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

The key functions of the Authority are to:

- Identify opportunities to improve the delivery and integration of government services and report on service delivery outcomes and standards;
- Promote high standards of integrity and conduct in the public sector;
- Strengthen the professionalism and adaptability of the public sector; and
- Promote high standards of governance, accountability and performance for public entities.

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

contact us

at the State Services Authority
Email: info@ssa.vic.gov.au
Phone: (03) 9651 1321
Fax: (03) 9651 0747
Postal Address:
3 Treasury Place
Melbourne 3002
www.ssa.vic.gov.au

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In a rapidly changing and increasingly complex world, workforce planning is becoming vitally important to securing the ongoing viability of Victoria’s public sector and to ensuring that public sector organisations have the capacity to deliver efficient, effective and responsive services to the Victorian community.

Significant commentary suggests this complexity will require new approaches to attracting, retaining and developing public sector employees, and significant changes in the way public sector agencies plan, design and deliver services. Innovation and flexibility are seen as important parts of any response to these issues.

The State Services Authority (SSA) has undertaken the Workforce Planning Project to identify the specific workforce planning challenges facing the Victorian public sector and to report to the Premier on the readiness of the sector to meet these challenges. The project also aims to support public sector agencies in dealing with their own particular workforce planning issues, as well as providing guidance for coordinated, whole-of-government actions.

Through extensive consultation, focus group interviews, research and analysis, the Workforce Planning Project has identified the key workforce challenges facing the public sector and the implications of these for public administration and service delivery. The project has also identified the barriers to better workforce planning and explored activities and strategies to improve workforce planning processes.

This report outlines the results of the risk assessment conducted as part of the Workforce Planning Project. It is noted that while many areas of the public sector workforce are unlikely to face overwhelming workforce planning issues:

- Two segments – Health and Aged Care and Infrastructure Project Management/Engineering – are most likely to experience substantial shortages over the medium-term and that this will have a significant impact on service delivery outcomes;
- Other significant shortages are expected to impact notably on service delivery outcomes in the Information and Communication Technology (ICT), Technical and Further Education (TAFE), Scientific and Water areas of the public sector;
- Moderate shortages for some work categories in the housing, community services, town planning, emergency services, police and leadership areas may affect service delivery approaches; and
- Rural and regional services and workforces will be more significantly affected than those in metropolitan areas.

A range of factors were found to be driving the workforce planning challenges facing the Victorian Public Service (VPS) and the Victorian public sector. These factors include pressure to respond to significant demographic changes (such as an ageing population and the increasing geographic spread of services), major social and environmental issues, changing community expectations and client profiles. The public sector also faces a
number of constraints in building a skilled and capable workforce, including skill shortages in key areas, restrictions in staffing numbers and salaries, an ageing workforce, growing competition for employees from the private and non-government sectors, and a projected fall in the supply of new entrants to the labour market.

The results of this assessment have been used to develop recommendations for action by the Victorian Government. These recommendations are set out in the project’s report: *Future Directions for Workforce Planning: recommendations to improve workforce planning outcomes across the Victorian public sector.*
The State Services Authority (SSA) is required to strengthen the professionalism and adaptability of the public sector\(^1\). In support of this role, the SSA performs a number of functions related to workforce planning, including monitoring and reporting on workforce trends and issues within the Victorian Public Service (VPS) and the wider Victorian public sector\(^2\).

The VPS and Victorian public sector, as defined in the Public Administration Act 2004, comprise around 4,500 separate entities of which 1,882 are employers. These organisations employ in excess of 228,000 staff and account for approximately 9% of the total Victorian labour force.

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1 Parliament of Victoria, Public Administration Act 2004, Section 67, p.56
2 Ibid, Section 68, p.57
Given the size, diversity and complexity of Victoria’s public sector, workforce planning is clearly critical to the ongoing viability of organisations within the sector. Anticipated short, medium and long-term imbalances in the labour pool are fuelling concerns about potential impacts on the public sector’s ability to meet service delivery obligations, policy development expectations and the regulatory requirements of the Victorian community.

The Research Paper: Understanding the Workforce Planning Challenges facing the Victorian Public Sector report presents the results of the risk assessment conducted as part of the Workforce Planning Project. It forms the basis for the project’s report to the Victorian Government on the workforce planning challenges facing the Victorian public sector over the medium-term (a ten-year horizon) and the readiness of the sector to meet these challenges. On the basis of the assessment of risk and existing systems and processes, the project has recommended six strategic directions for consideration by Victorian Government departments and agencies:

- Improving attraction and recruitment strategies
- Increasing labour supply in selected areas
- Increasing investment in staff development
- Improving the public sector’s agility in employment
- Improving workforce participation, retention and motivation
- Improving workforce planning governance and capability.

The project has made recommendations for further action across government in each of these strategic areas. These recommendations are set out in the report: Future Directions for Workforce Planning: recommendations to improve workforce planning outcomes across the Victorian public sector. The results of the project’s assessment of workforce planning processes and systems within the VPS and Victorian public sector can be found in the report: A review of workforce planning in the Victorian public sector.

The SSA acknowledges the generosity of both time and spirit of the many contributors to this report and to the Workforce Planning Project. More than 20 focus groups and numerous senior public servants provided invaluable input into the project. This is in addition to the significant contribution of VPS Deputy Secretaries and HR Directors.
2 the workforce planning project

2.1 overview

In 2004, the Victorian Auditor-General recommended ‘that a central agency be assigned leadership and clear accountability for advising government on the [workforce planning] needs of the VPS as a whole’. The Auditor-General noted that it will be important to provide advice to the Victorian Government on a number of challenges facing the Victorian Public Service. The Premier requested that the State Services Authority undertake a review of the workforce planning activities of the VPS and the Victorian public sector. This review was subsequently incorporated into the Authority’s 2005/06 work program.

The purpose of the Workforce Planning Project is to provide the Premier with an assessment of the readiness of the VPS and Victorian public sector to deal with emerging and future workforce planning issues. Specifically, this involved:

- Identifying potential areas of risk, the possible impact of these areas on future service delivery and an assessment of the readiness of the VPS and Victorian public sector to address these potential risks;
- Identifying key workforce planning issues related to specific government functions, critical skill sets, critical occupational groups and common areas of activity across the VPS and Victorian public sector; and
- Providing a framework to assist government and its agencies address workforce planning issues into the future.

2.2 definition of workforce planning

Workforce planning involves the “comprehensive process that provides managers with a framework for making staffing decisions based on an organisation’s mission, strategic plan, budgetary resources, and a set of desired workforce competencies”. While operationally, workforce planning is about getting the right number of people with the right competencies in the right jobs at the right time, its objective extends beyond predicting future labour demand and supply to operate as a filter through which other strategic plans need to pass. Workforce planning is a ‘reality check’ to ensure the organisation’s strategic goals are realistic and achievable within the capacity and capability of its workforce.

The value of effective workforce planning is that it provides an organisation with a continuous process of shaping its workforce to ensure that it has the capacity and capability to deliver the organisation’s objectives now and in the future.

