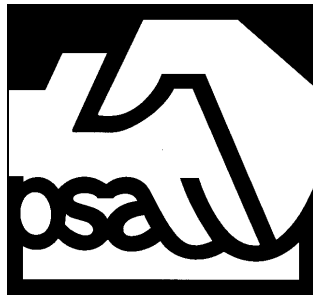


Single Payroll Service Proposal South Australia 2007

**Submission by The Public Service
Association**



July 2007

1 Introduction

The Public Service Association (PSA) has represented the interests of public sector employees in South Australia for over 125 years.

The Association covers employees in the South Australian Public Sector, Health Units (including staff employed under the South Australian Health Commission Act 1976, and IMVS Act 1972), Higher Education Sector and other Statutory bodies.

PSA members are comprised of different classifications and occupations, including Administration Service Officers, Medical Scientists, Technical Officers, Professional Services Officers, and Operational Service Officers, and are involved in the direct provision of services to the community.

The PSA's vision states;

The PSA will be a dynamic organisation focused on the needs and aspirations of its members throughout South Australia as the principal trade union representing workers who provide community services to South Australia. This will be achieved partly by the promotion of the vital role of the public sector in the economy and community.

In addition to safeguarding and improving the conditions of employment of members, the PSA plays an active role in advocating for quality public sector services on behalf of the South Australian community.

There have been a number of changes in Payroll Services over the years. It is an area that has seen significant changes due to the introduction of new technology. It is also apparent that whilst technology has become more sophisticated, the number of awards, agreements and individual contracts have increased. The provision of a Payroll Service in Health in particular has become extremely complex.

Payroll Clerks across the public sector advise that in all occupations there have been a significant number of variations to wages and conditions in recent years. The growing number of employees on individual contracts, increases the complexity even further. The CHRIS technology that has been introduced in many areas is limited in the amount of data it can hold, which limits the efficiency of the payroll system.

Therefore a single Shared Service arrangement for Government would require an enormous amount of capital for infrastructure. The Department of Education and Children's Services have recently spent over \$40M on a new Human Resource Management System. In fact, last year the final phase of the implementation of the new payroll system was rolled out. This new system took over 5 years to be implemented. Based on this experience it is clear that a single payroll system for the public sector, would take considerable time and money to implement. This would be likely to offset any projected savings by such an initiative.

It may also be helpful to reflect on the recent experiences in the Department of Health in relation to their review of payroll services.

In December 2003 a Payroll Services Review Project was established within the Department of Health as a result of recommendations made by Deputy President Hampton of the Industrial Relations Commission of South Australia. These recommendations were made as a result of a dispute raised by the PSA regarding the delay in the payment of salary increases due on 1 October 2006. During the proceedings the PSA raised concerns relating to workload/workforce issues.

The Payroll Services Review Project identified three key result areas to focus on: -

- to create payroll processing benchmarks that will seek to improve workload issues, ie prescribe:
 - ratios of payroll officer: number of staff paid
 - best practice ways for health units to operate their payroll service using prescribed technology and work allocation routines.
- create Health specific payroll PIDs to identify and encourage a career structure.
- implement a payroll specific traineeship program to address succession planning/recruitment and retention issues.

Subsequently an ASO3 Senior Payroll Officer PID was drafted and made available to Payroll areas across Health.

In recent times the Department of Health has been gathering information to determine if it is cost effective to establish a single payroll service for the Department of Health. This work was almost complete when the Shared Services Reform Office took over the project to consider the Health Payroll in the context of a Single Shared Payroll Service for the entire public service.

PSA members continue to have great concerns in relation to a Shared Payroll Service. The following issues continue to confront payroll service in all Health Agencies:-

- the jobs are difficult to learn quickly
- relief issues arise due to the lack of available trained staff
- portfolio strategies for traineeships or available trained relief staff do not exist
- payroll work includes a wide range of skills such as numeracy, knowledge of policies and procedures, general payroll awareness and significant skills in responding to phone and personal enquiries, which creates a perceived inequity in classification when compared to other positions.

