



2020–21

Commonwealth Budget

**CPSU Supplementary
pre-Budget Submission**

Community and Public Sector Union (PSU Group)

August 2020

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Now more than ever, Australians need a strong and properly resourced public service. As the primary union representing people working in Commonwealth Government, the Community and Public Sector Union (CPSU) is committed to providing a strong voice for our members in key public policy and political debates. This CPSU supplementary budget submission provides recommendations across four key areas that go to immediate actions the Commonwealth Government can take to lead us through and out of the crises we face and to help prepare us for our future challenges.

These recommendations address

- the Commonwealth's capacity to respond to the current health, jobs and economic crisis
- expanding existing APS programs as part of the Commonwealth response to the jobs crisis
- ensuring Commonwealth services are crisis ready for the future.
- an economic reconstruction program led by Government

The Commonwealth public sector needs more people and resources to do the work needed now and in the future. The Australian community needs more secure jobs and increasing levels of support. The Commonwealth Government has the capacity to support both of these by providing the staffing and resources needed to support a Government led process of rebuilding and future proofing in a strong and properly resourced public service.

Yours sincerely



Melissa Donnelly
National Secretary
CPSU (PSU Group)

August 2020

Recommendation 1: Improve the Commonwealth's capacity to respond to the current health, jobs and economic crisis.

There are urgent and immediate steps the Commonwealth should take that would support the growth of secure jobs and improve services to the community. They are:

- **Ensuring paid pandemic leave** for all casuals and labour hire workers doing APS work, including people working for contracted providers undertaking work on behalf of the Commonwealth.
- **Create jobs** and improve services through reducing workload pressures on agencies and by increasing APS staffing levels and converting labour hire to permanent employment in key service delivery and regulatory agencies critical to the COVID-19 response. These include agencies such as Services Australia, the Australian Taxation Office, Aged Care Quality and Safety Commission, National Disability Insurance Agency and the National Disability Insurance Quality and Safeguards Commission. Removing the ASL staffing cap is a crucial element of this.
- **Guaranteeing no Commonwealth public sector job losses** to provide certainty for staff and the community that agencies will have the capacity they need into the future. This requires removing the Average Staffing Level cap and not continuing with the increased efficiency dividend rate.
- **Expansionary fiscal policy** to prevent a worsening economic downturn by using public sector pay rises as a macroeconomic lever, extending JobKeeper coverage, maintaining a higher JobSeeker payment rates, and continuing the suspension of mutual obligations and waiting periods for social security.

Recommendation 2: Bolster the Commonwealth response to the jobs crisis by expanding existing APS programs.

Three readily accessible steps the Commonwealth could take to assist those hardest by the jobs crisis are:

- **Expanding the APS graduate program** by doubling its size. This will create entry-level job opportunities for young Australians who are recent university graduates across the country and help secure the next generation of public sector leaders as the APS workforce ages.
- **Expanding alternative entry-level pathways to public sector employment** such as cadetships, apprenticeships and traineeships with a focus on targeted groups such high school leavers, Aboriginal and Torres Strait Islanders, people with disability and mature aged workers.
- **Creating secure jobs with flexible conditions in the suburbs and regions** by increasing permanent staffing levels in agencies located in outer suburban and regional Australia, such as Services Australia. This would provide secure job opportunities with flexible conditions that are attractive for women with caring responsibilities in particular. Expanded graduate and other entry level programs with clear regional targets could further support this.

Recommendation 3: Ensure Commonwealth services are crisis ready for the future.

Government must have the capacity to see all of us through a crisis. An expanded and better resourced public service is needed to ensure this. This ambition will require:

- **Greater service delivery capacity**, that is not reliant on insecure labour hire or outsourced jobs, and which provides channel of choice in how the community accesses services, as well as flexibility for the government to adjust delivery to meet the needs of a particular circumstance.
- **Strengthening in-house policy capacity** and being less reliant on consultants.
- **Rebuilding in-house ICT capacity**, to provide better public services and better tools for public servants and reduce the reliance on expensive external vendors.

Prior to the pandemic it was apparent that years of cuts, outsourcing and privatisation had undermined the public service. As recommended by the Government's own Independent Review of the APS, the performance and institutional capability of the APS needs to be strengthened. We must now rebuild, not continue the destruction. Doing so requires Government to:

- **Scrap the Average Staffing Level (ASL) cap**, enabling agencies to employ additional staff on a permanent basis.
- **Abolish the efficiency dividend**, starting by ending the extended efficiency dividend announced in May 2019.
- **Reduce expenditure on consultants and contractors** and reinvest the savings into APS staff and capacity.
- **Require agencies to report on contracts and consultancies** awarded or varied in response to this crisis.

Recommendation 4: An economic reconstruction program led by Government.

This Budget needs to lay the foundations for a post-COVID rebuild. There will be no alternative to a government-led rebuild because of the uncertainty and economic shock caused by the pandemic to the private sector. A jobs and wages focused rebuild must:

- prioritise full employment, providing good secure jobs for all Australians with a guarantee of employment for the long-term unemployed; and
- be geared towards the low carbon and digital economic future we face.

