



2021-22 Pre-Budget Submission

Community and Public Sector Union (PSU Group)

January 2021

Introduction

As the nation looks to recover from the pandemic, a bigger and better public sector is needed to provide the services and new jobs necessary for the community and economy to rebuild faster, stronger, and more fairly.

Australia has managed its response to the fallout from the COVID-19 pandemic relatively well, in large part because of the expertise and capability of our public sector. However, the pandemic also exposed gaps in APS capability.

Those gaps are not new. Prior to the pandemic it was apparent that years of cuts, outsourcing and privatisation had hollowed out APS service delivery, policy and ICT capability. It was that situation that led the Government's own Independent Review of the APS, to find that the performance and institutional capability of the APS needs to be strengthened. The Independent Review of the APS identified a decline in capability, stating there had been "long-running underinvestment in the APS's people, capital and digital capability."¹ The Review called for significant investment in digital skills and ICT systems and the eventual abolition of the Average Staffing Level (ASL) cap.

The pandemic has strengthened this argument.

In addition to the immediate challenges of COVID-19, the nation also faces substantial longer-term policy challenges, including climate change and a more volatile and uncertain economic and geopolitical environment. To meet these challenges, we require a properly resourced public sector with the increased capability and expertise that comes from a career based public service with more staff, secure jobs, better IT systems, better wages, job security and working conditions, and which reflects the diversity of Australian society.

Delivering the services and new jobs we need and responding to the serious policy challenges we face would all be undermined by the continued casualisation and privatisation of the public sector. The pandemic also exposed the high levels of insecure work and the problems associated with the explosion in casual, labour hire and gig economy work across the Australian labour market.

In light of the above, the CPSU makes the following recommendations for the 2021-22 Commonwealth Budget:

Recommendation 1

Properly funding and supporting the public services that we all need and rely on by:

- Providing additional APS staffing and funding for key agencies such as Services Australia, the National Disability Insurance Agency, the National Disability Insurance Scheme Quality and Safeguards Commission and the Aged Care Quality and Safety Commission.
- Abolishing the efficiency dividend.

1 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>

- Investing in ICT capacity as critical infrastructure.
- Prioritising accountability and integrity.
- Ensuring the public service is representative of Australia's diversity.

Recommendation 2

Using the power of government to create secure jobs for those in need by:

- Creating new jobs for young Australians through expanding the size of the APS graduate program and alternative entry-level pathways to public sector employment such as cadetships, apprenticeships and traineeships.
- Increasing permanent staffing levels in agencies that are located in outer suburban areas and regional centres, providing secure job opportunities with flexible conditions that are attractive particularly for women.
- Increasing public sector employment overall with a focus on regional Australia by creating regional jobs hubs.
- Ensuring increased employment generated in the Commonwealth focuses on direct APS employment in secure jobs with good working conditions.
- Repealing public sector pay caps that suppress wages for everyone.
- Making government a leader on the complex challenges we face such as climate change.

Recommendation 3

Stopping the privatisation by stealth of our public services, which is undermining our social safety net and exacerbating job insecurity, by:

- Removing the ASL cap to free up agency budgets, enabling agencies to employ additional staff on a permanent basis and to convert current insecure jobs to permanent employment.
- Capping expenditure on consultants and reinvesting the savings into APS staff and capacity.

1. Properly funding the public services we need and rely on

The pandemic demonstrates why public sector capacity matters and the need for better resourcing of key public sector agencies.

The public service responded well to the increased demand on government services and support, during a time of constant and difficult change. According to the State of the Service Report, in high priority work areas outputs increased to more than double, and during peak periods, to more than four times their pre-pandemic levels. It is estimated that 87 per cent of Commonwealth employees were occupied with delivering critical services to the Australian public and supporting Government.²

The resource pressures on Services Australia, the National Disability Insurance Agency and associated entities like the Quality and Safeguards Commission have been evident during this pandemic.

Services Australia

Services Australia has been plagued by the problems of under staffing and poor ICT capacity for some years. Long call wait times, delays in claims processing and difficulty accessing specialist services have caused clients and staff considerable stress and anxiety over some time. During the pandemic Services Australia managed huge workloads, handling³ 1.3 million claims for Jobseeker related payments in 55 days, a claim volume normally processed in two and half years. Services Australia relied on engaging thousands of labour hire staff and temporarily redeployed staff⁴ to do this work.

The RBA has predicted unemployment will remain above pre-COVID levels until at least 2022 if not beyond⁵, and others estimate the impact of the recession could last for up to a decade. This will mean a sustained increase in Services Australia's workload. Given the longstanding and well documented issues with client contact and processing times, there is a strong case for an ongoing increase in permanent staffing levels.

Aged Care Quality and Safety Commission

Aged Care was a sector under pressure before the pandemic. COVID-19 has further highlighted the need for significantly more resources for the aged care regulator. Before the pandemic staff had reported that their agency was affected by understaffing,

2 Australian Public Service Commission (2020). State of the Service Report 2019-20. Retrieved from <https://www.apsc.gov.au/state-service-report-2019-20>

3 Australian Public Service Commission (2020). State of the Service Report 2019-20. Retrieved from <https://www.apsc.gov.au/state-service-report-2019-20>

4 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>

5 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>

insecure work, high turnover rates and resource constraints. The pandemic has exacerbated these issues with many staff citing unmanageable workloads and blowouts in assessment times.

