

**SURVIVAL SKILLS
THE PUBLIC SECTOR RETENTION
AND ATTRACTION CHALLENGE**

**PUBLIC SERVICE ASSOCIATION OF
SOUTH AUSTRALIA**



**STATE BUDGET SUBMISSION
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1 Executive Summary and Recommendations

In this Budget Submission the PSA highlights the pressing need for the State Government to develop and implement a Public Sector Workforce Development Strategy to avoid the emergence of a workforce crisis in 2011 as the baby boomer generation reaches retirement age. The State Government needs to position the State public sector as an employer of choice to avoid widespread poaching of skilled and experienced public servants. There is a risk that many of our most talented public servants will leave the public sector unless strategies are put in place to retain them over the next few years. South Australia cannot afford to lose its brightest and best public servants. The State Government must develop the survival skills to manage in an increasingly competitive labour market. From a fiscal point of view it is well positioned to do so. What is required in the next State Budget is a commitment to putting in place strategies that make the public sector an employer of choice. The development of a Public Sector Workforce Development Strategy will lay the foundations to avoid the emergence of chronic skill shortages within the public sector over the next decade, ensuring that high quality public services continue to be available to South Australians.

THE MEDIUM-TERM BUDGET STRATEGY FOR SOUTH AUSTRALIA

State finances are extremely sound given sustained economic growth and revenue flows. The present level of State debt is less than 1.1 per cent of Gross State Product. This is low by any standard and it is predicted to fall even further over the medium-term. Clearly, the State's public finances are strong providing the Government with the opportunity to modernise the State's social and physical

infrastructure, ensuring that future rates of growth are not compromised by ageing and inefficient infrastructure.

It is recommended:

- that the State Government enhance the State Infrastructure Plan by establishing a social and physical infrastructure audit unit to help inform the identification of priority projects for funding from public borrowings and recurrent spending.

THE SOUTH AUSTRALIAN LABOUR MARKET

The State's buoyant economy has underpinned strong employment growth. Continued growth is likely while stable national and international economic conditions prevail. New investments, particular in the expansion of mining operations at Roxby Downs and the Air Warfare Destroyer Contract will place pressure on the labour market and the public sector in particular. The public sector will need to position itself as an employer of choice to ensure that it is able to retain and attract highly skilled employees in this context. Higher rates of public sector investment will help to underpin a healthy labour market in South Australia should there be a deterioration in the national economy due to international circumstances, drought or rising interest rates.

PUBLIC SECTOR EMPLOYMENT AND WORKFORCE DEVELOPMENT

Like other employers in South Australia, the State Government faces a major challenge dealing with the consequences of an ageing workforce. As the baby boomer generation retires over the next two decades, major skill shortages will emerge in the absence of innovative recruitment and retention strategies. It would appear that the public sector has become used to the need to constantly recruit to replace separations. Consequently, the looming workforce crisis might be seen as more of the same. The problem for policymakers is that the period ahead presents

recruitment and retention challenges on such a large scale that there is no room for such complacency. The policies of the past have been focused on a reduction in the size of the public sector workforce. The policies of the future need to focus on retention and attraction.

A comprehensive Public Sector Workforce Development Strategy is urgently required to enable the State Government to effectively manage the ageing of public sector workforce.

It is recommended:

- The State Government provide additional resources for the development of a comprehensive Public Sector Workforce Development strategy to manage the implications of the ageing of the public sector workforce.
- The State Government provide additional resources for the establishment of a Public Sector Workforce Development Unit to develop and support the implementation of a Public Sector Workforce Development Strategy. The Unit should be charged with the responsibility to develop a whole of government public sector workforce development strategy and provide research assistance and strategic support to agencies to develop and implement workforce plans that are complementary with the overall strategy.
- As a matter of urgency the Public Sector Workforce Development Unit should provide recommendations to the State Government on mature age retention, succession planning and succession management strategies for the public sector.
- That the State Government should as a matter of urgency conduct a retirement intentions survey.
- That the State government reviews its regional incentive programs in order to address chronic skills shortages in regional South Australia.
- That the State Government significantly expand its graduate recruitment programs to address both the current skills shortages and the ageing of the public sector workforce.

