



**CPSU (PSU Group) Submission:**

**Input into the 2011-12 Budget**

**Budget Policy Division,  
Department of Treasury**

**October 2010**

## Summary of Recommendations

### Delivering better services to citizens

***Recommendation:***

In the 2011-2012 Federal Budget process the Government must commit to maintaining APS staffing levels and ongoing employment, with appropriate representation across the Australian community.

***Recommendation:***

That there is improved recognition of employees and their unions in change processes. Employees and unions should also be involved in consultation and collaboration and be given adequate time and resources to consider any proposals to reform service delivery.

***Recommendation:***

That all industrial issues arising out of service-delivery reform are subject to negotiation between relevant agencies, employees and their unions.

***Recommendation:***

That adequate funding and resources are given to agencies to implement the whole of government service-delivery strategy and to properly train employees on any changes to work processes, programs and policies.

***Recommendation:***

The issues of access to technology and maintaining rural and regional office locations should be included in any public consultation processes.

### Improving agency efficiency

***Recommendation:***

That an open, transparent review of agency efficiency be undertaken, involving employees and their union. That the review focuses on investigating a range of alternatives for measuring agency efficiency and identifies measures that allow APS agencies to most efficiently and effectively deliver Government services and develop public policy. That the most appropriate measure be implemented in the 2011-2012 Federal Budget process.

***Recommendation:***

That the alternative to the efficiency dividend is:

- based on an evidence-based approach to driving productivity improvements;
- able to take account of productivities realised on a functional basis and across portfolios and the APS; and
- transparent process to measure efficiency.

## **Strengthening the workforce and achieving equity**

### ***Recommendation:***

The Government commit to negotiate all wages, conditions and employment matters with the CPSU and other relevant unions.

### ***Recommendation:***

The Government should commence detailed negotiations with industrial parties about APS bargaining processes as a matter of urgency.

### ***Recommendation:***

APS bargaining in 2011 must deliver:

- a real pay increase and mechanism to achieve pay equity;
- core conditions and common standards;
- career public service and job security; and
- fair rights at work for all APS employees.

### ***Recommendation:***

The CPSU seeks a specific measure in the 2011-2012 Federal Budget process to make a significant step towards pay equity for APS employees in low-paying agencies.

### ***Recommendation:***

Wages and employment conditions should be centrally and fully funded, taking into account service-wide productivities that may be realised.

## **Savings to be realised**

Recognising the tight fiscal environment and Government policy restricting growth in public sector spending, the CPSU has noted areas in which pursuing public sector reform can produce significant savings.

## **Introduction**

The PSU Group of the Community and Public Sector Union (CPSU) is an active and progressive union with approximately 55,000 members. The CPSU represents employees of the Australian Public Service (APS), the ACT Public Service, the Northern Territory Public Service, Telstra, the telecommunications sector, call centres, employment services and broadcasting.

As the principal union in the APS, the CPSU believes in a strong public service providing the quality essential services that the Australian community needs. The Australian community relies on the Government to deliver quality essential services – whether it is through the provision of family benefits payments or pensions, administration of passports or protection of our borders.

The community also relies on the Government to develop policy solutions to the complicated challenges facing our community – whether it is issues in regional and rural Australia, our health system, the environment or waterways or on the international stage.

This is a view shared with the Prime Minister, who in her first speech as Prime Minister committed to:

“A strong and responsible government improving and protecting the essential public services and basic rights our people depend on, including so importantly, their rights at work.”<sup>1</sup>

Under the current arrangements we have a fragmented public service riddled with inequities in pay and conditions. This means that in the APS there are now approximately 100 agreements with 750 different pay points. Work at the same classification level is remunerated differently depending on the agency with wage differences of \$10,000 to \$15,000 common.

As well, each agency has to engage in a bargaining process for wages and conditions, meaning agencies with as few as 20 employees have to go through the same process as agencies with more than 20,000 employees.

There are significant savings to be made reforming the structure of public service agencies. Reforms can help staff to deliver services more efficiently and effectively while boosting the flexibility of the APS as a whole.

Over the next decade the APS will face significant challenges that test its capacity to deliver quality services and develop quality public policy. There will be an increasing demand for public services, with a growing and ageing population, and greater demands on the way in which those services are delivered, particularly with ongoing technological change.

At the same time the APS will be asked to develop policy solutions to the increasingly complicated challenges we face. These solutions will require long-term policy

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<sup>1</sup> PM Gillard Press Conference 24 June 2010

planning and intranational, regional and global responses. While this will occur in a tight fiscal environment, where there is rigorous scrutiny of all public expenditure, it must be acknowledged that quality public services require investment rather than continual budget cuts.

