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Department of Treasury
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4 November 2008

Ms Jan McMahon
General Secretary
Public Service Association
GPO Box 2170
ADELAIDE SA 5001

Dear Ms McMahon

SHARED SERVICES – TRANSITION OF HEALTH EMPLOYEES

I refer to discussions that are presently taking place before Commissioner McMahon in the Industrial Relations Commission (IRC) regarding the transition of Health SA employees to Shared Services SA. I am also in receipt of your correspondence dated 31 October 2008 on the same subject.

In adherence to the Commissioner's recommendations, I am writing to formally advise you of the Government's response to your organisation's claims regarding the transition of Health SA employees to Shared Services SA.

As you are aware, the Government's representatives put forward an alternative and improved position on FBT at the conference in the IRC on 20 October 2008. The position involved an extension of the FBT transitional period from 12 months to 18 months, with a review to be carried out during the first 12 months. The above proposal was communicated to your representatives by Commissioner McMahon. To assist in focussing the discussions, the Government's representatives also asked that the Commissioner ascertain from your representatives exactly what was being sought.

The response from your representatives, as communicated by the Commissioner on Monday 20 October (and confirmed on Thursday 24 October), was as follows:

- A reinforcement of the "no forced relocation" commitment for employees working from regional areas;
- The Department of Treasury and Finance (DTF) document regarding FBT, including the 18 month transitional period, was a document that could be worked from provided the wording relating to the reviews was strengthened;
- A \$5,000 one-off "dislocation allowance" was being sought for each transitioning employee.

However, I note from your most recent correspondence that you are now also seeking responses on the following issues:

- *Redeployment policy* – assurances that regional employees will maintain salary for a three year period and will not be forced to relocate to another country or city location;
- *Classification issues* – an independent assessment of Health classifications for reclassification prior to moving to Shared Services SA, or alternatively, reclassification of all employees up one level;
- *Relocation expenses* – a doubling of the relocation expenses contained in Commissioner's Standard 3.2.

Your correspondence also includes a summary of the PSA's position within the context of the "without prejudice" discussions before the IRC. I note that this summary appears to differ from the position discussed during these proceedings.

The Government has considered the issues you have raised in an overall context. I am able to advise that, arising from its consideration, a revised offer is put in the following terms:

- The "no forced relocation" commitment for employees in regional areas is reaffirmed, along with the "no forced redundancy" provisions for regional employees, in line with the current enterprise agreement. The "no forced relocation" commitment is contained in the Regional Employment Principles that were formally provided to your organisation in January 2008 as part of the consultation process. The "no forced redundancy" provisions are included in the enterprise agreement.
- The FBT transitional arrangements applicable to those employees accessing FBT at the date of transition will be tripled from the original 12 month period and doubled from the most recent proposal (18 months), to provide a three year transitional period with a formal review. The proposed FBT transitional arrangements were also provided to you in January 2008, subject to a favourable ATO ruling being obtained. (Refer to Attachment A for details of the proposal).
- Additional flexible work arrangements will be considered on a case-by-case basis to assist employees who can demonstrate that they have special circumstances. This proposal may assist employees in managing issues such as child care arrangements or other similar responsibilities. (Refer to Attachment A for details of the proposal);
- An increase in the reimbursement of conveyancing expenses currently contained in Commissioner's Standard 3.2 for relocating employees up to a maximum of \$22,000 (dependent on the costs actually and necessarily incurred). This amount is for the costs incurred on both the sale of the employee's property and the purchase of a new property. (Refer to Appendix A for details of the proposal). Other relocation expenses covered by Commissioner's Standard 3.2, such as removal and storage costs, reconnection of services, travel expenses and the like will apply as per the Standard.
- SA Health has agreed to allow those transitioning employees utilising FBT provisions access to internal Health SA job vacancies to the extent that vacancies are circulated within SA Health regions prior to being advertised in the Notice of Vacancies and/or external press. This will enable transitioning staff accessing FBT to have early notice of SA Health vacancies prior to them being more widely advertised.
- SA Health has confirmed it will consider and process any reclassification applications received from transitioning staff in accordance with its Human Resources Manual, which contains specific provisions for dealing with reclassifications. This is consistent with the provisions of the current enterprise agreement (at Appendix 4) which

requires that reclassification applications be finalised by agencies prior to transition. In early July, Shared Services SA wrote to agencies highlighted this requirement to agencies in writing.

In relation to the issues you have raised regarding regional employees who may become redeployees, I reiterate that DTF is committed to finding alternative ongoing positions for affected employees as soon as possible. This is clearly within the employees' interests and the interests of DTF.

