Working for the Nation: Working Nation and Public Sector Reform

Kerry Brown  
QUT, Australia

Jennifer Waterhouse  
QUT, Australia

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Kerry Brown and Jennifer Waterhouse
School of Management
QUT, Australia

Abstract

The paper examines the implications of the employment blueprint, Working Nation, for public sector employment and operation. It is argued that the release of National Competition Policy one year earlier both restricted and changed the scope of the public sector's role in addressing the problem of unemployment. A main tenet of National Competition Policy was an objective to shrink the size and scope of the public sector through transferring many of its roles to the private sector. In this way, direct public sector employment was unable to be used as a vehicle to combat long term unemployment under Working Nation. To ameliorate the effects of a stringent economic policy direction, Working Nation buttressed its effects through the adoption of a social democratic framework for social equity and justice. It is argued that the competitive logic commenced under Working Nation, however, set the scene for its furtherance under the Howard Coalition government. This change resulted in an unhinging of the social equity agenda and a far more strenuous adoption of economic rationalist principles.

Introduction

In its introduction, Working Nation states that 'the policies described in this statement are policies for economic and social strength' (Commonwealth of Australia 1994, p. 1). As such, Working Nation attempts to set itself up as a broad policy document seeking to encapsulate employment and unemployment policy within the broader framework of social and economic policy. The particular objectives of Working Nation thus uniquely combined economic development through a more industry-responsive and deregulatory approach with a highly responsive social equity agenda. In seeking to achieve these principle objectives, Working Nation established critical new roles for government and the federal public sector to facilitate rather than drive from the top down, policy and practice responses within its broad programs.
Apart from identifying these new critical roles in facilitating the aim of full employment however, the policy made no reference to the effect of direct public sector employment in achieving this aim. This paper argues that the role of the public sector as a major employer was a significant policy lever with which to achieve employment growth and social cohesion. However, placed within the broader economic and social policies of the time, this neglect of the public sector reflects the increasing pressures for public sector reform to divest internal service delivery to alternative non-government providers. Through market and quasi-market mechanisms such as privatisation, contracting out and commercialisation, there was a subsequent shrinking of the size and reach of the federal public service and a consequent loss of the ability of the federal public sector to input actively into national goals, such as full employment and economic development.

While government was envisaged as a key player in the social framework set out under the auspices of Working Nation, the economic policy agenda sought to establish non-government stakeholders as primary actors in this arena. Moreover, the momentum for a more radical evacuation of government from those activities relating to public purpose was actually initiated. In this way, the economic framework of competition and non-government provision of employment and employment services led the way from the 'competitive neutrality' of the Labor government to the highly deregulatory and 'hands-off' approach of the Coalition government when it came to power in 1996.

This paper outlines the historical employment relations role of the public sector within Australia and then moves to examine the impact of other broad-scope economic and social policies such as National Competition Policy. The two propositions – that Working Nation represents a fundamental policy shift in public sector employment relations and that the failure to fully consider the role of public sector employment relegates Working Nation to a piecemeal, reactive approach to an unemployment crisis are considered. It is argued that, in not including public sector employment policy more substantively within Working Nation, the foundation was set for an important change in both national public sector employment policy and the federal public sector's role within the broader economic, social and industrial relations sphere.

The Context of Public Sector Change and Reform

For much of its history, the public sector at both state and federal levels in Australia has been both a substantial employer and a role-model for the
conduct of employment relations generally. As an employer of a large workforce, the public sector was uniquely positioned to influence employment policy direction. It could use its authority to respond strategically to broad employment issues including failures of the market to redress large infrastructure and skills deficiencies and to actively intervene to address nationally-significant labour market structural gaps.

Due to its size and scope, the public sector was capable of influencing employment conditions overall. An historical role of the public sector has therefore been that of the 'model employer'. This approach was exemplified in the superior employment conditions of workers within the public sector. Traditionally, public sector employees received higher wages, better working conditions including shorter and more flexible working hours, and enjoyed greater job security. Characteristics of public sector employment included conventional notions of a career service, stable and lifelong employment, and service-wide employment conditions (Brown 2004).