This broad approach to workforce planning was endorsed by the Parliament of Victoria’s Public Accounts and Estimates Committee. Effective workforce planning, at both agency level and whole-of-government level, will:

- Be integrated with strategic planning processes to address short-term, medium-term and long-term business needs;
- Identify the workforce required to meet business objectives and implement strategies to address these requirements;
- Systematically profile the current distribution of workforce characteristics such as age, gender, culture, occupation, skills, length of service and separations;

3 Auditor-General Victoria (December 2004), Meeting our future Victorian Public Service workforce needs, p.6
Assess the current and future supply and demand for particular skills and abilities;

- Identify potential skills gaps, including the over or under-supply of required skills and abilities;
- Identify strategies to address future workforce needs;
- Develop systems that enable regular monitoring and review of workforce needs as part of the overall management program; and
- Include consultation with managers and senior executives on human resource issues.  

2.3 methodology and model

Between August and September 2005, the State Services Authority conducted a preliminary round of consultations with a range of senior public sector staff (at the Deputy Secretary and HR Director level) about the overall workforce challenges facing the VPS and Victorian public sector.

As a result of these consultations, and given the size and complexity of the Victorian public sector, it was considered necessary to clearly identify the drivers of change that were influencing the workforce and assess the impact of these drivers on the supply and demand for labour and service delivery. As a result, the project was designed to:

- Create a broad approach that would allow a holistic analysis beyond internal labour supply demographics to understand the impact of demand and supply issues on service delivery;
- Target research and analysis toward the most significant workforce challenges for the VPS and Victorian public sector;
- Use focus groups with senior business leaders to build an understanding of the nature, extent and potential impact of workforce challenges;
- Consider workforce issues from the perspective of line managers and the potential impact on whole of Victorian Government objectives, as well as the impact on specific objectives of individual VPS and Victorian public sector organisations; and
- Consider from the perspective of HR practitioners working within the VPS and Victorian public sector, the state of workforce planning capability, strategy and activity.

2.3.1 identifying potential drivers of change

A targeted approach was adopted throughout the project to identify and analyse the key workforce planning issues that present the most significant risk to government service delivery. This is in line with the research of the Corporate Leadership Council which indicates that where the issue is one of risk as opposed to cost containment or staff monitoring, the task requires focus on understanding the potential high risk areas.  

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6 Corporate Leadership Council 2001 Workforce Planning
The objectives of this stage of the project were to:

- Identify the skill sets and service delivery sectors critical to government service delivery and where there is potential for a substantial gap between future demand for services and supply of labour (if mitigation strategies and activities are not implemented); and
- Identify the most significant challenges that will impact upon the capability and capacity of the VPS and Victorian public sector workforces in delivering future services on behalf of the Victorian Government.

The focus was on those ‘critical workforce segments’ seen as high risk in terms of skills that are potentially difficult to replace or have a significant impact on public value (as represented in Figure 2).

The key challenges identified for analysis were outlined in the SSA’s discussion paper, *A Review of Workforce Planning in the Victorian Public Sector*.

These are set out in Table 1.

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7 Source: Deloitte Consulting

2.3.2 The extent of impact on supply and demand for labour

The State Services Authority, in conjunction with PricewaterhouseCoopers, conducted a series of workshops with a wide range of VPS and Victorian public sector officers to qualitatively assess the impact of the identified workforce planning challenges and the supply and demand for labour and government service delivery over the next five to ten years if expected trends are not addressed.

### Table 1: Potential Key Workforce Planning Challenges

<table>
<thead>
<tr>
<th>Workforce demand drivers resulting from</th>
<th>Workforce supply drivers resulting from</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographic changes (e.g., ageing population)</td>
<td>Tightening of Victorian labour market</td>
</tr>
<tr>
<td>Changes in government priorities</td>
<td>Increasing competition in the labour market</td>
</tr>
<tr>
<td>Increased demand for accountability within and by government</td>
<td>Prevailing myths of public sector employment</td>
</tr>
<tr>
<td>Increasing interaction within and between governments</td>
<td>Accelerating loss of knowledge and workforce due to retirement</td>
</tr>
<tr>
<td>Increasing use of outsourced service delivery</td>
<td>Increased competition for between departments</td>
</tr>
<tr>
<td>Diminishing volunteer labour force</td>
<td>Structural rigidities</td>
</tr>
<tr>
<td>Technological change</td>
<td>Changes in employment expectations and career preferences of staff</td>
</tr>
</tbody>
</table>

The SSA discussion paper also identified the critical skill sets and service delivery sectors within the VPS and Victorian public sector. The selection of the critical skills and service delivery sectors was based on assessments of priority, potential financial exposure, commonality of skill or function across the sector and potential impact on the community. The critical skill sets and service delivery sectors analysed by the project are set out in Table 2.

### Table 2: Critical Skill Sets and Service Delivery Sectors Analysed

<table>
<thead>
<tr>
<th>Critical skill sets</th>
<th>Critical service delivery sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial skills</td>
<td>TAFE sector</td>
</tr>
<tr>
<td>Social policy skills</td>
<td>Schools sector</td>
</tr>
<tr>
<td>Economic policy skills</td>
<td>DET VPS sector</td>
</tr>
<tr>
<td>Scientific skills</td>
<td>Community Services sector</td>
</tr>
<tr>
<td>Planning skills</td>
<td>Health and Aged Care sector</td>
</tr>
<tr>
<td>Infrastructure project management skills</td>
<td>Housing sector</td>
</tr>
<tr>
<td>Leadership and executive skills</td>
<td>Corrections sector</td>
</tr>
<tr>
<td>Stakeholder management skills</td>
<td>Courts sector</td>
</tr>
<tr>
<td>ICT skills</td>
<td>Emergency Services sector</td>
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<tr>
<td></td>
<td>Water sector</td>
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<td></td>
<td>Police sector</td>
</tr>
</tbody>
</table>

2.3.2 The extent of impact on supply and demand for labour

The State Services Authority, in conjunction with PricewaterhouseCoopers, conducted a series of workshops with a wide range of VPS and Victorian public sector officers to qualitatively assess the impact of the identified workforce planning challenges and the supply and demand for labour and government service delivery over the next five to ten years if expected trends are not addressed.
The following model was used in workshops to structure discussions around the demand for government services (and the related demand for labour), and the supply of labour (capacity and capability) required to meet demand.

**Figure 3: Demand and Supply Drivers Model**

Workshop participants initially discussed the current status of the demand for services and the supply of existing labour to deliver services. They then reflected on the trends of labour supply and demand over the medium-term. The discussion enabled participants to:

- Identify workforce issues in relation to the current workforce challenges and issues related to their specific skill set, occupational group or service delivery sector;
- Indicate the likely direction (increase or decrease) on the demand for and supply of labour as a result of expected changes in conditions over the next five to ten years;
- Assess the relative impact of these changes on service delivery; and
- Identify the potential level of response required to deal with these challenges.

The workforce demand and supply drivers used within the workshops are those outlined in Table 1.