NDIS Quality and Safeguards Commission

Inadequate staffing levels and resources have led to high workloads at the Commission.⁶ This has been exacerbated by poor ICT systems that do not assist with caseload management and insufficient training and development opportunities, affecting the quality of care for participants and services to the community.

Abolishing the efficiency dividend

To have quality public services into the future requires increased funding and staffing for agencies. The pressures on these key agencies that protect our health and livelihoods will continue, and we need to be prepared for future crises.

What is needed is an immediate commitment of additional staff and funding.

However, the Government is doing the opposite – having imposed an increased and extended efficiency dividend in the May 2018 federal budget. That budget decision increases the efficiency dividend to 2 per cent for two years, before declining to 1.5 per cent in 2021-22 then returning to a base rate of 1 per cent in 2022-23. This represents a cut of \$1.5 billion from public service budgets.

The extended and increased efficiency dividend will result in job losses and program cuts at exactly the point the APS needs additional resources. Any further extension or increase will undermine the APS at a pivotal point and leave a long-term cost through reduced services and job cuts. We know that approximately 55 per cent of the efficiency dividend is met by reducing staffing costs.⁷

There is no rationale for any efficiency dividend increase based on the Government's own statements. In October 2020, the Treasurer clearly indicated that the government will not start to focus on a return to surplus until the unemployment rate is 'comfortably' below 6 per cent. At the MYEFO press conference, he defined 5.5 per cent as comfortably low.⁸ MYEFO states that the unemployment rate is projected to be 6.25 per cent in June 2022 and that unemployment will take four years to reach pre-COVID levels of 5.25 per cent in 2023-2024. It is projected to be 5.75 per cent in 2022-23.⁹

6 The 2019 APS Census results for the NDISQSC found that only 22% disagreed or strongly disagreed they had unrealistic time pressures. APS Employee Census 2019: NDIS Commission Highlights Report | NDIS Quality and Safeguards Commission. <https://www.ndiscommission.gov.au/document/1836>. Accessed 29 July 2020.

7 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>

8 The Hon Josh Frydenberg MP (2020, 17 December). Doorstop interview, Parliament House, Canberra. Retrieved from <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/transcripts/doorstop-interview-parliament-house-canberra-33>

9 Commonwealth of Australia (2020, December). Mid-Year Economic and Fiscal Outlook. Retrieved from <https://budget.gov.au/2020-21/content/myefo/index.htm>

To properly fund the public services we need, and to have the ability to plan and respond to an uncertain future, the efficiency dividend needs to be abolished. In the short-term, an increased or extended efficiency dividend in the 2021-22 Budget needs to be ruled out to provide certainty and confidence to the APS. Longer-term, it requires a funding model that does not impose these arbitrary cuts on agencies.

The CPSU continues to be more than willing to work constructively with the Government to develop a more sustainable funding model that does not rely on blunt instruments like the efficiency dividend.

Investing in ICT infrastructure

Digital transformation has been a stated priority of this Government, with a strategy focused on making government easy to deal with, informed by the community and fit for purpose in a digital age. But rather than ensuring there is in-house capacity to deliver better services, the focus has been on outsourcing ICT and cutting staffing costs by reducing access to non-digital service delivery channels. As a result, we have seen a growing use of ICT contractors, who are now 30 per cent of the ICT workforce,¹⁰ and a reduction in staffing in service delivery agencies such as Services Australia that have over 5,000 fewer staff today than in June 2012.

COVID-19 has shown the importance of digital capacity for the delivery of, and the basic functioning of public services Australians rely on. Up-to-date ICT infrastructure is not an addendum but core to the functioning of the APS. COVID-19 also showed the operational importance of digital infrastructure as up to 56 per cent of APS employees worked from home.¹¹

There are no shortcuts to building in-house capacity, but it is necessary for effective government, as recognised in the APS Review. The late Paul Shetler, former head of the Digital Transformation Office, previously 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.’¹²

A significant investment in staff ICT skills is needed. 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.¹³

10 Department of Finance. Australian Government ICT Trends Report 2015-16. Retrieved from <https://www.finance.gov.au/sites/default/files/ict-trends-report-2015-16.pdf>

11 Australian Public Service Commission (2020). State of the Service Report 2019-20. Retrieved from <https://www.apsc.gov.au/state-service-report-2019-20>

12 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>

13 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>.

Prior to the COVID-19 pandemic, there were plans to commence an APS wide ICT capability audit.¹⁴ This should be a priority but also must be matched with additional investment. The APS Review estimated that at least \$1 billion of investment would be needed to overcome the gap with the private sector.¹⁵

What is required is for the APS to build its internal capacity and reduce its reliance on external contractors and vendors. This should be combined with a broader employment strategy by creating and looking at opportunities in smaller capital cities and regional locations.

Placing a cap on agency expenditure on ICT 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.

