



**CPSU (PSU Group) Submission:**

**ACT Public Sector Review**

**October 2010**

## Background

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.

The CPSU welcomes the opportunity to make a submission to the ACT Public Sector Review. The CPSU has prepared this submission after consultation with the ACTPS Joint Council and discussion with Dr Allan Hawke, chair of the ACT Public Sector Review.

In response to the Terms of Reference for the ACT Public Sector Review, the CPSU has identified a number of issues regarding:

1. Apparent lack of service wide co-ordination;
2. Deficient resourcing of key strategic units;
3. Potential benefits through greater utilisation of the ACTPS Joint Council;
4. Co-ordination role of the Chief Minister's Department;
5. Impact of the efficiency dividend;
6. Need for improved service-wide reporting;
7. Lack of clarity in regulatory control;
8. Functionality of Shared Services;
9. Ongoing funding cuts to the ACTPS;
10. Attraction and retention of ACTPS employees; and
11. Working collaboratively to promote the ACTPS.

## Issues

### **Capacity to support government with strategic and direction setting advice**

1. *Apparent lack of service wide co-ordination*
2. *Deficient resourcing of key strategic functions*
3. *Potential benefits through greater utilisation of the ACTPS Joint Council*

There is potential to better monitor and coordinate strategic service wide advice to government through the increased centralisation and enhancement of resources available in the Chief Minister's Department (CMD). This is particularly the case in the Workplace Relations - Public Sector Management and Industrial Relations Group.

CPSU also notes that some agencies are better equipped than others to work effectively with unions' and CMD because they have appropriate HR expertise "in-house". This is demonstrated on a daily basis where some

agencies/business units are able to deal with IR and associated whole of government policy matters efficiently and effectively, where others seem to either maintain a culture of over-reliance on CMD and Shared Services, or attempt to go it alone and continually experiencing unnecessary difficulties.

CPSU notes a recent independent report on Performance and Accountability in the ACT by the Allen Consulting Group. The report identified a disjuncture between the centralised planning process and agency level planning.<sup>1</sup>

The ACTPS Joint Council is the key consultative forum for the consideration and exchange of information on matters of strategic interest in relation to the management of the ACTPS, and to identify whole of government matters of concern to ACT Government employees, relevant unions, and management.

Better use of the ACTPS Joint Council as a genuine consultative forum would facilitate better planning and implementation of identified service-wide priorities and associated advice to and from government. A recent example where the Joint Council could have been better utilised was the government's announcement of an ACTPS wide recruitment freeze through a media release with no prior warning which left agencies scrambling to manage the "initiative".

## **Effectiveness in delivering on government policy & objectives**

### *4. Co-ordination role of the Chief Minister's Department*

There needs to be greater recognition of the co-ordination and gatekeeper role that CMD plays and how this impacts on government objectives and policy delivery.

To be more effective and consistent in delivering on government policy and objectives, CMD should be better resourced to play a greater role in facilitating consultation with agencies and stakeholders prior to policy implementation.

### *5. Impact of the efficiency dividend*

The efficiency dividend is having a significant impact on the capacity of the ACTPS to effectively deliver government policy and objectives. The CPSU believes that the ongoing negative impact of the efficiency dividend on the ACTPS is an example that demonstrates why the efficiency dividend needs to end.

In 2008, a Federal Government Joint Committee Inquiry investigated the effects of the ongoing efficiency dividend on smaller public sector agencies in the APS<sup>2</sup>.

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<sup>1</sup> Allen Consulting Group, *Performance and Accountability in the ACT: Towards a New Framework*, 2009, P2

<sup>2</sup> Joint Committee of Public Accounts and Audit, *Report 413: The Efficiency Dividend: Size does matter*. December 2008, <http://www.aph.gov.au/HOUSE/committee/jpaa/efficdiv/report.htm>.

In its final Report, the Joint Committee broadly acknowledged that smaller agencies in particular 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>3</sup>. If this practice was occurring across the APS it is logical to assume that the same patterns and results will occur in the ACTPS.

The Joint Committee Report noted that smaller APS agencies faced greater 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>4</sup>.

Some larger ACTPS agencies may initially be able to absorb some of the government cuts by diverting project funds, using own source income or economies of scale to maintain staffing levels and functions following the introduction of the efficiency dividend. However, this is not sustainable in the long term.

For example, the Department of Education and Training (DET) will be severely impacted by the efficiency dividend. The 1% efficiency dividend translates to a \$4 million budget cut in 2010-11, with a further requirement for efficiency savings of 1% in 2011-12 and 0.5% in 2012-13.

DET had initially proposed cuts to 51.5 FTE positions and changes to functional programs including discontinuing services provided by disability support officers and the incorporation of existing functions into realigned positions. The ACT Human Rights Commission has also stated in its annual report that it is struggling to meet its obligations to raise and maintain government and community awareness because of a lack of funding and resources<sup>5</sup>.