It is widely recognised that the payroll methodologies of sites differ across the Department of Health portfolio. Payroll methodologies include actual pay day, the pay periods (in relation to pay day), WorkCover claims administration and the role/presence of human resources staff. It is also clear that each sites' management of financial matters has resulted in different accounting tasks being added to the payroll function.

Consultation

All PSA members involved are covered by the South Australian Government Wages Parity (Salaried) Enterprise Agreement 2006. Part of the requirements of this agreement is that the parties, including the employer, will commit to a number of broad consultative principles. These include at Clause 22.1.1; *Consultation involves the sharing of information and the exchange of views between employers and persons or bodies that must be consulted and the genuine opportunity for them to contribute effectively to any decision making process.*

And at Clause 22.1. *Employers and Agencies consult in good faith, not simply advise what will be done.*

The PSA trusts a transparent consultative process, will ensure these requirements are met.

PSA members report a certain level of frustration at the lack of information available in relation to any proposed Share Service arrangement.

This submission provides a vehicle for members to have some direct input into the discussions occurring within Government regarding the establishment of a Single Shared Payroll Service. It is essential that specific issues must be addressed prior to making firm decisions. There are many examples of shared service arrangements in other states and overseas not working and costing far more than predicted. It is important that the South Australian Government learn from the past mistakes of others.

Given the potential implications for staff and service delivery, it is imperative that these issues are addressed. The focus of enquiries can not be on services alone, but must be comprehensive, including how staff may be affected.

It is still not clear how the final report will be communicated to staff. The PSA formally requested the Share Services Reform Office provides any report or recommendations to unions as part of a commitment to a transparent consultative process. It is crucial employees have input into the change process and have some ownership, if the desired goals are to be achieved.

2 Key Issues

Model/Governance

Accountability, consistency, efficiency, flexibility and equity are all critical aspects of governance.

It is clear that in order for reforms to occur, changes to the governance structure are going to result. The challenge is finding the balance between centralised services and the flexibility to adapt to local community needs. It is essential that careful

consideration is given to the following:

- avoiding unnecessary duplication of services/processes, whilst still providing time-critical services for all employees
- the potential for conflict over services and resources
- the creation of more indirect lines of reporting
- the concerns raised by the restructuring of very efficient and effective payroll services – that is concerns that the service will be reduced.

The impact on Salary Sacrifice arrangements of employees needs to be considered as part of any changed governance arrangements. The different categories of IMVS, other health units and hospitals for the purposes of Fringe Benefits taxation exemption has an effect on the take home pay of employees. Whilst the categories are determined by the Australian Taxation Office, options need to be looked at which may minimise the impact on employees. If all employees were to come under the umbrella of Shared Service Centre as an employer (even if branded differently), this would clearly disadvantage all those employees currently employed within a hospital.

Salary sacrifice is an important recruitment and retention benefit for staff. The loss or reduction of existing arrangements may prompt existing staff to retire early or look to other employment alternatives, including the private sector.

The Federal Government through the Australian Taxation Office ultimately has the responsibility for determining the Public Benevolent Institution classification, which could be changed at any time. Employees, unions and management have been lobbying the Federal Government regarding this issue, but it is a factor that should be present in the minds of those considering changing governance arrangements. What may also be considered are other ways of approaching recruitment and retention issues. The employer already has discretion in offering retention incentives for particular situations.

Funding/Resources

The exercise in investigating and implementing a single payroll service inevitably involves the expenditure of considerable resources. This potentially will include new technology. It will also require central accommodation and resources. The PSA is concerned that any proposal may understate what is required.

Services to Agencies

Generally the provision of existing services is of high standard, and staff would expect this to continue. This standard has been maintained during times of high demand, strains on staff from extended service hours, skills shortages and budgetary pressures.