Maintaining trust in government by prioritising integrity and accountability

Prior to COVID-19, low levels of trust and satisfaction in government were a significant source of concern.¹⁶ The response of Australian governments to the pandemic has restored public trust in the role of government.¹⁷ Maintaining that trust in our public services and democracy is essential if we want to effectively tackle complex policy challenges into the future. This requires boosting resources to ensure greater transparency, accountability and integrity, reversing the Government's approach over the past few years.

Royal Commissions into Disability and Aged Care Quality and Safety have highlighted that the regulatory agencies that are responsible for monitoring and compliance of standards in the organisations many vulnerable Australians rely on are not receiving the funding and staffing they need to do their job properly. CPSU members in the Aged Care Quality and Safety Commission, for example, have reported massive increases in workloads, resulting in long wait times on assessments. There are simply not enough permanent assessor staff, with an over-reliance on staff on short-term insecure contracts.¹⁸

Along with funding failing to keep up with the workloads of our regulators, constant cuts to funding and staffing in agencies that have an accountability role have eroded their capacity to scrutinise and inform the community about the work in key areas of the economy. Analysis by the Centre for Public Integrity found funding of accountability institutions has been cut dramatically by \$1.4 billion in real terms since 2010, down from \$4.8 billion to \$3.4 billion.¹⁹

14 <https://www.govtechreview.com.au/content/gov-digital/article/govt-plans-aps-wide-ict-systems-audit-1116842133>

15 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>

16 Australian National University (2019, 9 December). Trust in government hits all time low. Retrieved from <https://www.anu.edu.au/news/all-news/trust-in-government-hits-all-time-low>

17 Tom Burton (2020, 11 November). Trust in government soars, survey shows. Australian Financial Review. Retrieved from <https://www.afr.com/politics/federal/trust-in-government-soars-survey-shows-20201111-p56di9>

18 Community and Public Sector Union (2020) Submission to Royal Commission into Aged Care Quality and Safety.

19 Centre for Public Integrity (October 2020) Accountability Deficit: the \$1.4 billion funding cut of accountability institutions. Retrieved from <https://publicintegrity.org.au/wp-content/uploads/2020/10/Briefing-Paper-Budget-2019-2020-1.pdf>

The ANAO has felt the brunt of this. ANAO funding fell from \$112 million in 2019-20 to \$98 million in 2020-21 and the number of performance audits will now fall well below the longstanding bipartisan target of 48 per year to around 38 in 2022-23.²⁰

Agencies have not only experienced cuts, but they have also not received additional resources to meet growing demands. The Office of the Australian Information Commissioner's resourcing has not kept pace with the 13 per cent increase in the number of Freedom of Information requests received across Australian Government agencies since 2017.²¹

Staffing reductions in these agencies that are important to our democracy have a real-world impact. For example, the NT AEC headcount decrease from 60 in June 2013 to 10 in June 2020 had an impact on enrolment, with falling enrolment in remote communities.²² The Indigenous enrolment rate in the NT is only 68 per cent.²³

Existing accountability agencies should be supported but existing gaps also need to be addressed through either the establishment of bodies or expanded functions for existing regulatory agencies. For example, along with improved public data on procurement and contracting, a properly funded National Integrity Commission needs to be established. While the CPSU notes there are plans to establish a Commonwealth Integrity Commission, the significant delays and scaled back proposal do not reassure the public that there is genuine commitment to establishing an agency that will do the work that is required in this area.

The Commonwealth must commit to properly resourcing and empowering regulatory and accountability agencies to ensure community confidence in government and in government services.

A public sector that reflects Australia's diversity

The challenges that Australia will face in an uncertain economic and geopolitical environment means we need to use all our natural advantages such as our society's diversity. An APS that represents the diversity of Australia will deliver better outcomes for all Australians.

While there have been improvements in the proportion of Aboriginal and Torres Strait Islander APS employees, they continue to be employed at lower classification levels at higher proportions and have comparatively high attrition rates. Most are recruited into lower classifications with APS4 and below accounting for nearly four in five (79.4 per cent) engagements, compared to half (50.7 per cent) for non-Indigenous employees. It is

20 Paul Karp (2020, 8 October). Coalition accused of trying to avoid scrutiny after audit office budget cut. Guardian Australia. Retrieved from <https://www.theguardian.com/australia-news/2020/oct/08/coalition-accused-of-trying-to-avoid-scrutiny-after-audit-office-budget-cut>

21 Centre for Public Integrity (October 2020) Accountability Deficit: the \$1.4 billion funding cut of accountability institutions. Retrieved from <https://publicintegrity.org.au/wp-content/uploads/2020/10/Briefing-Paper-Budget-2019-2020-1.pdf>

22 Tom Maddocks (2018, 17 December). NT politician blames AEC cuts for constituents being denied chance to enrol to vote. ABC News. Retrieved from <https://www.abc.net.au/news/2018-12-17/voter-participation-enrolled-lingiari-snowdon-jacinta-price/10620932>

23 Australian Electoral Commission (2020, 4 September). Indigenous enrolment rate. Retrieved from https://www.aec.gov.au/Enrolling_to_vote/Enrolment_stats/performance/indigenous-enrolment-rate.htm

of little surprise that retention continues to be a problem with a significant gap of 8.1 years for median service, a gap that has grown over the past twenty years.²⁴

