

STATEMENT TO PARLIAMENT BY THE PRIME MINISTER
ON PUBLIC SERVICE REFORMS
25 SEPTEMBER 1986

Today I wish to announce a range of decisions taken by the Government to give effect to our commitment to improve the efficiency of the public sector.

These decisions are an essential part of the restructuring of the Australian economy which has been made necessary by the decline of international commodity prices and their consequent effects on our economic circumstances. That restructuring must involve all sectors of the Australian economy including the public sector.

No modern economy trading in world markets can survive without a strong integrated Public Service, capable of assisting and facilitating industries to achieve national economic objectives. The Australian Public Service must be able to take its place in the rebuilding of our manufacturing and industrial sectors required by Australia's present economic and social circumstances and our national aspirations.

A vital ingredient of this process is that Public Service management must also improve. I have spent a good deal of time in recent months, not infrequently in blunt terms, exhorting Australia's private sector managers to improve, to do better. Government expects the same of its own managers.

The Public Service has, in many ways, reflected the easy going 'she'll-be-right-mate', management and work style of the lucky Australia of the 60s and 70s. We can afford this no longer.

Through its 1984 reforms, the Government has provided considerable flexibility, independence and professional opportunities to its senior management. It now expects to receive a return on that investment. It expects the powers given to departmental Secretaries in respect of non-performing staff to be used. It expects its most senior management to take a tough, hard nosed look at performance at all levels of the Public Service. It looks to senior management to take tough decisions about public servants who are not performing.

Yesterday the Government started a process between employers and unions in the private sector to examine management practices and work practices which are constraining Australia's competitiveness. That process, which is now underway in the private sector, must be matched in the public sector.

It is a simple fact that, in common with many other industries, the Public Service has traditionally enjoyed work practices that the country can no longer afford. Whilst Government has taken some positive steps already, much more is required to be done.

I would ask public servants particularly to understand this. The Government is keenly aware of the cynicism which exists within and without the Public Service about this sort of exercise. The Public Service has been subjected, particularly by our predecessors, to a series of exercises aimed at cheap political advantage by maligning public servants, which has generated a good deal of uncertainty and hardship, and some animus, but which has achieved nothing.

I would ask that such cynicism be put aside. This is not a Public Service bashing exercise. It is not a negative exercise. It is about making a good Public Service even better. And that is about building a better Australia. Those who work for Government must in turn make Government work as efficiently as possible for Australia.

Many employment groups around the country are making choices between traditional practices and future economic prosperity. Nearly all are choosing the latter and those who argue for the former do so at great personal cost. Those who work for Government now face the same choice; I have faith they will have the wisdom to make the same positive decision.

Madam Speaker

The Government has decided:

- . First, to establish an efficiency scrutiny unit, to be headed by a senior private sector representative to undertake an extensive program of scrutiny of public sector operations.
- . Second, departments and agencies will, in future be required to cut their administrative expenses each year for on-going activities and, Madam Speaker, they will be required to declare the savings so that the Government of the day can decide how they can best be utilised.
- . Third, there will be major changes in the arrangements for the redeployment or retrenchment of inefficient and surplus staff. Special protection will be retained against political victimisation. But inefficient public servants will be treated the same way as are inefficient workers in the private sector. In short, public servants are no longer immune from dismissal.
- . Fourth, the Government will proceed within a few months to simplify and integrate the complex job classification distinctions which currently exist in the Public Service office structure. New technology has made these distinctions obsolete. The review might well become the largest single restructuring of occupations in the Public Service ever undertaken.
- . Fifth, there will be a number of management changes designed to make public service personnel management more efficient and effective.

- . Sixth, flextime will be reviewed, with the objective of eliminating abuses but maintaining the advantages of the system for both departments and employees.

These changes mean that Government will be making less demand on the public purse, which in turn means that the taxpayers will be saving more. At a time when the Government is being called upon to perform greater services for some sections of the community this means, simply, doing more with less. It means that those working in Government now face the same challenge as their colleagues in the private sector : working harder, working smarter, and giving greater value for money.

I now turn to explain the changes in detail.

EFFICIENCY SCRUTINY UNIT

The Department of Finance and the Public Service Board already administer a number of programs designed to bring about improvements in the management of all Departments and agencies.

