by departments in accordance with the *Executive Employment Handbook* policies. Specifically, the Committee looked at whether the actual range of bonuses paid, expressed as a percentage of the executive's remuneration package, was in accordance with the percentage spread of bonus allocations set out in the *Executive Employment Handbook.* The payments were generally in line with the bonus range identified in the handbook, however, two departments, Justice (8.6 per cent) and Treasury and Finance (10 per cent), awarded bonuses above the range to superior category executives. Table 5.7 shows the results of this analysis.

Table 5.7:   Bonus range paid to department executives for 2008-09 performance assessment period

Department	Superior category bonus range of remuneration package		Exceptional category bonus range of remuneration package	
	(%)		(%)	
	Minimum	Maximum	Minimum	Maximum
Education and Early Childhood Development	0	7.25	10	14
Human Services	1	8	9	12
Innovation, Industry and Regional Development	0	8	9	10
Justice	0	8.6	10.25	11
Planning and Community Development	2	8	9	12
Premier and Cabinet	3	8	10	13
Primary Industries	3	8	9	11
Sustainability and Environment	3	8	9	17
Transport	3	8	9	13
Treasury and Finance	4	10	12	17

Source: Department responses to the Committee's 2008-09 Financial and Performance Outcomes Report Questionnaire – Part One.

The Committee also examined the range of bonuses paid by selected public sector agencies along with the approach taken to awarding performance bonuses. The Committee noted that many selected agencies awarded bonuses based on the *Executive Employment Handbook* or in accordance with the GSERP guidelines with a maximum bonus of 20 per cent of Total Remuneration Package. The Committee noted that two agencies (Treasury Corporation of Victoria and Victorian Funds Management Corporation) awarded bonuses above 20 per cent to executives. These agencies advised the Committee that they had approval from the State Services Authority to award performance bonuses outside of the GSERP policy guidelines due to the specialist skill sets required for staff in these agencies and the need to provide remuneration that is competitive in the market. Table 5.8 shows the results of this analysis.

Table 5.8: Bonus range paid to selected agency executives for 2008-09 performance assessment period

Agency	Proportion of Total Remuneration Package (TRP)		Approach for awarding bonuses
	Minimum	Maximum	
Public Hospitals[a]	0	20	Six of the eight selected public hospitals used the *Executive Employment Handbook*. The other two selected public hospitals (Alfred Health and Barwon Health) applied the Victoria Public Health Services Executive Remuneration Policy and the GSERP policy respectively.
Victoria Police	3	10	*Executive Employment Handbook.*
Country Fire Authority	5.2	11.85	Based on the GSERP guidelines.
Metropolitan Fire and Emergency Services Board	0	12	Executive Performance Management System to meet GSERP guidelines.
Victorian Urban Development Authority	2.4	9.6	Bonuses are structured so that there is a corporate performance component as well as an individual performance component. A corporate performance component was not paid for the 2008-09 financial year.
National Gallery of Victoria	0	8	*Executive Employment Handbook.*
Victorian Energy Networks Corporation	16	18.5	Eligible managers are assessed against three levels of performance contribution: i. corporate performance – 5 per cent ii. department performance – 5 per cent iii. personal performance – 10 per cent.
Barwon Region Water Corporation	5	15	*Executive Employment Handbook.*
Goulburn–Murray Rural Water Corporation	10	11	Developed on a procedure approved by the Remuneration Committee of the Board.
Melbourne Water Corporation	11.2	17.95	Bonuses include components for individual and organisational performance. The policy is consistent with Government Policy and Guidelines.
Parks Victoria	0	15	*Executive Employment Handbook.*
Roads Corporation	2	10	*Executive Employment Handbook.*
V/Line Passenger Corporation	2.5	15	Made up of two components: • review of performance against measurable and agreed performance targets or goals; and • review of leadership behaviours assessment for executive and direct reports to executive through a 360 degree process. For non-direct reports to executive, a 180 degree values assessment tool is used.
Port of Melbourne Corporation	0	20	Based on performance assessment by CEO and guided by recommendations of senior managers. CEO's bonus is determined by the Board.
Victorian Rail Track	0	20	Follows GSERP guidelines.
City West Water Limited	1.5	20	Follows GSERP guidelines.
Rural Finance Corporation	0	20	Based on GSERP guidelines.
South East Water Limited	15.7	16.9	Made up of two components: • individual leadership capability; and • contribution to agreed set of Corporate Performance measures.