Australians with a disability continue to remain underrepresented with only 4 per cent of APS employees having a disability, roughly half that of the Australian labour market. The CPSU welcomes commitments by the APS to diversity and inclusion, most recently to increasing the representation of Australians with a disability in the APS workforce to a target of 7 per cent, however, it requires addressing lower retention rates.²⁵

Much more also needs to be done to better reflect Australia's cultural and linguistic diversity. The most recent June 2020 APS Employment Data indicates that 14.3 per cent have a non-English speaking background, a decline of 0.5 per cent since June 2019 and lower than any time since June 2012.²⁶ At the same time as Australia has been becoming more culturally diverse, the State of the Service Report noted that "in recent years, employment of CALD employees in the APS has been slowing."²⁷

The CPSU notes there is no service-wide cultural and linguistic diversity strategy and data on culturally and linguistically diverse representation within the APS is poor, incomplete and varies by agency. It has an impact on delivery by the public sector as committing resources and understanding its importance becomes less of a priority. A glaring example of its impact was the use of Google Translate for important COVID-19 related translations for multicultural communities that resulted in incorrect and incoherent information for the public.²⁸

24 Australian Public Service Commission (2020). State of the Service Report 2019-20. Retrieved from <https://www.apsc.gov.au/state-service-report-2019-20>

25 Australian Public Service Commission (2020). State of the Service Report 2019-20. Retrieved from <https://www.apsc.gov.au/state-service-report-2019-20>

26 Table 76: All employees: diversity group, 2001 to 2020, APS Employment Data, 30 June 2020 in Australian Public Service Commission (2020). APS Employment Data 30 June 2020 Release. Commonwealth of Australia. Retrieved from <https://www.apsc.gov.au/aps-employment-data-30-june-2020-0>.

27 Australian Public Service Commission (2020). State of the Service Report 2019-20. Retrieved from <https://www.apsc.gov.au/state-service-report-2019-20>

28 Stephanie Dalzell (2020, 19 November). Federal Government used Google Translate for COVID-19 messaging aimed at multicultural communities. ABC News. Retrieved from <https://www.abc.net.au/news/2020-11-19/government-used-google-translate-for-nonsensical-covid-19-tweet/12897200>

2. Using the power of government to create secure jobs for those in need

In the current economic climate, the Commonwealth needs to use every policy option available to it to create new jobs. The public sector workforce is a macroeconomic lever that the Commonwealth has not used to its full potential. It is a lever that can address various public policy objectives using a multi-pronged approach.

The APS wages policy has a wider impact on private sector wages and can boost general demand across the economy, generating more jobs because of the multiplier effect. Commonwealth employment is another powerful policy lever that can assist in meeting the jobs crisis faced by younger Australians and those in regional communities. Actions such as expanding entry-level opportunities, new flexible and secure jobs in the outer suburbs and creating regional jobs hubs are practical things that can be done.

Expanded entry-level opportunities

The COVID-19 recession has impacted worse on some demographic groups. Younger Australians have been amongst the hardest hit. Employment for 15–34 year olds is around 4.2 per cent lower than its March 2020 level while employment for the rest of the population is 0.1 per cent lower.²⁹ Youth unemployment is currently at 15.6 per cent, more than double the official rate of 7.0 per cent.³⁰ This has been acknowledged by the Treasurer who said that “getting young people into work is a challenge”³¹

This has affected younger Australians in all segments of the labour market. The number of those employed in professional jobs between the ages of 20-24 declined from 204,600 in February 2020 to 176,600 in November 2020, indicating a significant decline in ‘graduate’ roles for younger Australians.³²

A lack of jobs for younger Australians is not a new problem. Before COVID-19, youth unemployment was at crisis levels, with regional and outer suburban locations the hardest hit.³³

There are simply not enough jobs, not just for younger Australians, and governments can and should play a direct role in changing this. One avenue open to governments is expanding entry-level programs. For example, the ACT Government announced a 20 per cent increase in the size of its graduate program, recognising the role the public sector

29 Commonwealth of Australia (2020, December). Mid-Year Economic and Fiscal Outlook. Retrieved from <https://budget.gov.au/2020-21/content/myefo/download/myefo-2020-21.pdf>

30 Australian Bureau of Statistics (2020, 13 August). 6202.0 - Labour Force, Australia, October 2020.

31 The Hon Josh Frydenberg MP (2020, 17 December). Doorstop interview, Parliament House, Canberra. Retrieved from <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/transcripts/doorstop-interview-parliament-house-canberra-33>

32 ABS. Labour Force, Australia, Detailed, November 2020 . 6291.0.55.003 - EQ13 - Employed persons by Age and Occupation major group of main job (ANZSCO), August 1986 onwards

33 Brotherhood of St Laurence (2019, 4 March). Australia's latest 20 youth unemployment hotspots ranked. Retrieved from <https://www.bsl.org.au/news-events/media-releases/australias-latest-20-youth-unemployment-hotspots-ranked/>

can play.³⁴ The Commonwealth should play a similar role and expand the APS graduate program.

