

## Chapter 15 The Public Sector

### Key Points

- The public sector consists of the Australian, Territory and local governments and includes defence. It is a major contributor to the Northern Territory economy, providing a wide range of economic and social services.
- In 2003-04, government administration and defence, and the other predominantly public sector industries (health and education), together accounted for more than 21 per cent of the GSP. About 34 per cent of Territory State Final Demand was attributable to public expenditure, of which 89 per cent was consumption related.
- The proportion of public sector-related industries in Territory GSP continues to be well above the national average, in part because the cost of public sector service provision is relatively high in the Territory as a consequence of a small and widely dispersed population, compounded by higher average cost of servicing people in remote communities. These factors also contribute to fewer private sector providers.
- The importance of the public sector in the Territory has not diminished in significance over the past decade, reflecting the defence build up and increases in local and Territory government employment (partially offset by reductions in other Commonwealth non-defence government employment).
- There is expected to be modest growth in public sector employment in the Territory in coming years, due partly to increased defence personnel associated with greater defence functionality in the Top End and further service delivery initiatives flowing through to employment.

With the exception of the Australian Capital Territory, the public sector in the Territory is a significantly larger component of the economy relative to other jurisdictions. This has remained the case in the Territory despite the steady downward trend over the past 10 years in the size of the public sector relative to State Final Demand (SFD).

Over the past 10 years, public sector expenditure in the Territory as a proportion of SFD has been slowly but steadily trending downwards from 39 per cent in 1994 to 34 per cent in 2004. The extent of the decrease has been exacerbated by the strength of growth in SFD over the period, owing largely to a number of major private sector resource projects which have boosted SFD over the period. The public sector proportion of SFD was boosted by defence expenditure from 1997, but fell back sharply in 1999 due to the impact of investment for the Laminaria-Corallina oil fields.

Table 15.1: Public Expenditure as a Percentage of SFD (2004)

	Consumption	Capital	Total Public
New South Wales	16.4	3.7	20.2
Victoria	16.0	3.1	19.1
Queensland	15.7	4.4	20.2
South Australia	17.6	2.8	20.4
Western Australia	15.8	4.5	20.3
Tasmania	19.1	4.2	23.4
<b>Northern Territory</b>	<b>30.2</b>	<b>3.8</b>	<b>34.0</b>
Australian Capital Territory	46.7	4.1	50.8
<b>Australia</b>	<b>17.3</b>	<b>3.7</b>	<b>21.0</b>

Source: ABS Cat. No. 5206.0

In 2000, public sector expenditure peaked at 40 per cent of SFD, owing largely to railway-related expenditures, before trending down in 2001. In 2003-04, work on the LNG plant at Wickham Point boosted SFD and, despite increased public sector expenditure, the public sector's proportion of SFD declined. Looking forward, public sector expenditure as a proportion of SFD should continue to fall in 2005-06 as work on the Alcan refinery expansion at Gove accelerates, construction of the LNG plant continues and work commences on the Trans-Territory Pipeline.

Nationally, over the same period, the public sector proportion of final demand fell from 23.8 per cent to 21 per cent. The difference is largely due to higher consumption spending associated with the relatively large defence presence in the Territory and high cost of government service provision, a consequence of the Territory's small and widely-dispersed population.

