

INQUIRY INTO LOCAL GOVERNMENT IN NEW SOUTH WALES

Organisation: Unions NSW

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Unions NSW Submission

NSW Legislative Council

Local Government in NSW Inquiry

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1. Unions NSW

- 1.1. Unions NSW is the peak body for trade unions and union members in NSW with over 65 affiliated trade unions and Trades and Labour Councils, representing approximately 600,000 workers across New South Wales. Affiliated trade unions cover the spectrum of the workforce in both the public and private sectors.
- 1.2. The United Services Union (USU), Professionals Australia (PA) and the Development and Environmental Professionals Association (DEPA) are unions who represent members employed in local government and are also affiliated to Unions NSW. Unions NSW supports the submissions made by these affiliates to the NSW Legislative Council's Local Government in NSW Inquiry.

2. Introduction

- 2.1. Reform to local government is not new and Unions NSW notes that the most recent *Fit for the Future* reform package is part of a systematic reform process that has been underway since 2011.
- 2.2. In principle, Unions NSW is not opposed to reform in the sector or amalgamations so long as they are undertaken with the support of the affected councils and local residents. We are concerned by the NSW Government's current approach to reforms which appear to focus almost exclusively on financial metrics and proposed amalgamations as the only policy option.
- 2.3. Unions NSW believes amalgamations lead to a significant realignment in the way councils operate and provide services to their communities. If councils are forced to amalgamate, Unions NSW foresees significant negative consequences not only for affected residents but also for local government employees, local economies particularly those in regional and rural communities and the quality of subsequent services able to be provided.

3. Fit for the future reform agenda

- 3.1. The NSW Government's *Fit for the Future* reform package requires each local council to submit a report that assesses whether it is 'sustainable', 'efficient', 'effectively manages infrastructure and delivers services for communities' and 'has the scale and capacity to engage effectively across community, industry and government'. These reports will subsequently be reviewed by an 'expert

panel’ which will make a determination as to whether councils are considered ‘fit’.

- 3.2. If a council is determined to be ‘fit’, they will be provided with a range of benefits, including preference for State and Federal Government grants, a streamlined process for rate increases, financial advice from T-Corp, and interest subsidies on loans for capital expenditure. Conversely, ‘unfit’ councils will not receive any of this assistance. Ironically or perhaps perversely, it is arguable that it is those very councils determined as ‘unfit’ who would most significantly benefit from the abovementioned support provided to ‘fit’ councils.
- 3.3. Based on this approach of locking ‘unfit’ councils out of additional funding opportunities, it is expected the economic position of these councils will further deteriorate. As a result these councils are then expected to be forcibly amalgamated.
- 3.4. Unions NSW believes that rather than being a process based on consensus it has become a process of amalgamation by stealth based on the false presumption that forced amalgamations will reduce costs and improve council performance.

4. Council Amalgamations

- 4.1. Unions NSW does not believe the NSW Government, nor any of the independent panels, have effectively argued the case for the proposed evaluation framework and the subsequent justification for forced council amalgamations.
- 4.2. Unions NSW acknowledges that in some circumstances amalgamations may provide a greater capacity for councils to service their constituents. However, this is not universally the case, and must be weighed against the potential loss of a council that is accessible and responsive to the service needs of ratepayers, businesses and the community.
- 4.3. The Government’s process of assessing the ‘fitness’ of local councils is significantly skewed towards financial metrics. Unions NSW is concerned the NSW Government’s policy approach has ignored the important role local councils play in engaging with and representing local communities in decision making processes.

- 4.4. Under the current process for council amalgamations, a comprehensive investigation of community views and expectations must be conducted before a council merger can occur. Unions NSW believes the current proposal for amalgamations is a significant departure from the current approach which relies on consultation and consensus to drive change.
- 4.5. Not only do amalgamations risk eliminating the local nature of councils, there is limited evidence to support the claim amalgamations improve the performance of councils. Proponents of amalgamations claim larger councils will reduce costs, augment administrative and technical capacity, boost strategic management and increase financial sustainability¹.
- 4.6. However, there is little evidence to suggest this is the case. The Lake Macquarie City Council submission to this inquiry presents economic indicators that demonstrate that amalgamated councils do not have significantly better performance metrics than their comparable, non-amalgamated counterparts². Academic research, rooted in case studies, has also disputed these claims finding little evidence of forced council amalgamations improving financial sustainability and arguing amalgamations have a far greater chance of success if they are voluntary³. Further, Dollery and Robotti argue a successful local government sector provides for 'local autonomy in both the composition and operation' of the government's functions⁴.

