


# **Reshaping the public service bargain in Queensland 2009–2014: Responding to austerity?**

The Economic and  
Labour Relations Review  
2016, Vol. 27(1) 81–97  
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sagepub.co.uk/journalsPermissions.nav  
DOI: 10.1177/1035304616631421  
elrr.sagepub.com  


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## **Abstract**

This is a study of the renegotiation of pay, employment security, and of the relationship between government and public sector unions, in an Australian state public service during and after the global financial crisis. It examines the extent to which this renegotiation of the ‘public service bargain’ was necessitated by austerity requirements, and the extent to which the crisis provided an opportunity for the deprivileging of public employment that has been an enduring feature of the neoliberal state. A case study of the different approaches of two Queensland governments to their relationships with public sector workers between 2009 and 2014, it tracks two key measures of wages and staff numbers, as well as the consequences of breaches of the trust relationships of the traditional public sector bargain. Given the moderate nature of Australia’s economic downturn, the implementation of public service austerity measures was less an economic necessity than an opportunity for a conservative government to alter employment policies and sever union relationships. This continuation of public sector employment relations favoured by previous conservative governments had electoral consequences.

**JEL Codes:** H72, J45, J58

## **Keywords**

Austerity, collective bargaining, economic stimulus, employment conditions, employment security, global financial crisis, industrial/employment relations policy, neoliberalism, public sector bargain, trade unions

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## Introduction

Austerity measures in the wake of the 2008–2009 global financial crisis (GFC) contributed to a widespread erosion of the ‘public service bargain’ (PSB) (Hood, 2000), through which historically the state has offered its employees stable pay and conditions and good working relations, in exchange for their commitment to good governance and service to the public. In Anglophone countries, however, a longer-term process of ‘deprivileging’ public sector work (Bach and Bordogna, 2011) had been under way for the previous quarter century. This article uses an Australian case study of industrial bargaining in the Queensland Public Service between 2009 and 2014 to examine whether changes to public service pay and employment security employee were required by post-GFC fiscal imperatives, or whether they were an implementation of this longer-term process of state sector restructuring, legitimated by the climate of crisis.

Political or economic crises can provide windows of opportunity for governments to depart from path-dependent approaches embedded in organisational practices and institutions (March and Olsen, 1989; Peters, 2005), especially if there is widespread acceptance that there is a major problem to be addressed and a compelling solution available (Kingdon, 2003; Sabatier, 2007). In the concept of the ‘shock doctrine’, Klein (2007) provides examples of governments using real or imagined crises to advance neoliberal reforms, where an ‘atmosphere of large-scale crisis provided the necessary pretext to overrule the expressed wishes of voters’ (p. 10). Such crises allow policy entrepreneurs to identify windows of opportunity for change and to match longstanding policy preferences with an emerging problem (Colley and Head, 2014). While few governments take a clear position arguing solely for one approach or other, ‘nevertheless, a preference for either austerity or stimulus can be detected in the policy preferences of different governments’ (Midgley, 2014: 12). The central question explored in this study is the extent to which renegotiation of the PSB in the case of Queensland was a new response to real or assumed fiscal difficulties, and the extent to which it was an implementation of neoliberal agenda of ‘deprivileging’ public sector workers.

The question is addressed by exploring how successive Queensland governments adopted varying policy mixes of stimulus and austerity, resulting in corresponding changes to the PSB. The article begins with a literature review, drawing on Hood’s (2000) concept of the PSB, briefly summarising accounts of challenges to it under the rubric of public sector management reform, and applying a typology of approaches to austerity identified by Lodge and Hood (2012). Following an outline of the research method and approach, an answer to the central research question is explored through an analysis of Queensland public service bargaining, comparing and contrasting the policy responses of governments of different political persuasions under largely similar economic conditions between 2009 and 2015. The focus is on two austerity measures identified by Lodge and Hood (2012) – management of rewards/pay and cuts to public service numbers.

The analysis leads to the conclusion that, given the moderate nature of Australia’s economic downturn, state governments such as Queensland’s were under less pressure than their international counterparts to implement austerity measures. Rather, austerity conditions provided a window of opportunity to remove policies, reduce pay increases

and sever union relationships. In Queensland, two successive governments made different choices under largely similar economic circumstances. The austerity policies of the Liberal National Party Newman government did not provide a new direction, but rather a continuation of the trajectory of public sector employment relations favoured by previous conservative governments. There were electoral consequences of attempting to capitalise on the GFC by claiming the necessity for austerity.