Delivering this will require expansionary fiscal policy and Australia has the fiscal room to do this. The public sector must lead by example and put these principles into action. It needs to lead on:

- Increasing public sector employment overall with a focus on regional Australia.
- Converting insecure work to permanent employment.
- Shaping the employment market through active labour market programs and directly providing a range of entry-level pathways for public sector employment.
- Investing in its ICT capacity as a critical infrastructure project

Introduction

Now more than ever, Australians need a strong and properly resourced public service.

A community rebuilt around secure jobs, low carbon economic growth and stronger public community services will be fairer, safer, and more resilient.

Our community and our economy will rebuild faster and stronger with government support in both stimulus measures and improved access to advice and services. The most successful reconstruction efforts have historically required a greater role for the public sector. This one will be no different.

The scale of the crisis requires immediate actions by the Commonwealth in response to growing community demands on the public sector by increasing staffing and funding. It must also directly intervene to prevent the entry-level jobs crisis becoming even worse for young Australians and ward off the risk of a further economic downturn by using expansionary fiscal policy.

Longer term, this Budget needs to start laying the foundations for a post-COVID rebuild, committing to principles and priorities for a rebuild that leaves no one behind. The effect of the pandemic on the private sector means there is no alternative to a government-led rebuild to return business confidence. It will require a government that is there for everyone, that prioritises full employment, and a jobs and wages-led rebuild.

Immediate priorities

Paid pandemic leave for APS casuals and labour hire and for the people working for contracted providers undertaking work on behalf of the Commonwealth.

During the pandemic, the APSC issued Circular 2020/1: COVID-19 leave arrangements requiring agencies to provide employees with paid discretionary leave if the employee's personal leave credits were insufficient to cover time away from work due to testing positive for COVID-19, and for any period where the employee is required to self-isolate but cannot work from home.

The CPSU sought changes to the Circular to cover casual employees, who were not covered and who would not have access to the same paid leave as ongoing APS employees. The Government changed its position to provide paid leave for casual employees. However, labour hire employees remain excluded from those provisions.

As a result of the ASL cap, agencies have engaged temporary labour hire workforces on an unprecedented scale. In many cases these workers work side-by-side with APS employees in APS workplaces, but do not have access to paid leave if they are affected by COVID-19 or need to self-isolate. The CPSU has repeatedly raised these issues with APS agencies and with labour hire employers, and there has been a failure to act on this issue, which creates a health risk for APS and labour hire employees, and for the community more broadly.

APS agencies such as Services Australia, the Department of Health, and the ATO increasingly rely on contract call centres. The CPSU raised serious concerns about health and safety risks and social distancing at outsourced contact centre providers that do work for the APS. These concerns were raised directly with those organisations and with relevant Ministers. In the case of one provider, the CPSU was forced to seek the assistance of the Deputy Chief Medical Officer (DCMO) to get that particular organisation moving much more quickly on CPSU member concerns.

The Commonwealth should take immediate steps to ensure that all labour hire employees performing APS work have access to paid pandemic leave, and that those same arrangements apply for those who undertake Commonwealth work through a contracted provider.

Addressing pressures on the APS

In response to COVID-19, the public service has rolled out massive programs under incredible pressure. But years of underfunding and undervaluing the public service means that at times of acute need the pressures on services, institutions, infrastructure (including ICT) and staff are fully exposed. During this pandemic, we have seen glimpses of the risk that these pressures could result in when the resources are not provided. We have also seen what the APS can do if agencies are provided with additional staff and resources they need, and where agencies are supported to work together in a collaborative way, as has occurred in Services Australia.

Reducing these huge pressures on the APS right now and ensuring the community gets the support it needs requires the immediate commitment of additional staff and funding. While not an exhaustive list, the following agencies should be prioritised for additional staff and funding:

Services Australia: At the height of the pandemic, this agency handled huge workloads with over twenty times the normal number of claims being processed.¹ Services Australia received a million claims for JobSeeker related payments – more claims in six weeks than it would usually process in a year. The agency has 12.4% or 4,274 less staff than it had in December 2013 and these increased workloads since COVID-19 are unlikely to decrease.

The Australian Taxation Office: The ATO provided additional support to businesses and rolled out the JobKeeper program to keep people employed and cashflow boosted for eligible businesses to help them survive.² The ATO has also averaged 90,000 calls a day and staff are working overtime on Saturdays and Sundays to help with the volume of calls. The ATO has increasingly relied on labour hire and outsourced contract call centre for core work.

1 Jade Macmillan (2020, 20 April). Coronavirus JobSeeker payments have started flowing, this is when you should get yours. *ABC News*. Retrieved from <https://www.abc.net.au/news/2020-04-20/when-you-should-get-your-jobseeker-coronavirus-payment/12161824>

2 Jennifer Wilkinson (2020, 7 May). *Australian Government's response to the COVID-19 pandemic*. Senate Select Committee on COVID-19. Retrieved from <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=COMMITTEES;id=committees%2Fcommsen%2F0c5c7e36-6300-484b-b9c3-ed5847b7ce91%2F0001;query=Id%3A%22committees%2Fcommsen%2F0c5c7e36-6300-484b-b9c3-ed5847b7ce91%2F0000%22>

Aged Care Quality and Safety Commission: The response of the aged care sector to COVID-19 has highlighted the need for a better resourced regulator. Prior to the pandemic, staff reported understaffing, high turnover and resource shortages that were affecting their agency's capacity. The impact of the pandemic has only exacerbated issues, with many citing unmanageable workloads. Approximately 25% of staff working with ACQSC are employed through labour hire arrangements.

