

**ATTACHMENT: PAEC INQUIRY INTO THE 2016–17 BUDGET ESTIMATES —
QUESTIONS TAKEN ON NOTICE AND FURTHER INFORMATION
AGREED TO BE SUPPLIED AT HEARINGS**

INDUSTRIAL RELATIONS PORTFOLIO

1. Please provide a copy of the Government’s wages policy document, including advice to stakeholders on the new enterprise bargaining framework sent to Government agencies shortly after July last year.

(Page 5 of the Industrial Relations portfolio transcript)

Reply

- See **Attachment 1**.

2. In relation to the major Enterprise Bargaining Agreements (EBAs), please provide a list of the annual pay increases agreed to under the various EBAs that the central bargaining unit has been involved in over the last financial year.

(Page 6 of the Industrial Relations portfolio transcript)

Reply

- The annual pay increases for the major enterprise agreements that the central bargaining unit has been involved in the 2015–16 financial year are set out in the table below.
- Major enterprise agreements are those with a large public sector workforce and a salary base of more than \$1 billion.

Name of agreement	Salary increases (per cent)
Victorian Public Service Enterprise Agreement 2016	1 January 2016:
	1 July 2016:
	1 January 2017:
	1 July 2017:
	1 January 2018:
	1 July 2018:
	1 January 2019:
	1 July 2019:
	1 January 2020:
	1 July 2020:
	1 January 2021:
Victoria Police (Police Officers (Excluding Commanders), Protective Services Officers, Police Reservists and Police Recruits) Enterprise Agreement 2015	1 December 2015:
	1 July 2016:
	1 July 2017:
	1 July 2018:
	1 July 2019:

Name of agreement	Salary increases (per cent)	
Victorian Public Sector Nurses and Midwives Enterprise Agreement 2016–20 ¹	1 April 2016:	3.00
	1 April 2017:	3.00
	1 April 2018:	3.25
	1 April 2019:	Uplift to classification structure (weighted average of 9 per cent)
	1 December 2020:	3.00
	1 December 2021:	3.00
	1 December 2022:	3.00

Note

1. These wage increases are based on in-principle agreement reached on 5 May 2016; the parties are currently finalising the enterprise agreement to give effect to the settlement.

3. For any EBA listed as part of the response to the previous question that was above 2.5 per cent, please indicate how much of the increase can be classified under:
 - a. performance improvements;
 - b. workplace organisational changes; and
 - c. employee related improvements.

(Pages 6–7 of the Industrial Relations portfolio transcript)

Reply

- The Victorian Government’s wages policy provides for a Fair Pay Guide of increases of 2.5 per cent per annum. Increases above the Fair Pay Guide must be financially sustainable and accompanied by service delivery improvements.
 - Service delivery improvements are not individually identified as performance improvements, workforce related organisational change or employee related improvements.
 - Service delivery improvement proposals above 3 per cent per annum are assessed with significant rigour and agencies are required to demonstrate that the costs of the agreement will be funded from fiscally sustainable ongoing cost offsets.
 - Service delivery improvements for the major enterprise agreements listed in question 3 are set out in **Attachment 2**.
4. Please provide, when available, a copy of the common-law deed included in the nurses’ EBA.

(Page 7 of the Industrial Relations portfolio transcript)

Reply

- The common-law deed included as part of the nurses' enterprise bargaining outcome is still being finalised by the bargaining parties. A copy will be provided once finalised.