To ensure we have an APS that is able to adapt and rise to meet these challenges, CPSU members are campaigning to:

- improve staffing levels and community access to quality public services;
- improve public sector funding mechanisms so that the APS is funded to deliver programs and the Government's reform agenda; and
- strengthen the APS workforce by securing an APS employment framework that:
  - allows the APS to attract and retain the best and the brightest and builds the sector's long term capacity;
  - is achieved through genuine good faith bargaining with employees and their union;
  - delivers pay equity for employees across the sector; and
  - enables them to deliver services to the Australian community fairly and efficiently.

The Moran Review *Ahead of the Game: Blueprint for the Reform of Australian Government Administration*, recognised some of the concerns of CPSU members. In particular, the review acknowledged the importance of ensuring the APS can deliver quality services to citizens, is comprised of a strong workforce, and is structured in a way that ensures agencies are operating efficiently. The CPSU 2011-2012 Budget Submission is built around these themes.

### **Why is action required now?**

The recommendations of this submission are built on the outcomes of a range of CPSU, APS and Government activities that have occurred over the past three years.

Prior to the 2007 Federal Election, it was recognised that public sector reform and improved industrial arrangements in the Australian Public Service would be an important task for a Labor Government. Since that time much has occurred to lay the foundations for such improvements. This has included:

- consolidation of bargaining arrangements in the APS with a movement away from individual employment arrangements and non-union agreements. This was an important practical and symbolic first step in moving away from the workplace relations that defined the Howard era;
- some positive developments through successive Australian Government Employment Bargaining Frameworks – including recognition of delegates and the alignment of APS enterprise agreement expiry dates to 30 June 2011. While the two Australian Government Employment Bargaining Framework documents were an improvement on existing arrangements, the CPSU is concerned that they were mandated rather than negotiated. They have also been inconsistently applied and have not delivered the real change needed to

achieve fair industrial arrangements in the APS, particularly in respect of the rights of workplace delegates;

- implementation of service-wide reforms in ICT and travel to secure service-wide productivities and cost savings;
- commencement of a co-operative process between the Government and CPSU in relation to the service delivery reform package.

These changes have been important first steps, and as a result of this work there is now a unique opportunity to make long term structural and organisational reforms to the APS.

The Gillard Government has already made a range of commitments to give effect to the changes we are advocating for, including:

- committing to progress the recommendations of the Moran Review;
- committing to streamlining APS bargaining arrangements and seeking greater consistency in terms and conditions of employment to better support one APS;
- committing to negotiations with the CPSU and other relevant unions to settle an Australian Government Employment Bargaining Framework that would deal with certain wages, conditions and employment matters; and
- committing to review the efficiency dividend.

In the next budget cycle the Government must implement these decisions, by addressing pay equity, APS bargaining arrangements, funding and productivity drivers. A failure to make progress on these issues will hinder other efforts to improve the service delivery and policy development capacity of the APS.

Delays would compromise the capacity of the Government to achieve its objectives in relation to some key social policy areas, such as health reform, closing the gap on Aboriginal and Torres Strait Islander disadvantage and pay equity.

There are also realistic staff expectations about positive change. The Government has broadly committed through a range of reviews and Government decisions to make the kinds of structural reforms CPSU members are seeking to ensure that quality public services can be delivered now and into the future.

The Government has an opportunity in this Budget to take an important step towards delivering these reforms.

## **Delivering better services to citizens: What's the problem?**

The APS provides important public services to the Australian community. CPSU members support the goal of improving service delivery for citizens but also reiterate the Moran Review findings that the way in which services are currently delivered by APS employees across Australia is of an extremely high standard and quality. CPSU members believe any reform process should build on this existing success.

There are some structural reforms that could be made by Government to improve the capacity of the APS to deliver high quality services. Currently Government services are delivered through a number of agencies; however until quite recently these agencies have operated as distinct entities.

The current fragmented system means that service-delivery agencies use different operating systems, different ways of interacting with citizens, different methods of service delivery and the staff delivering those services work largely in isolation to staff delivering other government services to the same community.

For citizens this means that personal details are provided to the Government more than once and interactions with multiple Government faces are required, often about the same set of circumstances.

On top of the citizens' experience of Government in terms of service delivery, funding pressure makes the jobs of employees working in those agencies increasingly demanding. Funding pressure has meant that agencies have to reduce staffing levels or scale back their regional presence.