NDIS Quality and Safeguards Commission: The NDIS Commission has been affected by inadequate staffing levels and resources. It has resulted in high workloads, poor ICT systems, and insufficient training and development opportunities directly related to their work, and affected the quality of care for participants and services to the community. This is worsened by budgetary constraints that make it difficult to complete work – with the pandemic only increasing risks for NDIS participants.

CSIRO: The agency faces a decline in external funding of up to \$100m or up to 40% of its income, affecting Australia's research and development capability.³ There is an urgent need for the Commonwealth to step in to meet the shortfall to prevent the loss of staff and future research.

Average Staffing Level (ASL) cap and the efficiency dividend

Government must have the capacity to see all of us through a crisis. Because of the ASL cap and the increased efficiency dividend we are concerned that despite the ongoing and growing demands on the APS there will be job losses and cuts to the capacity of the APS, when what we need are stronger services and more secure jobs.

TABLE 1: CURRENT EFFICIENCY DIVIDEND

Year	2019-20	2020-21	2021-22	2022-23
%	2.0	1.5	1.0	1.0

In May 2019, the Government announced an increased efficiency dividend that would cut a further \$1.5 billion from the APS by extending the increased rate to 2021–22. Approximately 55 per cent of the efficiency dividend is met by reducing staffing costs.⁴ The CPSU has calculated the 2019 extension of the efficiency dividend will lead to the jobs of approximately 3,067 people being cut.

3 Katie Burgess (2020, 28 June). CSIRO Fears \$100 Million Fall in External Revenue Due to COVID-19. *The Canberra Times*. Retrieved from <https://www.canberratimes.com.au/story/6806401/csiro-fears-100-million-fall-in-external-revenue-due-to-covid-19/>.

4 David Tune (2013, 19 November). Senate Estimates', Senate Finance and Public Administration Legislation Committee. Retrieved from <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=COMMITTEES;id=committees%2Festimate%2F2ce85ace-6912-412a-972b-8b12df0cf162%2F0002;query=Id%3A%22committees%2Festimate%2F2ce85ace-6912-412a-972b-8b12df0cf162%2F0000%22>

The CPSU notes that the NSW Government has stated there will be no public sector job losses. The Commonwealth should make a similar commitment in the lead-up to the Budget to reassure communities.⁵

The loss of public sector jobs also has a substantial economic impact on communities. Modelling showed that the proposed closure of the Geelong ATO office and the jobs of the 120 people working there, would have cost the local economy \$54 million and led to further local job losses.⁶

The CPSU has significant concerns that the government may even seek to further extend or increase the efficiency dividend to achieve what looks like quick savings. But this actually creates long-term costs to our community, through reduced services and job cuts.

An increased efficiency dividend needs to be ruled out. The CPSU is willing to work with the Government to end the efficiency dividend, starting by ending the planned increase.

The Commonwealth should also commit to eliminating the Average Staffing Level cap to enable agencies to employ enough permanent staff to meet growing community demands and expectations.

Economic action is needed now

There is a risk that the economy will take a turn for the worse with the withdrawal of Government support from September onwards. Australia has already experienced one quarter of deflation.⁷ Combined with fears of a “second wave” outside of Victoria, expectations of lower consumer spending and increasing bankruptcies may dissuade the private sector from investing, making a worsening economy a real possibility.

To avert the risk of a worsening economic downturn, the Commonwealth must use every macroeconomic lever possible to avoid this scenario and provide additional fiscal support. This needs to include:

- Using public sector pay rises as a macroeconomic lever to combat the risk of deflation, the government previously stating that *“the public sector is a large employer – its wage outcomes have a macroeconomic effect”*.⁸
- Extending JobKeeper coverage to excluded public sector workers, casuals, and those on visas.

5 Emma Elsworth (2020, 27 May). NSW Government freezes staff salaries to save \$3 billion amid coronavirus pandemic. *ABC News*. Retrieved at <https://www.abc.net.au/news/2020-05-27/coronavirus-nsw-government-freezes-public-sector-salaries/12291032>.

6 Committee for Geelong (2020, 10 July). \$54M Total Economic Output Lost If ATO Jobs Lost to Geelong - Economic Flow on Effects Spells Disaster for Jobs. Retrieved from <https://committeeforgeelong.com.au/media-release/54m-total-economic-output-lost-if-ato-jobs-lost-to-geelong-economic-flow-on-effects-spells-disaster-for-jobs/>

7 Australian Bureau of Statistics (2020, 29 Jul). Media Release - CPI Fell 1.9 per Cent in the June 2020 Quarter (Media Release). Retrieved from [https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/6401.0Media+Release1June+2020#:~:text=6401.0%20%2D%20Consumer%20Price%20Index%2C%20Australia%2C%20June%202020&text=The%20Consumer%20Price%20Index%20\(CPI,Bureau%20of%20Statistics%20\(ABS\).&text=The%20annual%20inflation%20rate%20was,to%20the%20June%202020%20quarter.](https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/6401.0Media+Release1June+2020#:~:text=6401.0%20%2D%20Consumer%20Price%20Index%2C%20Australia%2C%20June%202020&text=The%20Consumer%20Price%20Index%20(CPI,Bureau%20of%20Statistics%20(ABS).&text=The%20annual%20inflation%20rate%20was,to%20the%20June%202020%20quarter.)

