

# **CPSU Submission to: ACT Government Budget Estimates Committee**

The Community and Public Sector Union (CPSU) is an active and progressive union committed to the promotion of a modern efficient and responsive public sector that delivers quality services and quality jobs. We represent around 60,000 members in the Australian Public Service, ACT Public Service, NT Public Service, ABC and the CSIRO. We also have members in Telstra, commercial television and the telecommunications industry.

## **Introduction**

The CPSU supports productivity and efficiency in the Australian Capital Territory Public Service (ACTPS). The CPSU and CPSU members are concerned with the announcement of the implementation of a 1 per cent efficiency dividend to be applied from 2010/11 financial year. While we recognise that the \$200 million shortfall in GST revenue has had a major impact on the ACT budget, the solution is not to impose a blunt and arbitrary budget cut on essential government departments and services in the form of an efficiency dividend.

Our research into the operation of the efficiency dividend in the APS and the experience of CPSU members (discussed below) clearly reveals that the efficiency dividend is not the most effective way to achieve real productivity and efficiency outcomes.

The CPSU believes in taking a more considered approach to finding savings and efficiencies within the public sector. The CPSU supports measures to find efficiencies that are tailored to individual departments and are real solutions as opposed to an unsystematic blanket cut to funding. These measures include:

- Consulting with workers at the coalface of service delivery and their union to develop ideas of how services can be delivered more efficiently and effectively (an example at the Commonwealth level is the recent Human Services Roundtable that was hosted by the CPSU with the support of the Minister and involved CPSU members, community groups and senior agency staff).
- A reconsideration of the use of contractors and outsourcing (at the Commonwealth level the Gershon Review of ICT procurement has recommended that savings can be achieved and IT services to the APS will be more effectively provided in house)

The ACTPS needs to attract the brightest and the best to deliver quality policy ideas and essential services to the ACT government and to the residents of the ACT. The ACT government competes in the labour market with the APS (and other ACT based private sector organisations). In our opinion, the pressures that will arise with the introduction of an ongoing efficiency dividend in the ACT combined with **rumours of** wage restraints, will damage the ability

of the ACTPS to attract the necessary calibre of worker. The CPSU is strongly opposed to the introduction of any such measures.

The proposed introduction of wage restraints amounting to a \$37 million saving over 4 years will be a double blow for departments if the ACT experience mirrors the Commonwealth. In the APS, departments often reduce staff and wages to meet the efficiency dividend. If the effect of the efficiency dividend is combined with the additional burden of wage restraint that the ACT government is proposing, it is irresponsible to claim that jobs will not be affected.

Finally, the CPSU is concerned with the lack of planning and information surrounding the introduction of these two cost saving measures - there has been no indication if these measures will remain in place for a limited period of time or, if once introduced, they will remain in place permanently. This is creating uncertainty within the public sector in the ACT and has negative impacts on departments and staff. The CPSU strongly urges the government not to introduce these measures and to provide a guarantee that jobs and services will not be cut in the future.

## **Consequences of the Efficiency Dividend**

An efficiency dividend has been in place in the Australia Public Service (APS) since 1987, and over time it has proven to be a measure that harms rather than helps departments and the proper delivery of services.

The assertion by the ACT government that the implementation of an efficiency dividend will not lead to a reduction in jobs or services is misguided and has not been true in our experience. The consequences of introducing an efficiency dividend are long term and far reaching. The ultimate result is a reduction in the quality and breadth of services provided; a reduction in staffing levels; increased stress and workloads for staff; and, a reduction in innovation and development in the public sector.

### ***Long-term Effects***

The efficiency dividend is not a long term solution for building sustainable and efficient public services. In 2008 a Federal Government Joint Committee Inquiry investigated the effects of the ongoing efficiency dividend on smaller public sector agencies<sup>1</sup>.