5. Misrepresentations in the debate

- 5.1. Unions NSW is concerned by the NSW Government's misrepresentation of key facts when it comes to prosecuting their case for forced amalgamations.
- 5.2. Firstly, the NSW Government has claimed forced amalgamations will benefit rate payers. Minister for Local Government, Paul Toole, claimed that Fit for the Future would provide "better services, more infrastructure and greater value for money"⁵, implying there will not be increased costs associated with amalgamations for local communities. However, the NSW Government's reform

¹ Dollery, B. Drew, J. 'Up to the Job? – An analysis of the NSW Government's Fit for the Future Local Government Reform Policy Package', 2014.

² Lake Macquarie City Council, Inquiry into the 'Fit for the Future' Reform Agenda, Submission, July 2015.

³ Dollery, B. Grant, B. Kortt, M. An Evaluation of Amalgamation and Financial Viability in Australian Local Government, January 2013.

⁴ Dollery, B. Robotti, L. 'Structural Reform, Revenue Adequate and Optimal Tax Assignment in Local Government', *Commonwealth Journal of Local Governance*, Issue 3, May 2009.

⁵ Michael Bleby, 'NSW council amalgamations move closer as Tuesday deadline draws', *Australian Financial Review*, June 29, 2015.

package includes a provision for ‘fit’ councils to have rate increases stream-lined through Independent Pricing and Regulatory Tribunal (IPART)⁶. Unions NSW does not oppose increased budgets for local councils; however we are concerned the NSW Government is misleading the public on the extent of the benefits contained or provided by the proposed reform package.

- 5.3. The NSW Government has publically stated they are providing local government with \$1 billion of funding. However, all of this funding, except the \$4 million earmarked for rural councils, is largely contingent on councils undergoing significant structural change. Of this funding, \$600 million is based on anticipated savings for local councils from interest payments available only to ‘fit’ or amalgamated councils who have access to government borrowing rates.
- 5.4. The NSW Government has not identified any measures to ensure funding is provided for specific infrastructure projects or councils in the most need. The NSW Government is incorrectly promoting this funding as ‘support for local councils’, whereas it is funding provided on the basis of councils amalgamating.

6. Impact of forced mergers on employment

- 6.1. Local councils currently employ 56,100 people across the state of NSW⁷. The potential for significant employment loss, particularly in regional and rural communities, and the outsourcing of considerable amounts of work currently undertaken by councils as a result of amalgamations is a significant issue for workers employed in local government.
- 6.2. Recent history demonstrated that following forced amalgamations, significant job losses and reduced service levels are more likely the norm rather than the exception. In Victoria, the Kennett Government forcibly amalgamated 210 local councils in 1994 and at the same time introduced a competitive tendering regime. These two policy changes resulted in the loss of approximately 11,000 council jobs. In NSW, when Armidale and Dumaresq Council merged in 2001 they reduced their staff by 12% over the following two years.
- 6.3. NSW currently has employment protections in place for council workers during an amalgamation process. However, Unions NSW is concerned the NSW Government and local councils, may seek to

⁶ NSW Government, Office of Local Government, ‘Fit for the Future, NSW Government Response’, September 2014.

⁷ Australian Bureau of Statistics, catalogue no. 6248.0.55.002, accessed 9 July 2015.

remove these protections as part of this reform process.

