

**THE UNIVERSITY OF MELBOURNE
PROPOSED ECONOMIC RESPONSE PROGRAM – “SECURING OUR
FUTURE”
CONSULTATION BRIEF
JULY 2009**

Purpose

Under the Managing Change provision (Clause 85) of the University of Melbourne Enterprise Agreement 2006, the University will consult with staff likely to be affected by a proposed change 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 is commencing a process to consult with staff and their representatives on a range of proposed strategies contained in this paper and is seeking feedback in relation to these proposals as detailed below. Ways of providing feedback are detailed at the end of this paper.

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 proposes an Economic Response Program containing a range of strategies – including both staffing-related and non-salary related 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 under discussion in the consultation will include:

- 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 1 September 2009.

Whilst not part of the RDM program, the proposals 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.

Proposals for Consultation

The proposed strategies that may potentially impact upon staff are set out below in this paper for consultation with staff and staff representatives. Each of these strategies will be addressed in turn and feedback is invited, both in relation to these proposals and in relation to any additional strategies for addressing the issues as outlined above. Although presented individually these strategies are a co-ordinated and complementary package.

Strategy 1: Freeze on hiring of external Professional Staff

It is proposed that the University will impose a prohibition on external recruitment for all vacant professional staff positions through to 31 July 2010, with a view to both protecting internal jobs and supporting career development and placement opportunities for existing professional staff. 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.

If implemented, 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.

It is proposed that, in exceptional circumstances, the Senior Vice-Principal (SVP) could 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 SVP.

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 proposal, 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

It is proposed that 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 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.

Under these proposals, 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. If the specific task or project is demonstrated to be required beyond the initial end date, it will need to be determined that no continuing staff member who is excess to requirements¹ could undertake the role prior to renewal being considered;
- Fixed Term (Research) contracts: to be renewed only after it is determined that no continuing staff member who is excess to requirements could undertake the role;
- Fixed Term (Externally funded) contracts: to be renewed it will need to be determined that no continuing staff member who is excess to requirements could undertake the role; and,
- Fixed Term (Other) contracts: only to be renewed there must be both a demonstrated requirement for the work and it will need to be determined that no continuing staff member who is excess to requirements could undertake the role.

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.

It is further proposed that the review would 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.

¹ Being a staff member who is currently engaged in a formal placement or redeployment program under the University's policies and procedures.

Strategy 3: Flexible Leave & Working Arrangements

In formulating these proposals, the University proposes to also offer a broad and flexible range of employment options, including:

- Enhanced early retirement, pre-retirement and phased retirement options as per the University’s policies and procedures. It is proposed that staff entering into any of the retirement arrangements with an agreement to cease employment by 30 June 2011 would also be offered a lump sum incentive of \$10,000 gross, (subject to a deed of release), in addition to the normal benefits.
- A Work-Life Balance Initiative, under which it is proposed that staff could 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 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 proposal and subject to maintaining minimum wage conditions, annual leave can be purchased by a corresponding reduction in annual salary, deducted each fortnight across a twelve month period.
- A Well Being and Career Change Opportunity Initiative, under which it is proposed that both professional and academic staff could 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 would be offered as an incentive for staff whose leave application was approved under this scheme.
- A Supporting the Communities We Serve Initiative, under which it is proposed that staff wishing to explore a career move to or volunteer in the not-for-profit sector could apply for 6 to 12 month leave without salary. One month’s salary would be offered as an incentive for staff whose leave application was approved under this scheme.
- A Parenting Support Initiative, under which it is proposed that staff who have completed maternity leave and Return to Work could apply to reduce their time fraction and/or take up job share opportunities for 6 to 12 months
- Formalised job share program, under which it is proposed that staff members could express their interest in job share. The staff member’s name would be added to a data base of possible job share positions/opportunities for job match.

University Wide Cost Reduction Measures

The University may also consider closure on 22 – 24 December 2009 inclusive, with mandated use of 3 days annual leave. A limited number of staff (primarily engaged in VTAC selection activities, student progress activities in Faculties, payroll processing and end-of-year financial reporting etc) may be exempted from this requirement, if work exigencies so require, upon the approval of their Head of Budget Division. A similar period of closure may also be considered around Christmas 2010.

Requirements for all staff 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 are also being considered. Feedback is also invited in relation to these additional proposals.

Strategy 4: Voluntary Redundancy Program

As a part of the wider framework of strategies, it is proposed that 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 would be around 50 professional staff and around 50 academic staff positions.

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

Proposed Eligibility Conditions:

All professional and academic staff who met the following eligibility criteria could 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 previous two (2) years;
- Not have a pre-existing retirement or other cessation agreement;
- Casual and fixed term staff ineligible;
- Senior executives and those otherwise employed on a performance based contract ineligible.

Applications for voluntary redundancy do not guarantee that any staff member will be able to leave. Each application would 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.

Proposed 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 would 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.

Proposed Benefits:

A redundancy package based on the University of Melbourne Enterprise Agreement 2006 (EA) provisions but enhanced by additional benefits. Benefits are proposed to 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.
- Deed of release.

Proposed 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.

Proposed 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

If a decision is taken to implement this strategy following the consideration of the feedback received during this consultation process, it is envisaged that applications for voluntary redundancy packages would open in late August 2009 and would close on or about 30 September 2009. In making a decision to apply for voluntary redundancy, staff would be supported through detailed information packs, web-based information tools, a series of open staff forums and would also be encouraged to seek individual advice from Unisuper (or other relevant superannuation provider) and/or a financial planner.

Proposed Timeline for ERP Implementation (if decision to proceed is made)²

Date:	Action:
28 July 2009 – 18 Aug 2009	Consultation Period for provision of feedback in relation to proposals
By week commencing 24 August 2009	Consideration of the feedback received by the University and any final decision announced
From mid -late August 2009	Implementation of strategies as approved (including hiring freeze, fixed term contract review, voluntary redundancy program and alternative employment strategies) and rollout of detailed information packs and open staff information forums
End September 2009	Close of applications for Voluntary Redundancy Program (if proceeding)
By end October 2009	Staff members advised of outcome of VRP applications
31 December 2009	Last date of departures under VRP proposals

² Consultation period extended to 18 August 2009 as per announcement made on 4 August.

Feedback

The University will consult with staff, their representatives and with the University’s Staff Consultative Committee. A consultation period will commence on Tuesday, 28 July 2009 and will conclude strictly by 5.00 pm on **Tuesday, 18th August 2009³**.

During this period, feedback on the proposals contained in this document can be provided by email to:
erp-feedback@unimelb.edu.au. Additionally, written submissions in relation to any other measures will also be welcomed.

Feedback received during the consultation period will be taken into account prior to making a final decision to implement the proposals detailed above.

³ Consultation period extended to 18 August 2009 as per announcement made on 4 August.