Focus groups were further asked to assess the relative impact of these changes on service delivery by ranking the impact of supply and demand changes according to the following table.

**Table 3: Demand and Supply Driver Ratings**

<table>
<thead>
<tr>
<th>Adverse Driver Rating</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>Extreme</td>
<td>Requires significant and coordinated forward planning at a whole of government level extending five or more years to address</td>
</tr>
<tr>
<td>High</td>
<td>Requires advanced planning at a strategic level by the Department, SC&amp;MC or government extending from two to five years to address</td>
</tr>
<tr>
<td>Medium</td>
<td>Requires special initiatives at a departmental level but still manageable within one to two years but with some impact on annual budget</td>
</tr>
<tr>
<td>Low</td>
<td>Expected to be manageable within normal operating planning processes and budgets of any given financial year</td>
</tr>
</tbody>
</table>

The following chapters outline the analysis of the results of these focus groups.
3 the impact of workforce planning challenges on the supply and demand for labour in the Victorian public sector

3.1 overview

Through focus groups, the project sought to gain an understanding of the potential impact on the supply and demand for labour on particular workforce segments over the medium-term (i.e. five to ten years). These groups were asked to consider future supply and demand conditions, and the likely impact of identified workforce planning challenges on service delivery.

Figure 4 shows that, while there are significant differences between individual workforce segments, nearly every segment expects some tightening of labour conditions over the next ten years. There is also wide variation between segments about the extent to which supply and demand conditions will vary.

In a small number of instances, it is anticipated that there will be gaps between supply and demand opening up over a ten year period. In two workforce segments, the gap is expected to be extreme: the health and aged care sector; and infrastructure project management and engineering skill sets. In another four workforce segments, the gap is expected to be significant: the TAFE sector; scientific skill sets; the water sector; and ICT skill sets. These segments are analysed in section 3.2.
Figure 5 shows the likely impact of workforce planning challenges on service delivery, as identified by the focus groups.

One of the project’s more significant findings was the view of focus groups that they did not foresee fundamental failure of core government services over the medium-term. This stands in contrast to predictions in many financial and trade publications of dire consequences of skill shortages and other workforce planning challenges. However, this finding is subject to a number of significant caveats.

First, the assessment is an overall perspective. While the overall impact assessment may not be dire, a number of government functions may be significantly affected at a localised level, especially in regional and rural areas. The extent and nature of workforce planning issues facing regional and rural areas, for instance, is exacerbated by:

- Significant shortages in certain skill sets such as project management and engineering, ICT, TAFE teachers, specialist secondary school teachers and specialist health professionals;
Increased difficulty attracting staff to rural and regional areas driven by attitudinal issues about moving to where employment is and increased choice facing potential employees in a tight labour market;

Growing geographic shifts associated with ‘sea change’ and ‘tree change’ increasing service delivery requirements and diminishing the sense of ‘community’ that has assisted managing service delivery;

Increased complexity of service delivery especially as a result of increased response requirements to crises such as bushfire risk and water shortage; and

Significant fluctuations in the supply of staff and volunteers with the movement of young people away from rural and regional areas and the ageing of existing employees and volunteer pool.

The project noted the significant work being undertaken by the Department of Education and Training to ensure that there are sufficient trained teachers located in regional areas. Similarly, there is a high focus by Victorian health authorities on combating increasing shortages of trained medical staff in rural locations.

Secondly, this assessment also assumes that appropriate demand management strategies can be deployed to ensure that resources are directed towards areas of greatest need without compromising outcome standards. Focus groups cited instances where this is already occurring. In the health sector, while significant resources are being expended to meet workforce gaps, there is recognition that the rationing of services is inevitable. In the education sector, there is recognition that because of the lack of specialty teachers, it is often necessary for schools to source available teachers and flex or ‘massage’ the curriculum to suit their talents.

Thirdly, this assessment assumes continued recognition by government of the need to constantly address workforce challenges. Since 1999, the Victorian Government has recognised the need to increase staffing to meet increased expectations of service delivery, especially in the core service areas of health, education and police (see Table 4).

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Teachers</td>
<td>35,966 FTE</td>
<td>40,154 FTE</td>
</tr>
<tr>
<td>Nurses</td>
<td>21,154 FTE</td>
<td>27,720 FTE</td>
</tr>
<tr>
<td>Police (sworn staff)</td>
<td>9,499 FTE</td>
<td>10,766 FTE</td>
</tr>
</tbody>
</table>

Ongoing attention to responding to workforce issues will be needed to maintain service delivery standards over the medium-term.
areas of significant or notable impact on service delivery outcomes

The focus group work identified a number of areas where there was a foreseeable and significant impact on service delivery outcomes:

- Health and aged care sector
- Infrastructure project management and engineering skill sets
- TAFE sector
- Scientific skill sets
- Water sector
- ICT skill sets.

health and aged care sector

Over the medium-term, extreme shortages are anticipated in the health and aged care workforce, with a significant impact on the delivery of services to the community. This assessment related specifically to acute health care professionals ranging from general and aged care nursing, general practitioner and several areas of medical specialist skills required in Victorian public hospitals and health services.

Demand is expected to increase significantly as a result of changes to the demographic make-up of the community and the evolving priorities of both government and citizens. Workforce modelling undertaken by the Department of Human Services predicts future demand to be double the available supply of health and aged care workers. Future demand is expected to exceed the capacity of the existing health system unless there are changes to service delivery methodologies and community expectations about the availability and timeliness of services.

At the same time, the supply of labour is expected to significantly decrease as a result of the tightening labour market, increased competition with the private sector and existing restrictions on employment within the public sector. Regional and rural locations will continue to be more severely impacted by labour shortages in the health and aged care sector.

Key issues identified in relation to the health and aged care sector workforce are:

- An ageing population and increasing incidents of childhood obesity and ‘lifestyle’ diseases are expected to result in an exponential increase in demand for services;
- Increasing competition between the public and private sectors, combined with the disparity between wages of the two sectors, will continue to funnel the medical services workforce into the private sector and reduce the supply of labour within the public sector; and
- The substantial number of retirements in the next five to ten years, especially in specialist areas where colleges control the number of professionals in the industry, is expected to impact the supply of experienced and senior medical practitioners.
In addition to these key issues, the following were also considered by the focus groups as impacting on this sector:

- An increasing level of competition between public sector agencies for labour. While existing employment frameworks work to dampen competition between agencies, the tightening of the labour market is such that competition between agencies is conducted around working conditions and the environment; and

- The changing employment preferences of existing and new staff will continue to place pressure on organisations within the health and aged-care sector to attract and retain staff. As a result, organisations within the sector are increasingly exposed to productivity gaps from a greater number of people working part-time and a higher turnover of staff.

Technology will also play a critical role in health and aged care service delivery as the capacity of the workforce falls short of projected need.

**infrastructure project management and engineering skill sets**

Over the medium-term, there is likely to be an extreme shortage of infrastructure project management and engineering skill sets within the public sector, which will have a significant impact on the delivery of services to the community. While much of the focus of this analysis was on general engineering skills, it also relates to technical specialties (such as rail engineering) and broader project management disciplines such as contract management, risk management and design/development.