Sometimes this happens quite explicitly by job cuts or office closures, but more often insidiously through not filling job vacancies. This results in longer waiting times and less effective management of cases – which is a concern for citizens and staff.

Employees working in service-delivery agencies are deeply committed to their jobs however these pressures, coupled with occupational health and safety threats in the workplace, make their jobs increasingly difficult and less rewarding.

### **Delivering better services to citizens: What's the solution?**

The service-delivery reform process has the capacity to deliver better services to citizens. To do this the process must deliver a simpler system, maintain staffing and community representation, make better use of technology and be properly funded. If done properly, simplifying and streamlining service delivery will benefit both APS employees and the wider Australian community.

Simplifying service delivery to improve access is, however, not the same as rationalisation. The reform process should not be used as a way to reduce staff or resources. Reducing staffing or resource allocation for service delivery would actually be detrimental to the goal of improving service delivery. The focus should be on ensuring employees have the support they need to do their job effectively and improve access for citizens.

Equally as important is maintaining representation across the Australian community. The presence of the APS across Australia is important to citizens – it affects their ability to access public services and influence the development of policy. To be responsive to the needs of the community the APS needs to better understand the communities with which they are working. In addition, APS workplaces are important to local economies and the job prospects of people in that community.

Representation across the Australian community should not be just restricted to service delivery. Involving those with a direct connection to the communities they serve and the State and local governments their work interacts with improves policy and program design. Overly centralised bureaucracy can create a disconnect from where the work is done and often makes it harder to attract the diversity of skills and views needed for this important work.

#### ***Recommendation:***

In the 2011-2012 Federal Budget process the Government must commit to maintaining APS staffing levels and ongoing employment, with appropriate representation across the Australian community.

The design of simplified service delivery and business processes should involve APS employees, their union and citizens. APS employees working in service-delivery work on a daily basis are best placed to provide advice on design and assist with its implementation. Similarly, end users of these services can provide insights into their experiences with the current service delivery systems.

To that end, the Government's commitment to undertake consultation with employees and their union in the development of a whole of government service-delivery strategy is crucial.

### **When consultation works**

In April 2009 the CPSU hosted a Human Services Roundtable. This event brought together senior representatives from Centrelink, Medicare, Child Support and CRS Australia, frontline staff and community sector representatives to discuss ways to make service delivery more effective and efficient for both employees and citizens. The roundtable was very successful and the ideas developed by the group were presented to the then Minister for Human Services, Senator the Hon. Joe Ludwig. These ideas have influenced reforms in those agencies.

For any consultation and collaboration to be effective, there must be greater recognition of the importance of employees and their unions. All parties must be committed to genuine, open and transparent discussion prior to decisions being made on implementation strategies of government policy.

Further, adequate time and resources must be made available to employees and their union to fully consider and comment on any proposals. A commitment to consultation and collaboration is a key first step in implementing the proposed reforms and achieving the stated aims of the blueprint.

***Recommendation:***

That there is improved recognition of employees and their unions in change processes. Employees and unions should also be involved in consultation and collaboration and be given adequate time and resources to consider any proposals to reform service delivery.

The CPSU has been working with affected agencies since 2009 to reform service-delivery and significant progress has already been made. Our experience in DHS agencies thus far shows that moving to integrated service delivery raises a range of industrial matters.

Changing business processes has the capacity to change the actual work employees are undertaking and the manner in which services are delivered to citizens. Similarly, aligning service delivery will require greater collaboration and consistency of work practices between service-delivery agencies.

These changes raise questions about wages and conditions, job classification, job design and occupational health and safety – as employees across agencies are currently paid differently with different hours of work arrangements. There are also serious occupational health and risks associated with co-location in service-delivery agencies that need to be appropriately managed.

CPSU members are committed to working with Government to achieve our joint goal of better services for citizens, in a way that provides quality service-delivery jobs for employees in those agencies.

To properly address these issues the Government should commit to working co-operatively with the CPSU and allocate appropriate time, resources and opportunities for engagement with APS employees and their unions.

***Recommendation:***

That all industrial issues arising out of service delivery reform are subject to negotiation between relevant agencies, employees and their unions.

The provision of adequate funding for the reform of service delivery is integral. Arbitrary budget cuts such as the current efficiency dividend have an immediate impact on agencies, and this is discussed in more detail below.

In addition to funding for agencies to implement the reforms, there also needs to be adequate funding made available to provide education and training to staff in relation to the changes to their work and to the processes, programs and policies.

