

## Chapter 15 The Public Sector

### Key Points

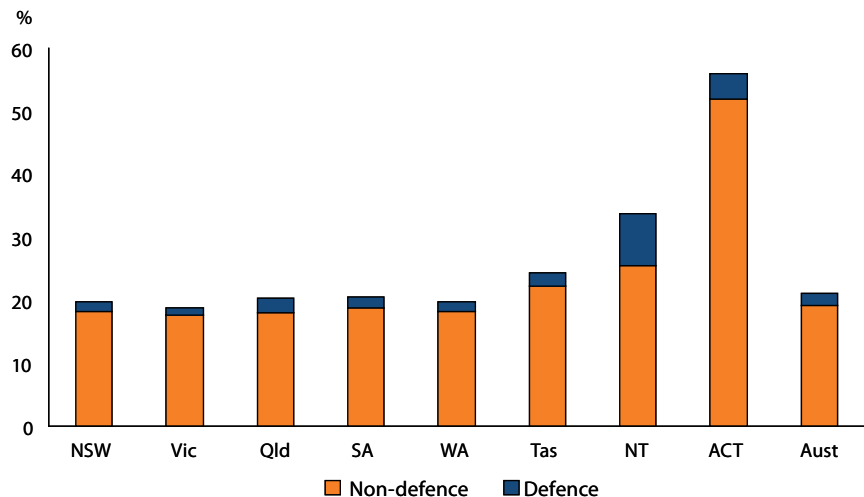
- The public sector consists of Australian, Territory and local government activity including defence. It is a major contributor to the Northern Territory economy, providing a wide range of economic and social services.
- In 2004-05, government administration, defence and the other predominantly public sector industries (health and education) accounted for about 19 per cent of gross state product and about 34 per cent of state final demand – much higher than most other jurisdictions.
- The non-defence public sector is the largest employer in the Territory, accounting for about 28 per cent of total employment (33 per cent when defence is included).
- The relative importance of the non-defence public sector has declined steadily over the past two decades, reflecting the maturing Territory economy.

The public sector includes Australian, 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 16.

The public sector in the Territory is a significantly larger component of the economy than in most other jurisdictions, accounting for about 19 per cent of gross state product (GSP) and 33.7 per cent of state final demand (SFD) in 2004-05. Nationally, the public sector accounted for just 21 per cent of SFD (Chart 15.1). The Australian Capital Territory (ACT) is the only jurisdiction with a larger public sector, due to its large Australian Government presence.

The non-defence public sector is also the largest employer in the Territory and accounted for 28 per cent of total employment in 2004-05 (33 per cent when defence is included).

Chart 15.1: Total Public Sector Expenditure as a Percentage of SFD, 2004-05



Source: ABS Cat. No. 5206.0

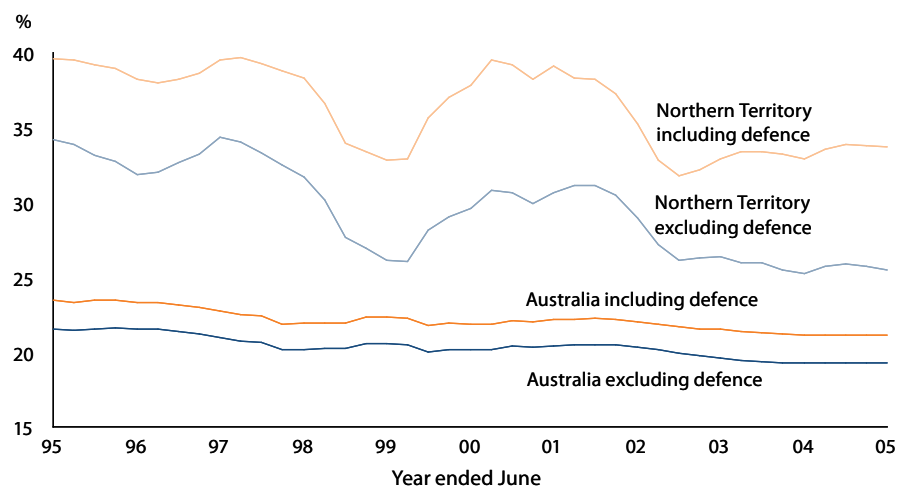
## Expenditure

In 2005-06, non-defence public sector expenditure totalled an estimated \$3218 million, a 5 per cent increase on 2004-05. In relative terms, expenditure is much higher in the Territory than in most other jurisdictions. In 2004-05, non-defence public sector expenditure was \$1511 per capita, compared to \$845 per capita nationally. The ACT had the highest expenditure at \$4514 per capita and Queensland the lowest at \$759 per capita. As a proportion of SFD, Territory non-defence public sector expenditure is also the second highest (25 per cent), behind the ACT (52 per cent). The high level of public sector expenditure in the Territory reflects, among other factors, that the cost of providing core government functions is shared by a smaller population base than in other jurisdictions.

