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ELRR

The Economic and Labour Relations Review
2022, Vol. 33(1) 56–79

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Pandemic effects on public service employment in Australia

Linda Colley and Shelley Woods
School of Business and Law, Central Queensland University, Brisbane, AU-QLD, Australia

Brian Head
The University of Queensland, Brisbane, AU-QLD, Australia

Abstract

The COVID-19 pandemic is sending shockwaves through communities and economies, and public servants have risen to the novel policy challenges in uncharted waters. This crisis comes on top of considerable turmoil for public services in recent decades, with public management reforms followed by the global financial crisis (GFC) leading to considerable change to public sector employment relations and a deprivileging of public servants. The research adopts the lens of the 'public service bargain' to examine the effects of the pandemic across Australian public services. How did Australian public service jurisdictions approach public employment in 2020, across senior and other cohorts of employees? How did this pandemic response compare to each jurisdictions' response to the GFC a decade earlier? The research also reflects more broadly of the impact on public sector employment relations and to what extent pandemic responses have altered concepts of the diminished public service bargain or the notion of governments as model employers?

JEL Codes: J45

Keywords

public service bargain, pandemic, Global Financial Crisis, wage freeze, downsizing, Australia, public sector reform, austerity

Corresponding author:
Linda Colley, School of Business and Law, Central Queensland University, Level 21, 160 Ann Street, Brisbane, AU-QLD 4000, Australia.
Email: l.colley@cqu.edu.au

Introduction

The COVID-19 pandemic is sending shockwaves through communities and economies, as the health crisis extends into an economic and social crisis. The Organisation for Economic and Co-operation and Development [OECD] (2021) observed that governments have implemented response measures, unprecedented in scale and speed, in order to mitigate the impact. Public service executives and their teams have been at the forefront of the pandemic response but have themselves been subjected to considerable turmoil in recent decades as public management reforms significantly changed public sector employment relations.

Traditionally, governments were perceived as 'good' or model employers (Althaus and Vakil, 2013; Pollitt and Bouckaert, 2011), albeit some scholars have critiqued this as myth or aspiration rather than reality (Coffey and Thornley, 2009). Hood (2000) describes a broader 'public service bargain', where public servants were given certain rewards in return for competence and loyalty. Public sector reforms radically re-shaped the public service bargain and deprivileged public servants (Bach and Bordogna, 2011; Hood, 2000). For example, reforms aimed at increasing public service responsiveness led to creation of a separate Senior Executive Service cohort with lesser job security arguably at the expense of frank and fearless advice. The Global Financial Crisis (GFC) led to new forms of austerity and further diminishing of the bargain (Colley, 2016), although it is debatable whether the austerity was a necessary policy response or crisis-cloaked opportunism to depart from usual paths and institutional approaches (Colley and Head, 2013; March and Olsen, 1989; Peters, 2005). The GFC responses led to significantly different outcomes for higher-and lower-level staff and across jurisdictions. Scholars have observed that there is no single crisis response across countries (Hood, 2000; Lodge and Hood, 2012).

This research considers how government responses to recent crises such as the pandemic and GFC have affected the public service bargain. It begins with an outline of approaches to public employment, including traditional, reform and crisis contexts. The paper then provides a comparative study of Australian federal and state public services, reflecting on the impact of GFC responses and then pandemic responses on the public service bargain. It asks: How did Australian public service jurisdictions approach public employment in 2020, across senior and other cohorts of employees? How did this pandemic response compare to each jurisdictions' response to the GFC a decade earlier? The final section reflects on the extent to which universal crises such as the GFC and COVID-19 pandemic led jurisdictions to implement similar measures, or to continue the existing partisan or neoliberal agendas and pathways of reform.

The paper makes several contributions to the body of knowledge on public service bargains. It develops knowledge of the public service bargain and provides valuable comparative study at several levels. First, the review of each Australian public service to the public service bargain provides for comparison across jurisdictions and contexts. Second, the study compares responses to two crises, being the GFC and the pandemic, to consider the differential effects on the bargain. It finds that the pandemic response to date has been more moderate than the GFC response and with much less impact on each element of the public service bargain, as well as fewer partisan differences between jurisdictions. The discussion considers reasons for these trends, including the economic contexts preceding each crisis, and the timing of analysis (as we are still in the midst of the pandemic). Third, the study provides a novel comparison across senior and lower public service levels, to identify the extent to which the differentiated models of employment were affected during the crises. It finds that SES officers were affected to a greater extent than lower-level staff during the GFC but faced a more similar impact during the pandemic. Of course, with the pandemic response still unfolding, these are preliminary observations.