Agency	Proportion of Total Remuneration Package (TRP)		Approach for awarding bonuses
	Minimum	Maximum	
Transport Accident Commission	0	20	Follows GSERP Guidelines. Executive bonuses are calculated in two parts: • TAC's performance against a Client Survey result (Client Satisfaction) and an Actuarial result (Financial Performance). Both these results are combined to provide a percentage for the bonus. • executive performance against individual KPIs. TAC management recommend a percentage for the bonus which is ratified by the Remuneration and People Committee.
Treasury Corporation of Victoria	20	40	Follows GSERP guidelines. Principal Officers received 20 per cent plus an additional 20 per cent for the performance period 1 January–30 June 2009 in accordance with the State Services Authority Agreement.
Victorian Funds Management Corporation	34	80	Staff performance is assessed against Key Performance Indicators (KPIs). KPIs for the CEO are set by the Board to ensure corporate objectives are met. The CEO's KPIs are then cascaded down through the organisation. They include fund performance targets, business and team targets. Managers evaluate employees' performance against these targets and all recommendations are evaluated by the CEO. The CEO submits all recommendations to the Remuneration Committee and ultimately the Board for review and final approval.
Victorian Managed Insurance Authority	7	20	Follows GSERP guidelines.
Victorian Workcover Authority	0	15	Based on *Executive Employment Handbook.*
Yarra Valley Water Limited	0	20	Depending on individual employment contracts, eligible employees are entitled to bonuses of up to 10, 15 or 20 per cent. Actual bonus amounts are calculated relative to overall achievement of pre-agreed KPIs in the areas of: • corporate goals and targets (shared by all); • group targets (shared by each group within the company); • project targets associated with achievement of milestones associated with the implementation / replacement of current billing systems; and • personal targets. The bonus paid relates directly to achievement of the employee's KPIs.

Note:

> (a) *These figures include the following public hospitals selected by the Committee: Alfred (Bayside) Health, Austin Health, Barwon Health, Eastern Health, Melbourne Health, Royal Children's Hospital, Southern Health and Western Health.*

Source: *Department and agency responses to the Committee's 2008-09 Financial and Performance Outcomes Report Questionnaire– Part One.*

The Committee noted from Table 5.8 in particular the relatively high minimums and narrow spread of bonuses for the Victorian Energy Networks Corporation, Melbourne Water Corporation and South East Water Corporation. Each agency paid bonuses to every executive. The Committee believes that the arrangements used appear to provide limited scope for performance measurement and recommends each agency review their system.

5.3. Contractors

The Committee sought information from departments on the extent of use and value of contractors. Table 5.9 summarises the responses received by the Committee in respect of expenditure on contractors or contract staff in 2008-09 and 2007-08.

Table 5.9: Departmental contract costs for 2008-09 and 2007-08

Department	Value in 2008-09 ($ million)	Value in 2007-08 ($ million)	Variance (per cent)
Education and Early Childhood Development	11.5	10.6	8.5
Human Services[a]	103.9	79.8	30.2
Innovation, Industry and Regional Development[b]	67.2	33.6	100.0
Justice[c]	33.1	21.8	51.8
Planning and Community Development[d]	22.3	7.7	190.8
Premier and Cabinet	13.6	8.9	52.8
Primary Industries	63.2	45.2	39.8
Sustainability and Environment	320.3	166.0	93.0
Transport	25.7	21.4	20.1
Treasury and Finance	35.8	24.1	48.5
Total	**696.6**	**419.1**	**66.2**

Notes:

(a) *The Department advised the Committee that the list provided may not be exhaustive as systems do not readily identify contractors that are charged, for example, directly to a project or capitalised.*

(b) *The Department advised the Committee that the total approved value is the amount approved by the Accredited Purchasing Unit and the relevant financial delegate to be expended for all contractors engaged in that year. This figure represents the cost of salaries and services in some cases over a number of years. The Department also advised that for short-term, temporary administrative work the procurement data for contractors below $100,000 is decentralised and not collected in an aggregate form.*

(c) *The Department advised the Committee that its mechanism for recording contract staff details also includes information about costs of recruitment service providers. Recruitment service providers are used for mass recruitment programs such as liquor licensing inspectors and sheriffs. As the Department's recording systems do not allow for the costs of these services to be filtered from the total contract staff, the value of contract staff is therefore less than indicated above.*

(d) *The Department advised the Committee that no comparative data for the previous year is available for the value of 'contractors' (excluding contract staff and consultants).*

Source: *Department responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One.*

Based on the information provided by departments to the Committee, the aggregate value of contract expenditure in 2008-09 increased by 66.2 per cent from the previous financial year. The main reasons for increases across departments were as follows:

- costs associated with the 'Black Saturday' February 2009 bushfires (DSE);[106]

- temporary or contract staff employed to cover unavoidable incidents such as the Swine Flu Pandemic and administration of the 2009 Bushfire Appeal Fund – assessment and claims payment (DHS);[107]

- replacement of current Housing and Community Building transactional operating system with updated technology and software as part of the Housing Integrated Information Program (DHS);[108]

- continuation of the Health*SMART* project (DHS);[109]

- the Gambling Licences Review project, which is of a specialised nature with the fixed-term tenure required (DOJ);[110] and

- a large number of major IT projects undertaken, in particular, the transfer of a significant component of the Department of Justice's IT service to the whole of government shared service provider (CenITex). As staff roles have become vacant, they have been filled with contract staff until the transition is complete to enable the maximum degree of flexibility for both the Department and CenITex in terms of future recruitment (DOJ).[111]

Departments identified a total of 335 contractors or contract staff who were paid over $100,000 per annum that had been engaged for over 12 months. The two departments with the largest numbers were the Department of Human Services (112) and the Department of Transport (84). Over half of the contract staff for the Department of Human Services (62) related to the Housing Integrated Information Program (HiiP) project and were specialist IT resources.