While the ACTPS officially ended the recruitment freeze on 1 July this year, the efficiency dividend cuts that came into play on the same day have led to a de facto recruitment freeze continuing on an agency basis across the service. Without adequate funding, the arbitrary cuts will inevitably be offset by a decline in delivering on government policy and objectives.

The ACT Government should remove the efficiency dividend and investigate alternative, less arbitrary measures.

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<sup>3</sup> *Size Does Matter Report*, forward vii.

<sup>4</sup> *Ibid*, xix.

<sup>5</sup> ACT Human Rights Commission, *Annual Report 2008-09*, p7

## **Performance and accountability mechanisms to assist in achieving and reporting on government's objectives and policies**

### *6. Need for improved service-wide reporting*

A recent example of deficient reporting of an ACT Government policy objective was the ACTPS recruitment freeze. Despite repeated CPSU requests for information on the impact the freeze was having on agencies, CMD were unable to provide any definitive data. Of significant concern to the CPSU was the fact that no agency played a central monitoring role of this service-wide initiative. We have no reason to believe that the ACT Government has any information on the impact of the freeze on the ACTPS.

In regard to performance and accountability mechanisms, the ACTPS Commissioner for Public Administration's Workforce Profile report and Agency Survey features significantly less information than the comparable Australian Public Service Commission's (APSC) annual State of the Service Report.

For example, in the State of the Service report, the APSC provides qualitative detail about APS-wide initiatives, agency initiatives and strategies to build workforce capacity. The Commissioner for Public Administration's Agency Survey does not provide similar detail.

The ACTPS Workforce Profile also has far less statistical information than the APSC State of the Service Report. For example, there are no statistics on:

- Educational qualifications;
- Movements between agencies;
- Promotions;
- Prior experience in ACTPS;
- Cross-agency experience; and
- Location of staff.

Further, the ACTPS service-wide agency survey does not address factors that affect the levels of employee engagement and separation rates in the ACTPS. This contrasts with the State of the Service report which includes employee perception of agency leadership, job satisfaction and job motivation.

It should be noted that the Commission for Public Administration provides a gender analysis of the Workforce Profile and identifies gender pay gaps by classification and occupation in the ACTPS. The CPSU views this very positively and believes this should be adopted by the APSC.

The CPSU contends that an expanded office of the Commissioner for Public Administration with a consolidated and enhanced role would significantly improve ACTPS transparency, performance and reporting. CPSU understands the office operates part time and must rely on the capacity and resources of CMD. This arrangement demonstrates the ongoing deterioration of ACTPS accountability and undermines the independence of the office.

## **Structural arrangements to reinforce the differentiated roles of policy and regulation**

### *7. Lack of clarity in regulatory control*

The Office of Regulatory Services should be empowered and resourced for transparent centralised regulatory control and be able to monitor agency compliance without interference from, or overlap with policy areas. CMD should be tasked with reviewing ORS functions, lines of communication and reporting with a view to clarifying areas of responsibility and associated accountability.

## **Across government co-ordination of service and operational delivery**

### *8. Functionality of the Shared Services model*

The CPSU was a strong supporter of the Shared Services model when the concept was first proposed. However, since its inception Shared Services has consistently struggled to deliver on the many and much touted benefits associated with the centralisation of functions model, and the associated efficiencies.

CPSU recommends that an independent consultant be appointed to conduct a cost benefit analysis/audit of Shared Services, identifying potential options for the consideration of government. One option would be a return to the pre-existing decentralised arrangements incorporating improvements as appropriate.

## **Operating and structural frameworks that will improve resilience and innovation across the public sector**

### *9. Ongoing funding cuts to the ACTPS*

The CPSU is concerned that the ACT Government has, over recent years, made increasing cuts to the ACTPS in order to balance the budget. The cuts have been made without consideration of the long-term impact on the ACTPS. These cuts include:

- Reduction of employer superannuation contributions
- Functional Review
- Wage restraint policy
- Recruitment freeze
- Efficiency Dividend
- Expenditure Review Committee

### Superannuation

ACTPS employer superannuation contributions were unilaterally cut from a minimum 15.4% to 9% for all new employees from 1 July 2007. The reduced rate also meant that new employees were no longer eligible to join the public

sector superannuation scheme (PSSap). Recurrent savings from this cut have not been reported by ACT Government.

CPSU recommends the ACT government offer employees receiving the lower rate (all new employees since 1 July 2007) a matching 1% employer contribution for each 1% employee contribution, capped at a maximum 12% employer contribution. This cost would be offset against the planned increase by the Federal Government of the Superannuation Guarantee Levy.

#### Functional Review

This review cut 1000 jobs and significantly reduced public services relied upon by the community such as schools, libraries and shopfront services. Savings from this review are not available because the report remains secret and the ACT Government did not report on the associated savings.