PUBLIC SECTOR REFORM

An important component of the public sector reform process is public sector capacity and capability building to promote innovation and the identification and

adoption of best practice in the public sector. This requires investment in policy and evaluation skills development and the transmission of tacit knowledge from experienced public servants to new entrants into the public sector through mentoring and other knowledge transfer strategies.

It is recommended that:

- The State Government establish the South Australian Centre for Public Sector Innovation to foster and support the adoption of best practice policy/program development and performance measurement in the public sector. The Centre would foster the development of research relationships between the public sector and the South Australian higher education sector to assist with the implementation and enhancement of South Australia's Strategic Plan.

SHARED SERVICES

The Shared Services Reform Office was established to reform the delivery of corporate and business support functions to government agencies by consolidating them into a shared services environment. The evidence from three other States suggest that net savings come at the cost of large scale staffing cuts.

It is recommended that:

- The main aim of the shared services reform process should be the provision of high quality services and the achievement of increased efficiency and productivity by exploiting the opportunities offered by ICT rather than the achievement of arbitrary cost savings targets.

FALSE ECONOMIES

The PSA is concerned that budgetary cuts flowing from the last State Budget are resulting in false economies in a number of key areas. The PSA is concerned that the cuts are impacting on service delivery and quality.

It is recommended that:

- The State Government investigate methods to reduce the number of people who are held on remand in custody by diverting as many people as is practicable away from the prison system;

- The State Government increase funding to the Director of Public Prosecutions to reduce delays in bringing cases before the courts;
- The State Government increase funding to the Public Defenders Office to reduce delays in moving cases through the judicial system once a case has been brought before the courts; and
- The State Government increase funding to the courts authority to employ more judges and magistrates in order to bring more people before the courts.
- It is recommended that more rigorous budgetary impact and risk assessment and management procedures be introduced by the State Government to avoid false economies arising from budgetary savings measures. Such procedures should guide both agency based and Cabinet assessment of both savings and expenditure measures as part of a holistic public sector risk assessment and management framework.
- The State Government should review the number of support staff required to provide classroom teachers with important support services.
- The State Government should upgrade and modernize the regulatory regimes associated with all areas of government activity by exploiting the opportunities offered by ICT and modernizing its ICT infrastructure (particularly in the health, education and transport sectors).
- The State should undertake a comprehensive review of legislation (and relevant regulations) associated with all areas of government activity with a view to abolishing legislation that is no longer required and/or consolidating legislation.

2 Introduction

The Public Service Association (PSA) represents State public sector workers in South Australia. In addition to its recognised industrial role, the PSA actively promotes the vital role of the public sector in the South Australian economy and community. This State Budget submission is a contribution to the achievement of this objective.

Previous submissions have drawn to the attention of Government areas where inadequate resources has compromised, or has the potential to compromise, the ability of the South Australian public sector to provide the quantity and quality of services that the South Australian public expects. Those submissions made recommendations about how to overcome the observed problems. This submission focuses primarily on one major challenge facing the State Government – the need to develop and resource a sophisticated Public Sector Workforce Development Strategy to tackle skill shortages that arise from the ageing of the State public sector. This submission highlights the need for the State Government to view the imperatives arising from workforce ageing as key risk management challenges.

The retirement rate of public servants is set to accelerate over the next few years as the baby boom generation rapidly approach the age of retirement. Managing this challenge should be among the highest priorities of the State Government over the next five years. A comprehensive public sector workforce development strategy is required to help avoid the emergence of chronic skill shortages in the South Australian public sector.

3 The medium-term Budget strategy for South Australia

On 27 September 2004 Standard and Poors awarded the South Australian Government the coveted AAA credit rating. Standard and Poors cited the following as the main reasons for the upgrade:

