

## CHIEF EXECUTIVE OFFICER'S REPORT

### *Annual General Meeting of Members Friday, 19 October 2012*

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The 2011/12 year was particularly distinguished by being the major EBA year in which virtually all enterprise agreements covering the public health sector were up for renewal. The Nurses, Mental Health, HSU East and the HSU 4 agreements had all commenced in one way or another more than a year ago. The other feature, of course, is that at the end of 2012 the Doctors' EBA is due for renewal and the negotiations for that, at least in the preliminary stages, have commenced as this financial year came to an end.

It was obvious that the year would place very significant demands on the resources of VHIA and to that end we entered into very elaborate consultative and collaborative arrangements, both with our members and with the Department of Health and the Minister's Office, which enabled us to strongly manage our communications flow, the development of our enterprise bargaining agendas and the development of an overall strategy that sought to remove particular industrial restrictions that were embedded in the current enterprise agreements. This occurred in an environment where there was no appreciable change in the government's industrial relations policies and approval processes from that of the previous government, that is a 2.5% wage increase was available with further increases available only on the basis of realised bankable savings and all the other tests that were in the former government's policy position were retained for the duration of the enterprise agreement cycle in 2011 and 2012.

The employers agenda, was relatively ambitious, particularly in the context of the nurses' EBA where the employers were essentially after two key issues, these being the removal of specific barriers in the current agreement regarding making a change at the workplace and the pursuit of flexibility within the nurse/patient ratios system. We were always at pains to stress that we were not seeking to remove such ratios, but to achieve flexible application of them and this was a recurring theme, both industrially at Fair Work Australia and in the media.

To achieve these objectives and to thoroughly road test their implications, strong advisory groups were established, particularly through the EDON networks, through the CEOs and through the Communications Strategy Group that operated throughout the latter half of the bargaining process, particularly as it pertained to nurses. We were able to secure very significant legal support from the firm Minister Ellison through arrangements entered into with the Department of Health and collaboration with the Department of Health was a particularly strong feature of the enterprise bargaining processes for 2011/12. In this regard, the working relationship with the Director of Industrial Relations at the Department of Health, Mr Tony Olthof, was particularly positive.

As predicted in last year's Report, considerable industrial disruption and action occurred as part of the bargaining process. There were myriad legal and industrial proceedings accompanying both protected and unprotected industrial action. The ANF sought to couch the whole dispute as a fundamental assault on ratios and, therefore, felt unconstrained by various Order by Fair Work Australia, thus triggering a range of legal proceedings, ultimately culminating in actions in the Federal Court whilst the whole process of Conciliation was continuing under the Chairmanship of Commissioner Gooley of Fair Work Australia.

The dispute was replete with media leaks, defiance of Orders of Fair Work Australia, leakage of government classified Cabinet papers, all of which contributed to a very tense and controversial industrial environment during which the path to a settlement was being frustrated. It was not until the very latter stages of the industrial action that a path through the seemingly immovable positions of the parties was finally identified and a Basis of Settlement was reached in March 2012 that ultimately provided for modest wage outcomes for all nurses, Continuing Professional Development allowance and, importantly from the employers perspective, a significant recasting of the limitations besetting employers when seeking to making workplace change as it relates to nursing hours. Whether the changes in the Enterprise Agreement are able to yield the sort of flexibilities that were sought during the negotiations process will become clearer in the coming year.

The outcome was the retention of the ratios and essentially no extension of ratios into other areas. The use of Assistants In Nursing was not secured as part of the ratios system and the new Clause 42 brought about a process whereby employers may make proposals for fewer nursing hours having regard to very specific criteria going to patient safety and workload considerations for the nursing workforce.

Concurrently with the Nurses' EBA dispute, several other agreements were also being subject to renewal negotiations, notably the Mental Health (or Psychiatric Services) Enterprise Agreement which itself was laced with union coverage controversy whereby employees principally engaged in mental health services were essentially transferred to the coverage of the HSU No 2 Branch from the HSU No 1 & 3 Branches, which proved to be complex and difficult, particularly at a time when internal leadership disputes and tensions within the HSU were at a fever pitch.

In the Mental Health Agreement we had similar ambitions to remove some of the labour workforce restrictions and ultimately a Basis of Settlement was reached that, in many ways, simply retained the status quo with some improved flexibilities in some areas, some additional resourcing injected into specific areas of inpatient services, which were widely acknowledged to be under resourced, and hopefully the out-workings, which are imminent, will enable the industry to settle down and deal their new processes as reflected in the new Agreement.

The other agreements that were under negotiation was firstly, the HSU East Agreement. That agreement was fundamentally reached in November 2011 but its implementation was substantially delayed because of the tensions relating to mental health coverage and the internal leadership complications that beset the finalisation of the agreement. That agreement essentially resulted in a modest wages increase for employees, with few other provisions, so it was essentially a rollover agreement with broadly a 2.5% increase across the spectrum of occupations covered by the HSU East Agreement, together with a \$15 million fund to engage in some limited classification reviews.

