

Community and Public Sector  
Union (PSU Group)

**2017-18 Pre-Budget  
Submission**

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## Executive summary

All Australians rely on the public service on a daily basis, and because of this the community supports strong and effective public services that meet their needs. Public services should be user friendly, available everywhere and have enough staff who have access to the technology to do their jobs. However, rather than committing to high-quality public services that belong to and are accessible by all of us, the Turnbull Government has instead delivered a program of cuts, privatisation and outsourcing.

After years of governments cutting public sector funding, the public service is struggling to provide the level of services that the Australian community deserves.

The Community and Public Sector Union (CPSU) warned in its 2016-17 Budget submission that the Australian Public Service (APS) was at a tipping point and that agencies needed increased funding and staffing to rebuild capacity. Yet the Government elected to introduce more budget cuts for public sector agencies.

The Government's decisions have led to the debacles of the 2016 Census and the Centrelink automated debt recovery scheme. There is now increasing community awareness and dissatisfaction with the impact of public sector cuts and the governments who deliver those cuts.

The Government's ongoing cuts to jobs and budgets and their failure to invest in public services have taken their toll not just on the public service, but also on the communities which rely on those services.

*Support for the most vulnerable Australians:* Cost-cutting and staffing reductions has meant thousands of Australians have incorrectly received debt notices from Centrelink's automated debt recovery system. The response to the crisis has been made worse by budget cuts over the past five years. Jobs cuts mean calls to the Department of Human Services (DHS) are going unanswered. More than 36 million calls went unanswered in 2015-2016. DHS staff have been told not to fix errors they identify and people are forced onto debt repayment schemes.

*Cultural institutions:* The Turnbull Government's additional 3% efficiency dividend has harmed Australia's cultural institutions, which as the keepers of our history, collective memory and culture are important institutions. The fixed costs of cultural and collecting agencies means that after years of budget cuts and increased efficiency dividends, the only option left is to cut back activities. While only delivering minuscule savings to the federal budget bottom line, these cuts have resulted in staff cuts and the reduction of exhibitions and tours, collections and research.

*Data collection:* Funding pressures have led to the loss of expertise and capacity in the Australian Bureau of Statistics (ABS). Whilst the most public, the problems with the 2016 Census are just one example of the impact of budget cuts on the ABS. The data that the ABS collects informs monetary, fiscal and social policy development, not only for government but also the private sector and academia. Yet, inadequate government funding has meant the ABS have had to axe a range of surveys, with the future of a number of others in doubt, and the quality of important economic data has been under question.

*Courts:* Fair and universal access to justice is a fundamental principle of democracy. However, years of funding cuts have eroded the ability of citizens to access the courts. The funding pressures have resulted in staffing cuts and affected the provision of administrative and professional service. These pressures have been exacerbated by the amalgamation of the courts. At the same time, government funding cuts in other areas, including to community legal services, have only further increased the demands on and workload of the Courts.

*Revenue collection:* Corporations have found it easier to avoid paying their fair share of tax because the Government had cut nearly a quarter of Australian Taxation Office (ATO) staff. While the Government is beginning to respond to public pressure to tackle this corporate tax avoidance, the ATO desperately needs more resources and staff to make up for the significant loss of knowledge and expertise from the thousands of dedicated tax officers who have left the organisation.

The 2017-18 Budget needs to be a turning point. The Government should use this Budget to begin to repair the substantial and unsustainable damage done to the public service through years of cuts. The Turnbull Government must demonstrate a genuine commitment to rebuilding the public services and institutions that are the foundation of our community.

We call on the Government to rule out further budget and cuts, reverse the increased efficiency dividend announced in 2016-2017 Budget and address inadequate staffing levels.

## Budget and staffing cuts

For a number of years the Government has cut public service funding and staffing. The cuts have impacted significantly on the nation's public services and on those who design and deliver them. High profile problems in the delivery of key public services, in particular the problems with the Centrelink automatic debt recovery scheme and the 2016 Census, demonstrate the impact budget cuts have had on the capacity of the public service.

There is now increasing public awareness about the impact of inadequate funding on the public service and growing dissatisfaction with governments who make the budget decisions that lead to these outcomes.

*Staffing levels are set to be their lowest in a decade with core public sector staffing in 2016-17 projected to be lower than 2006-07 staffing levels.<sup>1</sup>*

Public servants are under increasing workload pressures because though the size of the public sector workforce has shrunk, demands on it have not. The most recent ABS population data indicates that the Australian population increased by 15.8% between June 2007 and June 2016 while core Australian public sector staffing levels decreased by 0.2% over the same period.<sup>2</sup>

Increases in the efficiency dividend since 2007-08 have taken an additional \$6 billion from Commonwealth public sector on top of the base rate.<sup>3</sup> The increased efficiency dividend announced in the 2016-17 Budget is projected to take another \$1.924 billion by 2019-20.<sup>4</sup> Given that approximately 55% of the efficiency dividend is met by reducing staffing costs,<sup>5</sup> the CPSU estimates that \$972m of the \$1.9 billion over three years of the forward estimates will come from staffing. The CPSU estimates that the increased efficiency dividend could result in another 3,000 to 4,500 job losses, depending on how public sector transformation funding is spent.

The Government specifically allocated \$500 million of funds from the increased efficiency dividend to spend on public sector transformation, however there has been very little detail provided as to how this will be spent.<sup>6</sup> In Senate Estimates, Senator Cormann indicated that "detail will be worked out over the next 12 months" but suggested that there would be a "significant efficiency dividend from the digital dividend"<sup>7</sup> suggesting a reduction in the choice of service delivery channels available to Australians.

<sup>1</sup> CPSU calculations based on Average Staffing Levels figures from previous Budget Papers.

<sup>2</sup> CPSU calculation based on Australian Bureau of Statistics (2015, 24 September). *Australian Demographic Statistics, Jun 2015*. Retrieved from <http://www.abs.gov.au/ausstats/abs@.nsf/mf/3101.0>

<sup>3</sup> CPSU calculations based on previous Budget Papers and 2010 Election Costings.

<sup>4</sup> Australian Government (2016, 3 May). *2016-17 Budget Paper 4 – Preface*. Retrieved from [http://www.budget.gov.au/2016-17/content/bp4/html/02\\_preface-01.htm](http://www.budget.gov.au/2016-17/content/bp4/html/02_preface-01.htm)

<sup>5</sup> Senate Finance and Public Administration Legislation Committee (2013, 19 November), Senate Estimates, Finance Portfolio, Department of Finance and Administration. Retrieved from <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=ld%3A%22committees%2Festimate%2F2ce85ace-6912-412a-972b-8b12df0cf162%2F0002%22>

<sup>6</sup> Henry Belot (2016, 6 May). Hares would start running': Finance refuse to detail plans to transform APS workforce. *Canberra Times*. Retrieved from <http://www.canberratimes.com.au/national/public-service/hares-would-start-running-finance-refuse-to-detail-plans-to-transform-aps-workforce-20160506-gonxc1.html>

<sup>7</sup> Finance and Public Administration Legislation Committee (2016, 5 May). *Senate Estimates*. Department of Finance.

The increased efficiency dividend will put even more pressure on agencies that have been reeling from years of continuous cuts. Despite the rhetoric about cost, the public sector wages are a small proportion of total government expenditure. In 2016-17, total employee expenses are estimated to be 6.1% of Australian Government general government sector expenses.<sup>8</sup>

The continuous cuts are a deliberate choice by the government and one that the community is already paying for through the degradation of public services.

The CPSU has detailed in numerous previous submissions to Government the impact of funding cuts on staff and their ability to deliver programs and services to the community and warned about its implications. This submission provides examples of budget cuts to and underfunding of the Department of Human Services, our cultural institutions, the Australian Bureau of Statistics, the courts and the Tax Office.

The community supports strong well-funded public services and the community is increasingly aware that they are not receiving this from the Turnbull Government. To meet community expectations and deliver the services the community wants, the Government must use this budget to urgently restore funding, increase staffing and invest in the public service.

**Recommendation:** The Government uses the 2017-18 Budget to begin repair the substantial and unsustainable damage done to service delivery and policy capacity through years of cuts.

**Recommendation:** The Government reverses the increased efficiency dividend announced in 2016-17 Budget.

## Department of Human Services

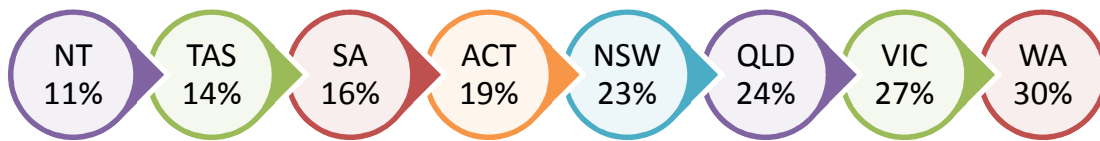
The Department of Human Services has experienced significant job losses over the past five years. Between 2010-11 and 2015-16, DHS lost 4,737 ASL or 13.6% of all ASL. On top of these job cuts, the 2016-17 Budget included cuts to the Department of Human Services of \$80 million over the forward estimates.<sup>9</sup> The 2016-17 Budget job cuts will mean a loss of 5,547 ASL or 15.9% since 2010-11. The scale of job losses and increasing workloads are affecting the services that are provided to the public.

*Since 2010-2011, the Government has cut staffing in the Department of Human Services by over 15% with 5,500 jobs going from the Department.*

Over the past five years, the professional and technical capacity of the department has been severely eroded. There has been a significant reduction of permanent staff, over the 2015-16 financial year just 30% of new engagements were permanent. As permanent staffing numbers continue to fall, the capacity of DHS to undertake the services it is being funded to deliver continues to be seriously eroded. The state by state breakdown for non-ongoing staff in Smart Centres as at December 2015 was as follows:

<sup>8</sup> CPSU calculation based on Australian Government (2016, 3 May). *2016-17 Budget Paper 1*. Retrieved from [http://budget.gov.au/2016-17/content/bp1/html/bp1\\_bs9.htm](http://budget.gov.au/2016-17/content/bp1/html/bp1_bs9.htm)

<sup>9</sup> Australian Government (2016, May). *Budget 2016-17 - Budget Paper No.2 - Part 2: Expense Measures*. Retrieved from [http://www.budget.gov.au/2016-17/content/bp2/html/bp2\\_expense-21.htm](http://www.budget.gov.au/2016-17/content/bp2/html/bp2_expense-21.htm)



The record low engagement of permanent staff in the previous financial year shows the workforce composition in Service Delivery Smart Centres and Child Support Smart Centres needs urgent attention.