The Department of Education and Early Childhood Development advised the Committee that:[112]

> *...it is not possible to determine which of these contracts spanned both reporting periods. The Department's contract management system does not currently allow for data interrogation to meet the specific information request.*

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106   Department of Sustainability and Environment, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 29 January 2010, p.8

107   Department of Human Services, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 18 January 2010, p.13

108   ibid.

109   ibid.

110   Department of Justice, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 3 December 2009, p.14

111   ibid.

112   Department of Education and Early Childhood Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 1 December 2009, p.5

The Committee also asked departments to identify the reasons why a public sector executive or employee could not have undertaken the role for which contractors or contract staff paid in excess of $100,000 per annum were engaged for over 12 months. The most common reasons provided to the Committee by departments were as follows:

- lack of parity in VPS remuneration relative to the commercial sector meant that specialist IT resources could not be attracted as public sector employees;

- departments did not have suitable candidates to undertake the specialist nature of the role, given the fixed-term duration; and

- a need to temporarily maintain or supplement staffing levels necessary to deliver services and projects.

Most departments indicated that the competitive market procurement process undertaken for engaging contract services was a competitive tender, request for quotation or engagement under the terms and conditions of the Whole of Victorian Government State Purchasing Contract for services such as information technology and administrative staffing services. Three departments identified a total of 27 contracts that were not subject to competitive procurement processes, for example, where exemptions from public tender or the obtaining of written quotations were obtained in line with the provisions within the Victorian Government Purchasing Board's policy. The departments advised the Committee that exemptions were granted due to absence of competition, a requirement for specialist technical skills and experience or due to there being a sole supplier.

5.4. Sick leave

Employee sick leave entitlements are outlined in various awards and agreements across the Victorian Public Sector. However, those employees in the Victorian Public Service, governed by the *Victorian Public Service Agreement 2006,* receive 15 days sick leave each year.

The Committee sought information from departments and agencies regarding the extent of sick leave taken during the current and previous period. In particular, the Committee requested that departments and agencies provide the following:

- quarter by quarter analysis of sick leave usage (sick leave days taken per quarter);

- total sick leave taken on each day of the working week; and

- ratio of sick leave taken (days) to FTE.

In responding to the Committee, two entities (the Department of Education and Early Childhood Development and the Port of Melbourne Corporation) advised that they do not undertake analysis of sick leave by quarter and therefore were unable to provide the Committee with this information. Further, 17 departments and agencies advised that they do not undertake analysis of sick leave by day of the working week and thus were unable to provide the Committee with this information.

The Committee believes that all departments and agencies should routinely undertake analysis of sick leave taken by their workforce, in particular for trends in sick leave taken without a certificate. This allows department and agency management to be made aware of emerging trends in sick leave taken and, where necessary, implement strategies for improved management of sick leave taken.

Recommendation 11: **All departments and agencies should have the capacity to generate reports on sick leave from their human resource information system to allow routine analysis of sick leave taken. This could assist in improving the management of sick leave through identifying sick leave trends and strategies being implemented to reduce the level of sick leave taken, where possible.**

The Committee analysed the sick leave information which departments and agencies were able to provide for 2008-09 and 2007-08 to identify any trends in sick leave taken. Figures 5.2 and 5.3 show the sick leave taken by department and selected agency staff respectively for each quarter of the year in 2008-09 and 2007-08.

Figure 5.2: Sick leave taken by quarter – departments
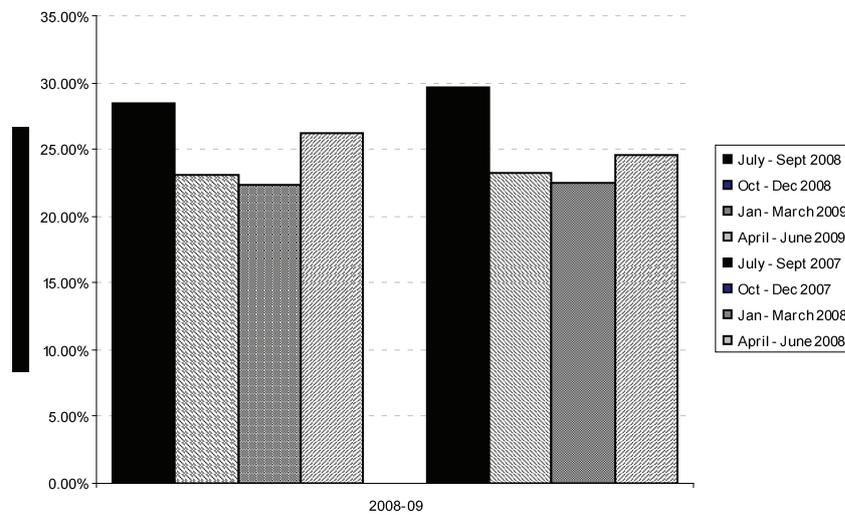
Source: *Department responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One*