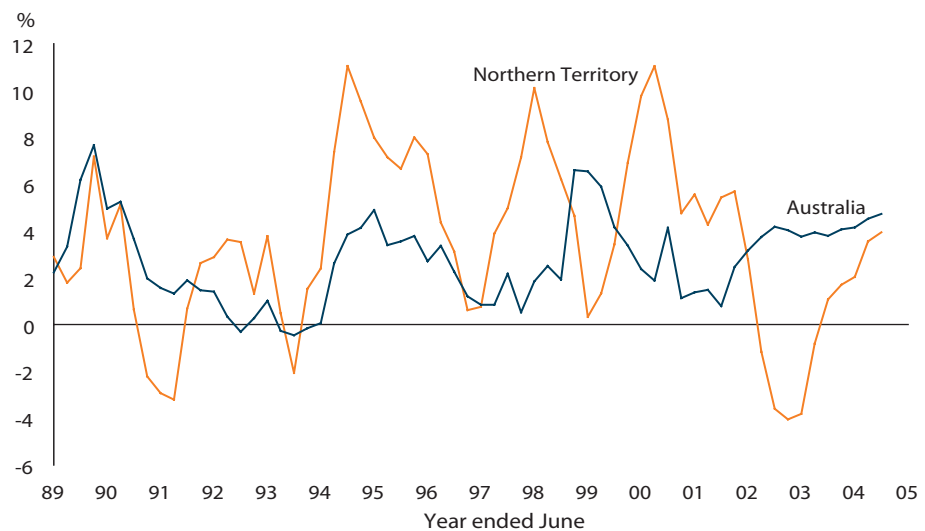
## Public Expenditure

### Consumption

Public consumption growth in the Territory has been boosted by the expanded defence presence in the Top End. In the 10 years to December 2004, defence-related consumption expenditure increased at an average annual rate of around 8.3 per cent compared with 4.3 per cent for Australian Government non-defence consumption and 2.9 per cent for state and local public consumption (and 5.0 per cent for private consumption). Nevertheless, public consumption expenditure as a proportion of overall consumption declined from 43.4 per cent in 1994 to 41.7 per cent in 2004, reflecting the growing importance of the private sector in the Territory's economy. This trend is mirrored nationally, with public consumption as a proportion of total consumption declining from 24.4 per cent to 22.8 per cent over the same period.

In the year to December 2004, defence-related consumption expenditure attributed to the Territory decreased marginally, but remained near historically high levels. Australian Government non-defence consumption increased by 4.8 per cent and Territory and local government consumption by 5.3 per cent. Consumption expenditure comprised about 89 per cent of total public expenditure in the Territory with the remainder being gross fixed capital formation (that is, investment). The Territory and local governments accounted for around 58 per cent of government consumption expenditure in the Territory in 2004, defence accounted for 26 per cent, with the remaining 16 per cent attributable to Australian Government non-defence spending.

Chart 15.1: Public Expenditure (moving annual total, annual percentage change)



Source: ABS Cat. No. 5206.0

Table 15.2: Total Public Sector Expenditure in the Territory (chain volume measure)

Year ended June	Consumption		Investment		Total	
	\$M	% Ch	\$M	% Ch	\$M	% Ch
1990	1 854	2.7	397	8.8	2 251	3.7
1991	1 879	1.3	306	-22.9	2 185	-2.9
1992	1 958	4.2	290	-5.2	2 248	2.9
1993	2 067	5.6	266	-8.3	2 333	3.8
1994	2 130	3.0	259	-2.6	2 389	2.4
1995	2 218	4.1	362	39.8	2 580	8.0
1996	2 445	10.2	323	-10.8	2 768	7.3
1997	2 428	-0.7	361	11.8	2 789	0.8
1998	2 669	9.9	402	11.4	3 071	10.1
1999	2 825	5.8	256	-36.3	3 081	0.3
2000	3 022	7.0	360	40.6	3 382	9.8
2001	3 045	0.8	525	45.8	3 570	5.6
2002	3 034	-0.4	635	21.0	3 669	2.8
2003	3 117	2.7	412	-35.1	3 529	-3.8
2004	3 219	3.2	379	-8.0	3 598	2.0
2005e	3 334	3.6	425	12.2	3 759	4.5
Compound Annual Growth %						
1989-90 to 2004-05e		4.0		0.5		3.5
1989-90 to 1994-95		3.7		-1.8		2.8
1994-95 to 1999-00		6.4		-0.1		5.6
1999-00 to 2004-05e		2.0		3.4		2.1

e: estimate

Source: NT Treasury, ABS Cat. No. 5206.0

### Investment

On a per capita basis, public sector capital formation in the Territory was estimated to be \$2100 per annum in 2004, compared to \$2000 in 2003 and \$2600 in 2002. Public sector outlays are heavily influenced by capital expenditure patterns, which can experience large fluctuations from year to year due to variability associated with funding for large one-off projects. In 2004, Territory Government capital formation continued to fall from the high levels recorded in 2001 and 2002 associated with railway-related investment and the construction of the East Arm Port.

Almost 45 per cent of total public sector capital formation in the Territory in 2004 was undertaken by Territory and local governments, with a further 29 per cent undertaken by Territory government business divisions. Commonwealth expenditure (defence and public corporations) comprised the balance, representing around 26 per cent of total public investment in 2004.

### Public Sector Employment

#### Data Comparability and Quality

When interpreting public sector employment, it is important to understand the source of the data and what the data are reporting. For example, on a quarterly basis, the Australian Bureau of Statistics (ABS) reports employment by industry sourced from its household-based Labour Force Survey (LFS). This survey reports on the labour force status of resident individuals and does not report on the number of jobs in the economy (as is sometimes presumed). For example, a person holding, say, two part-time jobs would only be recorded as one employed person in the LFS. As for much data for the Territory, it is also important to realise that data quality deteriorates rapidly as datasets are disaggregated, and in this case, notably when examining LFS employment by industry data.

