Australian Government
Equal Opportunity for
Women in the Workplace Agency

3rd July 2008

The Secretary
Joint Committee of Public Accounts and Audit
House of Representatives
Parliament House
Canberra
ACT 2600

RE: **INQUIRY INTO THE EFFECTS OF THE ONGOING EFFICIENCY DIVIDEND ON SMALLER PUBLIC SECTOR AGENCIES**

**Purpose**
To provide written submission to the Joint Committee of Public Accounts and Audit on the impact of efficiency dividend on small Agency appropriations.

**Background**

The Equal Opportunity for Women in the Workplace Agency is a micro Agency under the Department of Families Housing and Community Services. From 1986 – 2007, the Agency was a portfolio Agency of the Department of Employment Workplace Relations.

Annual appropriations for the Agency for 2008 – 09 are $2,938,000. Estimated revenue from external sources totals $466,000. Total operating budget in 2008-09 is $3,404,000.

The Agency administers the *Equal Opportunity for Women in the Workplace Act 1999* (formerly the *Affirmative Action (Equal Opportunity for Women) Act 1986.* EOWA is both a regulator and educator of equal opportunity. Under the legislation, organisations with over 100 employees are required to have a workplace program for women, and to report to the Government annually on consultation and outcomes. In 2007, EOWA worked with over 7000 organisations.

EOWA reporting organisations cover 23% of Australian employees and in 2007 approximately 1million or 47% of these employees were women.

EOWA works with employers to improve equal opportunity outcomes for women in the workplace by:

- Providing education and leading-edge solutions,
- building sustainable partnerships; and
- engaging community debate to increase the rate of change

The Agency employs 19 full time equivalents, salaries representing 60% of the annual cost base.

The role of the Agency as determined by legislation is very specific, leaving little room for cost cutting if the Agency is to administer the Act appropriately and to effect.

**Financial Impact on Micro Agency**

The application of an efficiency dividend on a budget under $3.5 million adds a level of constraint which impacts on this Agency's ability to administer the *Act* to greater effect.

Since 1987-88, the 1.25% annual "efficiency dividend" has been applied to the operational appropriations of the Agency, eroding base line appropriations. Appropriations have increased on average by 2.2% before the application of the efficiency dividend and expenses (labour and others including accommodation, IT) have risen on average over 4% annually. The balances of the costs increase in the range of between 2-3%, depending on the CPI and other economic factors contributing impacting service delivery. For example, high fuel costs have resulted in increase in flight costs and service costs where fuel is an indirect component.

Over the past four years, Management has driven down administration costs by approximately 1% of the appropriations on average per year. Any further cost reductions is believed to jeopardise the Agency's delivery to clients and outcomes for women.

The additional efficiency dividend has reduced the appropriations in 2008-09 by $54,000, compared to the normal 2.2% parameter application on previous year's appropriations. The appropriation for 2008-09 was published at $2,992,000 in the 2007-08 PBS statements compared to appropriations in the 2008-09 portfolio budget statements of $2,938,000.

This also has compounded in future appropriations reducing by similar amounts. In a micro agency of appropriations less than $3.5million, amounts of this level are difficult to absorb.

EOWA recruits a team of HR contractors every year to meet it's legislative requirements. Due to the tight labour market and increase in wages, it is becoming increasingly difficult to recruit talented staff. The labour shortage has resulted in the Agency paying contractor rates to recruitment agencies, further adding to the cost of labour. The marginal increase in appropriations is putting pressure on the Agency's ability to pay market rates for HR advisors and good talent.

Retention of talented staff is becoming increasingly difficult, in light of decreasing appropriations. This has further added to replacement and training costs.

The 2008-09 appropriations have been reduced by $20,000 as a result of the 2% ED, but cost of labour (normal 4% increment) will be going up by $68,000. The Agency is operating at full capacity and hence no room to make any more savings. In the past, with the 2.2% application of parameters which were further reduced by the 1.25% efficiency dividend, labour costs have gone up by roughly $50,000 year on year, but appropriations have only increased roughly by $20,000 every year.

The appropriations to employee costs is increasing every year with 2006-07 being 59% of appropriations, and 2008-09 going up to 65% of appropriations.

The table below shows the increasing cost of labour compared to the marginal increase in appropriations.

| **Year** | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 |
|---|---|---|---|---|---|
| **Appropriations** | $2,708,000 | $2,709,000 | $2,733,000 | $2,758,000 | $2,738,000 |
| **Employee costs** | $1,615,615 | $1,568,786 | $1,619,000 | $1,709,179 | $1,777,546 |
| **% of appropriations** | 60% | 57% | 59% | 62% | 65% |

**RECOMMENDATION**

1. Repeal the Efficiency Dividend on all Agencies with appropriations less than $10 million
2. Increase annual appropriations by 4% for Agencies with appropriations less than $10 million.

For any further information, the contact officer is Bharti Desai, contact number 0294488500, email: bharti.desai@eowa.gov.au.

Yours Sincerely

Anna McPhee
Director