***Recommendation:***

That adequate funding and resources are given to agencies to implement the whole of government service delivery strategy and to properly train employees on any changes to work processes, programs and policies.

### **Using new technology**

Another aspect of service-delivery reform relates to the better use of technology and provision of more services online. The CPSU supports the expansion of ICT capability, however, the introduction of greater online capabilities should not result in a reduction of face-to-face service-delivery roles. It is important to note that often the most marginalised and vulnerable citizens do not have access to or knowledge of the technology that would allow them to utilise online service delivery.

The reform process must ensure that the Government, through service-delivery agencies, maintains a significant presence across Australia. The APS must continue to service a range of rural and remote areas. To achieve this, the APS must continue to provide quality, permanent full-time employment in areas where employment options are limited. A fully centralised and online approach to whole-of-Government service delivery will not result in better or simplified service and access for all citizens.

***Recommendation:***

The issues of access to technology and maintaining rural and regional office locations should be included in any public consultation processes.

### **Savings to be realised**

There are significant savings to be made by delivering services more efficiently and effectively. There are a number of administrative efficiencies that will be made, with service-delivery agencies making savings by acting as a single point of contact, reducing overheads and sharing resources.

## **Improving agency efficiency: What's the problem?**

Under the current agency funding regime, each agency has the efficiency dividend imposed, which is a 1.25% annual cut in their budget<sup>2</sup>. This measure is unproductive and inefficient, especially for agencies with fixed funding streams and limited ability to access new funding. The efficiency dividend forces agencies to adopt unsustainable, quick-fix solutions that undermine their capacity to deliver Government policy into the future.

After more than twenty years of the efficiency dividend, APS agencies have little 'fat' to trim to find the 1.25%. This problem is particularly acute for smaller agencies, which do not benefit from their scale and are less likely to have access to additional funding through new policy proposals.

The Government accepted this argument, at least in part, with the commitment in the 2010 Budget to reduce the efficiency dividend to 1% from 1 July 2011, however, this decision was reversed during the recent Federal Election campaign.

It is disappointing that this occurred and that short term political gain was put ahead of long term public sector reform.

To meet the efficiency dividend many agencies have reduced APS staffing levels or scaled back regional activities. For example, in Senate Estimates late last year, the Attorney-General's Department attributed its reduction of 59.14 fulltime equivalent employees over the preceding twelve months, in part, to the efficiency dividend<sup>3</sup>. Such decisions reduce the level and quality of services being provided to the Australian community and citizens' ability to access government services.

Funding pressure has also forced APS agencies to make other budget cuts that affect the APS's ongoing capacity and compromise their future capabilities. This includes:

- reducing or discontinuing activities considered to be lower priority or discretionary<sup>4</sup>;
- reducing resources available to invest in innovation;
- reducing learning and development budgets; and
- using outsourced or contract labour and casual employees.

These funding pressures are compounded by the level of wage supplementation. Budget supplementation for wage increases has generally been about 2%<sup>5</sup> or about half of CPI. This directly affects the ability of smaller agencies and those with weaker funding arrangements to offer competitive wages.

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<sup>2</sup> The efficiency dividend applies to administrative budgets of agencies.

<sup>3</sup> Legal and Constitutional Legislation Committee Estimates (19 October 2009) p.7 available at <http://www.aph.gov.au/hansard/senate/committee/S12493.pdf>, accessed on 14 October 2010.

<sup>4</sup> Joint Committee on Public Accounts and Audit Report 413 'The efficiency dividend and small agencies: Size does matter' Canberra (December 2008), p.3, available at <http://www.aph.gov.au/house/committee/jpaa/efficdiv/report/fullreport.pdf>, accessed on 14 October 2010.

<sup>5</sup> ib id pxix

## CASE STUDY

The National Archives of Australia (NAA) has an important legislative mandate to preserve valuable records for the use of future generations and promote good record-keeping in Government agencies.

As a small agency with mandatory functions, NAA cannot discontinue any of its activities and struggles to access additional funding through new policy proposals (NPPs). This means that the funding for NAA is relatively static and each year its budget is cut by 1.25% to meet the efficiency dividend.

In November 2009 with the Mid-Year Economic and Fiscal Outlook, the Government withdrew further funding from the budget of NAA, resulting in an announcement that NAA offices in Adelaide, Darwin and Hobart were to be closed.

For a small agency like NAA, which struggles to find savings to offset the efficiency dividend every year, when there are further budget cuts there are very few options but to cut services and/or staffing. The proposed closure of the three regional offices would make it more difficult for citizens in those areas to access valuable Government records and result in less accessible Government.

