



# Community and Public Sector Union Submission

Submission to Select Committee on COVID-19  
to inquire into the Australian Government's  
response to the COVID-19 pandemic.

**Community and Public Sector Union (PSU Group)**

**June 2020**

# Contents

<b>Recommendations</b>	<b>3</b>
1. Improve the crisis capability of the Commonwealth.	3
2. An economic reconstruction program led by Government.	3
3. Government to set wage growth targets.	4
4. Fair and accessible income and employment support.	4
<b>Introduction</b>	<b>5</b>
Serving the community at times of crisis.	5
Cracks in our foundations	8
<b>A post COVID-19 Australia requires government that is there for everyone</b>	<b>10</b>
Rebuilding the economy and reconstructing the services we rely on	10
A social security system that is accessible and supports employment.	11
A fairer, post-carbon Australia that leaves no one behind	12
An economic recovery that delivers for women	12
<b>Lessons from COVID-19.</b>	<b>13</b>
Building policy skills to protect the interests of Australians	13
Secure, in-house work is important.	16
Further cuts would be a risk to Australia.	21
ICT matters	23
<b>Engagement with staff and unions is important</b>	<b>26</b>
<b>Conclusion.</b>	<b>27</b>

# Recommendations

## 1. Improve the crisis capability of the Commonwealth.

Government must have the capacity to see all of us through a crisis. This ambition must be backed with public sector resources.

- To be properly prepared for the next crisis, an expanded, and better-resourced public service is needed:
- 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.
- Incorporating internal redeployment lessons from COVID-19, and further building Australian Public Service (APS) in-house surge capacity.
- Ensuring workers have a voice through genuine engagement and collaboration with the CPSU in all government processes including in the development of the APS Workforce Strategy.

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 APS Average Staffing Level (ASL) cap.
- 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.

## 2. An economic reconstruction program led by Government.

The economic challenge facing Australia is not to just repair the damage of the pandemic.

The economy was in serious trouble before the pandemic. This was the result of long-term policy problems, including an overemphasis on budget surpluses, failures to deal with inequality and climate change, and an economy increasingly featuring insecure work and low wages.

The challenge is therefore to develop a COVID-19 response that repairs the pandemic damage by addressing the underlying systemic problems in the economy.

The private sector has been substantially damaged by the pandemic, and the public sector will therefore need to play a central role in reconstruction. This larger public sector role should include:

- A larger public sector workforce, with a particular focus on providing jobs and training opportunities for people and regions most hard hit by the pandemic.
- The Commonwealth government setting an example on jobs by guaranteeing no public sector job cuts.
- The Commonwealth government setting an example on a recovery centred around secure jobs by converting current insecure and casual jobs in the Commonwealth into permanent ongoing jobs.
- Government leading and facilitating effective action on climate change to support low carbon economic growth. This means public investment in science and innovation to ensure Australia benefits from the opportunities that decarbonisation presents and properly resource programs that ensure no region is left behind.

### **3. Government to set wage growth targets.**

Wages growth will be crucial to lift both domestic demand and living standards to rebuild the economy. Wage cuts and wage freezes will only cause further damage. Governments must pursue, as a priority, policies that deliver wage growth and set annual wage growth targets.

We need to get rid of artificial caps on wages and restrictions on bargaining power that have resulted in record low wages growth.

### **4. Fair and accessible income and employment support.**

The Jobseeker rate needs to be maintained at the current rate of \$550 per week and extended to all unemployed workers and disability support pension recipients.

Our social security system needs to be supported by properly funded and staffed government agencies.

The mutual obligation framework must be re-cast to focus on support and positive intervention. Government should take on an enhanced role in employment services and labour market program support to lead our communities out of this crisis, one that complements a revised community sector role in this work.

# Introduction

Across the country there is a clear understanding that after this crisis we can't simply go back to the way things were before. The crisis has laid bare the fundamental inadequacy of 'business as usual'. We must now rebuild our community around secure jobs, low carbon economic growth and stronger public and community services.

The role of government in this reconstruction will define our community for decades. Our community and our economy will rebuild quicker 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.

We can choose the path that is forward looking, supportive, and community and people-centred. That means we cannot reconstruct exactly what we had before, because that was not working for so many of us. It does mean Government taking responsibility for the public good through strong social safety nets and strong public institutions. It means building caring, active and resilient communities into the future. And it means fast-tracking an economy built to support our communities and our environment, with secure jobs and safe futures.

This submission starts with a discussion on the Commonwealth's response to the COVID-19 crisis and the work and experiences of the people working in the Commonwealth public sector who have delivered it. We examine the lessons of COVID-19 in relation to the APS, highlighting the policy decisions like staffing caps and under-investment in ICT that have worked against what needed to be done. Like all other sectors of the economy, we show how the growth of insecure work in the Commonwealth exacerbated its problems. And like other sectors of the economy, the high levels of insecure work in the Commonwealth has created difficulties in managing both the health and economic responses of Commonwealth agencies and caused additional hardship for many individuals. We include a range of recommendations that will take us forward to a better future.

## Serving the community at times of crisis

No-one has been untouched by the current crisis and our whole community has a stake in the work performed by those working in the public sector in the past months. CPSU members are proud of the work they have done responding to shocks and emergencies and delivering essential services. Our members have done important work under immense pressure throughout this time:<sup>1</sup>

- The Department of Health, in addition to the very public work of the Commonwealth Medical Officers, worked with the aged care sector to help protect the elderly, grocery stores to help prioritise online home delivery for elderly people, sourced, tested and dispatched PPE supplies and testing kits around the clock,

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1 In addition to these examples, the Parliamentary Library has produced a comprehensive list of the diverse range of activities and measures undertaken by APS departments and agencies in response to COVID-19: Parliamentary Library (2020, 19 May). COVID-19 Australian Government roles and responsibilities: an overview. Retrieved from <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id:%22library/prspub/7346878%22>

assessed medical supply chains and worked to expand telehealth and mental health services including the National Coronavirus Helpline which has received over 21,000 calls per day.

- Services Australia has handled huge workloads with over twenty times the normal number of claims being processed.<sup>2</sup> Services Australia received a million claims for Jobseeker related payments - more claims in six weeks than it would usually process in a year.
- The Department of Foreign Affairs (DFAT) and Home Affairs played key roles in the repatriation of Australian citizens and permanent residents and the establishment of quarantine facilities. DFAT helped over 16,500 Australians and permanent residents return home including 6,500 passengers from 51 ships.<sup>3</sup>
- The Australian Taxation Office (ATO) rolled out the JobKeeper program to keep people employed and cashflow boosted for eligible businesses to help them survive.<sup>4</sup> The most recent data indicates 748,000 have enrolled in JobKeeper and more than \$7 billion in credits have been applied to eligible businesses.<sup>5</sup> The ATO has also averaged 90,000 calls a day and staff are working overtime on Saturdays and Sundays to help with the volumes of calls.
- The Australian Bureau of Statistics (ABS) produced a range of existing and new statistical products to inform government, business and community responses to the pandemic.<sup>6</sup> This has included products on the impact of COVID-19 on households, two reports a month on the economic impact of COVID-19 and weekly data on the impact of COVID-19 on jobs and wages.
- The Australian Broadcasting Corporation (ABC) helped to make sure Australians were informed via Community Service Announcements, ensuring all Government press conferences were televised in full and provided support to parents who did not have access to home-schooling with the ABC Education portal.
- The Commonwealth Scientific and Industrial Research Organisation (CSIRO) have done over a year's worth of work in two months exploring a coronavirus vaccine.
- Treasury commenced work in January 2020 on how COVID-19 might impact on the economy and prepared the first and second packages, announced in March, each in the space of a fortnight.<sup>7</sup>