However, over time a managerialist ethos resulted in the importing of private sector employment practices as well as management techniques into the public sector (Parker, Ryan & Brown 2000). This trend witnessed the adoption of competitive wage policies and the introduction of performance measurement that began to cause the deterioration of the stable and consistent employment conditions enjoyed within the public sector (Rose & Waterhouse 2004). Rather than being a 'model' of the good employer, therefore, the new standard for workplace relations was beginning to be set increasingly by the private sector, while the uniqueness of public sector employment began to erode (O'Donnell 1996).

The managerialist influence within the public sector affected its orientation and operation in relation to its role but represents only one aspect of major changes occurring. Impetus for change in the size, role and operations of the public sector and the enactment of such reforms commenced some years earlier than the release of Working Nation. The culmination of these changes was articulated in the Hilmer Report on competition released in 1993, a year earlier than Working Nation. It is therefore necessary to also consider public sector reforms in light of developments commencing in the late 1980s and with particular reference to National Competition Policy (NCP) (also see Jones, and Jose and Burgess, this volume). Working Nation, in its emphasis on market mechanisms to deliver the programs, intertwines itself irretrievably with NCP.
NCP requires public sector organisations to compete with the private sector necessitating the restructuring of agencies and the development of new modes of service delivery. This approach drives a policy and service delivery environment in which government divests itself of its monopolistic provision of various products and services to the private sector. Mechanisms to achieve improved market competition include contracting-out of previously-supplied government services and privatisation (Fairbrother & O’Brien 2000). For service provision retained by the public sector, transparency of competitive practices is achieved through the formation of government owned corporations and commercialisation thus making public sector organisations more accountable for their results (O’Faircheallaigh, Wanna & Weller 1999).

Within Working Nation the ideals of a more commercialised and performance-driven agenda were cemented for the broader public sector but more specifically for the federal public sector. Although ostensibly a document aimed at addressing the problem of long-term unemployment, the integration of broader economic and social policies meant that Working Nation drew extensively from the tenets of NCP, reiterating the drive for improved efficiency and a more competitive public sector (see Jose and Burgess, this volume). The efficiency drive was reinforced in Working Nation through greater private sector participation in 'infrastructure investment and management' (Commonwealth of Australia 1994, p. 23).

The shift from a 'model employer' to an employer that borrowed managerial practices from the private sector led to a distancing from traditional employment relations modes. Changes to workplace relations within the public sector emerged from three different directions relating to ideological, legislative and structural aspects. First, public choice theory argued the inefficiencies and inflexibility of bureaucratic modes of service delivery within the broader public sector (Hughes 1998). This shift resulted in the commencement of widespread adoption of management techniques from the private sector discussed above. Second, legislative changes began to institutionalise the demise of the 'model employer' particularly within the federal public sector. Third, structural changes were used as a means to open the public sector to competition and reorient service delivery to the non-government sector.

Legislative changes brought about a shift in the arena of public sector employment relations at the federal level. In the same year as the release of Working Nation, reforms to the Commonwealth Public Service Act began to dismantle the concept of the 'career public servant' and the notion of a job for life (O’Brien & Fairbrother 2000). Further, O’Brien and Fairbrother (2000)
argue that federal public sector employee rights were transferred to the coverage of general industrial relations legislation and away from the specific terms and conditions of public sector employment legislation. In the upper echelons of the public sector, full time tenured employment began to be replaced by short term contracts dependent upon the achievement of performance targets (Colley 2001).

Structural changes altered the scope and function of the broader public sector. Previous in-house delivery of services began to be shifted to competitive provision. Inherent within this framework was the development of new roles for government as a manager, coordinator and purchaser of services rather than a provider of services. This approach is critical to the formulation of the underpinning precepts of *Working Nation*. To address the issue of unemployment, for example, *Working Nation* advocated a partnership approach involving 'all branches of the government, and from business, unions and communities' (Commonwealth of Australia 1994, p. 2-3).

Significantly, programs introduced in *Working Nation* impacted upon one of the main stalwarts of industrial democracy within the federal public sector, the Department of Social Security. Previous operational changes within this department had been undertaken through democratic industrial consultation processes (O'Brien & Fairbrother 2000). The changes to the provision of social security services proposed within *Working Nation* were significant and aimed at efficiency and individual accountability through the adoption of 'case management' as a central aspect of the Job Compact. Furthermore, the policy ignored the recommendations of the earlier discussion paper *Restoring Full Employment* (1993) and included a vehicle for the provision of DSS services to be opened to competition (Eardley 1997). Wearing and Smyth (1998) argue that this diminution of public provision of services, particularly through the mechanism of contracting-out, was antithetical to the social democratic objectives of *Working Nation*.