Figure 5.3: Sick leave taken by quarter – selected agencies
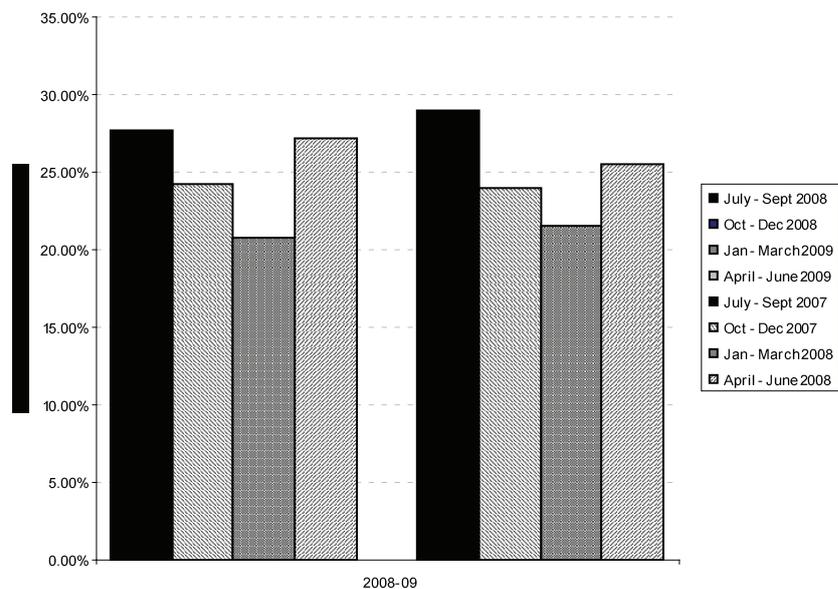
Source: *Agency responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One*

As seen in the two graphs above, the Committee's analysis of sick leave by quarter found that the July–September quarter had the greatest level of sick leave taken. In 2008-09, 28.5 per cent of sick leave was taken in this quarter in departments and 27.7 per cent in selected agencies (29.7 per cent in departments and 29.0 per cent in selected agencies in 2007-08). The April–June quarter had the second highest level of sick leave taken with 26.1 per cent in departments and 24.6 per cent in selected agencies in 2008-09 (27.2 per cent in departments and 25.5 per cent in selected agencies in 2007-08). This result is as expected given the increased likelihood of employees taking sick leave during the quarters spanning the winter period. This was particularly the case during the April–June 2009 quarter with the outbreak of the Swine Flu pandemic.

Tables 5.10 and 5.11 detail sick leave taken per FTE for departments and selected agencies respectively.

Table 5.10: Sick leave taken per FTE – departments

Department	Sick days per FTE 2008-09	Sick days per FTE 2007-08
Education and Early Childhood Development	9.0	9.0
Human Services	9.8	9.7
Innovation, Industry and Regional Development	6.6	6.3
Justice	7.7	7.6
Planning and Community Development	7.4	7.1
Premier and Cabinet	5.7	5.9
Primary Industries	5.3	4.8
Sustainability and Environment	6.2	6.4
Transport	7.5	6.8
Treasury and Finance	6.9	6.9
Parliamentary Services	5.4	4.9
Average	**7.0**	**6.9**

Source: Department responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One

Table 5.11: Sick leave taken per FTE – selected agencies

Agency	Sick days per FTE 2008-09	Sick days per FTE 2007-08
Public Hospitals	9.6	10.0
Victoria Police	8.7	8.6
Metropolitan Fire and Emergency Services Board	8.5	10.2
Country Fire Authority	5.8	5.8
Victorian Urban Development Authority	4.8	4.4
National Gallery of Victoria	6.5	5.4
Victorian Energy Networks Corporation	5.0	6.4
Barwon Region Water Corporation	5.0	6.9
Goulburn–Murray Rural Water Corporation	9.3	8.0
Melbourne Water Corporation	2.3	2.4
Parks Victoria	7.2	6.8
Roads Corporation	7.9	7.6
V/Line Passenger Corporation	12.9	14.4
Port of Melbourne Corporation	6.6	6.8
Victorian Rail Track	5.4	5.8
City West Water Limited	6.0	5.4
Rural Finance Corporation	5.1	5.7
South East Water Limited	7.2	7.6
Transport Accident Commission	4.8	9.2
Treasury Corporation of Victoria	5.9	5.2
Victorian Funds Management Corporation	2.8	1.5
Victorian Managed Insurance Authority	5.9	5.8
Victorian Workcover Authority	6.3	6.5
Yarra Valley Water Limited	7.5	7.2
Average	**6.5**	**6.8**

Source: Department and agency responses to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One

As shown in table 5.10 above, the average sick leave per FTE increased in departments from 6.9 days in 2007-08 to 7.0 days in 2008-09.

