



**CPSU (PSU Group) Submission:**

**Input into the 2012-13 ACT Budget**

**Treasury Directorate**

**November 2011**

## Summary of Recommendations

### **A well resourced ACTPS to meet Canberra's growing needs**

***Recommendation:***

ACT Government work with the CPSU to ensure adequate ACTPS staffing levels by addressing workload and capacity issues by removing any arbitrary limits on ACTPS staffing numbers.

***Recommendation:***

ACT Government commit to removing the efficiency dividend by no later than the 2013-14 Budget.

***Recommendation:***

ACT Government commit to working with the CPSU to review agency funding arrangements and identify new ways of delivering real savings.

### **Attracting and retaining the best staff for the ACTPS**

***Recommendation:***

ACT Government remove the policy of arbitrary wage fixing (*wage restraint*) and update forward estimates to ensure appropriate funding is provided for realistic pay rises in keeping with cost of living increases.

***Recommendation:***

ACT Government allocates the necessary funding and resources for effective attraction and retention strategies in the 2012-13 Budget. These strategies should include broadening avenues of general entry into the ACTPS.

***Recommendation:***

ACT Government commit to a matching superannuation contribution arrangement for ACTPS employees to increase superannuation contributions from 9 percent to a minimum of 15.4 per cent.

***Recommendation:***

ACT Government commit to continuing employer superannuation contributions for ACTPS employees during periods of unpaid maternity leave.

***Recommendation:***

ACT Government extend paid maternity leave in the ACTPS to 26 weeks.

***Recommendation:***

ACT Government establishes childcare facilities in all new Government offices with 500 or more employees and provide comparable arrangements for other ACTPS employees.

**Recommendation:** ACT Government provides subsidised places for children of ACTPS employees in these childcare facilities.

### Secure and good quality jobs

**Recommendation:**

ACT Government work with CPSU to develop strict guidelines around temporary engagements and defined pathways to ongoing employment.

## Economic conditions in the ACT

The ACT economy continues to be amongst the best performing in the country, second only to Western Australia. In the year to September 2011, the ACT economy grew by 5.8 per cent compared to 3.7 per cent nationally<sup>1</sup>.

**Table 1 – State/Territory unemployment rate comparison**

State	NSW	Vic	QLD	SA	WA	Tas	NT	ACT	National
Unemployment rate (%)	5.4	5.3	5.8	5.3	4.2	5.0	3.9	4.0	5.2

Source: Australian Bureau of Statistics<sup>2</sup>

The labour market continues to remain tight. Unemployment is at 4.0 per cent compared to 5.2 per cent nationally at September 2011.<sup>3</sup> Labour force participation was also higher at 72.2 per cent compared to 65.6 per cent nationally.<sup>4</sup> The labour market is likely to remain competitive with the ageing population and significant numbers of staff from the ACTPS and the APS set to retire over the next decade. The looming demographic and labour market challenges are key challenges for the ACT.

While economic growth is forecast to moderate in 2011-12<sup>5</sup>, the forecast of an ACT Budget surplus in 2013-14<sup>6</sup> gives the ACT Government fiscal flexibility to address these labour market shortages in the ACT and invest resources in quality public services to a growing population.

<sup>1</sup> ACT Government, *Summary of Economic Indicators, ACT and Australia — October 2011*, 10 November 2011, <http://www.treasury.act.gov.au/snapshot/SUM.pdf>

<sup>2</sup> Australian Bureau of Statistics, *Labour Force, Australia, October 2011*, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/mf/6202.0>, last accessed: 14 November 2011

<sup>3</sup> Australian Bureau of Statistics, *State and Territory Statistical Indicators, 2011*, <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/1367.0~2011~Main%20Features~Unemployment%20Rate~9.4>, last accessed: 14 November 2011

<sup>4</sup> *ibid*

<sup>5</sup> ACT Government, *Budget 2011-12 Paper 3: Budget Overview*, p.237

<sup>6</sup> *ibid*, p.3

## **A well-resourced ACTPS to meet Canberra's growing needs**

The population of the ACT continues to grow with the estimated resident population currently growing by 1.8 per cent annually compared to 1.4 per cent nationally.<sup>7</sup> This was the second highest population growth rate in the country. A growing population places a greater demand on services and requires investment in more resources. Compared to population growth, the growth in the ACTPS from the 2010-11 estimate outcomes to the 2011-12 Budget is 1.0 per cent<sup>8</sup>

The ACT Government has indicated it intends to limit the growth in the public service. A reduction in FTE equivalent staffing in back office functions as well as in agency services is estimated at around 210 FTEs. The ACT Government has indicated that these job losses will be achieved through natural attrition and some targeted voluntary redundancies.<sup>9</sup>

The CPSU is concerned that the Government is seeking to reduce staffing numbers by around 200 FTEs in addition to those gained from other efficiencies largely attributable to the efficiency dividend.<sup>10</sup> While there is a net increase of staff, these are due to new policy initiatives.<sup>11</sup> Staff providing existing services are already struggling with their workloads and will face greater demands with the increasing population of the ACT.

