



2022-23 Pre-Budget Submission

Community and Public Sector Union (PSU Group)
December 2021

Recommendations

- Expand on the 2021-22 budget decision to abolish the service-wide ASL cap to now fully abolish the ASL cap at portfolio and agency levels, to allow agencies and departments to manage staffing levels within the funding they have been provided.
- Ensure direct permanent employment is the principal mode of employment, and where non-ongoing or casual work is genuinely required, then those employees should also be employed under the Public Service Act.
- Identify where work has been contracted out to labour hire companies and convert roles to ongoing APS employment, reinvesting savings into the APS.
- Mandate the collection and publication of standardised data on contractors, consultants and labour hire across the APS including numbers of external employees engaged, expenditure, pay and conditions, margins and cost differential.
- Cap expenditure on consultants with savings reinvested to rebuild APS capability.
- Mandate an enforceable provision requiring skill transfer back to Australian Public Service employees for all consultancy contracts.
- Revise the Public Sector Workplace Relations Policy 2020 to allow genuine bargaining across the APS, in good faith, without restrictions by removing the private sector Wage Price Index wage cap, the “no enhancements” rules and implementing real consultation rights.
- Substantially increase APS employment overall to relieve workload pressures on existing staff with a focus on frontline staff and entry-level opportunities, and to increase APS policy and operational management capacity.
- Create more public sector employment opportunities in regional Australia by creating regional job hubs.

Introduction

As Australia emerges after a year of extended lockdowns across much of the country, we face a range of challenges including ongoing global uncertainty about COVID-19, insecure work, pressures on supply chains, geopolitical tensions and climate change.

These complex challenges mean we need an Australian Public Service (APS) with the capability and capacity to support a secure future for Australians, and this Budget needs to ensure this. Australians expect no less.

In this Budget the Federal Government must act to reduce the use of labour hire and consultants, increase overall APS staffing numbers, and improve the ability of the APS to offer competitive wages and conditions.

The continued reliance on labour hire and consultants to do ongoing work is preventing the APS from reaching its full potential. We are missing the opportunity to build the capacity and capability to shape our future on our terms.

In the 2021-22 Federal Budget the Government acknowledged the inefficiency and additional cost of contracting labour hire providers to meet APS staffing needs.

However, despite the 2020 decision to abolish the service wide Average Staffing Level (ASL) cap, agencies continue to use labour hire even though they know it costs more than directly employing staff and hollows out the capability of the APS.

There has also been an explosion in the use of consultancies to do work that should be done by APS employees. This erodes agency capability and creates an expensive dependency on external providers.

In this Budget the Government must move to end the use of labour hire and reinvest savings to build the permanently employed, experienced workforce needed to meet the challenges our country faces.

The APS also faces the challenge of increased competition for the skills and workforce needed to deliver the best outcomes for all Australians from both the private sector and state public sector. Wages caps and restrictions on conditions means the APS will fall behind.

By prioritising a secure, experienced workforce and attracting and retaining the best and brightest through competitive wages and conditions, we can guarantee the strong and resilient APS that is needed to respond to these challenges and provide the certainty and support that facilitates a vibrant private sector and ensure every Australian can flourish.

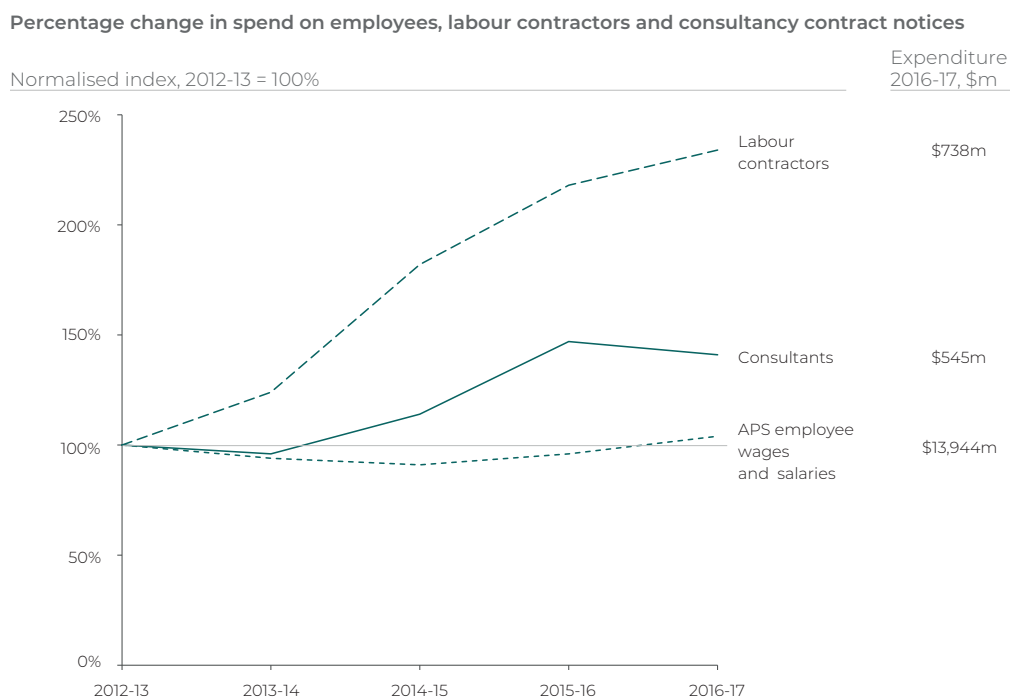
Labour hire

In the 2015-16 Budget, the Coalition Government introduced a policy known as the Average Staffing Level (ASL) cap, which set a limit on the number of people who can be employed by government agencies, regardless of the actual funding level of the agency. While agencies may have the funding, including new program funding, to hire additional APS staff, the cap will not allow them to. This forces agencies to hire contractors and use labour hire to do work that would normally be performed by permanent APS employees

