

Chapter 14 The Public Sector

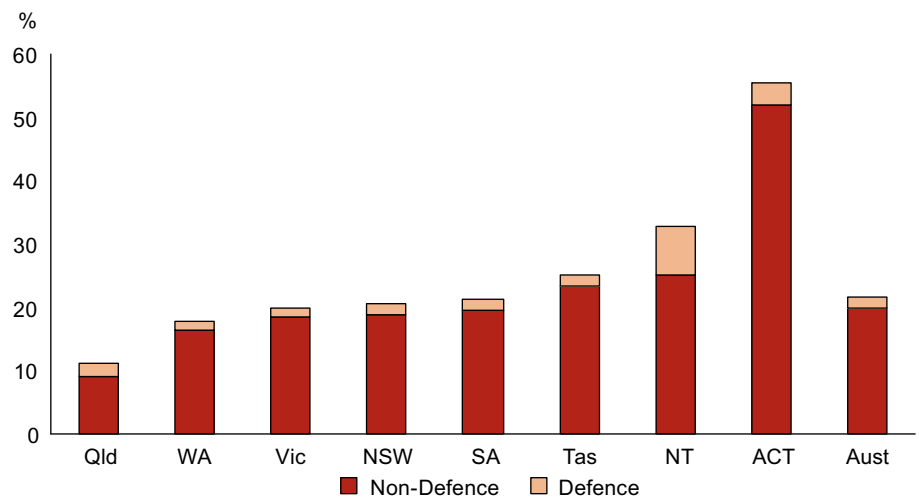
Key Points

- » The public sector consists of Commonwealth, Territory and local government activity including defence. The public sector is a major contributor to the Territory economy, providing a wide range of economic and social services. This chapter deals primarily with the public sector, excluding defence.
- » In 2006-07, the non-defence public sector accounted for about 25.1 per cent of SFD, which is higher than most other jurisdictions. Defence contributes a further 7.6 per cent, taking the total to 32.7 per cent.
- » The non-defence public sector is the largest employer in the Territory, accounting for about 26 per cent of total employment in 2006-07.
- » The size of the non-defence public sector relative to the size of the Territory economy has declined over the past two decades, reflecting the maturing and diversification of the Territory economy.

The public sector includes Commonwealth, Northern Territory and local government activity. The focus of this chapter is the non-defence public sector in the Territory; defence activity is discussed in more detail in Chapter 15.

Despite declining in relative size over the past two decades, the public sector in the Territory remains a significantly larger component of the economy than in most other jurisdictions, accounting for about 25.1 per cent of state final demand (SFD) in 2006-07. Nationally, the public sector accounted for just 20.0 per cent of domestic final demand (DFD) (Chart 14.1). The Australian Capital Territory (ACT) has a larger public sector than the Northern Territory, due to its large Australian Public Sector (APS) presence.

Chart 14.1: Public Sector Expenditure as a Proportion of SFD, 2006-07



Source: ABS Cat. No. 5206.0

Expenditure

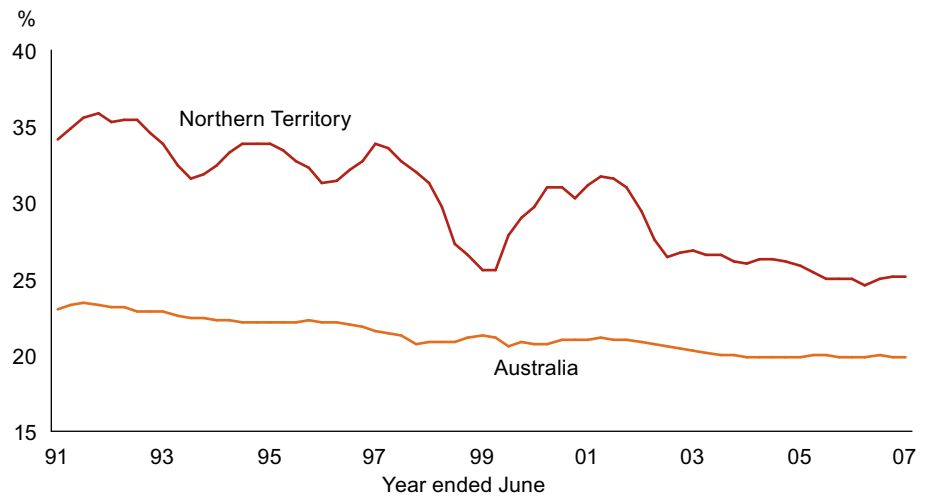
In 2007-08, public sector consumption and investment expenditure in the Territory was an estimated \$4.9 billion, a 2.9 per cent increase on 2006-07. In relative terms, public sector expenditure is much higher in the Territory than in most other jurisdictions. In 2006-07, public sector expenditure was \$16 886 per capita, compared to \$9700 per capita nationally. The ACT had the highest public sector expenditure per capita at \$52 200 and South Australia the lowest at \$8604. As a proportion of SFD, Territory public sector expenditure is also the second highest

(25.1 per cent) behind the ACT (51.9 per cent). The relatively high level of public sector expenditure in the Territory reflects, among other factors, the relatively high cost of providing core government functions to a small, widely dispersed population, with a significant Indigenous component.