#### Wage restraint

The ongoing policy of wage restraint has led to the current situation where ACTPS employees have been denied a pay increase since the expiry of the current enterprise agreement on 30 March 2010. At this stage government advice is that most staff should receive the modest 2.5% salary increase before Christmas, although this may well occur later in some agencies. According to the ACT Government's 2010 – 2011 Budget, wage restraint will extract \$35 million from the ACTPS over the 2010 – 2011 to 2013 – 2014 period.<sup>6</sup>

The CPSU notes the significantly improved financial situation of the ACT economy and recommends the ACT Government end its policy of restraining wages.

#### Recruitment freeze

The ACT Government unilaterally imposed a 4 month recruitment freeze from March to June this year. The freeze also applied to Higher Duties and Transfers and CPSU members continue to report ongoing systemic workload and output problems with no relief in sight. Savings from this exercise are not available because the ACT Government did not monitor or report on the freeze.

#### Efficiency Dividend

According to the ACT Government's 2010 – 2011 Budget, the Efficiency Dividend will extract \$20 million dollars from the ACTPS over the 2010 – 2011 to 2013 – 2014 period<sup>7</sup>.

#### Expenditure Review and Evaluation Committee

According to the ACT Government's 2010 – 2011 Budget, the Expenditure Review and Evaluation Committee will extract a further \$25 millions in unallocated savings from the ACTPS in 2011 – 2012.<sup>8</sup>

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<sup>6</sup> Table 1.3.2, ACT Government, 2010-11 Budget Paper No.3, May 2010, p19

<sup>7</sup> ACT Government, 2010-11 Budget Paper No.3, May 2010, p20

<sup>8</sup> ACT Government, 2010-11 Budget Paper No.3, May 2010, p20

CPSU recommends no further funding cuts via unallocated savings targets be imposed on the ACTPS.

#### *10. Attraction and retention of employees*

Competitive wages, superannuation and employment conditions are necessary for the ACTPS to maintain capacity, and to improve resilience and innovation. The ACTPS competes in a very tight labour market primarily with the much larger APS and the ACT has the lowest unemployment rate in Australia.

At the end of the June Quarter 2010, the ACTPS pay rates were below the APS average as the Table 1 below shows. If the ACT government does not adequately fund ACTPS salary increases then the ACTPS will fall further behind the average and will not be an attractive employment option for skilled applicants.

**Table 1: ACTPS Pay Rates Compared to the APS Average (does not include minimum 6.4% less superannuation in the ACTPS)**

	<b>ACTPS</b>	<b>APS Average</b>	<b>Deviation \$</b>	<b>Deviation %</b>
<b>APS 1/ASO Class 1</b>	\$41,241	\$42,574	\$1,333	3.2
<b>APS 2/ASO Class 2</b>	\$46,832	\$48,464	\$1,632	3.5
<b>APS 3/ASO Class 3</b>	\$51,916	\$54,357	\$2,441	4.7
<b>APS 4/ASO Class 4</b>	\$58,213	\$60,596	\$2,383	4.1
<b>APS 5/ASO Class 5</b>	\$63,409	\$66,512	\$3,103	4.9
<b>APS 6/ASO Class 6</b>	\$74,188	\$77,544	\$3,356	4.5

**Source: CPSU Wages Database 30 June 2010**

#### *11. Working in collaboration to promote the ACTPS*

To assist in attracting and retaining employees the CPSU would be willing to work collaboratively with the ACT Government in a targeted joint campaign. This campaign would be geared to promoting the ACTPS to the Canberra community by highlighting the essential services that are provided by the dedicated employees of the ACTPS.

## **Recommendations**

### **Capacity to support government with strategic and direction setting advice**

1. Better resourcing for CMD IR associated work units
2. Better resourcing, planning and training of agency based HR managers
3. Enhanced involvement of the ACTPS Joint Council in advice to government and on service-wide priorities

### **Effectiveness in delivering on government policy & objectives**

4. Better resourcing for CMD to play a greater role in facilitating consultation and policy implementation with agencies and stakeholders.
5. Removal of the efficiency dividend and investigation of alternative, less arbitrary measures.

### **Performance and accountability mechanisms to assist in achieving and reporting on government's objectives and policies**

6. Increased funding to allow a full time expanded office of the Commissioner for Public Administration.

### **Structural arrangements to reinforce the differentiated roles of policy and regulation**

7. Review the role and functions of ORS by CMD.

### **Across government co-ordination of service and operational delivery**

8. Appointment of an independent consultant to conduct a cost benefits analysis/audit of Shared Services.

### **Operating and structural frameworks that will improve resilience and innovation across the public sector**

9. Improving superannuation arrangements for disadvantaged employees.
10. Removal of wage restraint policy from the ACTPS
11. No further ACTPS funding cuts through unallocated savings targets, and
12. ACT Government should work collaboratively with the CPSU to promote the ACTPS.