But the Government sees value in a further initiative to encourage improvements in the management and administrative procedures in much of the public sector. It will do this by establishing an Efficiency Scrutiny Unit, similar to that which has existed in the United Kingdom since 1979 initially headed by Sir Derek Rayner. The key elements of its operations will be as follows:

- . A small unit of up to seven people will be established under a senior private sector representative to oversee an extensive program to scrutinise selected areas of public sector administration. There may be additional private sector members of the Unit, and the remainder will be drawn from within existing Public Service resources. The Unit will operate for a finite period of three years;
- . The Head of the Unit will report directly to me and, through me, to the Expenditure Review Committee of Cabinet. The Unit will have responsibility, in consultation with the relevant Departments and agencies, for advising us on the terms of reference and methodology for the scrutinies, for monitoring their conduct, and for advising on subsequent recommendations and their implementation;
- . The scrutinies will be carried out by staff of the relevant Departments and agencies, and their Ministers will be involved at all stages of the process. The scrutinies will be co-operative ventures. The detailed procedures, and an initial program, will be settled in consultations between Ministers, senior Department officials and the Unit. I expect the Unit to be fully operational by early 1987;

- . Each scrutiny will take place over a maximum of around three months and action to implement their findings will be expected to be completed within 12 months or in many cases less;
- . In order to provide an incentive for Departments and agencies to co-operate fully in the scrutinies, they will be entitled to retain 25 per cent of the savings achieved for staff development, acquisition of improved technology and other means of further enhancing efficiency and improving productivity.

I am pleased to announce that the Efficiency Scrutiny Unit will be headed by Mr David Block, A.O. who has had a wealth of experience in the financial sector. Mr Block is currently a strategic adviser to Coopers and Lybrand, is a member of the Board of CSR and Chairman or Director of a number of other public companies. He is the Chairman of the Sydney Opera House Trust and a fellow of the University of Sydney, and was formerly a member of the Mathews Committee of Inquiry into Inflation and Taxation.

We would expect the greater efficiency achieved by this innovation to be reflected in savings to the taxpayer. Indeed in the case of the United Kingdom Scrutiny Program, it is now estimated that over a seven year period aggregate savings of approximately 900 million pounds have been achieved, with annual running costs in the civil service now some 300 million pounds (or 2.3 per cent) less than they otherwise would have been.

Above all, the decision to establish the Efficiency Scrutiny Unit is a recognition that the present economic climate requires the public sector to review systematically and in a quite fundamental way, its management and administrative procedures, having regard to best private sector practice.

OTHER MEASURES TO ENHANCE FINANCIAL EFFICIENCY

In addition to the establishment of the Efficiency Scrutiny Unit, the Government is also to adopt a range of other measures to enhance efficiency, building upon previous initiatives in the Financial Management Improvement Program, Program Budgeting and the Performance Management Review Programs.

First, to encourage more economical and efficient use of funds provided to them, Departments and agencies will be permitted, in effect, to carry over unused administrative funds from one year to the next, subject to a limit on the amount of carryover. This will remove the incentive to try to spend all remaining funds at the end of each financial year, and should result in a more rational and efficient allocation of resources. Departments and agencies also will be given greater freedom to move funds between their Salaries and Administrative Expenses votes, where this would lead to greater efficiency.

Second, a series of studies is underway to determine the scope for extending user-charging between Departments, as an incentive to greater economy in the use of goods and services.

Third, the Government will in future require efficiency improvements to be reflected substantially in reduced demands on taxpayers' resources. In the past, resources freed by improvements in efficiency have usually been retained by Departments and agencies to improve the quality of services, to provide new services, or to improve working conditions. The Government of the day has not always been in a position to consider the most appropriate use of the funds. In future the Government will specify how these freed resources are to be used.

As part of this process, Departments and agencies will be required to achieve real reductions in the running costs of on-going activities - something like the payment of an efficiency dividend of which the Australian taxpayer will be the ultimate recipient. They will be required to reduce the real level of resources directed to administer existing activities by an average 1 per cent each year over the next three years, starting in 1987-88.

The Government expects the scrutiny process will be a considerable aid to departmental managers in achieving the dividend required, and in identifying opportunities for greater efficiency in terms of their own priorities.

The "efficiency dividend" requirement reflects the Government's view that the benefits of previous measures to improve efficiency and productivity can and should lead to lower costs.

Particularly in the improved managerial environment being developed, all government agencies should be able to make continuing efficiency gains by improving their administrative procedures, making better use of improvements in technology and in the use of human resources.

Account will continue to be taken of changing resource requirements resulting from changed workloads and functions. As well, major investments in new technology will be required to achieve improvements in efficiency over and above the "efficiency dividend".

THE SIZE OF THE PUBLIC SERVICE

As an initial step in reaping the benefits of past efficiency improvements, the Government has also acted in this year's Budget to realise a general saving of 0.5 per cent in average staffing levels of departments and agencies.

