

**THE UNIVERSITY OF MELBOURNE
ECONOMIC RESPONSE PROGRAM (ERP) – “SECURING OUR FUTURE”
FINAL PROPOSAL
SEPTEMBER 2009**

Consultation Process

Under the Managing Change provision (Clause 85) of the University of Melbourne Enterprise Agreement 2006, the University is required to consult with staff likely to be affected by proposed changes and the Staff Consultative Committee, prior to making a decision to introduce major change in the services it provides (including contracting out), administrative methods or structure, organisation, forms of employment or application of technology which are likely to have significant effects on staff members.

In accordance with this provision, the University undertook a process to consult with staff and their representatives on the range of strategies contained in a Consultation Brief and obtained feedback in relation to these proposals. The period of consultation commenced on 28 July 2009 and concluded on 18 August 2009 - following an extension of the consultation period by one week to allow staff greater opportunity to consider the proposals.

During the consultation period, which was supported by a presentation to all staff by the Vice-Chancellor, Senior Vice-Principal and Vice-Principal (Human Resources), the total number of visits to the consultation website was 5,308 (with a total of 13,602 pageviews) and the University received a total of 149 feedback emails in response to the proposals.

The feedback received has been considered and a summary of the feedback together with the University's responses will be made available on the ERP website (available at: <http://www.erp.unimelb.edu.au>). This final proposal has incorporated a number of suggestions which were raised and supported through the feedback process into the consultation proposals including:

- Under the Freeze on External Hiring of Professional Staff, staff members who have been employed on a fixed term contract will be eligible to continue to apply for other internal vacancies for a three month period after the cessation of the fixed term contract.
- Also in relation to the Freeze on External Hiring of Professional Staff, advertising of any positions that seek to target Indigenous Australians will be specifically excluded from these provisions reflecting the University's commitment to its existing Indigenous Employment Strategy.
- Under the Flexible Leave and Working Arrangements (for which it is noted that there was strong support demonstrated in the feedback received), the current ten year service minimum requirement for the Phased Retirement program will be waived for any staff taking up this option as part of the ERP initiatives. The University will consider implementing this change as a permanent variation to the Personnel Policies and Procedures (PPP) Manual.
- Also in relation to the Flexible Leave and Working Arrangements, it is recognised that arrangements made in relation to staff who may be affected by the implementation of Responsible Division Management (RDM) in terms of

work location for example will require review and possible amendment following RDM implementation.

- The University will not proceed with its proposal to implement the proposed Fixed-Term Contract Review Program at this time. The University will continue to consult with staff and their representatives on a process to review fixed-term contracts prior to their expiry.

The feedback received during the consultation period has been taken into account prior to the preparation of this final proposal for the implementation of the ERP strategies contained in this document.

ERP Background

After an unprecedented decade of growth, the University faces a future where costs are increasing while the capacity for growth of income is limited and may not fully cater for emerging operating requirements. The factors which have impacted on the University's current and future financial position, include:

- The cumulative impact of inadequate indexation of Commonwealth funding which has, since 1996, resulted in a decline in the real rate of funding of around \$6 million a year.
- The loss of domestic undergraduate fee-paying places which will cost Melbourne around \$30 million a year in revenue forgone from 2010.
- The previous government's VSU legislation which reduced income by \$13 million a year and requires the University to redirect around \$6 million a year from other activities to keep student services alive and viable.
- While welcoming measures in the 2009-10 Commonwealth budget to improve funding rates for undergraduate students, the University notes this additional income will not begin to flow properly until 2012 at the earliest.

Additionally, the global financial crisis has impacted on the University's financial position through:

- a net loss in value of around \$191 million in investment income for 2008 with further reductions projected for 2009, necessitating a re-examination of the University's finances in light of the changed economic environment; and
- a slowing of the Federal Government's ability to respond with additional funding for the higher education sector.

For these reasons, the University must act to manage its costs in line with flattened operating income projections, which if left unchecked will preclude salary growth and potentially further affect job security for existing staff. The University is committed to managing the required cost reductions responsibly, strategically and with integrity while treating staff fairly, respectfully and with dignity.