In combination with alterations to the scope and function of the public sector, 1994 was a significant year in altering the role of the public sector as both a major and model employer. In particular, long-term unemployment was the major issue addressed by *Working Nation* in 1994 and yet, there was no uptake of direct public sector job policies. Indeed, in the years following *Working Nation* federal public sector employment continued to decline.

The size and composition of the public sector workforce demonstrates that major shifts occurred over a twenty-year period. Trend data from the Australian Bureau of Statistics (2004) indicates that between 1983 and March
2004 there was a decline of 130,000 wage and salary earners in the public sector overall in Australia. This decrease can be mainly accounted for within the federal public sector. State and local government level public service workforces grew marginally over the period by 1.5 percent (state) and 12.2 percent (local government), although local government employment levels grew from a very small base. The largest change was witnessed in the federal public sector in which employment levels fell by 40 percent.

Figure 1 highlights the changes over time in the overall levels of employment in public sector workforces. It tracks employment trends from 1983 to 2004 and disaggregates according to level of government.

![Wage & Salary Earners by Level of Government](source: ABS)

**Figure 1:** Wage and Salary Earners, Public Sector 1983-2004


The statistics indicate a slight rise in full time wage and salary earners in the federal public service in 1991 followed by a slow decline in employment within this level of government from 1992 to 1996. The Coalition government's election in 1996 heralded a sharp decrease of wage and salary earners within the federal public service that continued until 2000. This reduction in the size of the public sector workforce consolidated the inability of the public sector to act as a vehicle for employment generation and thus contribute to economic growth. Stilwell (1994, p. 115) contends the policy...
over-relied on economic growth to foster increased competition and deliver full employment as economic growth alone may not be sufficient to foster job growth. Importantly, this strategy was argued to be even less effective given the substitution effect of capital for labour, whereas 'it is not sensible to assume that economic growth generates corresponding increases in the number of jobs' (Stilwell 1994, p. 115). Thus the non-utilisation of the public sector as a direct means of job creation was disadvantageous on two fronts. The promise of employment through economic growth was a questionable proposition as the two were not necessarily consequential. Second, by not actively creating jobs, the success of the policy was contingent on third party stakeholder actions that responded to market signals rather than planned governmental program agendas.

Given the traditional roles of the public sector as both a major employer and 'model' employer, Working Nation offered the ideal opportunity to utilise the public sector as a direct means of addressing long-term unemployment and potentially, job quality, one of the missing ingredients from Working Nation (see Denniss, this volume). However, the changes wrought to the public sector severely curtailed its ability to act as a major vehicle to address the policy agenda of Working Nation and drove a policy agenda that eventually unhooked the social equity and justice considerations that, together with economic policy, were the centrepiece of Working Nation.

It is argued that these three forces – legislation, structural change and ideological outlook – worked against the role of the public sector to provide a sustained workable solution to the issues addressed by Working Nation. It is therefore significant that Working Nation was silent on the subject of direct public sector employment especially given the critical long-term unemployment problem it sought to address (see Ramsay and Battin, this volume). Indeed, in the years following its release, the Australian Public Service continued to embark on a program of rationalisation that changed the employment conditions of public servants, shifted the site of service provision to non-government providers and reduced the number of full time employees. The benefits of direct public sector employment as a means of addressing long-term unemployment were therefore abandoned in favour of the 'logic' of competition and the perceived disadvantages of this course of action. Principal amongst these disadvantages is the view that direct public sector employment comes at a high economic cost and displaces the potential for unsubsidised employment within the private sector.
The 'Displacement Effect' of Public Sector Employment

Piggott and Chapman (1995) argue that an important consideration in government reform programs is that interventions that create jobs within the public sector reduce employment within the private sector through a displacement effect. Projects purposefully undertaken by the public sector to create employment are argued to simply replace projects that would have been undertaken anyway. The result is that the created employment is subsidised and therefore more expensive than undertaking the project in the 'normal' course of events by the private sector (Sloan 1993). In this way, for each job created in the public sector, the opportunity cost is greater than that of a single job. Piggott and Chapman (1995) argue that this displacement effect can be calculated at around 0.2.