The reduction of public service staff, especially "back end" staff, ignores that staff in the ACTPS are already significantly overworked. Results from our Women's Survey showed that three quarters (74.3 per cent) of respondents worked additional hours on average each week. Any arbitrary reductions in staffing levels will only further stretch overworked ACTPS employees, adversely affecting the quality and range of services provided.

**Recommendation:** ACT Government work with the CPSU ensure adequate ACTPS staffing levels to address the overworking and remove any arbitrary limits on ACTPS staffing numbers.

### ***Efficiency dividend***

The CPSU continues to oppose the imposition of an efficiency dividend on the ACTPS and views this mechanism as a short-sighted and counterproductive measure that significantly undermines the quality and capacity of essential service delivery in the medium and long-term.

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<sup>7</sup> Australian Bureau of Statistics, *State and Territory Statistical Indicators, 2011*, <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by+Subject/1367.0~2011~Main+Features~Estimated+Resident+Population~9.1>, last accessed: 14 November 2011

<sup>8</sup> ACT Government, *Budget 2011-12 Paper 4: Budget Estimates*, p.553

<sup>9</sup> ACT Government, *Budget 2011-12 Paper 3*, op cit, p.28

<sup>10</sup> *ibid*, p.117

<sup>11</sup> *ibid*, p.4

Research into efficiency dividends has shown that they are blunt instruments. Efficiency dividends only provide a limited incentive for agencies to generate substantial and strategic efficiencies.<sup>12</sup> “Efficiency” is created through budgetary pressure rather than encouraging improved practices. It leads to:

- reduction in resources available to invest in innovation, which in turn affected an agency’s ability to find future productivity savings; and
- agencies being forced to cut services or pass on costs to meet the efficiency dividend.

Furthermore, any efficiency gains can be gamed out as additional costs are built into other proposals to off-set cuts made elsewhere. Additional time and resources are wasted when funds are diverted from one program to another in order to meet program objectives in areas that had a cut due to the efficiency dividend.<sup>13</sup>

The 2011-12 Budget indicated that the efficiency dividend will cut \$14.164m from the ACTPS in 2012-13<sup>14</sup> affecting the quality of services provided by the ACT Government and this cut will further compound the problems associated the ACT Government’s arbitrary policy of staff reduction.

The efficiency dividend must be removed and alternatives found. Broadly, the CPSU supports an approach that seeks to reduce administrative expenses such as travel, accommodation, printing, stationery, recruitment, electricity usage and fleet; and through the streamlining of business processes.

Given that the ACT Budget will return to surplus in 2013-14, the ACT Government has no reason to maintain an efficiency dividend and should commit to removing it by no later than the 2013-14 Budget.

<b>Recommendation:</b> ACT Government commit to removing the efficiency dividend by no later than the 2013-14 Budget.
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### ***Working with CPSU members to identify best practice***

The CPSU understands the need to deliver services in an efficient and effective manner. Employees are best placed to help identify areas where savings can be made without affecting the quality of services provided, rather than through an Expenditure Review Committee or efficiency dividend.

The ACT Government should work with CPSU members to identify new mechanisms for the efficient delivery of services. This could include identifying best practice and building a culture which fosters innovation within and across directorates.

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<sup>12</sup> Department of Finance and Deregulation, *Report of the Review of the Measures of Agency Efficiency*, March 2011, p.x

<sup>13</sup> Jennifer Doggett, *Beyond the Blunt Instrument: the Efficiency Dividend and its alternatives*, Centre for Policy Development, November 2010, p.20

<sup>14</sup> ACT Government, *Budget 2011-12 Paper 3*, op cit, p.26

The ACT Government, in co-operation with the CPSU should establish a priority list of directorates which require urgent reviews of their funding arrangements. The Government should also review the amounts spent on outsourcing and contract labour and investigate whether savings could be made by having this work performed by permanent public sector employees. Much of this work could be more efficiently and effectively performed by the public sector.

