

Senate Select Committee on Job Security
Additional Questions on Notice – Senator Sheldon
Public Hearing – 27 August 2021
Australian Maritime Safety Authority

#	Context/Question	AMSA response
	<i>Ms Enders said at the hearing that AMSA has previously paid fees to labour hire companies to convert labour hire workers to AMSA employees: “Generally speaking, yes, that is the case.” “It can range. It’s generally a percentage, but it is not the case for our Connect staff under this contract. I couldn’t provide a specific rate on what industry charges at the moment, but it is usually based on a percentage of final salary.”</i>	
1.	What is a typical percentage or range of percentages of final salary to pay as a fee in these instances?	AMSA estimates between 5 -10 percent, based on experience within the organisation and these estimates depend on factors such as length of tenure with a labour hire company and seniority of role. .
2.	How much has AMSA paid in fees to Hudson and ManpowerGroup to convert their AMSA Connect workers to APS employees, since its launch in 2018, and how many workers does that cover?	Nil.
	<i>Ms Enders confirmed at the hearing that the existing Hudson workforce at AMSA Connect was transferred to ManpowerGroup at the contract changeover: “In this instance, they were transferred across. It was an agreement struck as part of our approach to the market to obtain a new contract and terms.”</i>	
3.	Was AMSA charged a recruitment fee or any other fee connected to the identification or recruitment of these workers by ManpowerGroup?	No.
a.	If yes, how much?	N/A.
4.	How much has AMSA paid in recruitment fees to Hudson and ManpowerGroup, for the recruitment of labour hire workers at AMSA Connect, since its launch in 2018, and how many workers does that cover?	Nil.

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	At the Hearing, the Secretariat provided AMSA with a copy of AMSA's response to Budget Estimates Question on Notice SQ21-000383. The document says on page one: "two agency fee rates are modelled – 25 per cent (low) and 40 per cent (high). Each labour hire company and each individual labour hire agreement vary across the range." "the percentage margin applicable in the AMSA Connect agreement is at the lower end of this range." Ms Enders said at the hearing that the actual rate in the contract with ManpowerGroup is lower than this range.	
5.	While mindful of commercial confidentiality, please confirm whether the rate is between 20-25 per cent (or another 5 per cent band).	The agency fee rate is not in the 20 – 25% range.
6.	As the Hudson contract has finished and is no longer commercially sensitive, please advise the exact rate that Hudson charged during its contract with AMSA.	35 per cent.
	<i>In the table AMSA has provided at Budget Estimates Question on Notice SQ21-000383, the amount to which the 25% and 40% Agency Fees are applied appears to be the amount in the column headed 'Total AMSA Salary'. The 'Total AMSA Salary' column comprises the sum of the amounts in the columns titled 'AMSA Annual Salary' and 'Total Employee Costs'. For example at Level 1.1, the 'Total Employee costs' comprise \$13,362.46.</i>	
7.	What costs are included in this sum? And specifically, does it include Superannuation, Insurance/Workers Compensation, and Payroll Tax?	The comparative 'total AMSA salary' comprises: base salary, leave accruals and a higher rate of superannuation (15.4%). It represents indicative costs to employ an individual at that level. Payroll tax is not applicable and Workers Compensation insurance was not included. This would be an additional cost to the 'total AMSA salary' amount.

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		As AMSA has previously advised, this table was developed and contains estimates to provide indicative comparative hourly rates for contracted staff when assessing proposals from labour hire companies.
	<i>ManpowerGroup claimed at the hearing that the majority of the 25-40% Agency Fee would comprise the costs referred to in the table (Superannuation, Payroll Tax, Insurances). However, it would appear the rate to which the 25-40% Agency Fee is being applied, 'Total AMSA Salary', already includes 'Total Employee costs' which would presumably include those costs.</i>	
8.	Please advise whether the Agency Fee rate of 25-40% (or whatever the rate actually is) is applied to an amount which already includes these costs.	No, it is not. The agency fee is only applied to the base salary of a position - not the 'total AMSA salary'. It would otherwise 'double up' the fixed employment costs
	<i>Ms Wimmer said at the hearing "We recognise that we're paying a slight premium for flexibility."</i>	
9.	How much in markup has AMSA paid to Hudson and ManpowerGroup since AMSA Connect was established in 2018, and how much cheaper would it have been to just employ those workers directly over that period?	For the financial year ended 30 June 2021 - when comparing salary costs spent under the labour hire contract/s to the cost of directly employing the equivalent number of staff - AMSA paid a 'markup' of approximately 23 percent. This figure includes the additional direct costs to AMSA in the same year for recruitment (\$5,000 - \$8,000 per employee) based on the actual Connect turnover rate which is estimated at \$130,000.

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		<p>This cost is included as part of the labour hire contract.</p> <p>This 'mark up' does not reflect any redundancy/ termination payment that would need to be paid if AMSA Connect contracted in the future as a result of organisational change due to Government decisions or stakeholder demand. This is a key consideration in retaining flexibility for AMSA. If this was able to be estimated, the 'markup' would be lower again.</p>
10.	<p>How does AMSA ensure it is complying with the Commonwealth Procurement Rules around achieving value for money?</p>	<p>In the case of AMSA Connect where staffing flexibility has been a requirement while AMSA develops its service model for the National System, AMSA complied with the Commonwealth Procurement Rules proving value for money via a thorough evaluation process of competitive proposals from labour hire providers sourced through a pre-qualified panel.</p> <p>Providers included on panels are deemed to have met the government's threshold for value for money.</p> <p>Favourable contract terms were then negotiated to further minimise costs and provide employees with as much continuity and certainty - to the extent possible - given ASL limitations and other factors which are likely to impact on Connect operations in the future.</p> <p>The same flexibility in staffing would not be available via appointment of ongoing employees when considering the total employment cost and associated employer liabilities for ongoing staff. This</p>

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		consideration is relevant as AMSA is yet to confirm the long-term operating model for Connect
a.	Has AMSA's labour hire arrangements ever been assessed or audited, either internally or externally, for compliance with value for money, and if so, please provide this assessment or audit.	See response to question 10. There have been no external or internal audits specifically focused on labour hire arrangements.