After much adverse publicity and community campaigning, in February 2010 the Government reversed its decision. NAA has remained in these three regions, though with reduced operations dependent on the co-operation of and collocation with State and territory governments.

The overall funding position of NAA has, however, not improved. NAA has not received any funding that secures its ongoing presence in each state and territory capital and it must continue to meet all of its legislative obligations with a static funding base.

NAA also faces the substantial challenge of establishing a digital records operation, which would enable citizens to access archival records (digital and non-digital) in a digital format. This has the potential to enhance the way in which NAA is able to deliver services to the public and Government and improve access to Government archives.

To create this capacity, however, requires a substantial investment from Government to cover the initial and ongoing infrastructure costs for digital records as well as work involved in digitising non-digital records. To date NAA's attempt to secure additional funding have been unsuccessful.

This means NAA is expected to cope with this workload and cost within its current budget, while continuing to preserve existing Government archives, promote good record-keeping within Government and accept further transfers of archives into its care.

This puts significant pressure on NAA's budget and impairs its capacity to deliver quality services to the public and Government. NAA used to offer a free digitisation service to the public, where citizens could apply for a record which would be copied

into a digital format and provided online without charge. Given the costs involved in this process, and the lack of dedicated funding, in 2007 NAA had to move to a user pays system.

Since 2000, regional offices, such as Adelaide, have reduced their storage capacity and therefore the cost of their leases, moving many records interstate on the basis that the records would be made available online while the national costs of records storage was minimised.

However, given the cost of digitising the records, only the records have moved interstate, and digitisation has not occurred. As a result citizens in that region have fewer opportunities to access public records free of charge.

This situation demonstrates how something which has the potential to greatly improve service delivery and enhance citizens' opportunities to engage with Government in the digital world, as well as enable Government to efficiently manage records in the public interest, will fail without adequate and dedicated funding to support it.

## **Improving agency efficiency: What's the solution?**

Given the deficiencies in the efficiency dividend, the Government's commitment in the Moran Blueprint to review the current mechanisms used to drive agency efficiency is welcomed. It is important that this review process examines the problems with the current funding model and fully examines the options for reform.

The way in which the review process is conducted is also important. APS agencies and employees are uniquely placed to provide information and insights into the impact of efficiency measures on their operations and advise on improved measures. The review process should therefore be conducted in an open and transparent manner, invite submissions from stakeholders and provide all parties with the opportunity to comment on any potential models for reform.

### ***Recommendation:***

That an open, transparent review of agency efficiency be undertaken, involving employees and their union. That the review focuses on investigating a range of alternatives for measuring agency efficiency and identifies measures that allow APS agencies to most efficiently and effectively deliver Government services and develop public policy. That the most appropriate measure be implemented in the 2011-2012 Federal Budget process.

A replacement to the efficiency dividend must include an evidence-based mechanism to drive productivity improvements, rather than the efficiency dividend which operates as a blunt instrument. This mechanism must also be able to take into account productivities realised on a functional basis and across portfolios and the APS. In addition the process by which efficiency is measured across the APS must be transparent and capable of scrutiny.

### ***Recommendation:***

That the alternative to the efficiency dividend is:

- based on an evidence based approach to driving productivity improvements;
- able to take account of productivities realised on a functional basis and across portfolios and the APS; and
- based on a transparent process to measure efficiency.

## **Savings to be realised**

### **Central procurement of services**

Another simple way in which the APS can realise cost savings and further efficiencies is through the central procurement of services. Greater savings are to be made when the Government acts as a single purchaser of services and when there are fewer tendering, contracting and procurement processes.

The Government has commenced processes to centralise ICT procurement, however the Department of Finance recognises there are further opportunities to make savings in this area<sup>6</sup>. The Government has also commenced whole-of-Government contract arrangements for air travel saving \$40 million annually<sup>7</sup>.

There are other opportunities to centralise procurement, including in office accommodation, legal services, training programs, office machines, stationery supplies, financial services and other travel-related services.

The ability and drive to continue to make whole-of-Government savings on this front will depend in part on a better approach to funding arrangements. Under the current funding arrangements, savings generated through whole-of-Government procurement cannot be counted by agencies toward meeting the efficiency dividend requirements<sup>8</sup>.

