CPSU (PSU Group) Submission

Input into the 2014-15 Budget

Budget Policy Division,

Department of Treasury

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Introduction

The PSU Group of the Community and Public Sector Union (CPSU) is an active and progressive union with approximately 55,000 members. The CPSU represents employees in Commonwealth government employment including the Australian Public Service (APS), the ACT Public Service, the Northern Territory Public Service, CSIRO, the telecommunications sector, call centres, employment services and broadcasting.

As the principal union representing APS and federal public sector employees, the CPSU is very concerned about the impact of the 2014-2015 Federal Budget on public services.

The federal public sector works hard to provide quality public services to the Australian community every day. International comparisons demonstrate that the federal public sector is both efficient and effective in how it goes about this work. This is despite the increasing pressure under which employees find themselves working. Successive budget cuts, and corresponding job losses, are putting more pressure on public services and the employees whose job it is to deliver public services and implement public policy.

The CPSU is extremely concerned that the decisions the Government will take in the 2014-2015 Federal Budget will exacerbate these pressures, and lead to a deterioration in the public services on which the Australian community relies.

The CPSU notes that the National Commission of Audit is undertaking a review of the Commonwealth Government and will be making recommendations on savings measures that will inform the Government's approach to the 2014-2015 Budget.

The CPSU has made a comprehensive submission to the National Commission of Audit on the importance of public services, the quality of the public sector and its workforce and the risks associated with outsourcing and privatisation. In relation to those matters, and in response to recommendations that may arise through the National Commission of Audit process, the CPSU relies on its National Commission of Audit submission. This submission is attached.

Further issues of concern that should be considered as part of the 2014-2015 Federal Budget process, including the budget pressures already facing the federal public sector, are outlined below.

Efficiency and effectiveness of the federal public sector

The APS and federal public sector are highly professional, providing Australian communities with essential public services and developing quality public policy to promote our national interests.

The federal public sector performs this work in an efficient and effective manner. International measures bear this out. In comparison to other OECD countries, Australia not only has low rates of taxation, but highly effective provision of government services[1].

International comparisons also demonstrate that the public sector workforce is not bloated or causing undue stress on the federal budget. The size of the general government sector in Australia is on par with other OECD nations and the Commonwealth public sector workforce only accounts for 7% of total Commonwealth Government expenditure[2]. To the extent that the Commonwealth public sector workforce has grown, this has been proportional with growth in GDP and has been significantly outstripped by population growth.

In politicised debates about the role and size of the public service, these facts are often overlooked. Not only is the federal public sector doing an important job serving Australian communities, by international measures it is doing that efficiently and effectively, serving more people than ever before.

The CPSU submission to the National Commission of Audit process provides further detail on these matters.

[1] Christopher Stone, False Economies: Bang for Our Buck, Centre for Policy Development, 11 November 2013 p.4

[2] Table A1: Australian Government general government sector operating statement, in Pre-Election Economic and Fiscal Outlook 2013, p.23

Pressure of budget cuts

Successive budget cuts are making it harder for the federal public sector to continue to provide high quality public services.

Since the federal election, the Coalition Government has announced or implemented a number of significant savings measures. These have included:

- efficiency dividend increased to 2.5% per annum for three years from 2014-2015; representing a further increase on announcements made by the previous Government;
- staffing reduction of at least 12,000 APS employees;
- partial recruitment freeze limiting the external recruitment of new employees to the APS and terminating the employment of non-ongoing staff as contracts expire; and
- specific cuts to agency budgets, such as a $30 million cut to the budget of the Family Court.

The CPSU estimates that 3,600 public sector jobs have been cut since the Coalition Government came to office in September 2013.

These cuts come on the back of various other savings measures which have impacted the operations of the APS over the preceding years. These have included:

- the annual efficiency dividend of 1.25%, which was increased to 3.25% for 2008-2009, 1.5% for 2011-2012 and 4% for 2012-2013;
- across-the-board cuts using other measures, which have included:
    - $580 million savings focussed on Executive Level and Senior Executive Service employees and office space announced in May 2013;
    - $550 million savings through reductions in travel, consultancies, advertising and printing announced in September 2012; and
    - a 20% cut to capital expenditure for 2012-2013 announced in November 2011; and
- agency-specific savings programs, including the Department of Human Services Service Delivery Reform project and the Defence Strategic Reform Program.

