

PUBLIC SECTOR — GROWTH MANAGEMENT

164. Mrs L.M. HARVEY to the Treasurer:

On the subject of employee costs, as it happens: can the Treasurer please update the house on the progress of this government's continued commitment to accountable and disciplined management of the public sector and the progress since 2008 of reining in the former Labor government's explosion in government employee costs?

Mr E.S. Ripper: Expenditure has seen a 25 per cent growth in two years—give me a break—it's completely out of control!

Several members interjected.

The SPEAKER: Members!

Mr C.C. PORTER replied:

I thank the member for her question. What a timely question about voluntary separation.

Mr A.P. O'Gorman interjected.

The SPEAKER: Take a seat, Treasurer. Member for Joondalup, I will give you an opportunity to ask questions in this place, you know that. I formally call you to order for the first time today.

Mr C.C. PORTER: It is a very timely question. I think it goes to some of the points touched upon in the previous question. Today the Liberal–National government has announced a third round of voluntary separations.

Mr A.P. O'Gorman interjected.

Mr C.C. PORTER: The Labor opposition complains about expenditure growth and then about voluntary redundancy schemes.

Mr C.J. Barnett: Offer them redundancies!

Mr C.C. PORTER: Indeed. The Opposition is falling into the classic trap of opposing absolutely everything; suggesting absolutely nothing and complaining about everything else. It is not a very handsome way to go about being in opposition.

With respect to these voluntary separations, a \$40 million amount has been announced today. In the first year, once the redundancies come online, that will save the state \$29.2 million, and, over the out years, we times that by four. That will allow us to rein in the expenditure growth in public sector wages.

Mr E.S. Ripper interjected.

Mr C.C. PORTER: The Leader of the Opposition has had something to say about this. With the expenses growth, there is a total recurrent expenses measure, and sitting inside that is the growth in public sector wages, which makes up about 40 per cent of all the recurrent costs of the budget. If members look at the record, in 2007–08 there was 9.9 per cent recurrent expenditure growth; in salaries, 11 per cent; and in 2008–09, that famous cusp year when government changed, record growth of 13.5 per cent. The point is that double-digit expenditure growth is unsustainable. In the 2010–11 midyear review, that recurrent expenditure growth was down to 6.6 per cent. Bringing recurrent expenditure growth down to 6.6 per cent from highs of 12.7 and 13.5 per cent is a very, very significant achievement. The underlying public sector wages growth in 2009–10 was 5.7 per cent—a very, very significant reduction. That reduction has been achieved through corrective measures such as the one the Minister for Agriculture and Food has undertaken, yet he has been criticised for it in a question in Parliament. That seems to me to be very strange.

There are three ways in which this government has achieved this decline in public sector wages growth. I note that for the December quarter the actual growth in public sector wages was 4.9 per cent. That is a very significant decrease, which has been achieved through three measures—firstly, a wages policy. We replaced the former Labor government's wages policy, that was so vague it was completely meaningless, with a wages policy that meant something and that can guide negotiations. So far, it has guided negotiations to within the parameters set.

The second thing we have done is institute an FTE cap. What surprised me on taking this role as Treasurer was when I asked Treasury what measures were available under the previous Labor government and why there was not an appropriate FTE measure, the problem was not that the Labor government at the time had no FTE measure but that it had so many that Treasury was unable to properly measure the numbers of FTEs! For the first time in this budget cycle we will know precisely an agreed-upon measure of how many FTEs exist. That is a very significant achievement, largely down to the efforts of the member for Vasse.

The 24 December 2010 report released by the Public Sector Commission noted that the actual number of FTEs, based on what are now agreed to be the best measures, was 103 398. They were adjusted to take into account the judiciary, and have increased to 103 969. The FTE ceiling is 106 604. We have a measure of how many FTEs we can all agree exist and we know how many there are, and they are under our cap. That is why we have got recurrent wages expenditure growth down to 4.9 per cent.

Mr A.P. O’Gorman interjected.

Mr C.C. PORTER: We are putting the “voluntary” back into voluntary separation. We are targeting people who have an interest in leaving the system, and doing so on terms that they agree with and we agree with. Does the member know what? That has had the effect of doing precisely what we all agree should be done; that is, restraining public sector wages growth. If the member for Joondalup has a better idea, he can let us know and we will look into it.

Several members interjected.

Mr C.C. PORTER: At the moment, member, this seems to be working.

Mr A.P. O’Gorman: Put some trains on the tracks to bring the people into the city. You won’t put in the infrastructure.

Mr C.C. PORTER: We have had three rounds of voluntary separation.

Mr A.P. O’Gorman: We cannot have the trains because you won’t spend the money.

The SPEAKER: Member for Joondalup, I formally call you to order for the second time today.

Mr C.C. PORTER: I do not know how we got onto trains, but there we go.

The first of the three rounds cost \$48 million and saved \$120 million over four years; the second round cost \$33 million and saved \$46.6 million over four years; and the third round cost \$58.4 million over four years. Based on our conservative calculations, we have saved the state budget and the taxpayers of Western Australia \$226 million over four years—a very, very good result indeed.

On this point, I think the shadow Treasurer suggested in a question recently that none of the much-publicised infrastructure program had been funded from excessive current expenditure. It concerned me when I heard that because it is a terrible thing when one becomes a new minister, and it seems as though someone knows something one does not!

Several members interjected.

Mr E.S. Ripper: She was perfectly accurate in that. Do you have the money for the sports stadium and the foreshore?

Mr C.C. PORTER: I took that statement —

Mrs M.H. Roberts: Do you have the money for the debt servicing you need —

The SPEAKER: Thank you, member for Midland. Treasurer, I have given you quite a bit of leniency in answering this question. I hope it is nearing conclusion.

Mr C.C. PORTER: I am drawing to a close, Mr Speaker. I thought that question was about this very issue of recurrent expenditure. I took it to the Department of Treasury and Finance and got their best minds working on it. None of the much-publicised infrastructure program has been funded from excessive current expenditure. It is totally agreed now—the best minds have been on it—no-one knows what the hell it means. Nobody has any idea what that statement means.

Several members interjected.

Mr C.C. PORTER: No-one knows, so I look forward to hearing that question again.

Several members interjected.

The SPEAKER: I will give you the call, member for Perth. Member for Midland, I formally call you to order for the first time today, and the member for Albany for the second time.