## The changing PSB

Hood (2000) describes the PSB as the explicit or implicit bargain between public servants and other actors in society. Originating with the creation of the civil service in Anglophone countries in the mid nineteenth century, it emerged as an exchange whereby holders of ‘office’, recruited on the basis of merit and promoted on the grounds of expertise, offered in return a commitment to public service and stable governance (O’Donnell, 1996). Permanent employment provided continuity beyond electoral cycles, and enabled public servants to provide frank and fearless advice to any government without fear of dismissal (Parker, 1978). By the late 1970s, however, public management reforms had reduced employment security and led to job losses in Australia and other countries (Pollitt and Bouckaert, 2011). Nevertheless, the ‘model employer’ role of government continued, involving tolerance of unions and collective bargaining, and legislated equal opportunity provisions.

Renegotiation of the PSB has involved a redrawing of the boundaries of state services and operations via privatisation, contracting-out and outsourcing and a new, more tightly performance-oriented relationship between managerial strata and workers. The goals – financial savings and increased productivity – have been attributed to neoliberal ‘small state’ ideologies (Fairbrother et al., 2012: 4–5). Reforms have included breaking down the differences between public and private sectors (Bach and Bordogna, 2011). Providing better conditions than the private sector was anathema to governments that moved from modelling progressive employment relations to modelling the new public management (NPM) approach, made easy by their dual role as legislator and employer. Strong central employment institutions gave way to decentralised control by agencies and increasingly non-standard conditions.

Hood (2000) notes that most countries have been moving along the same PSB reform trajectory, albeit at different speeds and from different starting points. A particular reform may depend on the strength of individual politicians’ motives, and whether they want to ensure that new models of public management are entrenched beyond their incumbency (Hood, 2000).

Hood (2000) identifies three problems with the public management reform agenda. The first is the paradox of globalisation: if there is global ‘best practice’ model, why have reforms been implemented in diverse ways and sometimes for contradictory reasons? The second is the paradox of a *malade imaginaire*: substantial reforms have been implemented in some countries with reputable public services (including Australia) but not in others, indicating that ‘palpable non-performance was neither a necessary nor a sufficient condition for major or early public service reforms, so something else must explain reform susceptibility, that is, how the political agenda for reform is established or fails to

catch hold' (Hood, 2000: 5). The third is the paradox of managerialism: exhortations to be more business-like and let managers manage often led politicians to panic over loss of control over policy implementation and make senior positions more, not less, political. If the renegotiation of the PSB was not a necessary, one-size-fits-all reform before the GFC, did it become so after 2008, under the pressure of 'austerity'?

## Responses to the global financial crisis: austerity and the impacts on the PSB

'Austerity' economic policies, implemented since the onset of the GFC, with the aim of reducing government budget deficits via spending cuts and/or tax increases, have been depicted as a necessary response to sovereign debt crises following bank collapses and bailouts of the kind that swept the USA and parts of Europe. As Sommers and Woolfson (2014: 3) argue, however, the GFC was discussed almost as a sweeping natural disaster, and austerity, an 'ideological construct', was extended, with adverse effects, to countries with low levels of public debt. In reality, variations in financial vulnerability undermined the rhetorical notion that all Organisation for Economic Co-operation and Development (OECD) countries were in the same boat. Neither in Australia generally nor in Queensland specifically was there a public debt crisis: the ratio of central government debt to Gross Domestic Product was very low relative to other GO7 countries (Nicholl, 2011).

Lodge and Hood (2012) outline four potential types of austerity responses by the state. The first is that of the *directing state*, which may intervene in ways that wind back the NPM reforms of the 1980s and 1990s, requiring public servants to relearn many potentially lost skills and re-emphasising long-term loyalty. A second response type is that of the *hollow state*, intensifying reforms tending to a hollowing-out of state apparatuses, with renewed pressure to cut staffing, wages and pensions through bargains that support aggressive cost-cutting, reduced headcounts, and squeezing of assets and inputs through outsourcing/privatisation (a return to early NPM measures associated with the Thatcher government). A third response type is that of the *local communitarian state*, which devolves public services to voluntary and community organisations. The fourth response type is that of the *barely coping state*, which either fails to act, or cuts services and costs, without substituting alternatives.