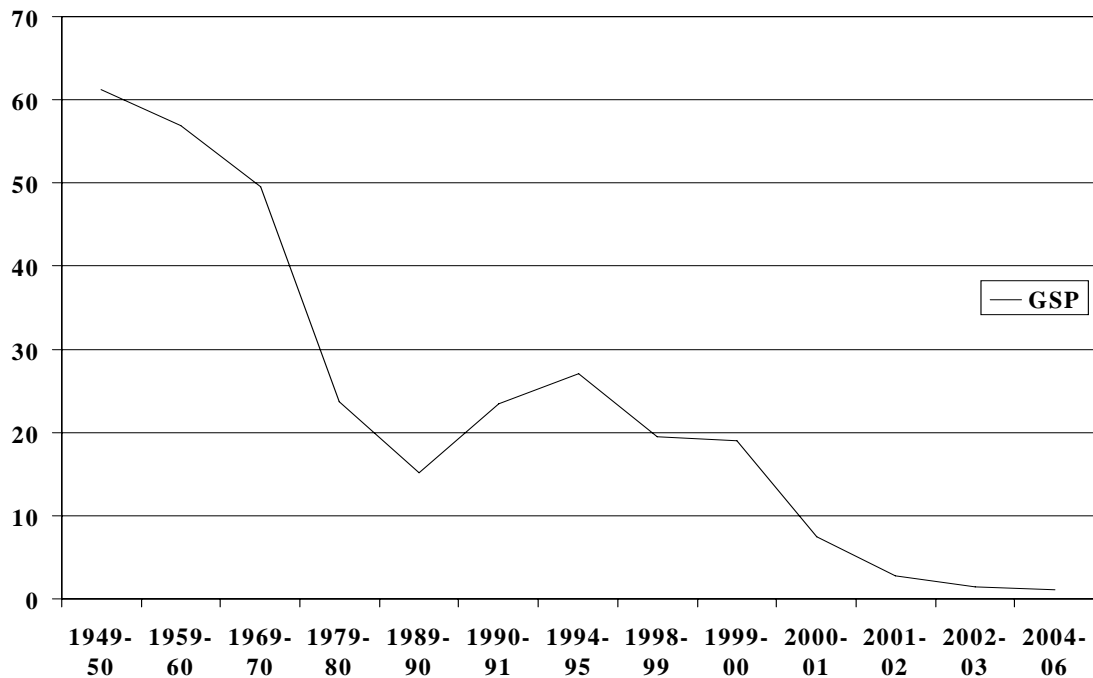
- Balance sheet. A conservative measure of financial obligations, non-financial public sector net financial liabilities are only about 80 per cent of operating revenue and falling. Less stringent measures show an even stronger position: net direct debt of the general government sector is only 6 per cent of operating revenue and on track to be eliminated by 2007.
- Financial performance. Strong revenue growth and fiscal restraint have resulted in a noticeable improvement in government finances in the past few years. The government now typically funds all operating and capital spending without resorting to debt financing.
- Management capacity. The government's commitment to fiscal discipline is evident in its stringent fiscal strategy goals, which are re-enforced by a traditionally prudent approach to fiscal budgeting.

This strong financial position has been sustained and the State Government is well positioned to lay the foundations for future growth and prosperity through its investments in social and physical infrastructure.

By historical standards, the debt levels of the South Australian Government are now very low, as shown in Figure 3.1. In the late-1940s, State debt was 60 per cent of Gross State Product, largely as a result of financing the war, post-war reconstruction and the nationalisation of ETSA. It fell sharply to around 15 per cent by the late-1980s. The collapse of the State Bank of South Australia resulted in a sharp increase to around 27 per cent. Subsequently, the level of State debt fell gradually during the late-1990s. Moreover, State debt fell dramatically during the first half of the 2000s to historically low levels.

At present the level of State debt is less than 1.1 per cent of Gross State Product. Net debt is forecast to rise between 2007 and 2009. However, as a proportion of Gross State Product it will continue to fall in the medium term because Gross State Product is expected to rise by 2.5 per cent per annum in 2006/07, rising to 2.75 per cent in 2008/09. Hence, the growth in Gross State Product will be faster than the growth in net debt.

Figure 3.1: Debt as a percentage of Gross State Product, South Australia 1949 to 2006.



Source: Various State Budget Papers

**Table 3.1: Debt as a Percentage of Gross State Product, South Australia
1949 to 2001.**

| Year | Percentage of Gross State Product |
|------------------|--|
| 1949-50 | 61.2 |
| 1959-60 | 56.9 |
| 1969-70 | 49.6 |
| 1979-80 | 23.7 |
| 1989-90 | 15.2 |
| 1990-91 | 23.4 |
| 1994-95 | 27.1 |
| 1998-99 | 19.5 |
| 1999-00 | 19.0 |
| 2000-2001 | 7.5 |
| 2001-2002 | 2.8 |
| 2002-2003 | 1.5 |
| 2004-2006 | 1.1 |