A number of Faculties have indicated through the business planning cycle that they currently need to consider either reducing costs in order to operate within their budgets or are realigning their current structures due to reorganisation, and these include:

- Faculty of Medicine, Dentistry and Health Sciences. The Faculty is currently undertaking a reorganisation of its service delivery design as a result of its altered academic structures to enhance its teaching and research outputs and more effectively deliver business services.
- Faculty of the VCA & Music. The Faculty is engaged in the process of merging the two former entities, the Faculties of the VCA and Music. This involves removing duplication of both academic and professional staff positions and addressing the need to eliminate the integration support subsidy by 2011. The former VCA historically received a higher level of funding from Government than other university-based creative arts Faculties, in the order of \$5 million. On amalgamation, and after significant efforts to persuade Government to continue the subsidy, the University agreed to provide this subsidy from its own resources through to 2011, after which it will cease. The Faculty is also addressing the immediate challenge of reducing its 2009 operating deficit of more than \$1 million.
- Melbourne School of Land & Environments. The School continues to reorganise following exiting from regional campuses and TAFE and resultant changes in academic and research programs. Additionally, the School is restructuring its professional services to a shared services model in order to more effectively deliver professional staff services into the future and the need to identify financial savings from 2010.
- Melbourne School of Engineering is currently forecasting an ongoing deficit if immediate action is not taken to address costs.
- Faculty of Economics and Commerce is currently undertaking a professional staff reorganisation to better align with expected future needs.

These Faculties and Graduate Schools will separately consult with affected staff and their representatives in the future, prior to making any required decisions to implement significant changes (other than those contained in this paper) in response to these factors.

The proposals in this paper are designed to both respond to the University's current challenges and to assist in addressing the named Faculties' and Graduate Schools' priorities as outlined above.

The Proposed Economic Response Program

In response to this background, the University proposed and consulted upon an Economic Response Program containing a range of strategies. The purpose of this program is threefold, including:

- to adjust the University's cost base to align within a more constrained economic environment;
- to reduce the costs of administration across the University and enable maximum investment in the core teaching and research activity of the University; and,
- to assist the named Faculties manage their priorities as outlined above.

A number of cost reduction strategies including reducing non-salary costs by reforming purchasing arrangements, and re-engineering and reforming business processes are already underway and will continue.

Strategies which were consulted upon and on which feedback was received included:

- an expanded range of flexible working and leave arrangements, such as job share arrangements, options for purchasing additional annual leave and enhanced early and phased retirement options;
- a freeze on the hiring of new external professional staff which, supported by strengthened redeployment policies, will provide enhanced career development and placement opportunities for existing professional staff;
- tightening the renewal process for fixed-term contracts for professional staff so that those contracts will only be renewed where absolutely necessary; and,
- offering a limited number of voluntary redundancies for permanent (continuing) academic and professional staff where positions are no longer required.

Responsible Division Management

The Economic Response Program is a measured and considered approach to making reforms necessary to address the impact of largely external economic factors on the University. It should not be confused with Responsible Division Management (RDM) which is a separate program which the University began working towards developing in 2007. RDM recognises that the University is a large and complex organization, and to enable innovation and flexibility in Faculties and graduate schools, greater responsibility for decision-making and enacting those decisions should rest with the Heads of Budget Divisions rather than a more centralised approach. Adopting the RDM model requires giving greater delegated authority to Deans - devolving some administrative support services currently provided centrally to assist Budget Divisions to make effective and responsible decisions. In addition, some Budget Divisions are planning to aggregate services from departments or between Budget Divisions to a more sustainable scale. Re-organising to support RDM also enables new and improved business processes to be implemented more readily.

After 18 months of careful consideration and consultation, the new model will be implemented on 1 January 2010. Staff transition will be a necessary aspect of RDM as functions are transferred across the University and new streamlined business processes are rolled out. Separate consultation with staff and their representatives about significant changes inherent in the implementation of RDM will occur from mid-September 2009.

Whilst not part of the RDM program, the initiatives outlined in this paper will concurrently provide increased choice for staff who may be affected by RDM to make decisions about their future. Improving the efficiency of work processes through RDM should also help balance any reductions in staff numbers via the proposed ERP.

ERP Initiatives

The following four strategies – each outlined in turn below - have been designed as a co-ordinated and complementary package.