In its final Report, the Joint Committee broadly acknowledged that smaller agencies were negatively and disproportionately impacted by the efficiency dividend. The Committee found *'evidence of agencies scaling back their activities, maintaining service levels at the expense of sustainability, and forgoing opportunities and innovation'*<sup>2</sup>. If this practice was occurring across

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<sup>1</sup> Joint Committee of Public Accounts and Audit, *Report 413: The Efficiency Dividend: Size does matter*. December 2008 <http://www.apa.gov.au/HOUSE/committee/jpaa/efficdiv/report.htm>.

<sup>2</sup> Size Does Matter Report, foreward vii.

the APS it is logical to assume that if an efficiency dividend is introduced to the ACTPS, the same patterns and results will occur.

In addition to finding that the efficiency dividend has real and long-term effects of the delivery of services by agencies, the inquiry also found that the introduction of an efficiency dividend limited the ability of departments to innovate and develop new ways of working and also stifled new policy development as funds were no longer available to implement positive change.

In the long term the introduction of a 1 per cent efficiency dividend will result in significant costs for the ACT Government in as agencies shift their focus towards cost minimisation not innovation and development.

### ***Resourcing and Service Delivery***

If an efficiency dividend is introduced to the ACTPS the quality delivery of essential services will inevitably suffer. The 2009/10 ACT Budget allows for \$77.519 million in expenditure initiatives in 2009/10 with a total of \$322.7 million amount over the budget and the forward estimates. These initiatives will require resources and staff to deliver them and achieve outcomes. Departments will struggle to achieve this while facing arbitrary cuts in funding.

By introducing an efficiency dividend and expecting a saving of \$19 million over 3 years, as well as a wage restraint saving of \$37 million over 4 years, the ACT government is expecting the ACTPS to do more with less. This only serves to undermine the capacity of the public sector in the ACT and will negatively impact upon staff, the general public and the ACT as a whole.

It is possible that some larger departments within the ACTPS may be able to absorb some of the government cuts through using project funds, own source income or economies of scale and maintain staffing levels following the introduction of an efficiency dividend. However this is not sustainable in the long term and eventually even larger departments will not be able to continue to meet the budgetary shortfall resulting in cuts to the quality and quantity of services delivered.

This experience in the APS was acknowledged by the Joint Committee Report which noted that, in the APS, smaller agencies faced financial pressures because they had poorer economies of scale, were often requested to absorb new policies without extra funding and often fulfilled a specific function purpose which limited their capacity to find savings<sup>3</sup>.

### ***Staffing Levels***

From the APS experience, we know that one of the first areas department look to for savings to meet an efficiency dividend is employee expenses. This means that departments may consider dropping staff numbers by relying on 'natural attrition' or seeking expressions for voluntary redundancies This

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<sup>3</sup> Ibid xix.

would satisfy the demand for savings created by the introduction of an ongoing efficiency dividend, however it also results in the remaining staff doing more with less. Overworked staff are often more stressed, do not achieve the highest quality outcomes and take more sick leave (itself a cost). This can heavily affect the delivery of quality services.

### **Consequences of Wage Restraint**

The ACT now more than ever needs to attract and retain quality employees, with the ACT budget facing 7 years, if not more, of deficit. With a balanced budget not predicted until the 2015/16 financial year, skilled and experienced workers need to be retained to ensure that the ACTPS is as effective and efficient as possible and come out of the Global Economic Crisis about the build a strong ACT.

Forcing real wages down and reducing funding for departments are not sustainable solutions and will only cause greater expense in the longer term as skilled workers look elsewhere for employment forcing departments to undertake expensive recruitment processes or rely on expensive contractors.

### **Conclusion**

The CPSU strongly opposes the introduction of an efficiency dividend and wage restraints in the ACTPS, and recommends that the ACT government withdraw its proposal in favour of a more tailored approach improving efficiency and effectiveness. There is substantial evidence that efficiency dividends do not work and in the longer term have serious consequences for the development and provision of quality public services.

The ACT, Australia and the world are experiencing difficult economic circumstances, however the answer is not to introduce measures that directly effect jobs and services. Now is the time to invest in an effective and efficient public sectors not deplete funding and cut jobs.