For selected agencies, Table 5.11 above shows that the average sick leave taken per FTE has decreased slightly from 6.8 days in 2007-08 to 6.5 days in 2008-09. In particular, the sick leave taken per FTE has decreased considerably within Metropolitan Fire and Emergency Services Board, Victorian Energy Networks Corporation, Barwon Region Water Corporation, V/Line Passenger Corporation and Transport Accident Commission.

Of continuing note, however, is the high incidence of sick leave per FTE in V/Line Passenger Corporation at nearly twice the average of all agencies combined and a third more than any other agency or group of agencies. The Committee believes that the Corporation should continue to make concerted efforts to reduce sick leave.

5.5.   Succession Planning

Succession Planning is defined as the '*identification and development of potential successors for key positions in an organisation, through a systematic evaluation process and training.*'[113]

The Committee was interested in determining the extent to which departments had implemented formal succession planning strategies, as it is considered good practice to 'groom' successors for circumstances where staff in key positions leave the department.

The Committee asked departments to detail succession planning strategies they have developed and to provide examples where the department has applied succession planning to fill positions in 2008-09. Three of the ten departments advised the Committee that during 2008-09, they did not have formal succession planning strategies in place (the Department of Human Services) or were in the process of finalising such strategies (the Department of Education and Early Childhood Development and the Department of Innovation, Industry and Regional Development).

The main succession planning strategies departments have developed include:

- potential future leaders participating in the Victorian Leadership Development Centre (VLDC) programs or attendance at other programs such as the ANZSOG Masters and Fellowship program;

- the determination of succession risk for each division and alignment of risk mitigation strategies to these risks, including creating succession plans, analysis of critical roles and creation of Development and Talent Pools; and

- the provision of acting and secondment roles to identify high performing and emerging leaders within the department.

5.5.1   *Department of Education and Early Childhood Development*

The Department of Education and Early Childhood Development advised the Committee that it established a succession planning process towards the end of 2008-09. Specific succession planning strategies developed by the Department are identified in Table 5.12.

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113   Business Dictionary, <www.businessdictionary.com/definition/succession-planning.html>, accessed 17 February 2010

Table 5.12: Succession Planning Strategies for DEECD

Succession planning strategies developed	Examples where succession planning applied to fill positions
The VPS performance planning process includes a Development Action Plan which the manager and staff member use to prioritise the capabilities and/ or behaviours which they will focus on in the performance cycle. These are then documented as actions to develop their current role and prepare for their desired role(s). The process identifies development and career goals, development actions and opportunities and actions through on-the-job experiences, networks and relationships and courses and programs. The Executive Development Committee, comprising the Secretary and all Deputy Secretaries, meets quarterly to review executive officer development. The Committee considers all executive officers' performance against their potential, using a set of established criteria, to gain an understanding of development and succession requirements. Development falls into three categories, experiential learning (learning by doing), relationships (learning from observing others, mentors and coaches) and formal programs. DEECD has nominated senior executives to take part in the Victorian Leadership Development Centre programs. Succession development is supported through provision of experiences through acting and secondment roles.	Not applicable as process only established toward end of reporting period.

Source: Department of Education and Early Childhood Development, response to the Committee's Financial and Performance Outcomes Questionnaire – Part One, received 1 December 2009, p.9.

5.5.2   *Department of Human Services*

The Department of Human Services advised the Committee that it: [114]

> *...does not have a formal succession planning process; however, a range of leadership development programs and management skill training activities conducted by the Department ensure that the skills required by candidates for leadership positions are available to the Department. The process for filling positions within the Department of Human Services adheres to the principles of merit and equity.*

5.5.3   *Department of Innovation, Industry and Regional Development*

The Department of Innovation, Industry and Regional Development advised the Committee that it '*recognises the importance of succession planning given the breadth and complexity of its portfolio responsibilities and aging workforce.*'[115]

Specific strategies developed by the Department are identified in Table 5.13.

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114   Department of Human Services, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One*, received 18 January 2010, p.22

115   Department of Innovation, Industry and Regional Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 15 December 2009, p.9

Table 5.13: Succession Planning Strategies for DIIRD

Succession planning strategies developed	Examples where succession planning applied to fill positions
As part of the Department's People Strategy 2009-2012, an Accelerated Development Program was introduced aimed at building and developing core executive capabilities; developing high performing and emerging leaders for senior leadership roles and contributing to a positive leadership culture within DIIRD. The program is currently nearing completion and a new program will be launched in early 2010.	The DIIRD People Strategy 2009-2012 identifies the need to mitigate succession risk as a priority and, as such, the development of a succession planning and risk management strategy for the department is planned to commence in 2009-2012. Reporting on examples of succession planning to fill positions will be investigated as part of this project.

Source: *Department of Innovation, Industry and Regional Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 15 December 2009, p.9.*

5.5.4 Department of Justice

The Department of Justice advised the Committee that: [116]

> *…succession and talent planning has been identified as a focus area due to the risks associated with vacancies in critical roles and the risks associated with losing key talent.*

Specific strategies developed by the Department and examples where succession planning has been applied to fill positions are identified in Table 5.14.