Since 1991-92, public sector expenditure as a proportion of SFD has declined, reflecting both the ongoing development and diversification of the Territory economy (Chart 14.2). Over this period, SFD has increased by an annual average of 5.8 per cent, with the private sector contribution to SFD growing by 6.7 per cent compared to the public sector component growth of 3.4 per cent.

Although the decline in public sector expenditure as a proportion of SFD has also occurred nationally, the rate of decline in the Territory has been much faster. The proportion of Territory SFD attributed to the public sector has declined from about 35 per cent in 1991-92 to about 25 per cent (\$3.6 billion) in 2006-07. Over the same period, the national proportion declined by just 3 percentage points, from about 23 per cent to 20 per cent.

Chart 14.2: Public Sector Expenditure (excluding defence) as a Proportion of SFD



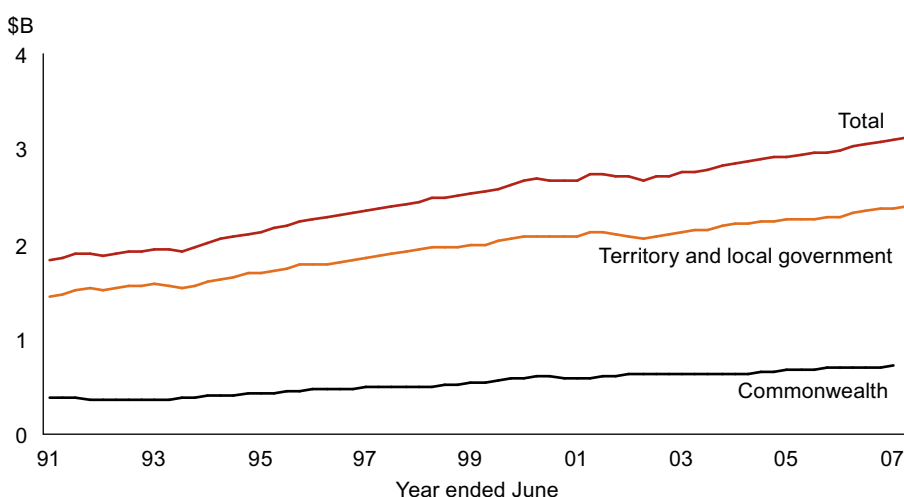
Source: ABS Cat. No. 5206.0

Consumption Expenditure

In 2006-07, public sector consumption expenditure, including wages and salaries, office supplies, consultancy services and consumption of fixed capital, accounted for 86.0 per cent of total public sector expenditure in the Territory, and around one-third (34.1 per cent) of total consumption (public and private). Territory and local governments accounted for 77 per cent of total public sector consumption, and the Commonwealth accounted for the remaining 23 per cent.

In the 15 years to 2006-07, the level of public sector consumption expenditure has increased by about 65 per cent to \$3.1 billion (Chart 14.3), but nevertheless has declined as a proportion of total consumption expenditure from about 41 per cent to 34 per cent. This reflects the growing significance of private sector (household) consumption expenditure in the Territory.

Chart 14.3: Components of Public Sector Consumption Expenditure (excluding defence)



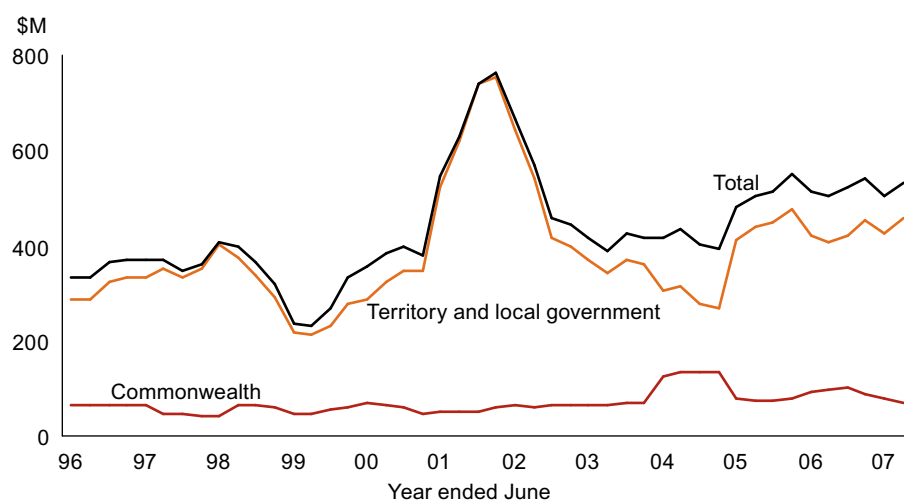
Source: ABS Cat. No. 5206.0

Investment Expenditure

Public sector investment expenditure is volatile and can experience large fluctuations from year to year due to the small size of the Territory economy and the impact of funding for large one-off projects. Examples include works on the bulk liquids berth, railway access, land reclamation and wharf extensions of the East Arm Wharf bulk loading facility, and headworks, soil decontamination and provision of community infrastructure at the Darwin Waterfront. Other projects contributing to recent growth in public investment include works done on the Red Centre Way, Darwin industry fuel terminal oil pipelines, expansion works on Territory schools and a number of projects aimed at the delivery of Indigenous housing services across the Territory (Chart 14.4).

