



## **PRODUCTIVITY COMMISSION**

### **Inquiry into the Health Workforce**

This submission is my own work and does not represent the views of anyone else. In 2004, I completed an Honours thesis on coordination of the delivery of services within the public sector. My submission uses insights that I gained from my studies and from public sector internships undertaken during my degree.

My submission is in reference to the *Commissioner's* first circular questions:

- What are the main problems with current planning arrangements?; and
- Can they take adequate account of such matters as aging ... that are likely to change demand for, and the nature of, the health workforce in coming years? What provision is, or could be made, for potential future skills needs?

While the *Productivity Commission's* inquiry is into the health workforce, my submission takes a wider perspective to health workforce planning. I give particular emphasis to the aging of the population and the effects this will have on public sector planning. I will propose *policy clusters* to provide a framework to develop shared objectives and outcomes including an effective health workforce.

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## INTRODUCTION

To achieve adequate planning for the health sector a wider planning perspective has to be taken. Future demands on the health workforce are affected by population demographics, wealth within the general economy, training of health professionals and provision of infrastructure to support the aged population. Developing a wider perspective takes account of all the factors that affect the health workforce itself. The health workforce ‘includes the entire health workforce, from those trained in the vocational education and training (VET) sector to medical specialists’ (Productivity Commission 2005: 4).

Employment in the health sector comes from a demand for health services in the community. This demand will change as Australia’s population ages. To plan for this the focus should be on the aging population, not the health workforce per se. To meet these challenges a plan for the next forty to fifty years should be developed. If not, we face the potential of going from crisis to crisis. To develop these long-term plans practically the use of *policy clusters* should be considered. It is proposed that *policy clusters* segment public sector service delivery into four categories, encouraging development of and delivery of shared outcomes between groups of government departments and agencies.

An analysis of the aging population shows that there will be three phases occurring over the next forty-to-fifty years, they are:

- Retirement;
- Post-retirement; and
- Care needs.

Each phase will require changing policy objectives and services.

*Policy clusters* provide a framework on a sector-wide level that encourages whole-of-government or shared outcomes. The four *policy clusters* proposed are:

- Economic;
- Social;
- Planning and Infrastructure; and
- Security (the security cluster is not applicable in this context).

All departments and agencies fit within the *policy clusters*. *Policy clusters* do not take over the role of individual departments and agencies delivering services or developing policy.

There are two sections to this submission. The first section gives a brief summary of the likely changes the aging population will present. Section Two offers a way of using the first section's analysis, and proposes the implementation of *policy clusters*, and development of a planning framework around them.

## **SECTION ONE: A Long-Term Approach to the Aging Population**

The health service is a service delivery system that must be responsive to the needs of the community. If health service delivery is considered in isolation of wider public sector goals it will be to the detriment of overall economic productivity, infrastructure needs for the elderly, welfare provisions and health workforce training which all in turn affect the health system.

The demands of the health system and its workforce will change as a result of the aging of Australia's population. The effect of a changing demographic will not be isolated to the *Department of Health and Ageing*; it will affect multiple agencies, which requires planning across relevant departments and agencies responsible for social, economic and infrastructure policy. Broad planning needs to occur now with an emphasis on increasing the number of health professionals for the *post-retirement* and *care needs* phases of the aging population.

This paper emphasises the need to focus on a wide range of issues that affect health service delivery and provision of a health workforce to meet that demand.

### **Long-Term Planning: An Analysis of the Aging Population in Australia.**

There are three distinct phases the aging population will go through; *retirement*, *post-retirement* and *care needs*. Each phase will place different needs on the health workforce and the wider public sector. All three phases will require different policy objectives and clear long-term thinking to develop appropriate services and infrastructure needs. Developing shared service outcomes or objectives will allow multiple departments and agencies to work towards providing for these changing needs.

#### *1. Retirement - current phase*

- Current government policy focuses on increasing the workforce participation rate to compensate for the loss of workers in the future.
- Policy objectives should encourage workers to stay on in a part-time capacity after they “retire” to mentor younger workers so that their knowledge and experience is not lost.

The retirement phase is currently occurring with the ‘baby boomer’ generation nearing the age where it is socially acceptable to retire (60-64 years old) (Bronwyn Bishop MP issue paper on *The National Strategy for an Aging Australia*, 1999: 15). While the baby boomer age group currently contributes significantly to the overall productivity of the economy, it is their knowledge developed from a lifetime of working that is most valuable as they approach retirement. Workers’ knowledge developed over 20 or more years has to be learnt by the next generation in the next five to ten years.