Strategy 1: Freeze on hiring of external Professional Staff

With a view to both protecting internal jobs and supporting career development and placement opportunities for existing professional staff, the University will impose a prohibition on external recruitment for all vacant professional staff positions through to 31 July 2010. Professional staff positions will continue to be advertised internally within the University to existing continuing and fixed-term staff (excluding casual staff), with precedence being given to any candidates who are currently within a formal placement or redeployment process in accordance with the University's policies and procedures. External applications received will not be considered for any vacancies.

Following feedback received during the staff consultation period, eligibility to apply as an "internal applicant" will also be extended to include any person who has completed a fixed term contract at the University of Melbourne during the three months immediately prior to the closing date for applications for the relevant vacancy.

The hiring freeze will also include prohibition on the following:

- Appointments by invitation or waiver of advertising;
- Use of recruitment/temporary agencies.

Any extended increased use of independent contractors or casual staff would also be closely monitored throughout the period of operation.

In exceptional circumstances, the Hiring Freeze Standing Committee can authorise exemptions to the freeze for:

- a. Higher Education Worker Level 8 and above positions:
 - which have been advertised internally; and
 - it is demonstrated that no existing staff applicants meet the selection criteria.
- b. Positions which are specialist in nature where a clear operational imperative exists as determined by the Hiring Freeze Standing Committee.

The Standing Committee, which will meet each Friday, will consist of any three of the following five members, being:

- The Senior Vice-Principal or nominee;
- The Vice-Principal (Human Resources) or nominee;
- A Faculty General Manager on a rotating basis;
- A Vice-Principal on a rotating basis; and
- A senior professional staff member on a rotating basis.

The University has made a commitment to increasing the number of Indigenous people employed and has developed an Indigenous Employment Strategy. Advertising of any positions that seek to target Indigenous Australians are specifically excluded from these provisions.

Where a continuing staff member is currently employed in a fixed term position elsewhere in the University and is offered a second fixed-term contract in that position, the staff member may either request conversion to continuing in that position or may elect to relinquish the substantive position. During the hiring freeze, internal advertising of a position will be deemed to satisfy the external advertising requirement for conversion to continuing employment.

Workloads for existing staff will need to be carefully monitored and managed by Budget Divisions across the period of operation. This may involve adjusting output/productivity expectations in some instances. As part of this strategy, Budget Divisions will be provided with additional support for job re-design & process re-engineering in order to increase efficiency and better match resourcing with task requirements.

Strategy 2: Fixed Term Contract Review Program

The University will not proceed with its proposal to implement the proposed Fixed-Term Contract Review Program at this time. The University will continue to consult with staff and their representatives on a process to review fixed-term contracts prior to their expiry.

The renewal process for all professional staff fixed-term contracts will be tightened. Fixed term contracts for Professional Staff will be subject to close review at both the Budget Division level and by the Vice-Principal (Human Resources) prior to renewal. The review will initially consider all fixed term contracts due to expire prior to 31 December 2009, and this process would also be undertaken in 2010 for contracts expiring within that period.

To be eligible for renewal, fixed-term contracts for professional staff will be required to meet the following selection criteria:

- Fixed Term (Specific task or project) contracts: It is expected that these contracts would cease on the specified end date and would not be renewed. It will need to be demonstrated that the specific task or project is required prior to renewal being considered;
- Fixed Term (Research) contracts: To be closely reviewed by the Budget Division subject to research requirements.
- Fixed Term (Externally funded) contracts: To be closely reviewed by the Budget Division subject to availability of the associated external funding; and
- Fixed Term (Other) contracts: To be closely reviewed by the Budget Division and there must be a demonstrated operational requirement for the work to continue.

Fixed term staff whose contracts will not be renewed will continue to be eligible to apply for other internal vacancies during their period of employment and for a three month period after the specified end date of their fixed term contract.

The review will include a process for the early termination of longer-term fixed term contracts, where the work is no longer required. This provision would be in accordance with the University's policies in relation to the early termination of fixed term contracts.