### **Centralisation of functions**

There are opportunities for savings in centralising certain functions, in particular corporate services. Such a process would be particularly beneficial for small agencies that are unable, by virtue of their size, to achieve economies of scale. The opportunity to achieve savings in this way was recognised by the Moran Blueprint<sup>9</sup> and Department of Finance and Deregulation brief for the incoming Minister<sup>10</sup>. In addition to corporate support functions, this could include consolidating bargaining arrangements within portfolios.

The savings from these forms of centralisation provide greater capacity to decentralise some aspects of policy development, processing and service delivery work.

### **Outsourcing and consultants**

The use of outsourcing and consultants represents a significant cost for Government. Recently the Gershon Report found that the use of ICT contract staff was significantly more expensive than using APS employees – on average an ICT contractor cost an agency \$186,000 per annum, \$94,000 more than the average APS agency ICT employee<sup>11</sup>.

There are also long term costs. Whenever the Government uses a contractor or consultant, the skills and expertise they have developed leave the APS when the contract ceases. This narrow, short-term view is encouraged by the funding pressures agencies face under the current arrangements.

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<sup>6</sup> Department of Finance and Deregulation, 'Incoming Government Brief – Minister for Finance and Deregulation Senator the Hon Penny Wong, September 2010 available at [http://www.finance.gov.au/publications/IGB/docs/igb\\_mfd.pdf](http://www.finance.gov.au/publications/IGB/docs/igb_mfd.pdf), accessed on 14 October 2010 at 2.4

<sup>7</sup> ib id at 5.5

<sup>8</sup> Joint Committee on Public Accounts and Audit, op cit, p.100.

<sup>9</sup> Advisory Group on Reform of Australian Government Administration, '*Ahead of the Game: Blueprint for the Reform of Australian Government Administration*', March 2010 available at [http://www.dpmc.gov.au/publications/aga\\_reform/aga\\_reform\\_blueprint/index.cfm](http://www.dpmc.gov.au/publications/aga_reform/aga_reform_blueprint/index.cfm) accessed 23 July 2010 p70

<sup>10</sup> Department of Finance and Deregulation, op cit, at 1.13

<sup>11</sup> Gershon P (2008), 'Review of the Australian Government's Use of Information and Communication Technology' available at <http://www.finance.gov.au/publications/ICT-Review/index.html>, accessed on 14 October 2010 p.48-49.

## **Strengthening the workforce and achieving equity: What's the problem?**

The APS faces significant workforce planning challenges over the short-medium term. The APS workforce is ageing, with 45% of SES and 30% of EL employees eligible to retire in the next five years<sup>12</sup>.

In addition, APS employees are staying for shorter periods. Since the late 1990s the number of APS employees with less than five years service increased from 28% to over 36% and the median length of service has decreased from 10 years in 1998-1999 to 8 years.

Mobility rates for all APS employees are decreasing<sup>13</sup>. While senior employees are more likely to have worked for multiple agencies, even mobility rates for SES and ELs are exceptionally low.

Nearly half of all SES employees and 68.4%<sup>14</sup> of all EL2 employees have only worked for one agency. The Management Advisory Committee has found that the APS risks creating a new generation of APS leaders without a depth of experience in whole-of-Government processes due to the declining mobility rate<sup>15</sup> and is a significant organisational risk to the ongoing capacity of the APS.

Another problem facing the APS workforce is casualisation. Some APS agencies are increasing the proportion of casual employees they employ as a result of funding pressure.

Such an approach does however undermine the ongoing capacity and capability of the APS. It also is based on a false economy, as casual employees are likely to stay with the APS for a shorter time, ensuring the requirement for constant retraining and creating ongoing recruitment and retention costs.

The ability of the APS to constructively manage these problems is compromised by the existing APS employment framework, which is rigid and fragmented and does not allow for a whole of government approach to these issues.

Under the existing APS employment framework, the Government unilaterally determines the 'rules' of bargaining and key conditions through the Australian Government Employment Bargaining Framework. For example the framework mandates consultation and dispute settlement terms, prohibits the enhancement of redundancy benefits and imposes a 3% pay cap.

Within the parameters set by the AGEBF, each agency negotiates its own enterprise agreement based on its capacity to pay, resulting in more than 100 agreements with

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<sup>12</sup> Australian Public Service Commission, *State of the Service Report 2008-2009* p52 available at <http://www.apsc.gov.au/stateoftheservice/0809/report.pdf> accessed 14 October 2010

<sup>13</sup> ib id pxviii

<sup>14</sup> ib id p 71

<sup>15</sup> Management Advisory Committee, *Managing and Sustaining the APS Workforce* 2005 available at <http://www.apsc.gov.au/mac/apsworkforceexec.htm> accessed 20 October 2010 pxvii

over 750 pay points. Agencies with as few as 20 employees have to go through the same process as agencies with more than 20,000 employees. Machinery of Government changes are also more costly and time consuming to implement.