Demand is expected to increase significantly as a result of changes to the demographic make-up of the community, the evolving priorities of government and community, increased accountability and reporting requirements, and the impact of changing to an outsourced service delivery model.

At the same time, the supply of labour is expected to significantly decrease as a result of the tightening labour market and continuing restrictions on employment within the public sector. Given existing quantity constraints in the labour market, this will promote a further shortage of supply as the private sector competes with government and contractors for scarce labour.

These conditions are expected to have a notable and sustained impact on service delivery. Specifically, the key issues identified in relation to the infrastructure project management and engineering skill sets are set out as follows:

- The anticipated volume, scope and timing of major infrastructure projects will place significant pressure on the supply of skilled labour;

- A number of demographic, social and financial factors are expected to increase the demand for infrastructure projects in the future. For example, the geographical spread of the population is expected to increase the demand for infrastructure in outer suburban, regional and rural Victoria;

- The outsourcing of major project construction has reduced the ability of the VPS and Victorian public sector to internally develop the next generation of infrastructure project managers with a similar combination of technical expertise, corporate knowledge and historical context of the current senior cohort;
The increased use of outsourced and contingent labour increases the risk of knowledge loss from the VPS and Victorian public sector; and

The falling number of students entering these professions.

**TAFE sector**

Over the medium-term, it is expected that there will be a significant shortage in the TAFE sector workforce, with a notable impact on the delivery of services to the community. This involves both the TAFE teaching workforce (including ongoing, contract and sessional staff) and commercial skill sets in the administration and planning side of the TAFE business.

Demand is expected to increase significantly as a result of demographic and workplace changes that place an increased emphasis on formal and life-long learning, an increasingly mobile workforce using the TAFE sector to re-skill or up-skill during their working lives, and the change in government policy to guarantee TAFE positions to all post-secondary students 20 years of age or under.

At the same time, the supply of labour is expected to moderately decrease as a result of the tightening labour market and existing restrictions on employment within the public sector. Within the TAFE sector, it is expected that regional and rural institutions will continue to be more severely impacted by labour shortages as they have less capability to share staffing resources.

Key issues identified in relation to the TAFE sector workforce were:

- The need to replenish the sector’s ageing workforce, which has an average age of 48 years, and to manage the expected retirement of the defined superannuation benefit scheme members;
- Limitations on the number of ongoing positions, and the low turnover rate within those positions, restrict the ability of TAFE institutions to secure tenure for staff who have demonstrated capability in contract positions;
- The tightening labour market and competition with the private sector will continue to reduce the capacity of the sector to deliver training in areas that are in short supply. This is exacerbated by the view that significant movements in ‘trades’ market pay rates discourages people moving into the teaching profession;
- Regional TAFE institutions will continue experiencing extreme skill shortages as a result of a lower level of access to specialist teaching staff (either full-time or in a part-time arrangement with another institution); and
- The complexity and in particular the commercial role of the TAFE sector (in comparison with other education sectors) increases the demand on the managerial and entrepreneurial skills of managers.

**scientific skill sets**

Over the medium-term, it is expected that there will be a significant shortage of scientific skill sets within the public sector workforce, resulting in a notable impact on the ability of the public sector to provide necessary scientific expertise across the full range of scientific disciplines. This assessment specifically related to specialisations such as environmental and
geo-science, agricultural science, health sciences (such as epidemiology engineers) and the emerging sciences (such as nano-science).

The demand for the breadth of scientific skills is expected to moderately increase with significant shifts in scientific research areas and methods. At the same time, the supply of labour is expected to significantly decrease as a result of the tightening labour market, increasing competition with the private sector for labour and the existing restrictions on employment within the public sector.

This is expected to have a notable impact on service delivery. Key issues identified in relation to the scientific skill sets within the public sector were:

- The significant shift in the nature of science undertaken by government requires new and more flexible capability;
- The decreasing number of students studying science at secondary and tertiary levels is negatively impacting on the supply of scientific skills sets into the Victorian labour market;
- Changes to Commonwealth funding arrangements for tertiary institutions is negatively impacting on the quality and composition of labour supply; and
- Redundant knowledge retained in the workforce is limiting the ability to develop new areas of scientific expertise (in line with government and community expectations).

**water sector**

Over the medium-term, it is expected that there will be a significant shortage in segments of the water sector workforce, with the potential to have a notable impact upon the maintenance and development of services within the sector. This assessment included a consideration of broad staff areas from water planning and policy officers, engineering and construction professionals through to maintenance grades, noting however that most of these later designations are contracted out of the government sector.

The demand on the workforce is expected to increase slightly, predominantly from external pressures to use limited water resources more efficiently. From a workforce perspective, management and operations will need to be more innovative to improve efficiency and to service various interests within the community.

At the same time, the supply of labour is expected to significantly decrease as a result of the tightening labour market, increased competition with the private sector and existing restrictions on employment within the public sector.

These developments are expected to have a notable impact on service delivery, with key issues identified in relation to the water sector workforce being:

- Skill shortages in a range of professions within the public and private sectors. occupations currently in short supply include engineers, environmental water managers, policy specialists and tradesmen required for construction projects;
- The restriction that limits the remuneration of water authority staff impacts on the ability to recruit and retain in-demand skilled labour (such as engineers); and
- The difficulty in sourcing tertiary graduates with the requisite skill sets in a number of disciplines (especially in the engineering field).
ICT skill sets
Over the medium-term, it is expected that there will be a significant shortage of ICT skill sets within the public sector which may have a notable impact on service delivery. This commentary was seen as particularly relevant for IT strategists and planners at CIO/IT Director level, systems and enterprise architects, IT Project Managers and Analysts and to a lesser extent general systems administrators.

The demand for ICT skills is expected to increase significantly as a result of changing government priorities, the increasing use of ICT in service delivery, and the view that ICT structures and systems are the means by which the service delivery capacity of the public sector can be maintained where workforce capacity declines.

At the same time, the supply of labour is decreasing marginally as a result of the tightening labour market, continuing competition with the private sector, and the continuation of existing restrictions on employment within the public sector. Within regional and rural Victoria, the skills shortages in the ICT sector are considered to be more substantial.

These conditions are expected to have a notable impact on service delivery outcomes. Key issues identified in relation to the ICT skill sets within the public sector were:

- A substantial proportion of the ICT workforce within the VPS and Victorian public sector is sourced from the contingent labour force;
- The restrictions of the existing employment framework limit the ability of departments and agencies to adjust remuneration packages sufficiently to compete with the private sector; and
- The ageing cohort of senior ICT staff within the VPS and Victorian public sector present a key concern with respect to the potential loss of capability. In particular, the outsourced service delivery model means that the next generation of ICT leaders are unlikely to possess the same mix of technical skills, organisational knowledge and historical context of the current leadership group.