2 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>

3 Department of Prime Minister and Cabinet (2020, 12 May). Senate Select Committee on COVID-19 Whole-of-Government Submission. Retrieved from <https://www.aph.gov.au/DocumentStore.ashx?id=34176972-783f-44d5-820d-087bb8051cda&subId=680501>

4 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=COMMITTEE\\_S;id=committees%2Fcommsen%2F0c5c7e36-6300-484b-b9c3-ed5847b7ce91%2F0001;query=Id%3A%22committees%2Fcommsen%2F0c5c7e36-6300-484b-b9c3-ed5847b7ce91%2F0000%22](https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=COMMITTEE_S;id=committees%2Fcommsen%2F0c5c7e36-6300-484b-b9c3-ed5847b7ce91%2F0001;query=Id%3A%22committees%2Fcommsen%2F0c5c7e36-6300-484b-b9c3-ed5847b7ce91%2F0000%22)

5 Department of Prime Minister and Cabinet (2020, 12 May). Senate Select Committee on COVID-19 Whole-of-Government Submission. Retrieved from <https://www.aph.gov.au/DocumentStore.ashx?id=34176972-783f-44d5-820d-087bb8051cda&subId=680501>

6 Australian Bureau of Statistics (2020, 30 April). ABS responds to COVID-19. Retrieved from <https://www.abs.gov.au/websitedbs/D3310114.nsf/home/ABS%20responds%20to%20COVID-19>

7 Dr Steven Kennedy. (2020, 28 April) 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=COMMITTEE\\_S;id=committees%2Fcommsen%2F422cff82-46f7-404d-9ca7-c83f558e9551%2F0001;query=Id%3A%22committees%2Fcommsen%2F422cff82-46f7-404d-9ca7-c83f558e9551%2F0000%22](https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=COMMITTEE_S;id=committees%2Fcommsen%2F422cff82-46f7-404d-9ca7-c83f558e9551%2F0001;query=Id%3A%22committees%2Fcommsen%2F422cff82-46f7-404d-9ca7-c83f558e9551%2F0000%22)

- The Special Broadcasting Service (SBS) via its in-language support services, translated COVID-19 health advice into 43 different languages.
- The National Indigenous Australians Agency (NIAA) worked to ensure food security to remote communities by working with storekeepers in remote areas to make sure food supplies were adequate for remote communities. They provided support to community development workers and nurses based in remote locations to ensure their vital work continued during COVID-19.
- The Fair Work Commission has been processing a large increase in the number of unfair dismissal applications and stand down disputes and established a dedicated team for JobKeeper cases. They are also dealing with the surge in Enterprise Agreement variations related to COVID-19.
- The Fair Work Ombudsman has dealt with significantly increased call demand, as employees navigate their rights in this uncertain time, and pursuing employers who take advantage of vulnerable workers.
- The Digital Transformation Agency helped with the development of a suite of new digital channels and services that have made it easier for the Australian community to access information on COVID-19 about financial and social support.
- National Disability Insurance Agency (NDIA) staff are directly contacting National Disability Insurance Scheme (NDIS) participants to check they can still access supporters in their NDIS plans and whether their circumstances or needs have changed, with over 62,000 being proactively contacted.
- Safe Work Australia has produced approximately 1,500 pieces of guidance and advice to business and employees across Australia.
- The Department of Education, Skills and Employment has approved 15,562 claims for wage subsidy assistance under the Supporting Apprentices and Trainees measure to support employers to retain their apprentices.<sup>8</sup>
- Biosecurity offices in the Department of Agriculture, Water and the Environment (DAWE) monitored the health of passengers at airports, identifying whether passengers had a notifiable disease and escorting them to the health room to await the arrival of ambulances.

As one member told us,

“It is at times like these that the public service steps up and that is what we have done.”

CPSU members are rightfully proud of what has been achieved in this period. But they also know that cuts and outsourcing over many years meant that for many Australians their experience of accessing government services, many for the first time, was more fraught than it should have been. The pressure on the APS at both the organisational and individual level has exposed the cracks in the foundations of our public sector.

8 Department of Prime Minister and Cabinet (2020, 12 May). Senate Select Committee on COVID-19 Whole-of-Government Submission. Retrieved from <https://www.aph.gov.au/DocumentStore.ashx?id=34176972-783f-44d5-820d-087bb8051cda&subId=680501>



## Cracks in our foundations

Australians recognise the important role the public service has played in the COVID-19 response. Polling by the Australian National University shows substantial increases in confidence in the public service with two thirds (64.8%) of Australians confident or very confident in the public service, up from just under half (48.8%) earlier this year.<sup>9</sup> They are appreciative and understand the role it has played.

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.

The long queues outside of Services Australia, and MyGov crashing, are symptomatic of these pressures but are far from the only examples.<sup>10</sup> The Department of Agriculture, Water and the Environment did not have enough staff trained to act as surge capacity for enhanced health screenings as DAWE staff were already surged to the airport to assist with increased screening for African swine fever.

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*People working in the public service value the support they feel from the community; but are concerned that the Commonwealth Government may not fully appreciate the work they do and its role in the community.*

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A recent CPSU survey of Services Australia staff found that while the majority (61%) of them feel the frontline role the agency is playing is understood in the community, nearly three in four (72%) felt the government did not properly recognise or value their role. This is a problem not only for the staff under extraordinary pressure and also the entire community – after all, when systems are strained, it is the people seeking support who are left out in the cold (sometimes quite literally, in long queues outside Centrelink offices). Staff feel that if this work is truly valued and recognised, and if the interests of those who use these services were truly valued and recognised, better funding and resourcing decisions would be made.

These pressures on staff have been exacerbated because for some APS staff, the nature of their work means they are financially worse off because of COVID-19 changes:

- For some part-time Department of Agriculture, Water and the Environment staff doing weekend airport shift work, the significant downturn in work means they will be moved to weekday administrative work, losing weekend penalties and airport allowances. They will lose a significant proportion of their income, some earning less than an individual on the JobSeeker payment.

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<sup>9</sup> Professor Nicholas Biddle, A/Professor Ben Edwards, Professor Matthew Gray, Kate Sollis (2020, May). Hardship, distress, and resilience: The initial impacts of COVID-19 in Australia. ANU Centre for Social Research and Methods. Retrieved from <https://csmr.cass.anu.edu.au/news/hardship-distress-and-resilience-initial-impacts-covid-19-australia>

<sup>10</sup> Luke Henriques-Gomes (2020, 24 March). Newly unemployed Australians queue at Centrelink offices as MyGov website crashes again. Guardian Australia. Retrieved from <https://www.theguardian.com/australia-news/2020/mar/24/newly-unemployed-australians-queue-at-centrelink-offices-as-mygov-website-crashes-again>



- The closure of cultural institutions has left front of house casual staff unemployed. They are unable to access JobKeeper and many cannot do secondments to Services Australia because a minimum number of hours is required.
- ABS interviewers are also affected because the cancellation of surveys and restrictions on fieldwork has affected their ability to earn income.
- COMCAR drivers are employed as casuals and because of the closure of parliament and national travel restrictions, most have had very little work over this period. Only a small number have been redeployed and they are also unable to access JobKeeper.

**The differential impact of COVID-19 on institutions appears to be a major oversight by the Commonwealth.** It places our cultural institutions at risk. Cultural institutions rely on sponsorship to supplement government funding because of funding pressures.<sup>11</sup> There is a real possibility of future cuts to staffing and programs. Our cultural institutions are already affected by funding cuts far more than other agencies because of fixed costs; and unless the Government acts to offset the loss in revenue, the preservation and promotion of Australia's cultural heritage will be threatened.