Public employment in reform and crisis contexts

The model employer aspiration. Until the late 1970s, governments were generally perceived as 'good' or 'model' employers (Althaus and Vakil, 2013; Bourgault and Van Dorpe, 2013; Morgan and Allington, 2002: 35; Pollitt and Bouckaert, 2011). Coffey and Thornley (2009) note how the concept has been sustained across time and across the world in advanced or developing economies. The model employer concept encompasses notions of reasonable pay and working conditions, acceptance of unions, fairness and equity, and relative job security, with governments modelling these employment behaviours to the private sector. Some scholars question this description of public employment as hollow or a myth, with government having always sought to dampen public sector wage growth, and acted on economic downturns (Coffey and Thornley, 2009; Fairbrother and Carter, 1999; Morgan and Allington, 2002), with the term used more as an aspiration rather than the norm.

Beyond these employment conditions, Hood (2000) describes the broader 'public service bargain', being the implicit or explicit agreement or set of understandings, between public servants and others in society, about the public servant's duties and responsibilities. There are three key components to the bargain. The first is *rewards*, which overlaps with the model employer aspiration of decent pay, job security and fair conditions. The second and third elements are *competence* and *loyalty*, which are supported through merit-based recruitment and tenure, to serve the government of the day and provide stable governance beyond electoral cycles (Colley, 2016; Hood, 2000; Lodge and Hood, 2012; O'Donnell, 1996). The nature of the public service bargain varies across countries, according to specific institutional and reform contexts, but these elements of the bargain provide a useful heuristic to consider changes across time.

Public employment in the reform context

The advent of New Public Management (NPM) reforms led to further changes to the public service bargain. The goal of being a model employer gave way to a preference to emulate private sector employment approaches (Bach and Bordogna, 2011). While some of the deprivileging of public employment was a by-product of managerial, financial and organisational reforms (Colley, 2012; Pollitt and Bouckaert, 2011), other reforms were designed specifically to alter the traditional model.

For example, the creation of Senior Executive Services adversely affected all elements of the traditional bargain, and some might even argue removed executives from the bargain. Senior Executive Service schemes were designed as a separate cadre of employees with distinctive employment conditions (see Halligan, 1991; Renfrow et al., 1998; Uhr, 1991). Examples include different recruitment processes, removal of merit protections and their conditions established in fixed-term contracts rather than broader awards and agreements. These separate employment conditions potentially make them more vulnerable. The loss of tenure reduced traditional career notions, affecting the reward and loyalty elements of the bargain, and potentially competence through the loss of frank and fearless advice. The potential to recruit for generalist rather than specialist skills without merit protections, together with outsourcing reforms, potentially affected competence and led to some hollowing out of the state.

The model employer reputation was further eroded through neoliberal austerity measures, namely, those mechanisms 'aimed at reducing the fiscal and economic footprint of the public sector, while changing the ways in which social services and public infrastructure are provided' (Henderson, 2018: 116). Austerity reforms affected all aspects of the public service bargain, with wage restraint reducing rewards, and downsizing and outsourcing affecting the competence and loyalty elements of the bargain.

Public employment and the GFC

The standing of public employment was already at a low point before the GFC due to NPM reforms (Colley, 2012). Economic crises gave a new context to the already favoured neoliberal notions of austerity, and often 'provided political leaders with the opportunity to introduce contentious reforms … which may have proven unpopular or unacceptable in earlier times' (Colley and Head, 2014). Hood and Lodge (2006: 153–154) note 'sudden changes in habitat or environment' – the disruption of a system in which a public service bargain is an integral part – as one of the reasons public service bargains 'change and fall'. Ironically, the reforms that diluted the public service bargain also weakened state capacity to foresee and regulate against market risks such as the GFC (Peters et al., 2011).

While the public sector can be perceived as being less at risk than the private sector during an economic crisis, this was generally not the case during the GFC, which further diluted all aspects of the public service bargain. Austerity measures were adopted early by many OECD countries and led to widespread erosion of each of the components of the public service bargain (Lodge and Hood, 2012; OECD 2012: 22–23). Many countries implemented a variety of *price adjustment* strategies (i.e. reducing the cost of each employee) in their national public services, such as: pay freezes in the United Kingdom (UK), the United States (US), France and Spain; pay cuts in Germany, Ireland, Greece and elsewhere; cuts to redundancy benefits in the Netherlands; and cuts to higher-level staff salaries in Iceland (Lodge and Hood, 2012; OECD, 2012). Many countries also implemented *quantity adjustment* strategies, from moderate measures such as recruitment freezes; to more enduring downsizing such as: Ireland shed 30,000 public service jobs between 2009 and 2013 (Whitfield, 2013); the UK cut 500,000 public sector jobs between 2010 and 2012 (Bach, 2016): and US state and local governments cut 750,000 jobs between 2008 and 2013 (Hinkley, 2020). In contrast, public sector wages continued to increase in Denmark, Norway, Sweden, Finland, the Netherlands and Germany between 2010 and 2013 (Michael and Christofides, 2020).

