

## **Extract from *Hansard***

Wednesday, 27 May 2009

### ***Budget Estimates Committee – Treasury and Finance***

**Dr M.D. NAHAN:** I refer to budget paper No 3, page 82. It refers to employee expenses. What are some of the causes behind the reported 9.6 per cent a year growth in the salaries bill over the previous government's term?

**Mr T.R. BUSWELL:** That is a very good question, member for Riverton. Just quickly, my understanding is that historically there have been questions asked of budget paper No 3 in this forum. The member is exactly right: increases in employee expenses have been one of the most significant factors driving recurrent spending growth in government.

It is one of the more substantive challenges that we currently face almost as much of a challenge as me finding my piece of paper that refers to that! It has only got one line on the top that says wages policy! The only reason I was searching for the piece of paper is that I want to give the member an idea of what has happened in recent years.

In the eight years from 2001, the government wages bill increased by \$3.2 billion per annum; in other words, a 75 per cent increase. In fact wages accounted for 41 per cent of the increase in government general sector expenses growth. One of the fundamental challenges we face in reducing the rate of growth of recurrent spending revolves around the two factors that combine together, in aggregate, to drive wages growth, the percentage increase in wages and the percentage increase in the public service.

We are dealing with issues of a percentage increase in the public service through the adoption of a headcount freeze. The number of FTEs in the general government sector is 99 000-odd. I can get the exact figure but it is around that. Our view is that we have to stop the uncontrolled increases in the headcount in the public sector.

That was one of the significant factors driving the increase in the public service. We do not measure government efficiency by how many people are employed; we measure it by the quality of the services delivered. I will give an example. In the 2007-08 financial year 1 July 2007 to 30 June 2008 my recollection is that full-time equivalent growth in Western Australia grew by about 5 000 people.

That is 100 people a week. That is 20 people every single weekday. Every single weekday, 20 additional full-time staff were added to the general government sector wages bill in Western Australia. Having examined outputs, quality of education, quality of law and order and quality of health, for example, I did not see increases that reflected that. We often ask the question: where were those people? It is difficult to track them down.

That is one area that we have aggressively tried to address, acknowledging that within that headcount freeze people will move from place to place. We have a slightly different emphasis in government from the former government. We would expect to see that slightly different emphasis reflected in the movement of people to areas that we might see as being important, for example, fixing the approvals process. Headcount is one component.

The other component is the rate of growth of wages. The former government was highly unsuccessful because it had no clarity in its wages policy. The wages policy, as I recall, was to neither lead nor to lag.

What that meant to a government sector employment agency, to the person involved in the wage negotiations or to a union on the other side is quite open to interpretation, neither to lead nor to lag.

We have a much more prescriptive wages policy that basically says to staff in the Western Australian public service that we will guarantee a wage rise level that is equivalent to the estimated rate of inflation; that is, we will protect real wage rates for the period of the enterprise bargaining agreement that was signed.

On top of that, there will be the capacity to argue for additional increases over and above the consumer price index up to a cap, which is the wage price index, depending on the capacity to demonstrate productivity improvements. There is a base level, which is to protect real wages, and then there is a productivity component that may be accessible depending on the negotiations that occur during the wage negotiation process.