



Select Committee on Job Security

CPSU SUBMISSION [ATO]

26 AUGUST 2021

Introduction

As the primary union representing people working in the Australian Taxation Office (ATO), the Community and Public Sector Union (CPSU) is committed to providing a strong voice for our members in key public policy and political debates. The CPSU welcomes the opportunity to make a submission to this inquiry into Insecure Work.

The ATO ensures funding for all the important things Australians want in their local communities, like schools and vocational training, hospitals and an accessible health system, roads, and safety nets to ensure we all feel safe. Expertise, skills, and capacity should be built into our taxation system, provided by staff we can trust who are committed to delivering for the people of Australia.

The continued enforcement of an arbitrary staffing cap has necessitated the agency's use of insecure work including contractors, labour hire, casuals, and outsourcing. The reliance on insecure work worsens the ATO's capacity to meet its obligations and hinders the ability to innovate. Reduced ongoing experienced staff, high turnover in outsourced call centres and insecure employment opportunities has resulted in a loss of expertise within the ATO. The experience for citizens (variously referred to by the ATO as customers, tax agents and taxpayers) has affected public trust and the efficiency of the agency.

Long term casuals in the ATO

2307 of the Australian Taxation Office's workforce are currently engaged as casual employees. Most of these employees perform work that ongoing and central to the ATO's functions, not ad hoc, irregular, or intermittent tasks. Many casuals have been engaged by the ATO on a very long-term basis, yet they continue to have no job security and they do not receive basic entitlements under the National Employment Standards (NES).

There is a high concentration of casual workers at certain sites, including:

- Wollongong – 247 casuals in a workforce of 552 (45%)
- Albury – 385 casuals in a workforce of 1011 (38%)
- Penrith – 197 casuals in a workforce of 777 (25%)

In a survey of casuals conducted by the CPSU in 2019, 62% of respondents working in Albury indicated they had worked for the ATO for more than 2 years, and 25% said they had worked for the ATO for 9 years or more.

These casual employees are predominately engaged at the APS1-2 level and are paid the lowest rates of pay in the agency, with no annual leave and no paid sick and carer's leave. At Christmas time they lose their shifts and receive no pay for a 2-7 week period. Their work is of

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an ongoing nature, usually in Debt or Client Account Services as frontline call takers and processors. The work is stable and often unchanging, for example, in Albury where the work has remained substantially the same for 15 years. Despite this, these employees have no pathway to secure, permanent employment.

Casual workers experience:

- A lack of job security;
- Difficulty obtaining home loans and planning ahead to cover significant purchases;
- Unpredictable and fluctuating pay;
- Inferior rights and entitlements;
- No entitlement to paid annual leave, paid personal/carer's leave, paid compassionate leave, payment for absence on a public holiday, payment in lieu of notice of termination, redundancy pay, or payment for absences due to jury service;
- Uncertain access to the right to request flexible working arrangements, and unpaid parental leave and related entitlements under the NES, unless the casual is a "long term casual" and has a reasonable expectation of continuing employment; and
- Irregular and unpredictable working hours.

Labour hire is being used for core public sector work

Most Australians would be alarmed to learn the extent to which core functions of the ATO are currently performed by outsourced providers such as Serco, Datacom, and Probe - private, profit-focused companies.

A recent survey conducted by the CPSU in February 2021 showed 92% of ATO respondents reported labour hire is used for normal ongoing work in their agency, and 83% reported the ATO used consultants and contractors for work that could and should be done by APS workers:

"My business line in my site has 20+ Labour Hire for 12+ months. They are doing 'business as usual' work, not short-term projects. The jobs should be filled as permanent vacancies. The workload is not decreasing."

Work previously done by ATO ongoing APS staff is now done by private companies, including property valuations for assets tests and debt collection. Currently the ATO uses:

- **Outsourced workers** primarily for debt and general client account management in the Service Delivery Group - approximately 70% of all inbound calls are answered by private providers. These workers are employed through an outsourced employer like Probe and sit offsite with their direct employer.

An FOI undertaken in 2020 revealed some 5,300 roles had been outsourced by the Taxation Office, 5,000 of which are referred to as 'overflow' positions (likely call centre). The remaining 300 outsourced roles were in the regular public service and included debt collection officers, law interpretation officers, accountants, and project managers.