The practical effect of the ASL cap has been to force agencies to use labour hire to do work that would normally be performed by APS employees. In the six years since 2015, the ASL cap policy has driven the widespread and growing use of labour hire to replace public servants, a fact confirmed by the Department of Finance.¹

Data provided to the Independent Review of the Australian Public Service (APS Review) confirmed this significant increase in outsourcing, showing labour contractor and consultancy spending has increased dramatically, while spending on APS wages and salaries has remained largely flat.²

Chart: Percentage change in spend on employees, labour contractors and consultancy contract notices³



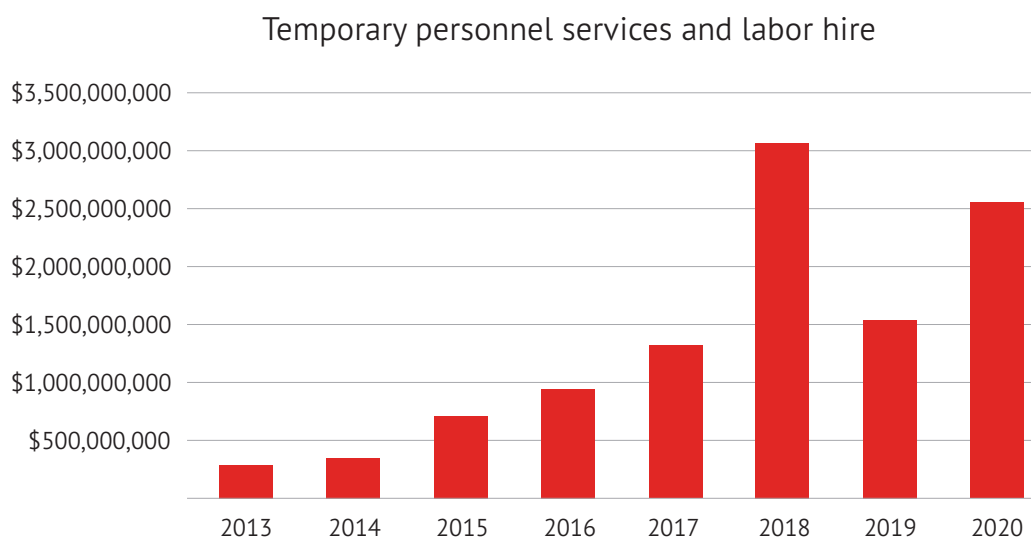
1 Matt Yannopoulos, Deputy Secretary, Budget and Financial Reporting, Department of Finance (2021, 27 August). Proof Committee Hansard, p. 9.

2 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>

3 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>

The sheer amount spent on labour hire is staggering. Analysis of Austender data indicates \$11.5 billion has been spent on over 44,700 ‘temporary personnel contracts’ since 2013, increasing from \$293.2 million in 2013 to \$2.5 billion in 2020 alone, an 852% increase. These figures do not include the National Disability Insurance Agency which is not included in Austender data, and which continues to have a high percentage of its workforce on labour hire contracts.

Chart: Austender Expenditure on Temporary Personnel Services (2013-2020)⁴



There is no service-wide reporting on the number of labour hire workers in the APS or expenditure, with both the APSC and Department of Finance saying it is not their responsibility.⁵

The last Government analysis of non-APS workers doing core work was done by the Australian National Audit Office (ANAO) in 2007. This revealed that non-APS workers, including contractors but excluding consultants, represented more than 11% of the total APS workforce and at the time this was already seen to carry some risks for the APS.⁶

Current estimates are that, an average of one in five staff, excluding consultants, are non-APS.⁷ Based on available information, the CPSU estimates that of this non-APS workforce, at least 20,000 are engaged as labour hire workers across the APS, or 11.5% of the total workforce (not including consultants, other contractors and outsourced providers). At least 2,900 of those are engaged by Hays, more than the total size of the Departments of Finance, and Prime Minister and Cabinet combined.⁸

⁴ ‘Temporary personnel contract’ contract notice data from 2013 to 2020 calendar years exported from Austender

⁵ Patrick Hetherington, Acting Deputy Australian Public Service Commissioner, APSC, (2021, 27 August). Proof Committee Hansard, p. 2; Matt Yannopoulos, Deputy Secretary, Budget and Financial Reporting, Department of Finance (2021, 27 August). Proof Committee Hansard, p. 2.

⁶ The Auditor-General Audit Report No.49 2006–07 Performance Audit – Non-APS Workers. June 2007. <https://www.anao.gov.au/work/performance-audit/non-aps-workers>

⁷ Sarah Basford Canales (2021, 19 January). Government departments average one in five contract workers amid concerns of ‘stealthy privatisation’. Canberra Times. Retrieved from <https://www.canberratimes.com.au/story/7087674/stealthy-privatisation-of-public-sector-causes-concern/>

⁸ Senate of Australia (2021, October). Second Interim Report: insecurity in publicly funded jobs. Select Committee on Job Security. Retrieved from https://www.apf.gov.au/Parliamentary_Business/Committees/Senate/Job_Security/JobSecurity/Second_Interim_Report/section?id=committees%2freportsen%2f024764%2f77512

This extensive use of labour hire occurs despite it costing more. The lack of value for money has been confirmed by agencies themselves. As early as 2017, the Office of the Commonwealth Director of Public Prosecutions (CDPP) told the Senate that it cost 25% to 28% more to engage people through labour hire than to directly employ them, while the labour hire employees are paid 3% less.⁹ After the 2020 Federal Budget, Finance Minister Simon Birmingham acknowledged that it was more efficient and effective to use APS staff for ongoing work.

Agency responses to 2020-21 Budget Senate Estimates Questions on Notice showed significant mark ups are built into the cost of labour hire based on the maximum and minimum fees paid to labour hire firms. What is unclear from these responses is if this includes the GST paid on these contracts, which may mean the information provided is understated.