A significantly expanded graduate program was a key element of the CPSU's Supplementary 2020-21 Commonwealth Budget submission. It is pleasing to see several key APS agencies have increased their graduate intake for 2021. Early indications are that the ATO and Services Australia amongst others will significantly increase the number of graduates they take on this year.

Whilst it is encouraging to see some APS agencies increase their graduate intakes, there needs to be a clear whole of APS commitment from the Government to an ongoing, across the board increase in APS graduate positions.

Declining entry-level opportunities have made APS graduate positions increasingly desirable. Approximately 6,000 applications were received for the 2021 APS graduate intake.³⁵ This is over four times the 1,407 graduates who joined the APS across 35 agencies in 2020.³⁶ The decline in professional roles for those aged 20-24 means there is likely to be even more competition for 'graduate' roles for 2022.

There is a nationwide benefit to an increased APS graduate intake. Contrary to perception, only two in five Australian Public Service jobs are located in Canberra. However, only a third of graduate positions are currently located outside the ACT. An expansion of the program could be used to increase this percentage with a focus on regional Australia and smaller capital cities. Based on 30 June 2020 headcount figures, outside of Canberra, a doubling of the APS graduate program alone would create an additional:

- 124 jobs in New South Wales;
- 208 jobs in Victoria;
- 94 jobs in Queensland;
- 49 jobs in South Australia;
- 46 jobs in Western Australia;
- 13 jobs in Tasmania; and
- 4 jobs in the Northern Territory.

An expanded graduate program must not be the only public sector employment policy response by the Commonwealth. Public sector employment strategies to address youth unemployment must include alternative entry-level pathways for those without existing post-secondary qualifications.

34 Kathryn Brown and Andrew Lewis (2020, 13 August). Graduate Positions and Business Incentives for Generation Hardest Hit by COVID-19. The Canberra Times. Retrieved from <https://www.canberratimes.com.au/story/6875057/graduate-positions-and-business-incentives-for-generation-hardest-hit-by-covid-19/>

35 Australian Public Service Commission (2020). State of the Service Report 2019-20. Retrieved from <https://www.apsc.gov.au/state-service-report-2019-20>

36 Australian Public Service Commission (2020). State of the Service Report 2019-20. Retrieved from <https://www.apsc.gov.au/state-service-report-2019-20>

Other jurisdictions have realised the importance of other pathways. The Victorian Government announced up to 800 jobs in a Youth Employment Program to provide skills training and work experience in the public service.³⁷ That number far exceeded the number of trainees in the APS, which was 544 trainees in June 2020.³⁸ The Review of the Tasmanian State Service also recommended an increase in the number of placements available within graduate, cadet and traineeship programs to create more opportunities for young people.³⁹

There are a range of existing public service entry-level programs that can be emulated or expanded to provide job opportunities in the APS such as the Victorian Public Service's Youth Cadetship program⁴⁰ and the APS apprenticeship and cadetship programs run by the Digital Transformation Agency.⁴¹ These entry-level programs are not just for younger Australians. A larger entry-level intake with a focus Indigenous Australians and also other targeted groups should be a priority. For example, the Clean Energy Regulator's traineeship program includes a specific focus on recent high school graduates, those with a disability, mature age workers seeking to re-enter the workforce and Indigenous Australians.⁴²

The CPSU is not the only organisation that has advocated for this expansion. Australia Together has previously recommended the direct employment of thousands of new trainees and graduate trainees each year for the next three years, across Commonwealth agencies across the country. They noted this would require lifting existing staffing level caps and efficiency dividends so that these new jobs make a net contribution to employment.⁴³

As a start, the Commonwealth should double the APS graduate program and provide an additional 1,500 positions in alternative entry-level pathways, ensuring that these new roles exist across Australia in smaller states, regional centres and outer suburban locations.

Providing quality jobs for women in outer suburban and regional Australia

Increasing APS staffing levels will also alleviate the disproportionate impact of this recession on women. Women are far more likely to work part-time and many female-dominated industries like retail and hospitality have been hit the hardest by the recession.

37 Premier of Victoria (2020, 21 July) Jobs Boost For Local Communities And Young People. Retrieved from <http://www.premier.vic.gov.au/jobs-boost-local-communities-and-young-people>.

38 Table 14: All employees: location by base classification and employment category, 30 June 2020, in Australian Public Service Commission (2020). APS Employment Data 30 June 2020 Release. Commonwealth of Australia. Retrieved from <https://www.apsc.gov.au/aps-employment-data-30-june-2020-0>.

39 Dr Ian Watt AC (2020, November). Review of the Tasmanian State Service - Interim Report, Department of Premier and Cabinet. Retrieved from http://www.dpac.tas.gov.au/_data/assets/pdf_file/0010/562591/Interim_Report_-_FINAL.pdf

40 Victorian Government. Youth Cadetship Scheme. Retrieved from <http://jobs.vic.gov.au/about-jobs-victoria/youth-cadetship-scheme>

41 Digital Transformation Agency (2020, May 20). Start Your Digital Career in Government. Retrieved from <https://www.dta.gov.au/help-and-advice/learning-and-development/start-your-digital-career-government>.