- **Independent contract workers** are also used by the ATO for ICT development and implementation
- In addition to this outsourced workforce, there are currently 661 **labour hire workers** in the ATO across most Business lines including, but not limited to:
 - Enterprise Solutions and Technology (385),

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- Individuals and Intermediaries (105),
- Superannuation and Employee Obligations (116),
- Smarter Data (57),
- ATO Finance (34), and
- Debt and lodgement (22).

While these workers are directly employed by an external non-APS provider, they sit within ATO sites alongside public servants.

The experience of insecure workers

In a survey the CPSU undertook across the APS early in 2021, half (47.74%) of ATO survey respondents identified that access to career development was an issue across the agency, highlighting both the redirection of resources to train and support outsourced labour and the lack of career opportunities. This indicates that workers do not feel they have access to the training required or opportunities to progress, which in turn reduces institutional knowledge and capabilities.

“The training/buddying/mentoring the turnover of contract staff is exhausting. The time taken by ongoing staff constantly being asked to do this takes away time to do meaningful for upskilling ourselves [ATO worker]. “

Examples of workers who have experienced being engaged by a labour hire company and now engaged by the ATO indicate how despite the higher cost to the government for outsourced workers, the workers themselves are treated and paid poorly.

“I worked for an outsource company for the ATO on a casual and full-time basis for one year. Conditions, training, pay, and management expectations are unrealistic. Staff turnover was high. We were constantly being told the ATO was fining them and therefore new KPIs were being implemented. I now work for the ATO where conditions are much better but it is only on a casual contract basis, so job security is still terrible. “

Many members explained how those working for private providers receive inadequate training, reducing the capacity of the ATO as work needs to be redone.

“[At Probe, an outsourced call centre] we had new trainees starting each week, but the high attrition rate meant up to a third leave within a month. That means higher FTE training costs for the ATO while not having enough staff to meet the demands. The primary function in any outsource environment is doing the agencies’ work, however where we worked, we usually had 10% of workforce supporting new staff. “

“I have worked as a casual for over 12 years and the outsourcing of Capture Delivery (BAS forms, TFN decs and other paper forms) has impacted the casual employees in this area. It has meant reduced work hours and having to re do work which has come back from the outsource company because it has been done incorrectly. “

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Labour hire, contractors and consultants cost more than APS staff

The extent to which there is a reliance on labour hire, outsourcing and contracting is partially evidenced by the total spend by the ATO on contracts as reported in the ATOs 'Entity reports for complying with the Senate Order on Procurement Contracts and use of Confidentiality Provisions 2020 Calendar Year'⁴. This report outlined that \$2.1 billion was the estimated combined contract value of services clearly linked to labour requirements in the ATO.

TABLE 1 - ESTIMATED TOTAL CONTINGENT LABOUR COSTS:

Category	Contract Count	Total Contract Value
Computer programmers	29	\$15,114,048.40
Computer services (excluding information services, printing and software)	79	\$1,116,652,077.95
Management advisory services	63	\$88,721,103.21
Temporary personal services	1077	\$927,633,494.26
Estimated total contingent labour costs	1,248	\$2,148,120,723.82

Source: Senate Order on Procurement Contracts and use of Confidentiality Provisions Australian Taxation Office 2020 Calendar year.

Between the four largest providers of outsourced labour – Stellar, Datacom, Probe and Serco - the ATO will have spent a combined \$552,221,130.03 or just over half a billion between November 2017- June 2021 as outlined in Table 2 below.

TABLE 2 – FOUR LARGEST CURRENT CONTRACTS IN ATO FOR OUTSOURCED LABOUR HIRE SERVICES

Supplier Name	Start Date	End Date	Total contract Value
SERCO GLOBAL SERVICES PTY LTD	1-Nov-17	30-Jun-21	215,893,868.08
DATAKOM CONNECT PTY LTD (SYMANTEC AUTHORISED SERVICE CTR)	1-Nov-17	30-Apr-21	133,472,824.24
STELLAR ASIA PACIFIC P/L	1-Nov-17	30-Apr-21	128,514,727.67
PROBE OPERATIONS PTY LTD	1-Nov-17	30-Apr-21	88,613,472.67

Investigation into the use of this spend at Stellar has revealed that, despite the high cost of labour hire, most workers there are receiving far less in wages than their APS counterparts undertaking the same or similar work types.