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116   Department of Justice, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – *Part One*, received 3 December 2009, p.23

Table 5.14: Succession Planning Strategies for DOJ

Succession planning strategies developed	Examples where succession planning applied to fill positions
The Department of Justice has been a pioneer in a rigorous implementation of Succession and Talent Planning processes in 2008 and 2009. Following initial pilots that allowed for the enhancement of the tools and process, Human Resources deployed a consistent, evidence-based Succession and Talent Planning process across the Department from March to November 2009. Key outcomes of the pilot include the determination of succession risk for Justice divisions and aligned risk mitigation strategies, such as the creation of succession plans; the analysis of critical roles and the creation of Department Development and Talent Pools. The Succession and Talent Planning team are facilitating the completion of succession plans for all Executive Officers and the talent identification at the Grade 6 level. Targeted development and retention strategies are being refined for staff identified via the pilot process as having the potential to be future senior leaders of Justice. Planning is currently occurring for the launch of supporting technology and the second iteration of the process in March 2010.	Succession planning is extremely important to the Department as it seeks to build the capability and agility to respond to critical issues and corporate priorities while maintaining core operational service delivery. Accordingly, it is common for senior officers to transfer to priority projects, such as improving dispute resolution services, intervening to minimise social harm in the areas of alcohol and mental health, and allocation of gambling licences. In transferring senior staff to these projects, backfilling has provided the opportunity for staff to step up to these senior roles. Staff with skills and abilities to perform at senior levels are identified through succession planning and supported through learning and development opportunities including leadership programs and coaching in some instances. The flow-on effect is that there is a good opportunity to implement succession planning in several positions. The Department has made good use of executive development programs including ANZSOG Masters and Fellowship program, Cranlana and other programs along with executive coaching. Development feedback using 360 degrees feedback and Employee Attitude Surveys are also utilised extensively to set development and performance goals. A key risk mitigation strategy aligned to the Succession and Talent Planning process involves the review of the Department Development and Talent Pools when there is an upcoming vacancy in a critical role. Staff that have been identified as having strength in the essential capabilities of the critical role are invited to apply for the position. The Development and Talent Pools are also used to fill fixed term key project roles.

Source: Department of Justice, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 3 December 2009, p.23, 25.

5.5.5   *Department of Planning and Community Development*

The Department of Planning and Community Development advised the Committee that it has a number of strategies it uses in succession planning. Specific strategies developed by the Department and examples where succession planning has been applied to fill positions are identified in Table 5.15.

Table 5.15: Succession Planning Strategies for DPCD

Succession planning strategies developed	Examples where succession planning applied to fill positions
A Strategic Leaders Program has been specifically developed by DPCD to support succession planning for Executive Officer roles in DPCD. The program is targeted at senior managers at the VPS 6 level who are high achievers and key influencers in DPCD and who are in the pool of people ready to step up to the Executive level. The program recognises and builds participants' leadership capabilities by providing an opportunity for learning leadership tools, reflection on their current leadership approach and delivering a project which supports DPCD's strategic direction. Thirty-one DPCD managers participated in the program during 2008-09. DPCD also supported EO development and succession planning strategies in 2008-09 by supporting: • Senior Managers and Executives to participate in the Australia and New Zealand School of Government (ANZSOG) Masters and Fellows Programs and the Cranlana Programme; and • The establishment of the Victorian Leadership Development Centre, which is being developed to promote sustainable, highly-skilled, diverse and professional leadership capacity which consistently meets the needs of the Victorian Government and the community it serves. Additionally, DPCD is piloting a Workforce Planning Process with two key areas of the DPCD's workforce – Community Development and Planning and Local Government. The aim of the pilot is to develop a practical workforce plan for these two areas, which will help DPCD move towards its strategic objectives through the attraction and development of an optimal workforce. Succession planning risks and opportunities are actively being considered as part of the workforce planning process.	Eighty per cent of participants who have completed DPCD's Strategic Leaders Program have been provided with the opportunity to act in or have been promoted to more senior roles, including at the Executive Officer level.

Source: *Department of Planning and Community Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One*, received 23 December 2009, p.9–10.

5.5.6   *Department of Premier and Cabinet*

The Department of Premier and Cabinet identified a number of approaches the Department uses in succession planning. Specific strategies developed by the Department and examples where succession planning has been applied to fill positions are identified in Table 5.16.

Table 5.16: Succession Planning Strategies for DPC

Succession planning strategies developed and examples where applied to fill positions
DPC's Summer Internship Program targets University students in their final year of study who may be suitable participants for the graduate program. The Internship Program has successfully been used as a 'feeder' group and continues to identify new potential graduates.
DPC has two employees participating in the first Victorian Leadership Development Centre Senior Executive Leadership Program. This program aims to develop future Secretaries/CEOs in the short to medium term.
DPC has also focussed on developing and promoting existing staff for a variety of roles at both executive and non-executive levels. DPC promotes staff development through methods including the allocation of particular work assignments, acting opportunities and learning and development offerings. Some recent appointees from within DPC have made the transition from non-executive to executive roles.