As a result of this decentralised bargaining, significant wage gaps have developed across the service. Work at the same classification level is remunerated differently depending on the agency with wage differences of \$10,000 to \$15,000 common.

For example an APS 6 at the Department of Treasury gets paid nearly \$20,000 more than an APS 6 employed at Aboriginal Hostels Limited. Indeed the wage gaps are now so significant that an APS employee working at a lower classification in a high paying agency can get paid more than an employee working at a higher classification in a low paying agency.

Decentralised bargaining has been most detrimental to women and Aboriginal and Torres Strait Islander employees.

Female-dominated agencies have achieved lower pay outcomes through individual agency bargaining compared with male-dominated agencies. For example in Centrelink, which has the largest number of female employees<sup>16</sup>, employees at every classification level are paid below the APS average.

Agencies with a high proportion of Aboriginal or Torres Strait Islander employees have also fallen behind. For example, Aboriginal Hostels which has the highest proportion of Aboriginal or Torres Strait Islander employees<sup>17</sup> is the lowest paid agency at every classification level, except APS 1 where it is the third lowest paid. These are unintended consequences of a poorly designed system.

Decentralised bargaining not only impacts on the level of wages paid, but also the conditions offered. Employees in agencies with inferior funding have been forced into concession bargaining – trading off conditions or forgoing improvements in conditions that have been secured across the sector to secure basic pay rises.

For example as agencies have to fund conditions from within their own budgets, it is female-dominated agencies that have found it most difficult to improve paid maternity leave entitlements. Child Support which has approximately 60% female employees still does not offer 14 weeks. In contrast the male dominated Department of Defence was one of the first agencies to move to this standard.

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<sup>16</sup> Centrelink employs 18,225 female employees which accounts for approximately 70% of their workforce.

<sup>17</sup> Aboriginal Hostels Limited 84.2% of employees are Aboriginal or Torres Strait Islander.

## **Strengthening the workforce and achieving equity: What's the solution?**

The APS employment framework is fragmented, rigid and impeding the APS workforce. The framework also denies employees a say on critical wages, conditions and employment matters. The right of employees to negotiate with their employer on all wages, conditions and employment matters is a fundamental right established by the *Fair Work Act*. A new employment framework where all wages, conditions and employment matters are negotiated with employees and their unions should be introduced.

### ***Recommendation:***

The Government commit to negotiate all wages, conditions and employment matters with the CPSU and other relevant unions.

Agency enterprise agreements have been aligned with an expiry of 30 June 2011. Negotiations should commence as a matter of urgency to ensure a negotiated framework is in place early next year.

### ***Recommendation:***

The Government should commence detailed negotiations with industrial parties about APS bargaining processes as a matter of urgency.

A streamlined APS bargaining system that provides industry standards on wages, conditions and employment matters should be introduced. This will be fairer to employees, providing a common set of wages, conditions and employment matters regardless of the agency in which they work.

It will also be more effective for the APS, with savings in terms of agency-based bargaining and industrial relations processes, greater mobility within the workforce and an increased capacity to retain employees. The employment framework, through streamlined bargaining, must address the issues of pay inequity that have arisen over time.

### ***Recommendation:***

APS bargaining in 2011 must deliver:

- a real pay increase and mechanism to achieve pay equity by 1 July 2011;
- core conditions and common standards;
- career public service and job security; and
- fair rights at work for all APS employees.

It is recognised that these pay disparities have developed over a number of years, and it may not be possible to rectify the situation in a single round of streamlined APS bargaining.

The Government should, however, commit to an employment framework and pay structure that will see the issue of pay equity addressed over time. In the first round of APS-wide bargaining, specific action should be taken to ensure that those employees in the bottom paying agencies make some improvement on pay equity as soon as possible.

***Recommendation:***

The CPSU seeks a specific measure in the 2011-2012 Federal Budget process to make a significant step towards pay equity for APS employees in low-paying agencies.

The growing disparity that we have seen in APS wages and conditions is a direct result of current funding pressures. Employees in agencies with more limited budgets have ended up with inferior pay and conditions. This situation will only be resolved if there is a proper funding process for wages and conditions, in which wages and conditions are centrally and fully funded.

***Recommendation:***

Wages and employment conditions should be centrally and fully funded, taking into account service-wide productivities that may be realised.