Agency	Contracts with labour hire firms in 2019-20	Mark-up
Aged Care Quality and Safety Commission (ACQSC) ¹⁰		On average a margin of 13% is paid to a labour hire company for the provision of labour services. The total cost of a labour hire worker entails an average mark up of 26% above the total cost of an APS employee.
Australian Building and Construction Commission ¹¹	\$159,241.48	12%.
Tertiary Education Quality and Standards Agency (TEQSA) ¹²	\$2,837,187.04	Between 12% and 16%.
Department of Veterans' Affairs (DVA) ¹³	The DVA does not maintain centralised records on these matters in a form that could be easily reported,	The DVA preferred providers negotiated fee (called a 'margin') for non-professionals is 12%.
Australian War Memorial (AWM) ¹⁴	\$4,895,983	As a percentage mark-up on the cost of the contractor, the maximum and minimum fees paid to labour hire firms in 2019-20: 8% to 14.5%
Future Fund Management Agency ¹⁵		Minimum 2%, maximum 25%.
Australian Competition & Consumer Commission (ACCC) ¹⁶	\$6,374,705	Mark-up on costs vary considerably between Panels, and from supplier to supplier, generally in a range between 10, and 40%.

9 Senate of Australia. (2017, 18 August). Senate Estimates. Legal and Constitutional Affairs Legislation Committee. Retrieved from https://www.aph.gov.au/Parliamentary_Business/Hansard/Hansard_Display?bid=committees/estimate/3ee2a9e9-d718-457a-bb19-af1a1fcea8f0/&sid=0000

10 Senate Standing Committee on Community Affairs, Answers to questions on notice from the Health portfolio, Question SQ20-000717, Budget Estimates 2020 - 2021 – 27 October 2020

11 Senate Standing Committee on Standing Committees on Legal and Constitutional Affairs, Answers to questions on notice from the Attorney General's portfolio, Question LCC-BE20-121, Budget Estimates 2020 - 2021 – 28 October 2020

12 Senate Standing Committee on Standing Committees on Education and Employment, Answers to questions on notice from the Social Services portfolio, Question 124, Budget Estimates 2020 - 2021 – 28 October 2020

13 Senate Standing Committee on Foreign Affairs, Defence and Trade, Answers to questions on notice from the Social Services portfolio, Question 24, Budget Estimates 2020 - 2021 – 26 October 2020

14 Standing Committee on Foreign Affairs, Defence and Trade, Budget Estimates 2020–21, Question on Notice, Question 109 – 26 October 2020.

15 Senate Finance and Public Administration Legislation Committee, Budget Estimates 2020–21, Question on Notice, Question F017 - 21-22 October 2020

16 Question on notice no. 226 Portfolio question number: BET226 Budget estimates Economics Committee, Treasury Portfolio

Senate Estimates questions were put to agencies about whether they had done a cost comparison between directly engaged APS employees and the use of labour hire. Most agencies stated they had not done so.

Despite the premium paid to labour hire firms, the recent Senate inquiry into APS Capability also found that agencies have no visibility of the remuneration arrangements for people doing labour hire work, with reports labour hire staff are often paid less with worse conditions.¹⁷

This extensive use of labour hire has also encouraged a loss of corporate knowledge and skills, both of which affect the capability of agencies and their ability to deliver for the public. The extent of labour hire, and the resultant creation of a two-tiered workforce, means many people struggle to see a long-term career in the APS for themselves.

Contrary to Government claims that labour hire is used for short term work, there is widespread evidence across the APS of long term labour hire use for roles that are clearly on-going work. For example, the ATO confirmed that it had over 300 staff engaged through labour hire for more than 3 years. Of those, 110 had been labour hire for more than 5 years and 31 had been labour hire for more than 9 years.¹⁸ It is also the case that the Public Service Act provides a range of employment options including non-ongoing, fixed term and casual work – and those forms should be used where there is a genuine need for short term or temporary work instead of paying fees to labour hire companies year after year.

Rebuilding APS capability and capacity requires the full abolition of the ASL cap, not just at the service wide level, and the conversion of labour hire to ongoing APS jobs. This will create savings that can be reinvested into the APS and needs to be supported by limits on rolling fixed term labour hire contracts and mechanisms to ensure that the same job has the same pay and conditions.

This requires the mandated collection and publication of standardised data on contractors, consultants and labour hire across the APS, including numbers of external employees engaged, expenditure, pay and conditions, margins and cost differential. Without the pressure of transparency and accountability, the erosion of APS capability through outsourced, insecure work will continue.

A more permanent APS workforce with secure jobs creates the foundation for a more skilled workforce, retaining experience and knowledge the APS needs to deliver better outcomes and more effective services for all Australians.

Recommendations:

- Expand on the 2021-22 Budget decision to abolish the service wide ASL cap to now fully abolish the ASL cap at portfolio and agency levels, to allow agencies and departments to manage staffing levels within the funding they have been provided.

17 Senate of Australia (2021, November). APS Inc: undermining public sector capability and performance. Senate Standing Committees on Finance and Public Administration. Retrieved from https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Finance_and_Public_Administration/CurrentAPSCapabilities/Report

18 Select Committee on Job Security. Australian Tax Office (ATO) - Answers to questions taken on notice, public hearing, Canberra, 27 August 2021 (received 6 October 2021)

- Ensure direct permanent employment is the principal mode of employment, and where non-ongoing or casual work is genuinely required then those employees should also be employed under the Public Service Act.
- Identify where work has been contracted out to labour hire companies and convert roles to ongoing APS employment, reinvesting savings into the APS.
- Mandate the collection and publication of standardised data on contractors, consultants and labour hire across the APS including numbers of external employees engaged, expenditure, pay and conditions, margins and cost differential.

Consultants

Along with labour hire, the ASL cap has encouraged an explosion in the use of consultancies. There has been increasing reliance on consultants to do key public sector work that should be done by APS employees, eroding agency capability and creating an expensive dependency.

