



Costs of misconduct in the public sector

What are the costs of public sector misconduct, and how can they be avoided?

Introduction

Public sector organisations expect their employees to carry out their functions lawfully and with integrity. Employees must perform their duties according to the relevant employment framework and applicable codes of conduct.

Failure to do so could amount to misconduct, which can lead to costs for themselves, their organisation and the community.

Loss of trust and confidence in government

Misconduct in the public sector can undermine public confidence in government organisations. It can lead to loss of trust and damage to our reputation locally and in the broader community.

On the world stage, Australia's standing in international government integrity rankings has slipped eight places since 2012, according to Transparency International's Corruption Perceptions Index 2019.¹

In a 2017 community survey, we found that most respondents (89%) held the view that Tasmania's public sector was as vulnerable to unethical behaviour as elsewhere in Australia.² Most respondents indicated that they would expect there to always be some dishonesty, unethical behaviour and corruption in Tasmania (86%).

Encouragingly, most respondents (84%) believed that the majority of people in Tasmania's public sector were honest.

Cost in financial terms

The total financial loss due to theft, fraud and other forms of misconduct in the public sector is significant but difficult to estimate.

In addition to these losses are costs associated with employee dismissal as a result of serious misconduct. State and Federal Government estimates indicate that the organisational turnover costs are between 50 – 200% of the dismissed person's annual salary, depending on the skills and experience required.

Costs include:

- ▼ recruitment processes
- ▼ costs and time spent training and inducting the new employee
- ▼ legal fees, and
- ▼ termination payouts.

These costs rise exponentially as the employee's influence on their organisation's decisions increases. In addition are expenses associated with the investigation of misconduct, settlement of compensation claims and other flow-on costs of disputes.

Costs to the workplace

Managing misconduct

The cost of investigating and addressing misconduct can be substantial. The time required by line managers and HR staff managing inappropriate conduct and its fallout means they are not available for other duties.

Staff turnover

Serious misconduct leading to dismissal is a contributor to staff turnover. Non-financial costs associated with turnover and recruitment include:

- ▼ loss of the specialist knowledge of the departed employee and the prior investment in training and developing that person
- ▼ time spent by team members covering any gap before the replacement starts
- ▼ time spent by management on interviewing new candidates
- ▼ time spent administering the employee's departure and the start of their replacement, and
- ▼ rebuilding of relationships with customers and stakeholders.

Decreased productivity

Poorly managed misconduct impacts those who continue to work for the organisation. It can lead to a loss of morale, the development of a culture of apathy and negativity, and a loss of productivity.

When there is dissent and conflict, people will not work at their optimum level of performance. In addition, people in conflict often show signs of stress and other illnesses, reducing their productivity.

Absenteeism, stress leave and sick leave

Stress-related absenteeism and 'presenteeism' (being at work but not focused on the job) significantly cost Australian employers.

A Melbourne University and Vic Health Partnership research project in 2012 reported that workplace stress costs the Australian economy \$730 million every year and contributes to increased accident and injury rates.³

Damage to reputation

The culture of an organisation and the way it deals with employee misconduct can significantly affect its brand and reputation. Being regarded as an employer that values its staff makes it easier to attract and recruit high calibre employees. A good reputation also makes the organisation more attractive to its stakeholders.

Employee misconduct can attract adverse media and social media publicity, which can significantly impact the way the organisation is perceived.



An Australian Public Service employee was found to have breached the relevant Code of Conduct for posting material on Facebook that had the potential to bring their organisation into disrepute. The employee posted two comments on their Facebook page, one being critical of a grants process conducted by their organisation, and the second criticising the achievements of a senior employee who received an honour on the Queen's birthday.

The employee's Facebook page was private and did not identify the employee's organisation. Nevertheless, their postings came to the attention of their employer.

The Merit Protection Commissioner confirmed the findings of the organisation's decision maker that the employee's comments were not confined to publically available information and that it was reasonable to assume that at least some of their Facebook friends would be aware of their employment.

The Commissioner also found that the behaviour was in breach of the organisation's social media policy which warned employees not to publish material on social media that could harm the reputation of the organisation or bring it into disrepute.

The Commissioner recommended that the organisation confirm the sanctions of a fine and reprimand imposed on the employee.

With thanks to the Merit Protection Commission

<https://www.meritprotectioncommission.gov.au/resources-summaries-cases->

Preventing misconduct through training and education

Good training and communication are the foundation of misconduct prevention.

All employees must understand their obligations under their employment framework, which includes:

- ▼ their employment contract
- ▼ codes of conduct
- ▼ Act(s) under which they perform their duties, and
- ▼ policies, processes and procedures they must follow.

¹ https://www.transparency.org/files/content/pages/2019_CPI_Report_EN.pdf

² https://www.integrity.tas.gov.au/about/news-and-events/2017/new_era_of_accountability_for_tasmanian_public_sector2

³ <https://www.vichealth.vic.gov.au/search/vichealth-launches-creating-healthy-workpalces-program>



The Commission can help

We are available to provide support and assistance with identifying, reporting, investigating, managing and preventing misconduct: prevention@integrity.tas.gov.au or 1300 720 289.

For more Misconduct Prevention resources go to www.integrity.tas.gov.au/resources.