Senate Standing Committee on Education and Employment

QUESTIONS ON NOTICE
Budget Estimates 2015 - 2016

Shared Services

Department of Employment Question No. EMSQ15-000108

Senator Cameron asked on 01 June 2015 on proof Hansard page 36

Question

SSC - Cost per unit

Senator CAMERON: So it is cost recovery?
Ms Leon: That is right. I hope that over time it will deliver efficiencies for everyone involved because, as we grow scale, the unit cost for everyone will go down and therefore every client will actually—they are making a bit of money out of it because their corporate will cost them less.
Senator CAMERON: That is the theory?
Ms Leon: That is what we hope to achieve.
Senator CAMERON: That is the theory.
Ms Leon: Our examination of what has been achieved in larger-scale organisations would suggest that that theory does actually play out in practice.
Senator CAMERON: How can we then monitor whether it is playing out in practice? How can you convince us that it is all okay?
Ms Leon: I can take that on notice for you and see what we can provide by way of indications of what the cost per unit is at the moment. I should say, of course, that at the moment there is not very much to compare that to in other departments because no existing department breaks down all of their corporate into product lines and costs every component of it. One of the things we are doing is working on a model that will enable departments to actually calculate what they are currently spending on their own corporate. Then I hope to demonstrate that, by doing it through the Shared Services Centre, they will able to get the same service more cheaply.
Senator CAMERON: Okay—we will keep our eye on this.

Answer

Payroll processing is the area in which the Shared Services Centre (SSC) has materially grown its scale to date, with the addition of two customers that will add around 50 per cent more scale to the SSC's original payroll processing transaction volumes. As a result of the new scale, the unit cost of payroll processing has reduced from around $59.00 per transaction (including full cost of staff, technology support, property etc) to around $40.00 per transaction. This represents a 32 per cent reduction in cost of payroll for customers using the SSC's payroll service in the first year of the SSC's operation.