Since 1989-90, the Territory public sector expenditure as a proportion of SFD has declined significantly, reflecting both the growth in the Territory population and the ongoing development of the Territory economy (Chart 15.2). Over this period, SFD has increased by an annual average of 5.1 per cent, with private sector growth of 6.1 per cent, compared to public sector growth of just 3.4 per cent.

Although the decline in the public sector as a proportion of SFD is mirrored nationally, the rate of decline in the Territory has been much faster. The proportion for the Territory has declined from about 43 per cent in 1989-90 to about 34 per cent (\$4.1 billion) in 2004-05. Excluding defence (and therefore the significant impact of the defence build-up in the 1990s), the decline is even more dramatic, falling by about 12 percentage points from about 37 per cent to about 25 per cent. Over the same period, the national proportion declined by just 3 percentage points, from about 24 per cent to 21 per cent.

Chart 15.2: Public Sector Expenditure as a Proportion of SFD (moving annual total)



Source: ABS Cat. No. 5206.0

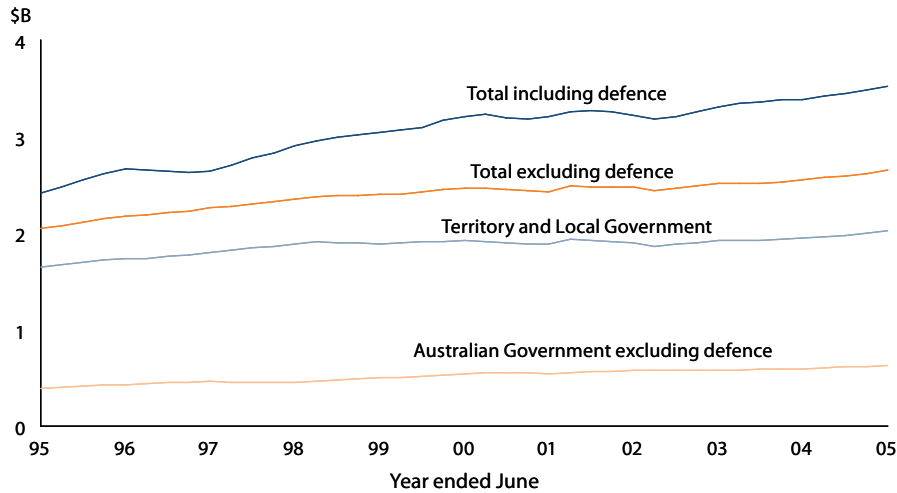
## Consumption

In 2004-05, consumption accounted for 86.5 per cent of total non-defence public sector expenditure in the Territory, and around one-third of total consumption (public and private). Territory and local governments accounted for 57 per cent of total public sector consumption, defence accounted for 25 per cent, and Australian Government non-defence for the remaining 18 per cent (Chart 15.3).

Between 1990-91 and 2004-05, non-defence public sector consumption has increased by about 50 per cent (Chart 15.3), but nevertheless declined as a proportion of total consumption from about 39 per cent to 31 per cent. This reflects the growing significance of private sector (household) consumption expenditure in the Territory.



Chart 15.3: Components of Public Sector Consumption Expenditure (moving annual total)