Each response type has implications for the PSB. Lodge and Hood (2012) argue that 'there is no single way of reshaping PSBs that represents a "there-is-no-alternative" response to financial and fiscal pressure' (pp. 85–86). On the one hand, 'how systems of government respond to crisis depends on institutional factors (which both shape exposure to financial pressures, e.g. the scale and style of the welfare state, and shape states' ability to respond)' (Lodge and Hood, 2012: 82). On the other hand, isomorphic crisis responses may drive convergent approaches to renegotiating the PSB.

McCann (2013) suggests that both the pro-austerity frame and anti-austerity counterframes were highly rhetorical devices, whereby political leaders 'attempt[ed] to set the agenda, react to crises, apportion blame, and overall lay the ground for proposing and justifying change measures' (p. 5). This agenda-setting went beyond rational policy choice to efforts to inculcate 'hope that improvements are possible, that policy measures

will work, and that recession turns into recovery' (McCann, 2013: 5). Brunsson (2006, cited in McCann, 2013) notes that the rhetorical process of 'selling' reform can be more significant than the change itself. This is particularly so in the public sector where success can be difficult to judge (Marsh and McConnell, 2010).

The greater the severity of austerity responses, the greater the strain on the PSB. Lodge and Hood (2012) note the widespread assault on PSBs from 2008 to 2011 across OECD and non-OECD countries. Austerity measures included pay freezes and hiring freezes, followed by pay cuts and downsizing plans. Cutbacks imposed new competency and loyalty demands on remaining public services to cease or wind down services or deliver them in a different way (Lodge and Hood, 2012). Classifying countries by vulnerability, these authors saw Australia as one of the few OECD states scoring low on financial vulnerability and hence on the likelihood of deep strain on traditional PSBs. In demographic vulnerability, Australia again scored low, possibly owing to its unique superannuation system ameliorating pension costs. Despite a higher rating on ecological vulnerability, overall Australia scored as one of the few countries with a low composite vulnerability under GFC conditions.

Indeed, Australia is seen as having survived the GFC better than many other OECD countries. The Australian Reserve Bank credited Labor government stimulus policies, early in the crisis, together with better prudential regulation, as a key reason for Australia's comparatively brief downturn (RBA, 2011a, 2011b). In the aftermath of the GFC, however, Australian conservative governments portrayed stimulus spending as typical Labor government profligacy and, when this resonated with citizens, were able to advocate austerity measures (cf. Skidelsky, 2015). These contrasting responses support the argument of Lodge and Hood (2012) and McCann (2013) that governments do not have a single option but use rhetorical devices to 'sell' their preferred policy response.

The purpose of this study is to examine how austerity was implemented and 'sold' in Queensland. Applied to the PSB, austerity measures were manifested in pay and hiring freezes, then pay cuts and downsizing plans. There were thus quantity adjustment through changes in the number of employees or the number of hours worked, and price adjustment through changes to the cost of each employee (Cazes et al., 2009). Quality adjustments range from the overtime reductions or reduced working hours that allow employees to stay in their jobs, to natural attrition and recruitment freezes, to more extreme strategies of lay-offs of temporary and finally permanent employees (Cazes et al., 2009; Roche et al., 2011). Price adjustment is the reduction of each unit of cost: employees may be prepared to discuss pay cuts in exchange for concessions such as employment security (Roche et al., 2011). Rubery (2015) suggests that these adjustments may have differentially affected female public sector employees, who had benefited from higher levels of employment than in the private sector, a narrower pay and conditions gap, and better developed work/life balance and equality policies.

This research investigates austerity responses and impacts through the lens of employment numbers and wages. It does not investigate other forms of adjustment in the PSB, such as outsourcing and use of contractors, partly owing to their lesser use and partly owing to the difficulties of gaining accurate data on the extent of these measures.

## Approach and method

The analysis contrasts the responses of different Queensland governments to similar economic factors: a longstanding Labor government during the early part of the GFC (1998 – March 2012) and a conservative government from March 2012 to January 2015. It examines these different policy responses to the GFC affected the PSB, and analyses the extent to which the measures introduced a new direction or continuation of the trajectory of public sector employment relations after decades of reform. It seeks to identify whether the choice made under the two governments were related to economic or to ideological factors, and the degree to which the public accepted them as necessary.