Strategy 3: Flexible Leave & Working Arrangements

The University will also offer a broad and flexible range of employment options, including:

- Under the ERP, the University will enhance the benefits for early retirement, pre-retirement and phased retirement currently available under the University's policies and procedures. Staff entering into any of the retirement arrangements in writing prior to 31 December 2009 with an agreement to cease employment by 30 June 2011 will also be offered a lump sum incentive of \$10,000 gross, (subject to signing a deed of release), in addition to the normal benefits. Additionally and in response to feedback received, the current ten year service minimum requirement for the Phased Retirement program will be waived for any staff taking up this option as part of the ERP initiatives.
- A Work-Life Balance Initiative, under which staff may apply to reduce their time fraction by at least 10% for a 12 month period and, as an incentive will be offered two additional days of paid leave (For example: Labour Day and Melbourne Cup Day). The minimum available time fraction available under this initiative would be 50% FTE.
- The broadening of the 48/52 scheme (being the purchase of an additional 4 weeks of annual leave) to include more flexible purchase of additional annual leave. Under this strategy and subject to maintaining minimum wage conditions, additional annual leave of between 2 – 6 weeks can be purchased by a corresponding reduction in annual salary, deducted each fortnight across a twelve month period. This scheme will also be extended to part-time staff with a time fraction of 50% FTE or greater. These amendments will be available to staff from 1 January 2010.
- A Well Being and Career Change Opportunity Initiative, under which both professional and academic staff can apply for 6 to 12 months leave without salary to pursue study and/or alternative careers, focus on parenting and/or carer responsibilities. One month's salary will be offered as an incentive for staff whose leave application was approved under this scheme.
- A Supporting the Communities We Serve Initiative, under which staff wishing to explore a career move to or volunteer in the not-for-profit sector can apply for 6 to 12 month leave without salary. One month's salary will be offered as an incentive for staff whose leave application is approved under this scheme.
- A Parenting Support Initiative, under which staff who have completed maternity leave and Return to Work can apply to reduce their time fraction and/or take up job share opportunities for 6 to 12 months
- A Formalised job share program, under which staff members can express their interest in job share. The staff member's name will be added to a data base of possible job share positions/opportunities for job match.

University Wide Cost Reduction Measures

The University also consulted upon closure on 22 – 24 December 2009 inclusive, with mandated use of 3 days annual leave. The University will not proceed with this proposal in 2009, but a similar period of closure may also be considered for the period around Christmas 2010. Such a proposal will be the subject of separate consultation with staff and their representatives.

All staff will be required to schedule the taking of at least 20 annual leave days (or pro-rata equivalent for part time staff) during 2010 and for staff with accrued annual leave balances in excess of 15 days as at 31 December 2009 to schedule and take a minimum of 25 days of annual leave during the course of 2010.

Strategy 4: Voluntary Redundancy Program

As a part of the wider framework of strategies, the University will offer to both professional and academic staff a limited voluntary redundancy program. If fully subscribed and subject to cost savings and the aggregate amount of the actual voluntary redundancy packages, it is estimated that the total number of offered voluntary packages will be around 50 professional staff and around 50 academic staff positions.

Participation in this initiative is voluntary and no staff member will be pressured or coerced into accepting an offer of voluntary redundancy.

Proposed Eligibility Conditions:

All professional and academic staff who meet the following eligibility criteria may apply to be considered.

- All confirmed, continuing professional staff;
- All confirmed, continuing academic staff, with preference given to staff in priority Faculties as outlined above;
- Not otherwise have received redundancy benefit in the previous two (2) years;
- Not have a pre-existing retirement or other cessation agreement;
- Casual and fixed term staff are ineligible;
- Senior executives and those otherwise employed on a performance based contract are ineligible.

Applications for voluntary redundancy do not guarantee that any staff member will be able to leave. Each application will be considered on a case by case basis by the University. Specifically, the University will consider whether the position occupied can be declared excess to requirements and not be replaced. It is however anticipated that, if approved, academic staff positions will be declared redundant on at least one of the following grounds under Clause 80.2 of the Enterprise Agreement:

- (a) a decrease in student load in any academic course or subject or combination; or mix of courses or subjects conducted on one or more campuses; or
- (b) a decision to cease offering or to vary the academic content of any course or subject or combination or mix of courses or subjects conducted on one or more campuses; or
- (c) financial exigency within an organisational unit or cost centre; or
- (d) changes in technology or work methods.

Similarly, it is anticipated that, if approved, professional staff positions will be declared redundant on at least one of the following grounds under Clause 81.2 of the Enterprise Agreement:

- (a) changes in work methods; or
- (b) re-organisation; or
- (c) financial exigency.