8 Australian Public Service (2014, March). Australian Government Public Sector Workplace Bargaining Policy. Retrieved from <https://www.apsc.gov.au/sites/default/files/280314-bargaining-policy.docx>

- Maintaining higher JobSeeker payment rates (including the supplement) at the current liveable rate of \$550 per week and extended to all unemployed workers and disability support pension recipients given their high marginal propensity to consume.
- Continuing the suspension of all mutual obligations to reduce pressures on JobSeeker recipients, employers and Services Australia as job vacancies are scarce. This would enable them to redirect time and resources to more pressing priorities supporting employers and jobseekers on job creation and skills improvement strategies.
- Extending the suspension of waiting periods for JobSeeker beyond 31 December and continuing to suspend the Liquid Assets Test Waiting Period for new JobSeeker, Youth Allowance and Austudy claims.

These proposals are prudent in the current economic climate that is extremely uncertain. Public debt remains low, borrowing costs are low and the Commonwealth is borrowing in Australian dollars.⁹

Bolstering the Commonwealth's response on jobs

There is now a need for the Commonwealth to turn to creating job and training opportunities in response to the growing jobs crisis.

School leavers, recent university graduates, mature aged workers, and women in outer suburban and regional Australia with caring responsibilities, are four groups requiring particular attention.

Expanded graduate programs

Young people will be hit the hardest by the COVID-19 recession and need tailored responses that provide entry-level jobs. Employment outcomes for young Australians never recovered to pre-Global Financial Crisis levels and it will only worsen without direct Commonwealth action.¹⁰

The APS workforce is ageing. The average age of an APS employee has increased from 40.2 in 2000 to 43.7 in 2019. There are also fewer younger Australians working in the APS.

Young Australians under 25 are 19.6% of the working age population.¹¹ But less than 3.7% of APS employees are under 25. In 2000, 5.2% of APS employees were under 25.

9 Dr Shane Oliver (2020, 15 July). The Fiscal Cliff Is More Likely to Be a Fiscal Slope – and Why Concerns about Australia's Budget Deficit Are Overblown. AMP Capital. Retrieved from <https://www.ampcapital.com/au/en/insights-hub/articles/2020/july/the-fiscal-cliff-is-more-likely-to-be-a-fiscal-slope>

10 Jeff Borland (2020, 15 April). The next Employment Challenge from Coronavirus: How to Help the Young. *The Conversation*. Retrieved at <http://theconversation.com/the-next-employment-challenge-from-coronavirus-how-to-help-the-young-135676>

11 Australian Bureau of Statistics (2020, 18 June). 3101.0 - Australian Demographic Statistics, Dec 2019. Retrieved from <https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/3101.0Dec%202019?OpenDocument>

There are now 601 less Australians under 25 working for the APS than in 2000.¹² As at December 2019, only 380 Australians under 20 and 4,989 between the ages of 20 and 24 were working for the APS.

With a youth unemployment rate of 16.3%, the Commonwealth needs to act to give young people a chance.

An immediate response from Commonwealth should be the expansion of its graduate program. The ACT Government has recently announced a 20% increase in the size of its graduate program, recognising the public sector can play a direct role in job creation.¹³

The Commonwealth has a much greater capacity than the ACT and should double its graduate program, creating 1,426 additional jobs (based on June 2019 data). A quarter of graduate positions are currently located outside the ACT. Any expansion of the program could be used to increase this percentage with a focus on regional Australia and smaller capital cities. APS employment data indicates in all states, other than South Australia, the number of graduate positions in the states remains below previous peaks since 2007. A doubling of the APS graduate program would create an additional:

- 94 jobs in New South Wales
- 126 jobs in Victoria
- 56 jobs in Queensland
- 41 jobs in South Australia
- 23 jobs in Western Australia
- 10 jobs in Tasmania, and
- 4 jobs in the Northern Territory.

More alternative entry-level pathways to public sector employment

An expanded graduate program cannot be the only public sector employment policy response by the Commonwealth. There must be a public sector employment strategy to address youth unemployment for those without existing tertiary qualifications.

Youth unemployment is at 16.3 per cent, more than double the official rate of 7.5 per cent.¹⁴ Even before COVID-19, youth unemployment was at crisis levels with the worst hotspots being regional and outer suburban locations.¹⁵ There are simply not enough jobs.