The variety of GFC responses suggests that there is no single path towards economic recovery (Lodge and Hood, 2012), and hence no inevitable change to the bargain. A change of government mid-GFC sometimes led to a change in strategy within a country, as seen in the UK where the Labor government implemented Keynesian policies in the early part of the GFC, but the incoming Conservative-led coalition planned austerity measures (Griffiths and Kippin, 2017: 417). Many scholars agree that the GFC provided cover for opportunism to pursue preferred policies. Whitfield (2013: 15, 16) suggests that the proponents of austerity 'were equally committed to embedding neoliberalism in the public sector … and reconfiguring the role of the state'. Bach (2016: 25) argues that, since the GFC, 'a narrative of crisis and public sector excess has been used to diminish the size and protective role of the state … in concerted attempts to demobilise and deprivilege the public sector workforce'. Crises can either thwart or enable policy change and reform, with some politicians' intent to 'not waste a good crisis' (Randma-Liiv and Kickert 2017: 91).

Lodge and Hood (2012) identify four potential state responses – the directing state, the hollow state, the communitarian state and the barely coping state – each leading to different outcomes for the variety of public service bargains across OECD countries. The directing and hollow states were considered to be the most likely for central level governments into the future and each has quite different capacity depending on their public service bargain. For example, governments seeking stimulus and interventions in the early part of the GFC may have found that difficult if they had hollowed out public service capacity through outsourcing and encouraged short-termism through executive contracts. Cut-backs 'imposed new competency and loyalty demands on the surviving public servants' as they cut colleagues and cut or revised cherished programmes (Lodge and Hood, 2012). Short-term wage cuts and downsizing created long-term distortions in public employment conditions (World Bank, 2020) and public services in some countries failed to fully recover from the GFC austerity measures that exposed pre-existing 'flaws and fault lines' in national economies (Whitfield, 2013).

Public employment in the COVID-19 pandemic context

The COVID-19 pandemic began as a health crisis but evolved into a health, social and economic crisis. The International Labour Organization (ILO, 2020: 1) describes it as 'the worst crisis in the world of work' since World War II and suggests that economic recovery will require 'big government' and the knowledge and skills of public servants. However, as discussed earlier, under the diminished bargain, many public services were poorly placed to manage it (Berry, 2020).

While it is early to be reflecting on the effects, early evidence suggests that public services have borne the brunt of the economic impact in some countries. The World Bank highlights that public sector wages account for around 8% of global gross domestic product (GDP) and 30% of government expenditure, making the sector an easy target for austerity measures (World Bank, 2020). *Price adjustment measures* are evident in many

https://doi.org/10.1177/10353046211056093 Published online by Cambridge University Press

countries. In April 2020, New Zealand government ministers and chief executives agreed to a 20% pay cut for 6 months (Hunt, 2020) although subsequent news stories suggest this was voluntary and one in five had declined to take a cut (Leahy, 2021). The UK government initially rejected a wage freeze but implemented a pay pause for 2021 except for staff of the National Health Service (NHS) and those on low incomes (Sunak, 2020). Several US states cut merit raises and/or froze salaries (Flink, 2020). Public sector wage freezes in times of austerity are controversial, given the potential flow-on effects to the broader economy (Stanford, 2020).

Quantity adjustment is also evident across countries. Some chose the less disruptive option of a freeze on recruitment, such as some US state public services (Flink, 2020). Some pursued the more drastic option of job cuts. For example, in April and May 2020, other US state and local governments laid off or furloughed 1.5 million workers (Flink, 2020). In contrast, some countries took more Keynesian approaches within their public services. The New Zealand government rejected austerity measures in its Budget, committing to jobs creation, with hundreds of additional positions created at the Ministry of Social Development (Treasury, 2020).

Approach

To this point, the research has canvassed the public employment concepts of the model employer and the public service bargain and how these changed under the pressure of public management reforms, an economic crisis and now a health crisis with economic effects.

The research now examines the concepts in more depth through a study of Australian public services including the federal public service and all six state public services. This scope provides a comprehensive picture of developments across the Australian nation. The majority of public employment is within state jurisdictions, which have primary responsibility for functions such as: 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. The federal public service has responsibility for national level issues, such as defence, taxation, immigration and social security.

Primary and secondary data was drawn from political bureaucratic, industrial and news sources to triangulate perspectives. Central personnel and industrial relations agencies are the prime source of data on public employment. Data on public service wage increases or decisions around wage freezes were drawn from central personnel and industrial agency documents such as wages policy and regulations, supplemented by trade unions newsletters and documents drawn from their websites. Data on recruitment freezes and downsizing were identified from bureaucratic sources (such as central agency websites and annual reports) and confirmed through supplementary information from political sources (such as parliamentary Hansard transcripts) and industrial sources (such as trade union newsletters). The GFC element of the study draws on earlier research, which used these sources (Colley, 2012).

The following sections provide a brief summary of Australian public service responses during the GFC and the pandemic, and Table 1 provides a summary comparison for each jurisdiction as at early 2021.

Australian public service responses in recent crises

GFC crisis responses in Australian public sector employment. Australia weathered the GFC better than many countries, but federal and state governments took differing approaches nonetheless, and already embattled public service bargain deteriorated further.