The research draws on a range of primary sources. To identify the policy responses of each government, it uses *administrative documents* such as employment policies and regulations, a Commission of Audit Report and parliamentary sources. *Political/government sources* include parliamentary transcripts, budget papers, government media releases, government bulletins, and video recordings. *Union sources*, including websites, news blogs and discussions with senior officials, and *media sources*, including newspapers and news bulletins. The research also draws on discussions with union and bureaucratic sources. The effects of policies on the public service workforce profile are determined from ABS (Australian Bureau of Statistics) population and labour market trends, and annual reports and workforce statistics from the Queensland government's central personnel agency.

## Queensland context

Most Australian public employment is regulated within state jurisdictions. The Queensland Public Service (QPS) has primary responsibility for state-level social development (health, education, and community services), law, safety and justice (police, emergency services, and prisons), economic development (transport, roads, infrastructure, mines, energy, and primary industries) and environment and natural resources. State public services contain a large proportion of professional and associate professional employees, and are around two-thirds female.

Queensland is one of the more prosperous states in the Australian federal system, being second largest in area and third largest in population. It consistently outperformed the Australian economy for much of the past two decades (Queensland Treasury, 2015). The circumstances of the past decade have changed this position. While Queensland, like Australia, experienced a moderate effect from the GFC, its economy was affected by other factors such as natural disasters and a declining resources sector.

Following several decades of conservative government, the Goss Labor government came to power in 1989 on a platform of modernising the state's economic and political life and addressing evidence of corruption and politicisation in public institutions (Stevens and Wanna, 1993). Queensland's strong financial position allowed the Goss government to avoid the national public sector reform agenda and the privatisation and large-scale public service redundancies occurring in other states, and instead pursue efficiencies through managerial reforms and more moderate policy solutions (Colley and Head, 2013).

When the Borbidge conservative government was elected in 1996, the new Premier immediately signalled his intention of following the national public sector reform agenda. He established a Commission of Audit to examine the state finances and options for privatisation and alternative service provision. However, the Commission noted that the Queensland balance sheet was strong, and that the task was to focus on the future, unlike other states that were required to resolve existing pressures (QCA, 1996). Unable to draw legitimacy from crisis (Colley and Head, 2013), the 1996 Commission drew on precedents elsewhere to support its recommendations for outsourcing and contestability of services and its list of candidates for privatisation (QCA, 1996: xvii). Borbidge held government for 2 years on a fine balance of power and made little progress toward this reform agenda before losing power in mid-1998.

The 1998 election of the Beattie Labor government meant that Labor would hold power in Queensland for all but 2 of the 23 years from 1989 to 2012. Beattie had won government on promises of public service stability, with the public service as the preferred provider of services and with limits on future organisational restructuring (Beattie, 1998). Premier Beattie retired and was succeeded by Labor's Anna Bligh in late 2007.

Bligh almost immediately faced the changed economic circumstances of the GFC and called an election in March 2009 after announcing an extensive debt and a credit rating downgrade. The conservative opposition campaigned on budget savings and public sector downsizing. Labor campaigned on a Keynesian platform of job creation and infrastructure development. When Bligh won and was under pressure to fund these promises, Queensland Treasury opportunistically coupled the government's 'problem' of the economic crisis and infrastructure funding with Treasury's longstanding institutional preference for privatisation (Colley and Head, 2014). Soon after the election, Premier Bligh announced a plan to divest several assets (Bligh, 2009b). But the Premier and Treasurer miscalculated the political cost, as several unions began a politically damaging campaign (QCU, 2010), and the public lost trust in them owing to the element of opportunism and broken promises (Colley and Head, 2014).

As a result, the conservative Newman conservative government was elected in March 2012, on election promises to rein in Labor's spending, reduce unemployment to 4%, and not sell assets in its first term. Particular promises were made to public servants about wages and job security (Newman, 2012a). Once in power, however, Newman quickly established a Commission of Audit to report on the state's finances and create strategies for private provision of infrastructure and services (QCA, 2013). Creation of such commissions has become a common post-election strategy for Australian governments, following claims that the budget position is worse than expected and that dramatic new policy directions are needed (Colley and Head, 2014). They are arguably a tactic for legitimising a policy direction the government already wished to pursue (Quiggin, 2013).