As already announced in the Budget, as a result of these processes and some specific staffing decisions, average staffing levels for 1986-87 will rise by only 0.3 per cent above the average level for 1985-86, excluding the effects

of the Census and the additional component for youth trainees. This outcome will continue the moderation of the growth in staff numbers which has already been reduced steadily from about 4.5 per cent in 1983-84 to 1.2 per cent in 1985-86. During the course of 1986-87 there will be a resultant decline of some 2,000 in the number of public servants.

As Departments and agencies submit staffing plans which indicate how this reduction is to be achieved, the staffing freeze announced on 30 June is being progressively lifted. Agencies, other than those few approved for growth, have been informed that their plans should generally assume a further one per cent reduction in staffing in 1987-88.

It is not correct, as some critics have suggested, that Australia has a special problem in relation to the numbers of its public servants. The latest ABS statistics indicate that employment in general government activities as a proportion of total employment in Australia is about the OECD average. The Australian Public Service constitutes only about 15 per cent of general Commonwealth, State and Local Government employment. Nevertheless, it is essential that its numbers be held to the minimum required to carry out Government programs efficiently and equitably.

The measures which I have outlined represent a series of initiatives for on-going improvements in efficiency. They are intended to slow down and then reverse the previously inexorable growth in the resources used in public administration.

CHANGES IN DEALING WITH INEFFICIENT AND SURPLUS STAFF

The Government has decided to make important changes to personnel management practices to ensure that public sector managers are not unnecessarily constrained, while ensuring proper protection for staff against unfair treatment.

Public servants have the right to be protected against arbitrary or unfair dismissal. But they do not have the right to continued employment where there is no real work for them to do, or where they are not performing satisfactorily.

The existing arrangements for redeploying and retiring staff for whom there is insufficient work, or who are working well below standard, are complex, slow and ineffective.

This state of affairs is unacceptable to the Government. The measures being announced today will rationalise significantly these arrangements.

(i) Legislative Changes

The CE(RR) Act has not provided a satisfactory basis for the redeployment and retirement of staff. It is unnecessarily complex; it does not provide for voluntary retrenchment; it provides too many stages of appeal; its potential for providing a Commonwealth employment - wide redeployment system has not been realised; it requires redeployment to be considered in cases where this is manifestly inappropriate, as in some inefficiency cases.

There is no good reason for matters of redundancy, inefficiency and invalidity to be dealt with in legislation separate from that covering other aspects of personnel management. We will, therefore, repeal the CE(RR) Act. Streamlined provisions for redeployment and retirement will be included in the Public Service Act, and we will pursue discussions with the public service unions on complementary changes in industrial awards.

The Public Service Act will be amended to give the Public Service Board a general power to transfer staff within the Public Service in the interests of the efficient management of the Service. The Board will also have power to transfer staff automatically to another Commonwealth body where there is an agreed transfer of functions from the Public Service to that body.

(ii) Inefficient Staff

The present processes for dealing with inefficient staff are cumbersome and lengthy, and they discourage Public Service managers from acting other than in the most blatant cases. These processes are to be revised so that, while the employee is protected both from arbitrary and politically-motivated dismissal, it will be possible for management to move quickly to remove an inefficient employee.

The Secretary of a Department will be able to retire staff from the Service when, after they have been warned and given an opportunity to improve their performance, the Secretary is satisfied that they have remained inefficient. This will be done after the possibilities of transfer to another job, or of reduction in status, have been considered. The various appeal processes that are now available have been consolidated into a single appeal right, which will protect staff against victimisation.

It is essential in the public sector to protect staff against loss of jobs on political grounds if a non-partisan Public Service is to be maintained, and thus it is essential to maintain a formal appeal mechanism. Apart from this, processes to deal with inefficiency will be comparable to the normal personnel practices pursued by better-managed large employers in the private sector.

Managers will also have greater powers to defer the payments of annual increments to staff not performing satisfactorily, and discipline practices will also be streamlined. Details will be provided when the legislation is introduced.

(iii) Surplus Staff

When Public Service units or functions are abolished or reduced in size, this may result in a situation where there are surplus staff for whom no new placements are readily available. The present arrangements for redeploying or retiring such staff are extremely lengthy. They contain a number of appeal points, and they may result in long periods when staff are underemployed. Existing awards provide for a union veto on "fast track" voluntary retirements.

While many of these arrangements were introduced to protect staff from arbitrary dismissal, the Government believes that adequate protection can still be provided, while greatly streamlining and simplifying these processes, and reducing the cost to the taxpayer.