**Recommendation:** ACT Government commit to working with the CPSU to review agency funding arrangements and identify new ways of delivering real savings.

### **Attracting and retaining the best staff for the ACTPS**

The retention and attraction of staff will be a major challenge for the ACTPS over the coming years. It should also be noted that the challenges of an increasingly competitive labour market and an ageing workforce are not restricted to the ACTPS. The APS faces tightening labour market and increasing competition for talent.<sup>15</sup> There are significant demographic challenges with 42.6 per cent of employees eligible to retire over the next decade.<sup>16</sup>

As much of the APS and ACTPS compete for the same workforce, action needs to occur now to address these challenges. The ACTPS needs to ensure pay and conditions are competitive and strategies to retain employees must be introduced in this Budget to prepare for these looming demographic time bombs.

#### ***Removing wage restraint***

The CPSU calls on the ACT Government to remove the policy of wage restraint and update forward estimates to ensure realistic funding for pay rises.

Given the competitive nature of the ACT labour market, if the ACTPS is not adequately funded by the government to offer competitive wages and employment conditions then existing staff and skilled applicants will simply look elsewhere. An arbitrary limit on pay increases will not provide the remuneration necessary to attract and retain staff.

With an ageing workforce and more employees reaching retirement age, competition for the same workforce between the ACTPS and APS will only increase. Removing the policy of wage restraint is essential to ensure pay in the ACTPS is competitive with that of the APS and avoid a staffing shortfall.

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<sup>15</sup> Advisory Group on Reform of Australian Government Administration, *Ahead of the Game: Blueprint for the Reform of Government Administration*, March 2010 p.10

<sup>16</sup> *ibid*, p.11

**Recommendation:** ACT Government remove the policy of arbitrary wage fixing (*wage restraint*) and update forward estimates to ensure appropriate funding is provided for realistic pay rises in keeping with cost of living increases.

### ***Funding workforce retention strategies***

The ACT Government should commit funds to attraction and retention strategies in this Budget. The ACTPS workforce is ageing as shown in the graph below and planning needs to occur now. This ageing of the workforce has serious implications for the future capacity of the public sector and highlights the need for the public sector to attract and retain younger workers.

**Figure 1: ACTPS Workforce Profile 2009-10 - Age by gender comparison between 2008-09 and 2009-10**



The ACT Government will be faced with its largest generational employment group reaching accepted retiring age from 2011 and will be competing with businesses and the APS for additional employees.<sup>17</sup> The CPSU notes the ACT Ministerial Advisory Council Report on Mature Age Employment from 8 June 2010 that stated “in 2011, the first of the baby boomers reach 65 years and so they are expected to progressively exit from the ACTPS.”<sup>18</sup> In February 2010, the then-Chief Minister stated that over the next decade, 45 per cent of people in Canberra intend to retire which will leave a vast skills shortage which is expected to double over the next three years<sup>19</sup>. This will be challenging as the

<sup>17</sup> ACT Ministerial Advisory Council, *Report on Mature Age Employment*, 8 June 2010, p.3

<sup>18</sup> *ibid*, p.3

<sup>19</sup> *ibid*, p.4

ACT will have an ageing population coupled with low unemployment and a growing economy.<sup>20</sup>

The CPSU believes the ACT Government can improve retention rates and ameliorate the challenges of an ageing workforce if workplaces are adaptable to employees' changing lifecycles. For example, a National Seniors report of August 2009 noted that 43 per cent of baby boomers indicated they would consider working beyond the age of 65 and 75 cent want to stay in their current employment or same line of work during a transition period by working part-time.<sup>21</sup> This may be one of a range of options worth exploring.

Effective action by the ACT Government now is required now to improve the retention rates of the mature aged employees within the ACTPS. Other strategies for the ACT Government may include:

- Incentives to encourage retention such as yearly bonuses or other financial incentives
- Greater flexibility in working hours and leave
- Employment options to allow for planned withdrawal from workforce
- Incentives to re-enter ACTPS<sup>22</sup>

**Recommendation:** ACT Government allocates the necessary funding and resources for effective attraction and retention strategies in the 2012-13 Budget. These strategies should include broadening avenues of general entry into the ACTPS.