As a result of budget reductions, APS employment has been under significant pressure.

The most recent public service employment figures from the APSC State of the Service Report show a decrease in APS employment, as at 30 June 2013 from the previous year.

A substantial number of the job losses came from service delivery agencies. The Department of Human Services alone lost over 1,500 ongoing jobs between 30 June 2012 and 30 June 2013. This represents a 4.5% decrease in staffing, and is on top of job cuts of over 3,500 employees from 30 June 2009 to 30 June 2011. This has not been matched by a reduction in program or service requirements to accommodate these cuts.

Impact of budget pressures on public services

Public service savings measures are continuing to have a direct impact on public services and jobs. Recent examples of the impact of budget cuts on the provision of public services are set out below.

Department of Human Services

The Department of Human Services (DHS) provides vital public services direct to the community. For a large number of Australians, engagement with DHS is their most direct contact with their federal government. However sustained budget cuts are compromising the ability of DHS to deliver these services in an efficient and effective manner.

This has very direct implications for the Australian community. Users of DHS services are seeing:

- long wait times in call queues;
- increased double-handling of queries in call queues;
- excessive wait times in service centres;
- processing back logs in a range of areas.

Unfortunately, the frustrations and pressures created by these delays is contributing to increasing incidences of client aggression towards DHS staff. This growing problem is extremely distressing and often dangerous both for staff members and for other community members present at DHS premises during these incidents.

Backlogs and long waiting times now seem to be a normal part of the operations of service delivery. As a result of budget cuts and staffing pressures, clients seeking the assistance of DHS now have to wait longer.

We have previously reported on detailed call wait times and processing backlogs. DHS have recently removed staff access to these reports. However Call Centre members continue to report excessive wait times for most programs. Average call wait times are regularly over 40 minutes, with some programs having even higher average wait times. For example, callers to Employment Services and Youth and Students regularly have average call wait times of over an hour. As a result of budget pressures and staffing cuts, these wait times continue to increase.

It is not only longer wait times that are affecting DHS clients. In other areas, clients' calls are also not being answered or the employees who are answering them are unable to assist.

Given the extensive wait time, many clients are electing to abandon the call rather than wait for their call to be answered. It is not unusual to see the number of abandoned calls (where a client elects to hang up rather than wait for their call to be answered) matching the numbers of calls answered in most queues.

In some branches and programs, it has also been reported that staff have been actually told to divert calls to voice mail and only respond to email queries.

Some of DHS's employment practices are actually exacerbating the issues experienced by clients seeking telephone assistance. In 2012 DHS started using casual employees in the Call Centre Network. As the casual employees do not undergo the same training or have the same experience as other employees, they are less likely to be able to assist a client with their query; instead the casual employees most commonly answer calls and place customers into other telephone queries.

While this has improved the statistics on call wait times, it does not actually help the client who is unable to have their issue resolved by the employee who answers the phone. Furthermore, this practice also increases the cost of resolving the issues as multiple employees deal with the issue.

The permanent workforce in call centres is now at its all time lowest levels. With the lost of experienced staff, who are often replaced by casuals or non-ongoing contract staff, it should be expected that this double-handling will increase. This is detrimental for both the client and the Department.

Service Centre members are also reporting excessive wait times. Queues in metropolitan and suburban offices regularly see customers waiting more than two for hours to talk to staff who can address their issues. Indeed, Medicare staffing has been reducing to the extent that customer queues are regularly extending outside the doors into the street.

Not only are their increasing delays in responding to queries, there are also delays in processing claims in certain areas. Processing backlogs continue to increase for Families payments, Youth, Education and Employment.

Worryingly, reports of customer aggression have increased from 2012 to 2013 with an average 665 reports per month as at November 2013. The average DHS worker is female and 42 years old. These employees care about their communities and do their very best in a difficult environment. This should not be made more difficult as a result of customer aggression, increasingly driven by long wait times and processing delays.

