



Queensland Public Service Commission Response to
Commonwealth Grants Commission
2015 Methodology Review

Response to:
Interstate Wages Assessment

September 2014

2 June 2014

Government Wages Policy

Queensland public sector wages policy is designed entirely to support the Queensland government's fiscal strategy. The current government has a large number of explicit and implied productivity type savings built into the forward estimates, and wages policy has been struck in full understanding of its primary role in achieving those targets. For example, government's commitment is to limit overall employee expenses growth to 3%.

Neither the current, or previous, wages policies were set with any consideration of private sector wages, let alone what impact private sector wages may have on the ability for government to compete in the labour market.

Current wages policy provides for a headline wage increase ceiling of 3.0%, with a 'state share' of 2.2%. Since settlement with the cohorts of nurses (3%), teachers (2.7%) and doctors (2.5%) - all of which were approved under different wages policy frameworks in the first few months of the current government's incumbency in 2012, the Government has not approved any offers above 2.2% to date.

In order to secure agreement from government for an offer of in excess of 2.2% per annum to be made, significant savings and other efficiency measures need to be identified, costed and confirmed by Queensland Treasury as genuine savings initiatives and agreed to by central agencies of government.

Capital city wages and enterprise bargaining

CGC staff conclude in the 2015 Review proposed assessments paper that a wages assessment based on capital cities is more consistent with how states set wages. This conclusion bears no resemblance to how Queensland public sector wages policy is, or has ever been struck. Through many years of open and detailed discussions with inter-jurisdictional counterparts, it can confidently be stated that this is likely to be equally irrelevant to how those areas strike their own wages policy.

Government does not consider relativities with wages in the private sector or other jurisdictions when making certified agreements with its employees. Moreover, 'comparative wage justice' (the term used for this topic in some quarters) is a discredited concept in employment law and is given no weight by industrial tribunals when arbitrating matters.

Wages policy is struck for the entire public sector and applies to every government department, office, statutory body and agency, except Government Owned Corporations (who are bound by a separate wages policy¹). Indeed, the very fact that a separate and more flexible wages policy is applied discretely to GOCs is evidence that government is aware of where it is exposed to competition for labour with the private sector and where it is not.

The ease or difficulty of filling roles in Brisbane does not determine the level at which wages policy is struck, which will ultimately be applied state wide. There is a broadly applicable headline wage

¹ Government Owned Corporation Wages Policy 2012

increase component of wages policy which can be augmented by a number of policy and contractual mechanisms in order to attract and retain labour in hard to fill roles and/or rural and remote areas.

The CGC's interstate wages model relies on the assumption that because private sector wages are largely beyond the control of state government, differences in private sector wage levels can be used as a policy neutral measure of public sector wage differences. The utility of that approach is highly debatable and it may more accurately be stated that private sector wages are largely beyond the control of state governments and differences in private sector wage levels are irrelevant to them because they do not compete in any tangible way for the labour required to deliver the vast majority of their services.

The Centrelink example provided is of little assistance in endeavouring to understand the labour deployment strategies of state jurisdictions. Queensland's deployment of its vast numbers of teachers, nurses, doctors and police does not occur using the same business planning principles as the Commonwealth might apply to the location of a call centre.

If a nurse or police officer is required in a remote part of the state and the role is proving difficult to fill, the service location cannot simply be moved to another area in order to resolve the issue. In many instances, the service demand is inflexibly tied to a location and must be met at that location. In such circumstances, government has a number of means of augmenting broadly applicable conditions of employment to address localised challenges, such as the payment of locality allowances or subsidised housing.

Competing for Staff

There is no evidence that government competes with the private sector in any practical sense for doctors, nurses, teachers or police. In fact in the case of nurses, it is widely accepted that governments in many state jurisdictions generally set the wages benchmark for the private sector. Many private providers of educational and nursing services often gear their own negotiation cycle to fall due after public sector outcomes are known.

With regard to the Commission's assumptions being based on "*the theory that private sector wage levels are freely determined by market driven influences and that public sector wages face these same pressures*", there is no evidence that the Queensland public sector faces those same pressures.

The Public Service Commission is aware of some numerically small cohorts such as Mines Inspectors and Emergency Helicopter Pilots, where competition for labour with the private sector and other jurisdictions for a limited skills pool, represents a risk to government. That risk is very small, particularly in the context of much larger and more costly areas of delivery of health, education and justice services and is managed via individually targeted contractual arrangements which are detached from broader wages policy considerations.

Staff Numbers and Wages

In Queensland's wage policy, it is understood that there are areas in which it is difficult to achieve significant cashable productivity gains, for example teachers, police and nurses. However, it is those employee groups in their sheer size that drive expenditure. It is also those groups that strongly resist measures that influence staffing numbers in their cohorts – e.g. police to population ratios and class sizes in schools.

Employee expenses have increased by around 8.7% per annum over the period 2000-01 to 2010-11². This has been a major factor in the structural deterioration of the Queensland Budget and compares to an average rate of growth in employee expenses of 7.1% per annum in other jurisdictions.

ABS data confirms that for the decade ending in 2012, the Queensland public sector became a relatively high wage jurisdiction. In 2010-11, Average Weekly Earnings (AWE) in the Queensland public sector was \$1,184 per week, around 1% (or \$10 per week) more than the Australian average for the public sector. This is the second highest of the states after New South Wales.

From 2000-01, wages in the Queensland public sector increased by \$54 per week more (or \$2,800 annually) than the Australian average. In real terms, Queensland public sector AWE increased by 16.7% since 2000-01, compared to 12.7% nationally.

However this result is heavily impacted by the changing composition of public sector labour force. For example, Queensland is employing relatively more highly paid doctors which has increased its average compared to other jurisdictions.

To neutralise these effects, the Wage Price Index measures changes in the price of labour over time, holding the quality and quantity of labour purchased by employers constant. The Wage Price Index for the Queensland public sector rose by 50.8% - faster than the Australian average for the public sector of 49.2%, but much closer than the AWE measures.

Therefore, while it remains true that wages in the Queensland public sector have increased by more than the Australian average, it is likely that compositional changes (i.e. significant increases to the number of employees in certain occupational groups such as nurses, doctors and police) explain the majority of that above Australian average growth.

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² Wages Policy – CBRC Submission (Treasury Contribution) – May 2012