42 Clean Energy Regulator (2020, 15 January) APS Trainee Program. Retrieved from <http://www.cleanenergyregulator.gov.au/About/Pages/Work%20for%20us/APS-Trainee-Program.aspx>.

43 Australia Together (2020, August). 2020-21 Federal Pre-Budget Submission. Retrieved from <https://australiatogether.squarespace.com/s/2020824-Budget-Submission-Final.pdf>

Creating new, permanent, secure jobs in agencies with a wide geographic footprint that have opportunities for flexible work conditions, provides an opportunity to address multiple policy objectives. In addition to helping with the growing pressures on our cities, they can provide job opportunities for women in outer suburban and regional Australia. The flexible working arrangements in the APS can provide access to part-time work with good conditions and career opportunities. This helps strengthen local economies and provides secure employment with a career path for women in regional and outer suburban areas. An agency such as Services Australia, for example, has nearly all (87 per cent) of its geographical footprint outside of Canberra and is ideal for expansion in these areas.

The APS could play a much larger role in providing good quality jobs for older women who are seeking work. The typical person on JobSeeker is now an individual aged over 45, many of whom have dependent children.⁴⁴ Compared to the past when it was mostly younger men, older women are more likely to be on JobSeeker.⁴⁵ This would help reduce unemployment rates for a key demographic that needs help and address pressures on public services.

Regional jobs hubs

Quality public sector jobs are fundamental to any economic rebuild in regional Australia and to the achievement and maintenance of full employment. A new approach is needed after the failure of previous government initiatives such as the decentralisation program where only 430 jobs moved, and not all to regional centres but instead to Western Sydney or other state capitals like Adelaide.⁴⁶ A more considered approach is needed that considers the public policy objectives and transaction costs of relocations.

The creation of specifically designed jobs hubs in regional locations like Cairns, Launceston and Townsville should be considered. A designated jobs hub could involve new purpose-built facilities to co-locate Australian Public Service jobs with state and local government jobs. Commonwealth agencies should be required to place new roles and functions in those selected locations. The creation of jobs hubs will require collaboration with state and local governments to identify whether existing public sector roles and institutions mean that particular agency roles and functions should exist in specific regional locations.

Those locations should be a priority recipient of increased overall staffing levels. Agencies such as Services Australia, the ATO and NDIA should be the priority for new jobs, however, it is important that jobs are not just service delivery roles in contact centres and not limited to those agencies. Regulatory, program and ICT roles should also be considered to provide a range of career options in the regions.

44 Australian Council of Social Services (2020). Faces of Unemployment 2020. Retrieved from <https://www.acoss.org.au/faces-of-unemployment-2020/>

45 Parliamentary Budget Office (2020, 30 September). JobSeeker Payment: Understanding economic and policy trends affecting Commonwealth expenditure. Retrieved from https://www.apb.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Publications/Research_reports/JobSeeker_Payment

46 Rural and Regional Affairs and Transport Legislation Committee (2019, 21 October) Senate Estimates Department of Infrastructure, Transport, Cities and Regional Development. Retrieved from <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=COMMITTEES;id=committees%2Festimate%2Fc86ae780-aad0-42ea-9e14-33519ada94bd%2F002;query=id%3A%22committees%2Festimate%2Fc86ae780-aad0-42ea-9e14-33519ada94bd%2F0000%22>

There is an opportunity to combine building ICT capacity 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 (9.5 per cent) and Queensland (9.3 per cent) than in NSW (4.7 per cent).⁴⁷

Regional jobs hubs are being considered by other jurisdictions. The recent Tune Review of the Tasmanian State Service recommended a business case for the development of regional office hubs should be prepared including consideration of potential locations.⁴⁸ There are also a range of examples at both a state and federal level that can guide the development of jobs hubs in specific regional locations. These include VIC GovHubs, Townsville Defence Hub, Geelong and the Parramatta Justice Precinct.

Creating new, permanent, secure jobs that have opportunities for flexible working conditions in the regions, provides an opportunity to address multiple policy objectives. In addition to helping with the growing pressures on our cities, they can provide job opportunities in regional Australia. Recent research suggests that consumer spending by public servants will create 179 direct jobs for every \$1 million spent, encouraging private sector investment by strengthening consumer confidence.⁴⁹

Secure public sector employment can act as an economic anchor in local communities, acting as new employment precincts in regional areas. It would encourage the establishment of private sector businesses and attract investment, providing decent, secure work that people can rely on.

Working with local universities and vocational education providers, they can also provide alternative pathways to entry-level employment in areas of need such as ICT through apprenticeships and cadetships, enabling targeted groups to build skills and have work experience. This helps strengthen local economies and provides secure employment with a career path in regional Australia.

To create additional capacity and job opportunities in regional areas, it is critical that these jobs are new positions. Relocation does not provide the net increase in staff and resources needed to rebuild policy development and service delivery capacity.

Along with being an economic anchor in local economies, jobs hubs would encourage better collaboration between different tiers of government and take advantage of the benefits of the network efforts of an industry being located in the same geographic location. There are agglomeration benefits when public servants can easily access concentrations of knowledge and expertise.⁵⁰

47 Table 30: All employees: job family by location, 30 June 2020, in Australian Public Service Commission (2020). APS Employment Data 30 June 2020 Release: Commonwealth of Australia. Retrieved from <https://www.apsc.gov.au/aps-employment-data-30-june-2020-0>.