Finally over a long period DHS has been critical to the government's ability to respond quickly and effectively to unplanned crises, such as natural disasters. However, as a result of budget cuts and reduced staffing levels, the Department has less capacity to redeploy staff to respond to unplanned crises.

Australian Customs and Border Protection Service – budget pressure

The Australian Customs and Border Protection Service ('Customs') is under sustained budget pressure, at a time when requirements of the agency continue to increase.

Customs is undergoing significant changes to reform border security operations, to better facilitate trade and travel and mitigate integrity risks. Customs has been identified by the Government as essential to delivering its policy in a number of areas, including border protection. However budget cuts are undermining the capacity of Customs to deliver these policy initiatives.

In November of last year, the head of Customs told a Senate Estimates hearing in Canberra that:

- the agency's current operating model is not sustainable;
- minor savings measures in the agency would not be enough to deal with the budget pressures they face;
- very tough choices would have to be made to be able to meet the requirements of the service and fiscal policy directions;
- Customs would need to reduce its staff by approximately 600 over the next four years[3].

The CEO summarised the situation by stating:

> "we are not talking about cutting fat or even muscle and tissue, we will soon be going through bone and out the other side."[4]

It is noted that on 23 January 2013 Customs received $88 million in additional funding to upgrade screening and inspection of international mail and cargo arrivals. Whilst such an announcement is welcome, given the amount and targeted nature of the funding this will not affect the overall budget position that Customs finds itself in.

The ongoing budget pressures Customs is under will inevitably compromise its ability to do its job safely and effectively.

Department of Agriculture

In November last year the Department of Agriculture announced that as a result of budget pressures and the risk of ongoing budget deficits, significant changes had to be made to their operations. This includes 'prioritising' the work of the Department.

In an all staff note the Secretary advised that these changes would include:

- discontinuing functions and activities that are deemed lower priority; and
- reducing staff numbers, by at least 220, with the initial focus on Border Compliance division in Canberra and passengers, mail and cargo programs in the regions.

[3] Hansard, Legal and Constitutional Affairs Legislation Committee supplementary budget estimates (19 November 2013), p.26
[4] Ibid, p.27

The CPSU understands that as part of the re-prioritisation of the Department's work, there are significantly fewer inspections and screenings being undertaken at international airports. In addition, inspection profiles that were previously assessed as 'high risk' have been downgraded.

Both of these measures have the potential to have a very direct impact on the management of biosecurity risks. This may mean that items that are potentially dangerous to our agricultural and equine industries and our environment make it into Australia, with serious consequences and additional costs to Government as a result.

Staff cuts, particularly given the initial focus for job cuts includes passenger programs, will mean longer wait times at international airports.

The CPSU also understands that as a result of budget cuts the Department is no longer utilising detector dogs in certain shifts at Sydney Airport. This will result in further delays for passengers, as the use of detector dogs speeds up the screening process.

Australian Bureau of Statistics

The Australian Bureau of Statistics (ABS) is under significant pressure which is threatening its capacity to fulfil its purpose. ABS plays a critical role in providing quality statistical analysis, which informs monetary, fiscal and social policies.

However ABS is now reporting that the future quality of its economic data is under threat because of the ongoing impact of budget cuts. In the ABS Annual Report the then Australian Statistician reported:

> "I remain concerned about the wide range of ageing and fragile business processes and supporting infrastructure used by the ABS, our difficult capital position, which is barely adequate to 'keep the lights on', and the impact these are having on our costs and on our staff....
>
> The overall situation has been progressively impacting on the time and effort required to produce key official statistics on time and to the quality expected by our users and now seriously compromises our longer-term sustainability."[5]

Given the vital role played by the ABS in economic and social policy development, these reports are alarming.

Cultural agencies

The Commonwealth public sector covers a number of the nation's premier cultural institutions; including agencies like the National Library, National Museum, National Library,

[5] Australian Bureau of Statistics Annual Report 2012-2013 p2

Australian National Maritime Museum, National Archives, National Gallery, National Film and Sound Archive, Australian War Memorial and National Portrait Gallery.