Source: Various Budget Papers

**Table 3.2: South Australian Government General Balance Sheet Indicators,
1999 to 2009, millions of dollars.**

| As at 30 June | Net debt | Unfunded Superannuation | Net debt plus unfunded superannuation | Net financial worth | Net worth |
|--------------------------|-----------------|------------------------------------|--|------------------------------------|----------------------|
| 1999 | 4,780 | 3,909 | 6,689 | 1,892 | 10,622 |
| 2000 | 1,920 | 3,543 | 5,463 | 2,986 | 12,447 |
| 2001 | 1,246 | 3,249 | 4,495 | 4,091 | 14,788 |
| 2002 | 1,303 | 3,998 | 5,301 | 3,559 | 14,706 |
| 2003 | 666 | 4,445 | 5,111 | 3,500 | 15,288 |
| 2004 | 224 | 5,668 | 5,892 | 3,842 | 15,760 |
| 2005 | 174 | 6,504 | 6,678 | 4,293 | 16,293 |
| 2006 | 127 | 6,569 | 6,696 | 4,979 | 17,065 |
| 2007 | 201 | 6,628 | 6,829 | 5,294 | 17,638 |
| 2008 | 209 | 6,675 | 6,884 | 5,546 | 18,126 |
| 2009 | 196 | 6,712 | 6,908 | 5,845 | 18,594 |

Source: Various State Budget Papers

Not only is the State Government's debt low by historical standards it is also low by international standards, according to Standard and Poors. Another method of measuring Government debt is as a proportion of revenue. Standard and Poors observed that the direct debt burden of the South Australian government is about 27 per cent of total revenue, which is less than the AAA median of about 30 per cent of revenue. Significantly, the debt burden of the South Australian Government is considerably lower, and ongoing financial performance stronger, than in those

German states that are also rated AAA and which operate in a similarly supportive federal structure to the Six Australian States.

Clearly South Australia's public finances are strong, providing the State Government with the fiscal base upon which to confidently invest in the key objectives set out in the *South Australian Strategic Plan*. The modernisation of South Australia's social and physical infrastructure will help to lay the foundations for South Australia's future economic and social prosperity. It will also help to sustain a rate of economic and employment growth capable of underpinning the revenue base of the State.

A strategically focused public infrastructure investment strategy is likely to result in a structural improvement in the State Budget over the medium term. Whereas, the previous State Government relied on the 'once off benefits' of privatisation to reduce State debt, the current State Government has an opportunity to establish a more balanced and sustainable approach to debt management. Such an approach should explore the advantages of higher levels of public investment in strategic social and physical infrastructure projects. Public investment will directly boost Gross State Product in the short-term and increase long-term productivity and hence reduce long-term risks to the Government's revenue base.

It is recommended:

- that the State Government enhance the State Infrastructure Plan by establishing a social and physical infrastructure audit unit to help inform the identification of priority projects for funding from public borrowings and recurrent spending.

4 The South Australian Economy and Labour Market

4.1 Introduction

This Section provides a brief overview of the South Australian economy and labour market. The first sub-Section argues that even though the economy is performing reasonably well in historical terms, an economic growth gap persists between South Australia and other States. While the conservative fiscal policy stance of the State Government has led to a AAA credit rating, an overly cautious approach to debt management has constrained infrastructure modernization. This has the potential to widen the growth gap over the medium term in the absence of a strategy to significantly boost the State's expenditure on infrastructure. The time is right for the South Australian Government to underpin future growth by investing in infrastructure provision and undertaking other projects that will boost the State's long term productive capacity.

The growth in South Australia's Gross State Product has generated significant jobs growth, resulting in a decline in unemployment over the last two years. Recent upward movement in the trend unemployment rate is of concern suggesting pressure on our manufacturing and agricultural sectors is flowing through to labour demand. The trend unemployment rate has increased slightly, whereas it has been falling in all the other States and Territories. Over the 12 months to March 2007 the national Trend Unemployment rate fell from 5.1 per cent to 4.5 per cent. In South Australia the trend unemployment rate fell from 5.3 percent in March 2006 to 4.8 per cent in August 2006 and then rose to 5.5 per cent in March 2007.

Moreover, the real level of labour under utilisation South Australia, as measured by the comprehensive unemployment rate (Barrett, 2004) is more than double the trend unemployment rate. The high levels of labour under utilisation in South Australia are due to;

- the increasing trend unemployment rate;
- the continued reduction in the male labour force participation rate;
- the slower than national average increases in the female labour force participation rate; and
- the visible under employment created by the explosion of part-time employment.