DHS employees are committed to their jobs and the crucial service they provide to the community, but there are limits to what staff can do in an environment of inadequate staffing and under resourcing. Quite simply there is not enough permanent, appropriately trained and experienced staff to do the job. It has affected the support they are able to provide to the community:

- In 2016, 36 million calls did not get through to DHS call centres,<sup>10</sup> up from 29 million in 2015. For the calls that did get through, wait times were, and continue to be, well over an hour.<sup>11</sup>
- Call wait times are the single largest cause of complaints made to DHS by customers.<sup>12</sup>
- Indigenous communities in remote communities can take more than a day to access telephony services.<sup>13</sup>
- Customer aggression has risen, with increasing numbers of DHS offices requiring permanent security guards.<sup>14</sup>
- In 2016, there were reports of impacts of the delays in payments for Austudy and Youth Allowance resulting extreme financial hardship and the deferment or abandonment of study.<sup>15</sup>
- DHS staff have also reported significant delays of carer's payments that have put vulnerable families in a desperate position.

Funding and staffing cuts have been compounded by the failure to resolve bargaining in DHS. Instead of genuinely negotiating with its workforce, the Department has continued to put forward very similar proposed agreements containing unnecessary cuts to key workplace conditions. Workplace morale has deteriorated and caused a corresponding increase in resignations, stress leave and unplanned absences, which in turn increases the strain on remaining employees and impacts the services they are trying to deliver.<sup>16</sup> An overworked and undervalued workforce means mistakes are made, staff turnover is high, and customers wait longer for the services they need.

### Centrelink automated debt recovery scheme

The recent and ongoing Centrelink debt recovery system fiasco demonstrates:

- the dangers of a blind faith in digital transformation, particularly a reliance on big data and algorithms without oversight by staff;<sup>17</sup> and

<sup>10</sup> Noel Towell (2016, 21 October). Centrelink hangs up on 29 million calls, Senate estimates hears. *Canberra Times*. Retrieved from <http://www.canberratimes.com.au/national/public-service/centrelink-hangs-up-on-29-million-calls-senate-estimates-hears-20161020-gs7ecj.html>

<sup>11</sup> Noel Towell (2016, 21 October). Centrelink hangs up on 29 million calls, Senate estimates hears. *Canberra Times*. Retrieved from <http://www.canberratimes.com.au/national/public-service/centrelink-hangs-up-on-29-million-calls-senate-estimates-hears-20161020-gs7ecj.html>

<sup>12</sup> Commonwealth Ombudsman (2016). *2015-16 Annual Report*. Canberra

<sup>13</sup> Australian National Audit Office (2015, May). *Audit Report No.37: Management of Smart Centres' Centrelink Telephone Services*. Canberra

<sup>14</sup> Marie Sansom (2015, 31 August). Centrelink staff deal with 24 aggressive incidents a day. *GovernmentNews*. Retrieved from <http://www.governmentnews.com.au/2015/08/centrelink-staff-deal-with-24-aggressive-incidents-a-day/>

<sup>15</sup> Hack (2016, 21 April). *Centrelink payments delayed up to four months, students freakin out*. Retrieved from <http://www.abc.net.au/triplej/programs/hack/students-waiting-four-months-centrelink-payments-delayed/7346960>

<sup>16</sup> DHS Bargaining Team submission (2016, 28 November). *Senate inquiry into the Impact of the Government's Workplace Bargaining Policy and approach to Commonwealth public sector bargaining*.

<sup>17</sup> Tony Yoo (2017, 6 January) Turnbull's former digital tsar says 'blind faith' in data led to the Centrelink debt debacle. *Business Insider Australia*. Retrieved from <http://www.businessinsider.com.au/turnbulls-former-digital-tsar-says-blind-faith-in-data-led-to-the-centrelink-debt-debacle-2017-1>

- the degree to which DHS is struggling to provide adequate services to the community with its current staffing levels.

### Decision to automate driven by budget pressure

The decision to introduce an automated debt recovery scheme was driven by budgetary pressures and done without the consultation with staff, despite widespread awareness that the computer systems are problematic. Frontline staff were given no warning of the automated data-matching program before it was launched in July 2016.<sup>18</sup>

*The decision to introduce the automated debt recovery scheme has been driven by budgetary pressures and done without consultation with staff.*

Previous Budget papers have projected billions in savings over the forward estimate from automation. The 2015-16 MYEFO included measures to use income data matching.<sup>19</sup> Additional budget measures for income data matching in MYEFO 2015-16 estimated savings of \$1.3 billion from 1 July 2016.<sup>20</sup> The 2016-17 MYEFO extended and expanded these measures, estimating savings of \$3.7 billion from the expansion of fraud prevention and debt recovery capability.<sup>21</sup>

Staff have reported that the automation is in chaos and that staff morale is low.<sup>22</sup> These poor policy decisions have been forced on staff and workplaces are becoming unbearable.<sup>23</sup> Staff reported that they previously warned that automated data matching would lead to incorrect debts being issued.<sup>24</sup>

Prior to the automation, Department of Human Services staff would manually check the records and then contact recipients.<sup>25</sup> A former Department of Human Services worker with decades of experience has explained the process publicly, stating that they would examine records to see if dates line up and ask for further information if they did not. Debt notices were not issued unless there was evidence that the customer had not declared their income correctly and that a debt existed.<sup>26</sup> Clients were also contacted directly by staff after an adverse decision was made and staff could use discretion to avoid client hardship.

### Automation without a role for staff is problematic

While big data can work with incomplete information, its use in automating fraud determinations without a role for trained staff in checking the debts has meant that inaccuracies can have significant and wide-reaching implications. An internal cost-benefit analysis of the effectiveness of the Department's data-matching process with the Australian Taxation Office found that 15% of detected

<sup>18</sup> Pat McGrath (2017, 13 January). Leaked Centrelink memo shows staff told not to process debt disputes in person. ABC 7:30. Retrieved from <http://www.abc.net.au/news/2017-01-12/centrelink-memo-shows-staff-ordered-not-to-process-debt-disputes/8177652>

<sup>19</sup> Australian Government (2015, May). 2015-16 Budget Paper No.2: Budget Measures, Part 2: Expense Measures. Retrieved from [http://www.budget.gov.au/2015-16/content/bp2/html/bp2\\_expense-15.htm](http://www.budget.gov.au/2015-16/content/bp2/html/bp2_expense-15.htm)

<sup>20</sup> Australian Government (2015, December). 2015-16 Mid-Year Economic and Fiscal Outlook. Retrieved from [budget.gov.au/2015-16/content/myefo/html/11\\_appendix\\_a\\_expense.htm](http://www.budget.gov.au/2015-16/content/myefo/html/11_appendix_a_expense.htm)

<sup>21</sup> Australian Government (2016, December). 2016-17 Mid-Year Economic and Fiscal Outlook. Retrieved from <http://www.budget.gov.au/2016-17/content/myefo/html/>

<sup>22</sup> Emma Reynolds (2017, 10 January). Aussies panicking over Centrelink demands to pay up to avoid debt collector. *News.com.au*. Retrieved from <http://www.news.com.au/finance/money/costs/aussies-panicking-over-centrelink-demands-to-pay-up-to-avoid-debt-collector/news-story/a13ba2f6090aecc7152b5ceb65166315>

<sup>23</sup> Ben Eltham (2017, 6 January). High Farce: The Turnbull Government's Centrelink 'Robo-Debt' Debacle Continues To Grow. *New Matilda*. Retrieved from <https://newmatilda.com/2017/01/06/the-turnbull-governments-centrelink-robo-debt-debacle-continues-to-grow/>

<sup>24</sup> Tom McLroy (2017, 10 January). 'They don't care about average Australians': Centrelink staffer speaks out about debt controversy. *Sydney Morning Herald*. Retrieved from [www.smh.com.au/federal-politics/political-news/they-dont-care-about-average-australians-centrelink-staffer-speaks-out-about-debt-controversy-20170109-gto510.html](http://www.smh.com.au/federal-politics/political-news/they-dont-care-about-average-australians-centrelink-staffer-speaks-out-about-debt-controversy-20170109-gto510.html)

<sup>25</sup> Luke Henriques Gomes. (2016, 28 December). New Centrelink system under fire amid Christmas welfare crackdown. *The New Daily*. Retrieved from <http://thenewdaily.com.au/news/national/2016/12/28/centrelink-under-pressure-crackdown/>

<sup>26</sup> Peter Martin (2017, 7 January). How Centrelink unleashed a weapon of math destruction. *Sydney Morning Herald*. Retrieved from <http://www.smh.com.au/comment/how-centrelink-unleashed-a-weapon-of-math-destruction-20170105-gtmsnz.html>



discrepancies were not actually debts owed by people.<sup>27</sup> As pointed out by the Government's former chief digital adviser, the problems have affected people least capable of dealing with government mistakes.<sup>28</sup>

Members have informed the CPSU that the overwhelming majority of debts that are the subject of a review are incorrect.<sup>29</sup> One example provided by a member was a debt of \$9,000 that turned out to be \$90.<sup>30</sup> Members have also informed the CPSU that the automated system was particularly harsh on those who received Centrelink's sickness allowance.<sup>31</sup> Despite the system being error-prone, there are reports that most people were paying debts without checking them first.