At the national level, successive governments took contrasting approaches. The Rudd/Gillard Labor governments were in power until 2013 and took an economic stimulus approach to recovery, but nonetheless implemented a small downsizing programme of 2000 Australian Public Service (APS) staff. The Abbott Liberal-National Coalition government elected in 2013 committed to wide-reaching austerity measures including a pledge to cut 16,500 jobs. Public service agencies were forced to find productivity offsets, implement a freeze on external recruitment for most positions, and cut jobs and employment conditions in return for modest pay increases (Williamson, et al., 2016). This suggests partisan difference in the reward and loyalty elements of the bargain.

At state level, governments on both sides of state politics introduced price adjustment measures in response to the GFC. Several governments capped wages growth at 2.5%, which was low by the prosperous standards at the time (Colley, 2012, 2016). The rationale for wage restraint was three-fold, including genuine cost-containment, modelling restraint for the broader labour market and the political desire to be seen to take austerity measures (Colley, 2012). This represents both a reduction of rewards and a constraining model employer role.

While governments in every jurisdiction pursued some form of quantity adjustment to the size of their public service, partisan preferences became evident when governments changed (Colley, 2012). For example, in Queensland, the Labor government introduced a small voluntary severance scheme, but the conservative Liberal-National Party (LNP) coalition government elected in early 2012 took a more aggressive approach by removing 20,000 people (14,000 full-time equivalent positions) through voluntary and forced severances (Colley, 2012, 2016). Victoria's Labor government chose a 3% cap on public sector growth rather than job cuts, but the Liberal government elected in 2010 announced plans for 3500 redundancies (10% of the workforce) (Colley, 2012). In New South Wales (NSW), while the Labor government had contained public service growth through a recruitment freeze, the Liberal government elected in 2011 announced a 4-year plan for 5000 redundancies, including 3500 in the first year (Colley, 2012). In some instances (such as Queensland and NSW), these measures were focused to a greater extent within the Senior Executive Service. This demonstrates partisan approaches to the loyalty elements of the bargain, with consequences for reward and competence as well.

Overall, the GFC responses compounded the general deterioration of the public service bargain and use of the model employer role to model restraint. Analysing the spill-over effects of public sector austerity in Australia, Henderson (2018) found that the combined impact of public sector reform and austerity measures over two decades contributed to halving public sector employment from 30% of Australian employees in 1987 and 22% in 1997 to 15% in 2016. Public sector wage restraint may have constrained initial recovery in private-sector wage trends and contributed to the deceleration of national wage growth since 2013 (Henderson and Stanford, 2020: 1). The GFC escalated existing trends, with pay restraint and downsizing affecting the rewards element of bargains, and widespread downsizing affecting the competence and loyalty aspects of bargains.

Pandemic price adjustment through pay freezes and deferrals

In September 2020, despite wage increases already being at historically low levels, a conservative Australian think-tank called for a freeze on wages and recruitment across all public services in Australia (Kehoe, 2020). Such calls overlooked the 'model employer' aspects of public employment, and the longer-term effects witnessed in the wake of the GFC austerity measures (Henderson and Stanford, 2020). This section reviews jurisdiction responses and notes a less punishing effect on rewards of pandemic responses compared to GFC responses.

The Australian Government announced a variety of price adjustments for its workforce, so that public servants could 'share the economic burden', including a stay on salary increases for senior public servants, announced in March 2020 and a six month-deferral of wage increases for other public servants, announced in April 2020 and effective for 12 months (Morton, 2020a). Public servants in 74 agencies were due for 2% wage increases during that period, and industrial agreements for 26 agencies were due to expire (Dingwall, 2020). The Community and Public Sector Union (CPSU) unsuccessfully argued against the decision, highlighting the lessons from other post-recession recoveries (CPSU, 2020a). In November 2020, the Australian government announced a new APS wages policy that removed the 2% wages cap and tied future adjustments to the private sector (Australian Public Service Commission [APSC], 2020a), following the private sector rather than modelling rewards. The government also announced a review of Senior Executive Service (SES) performance bonuses.

State governments took a variety of actions. The Queensland Labor government amended industrial laws to *defer* the payment of scheduled wage increases, with those due in 2020–2021 to be paid a year later, while those due in 2021–2022 to be paid 6 months later (Queensland Government, 2020: 10–11). It did honour one-off bonus payments of AUD 1250 to non-executive public servants, which had been agreed in 2019 (Palaszczuk, 2020). The Opposition and public service unions objected to the policy and the way it was introduced by over-riding negotiated wage increases (Moore, 2020; Together, 2020). The Australia Institute argued that the wage freeze would cost the Queensland economy up to AUD 9 billion over 3 years and that Queensland needed an expanded and motivated public sector in the post-pandemic recovery (Nahum, 2020: 39), in line with the public service bargain notions. The major union was proceeding to challenge the decision in the Industrial Relations Commission.

The New South Wales (NSW) Liberal government's efforts to pause public servants' pay had a more difficult road. It intended to pause wages for 12 months across the board

Table 1. Summary of Australian governments' responses to public service employment across the GFC and COVID pandemic.