### ***Superannuation***

#### ***Increasing ACT Government contributions***

The CPSU's last four Budget submissions recommended that the ACT Government reinstate a minimum 15.4 per cent employer superannuation contribution rate for all staff. We again recommend this to Government for the 2012-13 Budget and we also propose an interim contribution matching option arrangement for those employees receiving the minimum 9 per cent employer contribution.

The ACT Government needs to change its policy of only paying newer ACTPS employees a 9 per cent employer superannuation contribution. A 9 per cent superannuation contribution is not sufficient to ensure even a modest retirement income for ACTPS employees. Research by the Association of Superannuation Funds of Australia has found that, for a comfortable lifestyle in retirement, a person with an income of \$100,000 per year would have to make contributions

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<sup>20</sup> ACT Government, *Budget 2011-12 Paper 3*, op cit, p.11

<sup>21</sup> ACT Ministerial Advisory Council, op cit, p.10

<sup>22</sup> *ibid*, p.5

of 12 per cent over 30 years and a single person on an income of \$50,000 per year would need to make contributions of 20 per cent over 30 years.<sup>23</sup>

The 9 per cent contribution is also discriminatory against newer employees and it also places the ACTPS well below the contributions available to employees in the APS and denies them the ability to be in the PSSap scheme.

New employees into the APS receive a minimum contribution of 15.4 per cent and as this is a far more attractive option to potential new employees. The current superannuation arrangements further undermine the ACTPS in attracting and retaining quality employees and particularly so in such a tight labour market.

Increased superannuation is an important issue for ACTPS employees. Our Women's Survey indicated that better than average superannuation is very important or important (88.3 per cent) in ACTPS compared to 85.4 per cent overall. Over half of ACTPS women make additional super contributions and the most common reason for not making extra contributions is financial difficulty (42.9 per cent).

The CPSU notes that the Federal Government has recognised that superannuation contributions of 9 per cent are inadequate and committed to gradually increasing the superannuation contribution to 12 per cent by 2020, commencing in 2013-14. The ACT Government will be required to increase superannuation contributions accordingly and should take the initiative to act sooner.

An interim measure for an agreed period may be to increase the amount of superannuation contribution for those ACTPS employees currently receiving only 9 per cent. The CPSU proposes that the ACT government considers introducing an interim matching arrangement where the ACT government would match employee contributions capped at a total 12.2 per cent employer contribution.

<p><b>Recommendation:</b> ACT Government commit to a matching superannuation contribution arrangement for ACTPS employees to increase total superannuation contributions from 9 percent to a minimum of 15.4 per cent.</p>
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### ***Super on unpaid maternity leave***

The CPSU recommends that the ACT Government introduces the payment of employer superannuation contributions for periods of unpaid maternity leave up to a year for ACTPS employees.

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<sup>23</sup> Ross Clare, Director of Research. *The Age Pension, superannuation and Australian retirement incomes*. ASFA Research and Resource Centre, December 2008, p.23

Research by the Association of Superannuation Funds of Australia (ASFA) has shown that there is a large inequity between men and women when it comes to superannuation balances and final superannuation amounts. The average superannuation balance for women at 2006 was \$35,520 compared to an average of \$69,050<sup>24</sup> for men. For superannuation balances at retirement, men receive an average of \$136,000 and women receiving only \$63,000 in 2005-06<sup>25</sup>.

There are multiple reasons why men receive higher superannuation payouts. These include that many women have periods of time away from the workforce, work part-time or are often employed in lower classified/paying jobs. However, one of the reasons that many women have low superannuation balances is that employers are not required to make superannuation contributions for periods of unpaid parental leave. The compounding effect of superannuation means that when many women take parental leave at early on in their working lives, the loss of superannuation contributions will make a significant difference to the final balance they receive on retirement.

For pay equity purposes (retirement income) and in recognition of the fact that women generally earn lower incomes than men, it is particularly important for women to continue attracting superannuation contributions early on in their working lives.

CPSU believes this measure would be a relatively inexpensive remedy as the majority of women do not take 12 months maternity leave, and the number of women taking maternity leave at any one time is limited.

The CPSU also notes that a significant number of APS agencies include super on periods of unpaid maternity leave and that several large banks (Westpac and NAB) provide some compensation for lost superannuation accrual during periods of unpaid maternity leave.

