



**CPSU/CSA Submission to the**

**WESTERN AUSTRALIA LEGISLATIVE COUNCIL**  
Standing Committee on Estimates  
and Financial Operations

**Subcommittee Inquiry into Public  
Sector Expenditure**

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# **CPSU/CSA Submission to the Western Australia Legislative Council Standing Committee on Estimates and Financial Operations Inquiry into Public Sector Expenditure**

## **INTRODUCTION**

The Community and Public Sector Union, Civil Service Association (CPSU/CSA) was established in 1901 and is an active and progressive union committed to promoting a modern, efficient and responsive State Public Sector that delivers quality services and quality employment.

We represent around 14,100 Members in over 100 State Government Departments and Agencies and over 640 different occupational groups, in both metropolitan and regional and remote areas.

CPSU/CSA Members oppose the implementation of an efficiency dividend. CPSU/CSA Members however do support productivity and efficiency in the State Public Sector and are committed to delivering a quality public service to the Western Australian community.

In our opinion a so-called “Efficiency Dividend” is a blunt tool that will simply strip funds from already stretched Department and Agency budgets, regardless of their size, staffing profile or service provided. One size does not necessarily fit all.

At a time of increasing demand for public services from our growing community, as a result of population growth and other factors in WA, now is not the time to cut the public sector. Many agencies are already struggling to provide the services they are charged to deliver and further cuts will only exacerbate this problem.

It will be the community that suffers as a result, if Public Sector agencies are required to deliver quality services to an ever increasing population and to provide the framework for the economic development of this state, with a budget that is being cut by 3% annually.

CPSU/CSA Members have an intimate knowledge and understanding of all facets of the WA Public Sector and are committed to ensuring that it is a quality, efficient, sustainable public sector that meets the needs of the Western Australian community. With that in mind we welcome the opportunity to make a written submission to this Inquiry.



## BACKGROUND AND KEY POINTS

CPSU/CSA Members have repeatedly demonstrated their commitment to increasing workplace efficiency and acknowledge their responsibility in managing and spending taxpayer funds efficiently and effectively. However the proposed top-down, “blanket”, 3% cut to Department budgets does not take into account particular Agency circumstances or the current pressures in delivering vital public services.

In the opinion of the CPSU/CSA, the 3% cuts will only lead to Departments being forced to compromise some of these vital services and to making spending decisions not based around what is in the best interest of the community, but rather based on managing an ever shrinking budget.

These budgetary constraints are further compounded when one considers the efficiency dividend that is already currently imposed upon the funding arrangements for wages in many Departments and Agency.

An efficiency dividend of between 1% and 2.5% is already imposed upon a number of Agency's, and has to be recovered from the Operating Budgets each year in order to deliver on wage increases during the period of the current General Agreement.

Efficiency dividends are not a new concept, and have been imposed upon public sectors, both State and Federal on many occasions in the past.

Across the board, the outcomes and experiences of “efficiency dividends” imposed upon Public Sector Departments and Agencies are similar. Money is saved, but services have suffered.

Efficiency dividends have not been found to be sustainable and any short term savings have been quickly undermined by the reduced ability, particularly of smaller Agencies, to deliver on core functions.

Since 1987, an efficiency dividend has been imposed upon the Commonwealth Public Sector. Driven by the need to meet the dividend, Agency Directors have made decisions to cut staff, cut Government services and functions, and cut projects regardless of community need and the resultant increases to staff workloads.

This particular efficiency dividend has come under scrutiny and review four times since its introduction. Each review has highlighted how difficult and unsustainable it was for Departments and Agencies to achieve the dividend and the negative impact it has had on service delivery from many Agencies.

The most recent review was an *Inquiry into the effects of the ongoing efficiency dividend on smaller public sector agencies*, conducted by the Joint Committee of Public Accounts and Audit in 2008.

In the Committee's opinion, as Agencies were making service cuts to meet their budgets, the efficiency dividend was in fact leading to a false economy.

