



## ADMINISTRATION AND COSTS

As mentioned elsewhere in the Report, the major challenge for management in 1999/2000 was the closure of several branches and the further restructuring of the Business Services Group. Faced with these major changes, the task was to ensure a smooth transition to the new arrangements. This placed considerable pressure on the Business Services Group, particularly staff working towards the closure of their own branch operations. It is a great credit to their professionalism that the restructuring proceeded swiftly and smoothly. By end April, the Brisbane and Perth branches, together with the note-processing functions in Adelaide, had closed. Business at Melbourne branch took a little longer to wind up, reflecting its size, but it too had been effectively closed by end June. However, staff from Facilities Management Department are still working in each location pending final decisions about the future of the branch buildings.

During the year, provision of legal services was reorganised. In place of a small in-house legal section undertaking most of the RBA's routine legal work, an experienced General Counsel was appointed to provide high-level advice and co-ordinate the outsourcing of work to legal firms.

In total, a net 71 staff left the RBA's employment last year, largely as a result of the branch closures. There will be associated staff losses in Head Office once the new centralised cash-processing facility is complete and the Sydney cash-processing function comes to an end.

In 1999/2000 staff numbers fell to 807 by end June, down from 878 a year earlier. This fall of around eight per cent followed a reduction of around 20 per cent in 1998/99.

Declining staff numbers have important implications for staff planning since there are now fewer career opportunities for many long-

serving officers. Reflecting this, the RBA, with the assistance of external consultants, reviewed the employment conditions of its senior staff during 1999/2000 to ensure that they were commensurate with the needs of a smaller institution. As a result, virtually all senior staff are now employed on individual employment contracts - a major shift away from the concept of tenure traditionally associated with RBA service. As part of this adjustment, a number of benefits were discontinued for senior staff, including rostered days and the provision of home loans through the Officers' Homes Advances scheme.

Changes in the conditions of service for staff generally are negotiated as part of the productivity bargaining agreement. The current two-year agreement expires on 31 December 2000. As part of this agreement, a number of more flexible working conditions for staff were introduced during the year, including the provision of half-day leave, job sharing and leave-in-lieu-of-overtime arrangements. The RBA worked with staff to ensure that there is some additional flexibility available over the Olympic period in Sydney. On the remuneration front, flowing from the certified agreement, all salaried staff (plus Governor and Deputy Governor) received an increase in salary of 3.5 per cent in July 1999 followed by a second tranche of the same percentage in July 2000.

The fall in staff numbers resulted in a further decline in staff costs in 1999/2000. However, the 3.5 per cent pay rise from July 1999, and the fact that most redundancies did not occur until the final quarter of the year, meant that the fall in staff costs was not as sharp as the drop in numbers. Other costs were boosted in 1999/2000 by spending required to ensure adequate cash was readily available to the community in case of Y2K-related demand. The RBA paid over \$6 million in transport and insurance to place

currency notes at various locations around the country where they could be quickly accessed if needed. Overall, underlying operating costs rose in 1999/2000, but the rise was accounted

for by the Y2K-related expenses. Even in nominal terms, costs are around 18 per cent below their peak in 1992/93.

### OPERATING COSTS<sup>(a)</sup>

(\$ million)

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
<b>Staff costs</b>	97.6	96.7	93.0	98.3	93.0	77.7	69.1	68.7
<b>Other costs</b>	53.9	53.0	46.4	43.2	43.4	47.2	49.1	56.1
<b>Underlying operating costs<sup>(b)</sup></b>	151.5	149.7	139.4	141.5	136.4	124.9	118.2	124.8
<b>Cost of redundancies</b>	2.7	9.8	18.0	1.3	7.5	20.7	18.4	9.3

(a) Excludes NPA

(b) Excludes note purchases from NPA and, from 1994/95, additional charges to comply with accounting standard AAS30

The share of costs attributable to note distribution rose in 1999/2000, reflecting the Y2K-related expenses referred to above. The

share of costs absorbed by banking fell due to branch closures and the full-year effects of earlier declines in staff numbers.

### DISTRIBUTION OF UNDERLYING OPERATING COSTS<sup>(a)</sup>

(Per cent)

	MONETARY POLICY	FINANCIAL SYSTEM SURVEILLANCE	NOTE DISTRIBUTION	BANKING AND REGISTRY	SETTLEMENT
<b>1996/97</b>	29	14	28	23	6
<b>1997/98</b>	30	14	23	23	10
<b>1998/99</b>	35	8	20	23	14
<b>1999/2000</b>	35	8	23	20	14

(a) Excludes NPA

The RBA holds a licence to self-insure its workers' compensation claims. These have been falling, reflecting declining staff numbers, the exit from some currency-processing work with a higher risk profile, as well as progress in implementing a new hazard management program. The tendency, noted in last year's Report, for the average cost of claims to rise despite their numbers declining was less evident this year. Given the small number of claims, the cost of continuing to self-insure was reviewed during the year. However, these costs continue to be lower than insurance premiums charged by Comcare.

As in past years, the RBA assisted staff undertaking further career development. At end June 2000, seven staff were studying full-time under the Post Graduate Study Award Scheme, including six at overseas universities. Over the year, financial support was also provided to 83 staff undertaking part-time tertiary studies in Australia.

The RBA provided employment for trainees through the Reserve Bank New Apprenticeship and Traineeship System Agreements 1999 and 2000, and work experience was provided to a number of students.