Frustrations with the debt recovery process have been compounded by errors with Centrelink's online customer portal, where individuals must go to lodge a dispute. Frontline staff have been directed not to process disputes and instead refer them to the online customer portal.<sup>32</sup> The Department said the errors with its online service had affected only a small number of people and had since been resolved. Members contradict this, saying that the online compliance system has had issues – customers had to be turned away as not even staff were able to access it.<sup>33</sup>

The problems with Centrelink's automated debt recovery scheme are not unique as there are other overseas examples of faulty automated fraud determinations. The American state of Michigan, for example, automated their determinations for unemployment insurance fraud. The system, known as the Michigan Integrated Data Automated System (Midas), caused an immediate spike in claims of fraud when it was implemented in October 2013. The problems were such that the program was scaled back and all determinations are now reviewed and issued by employees.<sup>34</sup> A February 2016 Auditor General review of 22,427 fraud cases identified by the system found that only 8% of cases were actually fraudulent.<sup>35</sup> There are still another 30,000 fraud determinations that are still to be reviewed. Unsurprisingly, the administrative court system that oversees unemployment cases had a backlog of 23,000 appeals as a result of the system.<sup>36</sup>

## Response to crisis compounded by staffing and funding cuts

The Department of Human Services is struggling under enormous pressures, having lost over 5,000 staff over the past five years. Years of staffing and funding cuts are compounding the impact of the automated debt recovery debacle. Staff are under pressure and are doing the best they can in trying circumstances. The fact that the Department is prioritising reviewing recipients that have spoken to

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<sup>27</sup> Christopher Knaus (2017, 11 January). Government knew about discrepancies in data-matching system before reducing human oversight. *Guardian Australia*. Retrieved from <https://www.theguardian.com/australia-news/2017/jan/12/centrelink-human-oversight-slashed-after-cost-benefit-analysis>

<sup>28</sup> Tony Yoo (2017, 6 January). Turnbull's former digital tsar says 'blind faith' in data led to the Centrelink debt debacle. *Business Insider Australia*. Retrieved from <http://www.businessinsider.com.au/turnbulls-former-digital-tsar-says-blind-faith-in-data-led-to-the-centrelink-debt-debacle-2017-1>

<sup>29</sup> Noel Towell (2017, 10 January). Centrelink's debt debacle: It's going to get worse, says union. *Canberra Times*. Retrieved from <http://www.canberratimes.com.au/national/public-service/centrelinks-debt-debacle-its-going-to-get-worse-says-union-20170109-gto51j.html>

<sup>30</sup> Noel Towell (2017, 10 January). Centrelink's debt debacle: It's going to get worse, says union. *Canberra Times*. Retrieved from <http://www.canberratimes.com.au/national/public-service/centrelinks-debt-debacle-its-going-to-get-worse-says-union-20170109-gto51j.html>

<sup>31</sup> Christopher Knaus (2016, 23 December). Centrelink officer says only a fraction of debts in welfare crackdown are genuine. *Guardian Australia*. Retrieved from <https://www.theguardian.com/australia-news/2016/dec/23/centrelink-officer-says-only-a-fraction-of-debts-in-welfare-crackdown-are-genuine>

<sup>32</sup> Pat McGrath (2017, 13 January). Leaked Centrelink memo shows staff told not to process debt disputes in person. *ABC 7:30*. Retrieved from <http://www.abc.net.au/news/2017-01-12/centrelink-memo-shows-staff-ordered-not-to-process-debt-disputes/8177652>

<sup>33</sup> Christopher Knaus (2016, 22 December). Centrelink officer says only a fraction of debts in welfare crackdown are genuine. *Guardian Australia*. Retrieved from <https://www.theguardian.com/australia-news/2016/dec/23/centrelink-officer-says-only-a-fraction-of-debts-in-welfare-crackdown-are-genuine>

<sup>34</sup> Ryan Felton (2016, 13 February). Inside Michigan's faulty unemployment system that hit thousands with fraud. *The Guardian*. Retrieved from <https://www.theguardian.com/us-news/2016/feb/12/michigan-unemployment-insurance-benefit-automated-system-fraud-penalties>

<sup>35</sup> Ryan Felton (2016, 18 December). Michigan unemployment agency made 20,000 false fraud accusations – report. *The Guardian*. Retrieved from <https://www.theguardian.com/us-news/2016/dec/18/michigan-unemployment-agency-fraud-accusations>

<sup>36</sup> Ryan Felton (2016, 13 February). Inside Michigan's faulty unemployment system that hit thousands with fraud. *The Guardian*. Retrieved from <https://www.theguardian.com/us-news/2016/feb/12/michigan-unemployment-insurance-benefit-automated-system-fraud-penalties>



the media, highlights the level of damage control.<sup>37</sup> To deal with workloads and the current debt crisis, at least 1,000 extra permanent staff will be required.<sup>38</sup>

The onus has been placed on recipients of debt notices to track down payslips and employment history from up to six years ago to prove they did not wrongly claim benefits.<sup>39</sup> Staff have been expressly told not to fix mistakes in debt notices generated by the automated system even when they could prove the debts were wrong.<sup>40</sup> The result has been huge queues at Department of Human Services offices, staff directed to tell people to go back online and customers spending hours of waiting on the telephone.<sup>41</sup> Some have reported calling multiple times and spending hours on the phone to speak to Centrelink staff.<sup>42</sup> There is one example of a person attempting to call 86 times over three days and still not getting through.<sup>43</sup> One debt recipient said they tried to deal with the debt at a Centrelink office and over the phone, but was told all compliance issues had to be dealt with online.<sup>44</sup> Those who have disputed the debt have still been required to go on a payment plan even before reviews have occurred.<sup>45</sup>

The automated debt recovery scheme will continue to increase workloads on a stretched workforce. The automated system has sent out more than 170,000 letters to Centrelink, in many cases either falsely claiming they owe money or hugely exaggerating the amount. The system is likely to generate even more debt notices in 2017. The CPSU notes that the Government's election commitment, which the extension of the income data-matched measure from 2016-17 MYEFO is based on, indicates that there were 125,000 non-employment income discrepancies from the 2013-14 financial year remaining. It would also seek to generate an additional 750,000 compliance interventions by extending the non-employment income date matching to the 2014-15 to 2017-18 financial years.

The increased workloads due to the debt recovery scheme problems will be combined with additional workloads due to student benefit applications and changes to the pension. The CPSU has concerns that there will be a repeat of the massive delays to student payments in early 2016 that resulted in many students having to defer or drop out of study.<sup>46</sup>

*The Department's response to the debt crisis has been compounded by inadequate staffing and has seen a blow out in wait times for customers.*

The CPSU has raised concerns previously that public servants could be blamed amid staff cuts, "bad IT systems" and a casual workforce. Centrelink staff should not be blamed for this and nor should

<sup>37</sup> Pat McGrath (2017, 7 January). Centrelink debts slashed after welfare recipients speak out in media. *ABC 7:30*. Retrieved from <http://www.abc.net.au/news/2017-01-06/centrelink-debts-slashed-after-welfare-recipients-speak-out/8165794>

<sup>38</sup> Stephen Stockwell (2016, 26 April). Centrelink backlog to be solved in two weeks, says Minister. *Hack*. Retrieved from <http://www.abc.net.au/triplej/programs/hack/centrelink-backlog-to-be-solved-in-two-weeks/7360760>

<sup>39</sup> Christopher Knaus (2016, 19 December). Fears Centrelink online glitch may send welfare recipients to debt collectors. *Guardian Australia*. Retrieved from <https://www.theguardian.com/australia-news/2016/dec/19/fears-centrelink-online-glitch-may-send-welfare-recipients-to-debt-collectors>

<sup>40</sup> Christopher Knaus (2017, 19 January). Centrelink staff told not to fix mistakes in debt notices – whistleblower. *Guardian Australia*. Retrieved from <https://www.theguardian.com/australia-news/2017/jan/19/centrelink-staff-told-not-to-fix-mistakes-in-debt-notices-whistleblower>

<sup>41</sup> Emma Reynolds (2017, 10 January). Aussies panicking over Centrelink demands to pay up to avoid debt collector. *News.com.au*. Retrieved from <http://www.news.com.au/finance/money/costs/aussies-panicking-over-centrelink-demands-to-pay-up-to-avoid-debt-collector/news-story/a13ba2f6090aecc7152b5ceb65166315>

<sup>42</sup> Matthew Knott (2017, 9 January). Centrelink debt recovery drive has caused summer from hell, Bill Shorten says. *Sydney Morning Herald*. Retrieved from <http://www.smh.com.au/federal-politics/political-news/centrelink-debt-recovery-drive-has-caused-summer-from-hell-bill-shorten-says-20170108-gtns33.html>

<sup>43</sup> Emma Reynolds (2017, 12 January). The screenshots that show why Centrelink is broken. *News.com.au*. Retrieved from <http://www.couriermail.com.au/business/the-screenshots-that-show-why-centrelink-is-broken/news-story/e6eca0276943123e7cad798a0f29f035>

<sup>44</sup> Christopher Knaus (2016, 19 December). Fears Centrelink online glitch may send welfare recipients to debt collectors. *Guardian Australia*. Retrieved from <https://www.theguardian.com/australia-news/2016/dec/19/fears-centrelink-online-glitch-may-send-welfare-recipients-to-debt-collectors>

<sup>45</sup> Nina Stevens (2017, 6 January). Albanese takes aim over Centrelink debt notice to cancer survivor. *SBS News*. Retrieved from <http://www.sbs.com.au/news/article/2017/01/06/albanese-takes-aim-over-centrelink-debt-notice-cancer-survivor>

<sup>46</sup> Noel Towell (2017, 10 January). Centrelink's debt debacle: It's going to get worse, says union. *Canberra Times*. Retrieved from <http://www.canberratimes.com.au/national/public-service/centrelinks-debt-debacle-its-going-to-get-worse-says-union-20170109-gto51j.html>

they be subjected to violence or aggression. Violence and aggression towards public servants has been underreported and is becoming more common.<sup>47</sup>

Department of Human Services staff are already feeling the brunt of customer aggression as a result of these errors and workload pressures generated by them. Staff report that anger and rage generated by the data matching strategy had placed counter staff under confronting pressure.<sup>48</sup> The aggression is such that the Department of Human Services recently sought private contractors to provide "Advanced Customer Aggression Training Services".<sup>49</sup>

The automated debt recovery scheme problems have also highlighted issues with the outsourcing of debt collection. Staff are often unable to resolve discrepancies. Centrelink call centre staff have stated that unless the recipient immediately agrees to at least a minimum repayment of the disputed amount, under DHS policy the staff member has no alternative but to send the 'debt' for collection to outsourced collectors. These debt collectors are on multi-million-dollar contracts with DHS<sup>50</sup> and have been applying a 10 per cent fee to recover debts related in inaccurate reporting.<sup>51</sup>

Given the error-prone nature of the current automated system and the additional notices that will be generated, the CPSU recommends that automated debt recovery program should temporarily and immediately be put on hold and a review of debt notices should occur. The Government should also commit to provide the necessary funds to ensure the program has sufficient staff to provide oversight and address the additional workload on customer service centre staff. The conversion of thousands of casual DHS staff to permanent positions would immediately help to ease the pressure at DHS, ensuring they can be fully utilised in dealing with the massive increase in work.

**Recommendation:** The Government temporarily and immediately puts the automated debt recovery program on hold and a review of debt notices issued occurs.

**Recommendation:** The Government commits to providing the necessary funds to convert casual DHS staff to permanent positions to ease the immense workload pressures.

## Australian Bureau of Statistics

The Australian Bureau of Statistics has faced budgetary pressures over a number of years which has affected not only the ability of the Bureau to undertake data collection but affected confidence in a key public institution. The problems with the 2016 Census were the direct product of these cuts to staffing and capacity.