The Commission provided inconsistent assessments of the state's financial position. Its interim report claimed that the financial deterioration was worse than expected. Several scholars (Hayward, 2013b; Quiggin, 2012, 2013) criticised the selective measures used to portray a poor balance sheet, despite the trebling of worth and a lower gross debt to net worth ratio than in 1996. Critics also queried the Commission's tactic of projecting the previous 5 years' expenditure (including the GFC stimulus and flood

damage repairs) into the next 5 years, while ignoring Treasury forecasts for gradual recovery. Premier Newman, however, used the interim report to justify renegeing on election promises and cutting around 20,000 public service jobs (Hayward, 2013; Quiggin, 2012). The rhetoric shifted 6 months later in the second part of the report, with a focus on long-term planning to withstand future crises, and a recommendation for debt reduction of AUD25–AUD30 billion through divestment of assets and services (QCA, 2013). Most recommendations related to outsourcing of public services, outside the scope of this study.

In January 2015, the Newman government lost power, with the incoming Palaszczuk Labor government promising (and, at the time of writing, delivering) public service stability and a halt to asset sales.

Against this context, the research now turns to the particular policy responses to the PSB of the successive Labor and conservative governments since the onset of the GFC, focusing in turn on pay and conditions and employment security.

### **The changing public sector bargain – Pay and conditions**

Even before the GFC, decades of managerial reforms and industrial relations change had weakened the uniformity of pay characteristic of the traditional PSB. Nevertheless, despite extensive decentralisation of personnel management, public sector wage negotiations in Queensland, as at national level, remained subject to stringent central controls and upper limits, to allow financial control of costs, political control of wage outcomes (and public perceptions), and industrial control (Gardner and Palmer, 1997; O'Donnell et al., 2011; Thornthwaite and Hollander, 1998). The GFC, however, changed the conversation, decentralising the pursuit of wage restraint for core Queensland public servants (covered by the public service award) and extending it to public sector workers covered by other major agreements (such as nurses and teachers).

The Bligh government was elected to maintain the existing bargain over wages. In 2008, despite the initial signs of the GFC, it reached in-principle agreement for a generous public service wage increase of 12.5% per cent over 3 years. This approach reflected Queensland's comparatively strong financial position at that time (Colley, 2012a). As the GFC worsened throughout 2008 and early 2009, Treasury officials sought savings through reductions in public service wages and conditions (Henry, 2009). The June 2009 budget speech confirmed that the expected 4% increase would apply only to agreements finalised by September 2009, but after that date would reduce to 2.5% per annum, the mid-point of the Reserve Bank's target band for inflation (Fraser, 2009). The 2.5% policy was applied to all senior officers immediately from July 2009, and caused considerable discontent as well as disrupting the bargain around uniformity and relativities with lower level officers. The 2009 core enterprise agreement (QIRC, 2009) for approximately 62,000 employees still included the 12.5% wage increase and a continuation of the employment security provisions from earlier agreements, but the government approached the 2012 election maintaining the 2.5% wages cap in line with economic circumstances.

As Opposition Leader, Newman had wooed public service unions with promises of an improved bargain. Just weeks before the 2012 election, he recorded a video (Newman,



**Table 1.** QPS pay increases compared to others.

Year	2007	2008	2009	2010	2011	2012	2013	2014
Government in power	Labor					Liberal/National		
Wages for junior staff	4%	4%	4.5%	4%	4%	0	2.2%	2.2%
Wages for senior officers	4%	4%	2.5%	2.5%	2.5%	2.2%	2.2%	2.2%
Average for Queensland labour market	4.54%	4.23%	4.17%	3.3%	3.87%	3.73%	3.05%	2.62%

Sources: ABS (2007–2014), Fraser (2009), QIRC (2006, 2009) and QPSC (2013).

2012a) offering to remove ‘Labor’s unfair and arbitrary 2.5% wages cap’. He also committed to working with unions through collective bargaining, and ‘ensuring Queensland public servants are well-paid and confident about job security’. The promised maintenance of, and enhancements to, the bargain did not eventuate. Negotiations for the 2012 core enterprise agreement were contentious, and the parties failed to reach agreement before the government was voted out in early 2015. When negotiations failed, the agreement went to arbitration in the Queensland tribunal. The government provided administrative pay increases of 2.2% in 2013 and in 2014. Public servants were angry that Newman had reneged on election commitments and were further outraged by the Newman government’s finding that the Bligh government’s freeze on parliamentarians’ own wages was unlawful and its vote for a catch-up pay rise of 42% (around AUD57,841).