Where a staff surplus is likely to arise, discussions will be held between the relevant Department Secretary and union representatives. After considering possible redeployment to other positions at the same level, staff with poor redeployment prospects will be offered, with Public Service Board approval, a lump sum termination benefit (similar to that recently paid to Department of Defence personnel in defence factories) if they agree to voluntary retrenchment. Thus it is expected that redundancy situations can be resolved within about two months, as compared with a year or more under the present procedures.

Efforts will continue to be made to place any surplus staff who do not opt for voluntary retrenchment, but their period of entitlement to income maintenance (either six or twelve months) will begin from the date of the voluntary offer. Staff leaving the Public Service during this period will no longer be entitled, as at present, to such income maintenance. Where efforts to redeploy surplus staff at the same level are unsuccessful, they will be redeployed to a lower level or retrenched. Unlike the present system of multiple appeals, this will be the only point at which an appeal can be lodged on the grounds that the decision was unreasonable.

(iv) Invalidity

The Government is concerned about the incidence of invalidity retirement under the Commonwealth Superannuation Scheme. The processes applying to invalidity retirement need to ensure that hardships are not created for incapacitated staff, who have urgent

need for income support. But they should at the same time encourage the development of good occupational health practices, which could avert some of the invalidity retirements that now occur, and discourage both management and staff from accepting too readily an invalidity retirement rather than continued employment.

On 17 April this year the Minister for Finance foreshadowed the adoption of a number of measures designed to contain the rate of invalidity retirements and related costs to the Commonwealth. The Government has decided to introduce a number of these measures. Secretaries of Departments, with the Public Service Board, will retain powers to retire staff on invalidity grounds and Secretaries will also have the power to transfer them to other duties, including at a lower classification. The Board may also use its powers to transfer such staff to another Department. Furthermore, in future, invalidity pensioners under the Commonwealth Superannuation Scheme are to be required to report any employment, and pensions will be adjusted where annual earnings exceed limits to be prescribed. The extensive processes related to invalidity retirement will also be simplified.

Provisions for invalidity retirement for Statutory Authorities will be considered for amendment to make them consistent with Public Service Act provisions. In the mean time, Ministers will require authorities within their portfolio responsibilities to take rigorous steps to contain invalidity retirements.

OTHER CHANGES IN PERSONNEL MANAGEMENT

(i) Promotions

Promotions in the Public Service are based on merit, and there is no longer any reference to seniority in the Public Service Act. The promotions system is designed to select the best person for a vacancy, and to ensure that decisions made are patently fair.

It is important that merit and fairness remain paramount considerations but, within these parameters, the Government has decided that the promotion and associated appeal systems are unnecessarily lengthy, costly and restrictive.

The Government has decided that measures must be taken to reduce the costs and time involved in awarding promotions. In the 1984 reforms selection criteria were altered, and promotion appeals were abolished for the Senior Executive Service on the grounds that these were managerial positions where a right of appeal was considered inappropriate. Appeals will now be abolished against promotions to positions above Clerical/Administrative Class 8 (and equivalent grades in other occupations). The Government considers that

these positions are also largely managerial and thus appeal rights are also inappropriate. This fits in with current practices such as the overtime barrier which distinguish these positions from lower level positions. Instead there will be access to a grievance review under the Merit Protection and Review Agency, which will have the power to recommend the annulment of the promotion by the Secretary if it finds that proper procedures have not been followed, or the decision has been discriminatory or one of patronage. The relevant provisions defining these circumstances will be strengthened.

For grades below this level appeals processes will be significantly streamlined. Promotion Appeal Committees will be able to disregard frivolous or vexatious appeals, to undertake a level of enquiry appropriate to each case and to require parties to submit documentation by a specified time. The appeal period will be reduced, and the right of appeal will be limited to those who had originally applied for the job. Currently the appeal system acts more as a dual selection system with appeals available to all lower ranked officers whether or not they applied for the position involved.

Greater use, at first for a trial period of twelve months, will be made of Joint Selection Committees chaired by nominees of the Merit Protection and Review Agency for bulk promotions. There will be no appeals against promotions where decisions are unanimous and where the Secretary accepts the advice of these committees.

The definition of efficiency in the Public Service Act will be broadened to allow managers to take into account the potential of staff for future development, and their capability to perform a variety of jobs at the same level when deciding on promotions. This will enable more realistic promotion decisions, and greater management flexibility in the deployment of staff. Other elements of the selection process will also be streamlined, and selection decisions will be excluded from the requirement to formally state reasons under section 13 of the Administrative Decisions (Judicial Review) Act.