12 <https://www.apsc.gov.au/table-24-all-employees-age-group-gender-31-december-2000-31-december-2019>

13 Kathryn Brown and Andrew Lewis (2020, 13 August). Graduate Positions and Business Incentives for Generation Hardest Hit by COVID-19. *The Canberra Times*. Retrieved from <https://www.canberratimes.com.au/story/6875057/graduate-positions-and-business-incentives-for-generation-hardest-hit-by-covid-19/>

14 Australian Bureau of Statistics (2020, 13 August). 6202.0 - Labour Force, Australia, Jul 2020. Retrieved from <https://www.abs.gov.au/ausstats/abs@.nsf/7d12b0f6763c78caca257061001cc588/a8e6e58c3550090eca2582ce00152250!OpenDocument>

15 Brotherhood of St Laurence (2019, 4 March). Australia's latest 20 youth unemployment hotspots ranked. Retrieved from <https://www.bsl.org.au/news-events/media-releases/australias-latest-20-youth-unemployment-hotspots-ranked/>

The APS must create a range of entry-level positions and alternative pathways, not just rely on graduate programs. Other governments have realised this, the Victorian Government announced up to 800 jobs in a Youth Employment Program that will provide skills training and work experience in the public service.¹⁶ In contrast, the APS only had 542 trainees in June 2019.

The Commonwealth should match our recommended expansion in the APS graduate program with an additional 1,500 positions in alternative entry-level pathways.

The Victorian Public Service's Youth Cadetship program is one model that the Commonwealth Government could consider adopting.¹⁷ Other existing entry-level avenues such as ICT apprenticeship and cadetship programs that are currently run by the Digital Transformation Agency should also be expanded.¹⁸ A larger intake for traineeship programs, both for Indigenous Australians and also other targeted groups should be a priority. For example, the Clean Energy Regulator's traineeship program includes a specific focus on recent high school graduates, those with a disability, mature age workers seeking to re-enter the workforce, and Indigenous Australians.¹⁹

Providing quality jobs for women in outer suburban and regional Australia

Increasing APS staffing levels will also alleviate the disproportion impact of this recession on women who have been amongst the hardest hit by this recession.²⁰ Women are far more likely to work part-time and many female-dominated industries, like retail and hospitality, have been hit the hardest by the recession.

Creating new, permanent, secure jobs in agencies with wide geographic footprints, and that have opportunities for flexible work conditions, provides an opportunity to address multiple policy objectives. In addition to helping with the growing pressures on our cities, they can provide job opportunities for women in outer suburban and regional Australia. The flexible working arrangements in the APS can provide access to part-time work with good conditions and career opportunities. This helps strengthen local economies and provide secure employment with a career path in regional and outer suburban areas. An agency such as Services Australia, for example, has nearly all (87%) of its geographical footprint outside of Canberra and is ideal for expansion in these areas.

16 Premier of Victoria (2020, 21 July) Jobs Boost for Local Communities and Young People. Retrieved from <http://www.premier.vic.gov.au/jobs-boost-local-communities-and-young-people>. Accessed 19 Aug. 2020.

17 Victorian Government. Youth Cadetship Scheme. Retrieved from <http://jobs.vic.gov.au/about-jobs-victoria/youth-cadetship-scheme>

18 Digital Transformation Agency (2020, May 20). Start Your Digital Career in Government. Retrieved from <https://www.dta.gov.au/help-and-advice/learning-and-development/start-your-digital-career-government>.

19 Clean Energy Regulator (2020, 15 January) APS Trainee Program. Retrieved from <http://www.cleanenergyregulator.gov.au/About/Pages/Work%20for%20us/APS-Trainee-Program.aspx>.

20 Greg Jericho (2020, 17 August). In the Past Recessions Have Mostly Smashed Male-Dominated Industries. But Not This Time. *Guardian Australia*. Retrieved from www.theguardian.com, <https://www.theguardian.com/business/grogonomics/2020/aug/18/past-recessions-have-mostly-smashed-male-dominated-industries-but-not-this-time>.

Laying the foundations for a post-COVID rebuild

These immediate actions can help mitigate the impact of COVID-19 and the associated recession, but any rebuild will require a more expansive role for government than in the past.

The economic challenge facing Australia is not to just repair the damage of the pandemic. Even before COVID-19, Australia's economy was in serious trouble – with stagnant wages, increasing household debt, declining consumer demand and business investment, and record low interest rates.

These were the product of long-term policy problems – including an overemphasis on budget surpluses, failures to deal with growing inequality and climate change, and an economy increasingly characterised by insecure work and low wages.

A return to normal is not an option – 'normal' was not working for Australians.

The challenge is a COVID-19 response that repairs the pandemic damage by addressing the big problems that were already evident in the economy and are affecting our community, such as excessively high levels of insecure work, sluggish wage growth, and increasingly stretched public services.

We cannot return to the false economy of public service cuts and insecure work. If we go down that path we will lose the expertise and capacity we need to meet the demands already on the APS, let alone prepare for the challenges of the future. We do not know what the next crisis will be, but we can be prepared to respond if we build the APS capacity needed.

To be prepared for the next crisis, the APS will need:

- **Greater service delivery capacity** that is not reliant on insecure labour hire or outsourced jobs, and which provides channel of choice in how the community accesses services, as well as flexibility for the government to adjust delivery to meet the needs of a particular circumstance.
- **Strengthening in-house policy capacity** and being less reliant on consultants.
- **Rebuilding in-house ICT capacity** to provide better public services and better tools for public servants and to reduce the reliance on expensive external vendors. COVID-19 has shown the importance of digital capacity for the delivery of and the basic functioning of public services Australians rely on.