3.3 areas of impact on service delivery approach
In addition, focus groups identified the following segments as being affected by workforce planning issues in that each expects notable shortages that are likely to impact on service delivery approaches and outcomes. The segments are the:

- Housing sector
- Community services sector
- Planning skill sets
- Emergency services sector
- Police sector
- Leadership and executive skill sets.

housing sector
Over the medium-term, it is expected that there will be a significant shortage of some classifications in the housing sector workforce and that there will be a moderate impact on the capacity and capability of the workforce to deliver services to client groups. This assessment is particularly relevant for VPS staff who manage client needs and relations, rather than housing stock.
The demand on the workforce is expected to increase moderately as a result of demographic changes to the client group and changes to government priorities, substantially altering the nature of the work (and associated skills) required of the workforce. At the same time, the supply of labour is expected to decrease moderately as a result of competition for labour from the emerging community housing organisations and existing restrictions on employment within the public sector.

This is expected to have a notable impact on service delivery approaches. Key issues identified in relation to the housing sector workforce were:

- The increasing proportion of housing tenants from disadvantaged segments of the community who require a range of government services (for example, mental health services) above and beyond tenancy services;
- The substantial change in the client profile over the last 20 to 30 years from predominantly families to predominantly individuals requiring a shift of service delivery from a transactional focus to include a social element;
- Increasing difficulty in attracting and retaining staff, in part due to the relative salaries offered in the broader sector and the higher demands placed upon the VPS workforce; and
- High rates of anticipated retirement within the next five to ten years. This generational change will present substantial challenges for the retention of critical knowledge within the sector.

**Community services sector**

The demand on the workforce is expected to increase moderately as a result of demographic changes to the community and an overall increase in the proportion of the population requiring community services. At the same time, the workforce segment is expected to experience a minor decrease in supply as a result of pressures from a tightening labour market, increased private sector competition, increased retirement rates and existing restrictions on employment within the public sector.

This assessment is particularly relevant to some front line disability service providers, child protection workers, juvenile justice staff and family service staff such as out-of-home care workers and foster-care providers. It is anticipated that to meet these shortages, the community services sector will need to alter its service delivery approach to adequately address workforce demand and supply pressures.

Key issues facing the sector were:

- Increased competition for staff within the community sector driving the need to invest more effort in growing labour supply for the public and non-government sectors;
- Tertiary courses continuing to produce generalists that, following recruitment, require substantial specialist training to develop the technical competencies required within the workforce;
- The decline in competency of new recruits, which is creating subsequent pressures for the sector to internally develop the workforce; and
- The high and increasing degree of feminisation of the workforce driving the need for flexible work practices and management approaches.
planning skill sets

The Victorian Government relies on urban design and town planning skills in departments, councils and statutory authorities to meet its policy and legislative requirements. Over the medium-term, it is expected that there will be a moderate shortage of planning skill sets, which will have some impact on the capacity and capability of the workforce to deliver services.

The demand on the workforce is expected to increase moderately, as a result of the increasing complexity of the legislative and regulatory framework and its impact on productivity and efficiency.

At the same time, the supply of labour is expected to experience a minor decrease as a result of a number of drivers, including the tightening of the overall labour market. This is likely to have a notable impact on service delivery approaches. Key issues identified in relation to the planning skill sets were:

- The increasing level of complexity within the legislative and regulatory framework related to planning activities is driving an increased demand for planning services;
- Demographic changes, an increasing population and moves toward medium density living are driving the demand for statutory planning services and the planning workforce;
- Tertiary institutions are not producing graduates with the skill sets required in the workforce; and
- Increased competition with the private sector for the planning workforce.

emergency services sector

The emergency services workshop highlighted the breadth of workforce segments that comprise the ‘emergency services’ sector and the diversity of workforce planning issues experienced by each of those segments. While some workforce segments are experiencing the effects of a tightening labour market (such as ambulance officers), others continue to operate with a plentiful supply of new recruits (such as the MFB and Victoria Police in relation to sworn officers). As a result, it is difficult to establish a consolidated position on overall demand and supply drivers for the emergency services workforce.

Despite this, there are clearly a number of workforce demand and supply drivers that will have a substantial impact on individual emergency services workforce segments in the future such as fire protection officers (both paid and volunteer), emergency management staff and ambulance officers including paramedic staff.

Key issues identified in relation to the emergency services sector workforces were:

- The ageing population is having an impact on the quantity and capacity of the volunteer workforce in physically demanding activities. For the CFA, this means a diminishing pool from which to draw volunteers and a reduced capacity to meet current and future service demands;
- The trend toward sessional and short-term volunteering (as opposed to life-long commitment) has a significant impact upon the ability of the CFA to maintain a volunteer workforce; and
- The need to prepare for and maintain a response capability in the event of a significant emergency or crisis.
In the event of a major emergency within Australia, there would be a substantial change to the demand for emergency response services and the capacity and capability of the workforce would need to be re-assessed.

**police sector**

While Victoria Police expects that demand for general policing functions will match supply over the medium-term, shortages are expected in certain specialised areas such as forensic chemistry and science, ICT and white collar fraud investigation and high-level skill areas such as strategic, analytical and business related skills.

To meet these shortages, Victoria Police will need to alter its service delivery approach to adequately address workforce demand and supply pressures. Key areas of skills shortage in the police sector are attributed to the following factors:

- Victoria Police are required to directly compete with the private sector for staff with the specific skill sets in areas where existing remuneration arrangements are uncompetitive;
- The emergence of new types of crime, such as electronic fraud, requires different policing methods and skill sets. To complement traditional policing methods, there is an increased demand within the sector for technical specialists to work within Victoria Police; and
- The adaptive capacity of the Victoria Police, and the ability to either re-skill the workforce or source contemporary skill sets, is essential to optimising the effectiveness of the police sector workforce.

**leadership and executive skill sets**

Over the medium-term, it is expected that there will be some shortages of leadership and executive skill sets, with a moderate impact on service delivery approaches. Workshop participants identified that current restrictions on employment options was the major workforce supply driver expected to have a significant impact on service delivery approach. Specifically (and in line with other workforce segments), the VPS and Victorian public sector currently experience difficulties in attracting and retaining executive officers who are able to command higher salaries in the private sector. The lack of systematic, as opposed to ad-hoc and informal, succession planning was raised as a significant issue.

### 3.3.1 isolated and minor impacts

In other areas, most anticipated workforce planning challenges are expected to only have an isolated and minor impact on agencies. The project found that across the workforce segments analysed, the impact from the majority of workforce demand and supply drivers will be able to be managed internally by public sector agencies. The effort required to mitigate the drivers can either be absorbed within existing activities and resources, or will require special initiatives and a higher agency priority. These results clearly demonstrate that the size of the workforce planning challenge is not overwhelming and that a substantial number of the current issues are expected to be addressed by agencies in due course.

With respect to individual workforce segments, the majority of segments were assessed as likely to experience either a minor shortage or, at most, a moderate shortage of labour in the next five to ten years.
the key drivers of workforce planning challenges in the Victorian public sector

4.1 overview

Developing an understanding of the likely contribution of identified drivers to supply and demand trends over the medium term was critical to the project. In particular, the project aimed to identify the extent to which any particular workforce drivers were of concern across the board.