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11 Kristin van Barneveld and Osmond Chiu. (2017, 12 May), A Portrait of Failure: Ongoing Funding Cuts to Australia's Cultural Institutions. Australian Journal of Public Administration. Retrieved from <https://doi.org/10.1111/1467-8500.12248>

# A post COVID-19 Australia requires government that is there for everyone

## Rebuilding the economy and reconstructing the services we rely on

The economic challenge facing Australia is not to just repair the damage of the pandemic.

Australia's economy was in serious trouble before the pandemic - stagnant wages, increasing household debt, declining consumer demand and business investment, and record low interest rates.

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

A return to normal is not an option – as 'normal' was not working for our nation.

The challenge is to build a COVID-19 response that repairs the pandemic damage by addressing the big problems in the economy that are affecting our community. It demands government that can see us through crises and is there for everyone.

Therefore, the post-COVID reconstruction, led by government, must prioritise secure employment. The RBA predicts unemployment will remain above pre-COVID levels until at least 2022 if not beyond.<sup>12</sup> The impact of the recession could last for up to a decade.<sup>13</sup>

We need to be prepared for this scenario. Our members in Services Australia have been critical to the national response, but we know they are understaffed and overworked at the best of times and increased workloads will not return to pre-COVID-19 levels. More permanent, public sector staff are required.

Targeted groups such as younger and older Australians will need greater government assistance. This recession will be worse than the early 1990s recession that resulted in many people in their 40s and 50s, primarily men, never working again.<sup>14</sup> Young people will be hit the hardest by the COVID-19 recession, made worse by the fact that employment outcomes for younger Australians not having recovered since the Global Financial Crisis.<sup>15</sup>

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12 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>

13 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>

14 Greg Jericho (2015, 9 September). What will happen to our jobs if a recession hits? ABC The Drum. Retrieved from <https://www.abc.net.au/news/2015-09-09/jericho-what-will-happen-to-our-jobs-if-a-recession-hits/6760276>

15 Jeff Borland (2020, 15 April). The next employment challenge from coronavirus: how to help the young. The Conversation. Retrieved from <https://theconversation.com/the-next-employment-challenge-from-coronavirus-how-to-help-the-young-135676>

Government can provide secure work and address existing pressures by increasing the permanent, public sector workforce. The APS can provide job and training certainty for target groups via alternative pathways such as apprenticeships and cadetships.

Along with secure work, wages growth will be fundamental to rebuilding the economy.

Wages cuts and wage freezes will only damage the rebuild and risk worsening the economy.

Government should work with unions and employers to establish annual wage growth targets to help get wages growth moving again.

## **A social security system that is accessible and supports employment**

Our current social security and 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.

A more holistic approach is needed. All aspects of the social security system – payment levels, services, the support provided, reporting requirements and resourcing, must be reoriented to the reality of the post-COVID labour market where the number of individuals on income support has increased by nearly 70% to over 1.2 million in two months.<sup>16</sup>

A liveable rate of income support is a necessity. Our members have told us the previous base rate did not allow people to maintain a standard of living the community would find acceptable, nor did it enable them to search for employment. They have told us about their deep concern about the level of desperation they see in community members because the rate was too low to support their basic needs. The JobSeeker rate of \$550 per week needs to be maintained permanently and extended to Disability Support Pension recipients. The increase was modest by global standards and lifted Australia from the very bottom of income replacement rates.<sup>17</sup>

The punitive approach to social security also needs to end. Currently mutual obligation redirects resources that could be better used providing universal access to services. The previous repeated deferral of mutual obligation requirements and the default allocation of any new jobseekers to the digital employment services are because these processes are resource intensive with little actual benefit for job seekers. It needs to be overhauled.

A social security system that works for Australians will require properly resourcing Services Australia and better integration with the current privatised employment services network. The current model of employment service delivery works against this. To date, Australia is the only country that has outsourced the entire delivery of its

16 Data.gov.au (2020, 15 May). JobSeeker Payment and Youth Allowance recipients - monthly profile - April 2020. Retrieved from <https://data.gov.au/dataset/ds-dga-728daa75-06e8-442d-931c-93ecc6a57880/details?q=jobseeker>

17 Bruce Bradbury and Peter Whiteford (2020, 26 March). Australia's (temporary) welfare catch-up. Inside Story. Retrieved from <https://insidestory.org.au/australias-temporary-welfare-catchup/>

publicly funded employment services.<sup>18</sup> 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.<sup>19</sup> The labour market circumstances we now face will require a comprehensive overhaul of this sector, with a greater role for the Commonwealth in direct service delivery, working in collaboration with a revised community sector model.

## **A fairer, post-carbon Australia that leaves no one behind**

A post-COVID reconstruction for everyone must address existing inequalities that have been exacerbated. Regional Australia needs to be prioritised because of its higher average unemployment rates and growing spatial inequality. Droughts and bushfires have made this an even more urgent problem. Job losses from the APS should be reversed, and new roles should be located in regional centres, where possible, because of the economic benefit of secure public sector work.

The provision of secure work can be combined with addressing the big economic challenge of climate change. Our comparative advantages mean that our response to climate change can provide many economic opportunities for Australia if regions are supported by governments. A greater role for the public sector in enabling place-based programs and supporting science and innovation will be key to advancing that.

Our response to this crisis must not leave people out. Government will need to play a large role through long-term commitments to invest physical, social and institutional infrastructure and Research and Development. We need to strengthen our public sector capacity to be prepared for both the existing and unexpected policy challenges the country faces and leave no one behind.

## **An economic recovery that delivers for women**

The economic response and policy announcements by Government to date focus substantially on major infrastructure and construction projects. While these are important initiatives, Government and policy responses must also deliver for women. While there are growing numbers of women in construction, they are still a minority.

We know from ABS data that women have been most impacted by job losses. To date, there has been a greater decline in payroll jobs for women than men.<sup>20</sup>

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18 Dr Matthew Thomas (2019, July). Reforming employment services. Parliamentary Library. Retrieved from [https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/pubs/BriefingBook46p/EmploymentServices](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook46p/EmploymentServices)

19 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-work>

20 Australian Bureau of Statistics (2020, 15 May). 6160.0.55.001 - Weekly Payroll Jobs and Wages in Australia, Week ending 2 May 2020. Retrieved from <https://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/6160.0.55.001Main%20Features3Week%20ending%202%20May%202020?opendocument&tabname=Summary&prodno=6160.0.55.001&issue=Week%20ending%202%20May%202020&num=&view=>

Accordingly, government and policy responses must focus on how to create jobs for women. The creation of additional public sector jobs is one direct policy response that can be taken by the Commonwealth Government. The most recent data indicates that 59.7% of the APS workforce are women,<sup>21</sup> highlighting that the public sector provides good employment opportunities for women.

## Lessons from COVID-19

Australia's response to the COVID-19 crisis has relied on the public sector, across all areas and levels of government. The public sector brings skills, service delivery capacity and collectively years and years of experience – all of which are essential in these times. We don't yet know what the ongoing fallout from COVID-19 will look like, but it has become clearer than ever that we need our public service to build and maintain its internal capacity so that we can respond to whatever unpredicted and complex challenges arise.

Essentially, what we have learned from COVID-19 is that at times of great stress and upheaval, there is no alternative to the work that government does. As we come through the immediate aftermath of the current crisis, we will need to build the public sector by:

- Building policy skills and knowledge so that we can plan and prepare for the future.
- Ensuring that public sector work is secure and done in-house, so we can retain the experience and skills we need at times like this.
- Preventing further cuts to the public sector.
- And investing in public ICT skills and infrastructure so that our systems can cope.