Spending on consultants has dramatically increased since the election of the Coalition Government in 2013. Analysis of AusTender data by the ANAO has shown a significant growth in the use of consultants since 2013 with consultancy contracts reported in 2018–19 totalling \$647 million, up from \$365.9 million in 2013–14.¹⁹ This growth has coincided with staff cuts that began in 2013 and the imposition of the ASL cap in the 2015–16 Budget. The CPSU's own calculations are that between 1 July 2014²⁰ and 30 June 2020, \$4.6 billion was spent on 21,507 contracts flagged as consultancies by Australian Public Service agencies.²¹

Based on ANAO reports and evidence provided to the Joint Committee of Public Accounts and Audit (JCPAA), there are likely to be more contracts that are consultancies that were not correctly flagged with AusTender. An ANAO analysis suggests huge increases in recent financial years, with over \$1 billion per year spent on consultancies in 2017–18 and 2018–19. There are reports that spending will exceed \$1.2 billion in the 2019–20 financial year, with spending now averaging more than \$2 million a day since the 2019–20 financial year began.²²

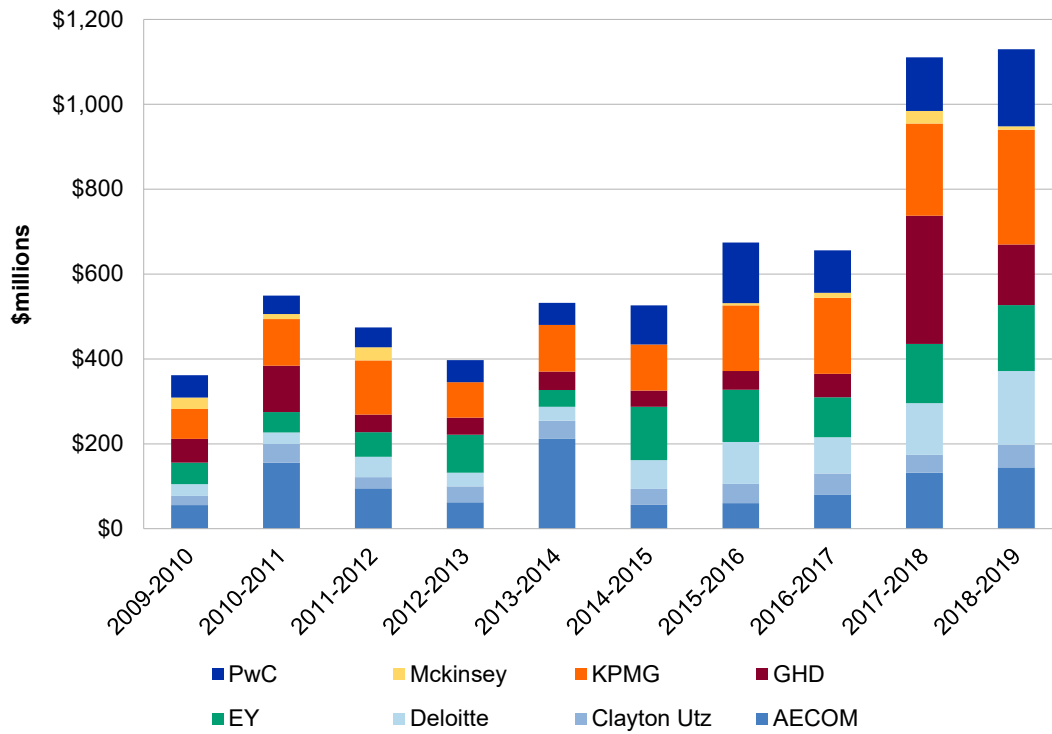
19 Australian National Audit Office (2020, 11 March). Australian Government Procurement Contract Reporting Update. Retrieved from <https://www.anao.gov.au/work/information/australian-government-procurement-contract-reporting-update-2019>

20 Australian National Audit Office (2020, 11 March). Australian Government Procurement Contract Reporting Update. Retrieved from <https://www.anao.gov.au/work/information/australian-government-procurement-contract-reporting-update-2019>

21 These calculations based on Austender contract notices categorized as with the consultancy flag published between 1 June 2014 and 30 June 2020.

22 Joseph Brookes (2021, 21 November). 'Utterly unacceptable': \$1b annual spend on consultants undermining APS. InnovationAus. Retrieved from <https://www.innovationaus.com/utterly-unacceptable-1-billion-annual-spend-on-consultants-undermining-aps>

Chart: Contracts value by significant consultancy services providers: 2009-10 to 2018-2019 irrespective of consultancies classification²³