These four dynamics of the South Australian labour market are exposing the South Australian economy to risks as household spending has been under pinning growth in recent times. Any further increase in interest rates will have a significant dampening effect on household investment levels, particularly in the areas of new housing and renovations which have made a major contribution to employment growth. The State Government also faces adjustment pressures from the intensification of competitive pressures on South Australian manufacturing industry. A high Australian dollar and the growing dominance of low wage manufacturing in China and India pose a significant threat to South Australia's manufacturing sector. On the other hand, South Australia is set for some compensating employment growth through the publicly funded Air Warfare Destroyer Contract and the expansion of mining operations at Roxby Downs.

4.2 An overview of the South Australian economy

In its November 2006 Briefing Report the SA Centre for Economic Studies argued “that the overall level of economic activity in South Australia remains at a buoyant level” (SACES, 2006; 53). Real Gross State Product for South Australia rose by 2.2 per cent during the 2006/07 financial year. However, this is about 20 per cent lower than the average growth rate over the preceding decade of 2.7 per cent per annum. The lower than average growth rate was largely due to the slower growth in State Final Demand, which rose by only 1.4 per cent, compared to the average annual growth rate of 4.1 per cent over the previous decade. However, the slow down in State Final Demand was to some extent off-set by an increase in exports, which rose by 8 per cent, after four years of little growth. Table 4.1 shows that the State’s growth in Gross State Product was, as is usually the case, slower than the national average. Indeed, all States, with the exception of New South Wales grew faster than the South Australian economy during 2005/06.

Table 4.1: Australia, Gross State Product and Gross Domestic Product, 2005/06

| | Value 2006/06 GSP \$million | Percentage change Real GSP 2005/06 |
|------------------------------|--------------------------------|---------------------------------------|
| New South Wales | 319,541 | 1.4 |
| Victoria | 233,320 | 2.7 |
| Queensland | 182,211 | 4.9 |
| South Australia | 62,798 | 2.2 |
| Western Australia | 119,190 | 4.9 |
| Tasmania | 17,193 | 3.1 |
| Northern Territory | 12,240 | 7.5 |
| Australian Capital Territory | 19,477 | 3.4 |
| Australia (GDP) | 965,969 | 2.8 |

Source: South Australia Centre for Economic Studies, 2006; 54.

Table 4.1 shows that the resource-rich States continue to grow more quickly than the other States. The economies of the Northern Territory, Western Australia and Queensland continue to benefit from the global resources boom and the increased

demand for mineral commodities and energy. This in turn has boosted investment in resource development and the provision of related infrastructure.

Although the South Australian economy has not been as strongly affected by the present resources boom, there has still been a significant expansion in the State's mining sector. For example, the expansion of Roxby Downs and the continued exploration and development of the Gawler Craton. Table 4.2 shows that the value of total factor income in the South Australian mining sector grew by 34 per cent. However, the size of the State's mining sector means that the overall stimulus to the economy was small. Mining accounts for just 3.2 per cent of South Australian Total Factor Income, compared to 27 per cent for Western Australia and 12 per cent for Queensland. Table 4.2 also shows that the driver of the South Australian economy is the services industry. Total Factor Income grew most strongly for finance and insurance (13 pr cent), education (13 per cent), electricity gas and water (11 per cent) and health and community services (11 per cent).

Table 4.2: South Australia, Growth in Total Factor Income, per cent, 2005/06

| | | | |
|------------------------------------|------|-------------------------------------|------|
| Agriculture, forestry & fishing | 4.2 | Finance & insurance | 14.1 |
| Mining | 33.7 | Property and business services | 1.9 |
| Manufacturing | 3.3 | Government admin & defence | 8.9 |
| Electricity, gas & water | 10.8 | Education | 13.4 |
| Construction | -0.7 | Health & community services | 10.7 |
| Wholesale trade | 2.3 | Cultural; and recreational services | 3.5 |
| Retail trade | 5.0 | Personal & other service | 4.1 |
| Accommodation, cafes & restaurants | 3.3 | Ownership of dwellings | 6.5 |
| Transport and Storage | -3.1 | General government | 5.7 |
| Communication services | 2.2 | Total all industries | 5.9 |

Source: South Australia Centre for Economic Studies, 2006; 56.