<p><b>Recommendation:</b> ACT Government commit to continuing employer superannuation contributions for ACTPS employees during periods of unpaid maternity leave.</p>
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### ***Extending paid maternity leave to 26 weeks***

The CPSU calls on the ACT Government to extend maternity leave as a means of retaining staff. While the ACTPS complies with the minimum international standard for paid maternity leave as determined by the International Labor

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<sup>24</sup> Ross Clare, Director of Research. *The Age Pension, superannuation and Australian retirement incomes*, ASFA Research and Resource Centre, December 2008, p.21

<sup>25</sup> *ibid*, p.22

Organisation of 14 weeks<sup>26</sup>, it is below the OECD average of approximately 19 weeks.<sup>27</sup>

The ACTPS may not always lead the APS on wages, however, it can be a national leader in providing good, competitive conditions. With the current shortage of labour and increasing job opportunities, the likely ACTPS and APS workforce is highly mobile, able and willing to change to employers who offer better conditions. Effective policies such as extending maternity leave to 26 weeks would considerably enhance attraction and retention measures.

The CPSU also notes that the Skills Commission recommended that the ACT Government should extend paid maternity leave in the ACT Public Service from 14 weeks to 26 weeks, regardless of the Productivity Commission inquiry into maternity leave.<sup>28</sup>

<b>Recommendation:</b> ACT Government extend paid maternity leave in the ACTPS to 26 weeks.
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### **Child care**

The CPSU recommends that the ACT Government set aside funding to invest in childcare for ACTPS employees. Availability of child care can help push up participation and retention rates. The provision of affordable well located child care, flexible working hours and work from home arrangements are important components of a comprehensive employee retention strategy<sup>29</sup> and can help address future workforce challenges.

Results from the CPSU annual What Women Want survey reinforced that the availability of childcare was important or very important (42.2 per cent) to women with dependent children in the ACTPS.

The Skills Commission Report recommended that the ACT Government should establish childcare facilities in all new ACT Government offices or agencies with 500 or more employees. Suitable arrangements for other ACT Government employees located in older offices should also be considered.<sup>30</sup> This may be one way to plan and retain staff in a tight labour market. However, to be effective, assistance cannot be limited to salary sacrificing and must include subsidised places for the children of ACTPS employees.

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<sup>26</sup> International Labor Organisation, *C183 Maternity Protection Convention*, 2000  
<http://www.ilo.org/ilolex/cgi-lex/convde.pl?C183>

<sup>27</sup> OECD, *PF2.1: Key characteristics of parental leave systems*, Social Policy Division: Directorate of Employment, Labour and Social Affairs  
[www.oecd.org/dataoecd/45/26/37864482.pdf](http://www.oecd.org/dataoecd/45/26/37864482.pdf), 15 April 2011

<sup>28</sup> ACT Skills Commission, *Final Report*, April 2008, p.24

<sup>29</sup> *ibid*, p.24

<sup>30</sup> *ibid*, p.24

**Recommendation:** ACT Government establishes childcare facilities in all new Government offices with 500 or more employees and provide comparable arrangements for other ACTPS employees.

**Recommendation:** ACT Government provides subsidised places for children of ACTPS employees in these childcare facilities.

### **Secure work and quality jobs**

The ACT Government needs to ensure that staff working full-time hours are not in temporary and casual positions. Insecure employment affects the quality of services provided by staff as the lack of certainty dissuades investment in learning and development. Investing in skills provides better quality services and can encourage more efficient and effective delivery of services.

The ACT Government has a high proportion of staff in insecure work. This often took the form of employees acting in higher duties for long periods. In 2010, 20.6 percent of women in the ACTPS said that they were acting compared to 13.5 percent of women in the APS.

Of the women who indicated they were currently acting in a higher position, nearly a third (31.5 per cent) had been doing so for over a year. Nearly a quarter or 23.8 per cent of women had been acting in the positions for between 6 and 12 months. The length of time of these appointments raises issues about whether they are truly temporary in nature

Of women who indicated they were employed on a non-going basis or were not directly engaged, over half (56.3 per cent) said they had been employed on more than one consecutive temporary engagement. Of those, 44 per cent had been on 4 or more consecutive contracts. This raises a question of whether temporary positions are temporary at all.

The ACT Government must in consultation with relevant unions, develop strict guidelines to ensure that a temporary engagement is temporary and that there is a clear and defined path to ongoing employment. Given the looming workforce challenges, creating employment pathways to turn insecure employment into ongoing employment is well worth exploring.

**Recommendation:** ACT Government work with CPSU to develop strict guidelines around temporary engagements and defined pathways to ongoing employment.