7. 'Crazy Thought or Creative Thinking': Reform in the Real World

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Introduction

In this chapter, I intend to focus on the following;

- practical ways to drive reform;
- ensuring alignment to government objectives;
- exerting influence when you cannot simply use control; and
- how to use cultural differences between agencies to speed reforms.

Backgrounder to the Department of Human Services

The Department of Human Services (DHS) occupies a unique space. It is chiefly concerned with issues affecting service delivery and improving the connection between policy and service delivery so that we get better outcomes. The core department is tiny – around 75 permanent staff. But *small* does not mean *insignificant*, as we are working with six agencies that employ 37,400 staff in 850 locations around Australia delivering over \$90billion of government services and transfer payments. We are also working on some significant proposals including a Health and Social Services *Smartcard*, and on the implementation of key elements of the government's agenda, including *Welfare to Work*.

Human Service agencies have to deliver on two key programs:

- Welfare to Work; and
- changes to the Child Support formula currently under consideration by the Government

The six agencies are:

- Centrelink with 6.5m customers;
- Medicare Australia has all Australians as customers with 20.5 million customers;
- Child Support Agency with 1.3 million separated parents;
- Health Services Australia;
- CRS Australia, with 43,000 customers; and
- Australian Hearing with 200,000 customers.

It would be a mistake to imagine that Human Services is a monolith – a mega department. Decisions are not taken by one individual or one board or one executive. DHS seeks to *influence* the agencies and the policy departments. A

unique feature of DHS is that it does not have financial responsibility for the great bulk of the operating or program expenditure of the agencies under its umbrella.

The Minister sets the directions for each organisation and, in my case he has set out a series of objectives for 2006 against which he will assess both my and the department’s performance.

In relation to Centrelink and Medicare Australia, which are separate entities under the Financial Management Act, the Minister has exchanged letters with the CEO of Medicare Australia and the CEO of Centrelink that set out the Minister’s expectations and, in return, how the CEOs propose to meet those expectations. This exchange of letters is in accordance with the Uhrig reforms which are now moving through the Australian Government.

Health Services Australia and Australian Hearing are bodies under the Commonwealth Authorities and Companies Act where the two separate Boards have financial responsibility.

DHS as a legal entity does include two divisions which are separately and publicly identified given their strong and separate stakeholder interests: CRS Australia and the Child Support Agency. Those two agencies do not have a great deal in common and it would be a mistake to treat them as homogenous parts of a department like any other.

Figure 1

The lines of reporting from the CEOs to the Minister are through the CEO of DHS, consistent with the Prime Minister's statement that:

The new department will ensure that the development and delivery of government services is placed under strong ministerial control with clear lines of responsibility through the Secretary.

This gives me considerable responsibility, although not control, in that four CEOs and two Boards have financial responsibility in their own right.

Our citizens and customers have distinct and diverse needs across the 6 agencies. It would be a mistake to imagine that the service offer has to be the same or should be the same. The legislation and policies, set by the policy departments, that drives our agencies and the programs they deliver, are not the same.

The idea of a mega department has been rejected. As an economist I know that mega organisations with diverse client bases can be plagued with poor service and poor management because size doesn't mean quality. There is nothing in the Prime Minister's announcement which is about watering down the purpose for which each of the agencies were created.

Knowing that project managers, team leaders and even executives do not control all elements necessary to successfully achieve their agendas, I will use examples to illustrate how DHS has driven reforms in ways that are more about influence and outcomes and less about *dictates* and control.

Practical Ways to Drive Reform

One of our most successful and very low cost initiatives is the Local Liaison Officer (LLO) Program.

LLO Program

Establishing the Local Liaison Officer network was one of the Minister's first priorities for the new Department. This program was established to improve the level of support and advice provided to customers who take their service delivery query or complaint to their local MP.

Every Member of the House of Representatives and Senator has been allocated an LLO from one of the six agencies in their local area. This provides an additional mechanism to Members and Senators for the resolution of any bottlenecks with regard to constituent inquiries.

With just one person initially working on this full time and, later, one person working on it part time, we have been able to draw on the network of the agencies to provide a fast and very personalised service to every Member of Parliament.

The LLO Program has been highly successful. In its first 12 months around 4,600 queries have been referred to the LLO network by Members of Parliament. With the exception of only 14, all queries have been responded to within two working days.

As at the end of January 2006, 97 per cent (145) of the Members of the House of Representatives and 62 per cent (47) of current Senators have utilised the LLO program.

The first task for DHS was to build a network of contacts in the agencies. These agency contacts were required to undertake any internal consultation required within their own agencies and present a coherent and agreed agency perspective to DHS (Centrelink had a good foundation already in place).

Development of the LLO program involved both one-on-one discussions between DHS and individual agencies, as well as combined forums when all agency representatives met to discuss the project. At all times DHS' leadership role and responsibility for delivering the LLO program was clear with the LLO Project Manager as a virtual team leader.

The Project Manager in DHS sought to give agency contacts as much autonomy as possible in tailoring the requirements of the program to their own agency's operations. In practical terms this meant that while there were certain non-negotiable elements of the program, agencies were given leeway to develop agency specific responses to some aspects of the program where this flexibility did not threaten to compromise the consistency and quality of the LLO network.