### 2016 Census

The problems in delivering the 2016 Census have been another high profile example where basic public services have not been delivered efficiently. The continual budget cuts to the ABS and indecision and delays caused by the Government were significant contributors to the problems experienced.

<sup>47</sup> Stephanie Anderson and Henry Belot (2017, 5 January). Centrelink debt recovery system failures have 'frightened' recipients, Andrew Wilkie says. *ABC News*. Retrieved from <http://www.abc.net.au/news/2017-01-04/centrelink-debt-recovery-system-designed-by-dunderhead-wilkie/8160990>

<sup>48</sup> Quentin Dempster (2017, 8 January). The 'cruelty' of the Centrelink cash grab may just be starting. *The New Daily*. Retrieved from <http://thenewdaily.com.au/money/finance-news/2017/01/08/centrelink-debts-just-the-start/>

<sup>49</sup> Andrew Greene (2017, 4 January). Centrelink staff to receive 'customer aggression' training amid debt recovery backlash. *ABC News*. Retrieved from <http://www.abc.net.au/news/2017-01-03/centrelink-staff-to-receive-customer-aggression-training/8159694>

<sup>50</sup> Quentin Dempster (2017, 8 January). The 'cruelty' of the Centrelink cash grab may just be starting. *The New Daily*. Retrieved from <http://thenewdaily.com.au/money/finance-news/2017/01/08/centrelink-debts-just-the-start/>

<sup>51</sup> Bianca Hall (2017, 4 January). What should you do if you get a Centrelink debt? *Sydney Morning Herald*. Retrieved from <http://www.smh.com.au/federal-politics/political-news/what-should-you-do-if-you-get-a-centrelink-debt-letter-20170104-gtllmgl.html>

Financial pressures and the need to generate savings affected Census work. While the 2011 Census cost approximately \$440 million,<sup>52</sup> savings of more \$100 million were projected from the move to an e-census in 2016. The ABS expected a doubling of the number of people to complete their Census forms online to 65% or 16 million.<sup>53</sup> Budgetary and workload pressures were a factor behind some of the ABS' decisions about keeping data such as keeping it for a longer period of time. According to papers presented to the ABS leadership, personal identifying information will be "*critical to driving efficiency in ABS data collection activities*"<sup>54</sup> This has been backed up by members, one stating that "*the issue of data linking is obviously great from a purely statistical issue but much of the drive is due to cost constraints.*"

Members also raised concerns that budgetary and staffing pressures meant there was a need to complete Census work within the financial year and this affected the quality of work. An example provided by one member was that in one state, the registering of addresses was rushed to get it done before June 30. They had concerns that there would be mistakes by casual staff employed to complete it in time and it would need to be cleaned up afterwards. The quality of work would have been better with fewer casual staff and more time, however, there was no funding to do the work in the following financial year.

While the 2016 Census has garnered most of the public attention, members are deeply concerned about the longer term impact of current funding arrangements on the ABS. The ABS is under significant pressure and trying to do as much as possible with inadequate resourcing. Unless the underfunding is addressed, problems are only going to get worse.

## Funding pressures

The CPSU has raised concerns about the adequacy of funding and resources to the ABS in every Commonwealth Budget submission for the past three years. The constant pressure for further savings has affected the ABS' ability to collect data. For example, in early 2016 the CPSU raised concerns about attempts to move away from a stable, well-trained ABS interviewer workforce and the impact it may have on the collection of data.<sup>55</sup>

Even the ABS itself has expressed concerns about inadequate resourcing with senior officials complaining about the impact of budget cuts on ABS' capacity. In 2013 the then Australian Statistician expressed concerns over the "*wide range of ageing and fragile business processes and supporting infrastructure used by the ABS*" together with the ABS' "*difficult capital position, which is barely adequate to 'keep the lights on'*".<sup>56</sup> Similar concerns regarding ABS systems were expressed by then acting Australian Statistician in 2014.<sup>57</sup>

While the Government did provide \$219.6 million over 2015–19 for a 'business transformation programme' in the 2015-16 Budget<sup>58</sup> to upgrade systems, this was half of the funding required. Members also reported that the ABS paid more for one part of the system than they budgeted for, raising questions as to whether there will be enough funding for the rest of the programme.

Until the 2015-16 Budget provided some additional funding, the ABS had suffered a series of budget cuts that had undermined the quality of, among other series, its unemployment numbers—the bureau now emphasises trend numbers rather than seasonally adjusted numbers due to concerns about the quality and volatility of the latter.

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<sup>52</sup> Australian Bureau of Statistics (2011, 11 February). *2011 Census Fact Sheet: General*. Retrieved from <http://www.abs.gov.au/websitedbs/D3310114.nsf/home/2011+Census+Fact+Sheet:+General>

<sup>53</sup> Julian Bajkowski, (2015, 27 August). Census shake-up saves more than \$100 million. *GovernmentNews*. Retrieved from <http://www.governmentnews.com.au/2015/08/census-shake-up-saves-more-than-100-million/>

<sup>54</sup> Bernard Keane and Josh. Taylor. (2016, 1 June). ABS census privacy attack driven by budget cuts. *Crikey*. Retrieved from <https://www.crikey.com.au/2016/06/01/abs-census-privacy-attack-driven-by-budget-cuts/>

<sup>55</sup> CPSU (2015, 12 February). *Data quality threatened by attack on ABS interviewers (media release)*. Retrieved from <http://www.cpsu.org.au/content/data-quality-threatened-attack-abs-interviewers>

<sup>56</sup> Australian Bureau of Statistics (2014, September). *Annual Report 2013-14*. Canberra. p.2

<sup>57</sup> Australian Bureau of Statistics (2014, September). *Annual Report 2013-14*. Canberra. p.2

<sup>58</sup> Australian Government (2015, May). *2015-16 Budget Paper No.2: Budget Measures - Part 2: Expense Measures*. Retrieved from [http://www.budget.gov.au/2015-16/content/bp2/html/bp2\\_expense-21.htm](http://www.budget.gov.au/2015-16/content/bp2/html/bp2_expense-21.htm)

Since the 2010-11 Budget, there have been \$94.7m in measures that have cut funding from the ABS. The majority of the cuts have occurred over the past four years. In the 2014-15 Budget, \$68 million was cut from the ABS, on top of a \$10 million reduction the previous year under the previous Government.

Staffing levels have been affected by these budget cuts. There are 700 fewer staff in the ABS than there were at the 2011 Census. In 2011-12, there was an Average Staffing Level of 3,530. The Average Staffing Level for 2016-17 is projected to be 2,830.<sup>59</sup>

One of the impacts of these budget cuts has been the loss of experienced staff from key positions. The constant shedding of staff has meant that corporate knowledge is lost which makes it increasingly difficult to address issues when they arise.

## How recent budget cuts affected the ABS

A 2016 CPSU poll of members found that ABS employees have felt the impact of budget cuts over the past twelve months:

- 70% reported vacant positions not being filled;
- 55% reported voluntary redundancies, cuts to non-ongoing staff;
- 63% reported cuts to permanent staff numbers;
- 60% reported outsourcing; and
- 85% reported greater use of non-ongoing and casual staff.

Many ABS employees felt overworked and underappreciated. The budget cuts had increased workload pressures such that:

- 30% reported problems accessing leave;
- 31% reported increases in unpaid overtime; and
- 83% indicated that training was affected, resulting in reduced access or a decline in the quality of training.

The impact on staff in Census related teams, in particular, was substantial. One member stated that they had over 150 hours of flextime and worked at least a day every weekend for months to get the job done. These examples demonstrate how dedicated ABS staff are to the important work they do, however, there simply are not enough staff to get the work done.

Many ABS employees have also reported that budget cuts have had an impact on the quality and/or timeliness of their work:

- 62% staff said that cuts over the last twelve months had resulted in a reduction of the standard of work in the ABS.
- 44% of staff stated that survey programmes had been cut.

Members also reported increased pressures meaning work took longer to do or they had to deprioritise less urgent work such as strategic work and how to be more innovative. Members provided a number of examples of work that is no longer done or has been deprioritised.

*My team can't get responses out of our IT section regarding services they should be able to provide. I think they're just run off their feet. I think many sections across the ABS have been overstretched, understaffed, and under-delivering for several years.*

*Working in the national, corporate area - all of our work, key milestones take a lot longer to achieve. Our team is delivering much more 'operational' support - and this leaves much less resource for strategic work and continuous improvement i.e. we are fighting lots of 'fires' (urgent work) and not able to put resources into non urgent but important work.*

An overwhelming number of members raised concerns about inadequate resourcing for ICT. 83% said there had been ICT and tech issues.

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<sup>59</sup> Staffing figures from 2012-13 Budget and 2016-17 Budget.

Given the vital role played by the ABS in economic and social policy development, these reports are alarming. They reflect an environment of frustrated staff, working long hours on fewer surveys.<sup>60</sup> It is consistent with a wider degradation of public service work as a result of budget cuts.

### The threat of further budget cuts

There is concern that the ABS will face further budget cuts. The CPSU notes that the ABS completed its functional and efficiency review in November last year.<sup>61</sup> These reviews are part of the Government's Contestability Programme and the experience of these reviews has been cuts to agency funding with \$2.7 billion in 'savings' from six agencies as at the 2016-17 Budget.<sup>62</sup> Since November, the ABS has also notified the union it is seeking to cut between 100 and 150 staff through a voluntary redundancy process beginning immediately.

The ABS has stated that its work program beyond 2016–17 *"may not be affordable within its existing budget."*<sup>63</sup> The ABS plans to review Tier 3 statistics and may cease producing these statistical datasets if funding cannot be secured. Data collection on foreign ownership of agricultural businesses, industrial disputes, motor vehicle sales, livestock slaughter, and crime offenders and victims, could all stop because of the financial pressures faced.<sup>64</sup>

*As a result of Government budget cuts, the future of ABS work on a range of issues from foreign ownership to the incidence of crime is in doubt.*

Furthermore, the increased efficiency dividend has been extended to 2019-2020. Instead of returning to 1 per cent in 2017-18 as scheduled, it will be 2.5 per cent in 2017-18, 2.0 per cent in 2018-19 and 1.5 per cent in 2019-20.<sup>65</sup> The Portfolio Budget Statements are not clear as to the exact impact on the increased efficiency dividend on ABS but it will add further pressure to an agency already under stress.