At the request of the Government, the Chairman of the Public Service Board has written to all Secretaries of Departments and Heads of Statutory Authorities indicating the Government's grave concern at the inefficiencies resulting from delays currently occurring in the appointment process, and that Departments and agencies are expected to improve significantly their performance in this area, to reduce within six months the average time for appointments by half.

(ii) Higher Duties

The Government recognises that Departments and agencies need to fill positions on a temporary basis. But it believes that many of the current provisions for selecting and paying staff to perform higher duties are unwarranted, unnecessarily complex, and costly.

Selection procedures for temporary higher duties will be simplified by allowing Departments to select the most suitable officer available, having regard to operational requirements. Appeals against such selections will be abolished, unless the period of acting extends beyond three months. Departments and agencies will be required to keep long-term acting arrangements to a minimum, and this will be closely monitored.

Existing remuneration provisions for temporary performance have encouraged staff to expect additional payment for performance of any higher functions beyond their normal duties. Higher duties allowance is too often paid automatically where the payment is not justified. The Government will, therefore, examine options for limiting the incidence and extent of payment of higher duties allowance, including possible financial disciplines which would encourage departments to limit the extent of payments of higher duties allowances.

(iii) Delegation of Central Personnel Functions

The Public Service Board has delegated progressively many of its powers and functions to Departments. However, in response to the Government's commitment to achieve a more streamlined Public Service, the Board will now initiate further delegation of its activities, particularly in areas of personnel management and employment conditions. Clear guidance will be given to Departments and agencies to encourage efficiency and desirable personnel and management practices.

The Government believes it should continue to set examples in areas of equality of opportunity in employment and participation in decision-making practices. Experience shows that effective equal employment opportunity legislation, particularly at an early stage, needs effective monitoring, but this can be done without generating excessive paperwork. Changes will be made to reporting requirements for both industrial democracy and equal employment opportunity programs. The obligations on those Departments performing well are reduced, while monitoring will concentrate on Departments which are not adequately fulfilling their statutory obligations. The Board will retain responsibility for ensuring that all Departments fulfil these obligations.

(iv) Jurisdiction of the Conciliation and Arbitration Commission

The Government does not propose to limit the jurisdiction of the Conciliation and Arbitration Commission in relation to public sector employees. It believes, however, that areas of personnel management decision making which are already governed by a code of personnel practice legislated by Parliament, and overall resource allocation for Government employment subject to Budget decisions, should not be the subject of detailed consideration in awards of the Commission. It will, should the need arise, argue this view vigorously before the Commission.

(v) Flexitime

The Public Service Board will conduct a review of flexitime. The review, which the Government hopes to conduct with the full participation of the ACTU, will be charged with eliminating abuses, while maintaining as far as possible the advantages of the system to both Departments and staff.

IMPLEMENTATION

Many of the measures I have referred to will require legislation, and others will require detailed guidelines and procedures. In those cases requiring only administrative action, I have asked the Public Service Board to proceed as a matter of urgency.

APPLICATION TO STATUTORY BODIES

These changes to staffing processes apply only to staff employed under the Public Service Act. Those statutory bodies not staffed under the Public Service Act will be given separate consideration, reflecting the diverse circumstances in which they operate.

I have now written to all Ministers asking them to undertake consultations with relevant Statutory Authorities. We will be looking to making early progress towards achieving reforms to staffing processes similar to those covered in this statement. These reviews will also encompass work practices which stand in the way of greater efficiency.

REVIEW OF CHANGES

The Government will review the various changes within personnel management practices in twelve months, and make any further adjustments that are necessary in the light of experience with the new provisions.

The Government has consulted as fully as possible with the public sector unions in the development of the initiatives announced today, and will continue to do so in the implementation phase, on the basis that the participation of the unions continues to be constructive. The Government is aware that not all of what it has decided has met with union agreement or consent. It expects the unions and their

members to join with the Government in its determination to make the reforms effective and enduring in their impact, for the greater good of this country.

CONCLUSION

The changes that I have announced today will lead to a leaner, more efficient public sector. The changes in the administration of the tenure provisions, and other changes in personnel practices, constitute a major and radical overhaul of the personnel management system of the Public Service of the sort that previous Governments have not been prepared to undertake. Some of the benefits to the taxpayer will be immediate, in terms of the reduction in the size of the Public Service and savings in administrative costs. Others will be achieved in the medium-term, as the "efficiency dividend" requirement and the work of the Efficiency Scrutiny Unit take effect, as well as the service-wide reforms to which I have just referred.

I am confident that public sector employees will accept that, at a time when all sections of the Australian community are being asked to make adjustments to a harsher economic environment, the way in which they function should have maximum regard for efficiency and cost-effectiveness. For its part, the Government is firmly committed to such an outcome.