The ABS Wage and Salary Earners, Public Sector series (WSE) is based on statistics obtained from the quarterly Survey of Employment and Earnings. Data for this survey are sourced from administrative datasets from various levels of government and reports by the number of paid positions. The WSE uses a broad definition of the Northern Territory Government which, for example, includes Charles Darwin University (CDU), the Batchelor Institute of Indigenous Tertiary Education (BIITE) and the Territory Insurance Office (TIO). As such, ABS LFS and WSE public sector data should not be cross referenced in undertaking time series analysis of the Territory's labour market.

The Office of the Commissioner of Public Employment (OCPE) reports on the number of paid Northern Territory Government positions, which excludes CDU, Centralian College, BIITE, Northern Territory Rural College, the Menzies School of Health Research, the TIO and the Legal Aid Commission. This series of data is a narrower measure of the number of Northern Territory Government positions than is reported by the ABS WSE series. As such, WSE data and the OCPE data are not directly comparable due to the different definitions of what constitutes a Northern Territory Government employee.

Further complicating matters, the OCPE often reports full-time equivalent employment (FTE) numbers. This is useful in interpreting changes in underlying aggregate public sector employment and converts part-time jobs to FTE positions (for example, if the working week was 40 hours, then two 20 hour positions would equal one FTE, or four 10 hour per week positions would also equal one FTE). The move to an increasing number of casual and part-time positions means that, without converting to FTE status, over time there would be bias towards over-reporting employment's contribution to delivering public sector goods and services to the community.

Data quality issues regarding general employment numbers are analysed in more detail in Chapter Four on Employment in this publication.

## ABS Employment Data

Excluding defence force personnel, the ABS WSE series estimates there were 25 350 public sector positions in the Territory in 2003-04 (see Table 15.3). The Territory Government is estimated to have had 18 625 positions, an increase of 700 on the previous year, 3400 positions were in the Australian Government (excluding defence force personnel) and there were 3325 positions in local government.

The ABS reports the number of public sector positions in the Territory (excluding defence) increased at an average 0.9 per cent per annum from 1989-90 to 2003-04 (a total increase of 13.9 per cent over the period). Local government positions increased by 177 per cent, reflecting the growing number of local governing bodies (largely community governments in remote areas) declared under the *Local Government Act*. The number of Territory Government positions has remained relatively flat, increasing at an average rate of 0.9 per cent per annum or, in absolute terms, around 2100 jobs. Commonwealth Government positions (excluding defence) fell by 1125 to 3400 employed people.

### OCPE Employment Data

The OCPE reports that the number of full-time equivalent employees averaged 15 285 in the December quarter 2004, a 4 per cent increase from the December quarter 2003 average of 14 691. Health and Community Services (HCS) reported the largest increase, up by 241 to 4131, followed by Police, Fire and Emergency Services which reported an increase of 101 to 1492. The increased number of positions in these agencies reflects ongoing policy initiatives to improve the scope and capacity to deliver services. At December 2004, HCS was also the largest Territory Government employer in FTE terms, followed by Employment, Education and Training (3806), Police, Fire and Emergency Services (1492) and Infrastructure, Planning and Environment (1413).

Table 15.3: Public Sector Employee Numbers (year average)

Year ended June	Governments			Sub-Total <sup>1</sup>	Defence <sup>2</sup>	Total
	Australian	Territory	Local			
1990	4 525	16 525	1 200	22 250	2 048	24 298
1991	4 400	16 500	1 200	22 100	2 086	24 186
1992	4 350	15 725	1 150	21 225	2 281	23 506
1993	3 900	14 950	1 200	20 050	2 561	22 611
1994	3 775	15 475	1 200	20 450	2 543	22 993
1995	3 975	15 775	1 300	21 050	2 524	23 574
1996	4 050	16 125	1 975	22 150	3 312	25 462
1997	4 175	16 050	2 150	22 375	3 384	25 759
1998	3 500	16 200	2 625	22 325	3 756	26 081
1999	3 550	16 000	2 600	22 150	4 111	26 261
2000	3 450	15 975	2 600	22 025	4 662	26 687
2001	3 550	16 675	2 600	22 825	4 641	27 466
2002	3 850	17 050	2 950	23 850	5 119	28 969
2003	3 450	17 925	2 900	24 275	5 191	29 466
2004	3 400	18 625	3 325	25 350	5 091	30 441
2005e	3 390	19 340	3 360	26 090	5 256	31 346
Compound Annual Growth						
1989-90 to 2004-05e	-1.9	1.1	7.1	1.1	6.5	1.7
1989-90 to 1994-95	-2.6	-0.9	1.6	-1.1	4.3	-0.6
1994-95 to 1999-00	-2.8	0.3	14.9	0.9	13.1	2.5
1999-00 to 2004-05e	-0.4	3.9	5.3	3.4	2.4	3.3