Examples of this false economy were wide-spread, such as service cuts, cost shifting between Departments for previously uncharged services, and changing recruitment practices to meet budget rather than operational requirements. Data indicated that Agencies were cutting staff more than they are reducing workload.

A number of unintended consequences from the efficiency dividend were observed by the Committee. The Committee noted that a common response by agencies when attempting to achieve the dividend was to scale down regional services and activities and to allocate fewer resources for innovation and research. Many Agencies had closed regional offices in order to stay within budget.

Some agencies had also become over-reliant on external receipts when in fact for many of these Agencies, this was not the intention when they were established.

#### **INQUIRY TERMS OF REFERENCE AND CPSU/CSA RESPONSE**

The CPSU/CSA has chosen to respond specifically to the following terms of reference for the inquiry:

- (a) the impacts of a three percent efficiency dividend on the general level of service delivery across all agencies in particular any impacts on service delivery to regional areas;
- (b) consider alternative methods for achieving a three percent reduction in government expenditure;
- (c) whether a three percent efficiency dividend has a disproportionate impact on smaller agencies, including whether or not smaller agencies are disadvantaged by poorer economies of scale or a relative inability to obtain funding for new policy proposals;
- (d) what measures agencies are taking to implement a three percent efficiency dividend, and the effect on their functions, performance and staff arrangements;



**(a) The impacts of a three percent efficiency dividend on the general level of service delivery across all agencies in particular any impacts on service delivery to regional areas.**

Prior to the 3% budget cuts being imposed from 1 January 2009, it was clear that many State Government Departments and Agencies were already struggling to deliver the basic core services and functions that they are required to.

In recent years a tightening labour market and a rapidly increasing state population have put severe pressures on the ability of the WA State Public Sector to attract and retain staff. Many Departments are now faced with a large pool of vacant, established positions that still need to be filled in order to deliver on core services.

ABS figures indicate that the WA public service workforce has diminished from 17% of the total WA labour force in 1997 to just 12% in 2007. This reduction has occurred as the West Australian population grew by over 700,000, currently the fastest growing population in Australia. An obvious increase in demand for services is being required of a per head of population, decreasing Public Sector workforce.

The Department of Child Protection is one example of a Department struggling to deliver critical services to our community. The Department currently has a shortfall of 116 Child Protection Workers and with the current State Government having now implemented mandatory reporting, the resulting increased workload makes any further reduction in funding unsustainable.

Staff shortages have severely hampered the Department of Corrective Services' ability to manage offenders in the community and provide treatment programs. Over 1000 offenders on Community Based Orders are currently unsupervised and many offender treatment programs are not being run, due to a serious lack of staff.

In the second half of 2008 up to 25 Dental Health Service Clinics, across metropolitan and regional WA, have been close due to critical staff shortages. Recent critical incidents such as the gas explosion at Varanus Island and the lead contamination at Esperance, further highlight the potential risk posed to community safety by staff shortages. These are just some of the many examples of State Government Departments and Agencies that are already facing difficulties in delivering services.

Issues of attraction and retention are particularly severe in regional and remote areas of Western Australia. The current District Allowances for General Public Sector employees fall well short of addressing the cost of living pressures being experienced in regional areas.

As a consequence attracting staff to these areas is extremely difficult with many already in the sector leaving regional positions to seek employment in the metropolitan area or locally in the private resource sector.

A report produced by Edith Cowan University in 2007 (*Attraction & Retention in the Western Australian Public Sector Regional Workforce*) stated that “In Western Australia the resources boom has highlighted skills shortages. At the same time there has been an influx of workers to areas such as the Pilbara, Goldfields and Kimberly. This has put enormous pressure on existing health, justice and community infrastructure and services.

The increasing numbers of retiree and ‘sea-changers’ moving to country areas has also put pressure on infrastructure and services, particularly in towns in the Mid West, Great Southern and South West.”

Whilst District Allowances for General Public Sector employees have remained unchanged since 2007, the demand for services in regional areas has increased dramatically. Staff shortages across regional Western Australia, has compromised the delivery of many important public services. These services include the case management of offenders by Community Corrections Officers, which in late November 2008 due to staff shortages, had over 250 unallocated adult offenders in regional areas from Albany to Kununurra.