Thus, the two governments took contrasting approaches to the PSB wage negotiations throughout the post-GFC period. Table 1 provides a summary of outcomes. The Labor government attempted to maintain both the bargain and the bargaining relationship with unions and workers. The commitment to a future increase of 2.5% was comparable to that in other states (Colley, 2012a). By contrast, despite pre-election promises, the conservative Newman government failed to reach agreement with unions and its administrative pay increases of 2.2% in 2013 and 2014 were less than its promise and less than the Queensland labour market averages from 2012 to 2014.

Both governments provided better outcomes than the pay freezes and pay cuts of many OECD counterparts (Lodge and Hood, 2012). However, the case study highlights the political rather than simply economic choices around the PSB and the importance of the bargaining relationship as well as the bargained outcome.

## The changing public sector bargain – Job security policies

Under the traditional PSB, job security was an important element of the career service model to provide a clear separation between politics and administration (Northcote and Trevelyan, 1854). In Queensland, changes to the job security element of the PSB have been more related to partisan than to economic choices. Queensland’s strong financial position meant that the Goss Labor government did not require the drastic downsizing pursued elsewhere (Coaldrake, 1991; Davis, 1995). However, employment security was weakened by extensive restructuring (Colley, 2012b), and by greater flexibility for chief executives to offer voluntary redundancy (PSMC, 1991).

From the mid 1990s, employment security aspects of the PSB became a consistent political and industrial issue (Colley, 2004). The Borbidge conservative government came to power in 1996 on a promise of stability, but immediately broke this bargain through extensive use of contract and temporary employment, and increased outsourcing. The Beattie Labor Government in 1998 re-stabilised the PSB with policies to maximise permanent employment, limit future restructuring, and use the public service as the preferred provider of services (QOPSC, 1999; QPSC, 2000). The GFC would continue partisan differences over this element of the PSB.

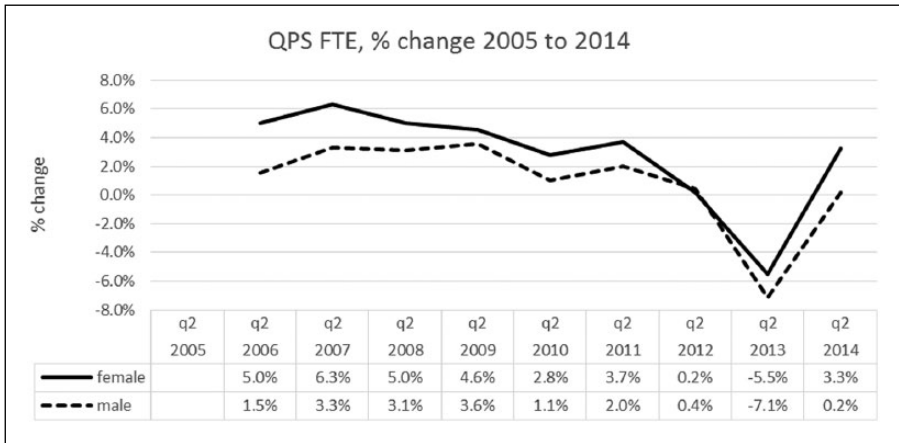
As the effects of the GFC became clearer, the 2009 election campaign provided a stark choice. The Opposition proposed expenditure reductions that would cut around 37,000 public service positions (Giles, 2009; Hawker, 2009). Premier Bligh campaigned on job creation, with a AUD17 billion capital works program to support the economy and create 100,000 jobs (Hawker, 2009). Bligh won the election but 5 days later announced a public service restructure that reduced the number of agencies from 23 to 13, assurances, however, that it would not lead to job cuts, with savings in non-front-line staff (such as finance, and human resources) being redirected to front-line services (Bligh, 2009a). The PSB was initially maintained to some degree. Surplus staff were redeployed, consistent with existing security commitments, and not consistent with the NPM ideal of flexibility. Initiatives favouring flexibility over employment security were targeted to senior staff (QPSC, 2009b), with scant union objection.

Nevertheless, later in 2009, the government enacted policy changes with the potential to severely alter the PSB. Agencies gained more flexibility to target voluntary redundancy packages and to make involuntary redundancy decisions that had previously been the province of the central Public Service Commission (QPSC, 2009a). Agencies were now free to manage redundancy in smaller, less contentious batches and with little external scrutiny. While the timing of these extended provisions was not related to the GFC, nevertheless the GFC provided a window of opportunity for such policy changes (QPS, 2010; QPS Unions, 2010b; QPSC interviewee 1 (discussion with senior policy officer), 20 January 2010).