ABS staff are doing their best under trying circumstances but there are limits to what they can do with limited resources. As one ABS member stated, *"staff have just tried their best with what they were presented with by government and senior management. There have been a lot of undue changes and over an extended time it has had an impact on staff wellbeing."* Addressing these funding issues must be a priority if the Government wants to avoid more problems in the future. Given the importance of data collection and the shortcomings shown by the 2016 Census, additional funding is needed urgently for the ABS to reverse the cuts to activities and job losses.

**Recommendation:** The Government provides additional funding to ABS to ensure the maintenance of existing data collection activities and ease workload pressures on staff.

<sup>60</sup> Alicia Barry (2014, 9 October). ABS staff say data undermined by funding cuts, lack of leadership, *ABC News*. Retrieved from <http://www.abc.net.au/news/2014-10-09/abs-staff-say-data-undermined-by-funding-cuts/5801844>

<sup>61</sup> Paris Cowan (2016, 18 August). Beleaguered ABS cops yet another review. *ITNews*. Retrieved from <http://www.itnews.com.au/news/beleaguered-abs-cops-yet-another-review-434129>

<sup>62</sup> Australian Government (2016, May). *2016-17 Budget Paper No.4: Preface*. Retrieved from [http://www.budget.gov.au/2016-17/content/bp4/html/02\\_preface-01.htm](http://www.budget.gov.au/2016-17/content/bp4/html/02_preface-01.htm)

<sup>63</sup> Australian Bureau of Statistics (2016, 13 October). *1006.0 - Forward Work Program, 2016-17*. Retrieved from <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/1006.0~2016-17~Main%20Features~Efficiency%20and%20Productivity~5>

<sup>64</sup> Australian Bureau of Statistics (2016, 13 October). *1006.0 - Forward Work Program, 2016-17*. Retrieved from <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/1006.0~2016-17~Main%20Features~Forward%20Work%20Program%20by%20Tier~6>

<sup>65</sup> Australian Government (2016, May). *2016-17 Budget Paper No.2: Budget Measures - Part 2: Expense Measures*. Retrieved from [http://www.budget.gov.au/2016-17/content/bp2/html/bp2\\_expense-08.htm](http://www.budget.gov.au/2016-17/content/bp2/html/bp2_expense-08.htm)

## Cultural institutions

Australia's publicly funded cultural institutions have a legislative mandate to collect, maintain and exhibit Australian and international art and cultural artefacts to both educate and inform the public, and preserve Australia's political, social and cultural history. These institutions have been hit hard by a range of budget and funding cuts.

### Disproportionate impact of budget cuts on cultural institutions

Cultural institutions struggle to cope with budget cuts, while fulfilling their important role in our national culture.<sup>66</sup> There are a number of reasons why cultural institutions in particular find this difficult:

- Cultural institutions have a high proportion of relatively fixed costs related to maintaining their collections and the buildings in which they are housed.
- Cutting discretionary functions would have a disproportionate impact on the community. For example, many of their discretionary functions, such as travelling exhibitions, serve to benefit large numbers of regional and rural communities.
- For many cultural institutions growing their collection is also an important part of their role. However, in an environment of cuts and funding pressure, this is exceptionally difficult to do.
- Finally, as small organisations, they have smaller budgets and fewer areas to look at when considering how to absorb budget cuts.

The Government's approach to the funding of cultural institutions fails to acknowledge any of the particular difficulties these organisations face.

In addition to the broader efficiency dividend, cultural and collecting agencies were hit in the 2015-16 MYEFO. The Turnbull government announced that it would seek specific savings from a very small part of Government expenditure by applying an additional 3 per cent efficiency dividend on the cultural and collecting agencies within the Communications and Arts portfolio (except for the Australia Council).

*The additional 3 per cent efficiency dividend on cultural institutions equates to a \$36.8 million cut over four years.*<sup>67</sup>

While these cuts have a very significant impact on the capacity of cultural institutions to do their work, they have a very limited impact on the overall budget position of the Government or its spending on the public service. Applying the whole four years worth of cuts' in just one year represented a saving to government of 0.0085 per cent from a total government expense budget of \$432,234 million in 2015-16.<sup>68</sup>

Calculated from Portfolio Additional Estimates Statements for each agency, Table 1 details the financial impact of this target on agencies in the Communications and Arts portfolio by financial year.

<sup>66</sup> Joint Committee of Public Accounts and Audit (2008b) *Report 413: The efficiency dividend and small agencies: size does matter*, Commonwealth of Australia, Canberra, Australia. p.114

<sup>67</sup>

Australian Government (2015) *Mid Year Economic and Fiscal Outlook*. Canberra, Australia: Commonwealth of Australia. p.74



**Table 1: Funding cuts to cultural institutions 2015-16 – 2018-19<sup>69</sup>**

	2015-16 ('000)	2016-17 ('000)	2017-18 ('000)	2018-19 ('000)	Total ('000)
AFTRS	-\$ 361	-\$ 837	-\$ 843	-\$ 850	-\$ 2,891
ANMM	-\$ 333	-\$ 769	-\$ 770	-\$ 772	-\$ 2,644
NFSA	-\$ 387	-\$ 890	-\$ 897	-\$ 905	-\$ 3,079
NGA	-\$ 496	-\$ 1,143	-\$ 1,148	-\$ 1,153	-\$ 3,940
NLA	-\$ 1,485	-\$ 1,490	-\$ 1,495	-\$ 1,499	-\$ 5,969
NMA	-\$ 622	-\$ 1,432	-\$ 1,440	-\$ 1,447	-\$ 4,941
NPG	-\$ 173	-\$ 398	-\$ 400	-\$ 431	-\$ 1,402
MOAD	-\$ 207	-\$ 476	-\$ 479	-\$ 482	-\$ 1,644
Screen Australia	-\$ 4,307	-\$ 2,000	-\$ 2,000	-\$ 2,000	-\$ 10,307
Total	-\$ 8,371	-\$ 9,435	-\$ 9,472	-\$ 9,539	-\$ 36,817

For example, the National Gallery of Australia reported that it meant their operating grant has been reduced by more than 5 per cent in a single year while the National Library reported it was required to find \$1.5 million in 2015–16 with further savings needing to be identified.<sup>70</sup>

### Impact of cuts on activities

A range of activities have been affected by budget cuts. Some have since been confirmed in the annual reports of cultural institutions.

- At the NLA, internal digitisation has been curtailed;<sup>71</sup> support for Korean-language collecting and management of Asian collections has been reduced, and additional subscriptions to periodicals have been cancelled;<sup>72</sup> collaborative projects are not being undertaken without funding.<sup>73</sup> It is also moving to a 'cost recovery' model when taking records into Trove from other institutions; and is not able to make discoverable Australian collections that are not already in Trove;<sup>74</sup> cataloguing and describing material is being done at a lesser or lower standard than before; overseas collecting is being curtailed, as is the collecting of non-unique Australian material; if an item is already in another Australian public library it is being passed over, or the library is placing a lower bid than before; and, the NLA magazine is to cease print publication.<sup>75</sup>
- The NGA is removing all the small exhibition spaces in the newly refurbished spaces because *"it can't afford to do rehang in these areas"* and NGA Contemporary, the National Gallery's new exhibition space beside Lake Burley Griffin has been closed.<sup>76</sup> Members were also concerned that storage projects have been reduced and changeovers are happening less frequently and *"this is not always great for works"*.
- At the NFSA, members report reduced onsite visitor programs; the school holiday program ended in 2014 when staff were made redundant; the national School Screen program and online 'connected classroom' program have ceased; while NFSA still takes school groups in Canberra, students used to be shown an audio/visual (A/V) presentation plus the exhibition, but now the A/V component has closed; less promotion to tour groups means that visitor numbers have dropped; although the website Australian Screen still runs, the collection building has closed; the Arc Cinema program has been cancelled and the NFSA shop and

<sup>69</sup> Data from 2015-16 Portfolio Additional Estimates Statements of cultural and collecting agencies in Communications and Arts Portfolio

<sup>70</sup> National Library of Australia (2016) *Annual Report 2015-16*, National Library of Australia, Canberra, Australia. p.16

<sup>71</sup> National Library of Australia (2016) *Annual Report 2015-16*, National Library of Australia, Canberra, Australia. p.16

<sup>72</sup> National Library of Australia (2016) *Annual Report 2015-16*, National Library of Australia, Canberra, Australia. p.16

<sup>73</sup> National Library of Australia (2016) *Annual Report 2015-16*, National Library of Australia, Canberra, Australia. p.16

<sup>74</sup> National Library of Australia (2016) *Annual Report 2015-16*, National Library of Australia, Canberra, Australia. p.16

<sup>75</sup> National Library of Australia (2016) *Annual Report 2015-16*, National Library of Australia, Canberra, Australia. p.16

<sup>76</sup> National Gallery of Australia (2016) *Annual Report 2015-16*, National Gallery of Australia, Canberra, Australia. p.12



library have closed; collection access fees have increased, including footage sales to documentary makers and industry. While 'usage fees' for footage have increased, incoming work has dropped off as a result, possibly resulting in an overall loss of revenue. Similarly loan fees have increased and where loan fees were waived for certain cultural institutions these waivers have been abolished, consequently loan numbers have reduced.

- At the NAA, members report that budget cuts mean that fewer exhibitions are developed in-house and more are 'bought in' from other institutions; waiting times to access records have dramatically increased, and the NAA is not able to release all the cabinet records due for release on 1 January each year.
- The Museum of Australian Democracy has closed its Research Library and ceased funding for prime ministerial research.<sup>77</sup>

## Impact of cuts on staffing

During February 2016 Senate Estimates Hearings, the heads of the various cultural institutions made it clear that in addition to cutting back on the range of activities, their cultural institution will need to reduce staffing numbers in order to meet the 2015-16 MYEFO efficiency dividend of 3 per cent:

- The Director of the NGA told the Hearing that with two thirds of Government funding going to salaries, *"we probably will have to lose staff. That sum of money would translate into more than 10 staff, which would be quite substantial for us"*.<sup>78</sup>
- CPSU members advise that since then the NGA has announced a recruitment freeze in response to the efficiency dividend cuts, informing staff that there would be more than twenty jobs lost by the end of the 2015-16 financial year.
- Similarly, the Director of the NLA said that *"close to 50 per cent of the Library's expenditure is on salaries, so the NLA will work in the way that I expect all of my colleagues work and that is that first of all we will seek to work with natural attrition as best we can and with redeployment as best we can. But we do think that..."* in the order of 8-10 jobs will be lost.<sup>79</sup>
- At the NPG the Director noted that *"rather like the NLA, a very high proportion of our operating budget goes towards salaries. Therefore, regrettably, there will be an impact on our staff. The knack will be to keep that to a minimum"*. Members anticipate that there will be three positions lost from a total of fifty five.<sup>80</sup>
- The head of the NFSA reported that *"in the expenditure mix of the National Film and Sound Archive, employee benefits make up 70 per cent of our appropriation, about 20 per cent is supply expenses—you will appreciate that there is very little discretion in that space; it only amounts to about \$5 million per annum—and property operating expenses only make up 10 per cent. So we are confident, unfortunately, that we will have to look at our staffing base again. ... this time around staffing losses will be unavoidable, but that we did not—and still do not—know the scale"*. Members advise that the NFSA called for voluntary redundancy expressions of interest, with a target number of around fifteen.<sup>81</sup>

As a result of Government budget cuts, cultural institutions have lost highly skilled and competent staff. Rebuilding this capacity will take some time and should now be a priority.