48 Dr Ian Watt AC (2020, November). Review of the Tasmanian State Service - Interim Report, Department of Premier and Cabinet. Retrieved from http://www.dpac.tas.gov.au/_data/assets/pdf_file/0010/562591/Interim_Report_-_FINAL.pdf

49 Richard Denniss, Matt Grudnoff and David Richardson (2020, 1 June). The macroeconomic impact of the NSW public sector pay cut. Australia Institute. Retrieved from <https://australiainstitute.org.au/report/the-macroeconomic-impact-of-the-nsw-public-sector-pay-cut/>

50 Productivity Commission (2017, April). Transitioning Regional Economies, Initial Report, Canberra. Retrieved from <http://www.pc.gov.au/inquiries/current/transitioning-regions/initial/transitioning-regions-initial.pdf>

Lifting wages and demand

Low wage growth is a drag on general demand and government revenue. There is a growing consensus that the continuation of these low wages is a threat to economic growth. The Government's wages policy for the APS has resulted in long term wage freezes, with a flow-on effect across the economy. Reducing wages has spill-over reductions in demand, spending, and production.⁵¹ This is because it undermines the market conditions for businesses, which in turn undermines their own employment decisions and private sector wage growth.⁵²

Wage 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. The Government's decision to cap public sector pay at the annual seasonally adjusted Wage Price Index (WPI) for the private sector, for the most recently published June quarter, is a counterproductive policy and will lead to a downward spiral of wages, depressing private sector demand.⁵³

The Government has previously admitted that that "the public sector is a large employer – its wage outcomes have a macroeconomic effect".⁵⁴ The most recent MYEFO indicates the WPI will be 1.25 per cent in 2021-22 compared to a CPI of 2.25 per cent. This indicates that over the next financial year, real wages will fall for all workers, damaging the economy unless drastic action is taken.

What is needed are policy settings that encourage wage growth for all. Government should set a wage growth target, abandon capping public sector pay, and use higher public sector wages as a macroeconomic lever to lift general demand and wage growth across the economy.

Government leadership on climate change

The challenge of climate change has not gone away with COVID-19. There is much that the Commonwealth Government can do to take on a leadership role in reducing emissions and in the creation of the jobs that will emerge in a post carbon economy.

As a major procurer of goods and services the Commonwealth can lead by example in setting procurement guidelines and operational policies to reduce its emissions output. The New Zealand Government and state and territory Australian governments are also

51 Dan Nahum (2 October 2020). Public Service in Challenging Times: The Economic and Social Value of Public Sector Work in Queensland. Centre for Future Work. Retrieved from https://www.futurework.org.au/the_value_of_public_sector_work_in_queensland

52 Jim Stanford (2020, 16 April). Public Sector Pay Freezes Could Push Economy From Recession to Depression. Centre for Future Work. Retrieved from https://www.futurework.org.au/pay_freezes_recession_to_depression

53 Ben Morton (2020, 13 November). New wages policy for Commonwealth Public Servants and a review of performance bonus arrangements for senior executives. Retrieved from <https://ministers.pmc.gov.au/morton/2020/new-wages-policy-commonwealth-public-servants-and-review-performance-bonus-arrangements-senior-executives>

54 Australian Public Service (2014, March). Australian Government Public Sector Workplace Bargaining Policy. Retrieved from <https://www.apsc.gov.au/sites/default/files/280314-bargaining-policy.docx>

implementing policies the Commonwealth could adopt. The New Zealand Government has committed to a carbon neutral public sector by 2025, requiring reporting and offsets where emissions cannot be reduced. In Australia, every state and territory has committed to net zero emissions by 2050 with some legislating these targets. The ACT Government has a target of zero emissions Government operations by 2040.⁵⁵ In Victoria, each department is required to outline its emissions reduction target in a Low Carbon Growth Plan.⁵⁶ Notably, the NSW Government has created a climate change policy framework that aims to embed climate change decisions in government decision making across operations including service delivery, infrastructure, purchasing decisions and regulatory frameworks.⁵⁷

The Commonwealth should commit to a carbon neutral APS and legislate a Climate Change Policy Framework that has binding net zero by 2050 targets that requires the publication of associated five yearly plans to meet these targets, including for the Commonwealth public sector. The framework must fully integrate consideration of emissions and climate change risks in decision making about government programs, assets and services. This should include a strengthened Climate Change Authority that mandates the Government, considers the advice and recommendations on climate and independently reports and reviews Government policy without requiring Ministerial referral.

55 ACT Government (2019, 12 July). Zero Emissions Government. Environment, Planning and Sustainable Development Directorate – Environment. Retrieved from <https://www.environment.act.gov.au/cc/zero-emissions-government>.

56 Victorian Government (2018, 4 October). Victoria's Climate Change Framework. Climate Change. Retrieved from <https://www.climatechange.vic.gov.au/victorias-climate-change-framework>

57 NSW Government (2020). Climate Change Policy Framework. NSW Environment, Energy and Science. Retrieved from <http://www.environment.nsw.gov.au/topics/climate-change/policy-framework>.