The result of the focus group work is represented in Figure 6.

![Figure 6: Overview of demand and supply drivers of labour for the Victorian public sector over a 5-10 year period](image)

This matrix charts the assessments of the focus groups around the severity of workforce demand and supply drivers (listed in the left-hand column). Green represents a workforce driver that can be mitigated through the existing activities of individual agencies. Yellow represents a workforce driver that requires a special initiative and a higher priority from an agency to mitigate. Orange and red represent a workforce driver that needs to be escalated beyond an individual agency to be addressed or mitigated.
different challenges in different areas

The diversity of the results is a key finding; no two areas of activity are the same. This reflects the very broad nature of the Victorian public sector. Even within the skill sets which predominate in the Victorian Public Service, there is significant diversity in exposure to these challenges. This suggests that a targeted approach by departments and agencies is required to deal with these challenges.

This does not mean that there is no role for Victorian public sector wide action to address some of these challenges. However, it does imply that sector-wide approaches need to be specifically targeted to issues relevant to the agencies concerned and address areas of critical importance to government. These results reinforce the policy design behind Victoria’s public administration legislation, which places accountability for workforce issues with departmental and agency heads.

demand side pressures as important as supply constraints

Figure 6 outlines the significant extent to which the demand side of the labour equation is driving the expected gap between workforce demand and supply. While supply side issues dominate popular commentary, demand side issues are of equal significance in the Victorian public sector. This is important for a number of reasons.

First, it implies that policy decision-making and design needs to take account of the potential impact on the workforce, instead of evaluating the workforce capability to deliver particular programs after the policy has been determined. While this practice may have been appropriate when a loose labour market allowed employment practices to respond to changing policy direction, this is likely to become increasingly difficult in the future.

Secondly, the extent of the demand pressures from government highlights the need to ensure that specialist workforce planning skills are available to advise policy-making and strategic decisions which impact on the demands government makes of its workforce. These skills should be one of the core capabilities of human resource departments in agencies.

Finally, the extent of demand shifts underscores the need for public sector employment to retain the maximum degree of flexibility over the short, medium and long-term. In the context of these demand side movements, many of the concerns around workforce planning result from constraints on the flexibility of agencies to respond to changes in government and public demands for services.

4.2 key drivers of labour demand

The most significant drivers of labour demand over the next five–ten years are:

- Changing priorities driven by changing community expectations, increased policy activism and increased governance arrangements; and

- Demographic change driven principally by the ageing population, growing geographical spread, population increase, changing client profiles and climate change.
changing priorities

community expectations

The increasing volatility of community expectations for government services and the shifting nature of constituency demands are driving an increased need for agility in public service functions and workforce. A significant number of focus groups reported changing community expectations driving the demand for labour resulting from:

- Increasing legislative and regulatory intervention that determines the nature and extent of service delivery in the public sector;
- The introduction of consumer choice in a number of public sector services (such as parental choice in the selection of state schools) resulting in changes to the approach required for service delivery;
- An increasing expectation for 24/7 service delivery options, and the use of technology to improve access to and efficiency of service delivery;
- An increasing desire by interest groups and the general community to be consulted on policy issues and operational activities;
- An increasing demand for accountability and transparency in decision-making, open communication and access to government information and systems; and
- An expectation that the public sector, and its workforce, is able to seamlessly manage and maintain service delivery when there are stepped changes to government policy and direction.

increased policy activism

At the same time as managing increased community expectations – and often in response to these expectations – government is driving increasingly proactive policy and service delivery regimes. The VPS and Victorian public sector has experienced a stepped increase in the demand placed upon the workforce as a result of a number of significant explicit and implicit policy changes over the past decade. This stands in contrast to trends in government throughout the 1990s.

The main drivers putting increasing pressure on the demand for labour include:

- Increased recognition of the multi-faceted nature of social problems and the willingness for government to intervene (such as environmental sustainability) – often seeking to address problems with multi-dimensional systemic solutions. This translates into a level of complexity of policy-making and service delivery not previously a feature of policy and service delivery;
- Significant policy shifts including earlier intervention in dealing with social issues and better interaction between service delivery functions and clients;
- Responses to significant contextual changes (such as the threat of terrorism) requiring significant government responses that divert resources from activity and require a preparedness for emergency. There is a necessary tension between maintaining response capability and justifying the allocation of resources for services not actively or continuously used; and
- Significant realignment of core business of government (for example, from service delivery to enabling services through information management).
governance and accountability frameworks
The project found evidence of an increased demand placed upon the workforce to manage increasing accountability requirements of external and internal stakeholders. The increasing number of stakeholders to which the VPS and Victorian public sector are accountable, and the increasing detail and complexity of reporting requirements to meet this accountability, has resulted in additional administrative demands upon the workforce.

In particular the following trends have been identified as driving this pressure:

- Increased requirements of accountability associated with increased standards of transparency and accountability. Associated with this is a reported increase in requirements of reporting within and between government functions;
- Increased use of funding levers to guide service delivery, which brings with it a significant accountability infrastructure to ensure a proper acquittal of expenditure;
- Increased level of regulation on service delivery functions, which is directed towards ensuring increased service levels and high quality in service delivery. This regulation comes in various forms, including the infrastructure associated with quality assurance; and
- Increased resources for formal enquiries into various aspects of service levels that generate significant work.

demographic change
the ageing population
Aspects of demographic and social change are also likely to drive substantial shifts in the demand for staff over the next ten years. The most significant of these is the ageing of the Victorian population. This will most obviously be felt in the service delivery areas of health, education and police and is driven principally by:

- Increasing health needs of an ageing population which has an increased life expectancy and longer management of chronic illness;
- Increased technical education needs of a population staying in work longer and likely to require more education services to meet changing work patterns; and
- Increased security services from police and other agencies to meet the safety requirements of an older population.

growing geographical spread
The ‘sea change’ and ‘tree change’ trend is resulting in a demand for services from an increasingly dispersed population. For a number of sectors (such as police, fire and ambulance services), the geographical distance of the client group impacts the efficiency of operations and the timeliness of response. The increased movement of residents into regional and rural areas is changing the service delivery dynamic and expectations in two key ways:

- The spread of people to less populated areas is creating a new demand for services in growth areas. While this can be dealt with by re-allocation of resources, loss of critical mass in service delivery often means more staff are required to service changing needs; and
- The movements are altering community structures in some regional and rural areas. Metropolitan attitudes of independence and isolation from neighbours alter the community’s capacity to provide the initial response to emergency situations and
subsequently increase the demands upon state emergency services. For instance, the geographic reality of regional and rural living is that emergency response times are slower and communities need to be more self-sufficient.

**more complex client and population profiles**

For a number of sectors, the changing demographic and socio-economic make up of the Victorian population is increasing the proportion of clients with complex social, physical and emotional issues which require additional time and resources to manage. Key drivers include:

- Increased complexity of crime and the specialised security and welfare needs of the resulting prison population are driving increased pressure on police and corrections services;
- An increased multicultural population base requires more targeted and culturally sensitive program responses from service delivery agencies. Workforce segments with high community contact (such as police, emergency services, health, community services, education and corrections) require a broader understanding of and greater ability to deal with people from diverse cultural backgrounds; and
- Increased education standards, and a greater population and media interest in policy and operational issues, is driving an increase in the demand for quality government services and also increasing the level of dispute resolution resources in which governments need to invest.