## Building policy skills to protect the interests of Australians

To date, Australia has weathered the COVID-19 pandemic better than many other nations, due in a large part to the skills and commitment of public sector staff. The public sector has rolled out massive programs under incredible pressure, and in spite of cuts that observers including former Secretary of the Department of Prime Minister and Cabinet (PM&C) Terry Moran have criticised as having undermined the service.<sup>22</sup>

When under-resourcing and under-preparation mean that programs do not roll out smoothly enough or quickly enough, the people hurt are the community – those waiting outside Centrelink or trying to access JobKeeper. This is why our ambition, and the commitments we make to the community, must be matched by resources. Public servants at all levels of government everywhere across the country have risen to the occasion, many working under more pressure than they ever have before. Continuing

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21 Australian Public Service Commission (2020). APS Employment Data 31 December 2019 release. Retrieved from <https://www.apsc.gov.au/section-3-diversity-0>

22 Adrian Rollins (2019, 24 December). Terry Moran Says Chronic Underinvestment Rendered Public Service 'Impotent'. Canberra Times. Retrieved from <https://www.canberratimes.com.au/story/6552548/chronic-underinvestment-rendered-public-service-impotent-former-aps-boss/>.

down the path of reduced capacity increases the risk that our response to the next crisis may not be as effective. This is a risk that we must not gamble on.

To be better prepared for the next crisis – and there will be one – Australia needs to increase its capacity to do long-term contingency planning to make sure we are crisis ready. We also need to better recognise the skills we already have. This requires investing heavily in a highly skilled public sector workforce that can develop policy options, make assessments about risk, and devise mitigation plans. It also means we need to ensure the structures and culture are in place to make best use of these resources. We must build on the organisational knowledge that has developed during this crisis.

The most recent data indicates that only 5% of APS employees work in strategic policy roles that provide advice to the Commonwealth;<sup>23</sup> The Government's heavy reliance on expensive consultancies is well known.<sup>24</sup>

The Independent Review of the APS identified that there were a range of skills shortages including in research, and policy.<sup>25</sup> In-house capacity needs to be rebuilt with less reliance on contractors and consultants to protect the public interest. A crucial part of this project is to recognise and respect the skills we already have. We know from our members that, too often, the community's money is spent on expensive consultants, not because the work is impossible to do in-house, but because there is a tacit preference for privatised rather than public policy advice – or a lack of awareness of the skills and capacities of existing staff.

Among all contracts awarded under consultancy category, the 'need for specialised or professional skills' has consistently been the reason reported as relating to the majority of the total contract value each year with a significant increase since 2013-14.<sup>26</sup>

It has driven increased spending on consultancies which has grown each year over the last five years. Consultancy contracts reported in 2018–19 totalled \$647.0 million.<sup>27</sup> It has been a steady growth in spending on consultancy, in line with the imposition of the Average Staffing Level cap. The amount is likely to be even greater given issues with the accuracy of the 'consultancy flag' in AusTender.<sup>28</sup>

The ANAO has also provided evidence that there has been a growing concentration amongst consulting firms, particularly in the last two financial years. An ANAO analysis showed that the big four were by far the largest suppliers by value of contracts for the largest six advisory and consultation categories over the period 2012-13 to 2016-17.

23 Job families data from December 2019 APS Employment Data Release

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

25 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>

26 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>

27 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>

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



KPMG had 539, PwC had 367, Ernst and Young had 303 and Deloitte had 364. The next largest was Microsoft at 95.<sup>29</sup> The analysis includes all contracts with those suppliers, irrespective of whether they have been flagged as a consultancy contract.<sup>30</sup> The extent of the concentration is worse in Australia. Stuart Kells, co-author of a book titled 'The Big Four' has described the dominance of the Big Four in Australia as "proportionally larger to anywhere else" in the world.<sup>31</sup> Such a level of concentration is not in the public interest.

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.<sup>32</sup> An estimated 18% of the consulting market consists of public sector expenditure<sup>33</sup> and the big four all enjoyed expansion of over 20% between 2016 and 2018.<sup>34</sup> This is of little surprise as CPSU notes that an analysis of Ernst and Young's revenues also showed that margins are almost 50% for consulting work.<sup>35</sup>

The significant growth, due to public sector spending on consultants, has been confirmed by the big four themselves. Evidence was provided to a *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%.<sup>36</sup>
- 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.<sup>37</sup>
- KPMG revealed it had approximately 500 staff in Canberra.<sup>38</sup>
- PwC informed the JCPAA that its Canberra office grew from 232 to 341 or 47% between 2013 and 2018.<sup>39</sup>

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

30 <https://www.anao.gov.au/work/information/australian-government-procurement-contract-reporting-update-2019>

31 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>

32 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>

33 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>

34 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>

35 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>

36 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>

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

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

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



Furthermore, Deloitte revealed it made \$116m from government contracts in 2018, up from \$41 million in 2013 or 179%.<sup>40</sup>

Funds to reinvest in policy capacity can be generated from capping Commonwealth spending on consultants. It should be noted that an annual, whole-of-government cap on internal and external ICT spending recommended by the ICT Procurement Taskforce was accepted.<sup>41</sup> A service-wide market share cap on Commonwealth consultancy spending for the big four would also assist in driving competition.

The capping of consultant expenditure is far from a radical idea. The NSW Government imposed a maximum daily fee for consultants<sup>42</sup> and a tiered cap on ICT consulting fees.<sup>43</sup> Because of the NSW cap, Services Australia was paying 53% more than the maximum rate for NSW Government.<sup>44</sup>

## Secure, in-house work is important

The COVID-19 pandemic has shown that insecure work arrangements have massive health and economic implications. By outsourcing work to providers that are built on insecure workforces, Government has abrogated itself of responsibilities and increased risks for the health of local communities, agency capacity and the economy. Any post-COVID rebuild has to be based on increasing secure employment.

## Insecure work is a health and safety issue for the whole community

COVID-19 has shown that insecure work is a risk to the health and safety of Australians. Well before this crisis, the CPSU's most recent 2019-20 What Women Want survey found that over four in five women went to work while sick over the last twelve months. One in five stated the reason why was because they did not have enough paid sick leave remaining and a quarter stated it was because of onerous medical certificate requirements.<sup>45</sup> This highlights the health and safety risk that a lack of access to paid sick leave and onerous requirements are. While the CPSU was able to obtain sick leave for casuals in the APS,<sup>46</sup> labour hire and outsourced workforces such as the thousands of people working in privatised call centres, doing core APS work, do not have the same access to leave which could present a risk to the community.

40 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>

41 Competition & Markets Authority (2019, 18 April) Statutory audit services market study - Final report. UK Government. Retrieved from [https://assets.publishing.service.gov.uk/media/5d03667d40f0b609ad3158c3/audit\\_final\\_report\\_02.pdf](https://assets.publishing.service.gov.uk/media/5d03667d40f0b609ad3158c3/audit_final_report_02.pdf)

42 Edmund Tadros (2019, September 3). Revealed: The maximum rates NSW will pay for consultants. Australian Financial Review. Retrieved from <https://www.afr.com/companies/professional-services/revealed-the-maximum-rates-nsw-will-pay-for-consultants-20190829-p52luq>

43 <https://www.itnews.com.au/news/nsw-govt-fee-cap-on-it-consultants-to-bite-from-march-538484>

44 Edmund Tadros and Tom McIlroy (2019, 5 September). KPMG charges federal government up to 50pc more than NSW government. Australian Financial Review. Retrieved from <https://www.afr.com/companies/professional-services/kpmg-charges-federal-government-up-to-50pc-more-than-nsw-government-20190829-p52lvi>

45 Community and Public Sector Union (2020). 2019-20 What Women Want survey report. Retrieved from [https://www.cpsu.org.au/system/files/what\\_women\\_want\\_survey\\_report\\_201920\\_web.pdf](https://www.cpsu.org.au/system/files/what_women_want_survey_report_201920_web.pdf)

46 Community and Public Sector Union (2020, 17 March). Union wins paid COVID-19 leave for casuals. Retrieved from <https://www.cpsu.org.au/content/union-wins-paid-covid-19-leave-casuals>

The CPSU raised serious concerns about health and safety risks and social distancing at outsourced contact centre providers that do work for the APS directly with those organisations and also with relevant Ministers.<sup>47</sup> After being continually frustrated by the failure of one provider in particular to acknowledge and work with us on these matters, the CPSU was forced to seek the assistance of the Deputy Chief Medical Officer (DCMO) for guidance on our members' issues of concern.<sup>48</sup> The DCMO assistance was invaluable in confirming that our concerns were valid and in that particular organisation moving much more quickly on CPSU member concerns, but there are ongoing issues. However, it should not have taken that long or that much effort to have workers undertaking work for the government to be provided with a workplace setting that followed the Government's public health advice.