The Newman conservative government, elected in 2012, had made pre-election promises of an improved PSB, committing to no reduction in public services and no forced redundancies (Newman, 2012a). Once in power, Newman reneged on these promises on the basis of widely questioned interim findings of the Commission of Audit. In July 2012, Newman claimed repeatedly that Labor had employed 20,000 more public servants than the state could afford (Newman, 2012b). He argued that his promise not to cut public services did not extend to an undertaking not to cut the number of public servants. Public servants saw this as a sleight of hand to breach the PSB.

New redundancy policies (QPSC, 2012a) substantially affected the PSB. Agencies could offer voluntary redundancy packages without exploring redeployment options. Involuntary redundancy was no longer a last resort but available when an agency deemed that it was not appropriate to continue to pursue an alternative placement. Despite escalating protests, in late July 2012, the government removed the employment security provisions with a new directive that provided:

Unions were not prepared to allow this breach of the PSB. Two major unions launched a legal challenge, arguing that the directive was unconstitutional as it breached the separation of



**Figure 1.** QPS, % change in Full time equivalent staff numbers 2005 to 2014.  
Source: QPSC (2005–2014a, 2005–2014b).

powers. The government however, rushed through legislation that permanently removed protections of job security and against outsourcing for the government workforce, except for police (Brennan and Ironside, 2012). The legislation easily passed in the house, stunning union leaders and invalidating their Supreme Court action (Brennan and Ironside, 2012). Public service union Secretary Alex Scott suggested that the matter would ultimately be decided in the court of public opinion (Hurst, 2012), and the manoeuvre indeed contributed to the ousting of the Newman Government in early 2015. One of the first acts of the new Palaszczuk Labor government was to write to all public servants to restore employment security.

These policy changes affected the profile of full-time equivalent (FTE) Queensland public servants. The number of FTE positions grew strongly in the prosperous years of 2005–2008 (from 163,485 to 187,972), and continued to grow under the Bligh government in the post-GFC period 2009 to 2012 (from 195,923 to 205,332) despite the restructuring/amalgamation of agencies and a voluntary redundancy scheme. Newman's attack on the PSB attracted so much hostility that he soon reduced his claimed staffing 'excess' from 20,000 staff to 14,000 FTE. The cut was achieved through 10,600 redundancies (costing AUD800 million) and the axing of 3400 temporary and vacant positions (Helbig and Ironside, 2012). However, these cuts were not sustained. The FTE staff profile was reduced from 206,881 to 191,197 by the end of 2013, but grew again to 196,857 by the end of 2014, although the latter figure masks the outsourcing of functions that was occurring in the background. Newman expended a large amount of political capital to breach the PSB but did not sustain the benefits.

Figure 1 shows these changes as a proportion of the workforce and by gender. Australian public services are feminised, with more than two-thirds of the workforce being women. The rate of feminisation slowed as the GFC progressed, and workforce regrowth in 2014 was largely female.

Under Labor government's policies supporting employment security, the proportion of permanent employment remained relatively stable, generally above 81%. The Newman

government policies to remove employment security reduced the figure to 78.7% at the end of 2014 (QPS MOHRI, 2007–2014).

The public sector changes had wider implications for the Queensland economy. The Queensland unemployment rate had been below the national average immediately before the GFC, between 2006 and 2008, and remained steady during the Labor government's stimulus approach until 2012. Under the Newman government's austerity policies Queensland unemployment rates exceeded the national average, even though they are unlikely to have included public servants whose redundancy payouts excluded them from registering as unemployed. Further, the previously booming population growth slowed to below 2%, as Queensland became a less attractive work destination.

## **Discussion**

The review of pay trends demonstrates that each government made contrasting choices in both the bargaining process and bargaining outcomes. Labor stood by its promised bargain for the sake of industrial harmony and despite the budget implications. Newman broke his promise to maintain and improve the bargain and the bargaining process, failing to negotiate a new enterprise agreement and going to war with unions, which led to widespread union mobilisation against the government in throughout the period and during the 2015 election campaign.