Building up APS capacity will require:

- **Scrapping the Average Staffing Level (ASL) cap.**
- **Abolishing the efficiency dividend**, starting by ending the extended efficiency dividend announced in May 2019.
- **Reducing expenditure on consultants and contractors** and reinvesting the savings into APS staff and capacity.
- **Requiring agencies to report on contracts and consultancies** awarded or varied in response to this crisis.

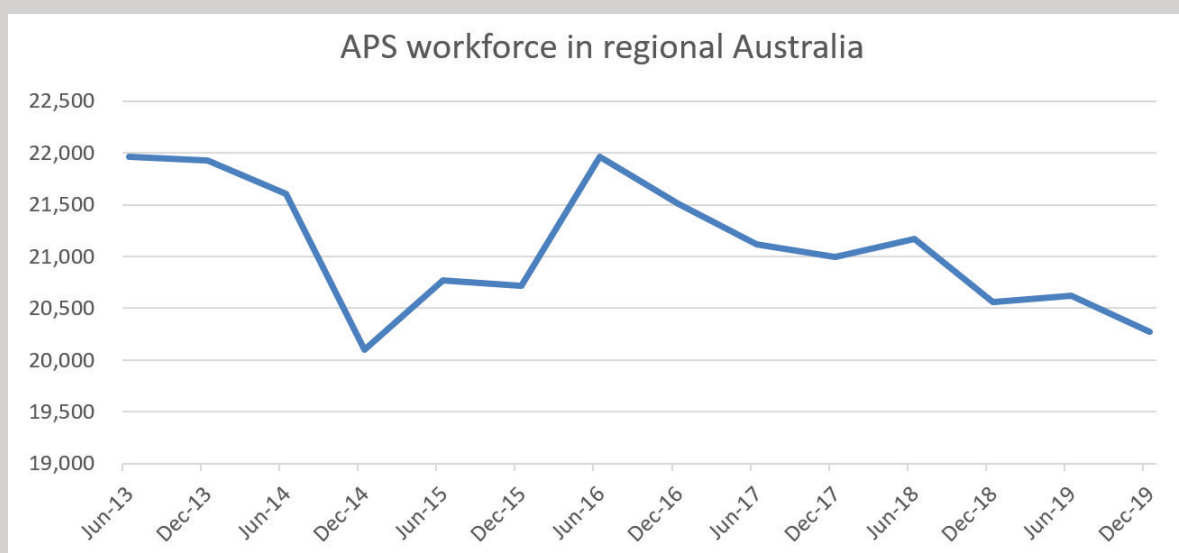
The uncertainty of COVID-19 means many industries do not have the confidence or certainty to invest without government leadership. Only government can drive a job- and wages-led rebuild and must play a central role in this through increased public investment that builds ongoing capacity.

Therefore, the post-COVID rebuild, led by government, must prioritise secure employment. The RBA predicts unemployment will remain above pre-COVID levels until at least 2022 if not beyond.²¹ The impact of the recession could last for up to a decade.²²

A commitment to full employment needs to be the first priority

Increased APS employment must be part of any comprehensive plan for full employment. We do not suggest the APS can provide all the new secure jobs, but government must play a key and foundational role through increased public investment and through increasing the permanent APS workforce.

CHART 1: APS WORKFORCE JUNE 2013 TO DECEMBER 2019²³



Nearly three in five APS jobs are located outside of Canberra. Unfortunately, we have seen a decline in the number and proportion of regional jobs since 2013. This is a chance to reverse that and create jobs in regional Australia while addressing identified gaps in public sector capacity and capability.

21 Reserve Bank of Australia (2020, May). Statement on Monetary Policy. Retrieved from <https://rba.gov.au/publications/smp/2020/may/pdf/statement-on-monetary-policy-2020-05.pdf>

22 Peter Ryan (2020, 16 March). Coronavirus fallout could take Australian economy decade to recover from, KPMG says. ABC. Retrieved from <https://www.abc.net.au/news/2020-03-16/coronavirus-economic-impact-could-take-decade-to-recover-from/12058706>

23 The increase after 2015 was due to an increase in regional Victoria, likely the establishment of the NDIA, headquartered in Geelong.