Not only has the LLO program been a way to improve services to MPs and their constituents, it has provided a network for DHS to use in obtaining information and feedback from staff at the front line.

Better Alignment to Government Objectives

UHRIG

The Uhrig Review identified options for Government to improve the performance and get the best from statutory authorities.

The Review found that generally Boards do not work unless the Board can appoint and sack the Chief Executive Officer and determine strategy. This usually applies in a commercial enterprise, or where there are multiple owners, but it does not apply in regulatory agencies or where an agency is expected to efficiently deliver a service specified by the Government.

Uhrig also found that good governance requires owners or their representatives to be clear about they want to be achieved, establishing an unambiguous purpose for the entity and developing clear expectations of the meaning of success. Uhrig

was not supportive of Boards where Ministers exercised control. It was the case of too many cooks spoil the broth.

The Centrelink Board and the Health Insurance Commission were replaced on 1 October 2005 by two agencies, each headed by a Chief Executive Officer appointed by the Minister, accountable to the Minister and reporting through me. This is consistent with the Uhrig report.

The Health Insurance Commission was renamed *Medicare Australia* and brought under the *Financial Management and Accountability Act*, rather than the *Commonwealth Authorities and Companies Act*, and the staff, who were employed under conditions determined by the Commission, were brought under the *Public Service Act*. To provide clarity of purpose for the agencies, the Minister issued Statements of Expectations on 27 October 2005, setting out his requirements for the agencies for the next twelve months. These are publicly available.

Exerting Influence When You Cannot Simply Use Control

From the outset the Prime Minister wanted us to increase participation for those people who are on benefits, are able to work and are currently not working.

Our role was to increase referrals to the Job Network for those who do not have a mandatory requirement to look for work, such as parents. Our objective was clear. We gave clear and unambiguous guidance to Centrelink on what was required and, in consultation with the Department of Education and Workplace relations (DEWR) and DHS, Centrelink set about delivering.

This is an example of influencing behaviour rather than controlling it as legislation up to 1 July 2006 does not compel these people to work. Centrelink embarked on an active strategy of contacting voluntary customers, when they visited Centrelink to see if they were interested in working, and later extend the contacts to calls from call centres. As a result of this strategy over 141,000 voluntary job seekers have been referred to the Job Network for the period November 2004 – January 2006.

The average number of referrals to the Job Network increased from 4,100 per month (July 2004 – November 2004) to over 9,400 per month (November 2004 – January 2006).

As you can see in Figure 2, referrals directly and dramatically change with the effort Centrelink puts into this strategy. Referrals dropped over the period of January, as a result of cessation of strategy over the Christmas/New Year period.

Not only have referrals gone up, there has been a marked increase in job placements for voluntary customers: job placements increased from around 2,400 per month (July 2004 – November 2004) to over 4,000 per month (December 2004 – January 2006).

Figure 2

Figure 3

Communications

Partnership and influence has been a feature of our communications activity. Last year, we secured funding of \$4 million to pilot a new way of informing people about the benefits and payments available from the Australian Government. And as we were developing the pilot, we were invited by the Ministerial Committee on Government Communication to play an active role in other major Government campaigns.

Why is it that DHS with a short term budget allocation of only \$4 million has been asked to be involved in some very significant campaigns worth many tens of millions? It is because government campaigns usually direct people to a service, and the service is usually provided by a Human Services agency.

What we bring to the communication is a customer perspective, through the everyday experience of our agencies. And because our agencies, in particular Centrelink, have strong media teams, they can also play a valuable role in securing unpaid media coverage that informs the customer and supports the larger campaign.

The DHS pilot I mentioned earlier is now concluding, with excellent results. We invested the \$4million across a *Drought Assistance Campaign*, a component of DEWR's *Support the System that Supports You* campaign and a *Student On-line* campaign.

The common thread for all three was the use of spokespeople who could engage and inform the target audience. In the case of drought assistance, our two-week campaign lifted awareness and understanding by over 30 per cent and generated triple the number of calls from farmers to the *Drought Assistance Hotline*. For *Support the System*, insertion of an infomercial featuring Centrelink spokespeople into the campaign caused a noticeable spike in calls registered via the call centre. The latest campaign, encouraging students to apply for Student Youth Allowance and Austudy on-line is generating an excellent response.

In our communication activity, DHS never acts alone. In the Drought Assistance Campaign we worked closely with the policy owners, Department of Agriculture Fisheries and Forestry, and with Centrelink, our Human Services agency charged with delivering the services.

In the *Support the System that Supports You* campaign we were partners with DEWR. Because the call to action – that is, updating your details at Centrelink, is entirely handled by that agency, we produced an infomercial that had Centrelink staff talking to people about their responsibilities.

Currently we are working with DEWR and our delivery agencies in developing the communication support and call to action for *Welfare to Work*. DHS, policy and delivery colleagues together present a whole of government communication approach to MCGC (Ministerial Committee on Government Communication). We

are influencing both the Policy Departments and our Agencies to ensure that the customer is at the centre of all our strategies and approaches. Through our 'spokesperson' strategy we provide a human face for what has traditionally viewed as a faceless bureaucracy.