Juris	Crisis	Party	Pay approach	Recruitment	Downsizing (approx n)	SES	Approach
Aust	**GFC**	**Labor** (to 2013)			2000 voluntary redundancies.		Low austerity
		Liberal-National (from 2013)	Cap 1–2%	Freeze on external recruitment except for 'critical' roles.	16,500 redundancies planned (15,000 gone by 30 June 2015).		High austerity on pay and jobs
	COVID	**Liberal-National**	Deferral of increases for 6 months, between April 2020 and April 2021. Wage cap changed from 2% cap to being tied to private sector wage growth (November 2020).	Pre-pandemic staffing cap (from 2006 to 2007) to be maintained beyond the pandemic. Thousands of temporary staff recruited for pandemic roles.		Freeze on increases March 2020. Review of SES performance bonuses.	Low austerity
Qld	**GFC**	**Labor** (2009–2012)	Continuation of 4% wages policy for agreements reached by Sep 2009 but capped at 2.5% after that.	Vacancies to be filled from deployee list (arising from a 2009 restructure).	Voluntary severance schemes for 3500 non-frontline staff in 2011 and 2012.	Wage increase capped at 2.5% from July 2009. VER scheme, ineffective efforts at deploying surplus staff after restructure.	Low austerity
		LNP (2012–2015)	Pay freeze and no increase in 2012. Pay increases 2.2% in 2013 and 2014.		20,000 positions (14,000 FTE) including voluntary and forced severances.	2.2% in 2012–2014.	High austerity
	COVID	**Labor**	Deferral of scheduled wage increases for 2020–2021 (12 months) and 2021–2022 (6 months).	Growth capped for 12 months for non-frontline positions. Internal recruitment only for non-frontline positions.		Reduction in SES numbers through natural attrition. No performance payments for executives of GOEs. Agencies to review SES positions (estimates Dec 2020).	Low austerity
NSW	**GFC**	**Labor**	4% maintained	Recruitment freeze on non-frontline positions.	No forced redundancies policy.	20% reduction (171 positions)	
		Liberal (from 2011)	Cap 2.5%, possible and PS wage decisions removed from NSW Industrial Tribunal.		2011 plan for 5000 redundancies (including 3500 in 2011).		High austerity
	COVID	**Liberal**	Attempted deferral of 2.5% increase, but IRC awarded 0.3% pay rise. Cap 1.5% imposed in November 2020 budget.		June 2020: Commitment to no forced redundancies for 12 months, except for SES, subject to wage freeze.	SES salary increases paused for 12 months (November 2020).	Low austerity

(continued)

Table 1. (continued)

Juris	Crisis	Party	Pay approach	Recruitment	Downsizing (approx n)	SES	Approach
VIC	**GFC**	**Labor**	Maintained	Growth capped at 3% but set aside in natural disasters in favour of stimulus spending.	No redundancy or job losses.		Neutral
		Liberal (2010)	Cap 2.5% introduced in 2011.		3500 redundancies announced in Dec 2011 MYR (10% of VPS).		High austerity
	COVID	**Labor**	Honoured scheduled increases. New Agreement for 13–13.5% over 4 years, which included a new mobility payment.		Industrial Relations Framework (September) commits to facilitate ongoing employment.	Freeze on SES salary increases announced June 2020 (but large increases approved by VIRT from 1 July).	
TAS	**GFC**	**Labor**	Honoured 3.5% increases for 2008–2011.	Vacancy management scheme: 20% reduction in job ads slowed growth to less than 0.3%.	Natural attrition and severance incentive payments for 2300 fewer jobs.		Low austerity
	COVID	**Liberal**	Honoured existing agreements.		Nil	Deferred SES increases but later honoured them and backdated to July 2020.	
SA	**GFC**	**Labor**	Cap 2.5% for 2009–2011.		Targeted VSP approx. 3000 from 2010–2012.	20% reduction in executive positions (n = 138).	Mid austerity
	COVID	**Liberal**	Honoured existing agreements.		Existing VR programme halted for Dept. Health & Wellbeing.	Salary increases frozen for a year for agency heads only.	
WA	**GFC**	**Liberal**	Attempt at wage suppression unsuccessful. 3% efficiency dividend.	Ceiling of 99,000 FTE.	1200 VSPs 2009–2011.	5% cap on salary increases 2008 to 2010.	Low austerity
	COVID	**Labor**	Pre-pandemic cap of $1000 pa increases to continue.		Nil	Continuation of 2017 pay freeze for politicians and highest paid bureaucrats.	Continued containment

including executives, claiming this would protect and save jobs (Berejiklian, 2020) but attempts to implement the pause via regulation, as in Queensland, were blocked in the Legislative Council (Mayers, 2020). As in Queensland, unions challenged the wage rise deferral (Public Service Association [PSA], 2020a; 2020d), and think-tanks weighed in about the harms of arbitrary wage restraint and the macro-economic benefits of a 2.5% increase outweighing the costs (Stanford, 2020). The issue was challenged in the Industrial Relations Commission, which ruled in October 2020 that NSW public servants be awarded a 0.3% pay rise instead of the proposed wage freeze (Skatsoon, 2020). The government responded with a new wages policy in the State Budget in November 2020 to save AUD 4.3 billion over 4 years; wages growth was capped at 1.5% and SES salary increases were paused for 12 months (NSW New South Wales Government, 2020). The Public Service Association (PSA, 2020f) described the wages policy as both 'unethical' and 'economically irresponsible'.