e: estimate

<sup>1</sup> Excludes Defence

<sup>2</sup> Defence numbers as at June for each year, not year average

Source: NT Treasury, ABS Cat. No. 6248.0.55.001, Department of Defence

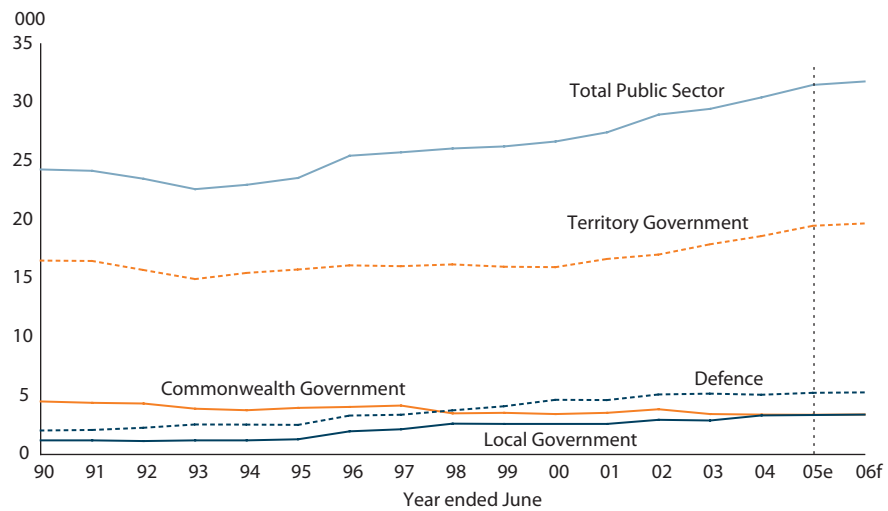
### Indigenous Employment

The number of identified Indigenous employees in the Territory Government as at December 2004 was recorded as 1006, an increase of 21 per cent over the year. This represents 6.2 per cent of the Territory Government's positions compared to 5.2 per cent a year ago. Increased Indigenous employment reflects initiatives to promote Indigenous career development and an increase in the number of employees who identify as Indigenous persons.

### Defence Personnel

Department of Defence data report that full-time defence personnel stationed in the Territory increased from around 2000 in 1989-90 to 5100 in 2003-04. Using WSE data, total public sector positions in the Territory, including full-time defence personnel (that is, excluding reservists), increased from an estimated 24 298 in 1989-90 to 30 441 employees in 2003-04. The increase in defence personnel contributed more than half the increase in total public sector employment over that period, with local government the other major contributor.

Chart 15.2: Public Sector Employment



e: estimate; f: forecast

Source: NT Treasury, ABS Cat. No. 6248.55.001, Department of Defence

The strength of defence employment growth over the past 10 years has meant that, as reported by the ABS LFS, the number of people employed by the public sector has remained at about 30 per cent of total employment (public and private). However, excluding defence personnel, public sector employment in the Territory is estimated to have fallen from 29 per cent of total employment in 1989-90, to 27 per cent in 2003-04.

### Public Sector Importance

The importance of the public sector to Territory employment has not diminished over the past decade, reflecting both the defence build up, the developing status of the economy and the ongoing need to provide services to remote populations.

### Public Sector Outlook

The public sector will continue to play an important role in the Territory economy. The number of positions in the public sector is expected to increase slightly over the next couple of years, but is expected to remain at about 30 per cent of total employment. It is expected that around 120 people will be recruited to the police force in 2005 as part of the Territory Government's ongoing \$75 million 'Build your Police Force' initiative. An extra 100 traineeship and apprenticeship positions within the Territory Government are also expected to be made available over the same time period. The number of defence personnel stationed in the Territory is expected to increase over the next couple of years, mainly due to the formation of the Army's 1st Aviation Regiment, which will require the relocation of about 200 personnel to the Territory.