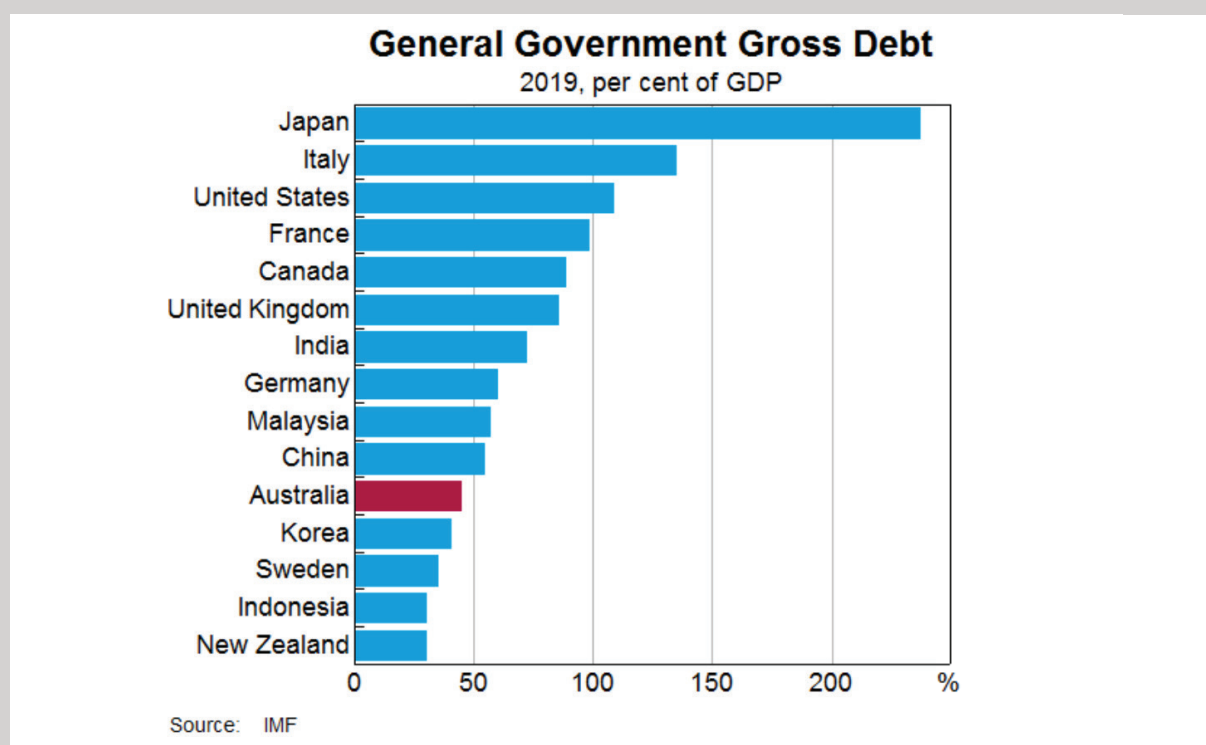
Secure public sector employment can act as an economic anchor in local communities, providing decent, secure work that people can rely on, and having a flow-on impact. Recent research suggests that consumer spending by public servants will create 1.79 direct jobs for every \$1 million spent, more than the 0.97 direct jobs created by spending on construction.²⁴ It will encourage private sector investment by strengthening consumer confidence.

Along with secure work, wages growth will be fundamental to rebuilding the economy. Government should work with unions and employers to establish annual wage growth targets to help get wages growth moving again.

Fiscal policy

An expansionary fiscal policy is a sensible approach to reduce the severity of the economic downturn and provide the platform for growth. Australian governments have the fiscal room to move with good public balance sheets and record low borrowing costs.

CHART 2: GENERAL GOVERNMENT GROSS DEBT²⁵

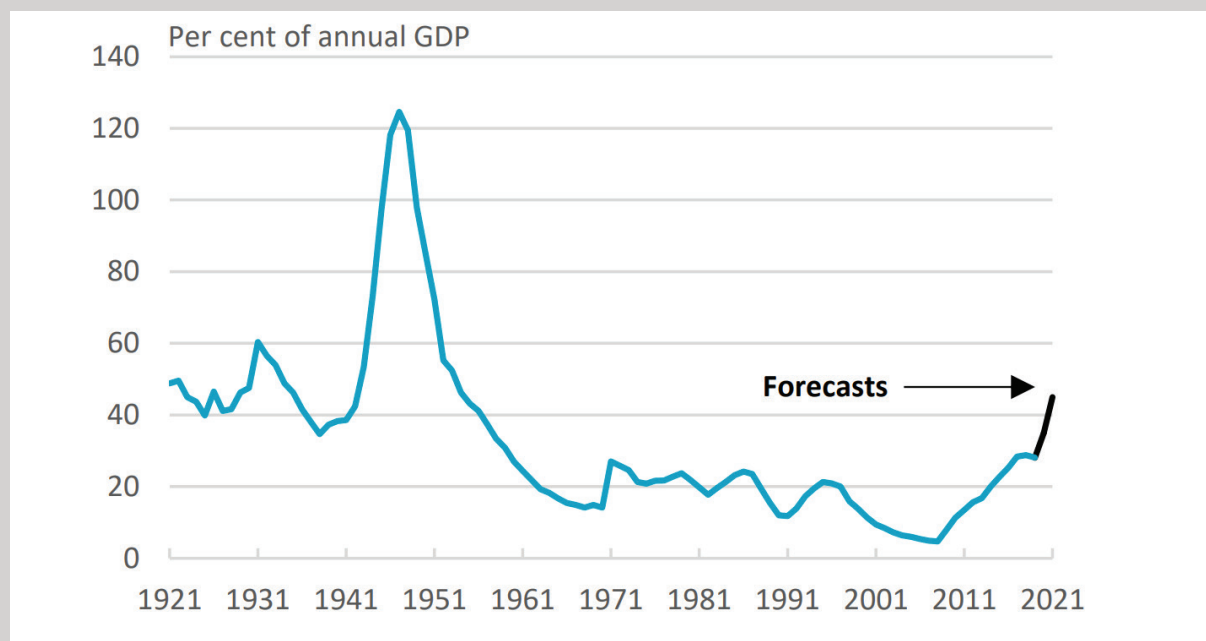


24 Richard Dennis (2020, 1 June). NSW Public Sector Pay Cut to Cost 1,100 Jobs and Harm Regional Economies. The Australia Institute. Retrieved from <https://www.tai.org.au/content/nsw-public-sector-pay-cut-cost-1100-jobs-and-harm-regional-economies>.