The impact of budget cuts, including the efficiency dividend, is particularly problematic for small cultural agencies. This was recognised by the 2008 Joint Committee on Public Accounts and Audit report into the impact of the efficiency dividend on small agencies[6].

As small entities, cultural agencies do not have the opportunity to realise savings through economies of scale or the capacity to 'shift' work or functions around to achieve savings. Cultural agencies also have a range of ongoing, fixed costs, involved for example in maintaining collections. Indeed, the cultural agencies actually have statutory obligations to provide particular services to the Australian public, so they cannot simply decide to stop offering certain services.

While cultural agencies have been spared some of the previously announced additional efficiency dividend savings, they have not been spared the additional efficiency dividend of 2.5% applying from 2014-2015. These additional measures, as well as the ongoing efficiency dividend and other budget cuts, continue to pose a significant problem for the operations of cultural agencies.

This is demonstrated by recent experience in the National Archives.

National Archives has been unable to meet numerous aspects of its performance targets over the last financial year[7]. This has meant that the progress on the digitisation process, allowing for digital access to Archive resources, is behind schedule. The agency's goal of having 90% of items eligible for preservation treatment digitised has not been met, instead only 64.5% of such items have been digitised. In addition, from November last year, Archives Reading Rooms are no longer open on Saturdays and the Melbourne Reading Rooms are also closed on Mondays and Tuesdays. Over 40 staff have recently lost their jobs and further job cuts are expected this year.

Other cultural agencies are under similar pressure. The Australian National Maritime Museum Annual Report signals hard decisions ahead due to pressure on the Museum's resources[8]. Over recent years, the National Library has been reporting that as a result of funding pressure, including the application of the efficiency dividend, the agency will continue to struggle to meet its statutory obligations[9].

CSIRO

[6] Joint Committee on Public Accounts and Audit, *Report 413 The Efficiency Dividend and Small Agencies: Size does Matter*, December 2008
[7] National Archives of Australia Annual Report 2012-2013 p15
[8] Australian National Maritime Museum Annual Report 2012-2013 p3
[9] National Library of Australia Annual Report 2010-2011 p9

Over the course of 2013 there were approximately 200 job cuts in the CSIRO, with a further reduction of 50-60 staff due to an internal recruitment freeze. This has a direct and immediate impact on the capacity and scientific capabilities of the organisation. These job losses have directly affected the number of scientists working in key areas. The four areas affected most significantly affected are:

- land and water science with a 10% staffing reduction;
- manufacturing and materials science with a 9% staffing reduction;
- marine and atmospheric science with a 9% staffing reduction; and
- animal, food and health science with an 8% staffing reduction.

Department of Veterans' Affairs

In the Department of Veterans' Affairs a number of standards for processing claims have not been able to be met. According to the 2012-2013 Annual Report, there is a 41 day wait to process service pension claims, which is outside the 32 day processing target[10]. The average time for initial liability claims is 155 days, well above the target of 120 days[11]. Processing times for reviews have also increased[12]. This means that some clients are waiting longer for claims and reviews than they should be.

The Department is also undertaking fewer reviews due to resourcing reductions. This has the potential to have implications for the quality and accuracy of claims being processed.

ATO: Australian Valuation Office & Australian Charities and Not-for-profit Commission

The Australian Valuation Office (AVO) is a part of the Australian Taxation Office (ATO) and provides valuation services for other government agencies. They are self-funded and their principal client is the Department of Human Services. The AVO has an important role in ensuring that welfare benefits are properly administered and in guarding against welfare fraud.

In response to budget pressures, DHS has changed its valuation practices to move to a more risk-based assessment process. This means that there are fewer valuations and less scrutiny. The reduction in work from DHS and other budget pressures has had a substantial impact on AVO's revenue and available operating budget.

As a result of this pressure, the Government has now announced that it will close down the operations of AVO by the end of financial year. For Government clients this will mean their work will be transitioned to other providers. As is outlined in our National Commission of Audit submission, outsourcing services often ends up costing governments more. There is the potential for such a result here.