The cuts to our cultural institutions need to be reversed. Access to the collections both in Canberra and via travelling exhibitions to regional and remote Australia must be restored.

Appropriate funding must be available to ensure items are collected, maintained and properly stored lest they be lost forever. This will require a new funding model for these organisations for these organisations that recognises the distinct requirements they have and their legislative mandate.

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<sup>77</sup> Museum of Australian Democracy (2016) *Annual Report 2015-16*, Museum of Australian Democracy, Canberra, Australia. p.15

<sup>78</sup> Australian Parliament (2016) Parliamentary debates (Hansard). *Senate Environment and Communications Legislation Committee*. 16 February 2016. p.85

<sup>79</sup> Australian Parliament (2016) Parliamentary debates (Hansard). *Senate Environment and Communications Legislation Committee*. 16 February 2016. p.82-83

<sup>80</sup> Australian Parliament (2016) Parliamentary debates (Hansard). *Senate Environment and Communications Legislation Committee*. 16 February 2016. p.84

<sup>81</sup> Australian Parliament (2016) Parliamentary debates (Hansard). *Senate Environment and Communications Legislation Committee*. 16 February 2016. p.84

**Recommendation:** The Government ends the 3% efficiency dividend on cultural and collecting agencies and works with the CPSU to develop a funding model that recognises the unique characteristics of cultural institutions.

## Courts

The Federal Circuit Court and Family Court of Australia have been struggling with inadequate funding for some time now. The Courts are in a particularly invidious financial position due to a large proportion of expenses being out of their control, primarily remuneration and benefits for Judges, and leases on Commonwealth Law Court buildings. A significant portion of their budget is of this 'fixed' nature.

Budget pressures have been such that the Courts attempted to seek an exemption from the additional efficiency dividend announced in last year's budget, which was refused.

The Court's continuing budgetary pressures resulted in a decision to introduce and pass the *Courts Administration Legislation Act 2016* with the aim of reinvesting savings generated in the Courts' core functions.<sup>82</sup> This legislation resulted in a number of changes, including having one budgetary appropriation for all Courts, allocated to the Federal Court of Australia. It also resulted in Corporate Services across the Courts being amalgamated. The amalgamation appears to be focused on restructuring the Courts to reduce costs rather than addressing the funding crisis facing our Courts.

The amalgamation of the Courts has precipitated changes to the Federal Circuit Court including a further reduction in Circuits across some regions. The reduction in circuits is being mitigated in areas like Albury, New South Wales, with increased use of external mediators; however, this passes the cost onto those in the community seeking to access justice. For example, judges have referred property matters in divorce proceedings to private barristers instead of the court registrar, passing the cost onto the parties. This goes against the Federal Court 2016-2020 Corporate Plan,<sup>83</sup> which outlines strategic objectives ensuring access to justice in rural and regional areas.

This has inevitably resulted in reduction of staff and changes to some roles. A decision was made by the Courts to outsource part of their IT services, resulting in an excess employee situation. A decision was also made by the Family and Federal Circuit Courts to change work practices for Registrars, allocating them to work predominately for one Court, changing from the previous practice of working across both Courts. The changes have not alleviated the financial pressures that the Courts, in particular the Family and Federal Circuit Courts, have been facing for a number of years. The Courts are still under resourced, and no additional funding has been provided to benefit Australians relying on the Court system, especially the Family Court.

While the Australian Government has acknowledged the seriousness of the problem of family violence, it has also refused to put additional funding into the Family Court to support victims of family violence attending the Family Court.

Government cuts to community legal services have further increased the demands and workload for Court employees but the Government has failed to provide funding to address that demand let alone to maintain funding. Employees have formed a view that salaries, allowances and other benefits for

<sup>82</sup> Parliament of the Commonwealth of Australia (2016, 18 March). *Explanatory Memorandum: Courts Administration Legislation Amendment Act 2015*. Retrieved from [http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22legislation%2Fems%2Fs1029\\_ems\\_c5d41d38-c6df-4d82-9ea0-bbc45b8eb680%22](http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22legislation%2Fems%2Fs1029_ems_c5d41d38-c6df-4d82-9ea0-bbc45b8eb680%22)

<sup>83</sup> Federal Court of Australia (2016, August), *Corporate Plan 2016-2020*. Retrieved from <http://www.fedcourt.gov.au/about/corporate-information/corporate-plan>

judiciary appointments come from the Courts existing budget. If this is the case those increases, as have happened in the last few years, mean less money for administrative and professional service provision that supports the work of the judiciary, including employees' salaries.

**Recommendation:** The Government provides a \$6 million one off funding allocation, as per the Court's Family Violence Committee, to implement initiatives identified in the Women's Legal Services Safety in Family Law 2016 plan.

**Recommendation:** The Government provides \$14 million additional funding allocation to properly resource the Courts for family violence initiatives.

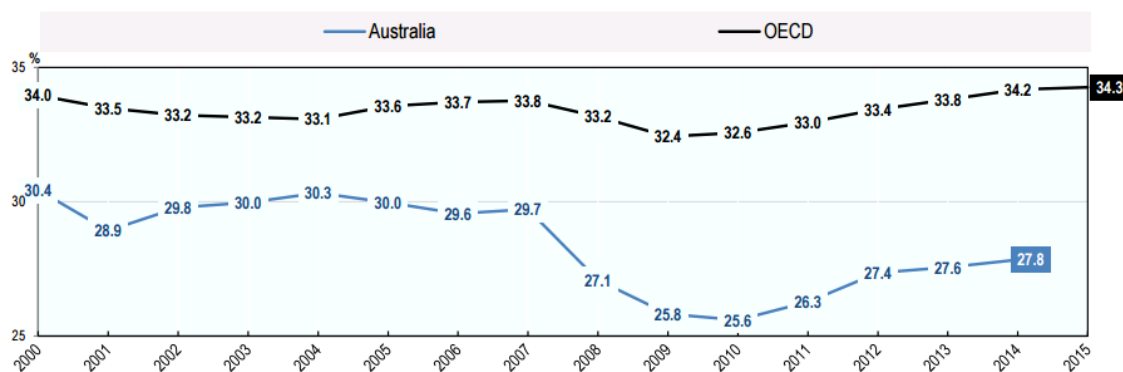
**Recommendation:** The Government provides additional funding to the courts and separate operational and judicial expenses in budget allocations to end pressures that are affecting the agency's core functions.

## Australian Taxation Office

### Tax

In previous Budget submissions, the CPSU has shown that contrary to assertions, Australia is a low-taxing jurisdiction with a smaller proportion of public expenditure as a percentage of Gross Domestic Product (GDP) than comparable countries. Data from the Organisation of Economic Co-operation and Development (OECD) continually shows that Australia has one of the lowest tax to GDP ratios in the developed world. This continues to be the case. The most recent MYEFO figures show that taxation revenue as a proportion of GDP in 2016-17 will continue to be below pre-Global Financial Crisis levels.<sup>84</sup>

**Chart 1: Taxation as proportion of GDP (2000-2015)<sup>85</sup>**



Australia has a revenue problem and the public strongly supports tackling corporate tax avoidance to raise the additional revenue needed to pay for quality public services. The 2016 Per Capita Tax Survey found that by far the most popular option to raise revenue, with 69.6% support, is to reduce corporate tax avoidance.<sup>86</sup> Over three-fifths (60.6%) say that corporate tax avoidance affects the fairness of the tax system a lot and over three-quarters (77.5%) say that big businesses pay too little

<sup>84</sup> Organisation of Economic Co-operation and Development (2016, 30 November). *OECD Revenue Statistics 2015*. Retrieved from <https://www.oecd.org/tax/revenue-statistics-australia.pdf>

<sup>85</sup> Organisation of Economic Co-operation and Development (2016, 30 November). *OECD Revenue Statistics 2015*. Retrieved from <https://www.oecd.org/tax/revenue-statistics-australia.pdf>

<sup>86</sup> Per Capita (2016, April). *2016 Tax Survey - Public Attitudes Towards Taxation and Public Expenditure*. Retrieved from [http://percapita.org.au/wp-content/uploads/2016/04/2016-Tax-Survey\\_FINAL.pdf](http://percapita.org.au/wp-content/uploads/2016/04/2016-Tax-Survey_FINAL.pdf)

tax. Research by the Tax Justice Network suggests that if all ASX 200 companies paid the full rate of company tax, the Budget would gain approximately \$8.4 billion in revenue a year.<sup>87</sup>

The CPSU supports reforms that increase revenue from corporations, primarily through the elimination of loopholes that allow tax avoidance.

*Companies should pay their fair share toward helping to fund the services, infrastructures and legal privileges they benefit from.*

The Per Capita Tax Survey also found widespread support for a Buffett Rule. A 'Buffett Rule' would prevent high income earners paying any less than a designated proportion of their income as tax.<sup>88</sup> It would prevent the wealthy using of tax deductions to dramatically reduce their taxes. A large majority (69.1%) said that they would support such a proposal.<sup>89</sup>

The proposed rule would apply to any taxpayer with total income of \$300,000 or more, who, through deductions, reduced their average tax rate to below 35 per cent.<sup>90</sup> The taxpayer would be required to pay a minimum of 35 per cent of their total income in tax. The rule would set a minimum floor of income tax for high income earners. A Buffett Rule rate of 35 per cent is proposed because a person earning total income of exactly \$300,000 would pay an average tax rate of 36 per cent.<sup>91</sup>

Modelling by the National Centre for Social and Economic Modelling (NATSEM) estimates that the revenue raised from the proposed rule would be \$2.492 billion per annum, and would affect 31,524 households who would on average pay an additional \$79,053 per annum in income tax.<sup>92</sup>

The CPSU supports the introduction of a Buffett rule as proposed by the Australia Institute to ensure the progressivity of our income tax system.