Table 4.3 shows the key changes in the components of Gross State Product and State Final Demand. State Final Demand grew by just 1.4 per cent, compared to the much stronger, but really rather modest, growth in Gross State Product of 2.2 per

cent. This can be mainly explained by the very slow growth in private sector investment of just 0.2 per cent and the contraction in public sector investment of 3.2 per cent. Given the relative size of the South Australian public sector, unlike the mining industry, this contraction in public investment is likely to stifle productivity growth. The slowing of State Final Demand occurred despite the strong growth in household incomes, which rose by 8.5 per cent during the 2005/06 financial year, which is the strongest annual increase in household incomes since 1990.

Table 4.3: South Australia, Changes in Key Components of Gross State Product and State Final Demand, 2004/05 to 2005/06

| | Percentage change | Percentage point contribution to GSP growth | Percentage change | Percentage contribution to SFD growth |
|-------------------------------|-------------------|---|-------------------|---------------------------------------|
| Final consumption expenditure | | | | |
| Households | 1.8 | 1.1 | 2.0 | 1.2 |
| General government | 2.3 | 0.5 | -0.7 | -0.1 |
| Gross fixed capital formation | | | | |
| Private | | | | |
| Dwellings | 2.5 | 0.1 | 5.5 | 0.3 |
| Business investment | -0.6 | -0.1 | 2.4 | 0.3 |
| Ownership transfer costs | -0.5 | -0.0 | 7.2 | 0.1 |
| Total | 0.2 | 0. | 3.4 | 0.7 |
| Public | | | | |
| Public corporations | 5.7 | 0.0 | 33.6 | 0.3 |
| General government | -7.0 | -0.2 | -25.7 | -0.5 |
| Total | -3.2 | -0.1 | -10.9 | -0.3 |
| State Final Demand | 1.4 | 1.5 | 1.4 | 1.4 |
| International exports | 7.7 | 1.2 | na | na |
| International imports | 1.9 | -0.2 | na | na |
| Balancing item | | -0.4 | na | na |
| Gross State Product | 2.2 | 2.2 | na | na |

Source: South Australia Centre for Economic Studies, 2006; 56.

These three tables present a picture of a relatively healthy and robust South Australian economy. However, the South Australia Centre for Economic Studies (2006) expects that there will be a serious deterioration in farm production as a result of the drought. This will reduce exports and constrain economic activity especially in those regional areas that are reliant on rain-fed agriculture or where

reduced irrigation allocations have substantially lowered crop yields. There is a risk that fiscal prudence in combination with under-investment in infrastructure will have a constraining effect on growth in the South Australian economy over the medium term. A commitment by the State Government to boost infrastructure expenditure over the next four years could avoid this looming problem.

The *South Australian Strategic Plan Progress Report 2006* (South Australian Government, 2006; 8) states that the goal for economic growth in South Australia is to equal the national average figure. Moreover, it was argued earlier that this target was achieved in the last quarter of 2004 and the first quarter of 2005. It was noted however, that this result needed to be “treated with some caution as the rates are subject to revision which has historically resulted in variations from the original figures”. Clearly there are risks associated with comparing National and State growth estimates. National Gross Domestic Product fell to 2.1 per cent in the last quarter of 2004 and the first quarter of 2005, dragged down by the New South Wales economy, while South Australian Gross State Product was performing about 20 per cent lower than its long-term average, at 2.2 per cent. Further, for the September 2006 quarter, South Australian Gross State Product is again higher than the national Gross Domestic Product of 2.1 per cent. These figures are something of a statistical artifact as the South Australian economy only compares favorably with the national economy when the national economy is slowing.

If a longer-term perspective is taken then the South Australian economy does not fair so well. The average annual growth rate of South Australian Gross State Product is 2.7 per cent, compared to an average of 3.6 per cent per annum increase for national Gross Domestic Product over the past decade. That is, over the past

decade the South Australian economy has been growing at about two-thirds the national rate. For a single year this difference does not amount to much. But a shortfall in Gross State Product of 0.9 per cent per annum, compounded over ten years, will have a significant effect on economic well being in South Australia. Hence, the South Australian Strategic Plan needs to adopt a more rigorous target for the growth of Gross State Product that is independent of the current performance of the national economy and which reflects the hopes and aspirations of the South Australian community. Moreover, the State Government needs to recognize the relationship between public sector investment and growth in helping to lay the foundations for sustainable growth targets.