Hon Natalie Hutchins MP
Member for Sydenham
Minister for Industrial Relations

Wages policy

- Increases of 2.5 per cent per annum (wages and conditions) will be assured as a base increase over the life of the agreement and will be known as the 'Fair Pay Guide'. Increases of 2.5 per cent must be financially sustainable but do not require service delivery improvements to be demonstrated.
- To achieve outcomes of 3 per cent per annum, genuine service delivery improvement must be demonstrated. The service delivery improvement must be financially sustainable for the entity on an ongoing basis. This will minimise the potential budget risk.
- To enable outcomes above the Fair Pay Guide the management log must be accompanied by a Service Delivery Partnership Plan (SDPP). The SDPP should identify the service delivery improvements that the entity is seeking to implement over the life of the agreement and the benefits and savings attributed to those service improvements.
- There is no cap on agreement outcomes however there will be significant rigor applied by Government to proposals for outcomes above 3 per cent, including demonstration that the costs of the agreement can be funded internally from fiscally sustainable ongoing cost offsets.
- Ideally there should be engagement with unions and the staff prior to formal negotiations commencing in relation to the SDPP and a partnership approach be adopted.
- Service delivery improvements include:
 - a. **Performance improvements** that will generally result from proactive business improvement and not be a passive consequence of a business change. Employee contribution or involvement in the changed operation would also need to be identified. Performance improvements need to be capable of being measured (in terms of quantity, quality, timeliness and cost) and assessed on a timely basis. These outcomes should ideally be reflected in service delivery targets in Budget Paper 3;
 - b. **workforce related organisational changes**; and
 - c. **employee related improvements**.
- Agreements must be fiscally sustainable and funded from cost offsets and financially viable sources as detailed:
 - a. **performance improvements** may not create cost savings but need to be capable of being measured (in terms of quantity, quality, timeliness and cost) to determine the contribution to the outcome above the 'Fair Pay Guide'. Where performance improvements do not create cash savings it will be particularly important for the entity to demonstrate financial viability and fiscal sustainability (where this cannot be attained, the performance improvement contribution cannot be utilised);
 - b. **workforce related organisational changes** - should be measurable and generate ongoing cost offsets that can be used to fund agreement outcomes; and
 - c. **employee-related improvements** - should be measurable and generate ongoing cost offsets that can be used to fund agreement outcomes.
- Service delivery improvements will be financially sustainable, forward looking and will include those improvements that commence during the life of the new agreement (and ongoing).
- Enterprise agreements must not contain any retrospective payments (i.e. the first pay increase in any agreement must operate prospectively and must not be before the date the agreement has been submitted to Government for approval).
- For revenue generating entities, entities can only use revenue up to the Fair Pay Guide of 2.5 per cent to fund agreement outcomes.
- Entities should seek to achieve four year agreements, as allowed for under the *Fair Work Act 2009*, subject to operational considerations.
- Any variation from this policy would need to be considered by the Expenditure Review Sub-Committee (ERSC).

Name of agreement	Service Delivery Improvements
Victorian Public Service Enterprise Agreement 2016	<ol style="list-style-type: none"> 1. Improvement to performance management process. 2. Improvement to framework for managing misconduct and unsatisfactory work performance, including the development and implementation of best practice guidelines. 3. Improved processes for managing excessive annual leave 4. The introduction of Christmas close down arrangements 5. Development of consistent workplace policies and procedures to remove ambiguity and inconsistency across the VPS and decrease disputation. 6. Conversion of VPS 1 classification into a training grade and the facilitation of the establishment of a VPS cadetship program. 7. Establishment of an advisory group to review and pilot mitigation strategies to reduce bullying and its consequences in the VPS.
Victoria Police (Police Officers (Excluding Commanders), Protective Services Officers, Police Reservists and Police Recruits) Enterprise Agreement 2015	<ol style="list-style-type: none"> 1. Expanded merit based section to build a culture that promotes excellence 2. Strengthened leadership to meet the challenges of modern policing 3. Greater mobility between different locations to ensure resources are located where the community needs them 4. More emphasis on flexible work arrangements 5. Linking career progression to support of gender equality
Victorian Public Sector Nurses and Midwives Enterprise Agreement 2016-2020*	<ol style="list-style-type: none"> 1. Improved patient treatment times 2. Better patient safety 3. Increased nurse vaccination rates to reduce rates of infection 4. Improved occupational health and safety outcomes – reduced workcover costs 5. Improved sustainability in health services, to reduce cost and waste 6. Changes to nurses sick leave entitlements 7. Changes to casual long service leave entitlements 8. More modernised staffing structures in aged care 9. Delivering extra nursing hours in some rural and regional settings

*These service delivery improvements are based on in-principle agreement reached on 5 May 2016, with the parties currently finalising the enterprise agreement to give effect to this settlement.