It raises questions as to what other risks are being ignored due to the perceived financial cost or because the Government is abrogating its responsibilities to the people doing this work because they are not direct employees. The Government to date has ignored these concerns and ignored CPSU calls to ensure that contracted providers address the public health risk to local communities, and instead has left its outsourced providers free to take risks with our lives.

### **Insecure work reduces agency capacity**

The growing use of outsourcing erodes APS capacity and diverts funds from building public sector capacity and knowledge to profits for multinational corporations. The corporate knowledge and skills gained as a result of this crisis need to be kept within the APS. It means a reduction in the reliance on labour hire, contract call centres and consultants to do core work.

The privatisation of Services Australia through the use of outsourced call centres and labour hire for core work has slowed down the capacity of the agency. Contract management and the need to co-ordinate across multiple providers slows the ability to respond to crises.

The staffing cap combined with cuts has also created a vicious cycle where the agency does not have the additional capacity or internal flexibility to respond to changing circumstances. Between December 2013 and December 2019, the total number of Department of Human Services (now Services Australia) employees declined by 4,274 or 12.4% from 34,395 in December 2013 to 30,121 in December 2019. At the same time, there has been steady privatisation of functions, the explosion of labour hire and casual staff driven by the lack of internal capacity. The CPSU estimates there are now nearly ten thousand outsourced workers or approximately one in four of the total Services Australia workforce since the COVID-19 crisis began.<sup>49</sup> This includes:

47 Community and Public Sector Union (2020, 3 April). COVID-19 Update. Retrieved from <https://www.cpsu.org.au/news/cpsu-covid-19-update>

48 Community and Public Sector Union (2020, 29 April). Stellar Members. Retrieved from <https://www.cpsu.org.au/news/stellar-members>

49 Rebecca Skinner (2020, 30 April). 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=COMMITTEE\\_S;id=committees%2Fcommsen%2Fb0812db7-cb32-44e2-b624-15b7913cf122%2F0001;query=Id%3A%22committees%2Fcommsen%2Fb0812db7-cb32-44e2-b624-15b7913cf122%2F0000%22](https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=COMMITTEE_S;id=committees%2Fcommsen%2Fb0812db7-cb32-44e2-b624-15b7913cf122%2F0001;query=Id%3A%22committees%2Fcommsen%2Fb0812db7-cb32-44e2-b624-15b7913cf122%2F0000%22)

- COVID-related increase of 3,125 labour hire employees and 2,103 employees through “service delivery partners” such as Datacom and Serco
- 1,612 existing labour hire staff as at January 2020.
- 2,750 in Serco outsourced call centres based on previous announcements by Government.

Services Australia becomes more reliant on contract call centres because it is not allowed to hire additional APS staff. It meant that Services Australia relied on ramping up insecure work through an increasing number of casual staff, third party labour hire arrangements and contract call centres that place workplaces at risk because of a lack of social distancing and a lack of sick leave.

Multinational firms have large government contracts for labour hire and contract call centres. More than \$400m was spent on the privatising of Services Australia call centres, with Stellar Asia Pacific the largest beneficiary with a \$135m contract, followed by Concentrix Services (\$132m), Datacom Connect (\$120m) and Serco Citizen Services (\$36m).<sup>50</sup> Services Australia, however, is not the only agency that uses outsourced call centres or labour hire.

The ATO submission to the JCPAA inquiry revealed the annual spend for outsourced services was \$216.31m in 2016-17, up from \$75.45m in 2012-13.<sup>51</sup> The ATO has previously stated that work undertaken under the outsourced contact centre services contracts is equivalent to the APS1, 2 and 3 levels across telephony, processing, debt, social media and webchat workloads. Approximately 70% of all inbound calls to the ATO are now answered by private providers.

The ATO is also a significant user of labour hire. The ATO submission to the Joint Committee of Public Accounts and Audit (JCPAA) inquiry into Government Contracting revealed a significant increase in spending on labour hire from \$9.44m in 2014-15 to \$44.32m in 2016-17. The ATO also provided to the JCPAA a list of top five companies (by expenditure) engaged to provide labour hire.<sup>52</sup>

The NDIA is another large user. It spent over \$430m on contractors and labour hire firms in 2018, up from \$300m in 2017.<sup>53</sup> Over two-thirds of contracts were valued at \$50 million or more and were with labour hire providers. The amount spent on external staff exceeded pay for directly employed staff in 2017-18, however there were fewer external staff than ongoing staff.<sup>54</sup> This cost difference represents the profit margin for private companies.

50 Sarah Martin (2019, 10 July). Coalition's \$1bn welfare outsourcing accused of hurting vulnerable Australians. Guardian Australia. Retrieved from <https://www.theguardian.com/australia-news/2019/jul/10/coalitions-1bn-welfare-outsourcing-accused-of-hurting-vulnerable-australians>

51 Australian Taxation Office (2018, February) Submission Inquiry based on ANAO Report No.19 (2017-18) Australian Government Procurement Contract Reporting. Retrieved from [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Public\\_Accounts\\_and\\_Audit/AGReport19/Submissions](https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/AGReport19/Submissions)

52 Australian Taxation Office (2018, February). Submission Inquiry based on ANAO Report No.19 (2017-18) Australian Government Procurement Contract Reporting. Retrieved from [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Public\\_Accounts\\_and\\_Audit/AGReport19/Submissions](https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/AGReport19/Submissions)

53 Rick Morton (2019, 14 March). NDIA spent \$430m on contractors last year. The Australian. Retrieved from <https://www.theaustralian.com.au/nation/politics/ndia-spent-430m-on-contractors-last-year/news-story/7e9324344b32a1ae52f8610e5a53b26c>

54 National Disability Insurance Agency (2018). 2017-18 Annual Report. p.90

The full extent of APS outsourcing is unknown as there is no service-wide figure on the number of contractors, consultants and labour hire employees. Neither the APSC nor the Department of Finance collects that information. The most recent analysis was done by the ANAO in 2007 which indicated it was 11 per cent.<sup>55</sup> The CPSU's most recent conservative estimate is over 28,000 due to further increases in response to COVID-19. This estimate does not include a planned 7,000 NDIA roles that were outsourced prior to their creation.<sup>56</sup>

The extensive use of private labour hire companies is costing the taxpayer a significant amount. Agencies in effect pay staff wages and then also a premium to the labour hire company.