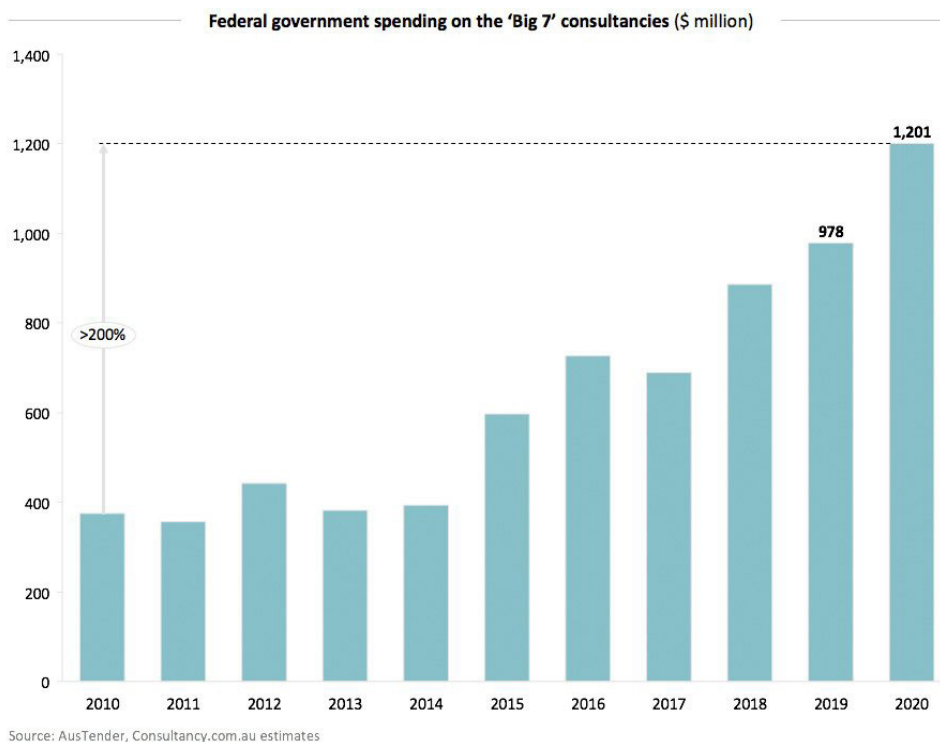


Source: ANAO analysis of AusTender data.

²³ Australian National Audit Office (2020, 11 March). Australian Government Procurement Contract Reporting Update. Retrieved from <https://www.anao.gov.au/work/information/australian-government-procurement-contract-reporting-update-2019>

In 2020, the largest 7 consulting firms received over \$1 billion in Commonwealth contracts. This is a more than 200% increase since 2013.²⁴

Chart: Federal government spending on the 'Big 7' consultancies (\$ million)²⁵



Prior to COVID-19, the consultancy industry itself had grown at almost three times Australia's economic growth rate, in part because of consultancy contracts with the public sector.²⁶ Deloitte revealed it made \$116m from government contracts in 2018, up from \$41 million in 2013 or 179%.²⁷

An estimated 18% of the consulting market consisted of public sector expenditure²⁸ and the big four all enjoyed expansion of over 20% between 2016 and 2018.²⁹ This is of little surprise as an analysis of Ernst and Young's revenues also showed margins are almost 50% for consulting work.³⁰

24 Consultancy.com.au (2021, 30 March). Federal government spend on big 7 consulting firms tops \$1 billion. Retrieved from <https://www.consultancy.com.au/news/3213/federal-government-spend-on-big7-consulting-firms-tops-1-billion>

25 Consultancy.com.au (2021, 30 March). Federal government spend on big 7 consulting firms tops \$1 billion. Retrieved from <https://www.consultancy.com.au/news/3213/federal-government-spend-on-big7-consulting-firms-tops-1-billion>

26 Consultancy.com.au (2019, 8 August). Australia's management consulting industry books record growth. Retrieved from <https://www.consultancy.com.au/news/986/australias-management-consulting-industry-books-record-growth>

27 Sally Whyte (2018, 27 September). Deloitte's government business growths by 179 in five years. Sydney Morning Herald. Retrieved from <https://www.smh.com.au/politics/federal/deloitte-s-government-business-grows-by-179-per-cent-in-five-years-20180927-p506i8.html>

28 Consultancy.com.au (2019, 8 August). Australia's management consulting industry books record growth. Retrieved from <https://www.consultancy.com.au/news/10/australian-government-underestimated-consulting-spend-by-billions>

29 Consultancy.com.au (2019, 8 August). Australia's management consulting industry books record growth. Retrieved from <https://www.consultancy.com.au/news/986/australias-management-consulting-industry-books-record-growth>

30 Consultancy.com.au (2019, 12 February). Big Four accounting and consulting firms booming in Australia. Retrieved from <https://www.consultancy.com.au/news/737/big-four-accounting-and-consulting-firms-booming-in-australia>

The significant growth in public sector spending on consultants has been confirmed by the big four themselves. Evidence was provided to the Joint Committee of Public Accounts and Audit (JCPAA) inquiry into Australian Government Contract Reporting about staffing growth in the big four's Canberra offices between 2013 and 2018:

- Deloitte had 305 FTE working on projects for the Commonwealth and its Canberra office also increased staffing from 66 FTE in 2009 to 262 FTE in 2018 or 297%.³¹
- Ernst and Young had 349 staff working on Commonwealth projects and between July 2011 and July 2018, their Canberra office more than doubled from 125 to 310 staff.³²
- KPMG revealed it had approximately 500 staff in Canberra.³³
- PwC informed the Joint Committee of Public Accounts and Audit (JCPAA) that its Canberra office grew from 232 to 341 or 47% between 2013 and 2018.³⁴

A critical issue with the growth of consultants is the failure to transfer skills and knowledge to the APS. An analysis by the ANAO showed that among all contracts awarded under the consultancy category, the 'need for specialised or professional skills' has consistently been the most common reason reported each year with a significant increase since 2013-14.³⁵ The analysis shows a steady growth in spending on consultancy, in line with the imposition of the ASL cap. The amount is likely to be even higher given issues with the accuracy of the 'consultancy flag' in AusTender.³⁶ This suggests there have been no or limited skills transfer requirements on consultants to build up internal capability.

31 Sally Whyte (2018, 27 September). Deloitte's government business grows by 179 per cent in five years. Sydney Morning Herald. Retrieved from <https://www.smh.com.au/politics/federal/deloitte-s-government-business-grows-by-179-per-cent-in-five-years-20180927-p506i8.html>