In 2006-07, public sector investment accounted for 13.9 per cent of total public sector expenditure and 12.8 per cent of total investment. Territory and local governments accounted for 61 per cent of the public sector investment, public corporations such as the Power and Water Corporation accounted for 29 per cent, and the Commonwealth for the remaining 10 per cent.

Chart 14.4: Components of Public Sector Investment Expenditure (moving annual total)



Source: ABS Cat. No. 5206.0

Employment

The public sector is the largest employer in the Territory, accounting for about 26 per cent of total employment in 2006-07. The Territory Government accounts for 74 per cent of public sector employment, the Commonwealth for 13 per cent and local government for the remaining 13 per cent.

In the Territory since 1997-98, public sector employment is estimated to have increased at an annual average rate of 2.1 per cent (Table 14.1), more than total resident civilian employment (1.9 per cent) over the same period. Local government employment increased by an annual average rate of 2.9 per cent over the period, due in part to growth in the number of local governing bodies (largely community governments in remote areas), as well as growth in Community Development Employment Projects (CDEP), although not all CDEP programs were administered by local councils. Northern Territory Government employment increased at an annual average rate of 2.3 per cent, while Commonwealth employment experienced zero per cent annual average growth over the period. In late 2007, the Commonwealth placed a moratorium on the dismantling of CDEP that had begun in the Territory in mid-2007 and announced CDEP reforms including, where possible, converting some CDEP positions into public sector jobs. These changes, combined with local government reforms, are expected to have some impact on public sector employment in the Territory.

Table 14.1: Wages and Salary Earners

Year ended June	Commonwealth Government	Territory Government	Local Government	Total
1998	3 500	16 200	2 625	22 325
1999	3 550	16 000	2 600	22 150
2000	3 450	15 975	2 600	22 025
2001	3 550	16 675	2 600	22 825
2002	3 850	17 050	2 950	23 850
2003	3 450	17 925	2 900	24 275
2004	3 400	18 625	3 325	25 350
2005	3 475	19 475	3 425	26 375
2006	3 400	19 850	3 275	26 525
2007	3 500	20 200	3 550	27 250
2008e	3 500	20 400	3 500	27 400
Compound Annual Growth				
1997-98 to 2007-08e	0.0	2.3	2.9	2.1
2002-03 to 2007-08e	0.3	2.6	3.8	2.5

e: estimate

Source: Northern Territory Treasury, ABS Cat. No. 6248.0.55.001

Employment data referenced in Table 14.1 is based on the Australian Bureau of Statistics Wage and Salary Earners (WSE) Public Sector data series, which reports on the number of paid public sector positions in the Northern Territory across a range of industries such as health, education and general government.

In 2006, the proportion of Territory residents working in the public sector (31 per cent) was larger than the national proportion (16 per cent). The majority worked for the Territory Government (53 per cent) and about one-third worked for the Australian Government (32 per cent). More females than males worked for the Territory Government (62 per cent).

The Office of the Commissioner for Public Employment (OCPE) provides a measure of Northern Territory public sector employment, based on the full-time equivalent positions in the general government sector. This measure includes employees under the *Public Sector Employment and Management Act*, uniformed police, employees

of Tourism NT, employees of the Aboriginal Areas Protection Authority and ministerial staff. The OCPE measure excludes Charles Darwin University, Centralian College, Batchelor Institute of Indigenous Tertiary Education, Northern Territory Rural College, Menzies School of Health Research, Territory Insurance Office and Legal Aid Commission, which would be included in industry categories rather than in general government. From 1983 to 2007, public sector employment increased by 14 per cent. In calendar year 2007, the average number of full-time equivalent Northern Territory Public Service employees was 16 051, a 1.5 per cent increase from the calendar year 2006 average of 15 808. In 2007, the majority were permanent employees (74 per cent) and temporary employees (22 per cent), with the remainder casual employees.

Indigenous Employment

From June 2006 to December 2007, the number and proportion of self-identified Indigenous employees in the general Northern Territory Government sector increased from 1166 (7 per cent of total full-time equivalent positions) to 1339 (8 per cent), an increase of 15 per cent. Increased Indigenous employment reflects initiatives to promote Indigenous career development, as well as a possible increase in the propensity for employees to self-identify as Indigenous.

Outlook

The public sector will continue to play an important role in the Territory economy with modest growth in the public sector expenditure expected in 2007-08, reflecting continued works on the Darwin Waterfront and the middle schools project. Public sector employment growth is expected to moderate or possibly decrease slightly in 2007-08, although to remain at about one-third of total employment. This is largely due to completion of major government initiatives to recruit more police, nurses and teachers in 2006-07, although impacts on future employment growth from changes to CDEP and local government reforms in the Territory remain uncertain.