In contrast, other authors have argued the advantages of direct public sector employment as one means to address unemployment, particularly in times of economic recession and to address long-term unemployment (Quiggin 1993; Burgess 1992). Where long-term unemployment exists, a major issue is that the longer individuals remain outside the workforce, the more outdated their skills become. The longer-term unemployed, therefore, become increasingly disadvantaged when seeking employment.

In addressing the problems of the long-term unemployed, Sloan (1993) acknowledges that direct public sector employment policies may be preferable to other policies in providing a short-term solution to this problem but expresses caution regarding the long-term economic benefits of such a solution. Quiggin (1993), on the other hand, proposed that publicly funded community service programs provided predominantly through public sector employment were capable of delivering a longer-term solution. Such programs provided opportunity for the long-term unemployed to develop the skills necessary to become employable. The skills acquired therefore allowed for later transfer to the permanent workforce, often within an unsubsidised arrangement within the private sector.

Working Nation, however, utilised a mix of macro policy instruments interpreted from the influential work of Cass (1988), but ignored the option of direct employment. Cass (1998, p. 50) contends that full employment can be achieved through a combination of programs including high levels of investment in infrastructure and a program of regional development; long-range funding of education; and job creation that emphasises skills acquisition and quality jobs. This mix of macro policy instruments drawing upon labour
market, economic and social equity constitutes the blueprint for *Working Nation*.

Under *Working Nation*, the public sector was a critical site to establish and implement the policy program to foster continued economic recovery and development but the public sector was not to be used as a means to arrest long-term unemployment through internal employment practices. The competition approach advocated in *Working Nation* effectively locked out the ability to utilise the public sector as a key plank in achieving a full employment strategy.

Rather than provide direct employment, therefore, the public sector was set up to coordinate activities that would foster skills development through networks of public, private and third sector representatives. This again ignores a previous key role of the public sector as an employer providing training opportunities to first-time workers.

**Training Issues**

Training and the attainment of proficiencies relevant to the emergent technologies at the workplace are identified as critical to achieving the skilled workforce aimed for in *Working Nation*. However, the training framework outlined in the policy relies primarily on an industry-based mode of provision and delivery and is funded via subsidised arrangements with the private sector via the federal government. This arrangement secures a prominent place for the private sector in setting the education and training agenda. Additionally, business, through employer associations, is linked into the training agenda through being given the status as a registration and endorsement body as part of national accreditation arrangements (Commonwealth of Australia 1994, p. 102). The incorporation of powerful business actors into the policy and decision-making process represents a departure from the corporatist tri-partite agenda (see Jones on industry policy in this volume) established in the early Hawke Labor years.

Further, there is an incentive structure outlined for employers to take up training of new entrants to the workforce, but this initiative replaced the role of the public sector as a significant training provider. Quiggan (1993, p. 43) argues that the public sector should act as a vehicle for solving long-term unemployment through a mix of creating new jobs and providing training. The approach involves the transition of long-term unemployed through direct
employment creation and a system of training. This approach refocuses attention to the public sector as a principal means for achieving broader policy goals and indicates a prominent place for government intervention rather than government acting as merely a facilitator of private action.

In Working Nation, there was a stated policy preference for joint private-public responsibility for training through initiatives based on school-to-work placement opportunities and state-sponsored vocational training (Commonwealth of Australia 1994, p. 91). This approach confirms the changing emphasis to private provision supported by government, rather than government policy leadership and in-house provision of vocational employment opportunities, diffusing to the private sector. Under Working Nation provision of vocational positions supported by government-supplied training shifted to the private sector. Simultaneously, the policy agenda for the content and direction in relation to such training also shifted to the private sector, allowing that sector to significantly determine policy direction and curriculum. Thus the private sector was given a central role in shaping the employment and training policy agenda.

In this way, government began to divest itself of the responsibility and cost of training. Cass (1998) supports the notion that government responsibility for funding employment programs and training is central to addressing long-term unemployment. Further, Cass (1998) postulates that reductions in funding for formal employment programs and associated educational packages under an incoming Coalition government would have a detrimental effect on achieving full employment, leading to an acceleration of the scope and length of long-term unemployment. This move consolidated the continuation of the push to business to resolve national economic problems and the subsequent removal of government from the direct provision and financing of training and labour market programs.