#### Possible Strategies

- **Mentoring Program** – Experiences and knowledge of processes should be an important part of these programmes. On average, the public sector has an older workforce, so it is essential not to lose this corporate knowledge.
- **Superannuation** – Workers staying beyond the age of retirement should not be financially disadvantaged. An examination of employer contributions, superannuation payments and savings is required to ensure they do not inhibit mentoring programs.

Financial incentives (Bishop 1999: 17) and mentoring programmes (1999: 40) are both outlined in *The National Strategy for an Aging Australia*. Workers will stay in their job if there is a need for their services. Workforce participation policy is contained within an economic perspective and requires policy input and analysis from the relevant departments and agencies (see Table 1).

Government would be wise to examine whether the economy should increase productivity through higher value-added jobs and products to compensate for the reduced number of workers through retirements. The net effect of creating increased productivity would increase the overall wealth in the community and economy. This requires planning now, as required skills need development in technical colleges and universities.

## 2. *Post-Retirement* – 5 – 15 years time (approx)

- There will be an increased need for physiotherapists, occupational therapists and home care services such as meals on wheels.
- There will be a need for policy outcomes to increase the average age of people entering nursing home facilities.

The focus has to be on increasing the average age of people entering nursing homes. All social policy and agencies involved should aim towards this objective. As nursing home facilities are resource intensive, the longer the community and public services keep people at home the better the ageing individual will feel by being independent, and this will come at a reduced financial cost to the overall community.

### Possible Strategies:

- **Physical and Social Activity** –once people retire they have to be doing something to remain healthy. Community activities will need to increase during this time coordinated through the social portfolios.
- **Home Care** – home care services must expand to ensure that people can stay in their homes longer.
- **Superannuation** – people must be encouraged to use superannuation for the purpose for which it was set up namely for their support during the remainder of their life. A performance measure for government should be the number of pensions the government is paying. The number should be reducing as the population ages.
  - As superannuation corresponds to how much a worker has earned over a lifetime of working, there is no set standard of superannuation payment across the population unlike the current pension. With inflation, the Government in the future might need to pay co-contributions for people currently on low incomes (and thus with low superannuation savings).

Workers must not waste their superannuation taken as a lump sum as their superannuation has been saved over many years for use throughout their retirement. The original intention of superannuation was to ensure that the government did not have to pay pensions in the future. Unless regulations are introduced to ensure that

people use their superannuation wisely, then the efforts over the last twenty years will have been wasted.

### 3 Care Needs – 15 – 40 years time (approx)

- Care facilities are resource intensive. Policies should be encouraged to reduce the need for people going into high care facilities.
- Interaction between hospitals and nursing homes is vital.

Currently there is a shortage of nursing home beds and complexes. With the aging of the population, the need is predicted to grow. Increasing the average age of people entering aged care will ensure a reduction in infrastructure costs.

#### Future Issues:

- **Superannuation** – the Government will have to examine if lump-sum superannuation savings can be used for the bond needed to enter a nursing home. If so, then pension payments may have to be paid. If this will not be allowed then government may have to consider where capital for provision of care facilities will come from.

The current generation will have greater savings when it retires than have previous generations. This is due to more sound management of savings and investments. However, these savings must be used for their retirement to reduce the costs to government.

A long-term view allows planning to occur so that change can be gradual and meets the needs of the future. The simple analysis provided above shows the need to plan for the next phase of population ageing. Making policy changes now will reduce budgetary pressure in the future.

The next section suggests the use of *policy clusters* as a means of using the above analysis and strategy in a practical way in the public sector. It comes from an idea that:

The challenge for governments is to develop mechanisms; structures and cultures that facilitate whole-of-government approaches beyond times of crisis but as part of the way governments work in our accountable, democratic system.

Podger 2002a: 3.

## **SECTION TWO: A Whole-of-Government Approach**

Section One shows the importance of having a long-term focus, however, it is now necessary to consider use of the analysis in developing policy within the public sector. To affect the changes needed, policy has to be implemented across multiple departments and agencies. *Policy clusters* work within existing structures of the public sector and I believe provide a valuable framework, not just for delivery of service to aging populations, but for wider public sector service delivery.

### **Enhancing Whole-of-Government Planning: *Policy Clusters***

It is difficult to isolate which individual department or agency is responsible for delivering services to an aging population. Creating policy for the aging population will require multiple agencies working together (Appendix A provides an academic explanation of policy clusters). *Policy clusters* make the task of analysing and coordinating service delivery easier from an administration perspective.