The ASL cap has led to perverse situations where agencies hire external staff even though it is cheaper to directly hire. In May 2018 Senate Estimates, the Secretary of DHS stated that *"the ASL cap has, more visibly...had us moving to labour hire and contractors. This is what our principle response has been to a reduction in the ASL cap, that 'it's not about the money' and that while they 'can engage a workforce. They just can't all be the APS workforce.'"*<sup>57</sup>

The exact cost of external engagements across the APS is not known, however, the Department of Infrastructure and Regional Development suggests it costs 40% more than permanent staff.<sup>58</sup> The ABS has also stated that ICT contractors cost approximately double that of APS ICT staff and that non-ICT contractors cost *"approximately 125-150% of internal staff, this excludes recruitment fee."*<sup>59</sup>

The Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS) told the APS Review that *"the ASL cap is blind to funding levels and operational requirements, forcing the Institute to rely on external contractors to deliver on core functions."* It was funded for additional staff in recognition of urgent requirements but the ASL cap resulted in staffing costs being 25% more, reducing the number of funded additional positions by 14.<sup>60</sup> Another example is the CDPP which revealed to Senate Estimates that labour hire workers are costing the agency more and they are being paid less than if staff were directly engaged.<sup>61</sup>

55 Australian National Audit Office (2007, 26 June). Non-APS Workers. Commonwealth of Australia. Retrieved from <https://www.anao.gov.au/work/performance-audit/non-aps-workers>

56 Luke Bo'sher (2015, 15 September). 7,000 NDIA jobs to be outsourced. Disability Consulting Services [http://www.disabilityservicesconsulting.com.au/resources/7000-ndia-jobs-to-be-outsourced/#\\_edn2](http://www.disabilityservicesconsulting.com.au/resources/7000-ndia-jobs-to-be-outsourced/#_edn2)

57 Senate of Australia (2018, 31 May). Senate Estimates Hansard. Community Affairs Legislation Committee. Retrieved from [https://parlinfo.aph.gov.au/parlInfo/download/committees/estimate/eec6a8f1-44e9-43cd-9b53-da574b2623d5/toc\\_pdf/Community%20Affairs%20Legislation%20Committee\\_2018\\_05\\_31\\_6174\\_Official.pdf;fileType=application%2Fpdf](https://parlinfo.aph.gov.au/parlInfo/download/committees/estimate/eec6a8f1-44e9-43cd-9b53-da574b2623d5/toc_pdf/Community%20Affairs%20Legislation%20Committee_2018_05_31_6174_Official.pdf;fileType=application%2Fpdf)

58 Department of Infrastructure, Regional Development and Cities (2018). Submission to the Australian Public Service Review. Retrieved from <https://uploadstorage.blob.core.windows.net/submission-uploads/fil03f37a05e11f3cd92959e.pdf>

59 <https://www.aph.gov.au/DocumentStore.ashx?id=90a39e57-a638-46cb-be00-e9cb9753a461&subId=563837>

60 Australian Institute of Aboriginal and Torres Strait Islander Studies (2018). Submission to the Australian Public Service Review

61 Senate of Australia. (2017, 18 August). Senate Estimates. Legal and Constitutional Affairs Legislation Committee. Retrieved from <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=COMMITTEES;id=committees%2Festimate%2F3ee2a9e9-d718-457a-bb19-af1a1fcea8f0%2F0007;query=id%3A%22committees%2Festimate%2F3ee2a9e9-d718-457a-bb19-af1a1fcea8f0%2F0000%22>

Central agencies are well aware of this, PM&C recognising the impact of the ASL cap, stating that *“through removing ASL caps, agencies may have greater flexibility to recruit specialist staff at a reduced cost.”*<sup>62</sup>

Much greater transparency around the spending on contractors and consultants is required to ensure that scarce public funds are not going to multinationals that avoid tax that could be much better used on building public sector capacity.

It seems that a number of additional contracts have been very quickly awarded, or existing contracts significantly ramped up, through this crisis. It is important to the integrity of our contract management that there is transparency in the reporting of this and an analysis of the outcomes achieved. The CPSU recommends that the committee requests detailed information on additional spending, what contract variations were required, and how many APS staff required to manage those contracts to identify resources that would be better spent on frontline APS capacity.

## **Economic benefit of secure work**

COVID-19 has also shown how problematic the casualisation of the Australian workforce is. The APS is not exempt with more than one in ten employees non-ongoing and a larger cohort of contractors and labour hire workers.

Many families have relied on the permanent, secure employment provided by the public sector. A quarter (26%) of Services Australia staff surveyed stated they are now the sole breadwinner in their family as a result of the COVID-19 pandemic, highlighting the importance of public sector jobs as an economic anchor for communities in these uncertain times.

The use of insecure work by the public sector drives down wages. Labour hire staff and staff working under outsourcing operations are doing the same work as APS employees, often side by side. But rather than enjoying the pay and conditions of the enterprise agreement, these workers are generally award-dependent and treated differently, with worse conditions. For example:

- An outsourced Serco worker doing Services Australia work earns, on average, \$17,500 less than a permanent APS3 employee but they cost taxpayers around \$10,000 per year more.
- Call centre workers in Stellar, another provider of call centre services to Services Australia get as little as \$20 per hour, less than McDonald's workers.

The outsourced providers also appear to be increasing their profit margin by paying the workers less and by classifying the workers at the lowest possible payrate. For example, the for-profit call centres undertaking Services Australia work seem to be hiring a substantial number of staff at the trainee level. New starters doing this work for the Department would be engaged at an APS 3 rate. A Customer Contact Trainee under the Contract Call Centres Award 2010 gets paid nearly \$19,000 per year less than the minimum an APS 3 employee is paid. Instead of money going into the pockets of lower

<sup>62</sup> Department of Prime Minister and Cabinet (2018). Australian Government Contract Reporting - Inquiry based on Auditor-General's report No. 19 (2017-18) - Submission 18



paid workers to spent in local economies that creates more local jobs, it is going to the profit margins of multinational corporations

In the current environment, the Commonwealth should be doing all it can to shore up household incomes to strengthen local economies. There should be a clear statement from the Commonwealth that there will be no job losses into the forward estimates and instead, there should be the employment of additional staff to significantly reduce waiting times for government services (Services Australia customer service, NDIA planning) below COVID-19 KPI levels.

The Commonwealth can start addressing this problem of insecure work by reversing job cuts and bringing roles in-house by converting labour hire, contract and casual jobs to permanent APS jobs. More secure jobs that lift wages from award to enterprise agreement will provide a stimulus that will help local economies that are struggling because of lagging consumer demand. This would be beneficial, increasing incomes that will have a good multiplier effect, particularly in regional communities. The economic impact is not going to be for six months and we should stop treating it as a temporary blip.

As recommended by the Jobs for the Future in Regional Australia Senate inquiry, the Commonwealth should reduce its reliance on contractors and labour hire and divert this funding to create these permanent public services jobs in regional areas.<sup>63</sup>

## Further cuts would be a risk to Australia

At a time when we need an enlarged remit for the public sector to be prepared in uncertain times, it would be irresponsible to seek to cut the public sector. Yet policy settings in place and a return to an unhealthy obsession with paying back debt, risk doing this at the worst possible time. The ongoing efficiency dividend and staffing caps are a threat to the ability of the APS to respond to future likely crises and enable Australians to continue with their lives. Cutting the public sector at this time will worsen the economic impact of the crisis and undermine our rebuild.

## Efficiency dividend

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. In 2021-22, the extended efficiency dividend will take an additional \$375.8m from the public service. The Parliamentary Budget Office (PBO) has calculated the cumulative medium-term financial impact of the extended efficiency dividend is a \$4.9 billion permanent reduction in the level of departmental funding for affected Commonwealth entities.<sup>64</sup> The majority of the efficiency dividend cuts fall on staffing. Approximately 55

63 Senate of Australia (2019, December). Report. Select Committee into Jobs for the Future in Regional Areas. Retrieved from [https://parlinfo.aph.gov.au/parlInfo/download/committees/reportsen/024352/toc\\_pdf/Report.pdf;fileType=application%2Fpdf](https://parlinfo.aph.gov.au/parlInfo/download/committees/reportsen/024352/toc_pdf/Report.pdf;fileType=application%2Fpdf)

64 Parliamentary Budget Office (2019, June) 2019 Post-election report of election commitments: Appendix D - Costing Document for the Coalition's Election Commitments. Retrieved from <https://www.aph.gov.au/~media/05%20About%20Parliament/54%20Parliamentary%20Depts/548%20Parliamentary%20Budget%20Office/2019%20General%20election/2019%20Post-election%20report/Appendix%20D%20-%20Costing%20documentation%20for%20the%20Coalition%20s%20election%20commitments.pdf?la=en>

per cent of the efficiency dividend is met by reducing staffing costs.<sup>65</sup> The CPSU has calculated that the 2019 extension of the efficiency dividend will lead to approximately 3,067 job cuts.