Source: *Department of Premier and Cabinet, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One*, received 7 December 2009, p.9.

5.5.7   Department of Primary Industries

The Department of Primary Industries advised the Committee that it currently has in place succession management at the local level rather than a whole-of-department approach, however, it is currently in the process of developing a leadership strategy. Specific strategies developed by the Department and examples where succession planning has been applied to fill positions are identified in Table 5.17.

Table 5.17:   Succession Planning Strategies for DPI

Succession planning strategies developed and examples where applied to fill positions
Current Strategies A number of local initiatives are in place designed to strengthen DPI's succession management including rotation of higher duties in backfilling senior roles, local leadership development programs and successor identification for key roles. These are managed at the local level rather than a whole of department approach. At the Executive Officer level, DPI participated in the succession management exercise conducted by the Victorian Leadership Development Centre (VLDC) creating a leadership Risk Profile for the whole of the VPS. As a result of this activity, DPI has a number of executives participating in tailored development strategies delivered by the VLDC to prepare them for more senior roles. **Proposed Strategies** Underpinned by the recently developed DPI People Strategy 2009-2011, DPI is currently developing a leadership strategy and identifying the key capabilities required for the Department. These pieces of work are key components to developing a succession management approach that ensures DPI effectively plans for succession and manages the changing demographics of its workforce. Leveraging on both the VLDC and State Services Authority models, it is proposed that DPI will develop an approach to succession management based on building bench strength at all levels of the organisation. This approach will focus on developing and enhancing transferable skills, building the behavioural as well as technical capabilities.

Source: Department of Primary Industries, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 3 December 2009, p.15.

5.5.8   Department of Sustainability and Environment

The Department of Sustainability and Environment advised the Committee that it has an Executive Succession Planning Strategy in place. Specific strategies developed by the Department and examples where succession planning has been applied to fill positions are identified in Table 5.18.

Table 5.18:   Succession Planning Strategies for DSE

Succession planning strategies developed	Examples where succession planning applied to fill positions
The Department has an Executive Succession Planning Strategy that was developed by the People Committee, a key governance committee for the Department. Executive positions have been reviewed by the Committee to identify high risk roles and plans are in place to manage succession into these roles in the future. In addition to these high risk roles there is a focus on developing individuals with high potential to move into executive or senior executive roles in the future.	The Department encourages staff identified as having high potential to move into executive roles to apply to participate in the Senior Leadership Program. This program provides extensive learning and development opportunities to assist staff when applying for executive roles. Twenty-five per cent (4 staff) from this group were successful in moving into executive roles during the 2008-09 financial year.

Source: Department of Sustainability and Environment, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 1 December 2009, p.11

5.5.9   Department of Transport

The Department of Transport advised the Committee that it is currently in the process of developing a Succession Planning framework. However, the Department has in place other existing specific strategies regarding sponsored investment and leadership risk profile. Detail on specific strategies developed by the Department, and examples where succession planning has been applied to fill positions are identified in Table 5.19.

Table 5.19:   Succession Planning Strategies for DOT

Succession planning strategies developed	Examples where succession planning applied to fill positions
<u>Succession Planning</u> The Department of Transport is currently in the process of developing a Succession Planning framework. The framework will provide a systematic approach to assist with the identification, development and retention of talent and the establishment of talent pools for current and future mission critical roles and areas across the Department. It is envisaged that these talent pools will include critical roles at executive, managerial, functional and technical project and/or operational roles. The framework aims to ensure continuity of business and minimise the Department's exposure to succession and vacancy risk. The framework will be strongly linked to other related strategies and initiatives, such as the Department's Leadership and Management Development frameworks. <u>Sponsored Investment</u> DOT has identified emerging leaders within the organisation (at various levels) and has taken a more proactive and targeted sponsorship approach to their development. Currently a total of 146 people in the organisation (representing a variety of functional areas) have been identified. Assessment is based on three key areas: capability, aspiration and engagement. <u>Leadership Risk Profile</u> DOT undertook an assessment of Executive Officer positions in order to determine the likelihood of people leaving positions as well as consequences and impact on the organisation of that event taking place. As a result, a report on the likely risks to the organisation (capability gaps and impact of delivery) was compiled which provides DOT with a clear pathway for minimising the impact of those risks.	DOT's sponsored investment list has enabled the senior leadership within the Department to identify one to two job ready high performing people for the majority of executive positions within the Department. This has been borne out in the significant number of internal executive placements over the last 18 months. One of the development opportunities provided by DOT to emerging leaders in 2008-09 was to provide acting opportunities when short term vacancies occurred. This provided people with on-the-job experience at more senior levels thus better preparing them for future vacancies that may arise on a permanent basis.