### 4.3 key drivers of labour supply

Overall the expected supply for labour to meet current and future demand for services will be restricted. Over the medium-term, this is expected to lead to quantity constraints in a number of areas. The key drivers of these supply constraints are:

- Market conditions (including skills and labour pool shortages, erosion of talent, reducing supply from tertiary institutions and competition with the private and non-government sectors);
- Retirement (including managing retirement, retaining older workers, succession planning and loss of knowledge); and
- Employment constraints (including restrictions in staffing numbers and salaries and rigidity in meeting new priorities).

**market conditions**

**skill shortages**

The project identified significant and increasing levels of skill shortages in some areas of the VPS and Victorian public sector. The VPS and Victorian public sector workforce segments most at risk are those that share talent pools with the private sector and where competition for talent is primarily conducted around remuneration packages (for example, infrastructure project managers and ICT professionals). In most workforce segments, the extent of skill shortages is higher in regional and rural Victoria. As a result, a number of regional and rural service providers are further advanced in the design and implementation of alternative service delivery models to address skills shortages.

The key drivers of this shortage are:

- International and national shortages for some occupation groups (such as engineering, medical and nursing staff);
Reduced numbers of students in secondary and tertiary courses that feed graduates into the workforce;

A unique range of specialist skills that are difficult to source (for example, high level finance, forensics and curriculum design skills) and are not naturally generated by existing public sector organisational structures and activities; and

Constraints on training time/experience given the need for intensive training in operating environments (for example, paramedics).

**erosion of talent**

The tightening labour market and the progression toward an employee-favoured market are having an impact upon the level of competence and capability of job applicants and new recruits. Reasons for this include:

- A general reduction of the skills of job candidates from educational institutions; and

- The use of new talent pools, such as international recruiting and contingent labour. While technically proficient these candidates often do not possess the personal skills and cultural understanding necessary for the non-technical and stakeholder relationship elements of public sector employment.

**reducing supply from tertiary institutions**

The project found that a number of workforce segments have identified the declining number of tertiary and secondary graduates as a key issue in current and ongoing skills shortages. A number of issues are restricting or affecting the ready supply of university qualified labour to the Victorian public sector.

- A decrease in supply of people entering and completing courses that provide base qualifications for staff such as maths and science. This is particularly relevant to agencies relying on engineering, project management and science disciplines; and

- Responsiveness of universities to the needs of government in terms of curriculum content and relevance to workforce trends. Particular concerns include:

  - Insufficient attention to ensuring an adequate supply of graduates in disciplines such as planning, engineering and science;

  - A lack of timely responses to indicators of future shortage, especially given the long lead times involved in developing fully qualified and experienced professionals;

  - Poor fit between the skill sets of the new tertiary graduates and the requirements of the Victorian public sector. There is a difference of perspective between the sector and universities, which argue that they are offering preparatory courses producing generalists rather than specialists immediately ready to fill VPS requirements; and

  - The effect of funding arrangements for university training which promotes generalist courses producing graduates with generalist skill sets. This is particularly relevant in relation to the science disciplines. As was stated in one focus group, ‘universities are funded for bums on seats and this isn’t necessarily encouraging’.9

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9 State Services Authority, 2006 Workforce Planning Project focus groups (unpublished)
competition with the private and non-government sectors
A number of focus groups reported increasing competition between the Victorian public sector and the private and non-government sectors. This is being driven by:

- The increasing differential between private and public sector salaries in areas where skills are reasonably generic or transferable, where there is direct competition for labour, and where limitations on salaries are restricting responsiveness;
- The blurring of public and private functions where increased competition is reported or where there is an increased choice between private and public functions (such as in schools, curriculum development and vocational education); and
- Increasing competition in traditional public sector talent pools by non-government organisations and other governments – in particular, the flexibility in employment offered by NGOs and better salary arrangements offered by other state and federal governments.

retirement and mature age staff management
During the project, significant comment was made about the impact of the public sector's ageing workforce, with challenges including:

- Loss of staff
- Poor succession planning
- Loss of knowledge.

loss of staff
The project found that the VPS and Victorian public sector are well aware of the potential impact of the retirement of senior staff. Overall separation rates of staff eligible for retirement and members of the defined superannuation benefit scheme are substantially lower than expected. Initiatives in the most recent federal budget to increase the financial reward of continuing to work until 60 have further addressed these issues.

Of greater significance is the risk of losing mature age workers to other employment. The 2004 Retirement, Retention and Resignation Survey (RRR survey) noted that while 40% of workers over 50 are intending on leaving the VPS in the next 10 years (2004 – 2014), 54% will be seeking further paid employment. The survey found that the most influential reasons for people's decision to consider resignation were:

- Desire for financial security and optimal superannuation (this was considered to be the most influential factor)
- Lifestyle factors, such as seeking a better work-life balance and the ability to pursue leisure activities
- Pressure (and expectations) at work to consider retirement
- Incidents of age discrimination in the workplace.

The most important influences over staff electing to stay with the VPS and extend their working lives were:

- Continued good health (the most influential factor)
- Feeling that their work is valued and important to the organisation
Undertaking work that is challenging, interesting and viewed as contributing to the organisation

Positive and supportive relationships with management and staff within the workplace.

Three observations are relevant. First, while financial considerations are important, the prevalence of non-financial factors reflects the extent of discretion staff have over their decision to stay or leave. Secondly, with the continued reduction of staff on defined benefit schemes, and the increase in prevalence of accumulation style superannuation in this age group, it is likely that the intention to leave will grow. Thirdly, and most positively, all but two factors listed above are within the direct control of the VPS and Victorian public sector to influence and manage. As the RRR Survey concluded: "with the right programs in place, the potential exists to limit the loss to retirement over the next five years from 9.3% of the total workforce to approximately 4%."  

succession - the ability to replace senior management from within

In a number of workforce segments within the VPS and Victorian public sector, the current age profile has led to an expectation that the retirement of senior executives will coincide with the retirement of middle management (the traditional ‘feeder’ group in executive positions). Anecdotal evidence provided by the focus groups is supported by the SSA’s census data, which estimates that by 2008, some 56% of all executives in the VPS will be aged 50 or over, double the proportion in 1996. This rapid ageing explains why executives are retiring at a faster rate than anticipated. With non-executive ranks (VPS 5 and 6) also ageing at the same rate, a significant proportion of this pool is expected to retire at the same time as executives. This trend is being driven by:

- A tendency to recruit people of a similar age to those leaving EO and VPS 5 and 6 positions
- A preponderance of males employed at VPS 5 and 6 levels who are more likely to exercise retirement options at age 55
- A reduction of middle-level management skills following the outsourcing of functions during the mid-1990s.

loss of knowledge

The project found that the loss of corporate knowledge and historical context is a significant ‘retirement risk’. The combination of retiring senior staff and an increasingly mobile workforce moving in and out of the VPS and Victorian public sector is having a negative impact upon the capacity of the sector to retain and develop corporate knowledge and historical context. This concern is being driven by:

- The rate at which knowledge is expected to leave with retirees over the next ten years
- The degree to which government activity is predicated on the application of corporate knowledge and historical context, which is seen as principally tacit, as opposed to explicit knowledge
- The lack of systematic capture of such knowledge by public sector organisations generally.