3. Stopping the privatisation by stealth of our public services

The Government's ASL cap leads to the privatisation by stealth of our public services.

Since the introduction of the staffing cap in 2013 over 15,000 ongoing, career-based APS jobs have been cut from the public service and converted to labour hire jobs. In addition to that, there has been a rapid and significant increase in the expenditure on contracted services such as third-party call centres and consultants. Because the government chooses to not accurately track this expenditure the exact numbers are unclear, but it is estimated that over 30,000 people are working in contract and labour hire arrangements in the APS, including at least 10,000 in contract call centres.

While there was a small lift in staffing in the 2020-21 Budget because of COVID-19, all of that work went to either casual positions or outsourced providers and labour hire companies.⁵⁸ The Government has indicated that Average Staffing Levels will return to 2006-07 levels in 2021-22.⁵⁹ The ongoing response to the pandemic requires a much greater role for all parts of the public service into the medium-term and this strict adherence to the flawed ideology of the staffing cap will undermine Australia's post COVID-19 rebuilding.

We are very concerned that the Government is planning to cut staffing levels in the upcoming Budget. Even with the temporary staffing increases, increased demands on the APS were largely met through increased hours, less leave and reliance on redeploying existing staff. In high priority work areas outputs increased to more than double, and during shorter periods, more than four times their pre-pandemic levels.⁶⁰

Reliance on mobility to surge in response to crises ignores the importance of experience and training. For example, most employees assisting Services Australia were deployed to a call or processing centre, and most of these employees (80 per cent) had no prior experience in these roles. They had to work with unfamiliar systems, and it presented "a steep learning curve".⁶¹

This approach is unsustainable and creates unnecessary risks. Artificially restricting staffing levels prevents agencies from having the internal capacity to respond quickly to crises and effectively privatises core functions. By scrapping the ASL cap, we can convert labour hire positions to proper career APS jobs and cap the use of consultants, building long-term capacity that is sorely needed.

Labour hire creates insecure work, undermines the job security and work value of permanent staff, and has implications for the short and long term capacity of the public sector. Based on the limited information available, CPSU estimates there are at

58 Commonwealth of Australia (2020, October). Budget 2020-21 - Budget Paper No. 4 Agency Resourcing. Retrieved from <https://budget.gov.au/2020-21/content/bp4/index.htm>

59 Commonwealth of Australia (2020, October). Budget 2020-21 - Budget Paper No. 4 Agency Resourcing. Retrieved from <https://budget.gov.au/2020-21/content/bp4/index.htm>

60 Australian Public Service Commission (2020). State of the Service Report 2019-20. Retrieved from <https://www.apsc.gov.au/state-service-report-2019-20>

61 Australian Public Service Commission (2020). State of the Service Report 2019-20. Retrieved from <https://www.apsc.gov.au/state-service-report-2019-20>

least 30,000 APS jobs that have been contracted out, many handed over to labour hire companies.

Central agencies understand the ASL cap has encouraged labour hire and other forms of insecure work, 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.”⁶²

Along with an increased reliance on labour hire, agencies are increasingly reliant on consultants. Among all contracts awarded under the 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 2013-14.⁶³

The ASL cap has driven increased spending on consultancies which has grown each year over the last five years. Consultancy contracts reported in 2018–19 totaled \$647 million.⁶⁴ 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.⁶⁵

Funds to reinvest in capacity can be generated from capping Commonwealth spending on contractors and consultants. The capping of consultant expenditure is far from a radical idea. The NSW Government imposed a maximum daily fee for consultants⁶⁶ and a tiered cap on ICT consulting fees.⁶⁷ Because of the NSW cap, Services Australia was paying 53 per cent more than the maximum rate for NSW Government.⁶⁸

The ASL cap needs to be eliminated so the APS can reduce its reliance on expensive labour hire and consultants to build internal capacity and prepare for future crises, whatever they may be.

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

63 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>

64 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>

65 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>

66 Edmund Tadros (2019, 3 September). 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>

67 Justin Hendry (2020, 24 February). NSW govt fee cap on IT consultants to bite from March. ITNews. Retrieved from <https://www.itnews.com.au/news/nsw-govt-fee-cap-on-it-consultants-to-bite-from-march-538484>

68 Edmund Tadros and Tom McLroy (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>

Conclusion

Now, more than ever, Australians need a strong and properly resourced public service. During COVID-19, and before that the bushfires, the public sector and public sector workers have played a critical role – supporting Australians when they most needed it. As we look ahead, the public service can also be a key part of our national recovery. Our community and our economy can rebuild faster, stronger, and more fairly with a strong public service that has the staffing, funding and tools it needs. We want to see a stronger public service that delivers better outcomes for our community, is part of a fairer and more inclusive Australia, and is a better place to work. The recommendations in this CPSU pre-budget submission are intended to achieve that. For the public service we need and deserve we must:

- Properly fund and support the public services that we all need and rely on.
- Use the power of government to create secure jobs for those in need.
- Stop the privatisation by stealth of our public services that is undermining our social safety net and exacerbating job insecurity.