Several other state governments honoured wage agreements for lower-level public servants, and focused intended and actual freezes at senior levels. The Victorian Government took a limited approach and in June 2020 announced a pay freeze for senior executives, many of whom had been awarded large salary increases by the Victorian Independent Remuneration Tribunal (VIRT) to take effect on 1 July (Towell, 2020; VIRT, 2020). It honoured the pay increases contained in a 2019 agreement and negotiated a new agreement for 13–13.5% over 4 years, including extra mobility payments of 1.25% (CPSU Victoria, 2020). The Tasmanian Liberal government announced in June 2020 that it would postpone pay increases for more than 200 senior public servants pending Budget deliberations in November 2020 (Gutwein, 2020b), but in October, ahead of the State Budget, announced that SES salary increases would be back paid to July 2020 and that existing public service agreements would be honoured (Elmas, 2020). The South Australian Liberal government implemented a freeze on salary increases for politicians, ministerial staff and agency heads, but not for rank-and-file public service (Burton, 2020a). The Western Australian Labor government announced in October 2020 that the wage cap introduced in 2017 (of AUD 1000 per annum) would continue, as would the freeze on highest-paid bureaucrats and politicians (Jenkins, 2020a; McGowan et al., 2017).

Pandemic quantity adjustment through recruitment freezes and downsizing

Like the varied approach to the rewards element of the bargain discussed above, jurisdiction took differing approaches to rewards, competence and loyalty elements through recruitment freezes and downsizing.

The APS workforce was much diminished in the post-GFC period (CPSU, 2020b), largely due to a staffing cap set at 2006–2007 Howard Government levels (Burton, 2020b). In February 2020, before the pandemic peak, a parliamentary committee had argued for the staffing cap to be abolished, concerned that 'the pendulum has swung too far' towards privatisation, outsourcing of services, and use of labour hire companies (Senate Legal and Constitutional Affairs Committee [LCARC], 2020: Rec. 2.86). The recommendation would likely have been ignored, but then the pandemic hit. In March

2020, a taskforce was established to manage public service mobility during the crisis, which deployed thousands of staff to other agencies to meet critical needs (Australian National Audit Office [ANAO], 2020). A *National Framework for Public Sector Mobility* was established in July 2020 (APSC, 2020c) to facilitate and coordinate the movement of public service staff across jurisdictions and across borders as needed. An extra 5770 jobs were added in the first half of 2020, most on temporary contracts and not including those employed by labour-hire firms (Mannheim, 2020b). In early September, while half a million private sector jobs had been lost, 22,000 extra public servants had been hired (Kehoe, 2020). However, the effects would be temporary, with the government confirming in the October 2020 Federal budget that it aimed to return to 2006–2007 staffing levels by 2023 (Burton, 2020b; Mannheim, 2020a; Williams and Whyte, 2020).

The Queensland Labor government eschewed job cuts. In July 2020, jobs growth was capped for 12 months, excluding frontline staff, with vacant positions only able to be filled through internal recruitment (Dick, 2020). The government was re-elected in late October 2020, with a key election commitment to find AUD 3 billion in savings to avoid austerity measures such as cuts to jobs and services (Per Capita, 2020). This was in contrast to the Opposition election commitment to balance the Queensland budget within 4 years, which likely required austerity measures and reduction of more than 40,000 public sector jobs (Per Capita, 2020). This was reminiscent of the 2012 election, towards the end of the GFC, when a change of Queensland government led to large-scale job cuts (Colley, 2016). Queensland also introduced decentralisation initiatives to move staff from the city to suburban hubs, partial depopulation of the state's executive building and a commitment to reduce spending on external consultants (Dick, 2020).

In May 2020, the NSW Liberal government gave a commitment to no forced redundancies for non-SES staff for 12 months, tied to a proposed 12-month pause on pay rises across the board (Berejiklian, 2020). Given that the proposed pay pause was overruled by the Industrial Relations Commission in October 2020, it is unclear for how long the promise will be honoured.

The Victorian Labor government chose to honour entitlements to wages and conditions during the pandemic. In September 2020, it released a framework for managing industrial relations, committing to a collaborative approach with unions and facilitation of ongoing employment, including the extension of certain fixed-term contracts (Victorian Government, 2020). A Remote Transition Working Group facilitated about 80% of Victorian Public Service (VPS) staff to work from home by June 2020 (Eccles, 2020).