Dental Health Services is yet another example of an Agency struggling to deliver services in the regions. In October 2008, ten Dental Clinics across regional Western Australia were closed due to staff shortages, a situation that has existed for several years.

The CPSU/CSA is opposed to the proposed strategy of staff vacancy management. In our opinion this strategy is yet another example of a false economy. Whilst either suspending the advertising of or abolishing vacant positions facilitates savings in the short term, the medium to long term effect of this strategy on service delivery is a negative one.

Whilst front-line staff may not be targeted as part of any such strategy, it is critical that these staff are well supported by experienced administrative and support personnel in order to ensure core service delivery, and any targeting of such support roles through staff vacancy management will also compromise front-line services.

As Agencies respond to the imposed efficiency dividend by not replacing staff, cancelling programs, and increasing staff workloads, the overall quality of service delivered by the WA Public Sector will decline.



Now is not the time to be imposing further pressures upon Departments and Agencies that are already struggling to deliver on services that the Western Australian community needs.

**(b) Consider alternative methods for achieving a three percent reduction in government expenditure;**

As already stated, the CPSU/CSA opposes the use of a blanket tool such as a 3% efficiency dividend to achieve efficiencies and reductions in government expenditure.

In our opinion use of such a tool does not take into account the specific requirements of each Government Agency. It is also our opinion that the Government already has in place a rigorous and comprehensive annual budget process that provides ample opportunities for scrutiny and assessment of Departments expenditure.

The current budget process provides a more flexible approach to the funding requirements of individual Government Agencies and allows each Agencies submission's to be judged on its own merits rather than imposing an indiscriminate 3% cut in funding across the board.

A genuine approach to improving productivity and efficiency must start from an analysis of the work that performed by each agency. Such an analysis may well conclude that some agencies should reprioritise, or even cancel certain activities. However those decisions should be made at a political rather than administrative level.

Real efficiencies can only be gained by consultation among those actually undertaking the work. An imposed, top-down measure such as the efficiency dividend will inevitably create distress and demoralisation as employees are given little chance to influence how their work is undertaken in the most efficient way. A consultative approach to finding efficiencies that takes into account on-the-ground, local circumstances will yield far more effective and sustainable dividends for the WA Public Sector and the wider community.

**(c) Whether a three percent efficiency dividend has a disproportionate impact on smaller agencies, including whether or not smaller agencies are disadvantaged by poorer economies of scale or a relative inability to obtain funding for new policy proposals;**

In our opinion the a three percent efficiency dividend will have a disproportionate impact on smaller agencies for the same reasons that the efficiency dividend that has been imposed on the Commonwealth Public Sector was found to have a disproportionate impact on smaller agencies.

The recent *Inquiry into the effects of the ongoing efficiency dividend on smaller public sector agencies*, conducted by the Joint Committee of Public Accounts and Audit (December 2008), found that there were a number of reasons why small agencies faced greater financial challenges than larger Agencies and Departments of State.

Firstly they have poorer economies of scale. Secondly, they are occasionally requested to absorb new policy proposals with insufficient funding input. The dollar amounts are often small that a request to absorb doesn't appear unreasonable. However, a small dollar amount can still apply substantial pressure on a small agency's budget. Finally, smaller agencies are often established to fulfil a specific function or purpose, which limits their capacity to reprioritise or trim discretionary activities.

Once again it is the CPSU/CSA's opinion that a blanket approach such as that being proposed through the imposition of a 3% efficiency dividend, does not allow for consideration of the budgetary difficulties faced by small agencies.

**(d) What measures agencies are taking to implement a three percent dividend, and the effect on their functions, performance and staffing arrangements;**

All State Government Departments and Agencies that are required to deliver a 3% efficiency dividend had until 16 January 2009 to lodge a submission to State Treasury on how they would be implementing the funding cuts that took effect on 1 January 2009.

As of 29 January 2009 the CPSU/CSA was aware of at least one large Department (Department of Health) that has failed to meet the submission deadline because the Minister responsible was not confident the measures it drafted would not compromise frontline services.

