

25 January 2002



Mr Tim Grimwade
A/g General Manager
Adjudication Branch
Australian Competition & Consumer Commission
PO Box 1199
DICKSON ACT 2602

Dear Mr Grimwade

RE: Application for Authorisation No's A90811 & A90812
Lodged by Health Purchasing Victoria

Drake Australia Pty Ltd is an international leader in the recruitment industry. With offices in over 10 countries, Drake is a major recruiter in many industries including industrial, office & secretarial, executive, IT and healthcare. The healthcare division (Drake Medox) recruits a wide variety of healthcare staff for both permanent and temporary assignments. Medox is divided into several divisions, including agency/locum, Homecare, Medical administration, international and permanent.

It is our agency/locum division which supplies nursing staff on temporary assignments to public hospitals in Victoria. This division is a well respected division throughout Australia and has prided itself on being an ethical company supplying quality staff to the healthcare industry. As we are a supplier of staff to Victorian public hospitals, our business and the industry in which it operates would be affected by the proposed Health Purchasing Victoria ('HPV') tender.

Most hospitals in Victoria choose to run their own casual nursing pool, which effectively operates in competition to nursing agencies. Essentially this creates an environment where agencies and hospitals are in the same business and compete for the same group of casual staff. Just as several agencies are paying above award rates to attract nurses, several hospital 'nurse banks' are also paying above award rates to attract nurses. As one of the tender evaluation points is the "tenderer's willingness to pay nurses the relevant industrial award or Enterprise Bargaining Agreement rate", this tender will be contracting agencies to specific staff pay rates in addition to specific client fee schedules. In terms of competition, this would contract agencies to award pay rates, while allowing the tenderers 'nurse banks' to pay above award rates should they choose.

In addition, public hospitals have the benefit of offering Government Salary Packaging, further increasing the salary of hospital 'bank' nurses. This benefit cannot be offered by private nursing agencies, effectively allowing the tenderer to force the agencies to supply staff at a lower pay rate than the hospital banks will be offering.

Unlike most tenders for the supply of casual staff, this tender has made several specific references to the amount paid to staff. Indeed, it is now noted that tenderers who do not agree to remunerate at Award or enterprise agreement rates will be submitting a non-conforming tender. Is the tender seeking the public benefit of reduced cost to hospitals, added value options and innovative staffing processes or is the tender aimed at increasing the competitive advantage of hospital casual nurse banks over agencies?

Due to the large nursing shortage, on each shift there remains a significant percentage of positions that cannot be filled. Therefore hospitals, both public and private, operate with beds and sometimes wards closed due to the shortage of qualified nursing staff. Although this tender covers a large percentage of Victoria's hospitals, it does not represent the private hospital beds and many nursing homes in this state. Nor does it represent the hospitals in other states of Australia. While this tender restricts agencies to paying award rates in the hospitals covered by the tender, agencies will not have this restriction in the private sector, nor interstate. If nurses can receive higher pay rates working in the private sector, the swing of nurses away from Victorian Public Hospitals will be significant. With nurse patient ratios now in place in Victorian Public Hospitals, movement of nurses to private hospitals or interstate will result in significant bed closures, an obvious backlog in the public hospital emergency departments and increased ambulance bypass. This has every chance of crippling the public health system in a very short space of time.

It is also argued in the Application for Authorisation on page 6 of Attachment B that reducing the salary of nurses will encourage nurses to increase their availability by working more shifts. Following a recent survey of current Drake Medox nurses, it has shown a different scenario, with over 44% of respondents saying a reduction in wage will cause them to leave the profession, and a further 15% saying it would cause them to reduce their hours. Interestingly, only 15% stated that reduced wages would see them increase their hours. In a market already short of nurses, the reduction of nurse wages will have the effect of further reducing the available nurse pool, placing increased pressure on the already stretched health system.

Despite the reasoning of the tenderers that reducing nurses pay rates will result in nurses increasing the number of shifts they work, the reality shows that it will in-fact have the opposite effect. With the single most important issue for health providers at present being the massive shortage of staff, this does not provide the number one public benefit required.

Although Drake Medox can see some value in hospitals tendering for recruitment services, we feel that the tenders must seek innovation, high service levels and most of all, value for money. A focus on these areas will create public benefits. A focus on reducing nurse pay rates has the potential to force more nurses from the Public Health system.

Should you have any questions regarding the information contained in this submission, please do not hesitate to contact me on (03) 9927 9059.

Kind Regards

Paul Jenkin
Victorian State Manager – Drake Medox