Some Liberal governments were in the midst of austerity measures before the pandemic. The Tasmanian Liberal government abandoned planned cuts to government agencies as part of its Coronavirus Stimulus Package in March 2020 (Jenkins, 2020b). A delayed review of the Tasmanian State Service was brought forward, to report in May 2021 (Gutwein, 2020a). The South Australian Liberal government had implemented a voluntary redundancy programme, which was halted in March for Department of Health and Wellbeing staff due to pandemic needs (PSA, 2020b). That government's public sector response to the pandemic focused on privatisation of public transport, road maintenance and facilities management. The major public service union estimated this could result in 1000 public sector job losses (PSA, 2020e), substantially changing the nature of work in the relevant department. The Western Australian Labor government did not introduce new measures but continued some efficiency measures from 2017. They appointed the Public Sector Commissioner to head the State Recovery Advisory Group – illustrating the importance given to the public service in managing recovery.

Discussion and conclusion

This research has reflected on changes to public employment during crises, such as the GFC and the early stages of the pandemic. These reflections were through the lens of the model employer concepts and the elements of the public service bargain (rewards, competence and loyalty).

Pandemic effects on the public service bargain

The research identified mixed patterns in the pandemic response on the rewards element of the public service bargain. There was no uniform pattern in regard to *price adjustment*, but some effect on the procedure of administering rewards. While some jurisdictions, such as Victoria and Tasmania, honoured existing enterprise agreements, it was more common for others to delay previously negotiated pay rises – for 6 months (APS), 12 months (NSW) or over 2 years (Queensland). Some also deferred negotiation of new agreements. There was a preparedness of some jurisdictions to break or over-ride wage agreements, in contrast to traditions of participating in wage bargaining under the 'good' employer concept. There do not seem to be partisan patterns, with governments from both sides of politics taking this approach. This is potentially simply a short-term pragmatic approach to constraining rewards, realising that unions could not be party to such pay adjustments, and is unlikely to have a longer-term impact on the public service bargain.

In contrast, there was similarity in regard to *quantity adjustment* or the loyalty and competence aspects of the bargain. Most jurisdictions implemented recruitment freezes to prevent the growth of the permanent public service. Some also provided commitments to no forced redundancies at this time, and nobody was openly discussing downsizing plans, protecting rewards and continuity/loyalty. This suggests sustaining of the public service bargain at least in the near term, although it might become a solution in later economic recovery. Many jurisdictions recognised the need for mobility of staff to work on new pandemic challenges, and this was a recognition of both competence and loyalty. While mobility has been a key aspect of the bargain, there has previously been a low take up rate. For example, the rate of mobility across agencies (e.g. promotions, permanent moves or temporary transfers) for all APS staff has been between 1.5% and 3.8% per year over the past 20 years (APSC, 2020b). The pandemic required greater mobility of public servants in a variety of forms, including short-term secondments to other units, and was recognised in a new reward condition (i.e. a mobility allowance in Victoria).

The pandemic response highlighted another change in the reward and loyalty aspects of the bargain in relation to flexible working arrangements. Previously, there were pockets of resistance from managers and agencies to allowing access to longstanding working from home policies (Colley et al., 2021). The pandemic forced widespread working from home, which led to some acceptance that it can be successful and productive (Colley and Williamson, 2020). This is consistent with strengthening of the rewards and loyalty aspects of the bargain. It is unclear whether this change will be sustained, given the partisan differences evident in the post-pandemic return-to-work policies (Williamson et al., 2020).

Overall, while there have been short term changes in regard to pay deferrals and bargaining processes in the immediate pandemic response, there does not seem to be any significant ongoing breach of the public service bargain in terms of wages and job security. To whatever extent governments were still considered to be model employers, this did not deteriorate in this period. This may be due to the pivotal role public servants have had in response to the health and economic crisis. Indeed, there may be some newfound respect for the importance of the public sector. As Dunlop et al. (2020: 366) suggest: 'Not merely a human tragedy, this global pandemic has exposed across the world the fragile nature of some governance institutions and the follies of denigrating and weakening the public sector.'

Arguably, all elements of the bargain – response, competence and rewards – were maintained and even expanded through the greater use of mobility and workplace flexibilities.

Comparison to GFC responses

We considered to what extent the pandemic response is a continuation of GFC responses a decade earlier. At this early point, there seems to be little similarity, as summarised in Table 1. This might be about context. The GFC occurred in a different economic context, knocking Australia out of a period of prosperity and high wage growth. Four jurisdictions had a change of government from Labor to Liberal/National in the wake of the GFC – Victoria (2010); NSW (2011); Queensland (2012) and Commonwealth (2013) – which led to abrupt changes in policy direction as those jurisdictions embarked on pay variations, job cuts and outsourcing in line with general neoliberal preferences. This generally involved a 'forcing' strategy to impose political will, rather than a fostering strategy to maintain bargaining relationships (Williamson et al., 2016), going against the spirit of the public service bargain.