[10] Department of Veterans' Affairs Annual Report 2012-2013 p25
[11] ibid p33
[12] ibid p25

The decision to close AVO also has significant implications for its 200 staff across metropolitan and regional areas of Australia. There is very limited prospect of redeployment given the specialised skills of valuers.

These are not the only job cuts proposed in the ATO. There are other processes currently underway which are expected to lead to 900 jobs being cut this financial year across a number of business lines. .

In addition to this there has been a recent announcement that the Australian Charities and Not-for-profit Commission is flagged for replacement by a voluntary, self-regulated system. In its first year of operation the Commission received more than 200 complaints about charities and there are currently 55 cases open, eight of which involve investigations of a serious nature. In addition to the potential loss of 70 jobs, this decision also puts government revenue at stake. Given the generous tax concessions that many charities and not-for-profit organisations enjoy, at considerable expense to the Australian taxpayer, accountability that is transparent, independent and enjoys the confidence of the Australian community is critical. This is a decision which might reduce the overall head count public sector staff but it is likely to be a net cost to the budget bottom line.

The Family Court of Australia and the Federal Circuit Court

The Family Court of Australia and the Federal Circuit Court (FCFCC) have been under significant funding pressure for many years.

Since June 2007, total staffing excluding judicial officers and casual employees has decreased from 887 to 788 in June 2013. This is a staffing cut of over 11%. However over this period, it has been reported there has been an increase in the number of judicial officers of the courts who are being supported by the staff of the FCFCC.

As a result of these cuts the FCFCC is already struggling to manage its case load and meet service targets. Staff are reporting increased workloads and increased workplace stress and staffing cuts are resulting in reduced services for users of the Courts.

The CPSU is deeply concerned by the savings initiative announced by the Abbott Government to cut a further $30 million from the budget of the Family Court of Australia. Given the integrated support provided by the FCFCC to both Courts, a cut to the Family Court budget increases the pressure on both Courts.

Given the particularly high proportion of fixed costs in the FCFCC budget, these budget cuts are hard to manage. In the 2012-2013 Annual Report fixed costs for the Family Court of Australia are identified as comprising 44% of expenditure. These fixed costs mean that cuts to the FCFCC budget have a disproportionate effect on staff providing services to clients and on those services.

Impact on federal public sector employees

Budget pressures are making it increasingly difficult for federal public sector employees to do their jobs.

The CPSU recently conducted its *What Women Want* survey for the 7th time. 11,000 employees participated in that survey. Initial analysis from the survey shows increasing workloads and pressures at work, due in large part to increasing budget pressures.

- Over 63% of women reported almost always or often feeling rushed or pressed for time at work.
- Approximately 45% of women reported going to work when they were sick because of workload pressures.
- Approximately 1 in 3 women are working extra hours just to get their work done.

Impact of budget pressures on regional communities

Budget pressures often have a disproportionate impact on regional communities. It is important that regional areas are as well served by the federal public sector as other areas of Australia. Having a presence in regional areas is critical to providing that service, and to the federal public service having a connection to communities across the country rather than only in the largest cities. However, too frequently cutting regional jobs and closing regional offices is seen as a 'quick-fix' for budget pressure.

Not only is a regional presence important for the communities that the public sector serves, regional public sector offices are critical for local economies and local jobs. Many regional areas suffer from higher unemployment than the national average and have weaker job prospects. Removing federal public sector jobs merely exacerbates these pressures. Not only does it mean there are fewer job opportunities in the community, it has flow-on effects for other local businesses as well. Furthermore, public sector jobs often represent 'good' jobs in these regions valued highly by local communities, as they are more likely to be permanent with reasonable wages and conditions. Recent examples of the impact of budget cuts on regional areas are set out below.

Australian Customs and Border Protection Service – District Office cuts

Over 2012-2013 Customs has made significant changes to their regional staffing, with District Office staff being cut by almost half, as a result of ongoing budget pressures.

