

Submission By John Lloyd
Australian Building and Construction Commissioner
Discussion Paper
Reform of Australian Government Administration

1. I make a brief submission on the Discussion Paper. My submission is largely directed to issues raised in Chapter 7 of the paper – Flexibility and Agility. In my public service career I have often been required to provide advice to governments, both Commonwealth and state, on these types of issues.
2. The fundamental objective of a remuneration and conditions policy must be to attract, reward and retain people of talent in Australian Public Service (APS).
3. APS cannot operate in a vacuum. It has to be mindful of the remuneration and conditions environment in private sector employment. Australian Government employers will never be able to match the remuneration and conditions offered by major Australian corporations. However, it has to deploy innovative policies that maximise its relative market position. APS will suffer if it departs too much from the employment practices of the private sector. The policies must take account of how the Australian labour market works and not be based on an ideal public service model divorced from the labour market realities of 2010.
4. The best long term employment outcomes are generally achieved when an employer has considerable discretion over the remuneration and conditions of its employees. The removal of employment decisions to other parties such as central agencies, tribunals or industrial associations involves considerable risk of less than optimum outcomes.
5. APS has seen a significant change in remuneration, conditions and employment security over recent decades.
6. Individual and collective agreements have allowed significant flexibility in remuneration and conditions arrangements to emerge. Agency specific classification and pay structures, bonus payments related to performance, part time work, working from home, leave purchasing, and term employment are examples of recent initiatives that are now features of APS employment. These types of arrangements assist employers in attracting and retaining staff. They allow an employer to offer a range of flexible employment outcomes to staff who increasingly demand flexibility to accommodate work and family requirements. Such flexible opportunities are regarded in the private sector as basic conditions to be offered by large employers.
7. Two traditional public sector advantages no longer apply. Security of tenure as a public service right has been removed. Superannuation for new starters is more equivalent to the private sector entitlement. This makes it more important that APS employment arrangements are flexible and adaptable.

8. Employees in 2010 will demand the capacity to make choices suited to their working and family aspirations and obligations. They will be mobile and will expect to work for a variety of employers during their working life. If dissatisfied with work arrangements and opportunities they will not hesitate to gain employment elsewhere.
9. These pressures will intensify as the labour market tightens in coming years. The importance of APS being able to compete as an employer of choice will become more important.
10. Any move to introduce rigidities into APS employment would inevitably result in mediocre outcomes. Rigidities that are sometimes proposed include:
 - a. monolithic classification structures;
 - b. centrally mandated caps on pay increases;
 - c. limits on agency level agreement negotiation agendas;
 - d. common terms and expiry dates for agreements; and
 - e. mandating relationships with unions and their delegates.
11. APS agencies and their managers have increasingly utilised the recent flexibilities introduced into APS. They have been able to negotiate flexible outcomes that have made APS more efficient. A move to more central arrangements will reduce the engagement of managers with the industrial bargaining process. Managers will become less skilled in negotiations if strict bargaining limits are mandated. The easy option of following the safe results adopted by others will inevitably emerge.
12. The fact that 6 out of 10 public sector employees chooses not to join a union must be recognised. Trade union representation has been in decline for many years. In the private sector representation has fallen to 13%. APS bargaining policies to be relevant must recognise these facts of representation and appropriately acknowledge the right of employees to choose non-union representatives, including themselves, in bargaining for agreements. APS employers must also be conscious of and protect the right to communicate directly with all employees in their agency. It is irresponsible to relinquish the communication of industrial or other matters to unions or their workplace representatives.
13. Disparity in the remuneration and conditions employers offer their employees is an inherent feature of a competitive labour market. Disparity in the APS labour market should not be a cause for concern. Financial discipline will limit excessive outcomes in remuneration and conditions that are offered. A rigid APS wide pay structure in the past has made APS uncompetitive in the Australian labour market contest for high quality staff. The reimposition of a rigid pay structure would have the same outcome in the short to medium term.

14. The discussion paper asserts that disparity in remuneration, conditions, and classification structures is a barrier to a unified APS. No proof is provided. A monolithic approach will stifle innovation and adaptability at the agency level. It leads to lowest common denominator outcomes and a counter productive concentration on process and procedures. Disparity is no barrier to a unified APS. It can result in a more vibrant APS focussed on innovation, improved productivity and outcomes. A modern APS can tolerate disparity in these areas while being unified in the way it operates in undertaking its important work.

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