“At the ATO, Service Delivery, Client Account Services and Debt and Lodgement jobs were available through outsource providers like Datacom. They had a long-term contract for over 5 years. Staff were paid minimum wage and there was extremely high turnover, poor job satisfaction, poor quality of life for those staff. The quality of the work suffered. People did not want to stay in the job.”

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As the cost and complexity of the tendering process increases, large firms come to dominate the provision of services. Many of these companies are subsidiaries of global conglomerates. There is a lack of genuine competition, and a lack of transparency over who is profiting from these contracts.

While workers employed through outsourced companies such as labour hire are often paid minimum wage, those employed as independent contractors are often paid very large salaries. In both cases the taxpayer pays more to employ the worker than if they were directly employed by the government.

“Seeing the enormous waste of money on contractors is heart breaking when I know what it could be spent on! We buy our own pens - we are used to being spend thrift and so watching enormous salaries leading to lots of waste, it’s awful. Especially when we know it’s taxpayer money. “

“Because the ATO is desperate to hire contractors which don’t count towards the ASL numbers, they virtually pay them anything to get them to work here. As a result, many are employed as EL2s as they will not accept a lower wage, then negotiate the wage to a much higher level, usually just below an SES wage. The new employee with less experience is paid up to \$50,000 more and isn’t as productive as they don’t (always) have the experience they claim to have had. Government work should be done by government employees. It is a false economy to make public servants redundant while at the same time spending significant funds on labour hire and other contracting firms.”

Labour hire and casualisation erodes public service capability

With a significant portion of business-as-usual work being undertaken by workers outside of the ATO or insecure workers within the agency, the capacity and capability of the ATO is being eroded, succession planning undermined and client services diminished. Private sector providers have an incentive to focus on the measured deliverables, such as call length, in a contract and may neglect less easily defined outcomes, like service quality. The more complex the service, the more difficult and costly it is to effectively monitor.

ATO workers also hold genuine concerns for data security with the privatisation of ATO functions and services as the security and privacy standards of private providers are not as high.

“We have testing being completed offshored in Manila. What are the security clearances of these people? While test data is scrambled it is still production data - it is still real data from real Australians. “

“Contractors often have lower standards of security vetting. Sub-contractors and sub-sub-contractors can be totally unknown quantities. “

“[My concern is] not only as a public servant but as a citizen. Outsourcing provides another avenue that hackers can target to obtain personal information. Anecdotal evidence also indicates that outsourcing providers and labour hire contractors are not subject to the same stringent privacy and security requirements as on-going staff. “

Conclusion and Recommendations

The ATO has an overreliance on labour hire, contractors, and consultants, as illustrated above. It affects the capability of the agency and means it is impossible for the organisation to operate at peak capacity and with world class capabilities whilst so much of its labour force is

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employed insecurely. A deeply flawed bargaining policy entrenches a two-tier workforce and undermines full staff engagement in change and innovation. The Coalition Government must also do the work needed in building and maintaining an in-house ICT capability that is fit for purpose and sustainable.

The ATO does a good job in difficult circumstances. For it to achieve its full capability the CPSU recommends the Coalition Government, as a start:

- Abolish the average staffing cap, so the ATO can employ staff directly. Direct employment costs the taxpayer less and provides a better-quality service to the Australian businesses and the wider community. This is of critical importance, particularly to regional and rural Australia.
- Convert existing labour hire workers to direct ATO employees, not only ensuring same job same conditions and pay but also ensuring that comprehensive training is provided, and that institutional capacity is built.
- Restore transparency and accountability in the expenditure of public monies by:
 - (a) publishing annual public service-wide information on the:
 - Total expenditure on consultants and the purpose of those consultancies
 - Number of non-APS employees as part of the total ATO workforce and the cost of those arrangements
 - (b) requiring organisations providing workers, labour, or services to the ATO to have a satisfactory tax paying record in Australia and overseas for parent and subsidiary companies.