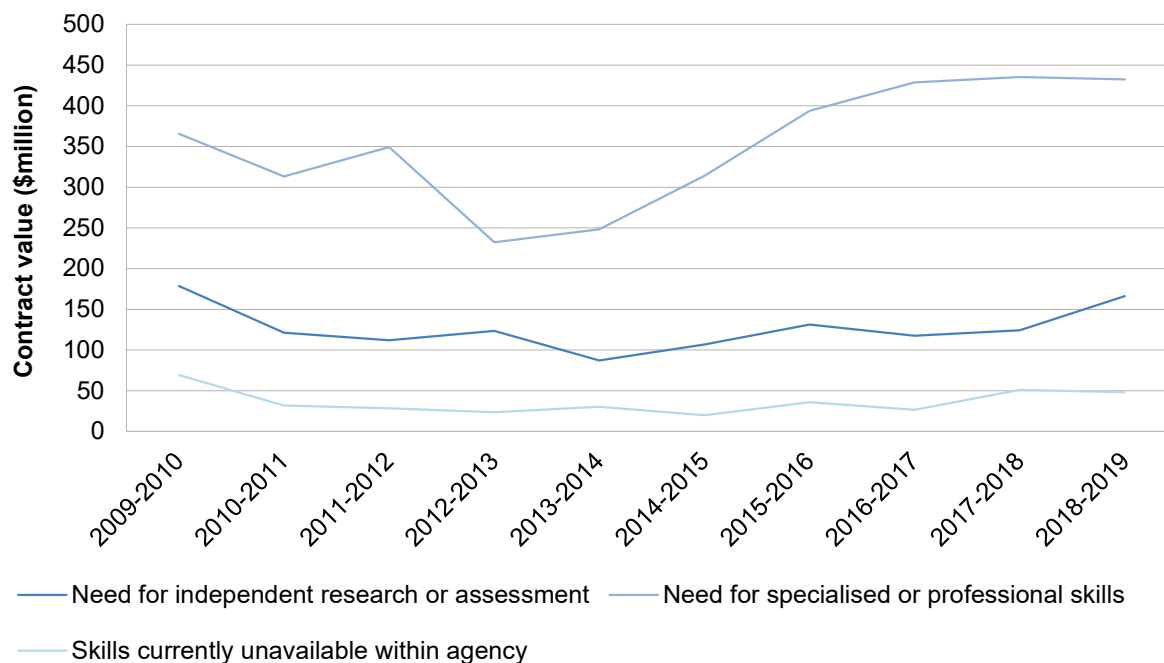
32 Ernst and Young (2018). EY responses to questions on notice from the Inquiry into Australian Government Contract Reporting.

33 KPMG (2018). Inquiry into Australian Government Procurement Contract Reporting, KPMG responses to Questions on Notice arising from public hearing on 17 August 2018.

34 PricewaterhouseCoopers (2018). Additional information: Australian Government contract Reporting - Inquiry based on Auditor-General's report No.19 (2017-18).

35 Australian National Audit Office (2020, 11 March). Australian Government Procurement Contract Reporting Update. Retrieved from <https://www.anao.gov.au/work/information/australian-government-procurement-contract-reporting-update-2019>

36 Australian National Audit Office (2017, 6 December). Australian Government Procurement Contract Reporting. Retrieved from <https://www.anao.gov.au/work/information/australian-government-procurement-contract-reporting>

Chart: Total contract value by consultancy reasons and financial publish year³⁷

Source: ANAO analysis of AusTender data.

In-house APS capacity needs to be rebuilt, with less reliance on consultants, to protect the public interest. Accountability, transparency and evaluative measurements concerning the use of consultancy services must be addressed. With better data, the APS can identify whether consultants are genuinely needed to amend guidelines to cap spending, and where they are required, mandate plans to transfer skills to build internal capability and bring work back in-house.

While there can be a role for specialist skills from outside the APS, core work should be done by APS employees, not consultants. Expenditure on consultants needs to be capped to drive change and any savings should be reinvesting to build APS capability.

Recommendation:

- Cap expenditure on consultants with savings reinvested to rebuild APS capability.
- Mandate an enforceable provision requiring skill transfer back to Australian Public Service employees for all consultancy contracts.

³⁷ Australian National Audit Office (2020, 11 March). Australian Government Procurement Contract Reporting Update. Retrieved from <https://www.anao.gov.au/work/information/australian-government-procurement-contract-reporting-update-2019>

Bargaining policy

The APS is a knowledge-based organisation whose most valuable assets is its staff. There is an increasing risk that it will lose these assets given the tightening labour market. The 2021 APS Census results indicated a third (32%) of APS employees plan to leave their position as soon as possible or within the next twelve months.³⁸ Strategies to attract and retain APS staff need to be prioritised.

The Commonwealth's bargaining policy is preventing APS agencies from offering employment conditions necessary to recruit, retain and reward staff. The current bargaining policy restricts pay increases and rules out any enhancements to existing conditions.

The bargaining policy is making it harder to attract and retain the best and brightest. Increasing competition for skilled employees is driving up private sector wages, the public sector unable to keep up. The September 2021 quarter Wage Price Index showed:

- Nationally, private sector wages are growing at 2.4% compared to 1.7% for the public sector.
- In the ACT, private sector wage growth is at 2.4% compared to 2.0% for the public sector.
- The professional, scientific and technical industry is experiencing wage increases of 3.4%.³⁹

Companies in the professional, scientific and technical industry are direct competitors to the APS, seeking to attract the same skilled staff the APS needs for workforce planning and to address skills shortages. Documents tabled for the Senate inquiry into APS capability also show that data, digital and ICT are the most common skill shortages within agencies. The job functions projected to grow the most are intelligence and policy analysts and knowledge managers, data managers and data analysts over the period to May 2023.⁴⁰

There are reports the APS is struggling to fill vacancies as they are competing with consultancies.⁴¹ The ability of the APS to compete with the private sector on pay was already difficult, exacerbated by the cumulative effect of:

- Effective wage freezes (resulting from a protracted APS bargaining round from 2014-2017);
- The 6-month wage deferral decision of government in April 2020; and

38 Australian Public Service Commission (2021). APS Census 2021 Highlights Report: APS Overall. Retrieved from <https://www.apsc.gov.au/initiatives-and-programs/workforce-information/aps-employee-census-2021/2021-aps-employee-census-overall-results>

39 Australian Bureau of Statistics (2021, 17 November). Wage Price Index, Australia, September 2021. Retrieved from <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/wage-price-index-australia/latest-release#overview>

40 Australian Public Service Commission (2021). Strategic APS labour force insights. Retrieved from <https://www.aph.gov.au/DocumentStore.ashx?id=ab0892da-bcbc-43b4-8e70-10c86d47ad4d>

41 Chris Johnson (2021, 12 October). APS recruitment drive turning into scramble to fill vacancies. The Mandarin. Retrieved from <https://www.themandarin.com.au/171693-aps-recruitment-drive-turning-into-scramble-to-fill-vacancies/>

- Successive wage restraint policies in the APS, including the 2% wage cap and the current cap of the annual seasonally adjusted Wage Price Index for the Private sector, which requires agencies to offer unknown wage increases over the life of enterprise agreements or Public Service Act determinations.

