



**Wednesday 20th August – Efficiency Dividend Inquiry
Hearings**

20/8/08

Introduction

The Community and Public Sector Union supports productivity and efficiency in the Australian Public Service, we want the APS to attract the brightest and the best, we want to see our members working for agencies that deliver exceptional services and policies to the Australian government and to the Australian people. In our opinion the efficiency dividend does not facilitate any of this.

Unfortunately, performance, productivity and pay are completely detached from one another in the modern APS – largely thanks to misleading 'productivity' measures like the efficiency dividend. The title given to the efficiency dividend possibly had currency had it been used as it was intended – as a one-off measure to encourage agencies to identify efficiencies.

However even as a one-off tool, the efficiency dividend was not the right approach given that it simply stripped funds from agency budgets regardless of their size, staffing profile or the public service provided. The continued annual application of the efficiency dividend to agency budgets has had a compounding effect on the ability to provide a full range of quality public services, first felt most by small agencies, but now permeating the entire APS. Simply calling something an efficiency dividend does not make it efficient, nor does it encourage agencies to be efficient. Rather the long term effect has been the opposite with the dividend promoting irrationality and inefficiency in public sector management.

CPSU members have repeatedly demonstrated their commitment to increasing the efficiency of their workplaces. However the top-down cost cutting imposed by the efficiency dividend takes no account of particular agency circumstances and actually constrains agency specific innovation.

We welcome this opportunity to appear before the hearing. We will not be speaking directly to our submission. Rather our focus today is to inform the Committee of the impact the efficiency dividend is having right now on agencies and their staff.

Background and Key Points

The efficiency dividend is not new. It was introduced in 1986 to cut the cost of inputs, reduce resource use, and produce a Budget surplus for the Commonwealth. It is a measure that has long outlasted any useful purpose it once may have had.

The efficiency dividend has been detrimental to the overall functioning of the APS, and particularly on the operation of small APS agencies. Driven by the need to meet the dividend, agency directors are making decisions to cut staff, cut government functions and cut projects regardless of community need and the resultant increase to staff workloads.

The implications of allowing this situation to continue include:

1. Further impacting the ability of the APS to attract and retain quality staff in a tight labour market. Agencies already struggle to compete on salary with the private sector.
2. Wage competition with the private sector combined with increased workloads for those who remain in the APS will further encourage labour turnover and stress related illness. The falling reputation of the APS as an employer of choice will compound problems in attracting and retaining new staff.
3. Small agencies with high proportions of female employees will continue to drift to the bottom of the pay pile.
4. As small agencies cannot use 'economies of scale' to meet the efficiency dividend, those agencies whose employees have skills in high demand will use 'retention' pay rises to the detriment of service provision and program administration.
5. As agencies respond to the efficiency dividend by not replacing staff, instituting redundancies, cancelling projects, and increasing staff workloads, the overall work quality of the APS will decline.

Individual Agencies

The efficiency dividend has a disproportionately negative impact on smaller agencies. In the recent round of Senate Estimates hearings, many smaller agencies admitted that they were preparing to lose staff and drop functions in order to meet the 3.25% dividend.

In addition to the information provided to the hearings by agencies, we have also been collecting anecdotal information from our members about how their workplace and day-to-day activities are being affected by the dividend.

To highlight the true effect of the efficiency dividend I am going to provide examples of the impact it has had on a number of CPSU members employed by small APS agencies. With the higher dividend in the 2008/9 Budget round, more public servants will lose their jobs, more will be forced to take work home to meet increased workloads and more will leave the APS. Ultimately

the Australian community suffers as the quality and scope of government services falls.

Australian Institute of Aboriginal and Torres Strait Islander Studies

The important work of many of the small cultural agencies in the APS is being threatened by the arbitrary nature of the efficiency dividend. In response to a question in the recent Senate Estimates hearings, the Acting Principal of Australian Institute of Aboriginal and Torres Strait Islander Studies admitted that the Agency was budgeting for five less people in the face of an ever increasing workload because of:

...the dual impact of the efficiency dividend and the workplace agreement where we are offering staff higher salaries¹.