Employment security remained a prominent part of the PSB throughout the period. In policy terms, both governments continued the trend to water down redundancy provisions. For the Labor government, these policy changes were underpinned by a political commitment, enshrined in industrial instruments, to provide employment security and preferred provider status for the QPS. Again, the two governments took contrasting approaches. The Bligh government restructured the public service and attempted to provide policy protections for surplus officers (even though agency autonomy meant agencies could undermine these central policy commitments). In contrast, the Newman government used economic circumstances as its opportunity to pursue its policy preferences for smaller public service and weaker union and industrial conditions.

## **Conclusion: Partisan differences-solutions chasing problems**

This study provided an opportunity to consider changes to the PSB since the onset of the GFC and, in particular, to contrast the policy responses of two successive governments from 2009 to 2014. It confirms Lodge and Hood's (2012) observation that there is no single way of reshaping the PSB and that the 'no-alternative' response to fiscal and financial pressure is a myth. Each government pursued its own strategic choices and policies, which were generally consistent with their previous trajectory under vastly different economic conditions.

The Labor government maintained its PSB and model employer role, sustaining collective bargaining and fair pay outcomes, and choosing to approach adverse economic conditions with as little workforce impact as possible through restructuring of departments and a small asset divestment program. The conservative government chose to use austerity circumstances as an opportunity to achieve their broader goals, promising to

strengthen the PSB before the election, but then renege on promises and weakening the collective bargaining power of public servants and unions. This is consistent with the literature discussed earlier, where crises can provide a window of opportunity to depart from path-dependent approaches (March and Olsen, 1989; Peters, 2005) and to overrule the wishes of voters (Klein, 2007). The initiatives put forward by the Newman government were similar to those supported and attempted by the previous conservative government nearly 17 years earlier during prosperous economic conditions, but with a short-term 2-year government preventing implementation. These attacks on the PSB encouraged the mobilisation of generally non-militant public servants, and this lack of attention to the prevailing local political culture led to the Newman government's downfall. Austerity measures are demonstrated to be a matter of choice, and in this research were a continuation of ideological preferences and previous practices. It seems that, at least in Queensland, citizens are realising the need to link economic and social policy, and austerity is losing favour and having electoral consequences. It is increasingly clear that austerity is just one policy option rather than an inevitable economic policy.

Public sector unions responded to austerity as best they could, although perplexed that their usual methods of civilised negotiations failed. Under the Bligh Labor government, they expressed their dissatisfaction by mobilising in the 2012 election campaign and contributing to a change of government. Under the Newman Liberal/National government, they succeeded in mobilising public servants against job cuts and policy changes, but this proved ineffective at preventing such changes. They also demonstrated a preparedness to mount extensive legal challenges, which were also unsuccessful. Again, they mobilised at election time, and were a major contributing factor to the Newman government loss at the 2015 election. In the Queensland context, it seemed that the only successful union strategies for stopping austerity measures were election campaigns that led to electoral downfall.

The austerity circumstances arguably highlighted and exacerbated the institutional tensions that had emerged under NPM and other reforms. These reforms had reduced the powers of central personnel agencies through decentralisation of much power to agency level. The GFC was perhaps the first significant test of these reforms, where governments wanted to re-impose some central controls over recruitment or growth, but chief executives were reluctant to give up their autonomy. For example, changes to employment security policies demonstrated a lack of horizontal and vertical integration between central and line agencies. Under Bligh, the central HR agency emphasised employment security, while the central IR agency emphasised more accessible downsizing, and agency autonomy allowed discretion on which policy path to follow – a disconnection between policy intention and implementation. Under Newman, HR and IR were joined within one agency, which consistently reduced security and agencies were free to divest themselves of employees at will. One lesson is that NPM reforms have reduced central control, which only became an apparent issue when governments wanted to exert some control and restraint but weakened central agencies had few powers to force agencies to follow.

In this case study, Queensland citizens were not persuaded regarding the need for austerity measures, and there have been electoral consequences for neoliberal reform solutions that seem out of proportion to actual problems. If we look further afield, similar

events occurred in another Australian state, and in parts of the US and Europe. Even the International Monetary Fund (IMF) is cautioning countries to take a balanced approach. Only the future will tell if the political backlash is enough to stem the austerity tide. However, it seems that failure to keep commitments around the PSB can have dire electoral consequences.

## Funding

The author(s) received no financial support for the research, authorship, and/or publication of this article.

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