## Staffing implications

While the public is supportive of tackling corporate tax avoidance to raise revenue for public services, there are limits to what the ATO is able to do due to significant under resourcing. Despite a growing population and increased expectations from the community, ATO ongoing staffing levels have declined. Between 2013-14 and 2015-16, Average Staffing Levels at the ATO fell by over 4,000 or by nearly a quarter. The audit team, responsible for enforcing the tax compliance of individuals and multinational companies, was hit particularly hard by these job cuts. While there was an increase in the 2016-17 Budget, it has not reversed the significant cuts experienced over the last few years.

In many submissions, the CPSU has outlined how these cuts have significantly impacted the ability of the ATO to detect and deal with corporate and other tax avoidance.

*ATO staff strongly expressed that current levels of resourcing and staffing are inadequate to tackle corporate tax avoidance.*

<sup>87</sup> Per Capita (2016, April). *2016 Tax Survey - Public Attitudes Towards Taxation and Public Expenditure*. Retrieved from [http://percapita.org.au/wp-content/uploads/2016/04/2016-Tax-Survey\\_FINAL.pdf](http://percapita.org.au/wp-content/uploads/2016/04/2016-Tax-Survey_FINAL.pdf)

<sup>88</sup> Matt Grudnoff (2015, April), A Buffett Rule for Australia. *The Australia Institute*. Retrieved from <http://www.tai.org.au/content/closing-tax-loopholes-buffett-rule-australia>

<sup>89</sup> Per Capita (2016, April). *2016 Tax Survey - Public Attitudes Towards Taxation and Public Expenditure*. Retrieved from [http://percapita.org.au/wp-content/uploads/2016/04/2016-Tax-Survey\\_FINAL.pdf](http://percapita.org.au/wp-content/uploads/2016/04/2016-Tax-Survey_FINAL.pdf)

<sup>90</sup> Matt Grudnoff (2015, April), A Buffett Rule for Australia. *The Australia Institute*. Retrieved from <http://www.tai.org.au/content/closing-tax-loopholes-buffett-rule-australia>

<sup>91</sup> Matt Grudnoff (2015, April), A Buffett Rule for Australia. *The Australia Institute*. Retrieved from <http://www.tai.org.au/content/closing-tax-loopholes-buffett-rule-australia>

<sup>92</sup> Matt Grudnoff (2015, April), A Buffett Rule for Australia. *The Australia Institute*. Retrieved from <http://www.tai.org.au/content/closing-tax-loopholes-buffett-rule-australia>

Given the need for more, not less revenue, these previous cuts seem illogical. According to information provided to Senate Estimates by senior ATO staff, the return on investment over the last decade would be between 1:1 and 6:1, or simply put every dollar invested in ATO staff generates between \$1 and \$6 in revenue.<sup>93</sup> Some had previously estimated that the cuts could lead to a loss of nearly \$1 billion in revenue.<sup>94</sup>

This disconnect between public expectations that tax avoidance should be tackled and what the ATO can actually do must be addressed by the Government. It should commit to an increase in base funding and staffing for the ATO if it is serious about tackling corporate tax avoidance and increasing revenue.

## Labour hire

ATO management have significantly increased the number of external employees (i.e. labour hire workers, contractors, outsourced contact centre workers). Based on data provided, the CPSU estimates that around a fifth of the ATO's overall workforce may now be externally engaged either through labour hire or outsourced contact centre providers. At a time of increased scrutiny of taxation arrangements and continuing pressure to ensure revenue is collected effectively, ATO management are introducing labour hire workers to undertake core work.

There has been a notable increase in the use of labour hire by the ATO over the past three years. Labour hire staff initially were used to provide call centre staff to respond to queries from the public during peak demand tax times between July to October (within the Service Delivery Group). However, members report that labour hire staff are now engaging in compliance and debt work (within the Client Engagement Group), undertaking audits and other 'core' ATO functions. Given the number of external workers, and their geographical spread we believe they are engaged in the full range of ATO functions.

*The use of labour hire in the ATO affects the quality of work that is undertaken, the quality of service provided to the public and it can be costly for the ATO.*

Since 2014, the ATO has enacted over 100 contracts specifically for the provision of labour hire services. These companies include Adecco, Hays, Chandler Macleod, DFP Recruitment, Dixon Appointments, First Grade Group, Future People, Hoban, Kaja Recruitment, Karlka Recruiting Group, Kelly Services, New Start Australia, Robert Walters, Ochre Workforce Solutions and Toll Personnel.

There are also three companies contracted to provide Outsourced Contact Centre Services until 2017. The companies are Datacom, Stellar and Serco. Datacom actually occupy an entire floor within the ATO Parramatta office with an estimated 500 staff.

The balance of the workforce has shifted away from ongoing APS employees; however the actual work that needs to be undertaken by ATO, and the staff they need to do it, has not changed significantly. The CPSU understands that the pressure from Government to reduce staffing levels is driving some of the decisions to use external labour sources. As labour hire and contractors are reported differently to directly employed Average Staffing Levels, there is an incentive for the ATO to use labour hire as an accounting trick.

The Government should address these perverse incentives that encourage more expensive labour hire and focus on increasing the resources available to the ATO and restoring permanent APS staffing levels. To manage the cost of contractors and labour hire arrangements, the Government should cap the number of contractors and consultants that can be hired to ensure that they are only used as a last resort due to skills shortages.

<sup>93</sup> Andrew Leigh (2014, 15 July). *ATO staff cuts mean millions in tax dodges*. Retrieved from <http://www.andrewleigh.com/ato-staff-cuts-mean-millions-in-tax-dodges>

<sup>94</sup> Gareth Hutchens (2014, 15 July). *Fewer ATO jobs may cost \$1b in revenue*. *Sydney Morning Herald*. Retrieved from <http://www.smh.com.au/federal-politics/political-news/fewer-ato-jobs-may-cost-1b-in-revenue-20140714-3bxab.html>

Given the strong public outcry over multi-national tax avoidance, it is concerning that these labour hire companies used by the ATO may be artificially reducing their profits to reduce their tax liabilities. The largest ATO contractors with multinational parent companies are reporting very low profit margins. This raises questions as to whether these companies are using multinational tax structures to avoid their tax obligations, which would be particularly galling given they are being paid to undertake tax work.

**Table 2: 2014-15 report of entity tax information<sup>95</sup>**

Name	Total Income \$	Taxable Income \$	Profit margin	Tax Payable \$	Tax rate
Datacom Australia Holdings Pty Ltd	377,681,565	8,341,196	2.2%	1,705,610	20.4%
Stellar Asia Pacific Pty Ltd	122,114,548	1,969,723	1.6%	590,917	30.0%
Serco Group Pty Limited	1,250,188,393	30,999,999	2.5%	5,210,397	16.8%

To dissuade corporate tax avoidance, the Government should introduce a policy to ensure that companies that are avoiding paying their fair share of tax are ineligible to tender for public sector contracts.

**Recommendation:** The Government provides additional base funding and staffing to the ATO to ensure it can do its job

**Recommendation:** The Government investigates other revenue changes including properly funding the Australian Taxation Office to ensure corporations pay their fair share of tax and the introduction of a Buffett rule.

**Recommendation:** The Government introduces a policy that corporations that avoid taxation should be ineligible to tender for public sector contracts.

**Recommendation:** The Government caps the number of contractors and consultants

## APS Bargaining

For the first time in more than 30 years a Commonwealth Government has been unable to resolve workplace bargaining for the vast majority of staff within a parliamentary term. After more than 1,000 days, over two thirds of the Australian Public Service (over 100,000 employees) still do not have new agreements.

Employees in the APS care deeply about the services and policy they deliver to the Australian community, yet they face the invidious choice of an ongoing pay freeze or accepting losing key rights and conditions without a dollar to compensate for three years without a pay rise.

The value of the work APS employees undertake is being denigrated by the Government's bargaining approach. The inability of the Government to resolve workplace bargaining is having an impact on the delivery of key public services and there are concerns that existing pressures are exacerbated by the bargaining situation.

The Government should as a matter of urgency implement the recommendations of the Senate inquiry into the impact of the Government's Workplace Bargaining Policy and approach to Commonwealth public sector bargaining. The 2017-18 Budget should include appropriate funds for agencies to allow for the fair and reasonable settlement of bargaining.

<sup>95</sup> Australian Government (2016, December 14). 2014-15 Report of Entity Tax Information. *Data.gov.au*. Retrieved from <https://data.gov.au/dataset/corporate-transparency>



**Recommendation:** The Government should as a matter of urgency implement the recommendations of the Senate inquiry into the impact of the Government's Workplace Bargaining Policy and approach to Commonwealth public sector bargaining including making appropriate funding available through the 2017-2018 Budget to allow for the fair and reasonable settlement of bargaining.

## Contestability, digital transformation and shared services

The Government is pursuing a reform agenda that includes contestability, digital transformation and shared services. However, the CPSU is concerned these programs will not be about improving public services, rather they will be used to reduce costs, drive outsourcing and reduce staffing.

### Contestability Programme

The Government is pursuing a contestability programme as part of its broader 'Smaller Government' agenda. The programme includes a range of review processes, including portfolio reviews conducted across a whole portfolio, functional and efficiency reviews to be conducted by nominated Departments and agencies and contestability reviews which look into specific functions in detail.

*Completed functional and efficiency reviews have cut \$2.7 billion from agencies.<sup>96</sup>*

In the 2016-17 Budget, the Government announced functional and efficiency reviews into:

- Department of the Prime Minister and Cabinet;
- Department of Finance;
- Department of the Treasury;
- Australian Bureau of Statistics;
- Department of Immigration and Border Protection;
- Australian Federal Police;
- Bureau of Meteorology; and
- Murray Darling Basin Authority and water-related functions within other Australian Government agencies.