The fourth agreement that is under negotiation is the HSU 4 for Medical Scientists. Negotiations for that agreement did not seriously commence until February/March 2012 and at the time of the writing of this Report, there are still a number of steps to be taken before an agreement is reached but hopefully that will also result in some removal of some of the obvious labour restrictions that inhibit, and potentially place under threat, the retention of public pathology in the public sector. This particularly relates to the restrictions of the use of Laboratory Technicians in the context of public sector Pathology services.

The Enterprise Agreement process demonstrated that close consultation with members is utterly vital and the closer we can engage our members in the development of management logs and the development of evolving positions as the negotiations unfold, the more authoritative we can be across the bargaining table and in Fair Work Australia. Equally, the better one is legally prepared, the better one has a chance of inducing the union negotiators to agree to certain processes or certain outcomes than might otherwise be the case. The general experience was that this was probably the most successful of the bargaining rounds that have beset the industry since the commencement of enterprise bargaining in the mid 1990s.

This relative success in 2011/12 is clearly attributable to, not only the efforts of the negotiators themselves, but the manner in which VHIA connected with the key stakeholders, in particular the Department of Health, the legal firm, the members and the various advisory groupings that were developed and were kept in operation throughout the life of the enterprise bargaining process. There is always room for improvement, but this time around this is probably the most successful, both as to process and as to outcome. In this regard I wish to particularly acknowledge the key role played by Mc Cheyne Chalmers who not only coordinated the EDONs group, but also acted as professional advisor to the negotiators.

A strong footing has been established for moving into the non-EBA years in 2013-15 during which there is a clear opportunity for VHIA to play a significant role in the pursuit of workplace and workforce reform initiatives and assist health services to navigate the industrial rapids that inevitably will arise as they seek to make workplace change.

Obviously, when an enterprise bargaining cycle is on, it is completely unrelenting and intense and the demands on VHIA across the process of bargaining, legal preparation, attendance at Fair Work Australia, liaising with government and the Department of Health, media response and membership consultation, starkly highlights the intensity of demand and highlights the limited resources that we are able to bring to bear.

Last year we reported on the development of the VHIA Strategic Plan. Implementation of that Plan is now well underway and this has been done whilst constantly reviewing it for relevance and for priority setting. Clearly within the Strategy Plan there are a number of initiatives that are to unfold over the coming years, which particularly relate to assisting members with workforce and workplace reform initiatives and taking a leadership role in an industry that is crying out for reform, given the very significant workforce and workplace challenges that are already besetting it, let alone those that are steaming towards it on the near horizon.

Other services provided by VHIA during this past year have continued. The Training Services and HR Consultant Services continue to attract bookings and engagement from the industry. At present the Training Services are under review to ensure that courses and a method of delivery is relevant and contemporary and our HR Consulting Services continue to grow as the demand from small to medium sized employers, particularly, continues to recognise that this outsourced HR service provision is both beneficial and cost effective.

On the financial front, VHIA is able to report another strong financial result which is now the fourth year in a row that we have been able to report surpluses in excess of our targets. For this financial year our end of year result of \$317,443 is \$108,971 above the budget target of \$208,472. VHIA has minority shareholdings in Health Legal and Health Financial and an equal shareholding with Workplace Legal. The Board of VHIA has determined that it proposes to dispose of its minority shareholding in Health Legal and Health Financial and has established processes to bring this about. In prospect is that the current principal of Health Legal may well be the buyer for VHIA's minority shareholding. The proceeds from such sales will, of course, be considered by the Board as to how they are best expended in the interest of the members and this process of divestment of shares will continue into 2013 until those two sales have been finalised. Both of these entities continue to provide cost effective services to VHIA members at a discounted rate and we have every reason to believe that they will continue in that manner, which will enable VHIA to give more attention and more resources to its core business - its industrial relations servicing of its members and the pursuit of its Strategy Plan, which, amongst other things, will particularly focus on workplace and workforce reform.

The management of VHIA has enjoyed very strong support from the Board of VHIA and its members in its enterprise bargaining negotiation endeavours and we certainly appreciate that level of support and that level of encouragement and assistance with high level liaison at government level which has improved our capacity to influence the course of these negotiations. At a personal level, I have enjoyed substantial support from the President and the Board of VHIA for which I express my strong appreciation.

Last, but certainly not least, is my appreciation for the very profound efforts and support provided to me by the VHIA Team, which has made a very substantial and significant contribution to these outcomes and whose unstinting efforts, even at times of acute tiredness, if not exhaustion, is something that I want to fully acknowledge.

The 2012/13 year will see the finalisation of all the enterprise agreements, including those for the Medical Practitioners employed in the public health system. Hopefully we can resolve that by Christmas 2012 but we certainly expect that that agreement will be concluded shortly thereafter, which of course enables us to focus on more strongly in 2013 on the implementation of the out workings of each of these agreements secured in 2012 and a greater focus on supporting health services on the development of their workforce reform and workplace reform agendas, be they ambitious or be they relatively benign.

I look forward to that coming year for the opportunity to support our members in the very legitimate endeavours that they are able to undertake.



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