These decisions on wages undermined strategies to attract and retain the staff and skills that the APS needs. According to the recent 2020-21 State of the Service report, 71% of agencies reported skill or capability gaps within their agency.⁴² Any attempt at further wage suppression will only make it more difficult for the APS to get the staff that it needs to deliver for Australians.

The Commonwealth's bargaining policy also creates issues for workplace conditions and prevents the APS from being able to innovate and change to reflect broader community and workplaces changes.

Innovative workplace conditions that offered flexibility and gender equality were once the natural advantage of the public sector.

These flexible working conditions were achieved through enterprise bargaining when agencies and their Ministers had the autonomy to negotiate for arrangements that suited that organisation without veto by the Australian Public Service Commission (APSC). This allowed the APS to compete with the private sector on non-monetary benefits on conditions that have included:

1. Flex time and EL Time Off In Lieu;
2. Maternity and primary carer's leave of 14 weeks and above;
3. Supporting partner leave;
4. A minimum of 15.4% superannuation guaranteed for all funds, including when employees exercise choice;
5. Strong consultation provisions and workplace representation; and
6. A range of agency-specific initiatives.

Now, the "no enhancements" rule in the current bargaining policy effectively freezes enterprise agreement conditions at a point in time, preventing agencies from continuing to adapt and improve on the non-monetary package available to APS employees. This creates three problems.

Firstly, the APS no longer has its natural advantage against the private sector as it cannot improve the overall employment package through enterprise bargaining.

Secondly, COVID-19 has changed expectations around flexible work conditions and the ability to work from home. and the no-enhancements rule prevents agencies from meeting these expectations.⁴³

42 Australian Public Service Commission (2021, November). 2020-21 State of the Service Report

43 Hannah Wootton (2021, 7 November). Workers will return to office but want flexible hours: PwC. Australian Financial Review. Retrieved from <https://www.afr.com/work-and-careers/workplace/workers-will-return-to-office-but-want-flexible-hours-in-exchange-pwc-20211105-p596hs>

Over the last two years, the proportion of employees working from home increased from 8 per cent to 40 per cent and about 40 per cent of workers who currently work from home would seek another job if their current employer required a full return to the office.⁴⁴ Flexible conditions are increasingly recognised as a key issue for attraction and retention. Competition means that some corporate employers, for example, are now offering at least 20 weeks of paid parental leave with no distinction between primary and secondary carers.⁴⁵ Others are now allowing staff to negotiate with their managers to work fully remotely.⁴⁶

And thirdly, with the private sector increasingly taking the lead on innovative working conditions there is a risk that the APS falls behind and becomes a less attractive employer.

Not only is the APS competing with the private sector, in the ACT, it is also competing with both the ACT Public Service and NSW Public Service. A NSW Public Service working hub has been established in Queanbeyan with roles being advertised from any location.⁴⁷ The CPSU has received reports the hub has been used to attract staff from the APS, including at more senior levels. The NSW Public Service is able to compete against the APS with better conditions such as flextime for EL1 equivalents and leave loading.

Unless the bargaining policy constraints that limit improvements in wages and conditions are removed, the inability to offer competitive salary and conditions that match market conditions shall remain. The APS will struggle to attract and retain the skilled staff it needs to deliver the best outcomes for Australians.

Recommendation:

- Revise the Public Sector Workplace Relations Policy 2020 to allow genuine bargaining across the APS, in good faith, without restrictions by removing the private sector Wage Price Index wage cap, the “no enhancements” rules and implementing real consultation rights.

44 Productivity Commission (2021). Working from home, Research paper, Canberra. Retrieved from <https://www.pc.gov.au/research/completed/working-from-home>

45 Tess Bennett (2021, 11 October). Competition between businesses is giving new parents months more leave. Australian Financial Review. Retrieved from <https://www.afr.com/work-and-careers/workplace/competition-between-businesses-is-giving-new-parents-months-more-leave-20211007-p58y47>

46 Tess Bennett (2021, 16 September). Don't fight work-from-home trend, says Productivity Commission. Australian Financial Review. Retrieved from <https://www.afr.com/work-and-careers/workplace/don-t-fight-work-from-home-trend-says-productivity-commission-20210915-p58rtv>

47 New South Wales Government (2021, 3 February). A new era for the Public Service in regional NSW [press release]. Retrieved from <https://www.nsw.gov.au/media-releases/a-new-era-for-public-service-regional-nsw>

Increasing the size of the APS

Since the election of the Coalition Government, the size of the APS has fallen dramatically, reaching a low in December 2019 with the loss of nearly 18,000 jobs since December 2013. While there has been a recent increase in headcount, the majority of this growth has been due to an increase in non-ongoing employment of nearly 5,200.⁴⁸ The APS remains substantially smaller today than it was in 2013. This staff reduction affects the ability of the APS to develop policy and deliver programs and services for the community and does not reflect the needs of our growing population and increasingly complex economic, social and geo-political challenges.

Restoring public service employment to at least pre-December 2013 is essential to strengthening APS capacity and capability. Two thirds (65%) of APS staff say they are working slightly or well above capacity and a third (34%) say they are burnt out by their work.⁴⁹ A better, bigger public service is needed to help us face immediate pressures and be crisis capable, but it is also good policy for the economy more broadly.

