

Chair  
Cabinet Business Committee

## **Expenditure Review – Enhancing Productivity through People Management Practices**

### **Proposal**

- 1 This paper summarises the key findings and recommendations from the expenditure review on Enhancing Productivity Through People Management Practices in the State services, and seeks Ministers support for ongoing work lead by State Services Commission in relation to people capability development in the State services.

### **Background**

- 2 The Review was set up to consider opportunities to enhance workplace productivity through improved people management practices.
- 3 Labour costs constitute a significant component of government expenditure and the Government has expressed an expectation of improvements in productivity in the State services in light of increases in funding in recent years. Improvements in people management practices can significantly contribute to productivity gains.
- 4 The purpose of this Review is “to develop a means by which officials and Ministers can take stock of the impact of the activities undertaken by State Services Commission and agencies in pursuit of the Employer of Choice and Excellent State Servants Development Goals, identifying where progress is and is not being made, supporting good practice, and identifying emerging challenges and new opportunities”.
- 5 The State Services Commission has designed and is undertaking a multi faceted work programme with initiatives addressing recruitment, employee performance, development, and retention, in support of the Employer of Choice and Excellent State Servants Development Goals. The work programme is supported by a comprehensive evaluation framework in order to determine impacts across the life cycle of the programme.
- 6 The initiatives proposed have been chosen because of their individual and collective impact on the State services’ ability to address the strategic threats and opportunities that the labour market poses, to address what appear to be common weaknesses in the current state of play, and to enable the achievement of the Development Goals. Participation by agencies is voluntary, except for those specific elements where the Commissioner is directly exercising his power as the employer of Chief Executives.
- 7 The initiatives are arranged into three key themes, with a range of activities/projects in each theme as follows:
  - 7.1 *Attracting and hiring the best:* measuring State services reputation in the labour market; marketing to attract the right candidates; efficient, robust, and user friendly recruitment practices and processes;
  - 7.2 *Creating positive workplaces:* workplace relations; lifting employee engagement; workplace flexibility and inclusiveness;

- 7.3 *Developing for excellence*: career development framework; learning and development framework; competency model; succession planning; workforce planning; HR professional development programme.
- 8 The specific initiatives have been identified through reviewing international studies on the link between people capability, HR practices and organisational results. The State Services Commission has focussed on initiatives it considers will have the greatest impact on the achievement of the Employer of Choice and Excellent State Servants Development Goals and the overall enhancement of the effectiveness of the State services.
- 9 Both the Employer of Choice and Excellent State Services Development Goals, and the activities led by State Services Commission, have significant potential to enhance productivity. Productivity improvement is both a driver of, and an intended outcome of, the work programme, although a critical dependency is that agencies voluntarily implement the initiatives recommended and developed by SSC.
- 10 The State Services Commission has linked its work to the Department of Labour's workplace productivity model. The State Services Commission is also working with the Department of Labour and the PSA to identify areas for joint activity in relation to improving productivity.

## **Review Findings**

- 11 The State Services Commission is identifying the state of practice in agencies primarily via ongoing consultation with agencies. Information from this consultation, and other sources such as from the Career Progression and Development Survey 2005, is indicating the following:
- Agencies tend to be more focussed on the short term and operational aspects of HR, with less attention given to long term or strategic people capability development;
  - Employee expectations on issues such as quality of management, feedback, and career development opportunities are increasing more rapidly than the pace at which organisations are responding;
  - There is strong early support for initiatives developed by the State Services Commission with over 20 agencies interested in using the competency framework which the State Services Commission has procured, and more than 10 agencies interested in adopting a common approach to the use of employee engagement surveys. These are the two core initiatives of the work programme;
  - There is significant duplication of effort across agencies in terms of developing HR processes, tools and practices. While it is not uncommon for an agency to articulate its needs as specific and unique, the State Services Commission's experience is that it continues to find many common challenges are being faced by agencies.

- 12 The State Services Commission is concerned that the current pace of improvement in people management practices may not be sufficient to address the changing nature of the New Zealand workforce. A continuing focus on developing people capability to meet Government's needs and respond to the changing nature of the workforce is needed.
- 13 Ministers providing explicit support for the Development Goals and reinforcing an expectation that State services agencies should strive to be leaders in people management practices would assist to create a greater sense of urgency than the State Services Commission perceives currently exists. This is particularly relevant given that, currently, uptake of the State Services Commission's initiatives is voluntary.
- 14 Looking ahead, the State Services Commission believes there is an opportunity to more explicitly provide leadership on workforce planning to agencies to assist in the identification of future workforce requirements, so that Ministers can have confidence that appropriate plans are in place to meet Government's future needs.
- 15 Other opportunities include development of a collaborative recruitment strategy, the development of more robust HR metrics, and more work with the Department of Labour in relation to workplace productivity.
- 16 In short, there are areas where the State Services Commission considers significant work needs to be done to best position agencies to respond to the critical issues, both current and emerging. These include not only the labour supply challenges but also the need to demonstrate value for public money through the achievement of productivity improvements.

### **Consultation**

- 17 The Treasury, Department of Prime Minister and Cabinet, and the Department of Labour were consulted in the preparation of the full report.

### **Financial implications**

- 18 There are no financial implications arising from this review, with the associated resourcing implications for State Services Commission having been absorbed into existing baseline.

### **Human rights**

- 19 There are no Human Rights implications arising from this review.

### **Legislative implications**

- 20 There are no legislative implications arising from this review.

### **Regulatory impact and compliance cost statement**

- 21 There is no regulatory impact or compliance cost statement associated with this review.

## Gender implications

22 There are no gender implications arising from this review.

## Publicity

23 Officials will liaise with my office concerning any communications arising out of this review.


## Recommendations

24 It is recommended that the Cabinet Committee on Government, Expenditure and Administration:

- 1 **Note** that the State Services Commission will be continuing its work programme in relation to the Employer of Choice and Excellent State Servants Development Goals with the focus across three themes: Attracting and hiring the best; creating positive workplaces, and developing for excellence;
- 2 **Direct** the State Services Commission to report to Minister of State Services on proposed joint work on enhancing productivity with PSA and the Department of Labour;
- 3 **Agree** that Ministers will provide explicit support for the State Services Commission's role, the Development Goals, and confirm their expectation to Chief Executives that State services agencies should strive to be leaders in people management practices;
- 4 **Agree** that given the long term nature of this work programme be removed from the expenditure review process and that State Services Commission report to Cabinet on progress on a six monthly basis.



Hon Annette King  
Minister of State Services



Hon Dr Michael Cullen  
Minister of Finance