How to Use Cultural Differences Between Agencies to Speed Reforms

Absenteeism is a problem in three of our agencies but thankfully not all. Some are already making progress on reducing absenteeism and some of our agencies are specialists in getting people back to work so we are collectively working on ways to reduce absenteeism. The problem is significant and a blight on our service delivery.

On an annualised basis the Child Support Agency (CSA) experiences *unplanned leave* at the rate of almost 18 days on average. This is an extraordinarily high figure and makes CSA a leader in the pack across the Australian Government in terms of unplanned leave. One way of looking at this is to say that the average person in CSA would be entitled to 4 weeks annual leave, 12 public holidays and on average takes a further 18 working days which in accumulative sense would mean that they would start work mid March. As a Secretary charged with improving service delivery to customers and as a taxpayer, this is entirely unacceptable.

Here are six months figures for organisations to the moment.

Figure 4

Medicare Australia and Centrelink figures are nothing to write home about and clearly all three organisations need to improve their outcomes. On the other hand, Health Services Australia is well below the median for the APS at 8.94 days per FTE employee (in 2001-02) and in the 6 months to December has had an unplanned leave of less than 3 days – the same as the core Department. So for this graph anything above 4 1/2 puts the agency on the wrong side of the APS median.

I appreciate why CSA may have a higher level of unplanned leave than other places: CSA staff face a particularly challenging role in dealing with parents that have complex issues often in an environment where there is ongoing conflict in their relationships. The average CSA officer dealing with clients spends 4.6 hours on the phone every day. Those calls go from simple transactions (such as changing addresses) to high level interpretation of legislation. Officers at the APS 3 and 4 levels are dealing with people who are in difficult emotional states or in financial crisis and they are the go-between for separated parents.

That said, having a level of absenteeism that is 99 per cent over the APS median of 8.9 means that those staff that are at work on any given day face greater pressure, customers have to wait longer for service, productivity is diminished, management is more difficult and costs to taxpayers are increased. CSA managers should not feel overwhelmed. Clearly managers and team leaders can make a substantial difference.

Let me illustrate using an example from Centrelink. A new Centrelink manager in Parramatta achieved a remarkable breakthrough working with his staff to address the ongoing issue of the increasing size of office queues. After having observed the office for a few days he summarised the following:

- some staff had a preference to start work at 7am and leave at 3pm;
- queues were generally longer in the afternoons;
- staff were often dealing with aggressive clients and reacted accordingly; and
- prisoners (from a nearby prison) were generally released in the afternoon (when there were longer queues and fewer staff).

The manager held a staff meeting and offered them an extra two experienced officers to carry the workload. The workers were excited by this prospect. He then went on to explain that the two extra staff would come from them working hours that were the same as office opening hours. He also spoke to the prison authorities and formed a new arrangement whereby Centrelink officers would see prisoners *before* they were released (in the prison) and he asked the line managers sit near the front of the office to watch and actively manage the queues.

The results were outstanding – shorter queues and happy staff, lower absenteeism. As it turned out, queues were a manifestation of other problems.

That is just one story in an organisation with over 25,000 staff working across Australia. Can drawing attention to this problem make a difference? Absence rates at December 2005 have dropped by an average of one full day per employee when compared to a similar period in 2004. This improved attendance has allowed Centrelink to provide additional service to the Australian community. Over the six-month period to December 2005 the improved attendance is estimated to have allowed an additional 142,000 face-to-face contacts and an additional 168,000 phone contacts with Centrelink customers.

Centrelink commenced in January 2005 with a three prong attack on unplanned leave:

- Communication and Awareness Raising;
- Leadership Accountability and Support; and,
- Performance Monitoring and Reporting.

Communication and Awareness Raising

Unplanned leave was raised as a key area of focus for all levels within Centrelink with managers being asked to review their existing attendance plans. Messages from the CEO and Executive emphasised the impact of absenteeism on productivity and Centrelink's reputation, and encouraged team leaders to improve attendance rates.

Leadership Accountability and Support

A project manager was assigned to develop and support the strategies for reducing absenteeism and provide advice to Centrelink managers. Training programs were developed to assist managers in the task of dealing with staff absences earlier and more consistently. A resource kit was developed and distributed regarding better practice in attendance management.

Performance Monitoring and Reporting

A visual tool was developed to provide a quick snapshot of absence rates within Centrelink. A simple traffic light approach was used to quickly identify sites that were performing well and those sites that required additional assistance. The culture in Centrelink is changing in response to managers adopting a more consistent approach towards absence cases while at the same time dealing with individuals more flexibly. Employees are being encouraged to be more honest about their needs and commitments, and told they have an opportunity to negotiate with their manager rather than calling in for a day off as they may have done in the past.

Figure 5

In Conclusion

There is still much work to be done to entrench a positive attendance culture; experience has shown that the relationship between employees and their immediate managers is a critical factor in assisting this change. In summary, influence is not as good as control but it is good enough when you can harness the talents of others. That is the role of the project manager – that is the role of all managers.