You have previously expressed concerns about employees being placed in lower level positions and then becoming subject to "pegging" arrangements. The Commissioner's Standards indicate that transfer to a lower level position should only be considered when all other avenues have been exhausted. Consistent with the Commissioner's Standards, every effort will be made to find a suitable position that is at the employee's substantive classification level.

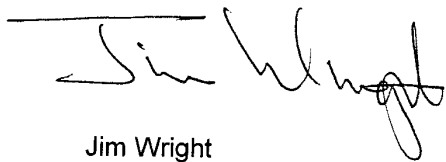
An employee may only be directed into a position (including a lower level position) after the employee has been excess to requirements for at least 6 months and has been offered and declined at least one suitable position. Furthermore, if an employee is transferred to a lower level position, at least one month's written notice must be given and the lower income level will not apply for at least 3 months following the transfer to the lower level position. These arrangements apply prior to the formal commencement of the income maintenance period. Income maintenance varies between 6 and 12 months, depending on the employee's years of service.

In practice, this means that an employee would have their income maintained for at least 16 months, prior to any "pegging" arrangements coming into effect.

In line with usual practice, consultation will occur with employees regarding any new position to which it is proposed they be transferred or assigned.

The above package of initiatives demonstrates that the Government has given genuine consideration to ways of minimising the impact on transitioning employees. Accordingly, I would encourage your members to favourably consider the proposal to enable the shared services initiative to progress and deliver benefits to the South Australian community.

Yours sincerely



Jim Wright
UNDER TREASURER

Attachment A

1. FBT Arrangements

The FBT transitional arrangements will operate from 1 January 2009 to 1 January 2012;

- This will effectively be a 3 year transitional period for transitioning employees accessing FBT provisions.
- Employees were advised in May 2008 (effectively a 3 ½ year “notice period”) that access to FBT would be likely to change as a result of shared services. The PSA was advised in January 2008, subject to the receipt of a favourable ATO ruling, which the Government sought and received.
- A formal review will be undertaken during the transitional period. The terms and outcomes of the review will be subject to approval by Government.
- The objectives of the review will include:
 - ascertaining the extent of any negative impacts of the “quarantined” organisational arrangements on service delivery and service reform opportunities;
 - assessing the impacts of the quarantined organisational arrangements on workforce flexibility and efficiency;
 - determining whether the overall objectives of the shared services reform can be fully achieved within the context of the quarantined organisational arrangements; and
 - determining whether it is feasible to continue the arrangements from an organisational and operational perspective in a shared services context.
- The review will also have regard to the impact on employees and will give consideration to what options may be available for maintaining existing employees’ access to FBT for as long as possible where this can be done without adversely impacting on the objectives of the shared services initiative.
- A commitment will be given that the review will be completed 6 months prior to the end of the transitional period (i.e. by 30 June 2011). Should the review recommend a further extension of the FBT arrangements, any extended arrangements will also be subject to reviews under the same terms as the initial review.
- The outcomes of the review will be formally communicated to affected employees.
- DTF will undertake to seek an extension of the FBT ruling from the ATO to cover the extension period.
- DTF will undertake to go back to the ATO and seek any other rulings that may be required in future (e.g. arising out the review).
- The above proposal is subject to the Commonwealth continuing to provide access to FBT under the existing eligibility criteria.

2. Additional Flexible Work Arrangements

Consideration of additional flexible working arrangements on a case-by-case basis for extenuating circumstances;

- The full range of flexible work arrangements that are available within DTF will be communicated to transitioning employees.
- Where an employee can demonstrate that they have special circumstances that cannot be accommodated through normal flexible work arrangements, Shared Services SA will undertake to enter into discussions with the employee to ascertain if there are any other form of flexible work arrangements that could be explored that meets the employee's needs and will still be workable for the organisation.
- Shared Services SA will undertake to give genuine consideration to these cases, and where appropriate, seek approval for varied flexible work arrangements to be entered into for that employee.
- Where a genuine case can be made for interim flexible work arrangements, Shared Services SA will undertake to put these cases forward for approval, provided they are for a clearly defined period.
- These arrangements are subject to considerations around OHS and operational requirements.

3. Relocation Expenses

Increased relocation reimbursement for conveyancing expenses up to a maximum of \$22,000 for the costs actually and necessarily incurred on the sale of an employee's house and the purchase of a new property.

- This option would provide increased relocation entitlements over those available in Commissioner's Standard 3.2 under the heading "Reimbursement of Conveyancing Expenses".
- The costs relate to the sale of a relocating employee's house and the purchase of a house.
- In total, the proposed maximum reimbursement above Commissioner's Standards for these expenses would be an increase of approximately \$8,500 per employee.
- The remaining relocation expenses provided in Commissioner's Standard 3.2, such as storage costs, reconnection of services, travel expenses and the like will remain as per the Standard.