Quality public sector jobs are also fundamental to the achievement and maintenance of full employment. APS employment is a macroeconomic lever that can address multiple public policy objectives using a multi-pronged approach. Encouraging economic diversification in our regions through increased public sector employment is one such objective.

A new approach is needed after the failure of previous government initiatives such as the decentralisation program where only 430 jobs moved, and not all to regional centres but instead to Western Sydney or other state capitals like Adelaide.⁵⁰ A more considered approach is needed that considers the public policy objectives and transaction costs of relocations.

Contrary to popular perception, only two in five Australian Public Service jobs are located in Canberra. The creation of specifically designed jobs hubs in regional locations like Cairns, Launceston and Townsville should be considered. A designated Jobs Hub could involve new purpose-built facilities to co-locate Australian Public Service jobs with state and local government jobs. Commonwealth agencies should be required to place new roles and functions in those selected locations. The creation of Jobs Hubs will require collaboration with state and local governments to identify whether existing public sector roles and institutions mean that particular agency roles and functions should exist in specific regional locations.

48 Calculations based on Table 1: All employees: gender by employment category, 30 June 2002 to 30 June 2021 in APS Employment Data Release – June 2021 and Table 1: All employees: gender by employment category, 31 December 2001 to 31 December 2020 in APS Employment Data Release – December 2020

49 Australian Public Service Commission (2021). APS Census 2021 Highlights Report: APS Overall. Retrieved from <https://www.apsc.gov.au/initiatives-and-programs/workforce-information/aps-employee-census-2021/2021-aps-employee-census-overall-results>

50 Rural and Regional Affairs and Transport Legislation Committee (2019, 21 October) Senate Estimates Department of Infrastructure, Transport, Cities and Regional Development. Retrieved from <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=COMMITTEES;id=committees%2Festimate%2Fc86ae780-aad0-42ea-9e14-33519ada94bd%2F0002;query=id%3A%22committees%2Festimate%2Fc86ae780-aad0-42ea-9e14-33519ada94bd%2F0000%22>

Those locations should be a priority recipient of increased overall staffing levels. Agencies such as Services Australia, Home Affairs, DVA, DAWE, ACQSC, ABS, ATO and NDIA should be the priority for new jobs, however, it is important that jobs are not restricted to service delivery roles in contact centres and not limited to just those agencies. Regulatory, program and ICT roles should also be considered to provide a range of career options in the regions.

There is an opportunity to combine building ICT capacity with a broader employment strategy. Given agencies report skill shortages in digital roles and the work in this area will increase, a digital career path with a regional focus for jobs could be established. The geographic spread of ICT employees show governments can make decisions about where roles are located. A greater proportion of ICT employees are in Victoria (9.3 per cent) and Queensland (8.8 per cent) than in NSW (3.5 per cent).⁵¹

Regional jobs hubs are being considered by other jurisdictions. The Tune Review of the Tasmanian State Service recommended that a business case for the development of regional office hubs should be prepared including consideration of potential locations.⁵² There are also a range of examples at both a state and federal level that can guide the development of Jobs Hubs in specific regional locations. These include VIC GovHubs, Townsville Defence Hub, Geelong and the Parramatta Justice Precinct.

Creating new, permanent, secure jobs that have opportunities for flexible work conditions, with an emphasis in the regions, provides an opportunity to address multiple policy objectives. In addition to helping with the growing pressures on our cities, they can provide job opportunities in regional Australia. Recent research suggests that consumer spending by public servants will create 1.79 direct jobs for every \$1 million spent, encouraging private sector investment by strengthening consumer confidence.⁵³

Secure public sector employment can act as an economic anchor in local communities, acting as new employment precincts in regional areas. It would encourage the establishment of private sector businesses and attract investment, providing decent, secure work that people can rely on.

This can be combined with expanding entry-level programs such as the APS graduate program and alternative entry-level pathways to public sector employment such as cadetships, apprenticeships and traineeships. Working with local universities and vocational education providers, they can also provide alternative pathways to entry-level employment in areas of need such as ICT through apprentices and cadetships, enabling targeted groups to build skills and have work experience. This helps strengthen local economies and provide secure employment with a career path in regional Australia.

It is important that these are new jobs for locals, rather than simply relocations. This avoids the situation where ATO roles were relocated to Gosford but almost all the roles were filled by relocated staff with few roles for locals. Relocation does not provide the

51 Table 31: All employees: job family by location, 30 June 2021, in Australian Public Service Commission (2021). APS Employment Data 30 June 2020 Release. Commonwealth of Australia. Retrieved from <https://www.apsc.gov.au/employment-data/aps-employment-data-30-june-2021>

52 Dr Ian Watt AC (2020, November). Review of the Tasmanian State Service - Interim Report, Department of Premier and Cabinet. Retrieved from http://www.dpac.tas.gov.au/_data/assets/pdf_file/0010/562591/Interim_Report_-_FINAL.pdf

53 Richard Denniss, Matt Grudnoff and David Richardson (2020, 1 June). The macroeconomic impact of the NSW public sector pay cut. Australia Institute. Retrieved from <https://australiainstitute.org.au/report/the-macroeconomic-impact-of-the-nsw-public-sector-pay-cut/>

net increase in staff and resources needed to rebuild policy development and service delivery capacity.

Along with being an economic anchor in local economies, jobs hubs would encourage better collaboration between different tiers of government and take advantage of the benefits of the network efforts of an industry being located in the same geographic location. There are agglomeration benefits when public servants can easily access concentrations of knowledge and expertise.⁵⁴

Recommendation:

- Substantially increase APS employment overall to relieve workload pressures on existing staff with a focus on frontline staff and entry-level opportunities.
- Create more public sector employment opportunities in regional Australia by creating regional job hubs.

54 Productivity Commission (2017, April). Transitioning Regional Economies, Initial Report, Canberra. Retrieved from <http://www.pc.gov.au/inquiries/current/transitioning-regions/initial/transitioning-regions-initial.pdf>