The constant use of increased efficiency dividends, to achieve quick and dirty savings has significantly impacted on the capacity of the public service since it was originally introduced in the 1987-88 Budget as an annual 1.25 per cent reduction to agencies' departmental funding.<sup>66</sup> Since 2007-08, increases in the efficiency dividend above its base rate of 1% has cumulatively cut an additional \$7.924 billion from the Commonwealth public sector.<sup>67</sup>

The detrimental impact of the efficiency dividend and its questionable ability to deliver actual efficiencies has been highlighted by numerous government reports. The Department of Finance and Deregulation's 'Report of the Review of Measures of Agency Efficiency' noted that *"...the efficiency dividend promotes efficiency only indirectly, by creating a budget pressure for agencies, and probably creates an incentive for budgetary gaming"* and it had an impact on the quality of government services, stating it *"more likely to lead to reductions in output and quality."*<sup>68</sup> Even the National Commission of Audit has acknowledged that the efficiency dividend has problems, noting that efficiency dividends are *"particularly 'blunt instrument' to achieve budgetary savings"* that it *"reduces funding to both areas of high priority and areas of low priority; to areas already operating efficiently, and to areas where there could be significant efficiency gains."*<sup>69</sup>

The CPSU has significant concerns that the government may even seek to further extend or increase the efficiency dividend to achieve quick and dirty savings. This needs to be ruled out and the Government should work with the CPSU to end the efficiency dividend

## Staffing cap

In the 2015-16 Budget, the Coalition committed to capping the size of the APS around or below 2006-07 levels (167,596)<sup>70</sup>. This has meant that regardless of funding levels or operational requirements, agencies are forced to have a maximum Average Staffing Level.

Combined with the impact of efficiency dividends, it has resulted in staffing cuts to the APS over many years that have run down its capacity. The APS headcount declined by 17,870 or by 11% from 162,574 in December 2013 to 144,704 in December 2019.

65 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>

66 Joint Committee of Public Accounts and Audit (2008, 4 December). The Efficiency Dividend: Size Does Matter. House of Representatives. Retrieved from [https://www.aph.gov.au/Parliamentary\\_Business/Committees/House\\_of\\_Representatives\\_Committees?url=jcpaa/efficdiv/report.htm](https://www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=jcpaa/efficdiv/report.htm)

67 Community and Public Sector Union, 'Inquiry into the National Integrity Commission Bill', p.4.

68 Joint Committee of Public Accounts and Audit (2008, 4 December). The Efficiency Dividend: Size Does Matter. House of Representatives. Retrieved from [https://www.aph.gov.au/Parliamentary\\_Business/Committees/House\\_of\\_Representatives\\_Committees?url=jcpaa/efficdiv/report.htm](https://www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=jcpaa/efficdiv/report.htm)

69 National Commission of Audit, Towards Responsible Government: The Report of the National Commission of Audit – Phase Two, 31 March 2014, <http://www.ncoa.gov.au/report/phase-two/part-c/4-4-implications.html>

70 Australian Government (2016, May). 2016-17 Budget, Budget Paper No.4 Part 2: Staffing of Agencies. Retrieved from [http://budget.gov.au/2016-17/content/bp4/html/09\\_staff.htm](http://budget.gov.au/2016-17/content/bp4/html/09_staff.htm)



The decline has not simply occurred in Canberra or state capitals but also in regional locations too. The APS headcount in regional Australia declined by 1,694 or 7.6% from 21,966 to 20,272. The decline is much larger when you take the creation of the NDIA and the location of its headquarter in Geelong into account.<sup>71</sup> These staffing figures do not include the growth in outsourcing used by the APS as a result of the ASL cap.

The APS Review identified the ASL cap and outsourcing as reasons for declining capability across the APS.<sup>72</sup>

The cap made it difficult to retain some functions or maintain them at the same size and strength as in the past. The effect of the cap is that while agencies have the funding to hire staff, the cap is forcing them to avoid any direct employment of staff and instead engage casuals, hire contractors and use labour hire to do work that would normally be performed by permanent APS employees. Contractors, consultants and labour hire workers are increasingly doing core work that used to be done by APS employees.

This is in stark contrast to other jurisdictions, for example, Queensland that limit outsourcing of functions currently provided in-house other than in circumstances where:

- actual shortages exist in appropriately skilled in-house staff;
- there is a lack of available infrastructure capital or funds to meet the cost of providing new technology; or
- it can clearly be demonstrated that it is in the public interest that services should be contracted-out.<sup>73</sup>

Austerity puts this all at risk and will leave us unprepared for the next crisis which could be another pandemic, natural disaster or financial crisis. This economic crisis is far from over, the experience of the Global Financial Crisis, which was followed by the Eurozone crisis, shows the interlinked nature of the global economy means a new, related crisis can emerge years later.

## ICT matters

### Prioritising “savings” over building capacity

Work health and safety was put at risk because a lack of internal ICT capacity meant the APS was slow to start working from home. Agencies were dragging their heels on the shift to working from home; it not being until the end of March that a clear

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71 Calculations based on APSC Employment Data Releases

72 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>

73 Department of Premier and Cabinet (2016, August). Queensland Government Policy on the Contracting-out of Services. Retrieved from <https://www.forgov.qld.gov.au/documents/policy/contracting-out-services-policy>

policy for APS employees to work from home was released.<sup>74</sup> Figures now indicate that approximately 57 per cent of staff are currently working from home.<sup>75</sup>

PM&C has noted that *“Across the board, the large-scale and rapid transition of the APS workforce to working from home arrangements has necessitated widespread upgrade to systems and intensive workloads for IT and other corporate areas of departments and agencies...”* and that *“the situation has highlighted the importance of regular investment in, and maintenance of, IT assets and systems, particularly in relation to remote access.”*<sup>76</sup>

The lack of ICT capacity was a result of governments prioritising achieving savings from the public sector rather than investing in building capacity. The CPSU has been critical of the approach that constantly attempts to identify savings before they have been realised, or, even worse, to return savings earmarked for reinvestment to consolidated revenue. This current approach towards funding for the APS is not working for the community and the public the APS serves. Such behaviours are counterproductive and have major implications for service delivery, staffing numbers and workloads. The experience around the Gershon Review into the Commonwealth’s use of ICT is instructive in this regard.

Nearly half a billion (\$447.5 million) in funding quarantined to implement the Gershon Review recommendations was reclaimed prior to the implementation of the initiatives to improve ICT capacity.<sup>77</sup> The Reinecke Review identified that the Gershon initiatives would have resulted in savings on ICT budgets totalling \$1 billion over four years.<sup>78</sup>

## Public sector ICT capacity is nation-building

COVID-19 has shown the importance of digital capacity for the delivery of and the basic functioning of public services Australians rely on.

