

## CHIEF EXECUTIVE OFFICER'S REPORT

### *Annual General Meeting of Members 7 December 2007*

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The 2006 sentinel event, in industrial relations terms, was the enactment of the Workchoices legislation in March 2006. It was both politically and industrially ambitious and fundamentally recast the industrial relations system. In place of the award system, collective bargaining, the privileged position of unions and the central powers of the AIRC we received a system calculated to marginalise unions, disempower the AIRC and optimise the agreement making capacity and environment between employers and their employees.

In broad practical terms little impact was felt in the public health sector given the state government's industrial policy framework which still gives primacy to centrally negotiated collective or industry enterprise agreements with unions. The current state government remains committed to this approach.

Pivotal to the future of Workchoices was the decision of the High Court regarding the challenges from most state governments to the constitutionality of the Workchoices legislation. The High Court rejected the challenges thus opening the scope for the wider use of federal Corporations power in the context of federal/state relationships.

The centrality of enterprise bargaining in the quest for Workplace reform, efficiency gains and more flexible working arrangements is becoming a significant concern. The considerable efforts of employers and VHIA to develop and prosecute bargaining agendas is too easily capable of being subjected to other transient imperatives that can undermine employers commitment to and confidence in the bargaining process and dynamics. The sobering reality of enterprise bargaining is that employers in this sector enjoy little leverage in the bargaining process. This, combined with a wages policy that demands identification of and pursuit of quantifiable and "harvestable" savings, means health services are being subjected to an invidious squeeze play.

This issue is, and remains, a significant factor in the 2007 round of EBA negotiations with the ANF and the other health professional unions. The chronic and worsening labour supply problems in virtually all professional and technical occupations heavily impact on the respective bargaining powers of each of the industrial parties – unions, government and employers. Notwithstanding high minded rhetoric about labour reform and consensual approaches to work redesign, the entrenched professional and industrial silos will continue to be a barrier to measurable reform in the coming few years, particularly if such reforms are prosecuted via the bargaining processes.

VHIA has continued to develop and enhance services for members and clients as part of the broad strategy of developing stand alone revenue streams that in the future strengthen our financial base

In early 2006 we established Health Financial Pty Ltd under the dynamic leadership of David Wenban whose first venture created a salary packaging management service that has now been embraced by some 30 health services. This service competes with established providers and our ambition is to create a self funded industry bureau that benefits all members, either directly or indirectly. The realisation of that ambition is on track but can be hastened if members get behind it.

Traditional consulting services are still in demand but there is some evidence that a downturn in demand exists, the causes of which are diverse. The Management Services unit of VHIA has continued its major projects, particularly at Royal North Shore Hospital, Greater Southern Area Health Service (NSW) and the Royal Children's Hospital in Melbourne. This service consistently analyses and identifies efficiency savings and revenue in the order of millions of dollars that are accepted as being realisable opportunities in each of such settings.

VHIA has continued to develop its training services which have achieved a high degree of acceptance and utilisation. The particular initiatives such as our partnership with the Gordon Institute have been most successful despite competitive pressures from other institutions. Our course content is regularly subjected to critical review and we have also now introduced our Management Induction Program that was piloted at Bendigo Health with great success and has since been solidly booked as it is meeting a clear need.

During this year, VHIA has also acquired a half share in a boutique IR law firm called Workplace Legal which is now located with the VHIA. Its principal, Stuart Mc Cullough is well known in both the public and private health sectors. Workplace Legal is already a successful operation and will continue to expand its services in close collaboration with VHIA.

The VHIA team collectively continues to show its commitment to service delivery in a highly responsive and empathetic manner. This is underpinned by our well known ethos of looking for solutions rather than looking for fights.

I again express my particular appreciation to Ignatius Oostermeyer who has been a critical leader and developer of our consulting services mentioned above, together with his pivotal role in the establishment and nurturing of Health Legal and other associated entities.

Again my thanks to John Stanway and the Board of VHIA who have unstintingly, but not uncritically, supported the efforts and initiatives of the VHIA management team and staff throughout the year.

**Alec Djoneff**  
**Chief Executive Officer**  
**Victorian Hospitals' Industrial Association**