- 6.4. Unions NSW believes the NSW Government must maintain the current employment protections for workers during any future council mergers, particularly three year protection against forced redundancy, through the industry reform process. Such protections are beneficial not only for employees but also for local economies, particularly regional and rural areas, to enable them to seek to absorb the job losses and exodus of income from communities during the transition phase to significantly smaller and less permanent local workforces.
- 6.5. Given the significant impact of council mergers and outsourcing of work, Unions NSW would like the NSW Government to strengthen the employment protections in regional and rural NSW. In the Local Government Act ('the Act') there is currently a requirement for merged councils to maintain employment numbers in towns with less than 10,000 residents insofar as that it is reasonable practicable. The economies and communities of regional and rural town through NSW rely on the job opportunities provided by local council, which is why this protection is so important. Unions NSW seeks to have the words 'as reasonably practicable' removed from the Act.
- 6.6. The NSW Government has introduced a new entity, Regional Joint Organisation (RJO's), to manage regional corporation. It is unclear how RJOs will operate under the Act. Unions NSW seeks assurances from the NSW Government that RJOs will not seek to undermine the salaries or conditions of local government employees. RJOs should be constituted as local government entities and not corporate entities with employees continuing to be covered by the same industrial instruments as local government employees.
- 6.7. Protections should also be put in place to ensure employees in local government are not forcibly transferred to these new organisations or for council resources be used by RJO without the council's consent.
- 6.8. NSW Councils play an important role in training young people through apprenticeships, traineeships and cadetships. Councils are uniquely placed to provide training opportunities across a broad range of occupations and industry areas. Unions NSW believes forced amalgamations will see the quantum of training opportunities provided by local councils significantly diminished. At a time when youth unemployment in the state is already sitting at 12.6%, a reduction in training

opportunities will have a significant impact, particularly in regional and rural areas.

- 6.9. The NSW Government should support local councils to continue to promote training opportunities for young people and develop and fund, directly or indirectly, industry programmes aimed at encouraging the employment of apprentices and university graduates, particularly engineers.

7. Regional and Rural Councils and Communities

- 7.1. Local councils play a crucial role in regional and rural towns. They are a key source of employment which has positive economic flow on effects. Councils are crucial in supplying services in areas that can be remote and a significant distance from neighbouring council areas.
- 7.2. In 2014 Unions NSW hosted a 'Jobs Summit' in Central West NSW. The purpose of the event was to discuss the emerging issue of job losses in the area and the need for policy responses from all levels of government. At the time of the summit, 1,122 job losses had been announced in the region. This number has since increased to 2,317.
- 7.3. A 2011 report from the Australia Institute looked at the multiplier effect of public sector job losses in each Australian electorate⁸. For Calare, the Central West Federal Electorate, there were 458 public sector employees. Analysis predicted if 27 of these jobs were lost, then a further 80 jobs would be lost indirectly. For an area like the Central West, which is already experiencing significant job losses, further job losses as a result of council amalgamations could have drastic impacts. Given the geographical distances between the 11 councils in the region, relocation of current council employees as a result of amalgamations would also have a significant impact on local economies.
- 7.4. The experience of the Central West is not unique and with the slow-down of the mining boom and closure of manufacturing plants across the state, many regional and rural towns are experiencing the brunt of job losses. Plans to forcefully amalgamate councils should be considered within the context of these broader labour market changes and job losses in regional and rural areas.

⁸ Richardson, D. Dennis, R. 'The regional impact of public service job cuts', July 2010, available from: <http://www.tai.org.au/node/1654>

8. Impact on services

8.1. Unions NSW is concerned forced amalgamations of councils will lead to a significant reduction in the quality of services council are able to provide. Proponents of forced amalgamations argue they provide councils with greater scale and efficiencies. Unions NSW does not believe forced amalgamations will lead to increased service levels, but rather will lead to a significant reduction in per capita spending in local council areas.

8.2. As previously stated, forced amalgamations are historically associated with job losses, which Unions NSW believes will also lead to work intensification for remaining staff which will in turn affect the ability of councils to continue to effectively provide their current broad array of services. Additionally, interstate experiences of amalgamations have been associated with significant outsourcing of services to the private sector. Again, this raises significant concerns, not only about the conditions of council workers, but also the quality and holistic nature of services that councils are currently equipped to provide.

9. Conclusion

9.1. Unions NSW believes the government's *Fit for the Future* policy agenda is flawed and overlooks the negative impacts on employment, communities and services. Unions NSW believes that further discussions regarding reform in the local government sector should continue to take place in consultation with the key local government unions. However, this process should look broadly at how the state government can support the important work of local government, and consider alternatives to forced amalgamations.