25 Phillip Lowe (2020, 21 July). COVID-19, the Labour Market and Public Sector Balance Sheets. Reserve Bank of Australia. Retrieved from <https://www.rba.gov.au/speeches/2020/sp-gov-2020-07-21.html>

The Reserve Bank Governor has stated that “the deeper and more protracted a downturn, the more severe are the economic scars”. He argued that government should use fiscal policy to “limit the severity of these costly scars” that damage our society and economy and that doing so is “entirely manageable and affordable and it’s the right thing to do in the national interest.”²⁶

CHART 3: GROSS FEDERAL GOVERNMENT DEBT AS A % OF GDP²⁷



Public employment services

A focus on jobs demands an overhaul of the current privatised model of employment service delivery. Our current public employment services systems were designed for a labour market where full-time employment for a mainly male work force was the norm. This is a model that no longer applies and needs to change.

To date, Australia is the only OECD country that has outsourced the entire delivery of its publicly funded employment services.²⁸ A more direct role for the Commonwealth in delivering public employment services, combined with greater labour market facilitation through shaping demand and providing industry support, is needed to help people get secure work. The current model had already been the subject of many reviews and was recognised as not fit for purpose by the recent Employment Services 2020 report.²⁹ The labour market circumstances we now face will require a comprehensive overhaul of this

26 Phillip Lowe (2020, 21 July). COVID-19, the Labour Market and Public Sector Balance Sheets. Reserve Bank of Australia. Retrieved from <https://www.rba.gov.au/speeches/2020/sp-gov-2020-07-21.html>

27 The Association of Superannuation Funds of Australia (2020, July). ASFA Economic Snapshot: week ending 24 July. Retrieved from https://www.superannuation.asn.au/ArticleDocuments/1469/200724-ASFA_Economic_Snapshot.pdf.aspx

28 Dr Matthew Thomas (2019, July). Reforming employment services. Parliamentary Library. Retrieved from https://www.apf.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook46p/EmploymentServices

29 Department of Jobs and Small Business (2018 December). I want to work, Employment Services 2020 Report. Retrieved from <https://docs.employment.gov.au/documents/i-want-to-work>

sector, with a greater role for the Commonwealth in direct service delivery, working in collaboration with a revised community sector model.

ICT matters

COVID-19 has shown the importance of digital capacity for the delivery of and the basic functioning of public services Australians rely on. Prior to the COVID-19 pandemic, the inadequacy of ICT infrastructure was highlighted by the APS Review finding the APS lags behind the private sector when it comes to ICT investment, spending 12 per cent more on running old systems than the private sector.³⁰ The Review estimated that investment of at least \$1 billion a year would be needed to address this.³¹

There are no shortcuts to building in-house capacity, but it is necessary for effective government. To build internal ICT expertise, there needs to be an express and specific goal to reduce the reliance on contractors and external vendors by the APS. There is also the opportunity to combine it with a broader employment strategy.

Building the public sector ICT capacity we will need into the future is a nation-building infrastructure project that will provide an opportunity to develop a highly skilled APS ICT workforce spread across the country, including in regional Australia. Considerable work has already occurred in analysing what the future digital and ICT needs of the APS are. The work on progressing that needs to start now, but with the focus shifted to in-house capacity.

Conclusion

By prioritising a jobs and wages-led rebuild, we can choose to rebuild a better, fairer, and more resilient country post-COVID that is forward looking, supportive, and community and people-centred. That means an Australia that is centred about the needs of communities where no one is left behind, and everyone has the chance to flourish. Where business gets access to the support, services and infrastructure it needs to succeed. An Australia where people do not have to worry about whether they can pay the bills if they get sick or whether their children will need to move away for job opportunities.

The Commonwealth Government can take a direct leadership role in this through ensuring a stronger and properly resourced public sector is there to facilitate and underpin the work of rebuilding across all sectors of our community.

30 Department of Prime Minister and Cabinet (2019, 13 December). *'Our Public Service, Our Future. Independent Review of the Australian Public Service.'* Commonwealth of Australia. Retrieved from <https://pmc.gov.au/resource-centre/government/independent-review-australian-public-service>.

31 Department of Prime Minister and Cabinet (2019, 13 December). *'Our Public Service, Our Future. Independent Review of the Australian Public Service.'* Commonwealth of Australia. Retrieved from <https://pmc.gov.au/resource-centre/government/independent-review-australian-public-service>