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11 Ibid
employment constraints

A strong theme during consultations was the identification of a number of employment constraints that impact on workforce planning risk. Two were specifically raised:

- Salary and staffing limitations
- Rigidity in staff adjustments.

salary and staffing limitations

Significant comment was made around limitations imposed by policy or industrial arrangements, with comment most often directed towards those restrictions that limited staffing numbers and salaries. Much of this commentary failed to recognise that these restrictions play a broader role.

First, given the diminishing trust in the standing of public institutions and the often one-sided approach of the media in reporting public sector employment practices, these practices are easy targets for criticism and for embarrassing governments. For these reasons, salary and executive number restrictions may help to maintain the credibility of the public sector in the court of public opinion.

These limitations also discourage competition between public sector agencies – at least in terms of salaries. Despite shortages in certain classifications, there is little evidence that this translates into competitive behaviour between agencies, thus increasing costs to government.

These restrictions also promote the maintenance of internal wage relativities, which in turn avoids potential costs from excessive wage demands. While flexible salaries undoubtedly promote better recruitment and retention, the strong cultural and traditional values of the public sector mean that such movements would prompt wage claims based on comparative wage justice principles.

The lack of responsiveness to market avoids ‘stickiness’ of public sector wages (the inability to reverse market adjustment upward when market pressures subside). The predominance of fixed pay arrangements (typified by broad based economic adjustments) and the absence of variable pay components (such as bonuses and skills payments) means that pay adjustments reflecting market premiums may deal with short term shortage on the one hand, but may involve a cost beyond the shortage in the longer term.

rigidity in adjusting staffing to meet new priorities

The increasing rate of change requires the VPS and Victorian public sector to continually develop new skills and knowledge and manage skills and knowledge sets that become redundant. In technical and highly specialised areas, it is not practical or cost effective to retrain an internal workforce to meet rapidly changing service delivery demands.

A number of factors restrict the ability of the VPS and Victorian public sector to manage redundant knowledge and improve the adaptive capacity of departments and agencies. In highly technical and specialist areas (such as epidemiology, science, forensic chemistry or ICT) with rapidly changing knowledge bases, the employment of permanent workforces results in an ageing and redundant knowledge base. Low attrition rates within some workforce segments also restrict the flow of new competencies and knowledge into the VPS and Victorian public sector workforces.
In other areas external restrictions and internal custom and practice prevent staff adjustment. The main forms of restrictions discussed during the focus group work include:

- Professional restrictions on training and accrediting staff, which restricts the supply of labour. This is particularly relevant in the health sector but extends to a number of other areas, such as education. The most extreme example of this is the restrictions on training surgeons imposed by the Australian College of Surgeons, which restrict the supply of trained surgeons to Victorian hospitals;

- Industrial restrictions on the performance of tasks by staff associated with demarcation issues. Again this is particularly relevant in the health industry with job design options limited by industrial demarcations between medical staff, qualified nursing staff, nursing aid staff and others;

- Industrial restrictions on the use of certain forms of labour. While many previous restrictions have been removed gradually, a number of restrictions remain on supply, including EBA restrictions on fixed term employees and casual staff;

- Job design and qualification design placing restrictions on the pool of potential employees engaged to perform certain functions. During the focus group work, a number of instances were discussed where poor job design mean that tertiary qualified staff (as required in position descriptions) were undertaking work that didn’t fully utilise their qualifications; and

- Restrictions that hamper the proper management of redundant skill such as redeployment and voluntary exit mechanisms.

12 Victorian Public Service Agreement 2006 part 3
The identification of the most important drivers of workforce planning issues and the areas most likely to be affected by these suggests the following conclusions:

- While many areas of the Victorian public sector will be able to readily address most workforce planning challenges with the right focus of strategy and initiative, there are some segments of the sector which will require major focus from within agencies with assistance from government. In terms of critical workforce segments these include:
  - Health and aged care sector
  - Infrastructure project management and engineering skill sets
  - TAFE sector
  - Scientific skill sets
  - Water sector
  - ICT skill sets.

- Particular focus is required on promoting workforce planning in rural and regional areas. Whole of government employment arrangements need to provide sufficient flexibility to meet rural and regional needs;

- The wide variation in workforce planning issues means that the sector must develop a broad range of strategies in a way that does not undermine the flexibility and capability of departments and agencies to assess the greatest risks to their workforce planning and what strategies are most likely to assist them;

- The influence of demand side issues means improving workforce planning systems and processes and the link between policy formulation and workforce planning. This means improving the line of sight between policy development and workforce planning decisions and ensuring that potential public sector labour market constraints inform policy development;

- The impact and variability of demand side issues requires a focus on improving the agility of public sector employment to be more responsive to anticipated and unanticipated fluctuations. Employment constraints revealed in the risk assessment necessitates identifying and removing barriers to such flexibility and agility;

- On the supply side, the public sector should pursue attraction and recruitment strategies and, promote the growth of labour supply. The prevalence of adverse labour market conditions, an inability to simply match the market in many instance, and the existence of institutional rigidities suggests that a multi-pronged approach is required;

- Volatility in the external labour market and changes to the internal labour pool (such as the impending retirement of many experienced public sector employees) means that departments and agencies need to balance their reliance on recruitment with improving the development, participation and motivation of existing staff to meet workforce planning gaps in the future; and
The complexity of workforce planning issues necessitates greater emphasis on monitoring their impact and maintaining the necessary technical capability to deal with these issues.

The SSA supports the development of broad workforce planning goals to provide a framework for departments and agencies to develop their response to the workforce planning challenges that face them and government. The nature of the identified risks suggests that these should include:

- Improving attraction and recruitment strategies
- Increasing labour supply in selected areas
- Increasing investment in staff development
- Improving the public sector’s agility in employment
- Improving workforce participation, retention and motivation
- Improving workforce planning governance and capability.

The SSA should, as part of its charter to ‘support professionalism and adaptability throughout the public sector’, continue to develop a program of initiatives ranging from research to pilot work and program development to support agencies’ workforce planning efforts in areas of common or significant impact.
reports in the workforce planning resource kit

1. workforce planning toolkit - a guide for workforce planning in small to medium sized Victorian public sector organisations
2. a review of workforce planning in the Victorian public sector
3. research paper: understanding the workforce planning challenges facing the Victorian public sector
4. research paper: understanding the critical workforce segments in the Victorian public sector
5. future directions for workforce planning: actions to improve workforce planning outcomes across the Victorian public sector
6. future directions for workforce planning: analysis and discussion