There are understandably some concerns that services will be diminished under a shared service arrangement. The payrolls are very complex and the technology does not cope effectively with the vast number of changes to payroll which have occurred in recent times. Those services which do work well may be negatively affected and there

is little confidence that those services that are struggling to meet payroll deadlines will improve in a Shared Service Centre.

The PSA believes that the provision of specialist and regional services need to remain.

The State Government has a strategic plan which suggests Regional Employment is a high priority area for Government. Any Shared Service proposal that involves cutting jobs in regional South Australia directly cuts across this objective.

The other factor that should be considered is that Payroll Officer positions are the jobs in regional areas most likely to be filled by local members of the community. Cutting these jobs is therefore likely to have a much more significant impact on the community, than removing a position that is recruited elsewhere.

A separate report is provided for your information. This report outlines the impact on regional South Australia of removing public sector jobs from country location.

Infrastructure

Reports from members indicate IT systems are not updated simply because there is no budgetary provision. If systems are to be co-ordinated, there needs to be the capability in terms of equipment and systems for this to occur. Building infrastructure and accommodation will also become issues which need to be addressed.

The issue of Assets inevitably arises, if there are transfers of services and staff, will assets then move or remain the property of the existing unit?

Efficiencies

As one of the prime motivations for this exercise is maximising the potential for increased efficiencies in the provision of payroll services, there needs to be clear documentation on how these will be realised. Empty rhetoric such as 'bigger is better', has no credibility unless the logic and rationale for changes are clear. Finding ways to cut expenditure due to budgetary constraints should not be the basis for changes.

Workforce Issues

The State Government has a commitment to no forced redundancies for its current term. Employee entitlements for PSA members are covered by various instruments including;

- South Australian Government Wages Parity (Salaried) Enterprise Agreement 2006
- South Australian Public Sector Salaried Employees Interim Award
- The Department of Health (SAHC Act and IMVS Act) Human Resources Manual
- Office of Public Employment Commissioner's Standards
- The Public Sector Management Act
- The South Australian Health Commission Act 1976

- The Institute of Medical and Veterinary Science Act 1982
- Statutes Amendment (Public Sector Employment) Act 2006

One obvious implication of a move to a single service would be the potential for inconsistencies in the interpretation and application of employment conditions, classifications and career paths. Whilst generally conditions are determined by overarching instruments (detailed above), things such as classification, flexitime arrangements and other issues are delegated to Chief Executives.

Consistency and equity in conditions of employment needs to occur, and not at the lowest level, in the interest of being an employer of choice. This will necessarily involve an analysis of policies currently in place, and a review of employee classifications and job and person specifications. As a general principle, no employee should be disadvantaged throughout this process, and clear Human Resources principles need to be negotiated with Unions prior to implementation of any changes. If there is a need for the relocation of any employees as a result of this process, there needs to be discussions with staff and their representatives to ensure no employee is unfairly disadvantaged.

Many areas of the public sector, and Health in particular, are struggling to cope with demands for services and limited resources. Members report extremely high workloads, and this has been raised by the PSA on behalf of members. There have been high turnovers of staff, and human resource staff have reported difficulties filling vacant positions. There is an existing skills shortages. A single service provider does not provide any relief. There still needs to be consideration of professional development, recruitment and retention, staff satisfaction, and flexible working arrangements as a means of addressing skill shortages.

The average age of public sector employees is higher than the State average, and the future implications of this needs to be considered now. A comprehensive workforce development strategy identifying current and future issues for the delivery payroll services, and strategies to address these, needs to be developed.

With current workload demands, workforce development and training is often sacrificed. This needs to be put back on the agenda and resources allocated to this. The benefits to the employers are obvious in terms of skills development and investment in human capital, and will assist with workforce planning and recruitment and retention issues.

It should be recognised that employees have a sense of identification and belonging to a particular workplace and employer, many with years of dedicated and loyal service to their employer.