According to recent CPSU research, AIATSIS is one of the lowest paying APS agencies, however they are charged with a large workload, undertaking an archiving project of significant cultural and historic value. The Agency is by no means underproductive or inefficient. They are faced with paying their staff a barely decent salary and overworking them within the context of a diminishing budget. Is this how we value our small cultural agencies?

Australia Council

The Australia Council will need to cut its budget by just over \$4 million this financial year and in the recent Senate Estimates hearing, the CEO indicated that there would be staffing cuts of:

...a high level, the estimates indicate a broad figure of 28.

The Australia Council staff has reduced from 150 to 122 and these 28 employees:

...includes a mixture of redundancies, completion of contracts and natural attrition.

And they will come:

...from across the Council, but we will not take the efficiency dividend against the grants or moneys to arts organisations.²

This staffing loss, needs to be contrast with the increased workload for the Agency as it implements a number of new government initiatives and election promises³. Again the efficiency dividend is less about improving productivity

¹ Economics Committee, Tuesday June 3 2008, Senator Abetz to Dr Taylor.

² Environment, Communications and the Arts, Thursday May 29 2008, Senator Kemp to Ms Keele

³ Election promises: **Ms Cowdery**—We have an appropriation of \$160 million. We have moneys coming through the department for a number of government initiatives. We have

and more about overworking people as fewer and fewer staff do more and more work.

National Gallery of Australia

At the same hearings, the response of the National Gallery of Australia to the increased efficiency dividend was explained by the Director:

...unfortunately we have had to cut our touring exhibition program. We have built our temporary exhibition program in our 25th year up to 10 exhibitions touring the nation at one time, and we had hoped to maintain that but we cannot with the cuts. So we will be allowing that to run down. The tours will eventually finish and we will add one more in the next financial year. The numbers may sink down to about five or six⁴

In this case, it is the Australian public that suffers, as people in rural and regional areas will no longer have the same level of access to the collections and exhibitions of the National Gallery. The gallery may be saving money and balancing their budget, but at what cost?

The impact of the efficiency dividend on employees is hidden from view in small agencies like the NGA. Real workloads are not measured because staff who find themselves working until 11pm at night to meet deadlines often do not record additional hours, do not apply for and are not compensated by overtime, flex or TOIL.

National Museum of Australia

National Museum has also had to cut staff to cope with the increasing efficiency dividend. the Museum has already offered 6 voluntary redundancies, 4 of which have been accepted. There are however no plans to cut the workload of the Museum, meaning the remaining staff will have to share the increased workload of their departing colleagues.

War Memorial

The War Memorial has taken a more creative approach to managing the burden of an increased efficiency dividend by covering the dividend with money from depreciation funding. As explained in Senate Estimate hearings the War Memorial:

...looked at the implications for the coming financial year and it was the recommendation to Council that that extra two per cent efficiency

Creative Communities, which is \$10 million over four years. We have the Artist in Residence program, which is \$5.2 million over four years.

⁴ Environment, Communications and the Arts, Thursday May 29 2008, Senator Kemp to Mr Radford

dividend, totalling about \$0.75 million for this financial year, be found from depreciation funding⁵.

While this approach ensures that there are no staff losses in the immediate future, it is not a long-term strategy for dealing with the dividend as Major Gen. Gower explained:

In the short term there will not be any discernable effect whatsoever, but we accept that it is not a long-term strategy because over time it would restrict our ability to reinvest in our assets.

Agencies such as the War Memorial have several discreet work units made up of small numbers of staff. The loss of one staff member through a reduction in staff levels can be the equivalent of a 20% cut in resources.