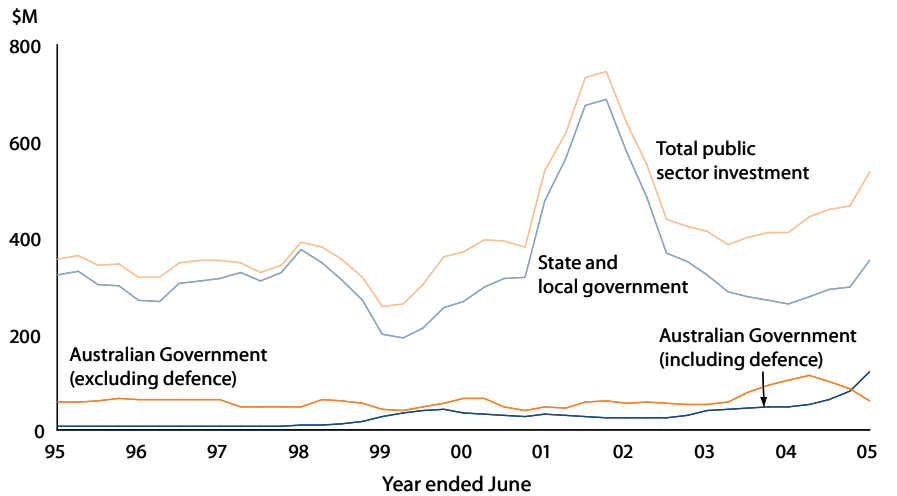
Source: ABS Cat. No. 5206.0

**Investment**

Public sector investment 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 such as the Adelaide to Darwin rail link (2001-03; Chart 15.4).

In 2004-05, non-defence public sector investment accounted for 14 per cent of total non-defence public sector expenditure and 12 per cent of total investment. Territory and local governments accounted for 39 per cent of the total public sector investment, public corporations accounted for 32 per cent, defence accounted for 23 per cent, and Australian Government non-defence for the remaining 5.6 per cent.

Chart 15.4: 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. In 2004-05, the non-defence public sector accounted for about 28 per cent of total employment and defence accounted for an additional 5 per cent. The Northern Territory Government accounts for 74 per cent of non-defence public sector employment, the Australian Government (excluding defence) accounts for 13 per cent and local government for the remaining 13 per cent.

Since 1990-91, non-defence public sector employment has increased at an annual average rate of 1.2 per cent (Table 15.1), slightly less than population growth over the same period. Local government employment increased by an annual average rate of 6.8 per cent over the period, due in part to growth in Community Development Employment Projects and the growing number of local governing bodies (largely community governments in remote areas). Territory Government employment increased at an annual average rate of 1.2 per cent, while Australian Government employment (excluding defence) decreased by an annual average rate of 1.7 per cent over the period.

The defence contribution to employment growth since 1990-91 has been substantial, with average annual growth of 6.3 per cent over the period. Further details of the defence build-up are provided in Chapter 16.

**Table 15.1: Public Sector Employee Numbers (year average)**

Year ended June	Australian Gov't	Territory Gov't	Local Gov't	Total (excluding Defence)	Defence*	Total
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	5 041	30 391
2005	3 475	19 475	3 425	26 375	5 009	31 384
<b>2006e</b>	<b>3 400</b>	<b>19 700</b>	<b>3 225</b>	<b>26 325</b>	<b>5 180</b>	<b>31 505</b>
<b>Compound Annual Growth (%)</b>						
1990-91 to 2005-06e	-1.7	1.2	6.8	1.2	6.3	1.8
2000-01 to 2005-06e	-0.9	3.4	4.4	2.9	2.2	2.8

e: estimate

\*Defence numbers as at June for each year, not year average

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

Employment data referenced in Table 15.1 are based on the Australian Bureau of Statistics Wage and Salary Earners, Public Sector data series (WSE), which reports on the number of public sector paid positions in the Northern Territory. It is not a full-time equivalent number, nor is it a measure of the number of employees. Growth, therefore, partly reflects an increasing number of casual and part-time positions.



The Northern Territory Office of the Commissioner for Public Employment (OCPE) provides an alternative, full-time equivalent measure of employees under the *Public Sector Employment and Management Act* for Tourism NT and Aboriginal Areas Protection Authority employees and police. 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 because they are not relevant to the NTPS. In the December quarter 2005, OCPE reported the average number of full-time equivalent NTPS employees at 15 837, a 3.6 per cent increase from the December quarter 2004 average of 15 285.

### Indigenous Employment

OCPE data reports that the number of self-identified Indigenous employees in the Territory Government at December 2005 was 1154, an increase of 14.6 per cent over the year. Indigenous employment represents 6.8 per cent of the Territory Government employment compared to 6.1 per cent one year ago. These figures rely on self-identification, and are therefore likely to understate the true level of Indigenous employment. Increased Indigenous employment reflects initiatives to promote Indigenous career development as well as a possible increase in the number of employees who self-identify as Indigenous persons.

### Outlook

Modest growth in the non-defence public sector expenditure and employment is expected in 2006-07, consistent with the Territory Government's commitment to recruit more police, nurses and teachers.