Another significant factor that needs to be taken into account is any proposal to change pay cycles.

Given the large number of restructuring arrangements that have occurred over the past ten years, significant numbers of members have had their pay cycles changed. This

has meant that in a number of cases transitional payments have been made to employees so that they were not disadvantaged at the time of the change of cycle.

If these people are subject to a further change in pay cycle it may become a very expensive exercise for Government to facilitate the change. There is the potential for employees to have two transitional pays in order to be moved to a new pay day.

There is also the additional costs of Government paying for any bank fees that employees may be charged as a result of a change in pay day.

3 Impact of Whole of Government Shared Services Project

As part of the 2006 Budget, the State Government signalled its intention to establish Shared Services across the Government. The Shared Services Reform Office (SSRO) has been set up to investigate which model to implement and is tasked with implementing the reform. More information can be found from their website at <http://www.treasury.sa.gov.au/ssro/index.html>

The intention is to make significant budget savings by amalgamating corporate services such as IT, payroll, procurement, human resources, workers compensation, risk management, finance etc. A determination on what model will be selected and which services will be incorporated, has not yet been made. It is important however, to be aware that this exercise is occurring and will have an impact on all agencies.

The PSA sits on the peak consultative body. The SSRO has made it clear that whichever model is selected, all Government agencies will be expected to be involved. There had been some suggestions that Health may have its own Shared Services arrangements, however this is not guaranteed. If there is one system across Government, Health will be included.

With recent experiences of centralisation, such as at Metropolitan Domiciliary Care Service, difficulties have become apparent in moving from regional centres and now they have been brought back under Disabilities SA. This demonstrates the caution needed in these types of exercises if they are to achieve the outcomes they intend to.

4 Consultation and Communication

There has been some frustration from staff about the lack of consultation and inadequate communication to date surrounding this exercise. There needs to be a stronger commitment to this. Employees are arguably the most important resource, and have the experience and knowledge to assist in this process. Their contributions should be sought and embraced. The industrial requirements in this area have already been noted.

A critical element in this is the opportunity to view any recommendations prior to decisions being made. Quite apart from the requirements of the employers, it will ensure that employees support any new initiatives.

5 Implementation

Any change management process needs careful consideration, planning, and review. Realistic timelines are needed, rather than rushing ahead with a poorly laid out vision. Implementation is linked closely to communication strategies, to ensure all parties involved, including employees and other key stakeholders, are clear in their understanding of the aims and the process to achieve them.

6 Conclusion

The proposal for the consolidation of payroll services into a single public sector payroll service provides an opportunity for a frank discussion about the best way to deliver services in this state. The challenges of increased running costs, complex pay systems and outdated technology increase in the number of changes to payroll, skills shortages and an ageing workforce, which all need to be addressed prior to any new service being introduced.

This submission has identified a number of issues which need to be considered.

The PSA, as the largest public sector union in South Australia, is committed to ensuring the interests of members are represented, and their conditions of employment protected. Dedicated public sector employees have ensured the quality and provision of services continues despite challenges such as budgetary pressures and high workloads. They will continue to do so with their expansive corporate knowledge and practical skills and experience.

Services are provided by staff who a valuable resource and are often in the best position to see what improvements and efficiencies can be made. A commitment to being a best practice employer, with genuine consultative mechanisms to ensure staff are involved in the process, will maximise the chances of success.

The danger is that any rush to implement changes without full consideration of the impact on staff, stakeholders and services will lead to future problems and result in false economies of scale.

If all elements are thoroughly considered, there is the possibility for improved services, however skimping on any one element, for example infrastructure, workforce planning etc, may have the potential to compromise the whole exercise.

Detail of the rationale and benefits from any proposal need to be up front and discussed. Too often it is assumed changes will deliver savings, which then do not eventuate. To avoid this situation, the issues identified in this paper need to be discussed and debated with a view to achieving the best outcome for the State.