[C]lusters form and change over time as outcomes are achieved and environments change. Operating in a cluster or shared environment introduces an imperative for agencies to work towards optimising the outcome for all rather than for one agency. MAC 2004c: 6.

*Policy clusters* are groups of departments and agencies that have a common policy theme and outcome. *Policy clusters* should be considered to divide all departments and agencies (at a Commonwealth level) into four groups; social, economic, planning and infrastructure, and security.

Table 1 shows a breakdown of government departments and agencies located in their proposed respective policy cluster groups. The table is an indication only; the government of the day could change the composition where it felt it was appropriate. An important feature to note is that all government departments and agencies, except for the Department of Prime Minister and Cabinet, can all be located in to one of four cluster groups.

**Table 1:** Public Sector Cluster Coordination

<b>SOCIAL</b>	<b>ECONOMIC</b>	<b>PLANNING &amp; INFRASTRUCTURE</b>	<b>SECURITY</b>
<b>Health &amp; Aging</b>	<b>Treasury</b>	<b>Transport &amp; Regional Services</b>	<b>Attorney Generals</b>
<b>Family &amp; Community Services</b>	<b>Trade</b>	<b>Communications, Information Technology*</b>	<b>Defence</b>
<b>Education, Science and Training</b>	<b>Finance &amp; Administration</b>	<b>Immigration*</b>	<b>Foreign Affairs</b>
<b>Multicultural, and Indigenous Affairs*</b>	<b>Employment &amp; Work Place Relations</b>	<b>Industry &amp; Resources*</b>	Justice & Customs
<b>Arts*</b>	<b>Tourism*</b>	<b>Agriculture, Fisheries &amp; Forestry</b>	
Human Services	Special Min. for State	<b>Environment &amp; Heritage</b>	
Vocational & Technical Education	Revenue	Local Govt., territories & roads	
Veterans Affairs	Small Business & Tourism	Citizenship & Multicultural Affairs	
Arts & Sport	Workforce Participation	Fisheries, Forestry & Conservation	
<ul style="list-style-type: none"> <li>• Table based on Commonwealth Ministry, 6 July 2005 (<a href="http://www.pmc.gov.au">http://www.pmc.gov.au</a>).</li> <li>• Bold indicates Cabinet positions. Normal type indicates Ministries supporting the main portfolios.</li> </ul> <p>*Functional groups belonging to either <i>Communications, Information Technology &amp; the Arts</i>, <i>Immigration and Multicultural and Indigenous Affairs</i>, or <i>Industry, Tourism and Resources</i>.</p>			

### *The Development of Common Outcomes*

It is my view that *policy clusters* allow development of common outcome/s for the departments and agencies within that cluster. When developing indicators or benchmarks for outcomes ministerial involvement will always be required. Cabinet would approve the indicators. While on an administrative level, there would be no need for a Minister to be responsible for a Cluster, this system does enable future governments to entertain the idea of Cluster Ministers.

The main benefit of cluster groups is in coordinating and developing long-term plans for the public service. People currently have difficulties analysing and coordinating the outputs of the approximately 170 (Dept of Finance & Admin 2005) government departments and agencies. *Policy clusters* simplify this by reducing the public sector into four policy groups. While not advocating that *policy clusters* will solve all these problems, *policy clusters* gives a potential for this to occur and provides a mechanism and structure that allows effective whole-of-government service delivery to occur. While an agency would be part of a cluster, much of its activities would still be conducted independently of other agencies.

### **Using Policy Clusters: Developing Cluster Strategies.**

Table 2 shows the advantage of using *policy clusters* in the planning of shared outcomes. From the table and the strategies listed there are some goals that are directed towards individual agencies, however, there are others that would require multiple agencies to work together when developing services.

The table clearly shows that there is a role for government to define the service outcomes it wants delivered. These are decisions that would require both Cabinet and ministerial approval. More advanced strategies would require defined benchmarks and indicators to give departments and agencies more direction, allowing the public sector to know what the Government wants it to achieve.