The Perpetuity of Working Nation? A Discussion

The combination of a social and economic agenda commenced under the Hawke Labor government and used as a series of interlocking programs within Working Nation are argued to have strong resonance with other political movements. In the United Kingdom, the principals of the 'Third Way' have come to include the notion of a regulatory rather than a provider state, the concept of mutualism, employment-centred social policy and greater social-equity through citizen capacity-building (White 1998 cited in Pierson and...
Castles 2002, p. 687). In this way, Pierson and Castles (2002), contend that the policies and programs of the Keating Labor government pre-dated the 'Third Way', but that the underlying tenets of the Keating agenda was the source of many of its principles.

Changes wrought under the Working Nation policy framework set a course for economic prosperity based on a range of novel programs for regional revitalisation and employment regeneration based on socially responsive principles. With its emphasis on industry-based solutions the course charted, however, led to an undermining of the role of government in driving national policy agendas. It is argued that the abandonment of the social equity agenda was a consequence of the unhooking of the economic policy agenda from the social policy framework. Moreover, Stilwell (2000, p. 50) argues that the social equity agenda became merely a 'residual' effect following the adoption of neo-liberal precepts by the Howard Coalition government. In this way, a Coalition government intent on an economic liberalist model was able to jettison the social-equity aspects of Working Nation and 'ramp up' the economic program unfettered by the need to provide matching public sector input and resources into public social infrastructure.

Stromback and Dockery (1998) contend that the Coalition government utilised large parts of Working Nation, but they intensified the reliance on market mechanisms as a means to address long-term unemployment. In particular, a fuller gamut of competitive options available under NCP was adopted in the delivery model of the Commonwealth Employment Service. The Coalition is therefore argued to have continued with the reform agenda, including the work for the dole scheme and a reciprocal obligation philosophy, but pursued it from a different ideological perspective with a different underpinning rationale.

The three forces for change under the auspices of Working Nation were identified as emanating from ideological, structural and legislative sources. Under a Coalition government the trends commenced by these forces were consolidated and extended. Under an intensified economic rationalist agenda, the size (refer Figure 1), scope and operation of the public sector was further eroded.

Legislative changes to federal public sector employment relations through their transferral to the general employment arena were commenced under Keating. Changes through workforce flexibility and enterprise bargaining were furthered under the Coalition government to even greater employment flexibility through non-union bargaining and individual agreements. This then
provided the institutional environment to hasten the uptake of private sector management practices and accelerate the decline in employment numbers.

The adoption of an economic rationalist ideology under the Coalition drove a highly individualistic approach to social relations and market-based prescriptions for delivery of policy and services. Wearing and Smyth (1998) suggest that the change to a competitive market approach commenced under Working Nation has been more stridently adopted by the Howard government evidencing the uptake of future governments of its tenets.

Conclusion

It is clearly impractical to separate the changes to public sector service provision outlined in Working Nation from National Competition Policy released a year prior (see Jones, Jose and Burgess, this volume). Wearing and Smyth (1998) have contended that the encapsulation of National Competition Policy within Working Nation was merely a 'hasty eleventh hour affair'. We argue, however, that the programs within Working Nation represent a coherent policy trajectory from the assumptions built into the principles of the National Competition Policy Review and Hilmer's recommendations. Whether Working Nation by itself represents a total shift in the role, scope and size of the public sector is debateable; however, there are clear indicators of significant changes contained within the policy.

The social-equity precepts underpinning Working Nation were seemingly a departure from the economic rationalist agenda and philosophy of competition espoused in the Hilmer report. However, the logic of competition was the common thread of the broad economic agenda of the Keating vision. Its inclusion within Working Nation was therefore not only unsurprising, but in fact, inevitable. To ameliorate the effects of such a stringent economic policy direction, Working Nation, however buttressed its effects through the adoption of a social democratic framework for social equity and justice.

Taken together, the resolution for unemployment and economic growth was squarely placed outside the realm of the public sector resulting in the diminution of both federal public sector employment levels and an ability to develop direct employment interventions. The lack of emphasis placed on direct public sector employment appears therefore to represent the first substantive break in some of the public sector's traditional roles. Thus the broad agenda, the critical new roles for government, and the continuation and
re-stating of radical changes to the public sector as an employer suggests that *Working Nation* represents, if not a fundamental shift, then a confirmation of earlier changes that have significantly influenced the way future Australian governments viewed the employment role of the public sector.

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