The experience of contestability in human services shows that it can be very problematic, leading to concerns about the quality of services and lack of public accountability. The example of job services shows that the focus can fall solely on the price and measured performance indicators rather than on quality of the services provided. Even the chairman of the Australian Competition and Consumer Commission, a previous proponent, has raised significant concerns,<sup>97</sup> stating that the introduction of contestability in the Vocational Education and Training sector was a poor policy that had wasted billions of dollars.<sup>98</sup>

The CPSU does not support the contestability programme and recommends the Government abandons the contestability programme. Ian Hepner, a key figure in the public service's 1990s-era outsourcing drive, has said it may result in end up doing more harm than good, costing taxpayers

<sup>96</sup> Australian Government (2016, May). *2016-17 Budget Paper No.4 - Preface*. Retrieved from [http://www.budget.gov.au/2016-17/content/bp4/html/02\\_preface-01.htm](http://www.budget.gov.au/2016-17/content/bp4/html/02_preface-01.htm)

<sup>97</sup> Ben Potter (2016, 26 July). ACCC's Rod Sims 'exasperated' as privatisations 'increase prices', *Australian Financial Review*. Retrieved from <http://www.afr.com/news/economy/acccs-rod-sims-exasperated-as-privatisations-increase-prices-20160726-ggdjv#ixzz4FYqniW4k>

<sup>98</sup> Stephen Letts (2016, 26 July). ACCC boss says privatisation costing consumers and damaging economic reform, *ABC Online*. Retrieved from <http://www.abc.net.au/news/2016-07-26/accc-boss-says-privatisation-costing-consumers/7662194>



more money and providing substandard services.<sup>99</sup> Certainly there is little evidence that privatisation of public services, the ultimate aim of the contestability programme, will lead to better outcomes for the community and there is a growing body of clear evidence that in fact, it does not.<sup>100</sup>

**Recommendation:** The Government abandons plans to privatise and outsource public sector functions through the contestability programme.

## Digital Transformation

A priority of the Turnbull Government has been the pursuit of a digital transformation agenda to develop a whole of government approach to digital service delivery. However, the recent changes to the Digital Transformation Agency, including the criticisms from former Digital Chief Officer, Paul Shelter, raise questions about the future of the Government's digital transformation agenda.

The CPSU supports greater investment in digital service delivery that is effective, efficient and fair that also maintains choice of service delivery channel for the community. Ensuring that Government and agencies maintain the option of face-to-face and other delivery channels is vital. Not all members of the community will want to, or be equipped to, access government services digitally. To give members of the community choice in how they engage with government services, it is essential that physical offices are maintained. Maintaining a regional network will also be a key concern.

The CPSU has concerns that digital transformation is more focused on the pursuit of a 'digital dividend', or savings generated, rather than improving services. This has significant implications for access and the quality of public services. The focus should not be on what the community gets, namely better services.

If implemented poorly, digital transformation has the potential to undermine access to public services, to cut agency budgets and make it harder for the community to access quality public services.

*A key test for the success of the digital transformation agenda will be whether or not it improves equity, accessibility and the quality of public services.*

Over the past year, there have been a number of high-profile problems with the Government's use of digital tools and platforms, including the 2016 Census, automated Centrelink debt recovery system and outage of online tax lodgement systems. These incidents demonstrates the pressing need for a re-think and investment in IT systems and platforms as well as the skills and capacity of public service staff.

To achieve better outcomes in this space, the Government should view digital transformation as an opportunity to improve services, rather than an opportunity to cut costs. The Government should:

- Invest in staff:

The problems with Centrelink's automated debt recovery and the 2016 Census highlight the need for upskilling within the public service. It has been suggested that public service agencies should invest in their development groups as they would know their own requirements best.<sup>101</sup> Former

<sup>99</sup> Noel Towell (2015, 27 January). APS outsourcing: no-one is safe, says 1990s outsourcing guru. *Canberra Times*. Retrieved from <http://www.canberratimes.com.au/national/public-service/aps-outsourcing-noone-is-safe-says-1990s-outsourcing-guru-20150127-12yu6t.html>

<sup>100</sup> Christopher Stone (2013, April). False economies: Decoding Efficiency, *Centre for Policy Development*, Sydney

<sup>101</sup> Tony Healy (2017, 8 January). Three simple ways to avoid more IT failures like Centrelink and the census. *Guardian Australia*. Retrieved from <https://www.theguardian.com/commentisfree/2017/jan/09/three-simple-ways-to-avoid-more-it-failures-like-centrelink-and-the-census>

Chief Digital Officer Paul Shetler has pointed out that *"over the last 40 years, as we've outsourced technology, there's been a progressive de-skilling of the public service"*.<sup>102</sup>

- Reduce reliance on contractors

The Government has excessively relied on contractors to manage IT systems and programs, often at great expense. Shetler has stated that *"the reliance on consultants is remarkable and the amount spent on them is eye-watering"*.<sup>103</sup> A better investment in staff will also reduce the need to rely on contractors. There should also be greater transparency around the use and cost of contractors across the public sector, but in particular in this area.

**Recommendations:** The Government uses the digital transformation agenda to upskill and build public sector technical capacity and improve transparency and accountability rather than cost-cut.

## Shared services

In the 2016-17 Budget, the Government indicated would build on its Shared and Common Services Programme, announced in MYEFO 2015-16, by further consolidating the provision of common corporate services to a small number of shared service centres.<sup>104</sup>

The CPSU has previously expressed concerns about the implementation of the Government's Shared and Common Services Programme. While there may be opportunities for consolidation and improved service delivery, there is concern that rather than improving services, the overwhelming focus of the programme is on cost-cutting.

It is important that agencies should not be making decisions about shared services purely on cost. Considerations about accountability, appropriate experience and service quality should be paramount in assessing potential providers. Finance should work with consumer agencies to ensure that cost is not the determining factor in these decisions.

Whilst there may be genuine opportunities for better consolidation of certain services within the APS, there is a risk that this policy is used as a smokescreen to drive outsourcing and offshoring of APS work. The CPSU notes that the shared services provider in NSW, ServiceFirst, has been outsourced with work sent offshore.<sup>105</sup> Outsourcing of shared services is a concern because it would lead to reduced accountability and transparency. Reduced accountability and transparency is a problem because it is harder to assess and ensure service standards are being met, ensure that costs are contained and savings targets achieved. Private sector providers may have limited public sector experience, which could impact on the level of service being provided to APS agencies. There is also the risk of hidden costs with private sector providers, as the ATO's recent experience dealing with the contractor Accenture demonstrates.<sup>106</sup> There is also the risk that any potential savings are not reinvested in the APS.

The Government should rule out offshoring and increasing outsourcing as part of the Shared and Common Services Programme and take steps to bring in-house any work that has been offshored.

<sup>102</sup> Noel Towell (2016, 5 December). Department public service digital chief Paul Shetler says level of contracting in APS is eye watering. *Canberra Times*. Retrieved from <http://www.canberratimes.com.au/national/public-service/departing-public-service-digital-chief-paul-shetler-says-level-of-contracting-in-aps-is-eye-watering-20161205-gt46y7.html>

<sup>103</sup> Noel Towell (2016, 5 December). Department public service digital chief Paul Shetler says level of contracting in APS is eye watering. *Canberra Times*. Retrieved from <http://www.canberratimes.com.au/national/public-service/departing-public-service-digital-chief-paul-shetler-says-level-of-contracting-in-aps-is-eye-watering-20161205-gt46y7.html>

<sup>104</sup> Australian Government (2016, May). *2016-17 Budget Paper No.4 - Preface*. Retrieved from [http://www.budget.gov.au/2016-17/content/bp4/html/02\\_preface-01.htm](http://www.budget.gov.au/2016-17/content/bp4/html/02_preface-01.htm)

<sup>105</sup> Anna Patty (2016, 1 December). Baird government replaces local employees with 457 visa workers. *Sydney Morning Herald*. Retrieved from, <http://www.smh.com.au/business/workplace-relations/baird-government-replaces-local-employees-with-457-visa-workers-20161130-gt0p95.html>

<sup>106</sup> Inspector General of Taxation. (December 2010). *Review into the Australian Taxation Office's Change Program – Report to the Assistant Treasurer*

Instead, the programme should pursue opportunities for appropriate consolidation within the public sector.

**Recommendation:** The Government rules out using the Shared and Common Services Programme to offshore work and increase outsourcing.

## Conclusion and recommendations

Years of continuous budget cuts have eroded Australia's public services. CPSU members are doing the best they can in a difficult budgetary environment, however, the impacts of budgetary pressures and the under resourcing are increasingly clear to the public. From problems with the 2016 Census to major errors by Centrelink's automated debt recovery system, it is clear that the public service has been stretched to breaking point.

The everyday reliance of Australians on the public sector means there must be a change in direction in the 2017-18 Budget, with a concerted effort made and funding committed. Restoring public confidence and rebuilding public sector capacity cannot occur overnight; it requires a commitment to invest in staff to support the work they do. It requires sufficient resourcing and also a commitment to quality outcomes rather than prioritising cost-cutting.

The CPSU's whole of government recommendation are that the Government:

- Uses the 2017-18 Budget to begin to repair the substantial and unsustainable damage done to service delivery and policy capacity through years of cuts.
- Reverses the increased efficiency dividend announced in 2016-17 Budget.
- Investigates other revenue changes, including properly funding the Australian Taxation Office to ensure corporations pay their fair share of tax and the introduction of a Buffett rule.
- Introduces a policy that corporations that avoid taxation should be ineligible to tender for public sector contracts.
- Caps the number of contractors and consultants.
- Should as a matter of urgency implement the recommendations of the Senate inquiry into the impact of the Government's Workplace Bargaining Policy and approach to Commonwealth public sector bargaining including making appropriate funding available through the 2017-2018 Budget to allow for the fair and reasonable settlement of bargaining.
- Abandons plans to privatise and outsource public sector functions through its contestability programme.
- Uses the digital transformation agenda to upskill and build public sector technical capacity and improve transparency and accountability rather than cost-cut.
- Rules out using the Shared and Common Services Programme to offshore work and increase outsourcing.

For individual agencies, the CPSU recommends that the Government:

- Temporarily and immediately puts the automated debt recovery program on hold and a review of debt notices issued occurs.
- Commits to providing the necessary funds to convert casual DHS staff to permanent positions to ease the immense workload pressures.
- Ends the 3% efficiency dividend on cultural and collecting agencies and works with the CPSU to develop a funding model that recognises the unique characteristics of cultural institutions.
- Provides additional funding to ABS to ensure the maintenance of existing data collection activities and ease workload pressures on staff.
- Provides additional funding to the courts and separate operational and judicial expenses in budget allocations to end pressures that are affecting the agency's core functions.

- Provide a \$6 million one off funding allocation, as per the Court's Family Violence Committee, to implement initiatives identified in the Women's Legal Services Safety in Family Law 2016 plan.
- Provide \$14 million additional funding allocation to properly resource the Courts for family violence initiatives.
- Provides additional base funding and staffing to the ATO to ensure it can do its job.