## **Savings to be realised**

### **Staff retention**

Staff turnover is a significant cost in the APS. An employment framework that provides a consistent standard on wages and conditions will allow for greater mobility and career opportunities, and the capacity to reduce the number of employees leaving the service.

It is estimated that in 2008-2009 direct recruitment costs for the APS would have been approximately \$312 million<sup>18</sup>. In addition to the direct costs, there are a range of indirect costs, such as the productivity lost while the position is vacant and when the new employee commences<sup>19</sup>. An employment framework that reduces staff turnover would make real savings for the Government.

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<sup>18</sup> The APS average salary, weighted to take into consideration the employee numbers at each classification level, is \$74,618.

<sup>19</sup> ANAO estimates new APS employees only perform at 60% of their potential and take a year to reach their full potential. Clearly this represents a further organisational cost when filling positions. (see Australian National Audit Office, *Management of Recruitment in the APS, 2007/2008* available at [http://www.anao.gov.au/director/publications/auditreports/2007-2008.cfm?item\\_id=980D848A1560A6E8AAADF64BADD81B3C](http://www.anao.gov.au/director/publications/auditreports/2007-2008.cfm?item_id=980D848A1560A6E8AAADF64BADD81B3C) accessed 20 October 2010)

A unified APS employment framework would also create the opportunity for APS-wide redeployment. Under the current system, redeployment is confined to the agency in which the excess employee is engaged.

There are a significant number of separations due to retrenchment in the APS every year; in 2008-2009 there were 1,700<sup>20</sup>. An employment framework that created opportunities for APS-wide redeployment would reduce the number of retrenchments – saving the Government in terms of severance benefits paid out and the loss of experienced employees. It would also be beneficial for APS employees who, under the current arrangements, not only lose their jobs but are also excluded from other APS jobs for a set period.

### **Duplication of bargaining and industrial relations processes**

Under the current system there is significant duplication of bargaining and industrial relations processes. In each agency bargaining round the union and employer negotiate over the same issues generally using the same arguments.

In terms of the cost of APS employees' salary alone the CPSU estimates that a typical bargain for a medium sized agency would cost in excess of \$160,000<sup>21</sup>. This figure would be substantially higher in larger agencies and where bargaining becomes protracted.

There would also be a range of other costs, such as travel, accommodation, legal fees and consultancy services. In addition to bargaining, whenever a machinery of government change is undertaken that brings together employees on different wages and conditions, the newly formed agency has to commence processes to standardise wages and conditions in that agency.

### **Duplication of recruitment and training processes**

There is also significant duplication in terms of recruitment and training processes. With a unified workforce and employment framework, there would be the opportunity to standardise these processes – instead of each agency conducting them in isolation from each other. This would represent significant savings for Government.

### **Consistent performance management**

Under the current system, each agency also develops and implements its own performance management systems. There is the opportunity with a unified workforce to align and/or standardise these processes.

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<sup>20</sup> State of the Service Report ib id p18. This year was particularly high however in the previous year, there was still 811 separations due to retrenchment.

<sup>21</sup> In any bargaining process there would be approximately 3 APS employees acting on behalf of the agency with up to 80% of their time dedicated to the bargaining process, a further 3 APS employees acting on behalf of the agency with up to 20% of their time dedicated to the bargaining process and approximately 6 APS employees acting on behalf of the union and employees. The average duration is estimated at 6 months. The estimated cost was worked out on this basis using the APS weighted average salary of \$74,618.

## **Conclusion**

The recommendations of this submission are built on the outcomes of a range of CPSU, APS and Government activities that have been occurring over the past three years.

Since the 2007 Federal Election much has happened to lay the foundations for the APS reform needed and some sound progress has been made. However, there is still work to be done to address the capacity of the APS to meet the increasingly complex demands on a modern public sector and the frustrations and aspirations of its workforce suffering from the still flawed employment framework the APS operates under.

Further delay increases the cost to Government of change and increases the time it will take to realise the benefits of reform.

As we have demonstrated in the past three years, the CPSU is committed to working cooperatively in the Australian Public Service and the Government to provide better services to the community, better policy solutions to the complex challenges facing Australia and better jobs for our member.

We are calling on the Government to assist in this by building the recommendations in this submission into its Budget deliberations.

For more information or to discuss the CPSU budget submission contact the CPSU National Secretary Nadine Flood on 0407 731 330 or [nadine.flood@cpsu.org.au](mailto:nadine.flood@cpsu.org.au)