Whilst the State Government has taken the approach of secrecy when it comes to details on where the cuts will be made, a number of Departments have stated publicly that they cannot guarantee front-line services would not be affected.

In fact some Departments have stated that front-line services would have to be cut in order to meet the dividend, a statement in clear conflict with previous commitments from the State Government that front-line services wouldn't be affected.

Funding to areas such as public transport services, sustainable energy and emission reducing programs, and programs for children and youth such as those run by the Police and Community Youth Clubs, have also been ear-marked by Departments as areas to be cut as part of the efficiency drive.



With the rising cost of fuel combined with the ever increasing need to reduce carbon emissions, now is not the time to be cutting funding in these critical areas.

The CPSU/CSA also supports the statements made by the Children's Commissioner made in *The West Australian*, 12 January 2009 with regards youth programs, *"I am concerned when I read that these sorts of programs are under threat, when in fact increased funding and a co-ordinated plan are required to meet the needs of children and young people, especially in regional areas. Investment now in the right programs will reduce the problems experienced in the future, such as anti-social behaviour, drug and alcohol abuse and ill health."*

Many Departments have little choice but to target spending cuts in these areas under the Governments imposed efficiency dividend. The Commissioners statements express quite clearly the shared community concern for such short-sighted strategies. Yet another example of the false economics of using a tool such as the efficiency dividend, when only short term savings can be achieved whilst, exposing the community to longer term problems.

Some Departments are proposing to implement "staff management" strategies as a means of achieving the required 3% dividend. The Under-Treasurer has stated publicly that his Department *"We will focus on the abolition of positions that do not match the new business priorities. From there we will adopt a default of not automatically filling all positions that become vacant due to natural attrition."*(*The West Australian*, 5 December 2008)

A number of other Departments have also indicated to the CPSU/CSA directly that they intend to implement the Staff or Vacancy Management strategies as a means of achieving the 3% dividend. Two such agencies, The Department of Corrective Services and the Department of Child Protection whilst acknowledging the risks to service delivery see very little choice other than using such a strategy to manage the cuts to their respective salary budgets.

As already stated, the CPSU/CSA opposes the use of such strategies to achieve the imposed dividend, as it only serves to place further pressure on Departments and Agencies already struggling to deliver key public services with existing major staff shortages.

A reduction in services provided by the Offender Services area, services such as Offender Treatment Programs, is also being proposed by the Department of Corrective Services as a way to deliver on the efficiency dividend. This is a proposal fraught with obvious risk and strategies such as this are not supported by the CPSU/CSA.

The Department of Child Protection has also indicated that a number of front-line support positions will be abolished in order to manage the cuts to funding. These are all positions that provide important support functions to front-line staff and by removing those from the Departments structure will only serve to place extra pressure on the delivery of front-line services. Existing workload issues for frontline staff will only worsen as the number of support staff decrease. The CPSU/CSA does not support important support roles being abolished within key agencies such as this.

## **CONCLUSION**

The “efficiency dividend” approach to State Public Sector expenditure and funding is outdated and inappropriate for a contemporary public sector which is striving to deliver quality public services. Use of such a blunt instrument will seriously compromise the future success of the Governments own policy agenda and threatens the sustainability of the whole sector.

The past experience of efficiency dividends imposed upon other public sectors within Australia shows the use of such a blanket approach to budget cuts, to be unsustainable and any short term savings have been quickly undermined by the reduced ability, particularly of smaller Agencies, to deliver on core functions.

At a time when many Departments and Agencies are already struggling to deliver quality public services to the WA community because of increased demand and chronic staff shortages, now is not the time to be cutting back further on essential funding and staff numbers.

The CPSU/CSA asks that the Standing Committee on Estimates and Financial Operations recommend that the 3% efficiency dividend, as proposed, not be used with the Western Australian Public Sector. It should also recommend that Departments and Agencies maintain and further strengthen the already established consultative mechanisms with State public sector employees and their Union, to identify new and innovative ways of building a responsive, efficient and sustainable State public sector.