Terms of Acceptance:

- Cessation by no later than 31 December 2009;
- Prohibition on re-employment for an agreed two year period after cessation (any future applications for sessional employment for academic staff will be considered on a case by case basis);
- Subject to signing a deed of release including agreeing not to reapply for employment at the University for a minimum two year period after cessation in exchange for the voluntary incentive payment (see below);
- At the time of the termination of employment, there must be no agreement, arrangement or understanding between the staff member and the University to employ the staff member after termination;
- Redundancy payments made under the Voluntary Redundancy Program will be paid as bona fide redundancy payments;
- In the event that acceptable applications for voluntary redundancy exceed the required reductions, the total number of acceptances would be capped and preference would be given to applications from priority Budget Divisions.

Voluntary Redundancy Benefits:

A redundancy package based on the University of Melbourne Enterprise Agreement 2006 (EA) provisions but enhanced by additional benefits will be offered. Benefits will include:

- Bona Fide redundancy package being:
 - Professional staff: based on the EA provisions – ie either 3 weeks per year of service or the age based scale (whichever benefit is greater), both capped at 52 weeks.
 - Academic staff: based on the EA provisions and capped at 82 weeks (including the 8 week transition period).
- Subject to the ATO provisions based on length of service and age, the bona fide redundancy payment attracts concessional tax, including tax-free components.
- Voluntary incentive payment of \$10,000 (gross).
- A comprehensive package of career transition services, including career advice and planning services and assistance with curriculum vitae preparation etc, as provided by an external, specialist provider.
- Payment of accrued annual & long service leave entitlements.

General Criteria:

The primary criterion for acceptance of both professional and academic staff application by the University is **whether or not it considers the position can be deemed to be excess to requirements and, therefore, would not be replaced.**

When making this determination the following will be considered by the University:

- Whether the duties of the position are no longer required or will be substantially changed, for example as a result of:

- variations to academic programs or the delivery of those programs, or to priority research areas; or
- changes in work methods or reorganisation, including those likely to follow RDM implementation (professional staff only)
- Whether the work group can be restructured to accommodate the loss of the position. This may be through the aggregation of similar services or, within reason, the distribution of duties between other employees.

Applications will not be accepted where the University considers that declaring the position redundant would have an unreasonable impact on operations, including on teaching and learning and research outcomes, or service quality, or where the elimination of the position would have workload consequences for other staff that could not be reasonably managed.

Details of the specific criteria are shown below.

Specific Criteria

For both academic and professional staff applications

- The position occupied by the staff member can be deemed to be excess to requirements and will not be replaced.

AND:

- The balance and total number of redundancies both within the Budget Division and across the University is appropriate having regard to:
 - the skills, competencies and critical University knowledge required to be retained;
 - the need for priority to be given to Budget Divisions with existing budget deficits; and
 - the cost of the total number of redundancies is able to be accommodated within the program's budget.

For professional staff applications

Professional Staff applications for voluntary redundancies will not be approved where departures would unreasonably impact on:

- Ongoing service quality and timeliness,
- The efficient and effective operation of the department and/or the University as a whole,
- Maintenance of high quality teaching and learning outcomes, and/or
- Research outcomes.

For academic staff applications

Academic Staff applications for voluntary redundancies will not be approved where:

- approval would unreasonably impact:

- The efficient and effective operation of the department and/or the University as a whole; and/or
- Maintenance of high quality teaching and learning outcomes, and/or
- Research outcomes, as evidenced by factors including research activity status in accordance with the relevant Faculty's definition.

If the number of applicants occupying interchangeable positions exceeds the number of voluntary redundancies on offer, then the acceptance or rejection of one staff member's application over another's will take into account:

- The relative impact of declaring the position redundant on the effective and efficient operation of the Budget Division; and,
- The relative skills, competencies and critical University knowledge of each applicant.

Staff Support and Informed Decision Making

It is envisaged that applications for voluntary redundancy packages will open in early September 2009 and will close on 9 October 2009. In making a decision to apply for voluntary redundancy, staff will be supported through detailed information packs, web-based information tools (available at: <http://www.erp.unimelb.edu.au>), a series of open staff forums and will also be encouraged to seek individual advice from Unisuper (or other relevant superannuation provider) and/or a financial planner.

The career transition provider, Lee Hecht Harrison (LHH), will also partner with the University in providing a series of information sessions designed to assist staff with making informed choices about the range of career and departure options which will be available over the coming months.