CPSU members report management spending a lot of time trying to hide the impact of the efficiency dividend on staff because of concerns about staff morale. Members report a cloud of uncertainty and vague responses from management in response to questions about filling vacancies caused by staff retiring or resigning. Vacant positions are not always advertised as substantive vacancies but backfilling of positions occurs through the use of casuals or non-ongoing staff in order to disguise the real reduction in ongoing or permanent staff.

Instead of focusing on maintaining our wartime past and collections of significant historical value, the War Memorial has been forced to focus time and resources of developing creative ways to avoid losing much needed staff members.

Australian Institute of Health and Welfare

The Australian Institute of Health and Welfare is another agency that has been forced to cut staffing numbers, however recognising that the Agency could not function with fewer staff, the AIHW has been forced find a solution, which was outlined in recent Senate Estimate hearings:

Dr Allbon— *Our overall staffing operations will not [drop], because we run contract funded work as well as appropriation funded work and the staff will find themselves work on the contract funded side. Overall our contract funding has been growing, so the staff move between appropriation funded and contract funded work.*

Senator COLBECK—*So you are relying on a growth in contracted work to maintain the staff cohort of the Institute?*

Dr Allbon—*That is correct. But we have been a partly contract funded and partly appropriation funded organisation for a number of years⁶.*

⁵ Foreign Affairs, Defence and Trade, Thursday June 5 2008, Senator Cormann to Major Gen. Gower

⁶ Community Affairs Wednesday June 4 2008, Senator Colbeck to Dr Allbon

It seems hard to believe that using project funds to use contract staff to artificially maintain the staffing numbers lost through the application of the dividend is efficient and productive. Surely the very fact the Institute felt the need to maintain staffing levels shows that there was nothing inefficient about the employment practices of AIHW in the first place.

The impact of the efficiency dividend manifests itself in many ways in small agencies such as AIHW. For instance members report access to study leave for work-related study is much more difficult than in larger agencies. AIHW often site operational reasons in order to limit access to study leave.

How many hours are really being worked in order to meet agency obligations? CPSU members report a management culture that attempts to hide genuine working hours and workload performed by staff. Workloads are disguised in a combination of ways:

- Performance management tools used to dissuade staff from staying back late to finish work on a regular basis yet unreasonably expecting work to still be completed (in their own time)
- Management encouraging or turning a blind eye to staff who take work home in order to meet deadlines on a weekly basis

Further Arguments

Research conducted by the CPSU has established that there are significant pay gaps opening up between APS agencies. These have come about in no small part because of the dividend's arbitrary 'one-size-fits-all' impact.

To accept the idea that the efficiency dividend promotes efficiency you must accept that employees in small APS agencies are inherently less efficient than employees doing the same work in larger ones. You must also accept that the work done by those agencies is of a lower priority than the work done by larger agencies – this is not the case.

You must accept that Librarians in the National Library are less efficient than Librarians in the Parliament (at all levels except at the EL2 level), and that curators at the War Memorial are less efficient than people performing equivalent work at the National Museum or the National Maritime Museum (at all levels except at the EL 2 level).

It would also mean accepting that smaller agencies with a majority of female staff are inherently less efficient than larger, predominantly male agencies. Such assumptions would not be tolerated from modern private sector employers. Yet the Australian Public Service, which includes agencies like HREOC whose purpose is to oppose gender based discrimination, is allowing a substantial gender-based pay gap to develop within its own workforce.

Conclusion and Recommendations

We at the CPSU do not believe that the efficiency dividend has any usefulness and as long as it continues to be in place it will continue to do more harm than good. It has forced the axing of projects, increased the pay gap between agencies and between men and women and made it difficult for the APS to attract and retain a high calibre of employees.

We are recommending that the dividend be abolished and that any replacement productivity measure be developed through consultation and take account of agency specific requirements

The CPSU is committed to a modern, efficient and response public service that leads the way in the Australian labour market and delivers high quality outcomes for the Australian government and most importantly for the Australian people.