**Table 2:** Summary of Policy Cluster Strategies for an Aging Population.

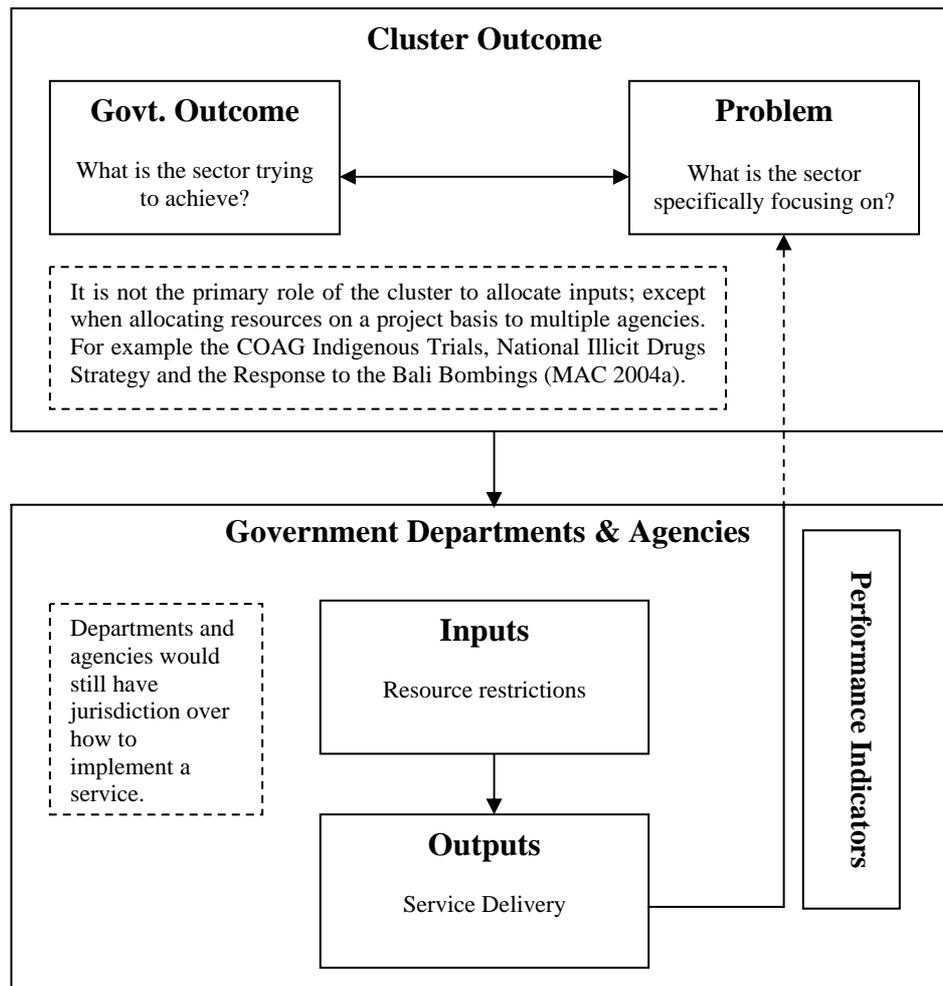
<b>Issues: Aging population in Australia</b>	
<b>Cluster</b>	<b>Strategies</b>
<b>Economic</b>	<ul style="list-style-type: none"> <li>• Current strategy of increasing workforce participation. Increase the numbers of people working.</li> <li>• Increase higher value added products and industries in the economy to compensate for the reduced number of people working.</li> <li>• Ensure that super funds are used for appropriate purposes.</li> <li>• Change super incentives to allow people to work beyond 60.</li> </ul>
<b>Planning and Infrastructure</b>	<ul style="list-style-type: none"> <li>• Ensure an adequate supply of nursing home facilities. Examine what happens when the asset need is reduced.</li> <li>• Build complexes that can be used for alternative functions after the demand drops for nursing homes.</li> <li>• Direct retiring populations away from over-populated areas where the infrastructure cannot support the different needs placed on these townships. For example North Coast of NSW (This would have to be worked in communication with State and local government around Australia).</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>• Keep the population active to keep people out of nursing homes. This includes community groups and activities.</li> <li>• Proper payments to retired people (Has to be linked with Super use). Policies have to ensure that super is not used in lump sum purchases that requires the individual to go on tax payer funded pensions.</li> <li>• Ensure there are appropriate number of health professionals (medical, nursing, occupational therapists, physiotherapists etc.) both to keep people at home, therefore reducing costs, and within nursing home facilities.</li> <li>• Ensure adequate non-health sector skills in the economy to create what Government wants to achieve.</li> <li>• Provide appropriate home care facilities to reduce the numbers of people entering high care facilities.</li> </ul>

### *Linking Cluster Outcomes with Service Delivery*

The primary role of the cluster group is to develop shared outcomes and objectives. Specific service delivery is the role of the department or agency. It is important when developing strategies that there are lead-agencies with appropriate authority within the

public sector and corresponding Ministers in Cabinet (Johnson 2004). Individual departments and agencies must have ownership of what they are delivering to ensure they do not feel they are being directed too much by central agencies or dominating powers (Johnson 2004). Figure 1 shows how the policy process would work and link to service delivery.