The Government has a clear commitment to ‘digital by default’, to ensure all services are accessible digitally by 2025. If it is genuinely committed to ensuring equitable and quality access for all Australians, it will require investing both in ICT infrastructure and in-house capacity for APS staff and citizens. However, public services will always require personal interaction for some clients and in some circumstances. Channel of choice must remain an option for the community. Flexibility for government in service delivery options is also important to enable them to prioritise one form of service delivery over another to deal with the different circumstances of a crisis response. For example, the COVID-19 crisis required action to minimise face to face contact. During other crises

74 Anne Davies (2020, 29 March) Australian federal public servants finally told they can work from home during coronavirus crisis. Guardian Australia. Retrieved from <https://www.theguardian.com/world/2020/mar/29/australian-federal-public-servants-finally-told-they-can-work-from-home-during-coronavirus-crisis>

75 Department of Prime Minister and Cabinet (2020, 12 May). Senate Select Committee on COVID-19 Whole-of-Government Submission. Retrieved from <https://www.aph.gov.au/DocumentStore.ashx?id=34176972-783f-44d5-820d-087bb8051cda&subId=680501>

76 Department of Prime Minister and Cabinet (2020, 12 May). Senate Select Committee on COVID-19 Whole-of-Government Submission. Retrieved from <https://www.aph.gov.au/DocumentStore.ashx?id=34176972-783f-44d5-820d-087bb8051cda&subId=680501>

77 Election Commitment Costings (2010, 2 August). Federal Election 2010 - “Remove Funding Quarantined under the Gershon Reforms for ICT Spending across Government”. Retrieved from <http://electioncostings.gov.au/2010/08/02/gov23-remove-funding-quarantined-under-the-gershon-reforms-for-ict-spending-across-government/>

78 Dr Ian Reinecke (2010, June). Independent Review of Implementation of the ICT Reform Program. Retrieved from <https://www.finance.gov.au/publications/review-implementation-ict-reform-program>

such as natural disasters and when communications systems are challenged, greater face to face servicing is required.

And as we have seen with the robodebt debacle, Governments ignore the involvement of staff and community in automated services at great risk.

Members constantly report slow systems that affect their ability to work. A major upgrade in APS ICT capacity is needed to ensure citizens get better and quicker services and to support the productivity improvements possible when staff have better tools to get more done. This also creates improved career opportunities for ICT professionals in the APS.

Prior to the COVID-19 pandemic, the APS was to conduct an urgent audit of government ICT capability that would inform a longer-term ICT blueprint.<sup>79</sup> 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.<sup>80</sup> The Review estimated that investment of at least \$1 billion a year would be needed.<sup>81</sup>

There are no shortcuts to building in-house capacity, but it is necessary for effective government. Paul Shetler, former head of the Digital Transformation Office, explained that 'Instead of providing digital training to public servants, too often we've (the APS) outsourced IT to large international technology vendors and consultants.' He noted that 'Outsourcing makes the government seem smaller, but it is expensive and it contributes further to deskilling the public service.'<sup>82</sup>

The APS Review estimated \$250 to \$300 million a year is needed over the next four years to lift digital skills and capabilities and that at least \$100 million a year in dedicated funding will be required to kick-start digital transformation and deliver uplifts in APS-wide capability.<sup>83</sup>

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. Placing a cap on agency expenditure on consultants and contractors must be a central strategy to achieve that goal and it can help generate savings to reinvest in improving digital skills and in-house ICT capacity.

79 Dylan Bushell-Embling (2019, 17 December). Govt plans APS-wide ICT systems audit. Govtech Review. Retrieved from <https://www.govtechreview.com.au/content/gov-digital/article/govt-plans-aps-wide-ict-systems-audit-1116842133>

80 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>.

81 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>

82 Paul Shetler (2018, 14 March) Digital delivery of government services. *Senate Finance and Public Administration References Committee*. Retrieved from <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=COMMITTEES;id=committees%2Fcommsen%2F07f04377-dc1a-42d9-82ae-a74955dcd0ea%2F0004;query=Id%3A%22committees%2Fcommsen%2F07f04377-dc1a-42d9-82ae-a74955dcd0ea%2F0000%22>

83 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>.

A third of the more than 14,000 ICT personnel the APS employs are contractors. ICT contractor staff also cost significantly more than APS staff, the 2015-16 ICT Trends report revealing that, on average, labour cost of contractors is \$213,906, nearly double the cost of an APS employee at \$131,530.<sup>84</sup>

There is also the opportunity to combine it 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 (10 per cent) and Queensland (10 per cent) than in NSW (4 per cent).<sup>85</sup>

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.

## Engagement with staff and unions is important

APS employees have a sense of strong public duty and care about the work they do for the Australian public. In response to COVID-19, voluntary secondments were sought from APS employees to assist Services Australia.<sup>86</sup> The most recent information indicates 1,732 APS staff from 37 agencies were seconded to Services Australia to assist with the processing of Jobseeker claims. On top of that, agencies/departments have also provided staff to support the surge effort at Services Australia. As one member stated

“The amount of work and extra hours we put in are extraordinary. We do this as the community need our help.”

The COVID-19 pandemic shows the benefits of a cooperative approach to identify issues and seek solutions rather than making decisions without genuine consultation or collaboration. For example, the ATO worked with the CPSU to facilitate Work from Home options. This allowed around 11,000 staff to work from home, including those who are part of the ATO telephony trial and for staff to take office equipment to ensure a safe and ergonomic home workplace.

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84 Department of Finance. (2016) Australian Government ICT Trends Report 2015–16. Commonwealth of Australia. Retrieved from <https://www.finance.gov.au/sites/default/files/ict-trends-report-2015-16.pdf>

85 Australian Public Service Commission (2020, 30 April). APS Employment Data 31 December 2019 Release. Commonwealth of Australia. Retrieved from <https://www.apsc.gov.au/aps-employment-data-31-december-2019-release-0..>

86 Doug Dingwall (2020, 20 April). APS redeploys 1100 staff in response to coronavirus pandemic. Canberra Times. Retrieved from <https://www.canberratimes.com.au/story/6727628/aps-redeploys-1100-staff-in-response-to-coronavirus-pandemic/>

The CPSU welcomes the Prime Minister's emphasis on genuine negotiation and cooperation in the post-COVID environment in his recent National Press Club speech.<sup>87</sup>

The CPSU notes that we have had inconsistent engagement with Government and agencies during this government's tenure. The CPSU does note that in a number of circumstances engagement has improved during this crisis; however, that has been inconsistent and not our universal experience.

Prioritising and embedding ongoing engagement with unions into government processes and having a collaborative relationship, even where there is disagreement, needs to be part of the rebuilding process by the Commonwealth Government to deliver practical solutions in the interests of all Australians. The development of the APS Workforce Strategy is one obvious process that would be improved through greater involvement by unions.

## Conclusion

We have a once in a lifetime opportunity to rebuild a better, fairer and more resilient country post-COVID. Working together we can build a more caring Australia around secure jobs, low carbon economic growth and stronger public and community services.

An Australia that is centred about the needs of communities where no one is left behind, and everyone has the chance to flourish. An Australia where people do not have to worry about whether they can pay the bills if they get sick, whether their children will need to move away for job opportunities or what the impact of a changing climate could be on their grandchildren's lives.

We cannot return to the false economy of public service cuts and insecure work. If we go down the austerity path, we will lose expertise and capacity. This will see the APS struggle to meet the demands already on it let alone prepare for the challenges of the future. And as we have seen before, this is then used to justify further privatisation through more contracting out, consultancies and outsourcing.

We do not know what the next crisis will be, but we can be prepared to respond if we build the APS capacity needed.

Government should set the example in our new economy by creating new secure, public service jobs, particularly in regional Australia, to meet the increasing needs of Australians and to provide the plans and support required to build the future we want. Increasing APS capacity will support a better re-build across the community, help better prepare us for future challenges, create more secure employment and be good for the broader economy. Reversing job losses, removing staffing caps, and converting labour hire jobs to ongoing positions are the easiest first steps in this.

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87 Scott Morrison (2020, 26 May). Address, National Press Club. Retrieved from <https://www.pm.gov.au/media/address-national-press-club-260520>

It requires building public service capacity by investing in policy capacity, ending the staffing cap and efficiency dividend, providing secure-in-house work, investing in ICT and working collaboratively with staff and unions to ensure Australia is prepared for and able to deal with future challenges.