This contrasts with the early response to the pandemic to date. So far, there is little opportunism or use of the pandemic as cover for austerity policy approaches, by either Labor or Liberal governments. While public service unions have been excluded from decisions on pay deferrals, this is potentially a short-term pragmatic decision in the pandemic context rather than a long-term deterioration of the rewards and loyalty elements of the public service bargain. Admittedly this difference between the pandemic and GFC responses might also be about timing, and the bargain could be affected once the health and social threats have passed, and the economic aftermath remains.

Was the SES treated differently?

Given the separateness of the SES discussed earlier, we asked whether the processes and outcomes for SES officers differed from other classification levels. Analysis of the GFC response in Table 1 indicates that there were considerable differences in the measures applied to the general staff and those applied to the SES. They were often subjected to earlier pay cuts (due to the simplicity of not being covered by enterprise agreements) and larger targeted downsizing programmes (with 20% reduction being a common goal). In the wake of the GFC, the OECD (2012: 39) argued that reductions in the salary of senior public servants send 'the message that the pain must be shared by all public employees regardless of the hierarchical position'.

In the pandemic response, we see fewer differences between SES and lower-level staff. In regard to pay, some jurisdictions grouped SES with other leaders for an early pay freeze or even pay cut; some allowed them to retain large pay increases recently granted before the pandemic; but in most jurisdictions, they were subject to the same pay freezes and deferrals as other job levels. In terms of downsizing and job losses, they were often subject to similar recruitment freezes as other levels (as in Qld, Dick, 2020); but sometimes excluded from commitments to no redundancies for 12 months (as in NSW, Berejiklian, 2020; PSA, 2020c).

As well as these limited differences in the treatment of SES under the rewards element of the public service bargain, we argue that there is some renewed focus on the competence and loyalty aspects of the bargain. Australian Public Service Commissioner, Peter Woolcott remarked that there was 'nothing like a crisis to underscore leadership', praising the APS for its collaboration, dealing with changing expectations and providing strong evidence-based decision-making Woolcott (2020). SES officers were required to step up with urgency around new pressures for leadership and negotiation with employees who were often working remotely. Davis noted that Australia's relative success in managing the pandemic had led to 'a renewed importance of the public sector, a growing scepticism of reliance on contractors, and the re-election of governments who had handled the pandemic well' (Australia and New Zealand School of Government [ANZSOG], 2020). Other former public service leaders agreed that the pandemic had exposed some of the weaknesses in the diluted public service bargain, such as how politicisation and outsourcing had undermined leadership capacity and competence (Banks, 2020; Rollins 2020).

Revisiting the public service bargain

In Australia and beyond, expert commentators are reflecting on the renewed focus on the public sector in the post-pandemic period. Specialists from the United Nations (Kauzya and Niland, 2020), the World Bank (2020) and the OECD (2021) all noted the critical importance of robust public services through the crisis and to support economic recovery. Public Services International (PSI, 2020) argues that 'a healthy and equitable recovery will not be possible if governments adhere to neoliberal economic policies'. Mazzucato and Kattel (2020: 257) suggest that the pandemic has re-emphasised the importance of the public sector as a market shaper rather than simply a market fixer.

What does this mean for the future of the currently weakened public service bargain? O'Flynn (2020:13) observes that 'COVID-19 has shown us that the craft of public administration and management also matters... The depletion and long-term deterioration of aspects of public sector systems has left us more vulnerable to complex challenges'. Dunlop et al. (2020: 371) suggested that the pandemic required a re-examination of the emphasis put on managerialism over the past four decades, and the need for 'an increased recognition of professionalism and expertise in decision-making rather than managerial or economic imperatives'. Many of these scholars agree on the detrimental hollowing out of public sector capability in recent decades. Boin et al. (2020: 364) ask 'whether or not the pandemic will create conditions for a reversion to more traditional forms of public administration', which they posit as 'the most likely trajectory for what lies ahead'.

This research has identified that different crises can lead to different crisis responses, with economic crises giving permission to follow austerity measures, but the health and social crisis of the pandemic calling on greater involvement of public services. The pandemic also highlighted the importance of the competence and loyalty aspects of the bargain. Perhaps the clear electoral benefits of effective handling of the pandemic, drawing on both political and public service leadership and skills, will be the trigger to refocus governments on strengthening the public service bargain.

Declaration of conflicting interests

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

Funding

The author(s) disclosed receipt of the following financial support for the research, authorship, and/or publication of this article: This study is supported by Australian Research Council Discovery Projects Scheme (DP180102592).

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Author biographies

Linda Colley is an Associate Professor of Work and Employment in the School of Business and Law at CQUniversity. Her research spans all aspects of public employment, including themes of merit, tenure and political neutrality, as well as public management reform and gender equality.

Shelley Woods is an Honorary Research Fellow with the School of Political Science and International Studies at the University of Queensland. She has broad research and public sector experience, with postgraduate qualifications including a Master of Public Administration.

Brian Head is Professor of Public Policy in the School of Political Science at the University of Queensland. His work spans a wide range of public management and public policy issues, including merit, recruitment and public integrity.