Source: *Department of Transport, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 9 December 2009, p.21–3.*

5.5.10   Department of Treasury and Finance

The Department of Treasury and Finance advised the Committee that: [117]

> *...succession planning strategies are developed at the Executive level. Within the Department, conversations occur at Deputy Secretary level prior to discussions at the Treasury and Finance Board. The key at risk roles are identified based upon the Victorian Leadership Development Centre (VLDC) model of risk development.*

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117   Department of Treasury and Finance, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 10 December 2009, p.23

5.6. Professional development of staff

Professional development represents a key people management function. By investing in developing and enhancing the skills of the Victorian Public Service (VPS) workforce, this can improve the overall performance of departments in the delivery of their outputs.

The Committee was particularly interested in the costs of delivering the professional development program, the processes employed by departments to assess whether the training activities had met the needs of staff and the organisation and whether the intended outcomes to be derived from professional development have been achieved.

Table 5.20 below outlines the costs of delivering the professional development program across the 10 departments and the Parliamentary departments along with the cost per FTE.

Table 5.20: Cost of delivering Professional Development Program

Department	Cost 2008-09 ($ million)	FTE (number)	Cost per FTE[a] ($)
Education and Early Childhood Development[b]	18.2	55,121.9	329.3
Human Services	18.2	11,413.0	1,594.7
Industry, Innovation and Regional Development[c]	0.1	1,029.8	135.0
Justice[d]	8.6	7,387.4	1,164.1
Planning and Community Development	0.4	1,047.7	343.6
Premier and Cabinet	1.6	361.0	4,407.1
Primary Industries	1.5	2,410.3	626.5
Sustainability and Environment	3.7	2,900.0	1,289.7
Transport	3.6	1,192.6	3,018.6
Treasury and Finance[e]	0.2	583.0	356.8
Parliamentary Departments	0.4	491	786.2

Notes:

(a) *Cost per FTE has been calculated by the Public Accounts and Estimates Committee.*

(b) *The Department advised the Committee that for VPS staff, the cost did not include other types of informal professional development such as job rotation, mentoring, shadowing, online learning and attendance at DEECD workshops. The Department also advised that for school based staff, the cost did not include regional offices, school networks and individual schools which allocate resources for teacher professional training.*

(c) *The Department advised the Committee that this amount does not include divisional expenditure on seminars, conferences or local training programs as they are delivered by individual divisions and data is not captured centrally.*

(d) *The Department advised the Committee that the costs covers all related Learning and Development costs across the Department and may be attributable to items that are not L&D specific, such as travel expenses, catering, incidentals, seminars and conferences.*

(e) *The Department advised the Committee that the costs included Leadership Development modules, scholarships (ANZSOG, for example), general skill development, conference fees and study assistance.*

Source: Department responses to the Committee's Financial and Performance Outcomes Questionnaire – Part One.

The Committee's analysis of the departmental costs of delivering professional development per FTE found large variations in the levels of spending on professional development. The Committee found that the Department of Premier and Cabinet spent the most per FTE on professional development at $4,407, whereas the Department of Innovation, Industry and Regional Development spent the least at $135 per person (FTE). The Committee also noted that three other departments (the Department of Education and Early Childhood Development, the Department of Planning and Community Development and the Department of Treasury and Finance) had relatively low professional development costs per FTE, with each of these departments having spent less than $400.

The Committee believes that there should be a consistent approach across Departments to the professional development of staff. The wide cost variations per FTE imply that this might not be the case, even allowing for higher developmental costs in some areas (e.g. technical, engineering). It suggests that the State Services Authority undertake a study into professional development across agencies, with a view to making recommendations that ensure that all agencies give such training high priority.

The Committee also notes that some departments advised that the costs provided to the Committee were not inclusive of all professional development across the Department, such as costs incurred for training delivered by individual divisions, as this data was not currently able to be accurately captured. The capturing of accurate data on professional development assists departments and agencies in assessing whether professional development is delivered in a cost-efficient manner.

Recommendation 12: **Departments and agencies review their current processes for capturing the costs of delivering professional development and consider implementing enhanced processes that will facilitate the accurate and complete recording of all costs associated with the delivery of professional development. This will assist departments and agencies in assessing whether professional development is delivered in a cost-efficient manner.**

The Committee asked departments and agencies to describe the processes employed by the organisation to assess whether training activities have met the needs of both the staff and the organisation and to explain the approach adopted for assessing whether the intended outcomes to be derived from the professional development had been achieved. The most widespread approaches used by departments and agencies, as advised to the Committee, were as follows:

- development of individual staff performance development plans between the staff member and manager as part of the performance agreement. Every six months conducting an assessment of whether training has met the staff members needs as outlined in the individual performance plans;

- evaluation forms completed by staff members at the conclusion of training activities. Feedback provided includes questions on relevance of content, facilitation and achievement of learning objectives. Themes from this feedback are communicated to senior management as well as the training provider as a means of continuously improving the training offered;

- post program evaluations undertaken with participating staff members and their managers to ascertain the transfer of learning back into the workplace;

- evaluation of learning and development activities against various learning evaluation models; and

- review of compulsory training and essential skills required for each role to ensure employees attend appropriate training only.