**Figure 1:** Linking Cluster Outcomes with Service Delivery



When developing cluster outcome/s, both the outcome and problem are equally important, as they inform each other. The policy problem is informed by performance measures, which allows the creation of 'feedback loops between service delivery and the policy process' (MAC 2004a: 10).

Policy responses to the aging of the population will require multiple government departments and agencies changing their objectives and outcomes. *Policy clusters* provide a workable framework that enables departments and agencies to create shared objectives and outcomes. They enable an analysis of the aging population, shown in Section One to be used practically.

## CONCLUSION

The health workforce is responsive to community needs. As the population ages the health needs of the community will increase and change, there will be a greater need for doctors, nurses, occupational therapists, physiotherapists etc. Significantly, this requires planning from departments and agencies not directly affected such as the *Department of Education, Science and Training* through provision of university placements.

The public sector has the ability to plan for these changes now and enact appropriate policies for this change. There are three distinct phases the aging population will go through: retirement, post-retirement and care needs. An essential requirement for the public sector is to think ahead to the next phase, as this will ensure change is gradual and more acceptable to the public. Responses will require multiple agencies to adopt appropriate policy objectives and outcomes. To aid this effort and its coordination *policy clusters* are proposed.

This submission while written for the *Productivity Commission's* inquiry has a wider application. It is my belief that *policy clusters* can provide benefits for the public sector as a whole.

## Appendix A – Explaining Policy Clusters

### The Nature of Policy

Stewart argues that ‘intellectually, it is difficult to imagine any area of policy that does not involve more than one agency’ (2002: 146). Policy is complex and can be difficult to isolate to a single government department or agency exclusively. The effect of the complexity results in policy and services cutting across departments and agency boundaries. Boundaries reflect a ‘rough and ready division of labour based upon administrative specialisation’ (Stewart 2002: 146) that are changed to suit the needs of the community (Kruk and Bastaja 2002: 65).

This becomes a problem when there is a lack of coordination or knowledge of the outcome. When applying whole-of-government approaches the daily challenge is to make sure that government outcomes are being achieved at the agency or service level (MAC 2004a: 9). ‘Well-coordinated policy development and well-delivered government services rely on the avoidance of narrow thinking driven by departmental ambition’ (MAC 2005a).

### Background: *Policy Clusters and Whole-of-Government Policy*

The idea of whole-of-government policy and policy clusters are not new. The Royal Commission on Australian Government Administration (RCAGA) found that it made sense for cluster or sectoral groups to be developed to encourage departments and agencies to think outside of their immediate jurisdiction (Podger 2002a; RCAGA 1976a; Wilkins 2002b). The RCAGA suggested ‘functional clusters under the responsibility of one Senior Cabinet Minister, ... would be in charge of one of the departments in the group’ (RCAGA 1976a: 58)<sup>1</sup>.

Whole-of-government is a collective term used to describe coordination across traditional government department and agency boundaries (MAC 2004b: 1). Whole-of-government approaches have to be flexible, as there is no *one* right model (Kruk and Bastaja 2002: 65; Vincent 1999: 51). The dominant characteristic of whole-of-government approaches is the contrast to the “silo” or departmental/minister centric

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<sup>1</sup> For this to occur departments and agencies would have to be seen in the context of policy themes.

approach to policy development, evaluation and service delivery (Beale 1995; Edwards 2002: 56; MAC 2004a: 223).

When whole-of-government projects are developed it has to be clear what is to be achieved (Barrett 2003; Keating 2002; MAC 2004a; Thurley 2002, 2003). Directives should be given by the government of the day to ensure accountability. However, the development of whole-of-government projects will also depend on leadership from both the public service and government of the day (Howard 2001; Lindquist 2002; Cabinet Office 2000; MAC 2004a).

Policy guidelines released by the *Management Advisory Committee* (MAC) sighted that:

a whole-of-government approach requires public servants to look at the overall goal of an activity and recognise where a successful outcome requires input from or collaboration with other agencies (MAC 2005b).

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