An outline of those District Office job cuts is set out below:

District office	Staffing change
Bowen	3 to 2
Broome	7 to 6
Bunbury	3 to 2
Cairns	28 to 23
Dampier	25 to 19
Gladstone	10 to 6
Geraldton	3 to 2
Launceston	5 to 2
Mackay	10 to 6
Newcastle	12 to 8
Port Hedland	14 to 12
Port Lincoln	3 to 2
Thursday Island	14 to 8
Townsville	16 to 13
Total	**153 to 111 (-42)**

It is now, however, recognised in the CEO's Blueprint for Reform that there is a need to increase staff/ patrols in remote areas to ensure our borders are adequately protected. This

is indicative of the short-sightedness of many budget cuts; to achieve budget savings agencies make staffing cuts, which can themselves be costly in the short-term, and then agencies realise they need to re-engage staff.

Department of Human Services – proposed Tasmanian job cuts

Late last year, the Department of Human Services advised employees and the union of its intention to 'realign' information and communication technology (ICT) functions from Hobart to Adelaide, Brisbane and Canberra. This decision appears to be part of a process of centralising functions.

This decision will result in a reduction of 56 jobs in Tasmania, taking over $4.5 millions in direct salaries out of the state. These ICT jobs also represent 'good' jobs in Hobart and as higher classification APS work they are jobs to which other Tasmanian APS employees aspire. The 56 employees currently working in these roles have limited prospect of redeployment, as there are no other vacancies at this level in the state and very few have been available over the last year.

The Tasmanian economy faces a number of challenges in retaining good, permanent jobs. It is extremely disappointing that pressures on agency budgets seem to be driving decisions that are exacerbating these problems.

Australian Taxation Office – proposed regional office closures

As a way to cut costs and meet budget pressures, the ATO is considering closing 10 offices across regional Australia.

This proposal comes as ATO seeks to find a way to realise savings as they reduce office space. As these regional offices are smaller sites with leases expiring this year, closing them appears to be an attractive option for ATO management faced with budget cuts.

The potential closures include offices in Port Macquarie, Sale, Mackay, Bendigo, Rockhampton, Launceston, Cairns, Orange, Toowoomba and Grafton. This would affect 80 staff directly and have flow-on negative effects for local businesses in these towns.

These potential closures come on the back of recent or pending closures to ATO offices in Bundaberg, Hurstville and Southport. These closures have affected approximately 670 staff.

This process and the proposal for further regional office closures demonstrate the disproportionate impact of budget cuts in regional areas.

Prospect of further cuts in the 2014-2015 Federal Budget

The prospect of further cuts, outsourcing and privatisation is of significant concern to employees in the federal public sector and the communities that rely on public services.

Further cuts would have disastrous consequences for public services. Public services are already stretched and under significant pressure. The examples outlined in this submission demonstrate the real impact budget cuts are having on public services. Further cuts will be directly felt by those Australians who rely on public services.

APS employees are also increasingly worried about their job security. In a recent survey, in which over 18,000 employees participated, job security was identified as the issue of most concern to APS employees and nearly 90% of employees want additional measures to protect their jobs.

Outsourcing and privatisation is also a significant concern. The Terms of Reference for the National Commission of Audit clearly raise the prospect of outsourcing, privatisation and other measures which would see formerly government-provided services being provided through private sector arrangements.

The CPSU has substantial concerns with any such proposals. The CPSU's submission to the National Commission of Audit, attached to this submission, outlines the problems and risks associated with these approaches.

Conclusion

Australia is a low-tax, low-spending country with a world class public service. However public services, and those that deliver them, are under significant pressure.

The CPSU calls on the Government to use the Federal Budget and the National Commission of Audit processes to recognise the value of public services and the important work of those people who deliver those services.

In the 2014-2015 Federal Budget the CPSU seeks:

- that the federal budget maintain federal public sector staffing numbers and allows for moderate growth corresponding to growth in the Australian population;
- that the federal budget supports regional jobs, as a minimum maintaining the current level of federal public sector employment in regional areas; and
- a collaborative approach to budget funding measures that recognises the important work of the federal public sector and the public services they deliver to the Australian community and removes the efficiency dividend.

The CPSU also reiterates our recommendations in the National Commission of Audit submission.