4.3 An overview of the South Australian labour market

The South Australian Centre for Economic Studies (2006; 59) argued that the South Australian economy is likely to remain “buoyant” in the foreseeable future because of the strong labour market. It was argued that the present strong labour market will sustain household spending and hence continue to underpin the continued modest growth in Gross State Product. The strength of the South Australian labour market is shown in Table 4.4

By March 2007 the Australian trend unemployment rate had fallen to 4.5 per cent, the lowest figure on record. Many Australian labour market analysts are talking up the prospect of unemployment rates falling to three or even two per cent, levels that characterised much of the post-war boom up until the mid-1970s. The trend unemployment rates for Western Australia and Queensland are cited as evidence that such low unemployment rates are not only possible, but that they could be

attained in the near future. However, Table 4.4 shows that the South Australian labour market is swimming against the tide of constantly falling unemployment. The South Australian labour market seems to have peaked in August 2006, with a trend unemployment rate of 4.6 per cent, after which it has consistently increased. Moreover, the trend unemployment rate has risen by over 25 per cent between August 2006 and January 2007, at a time when it would normally be falling, that is in the lead up to Christmas.

Table 4.4: Trend Unemployment Rate, Australia, persons, 1989 to 2005, per cent.

| | New South Wales | Victoria | South Australia | Western Australia | Queensland | Tasmania |
|------|-----------------|----------|-----------------|-------------------|------------|----------|
| 1989 | 6.6 | 5.1 | 7.5 | 5.8 | 7.1 | 9.7 |
| 1990 | 6.0 | 4.5 | 6.7 | 6.7 | 6.8 | 8.1 |
| 1991 | 7.6 | 8.6 | 8.8 | 9.4 | 9.5 | 9.3 |
| 1992 | 9.5 | 10.9 | 11.0 | 10.8 | 9.8 | 10.7 |
| 1993 | 10.7 | 11.4 | 11.2 | 9.6 | 10.3 | 11.9 |
| 1994 | 9.9 | 11.3 | 10.6 | 8.4 | 9.6 | 11.4 |
| 1995 | 8.2 | 9.1 | 9.7 | 7.2 | 8.4 | 10.5 |
| 1996 | 7.4 | 8.4 | 9.1 | 7.3 | 8.9 | 9.7 |
| 1997 | 7.7 | 8.8 | 9.2 | 7.2 | 9.5 | 10.3 |
| 1998 | 7.2 | 8.1 | 9.6 | 6.8 | 8.4 | 10.4 |
| 1999 | 6.6 | 7.3 | 8.7 | 6.9 | 7.7 | 10.2 |
| 2000 | 5.6 | 6.5 | 8.0 | 6.2 | 7.7 | 8.7 |
| 2001 | 5.6 | 6.0 | 7.1 | 6.5 | 8.2 | 8.6 |
| 2002 | 6.2 | 6.3 | 6.9 | 6.5 | 7.9 | 8.5 |
| 2003 | 6.1 | 5.7 | 6.0 | 6.0 | 7.1 | 9.1 |
| 2004 | 5.4 | 5.6 | 6.5 | 5.6 | 6.2 | 6.9 |
| 2005 | 5.3 | 5.5 | 5.3 | 4.7 | 4.5 | 5.6 |
| 2006 | 5.7 | 5.1 | 5.5 | 3.7 | 4.7 | 6.5 |
| 2007 | 5.0 | 5.4 | 5.8 | 2.90 | 4.0 | 5.6 |

Source: Australian Bureau of Statistics unpublished trend series data for February.

5 Public Sector Employment

5.1 Introduction

Like other employers in South Australia, the State Government faces a major challenge dealing with the consequences of an ageing workforce. As the baby boom generation approach retirement over the next decade, major skill shortages threaten to emerge in the absence of innovative recruitment and retention strategies. The policies of the past have been focused on a reduction in the size of the public sector workforce. The policies of the future need to focus on retention and attraction.

Over the decade 1991 to 2001 public sector employment declined by about 25 per cent, from 115,700 to 83,000. About half of the jobs that were lost resulted from the privatisation of the State's government business enterprises and the decision not to re-define the employees of the State's three universities as private sector employees. As a result of these job losses the size of the South Australian public sector, as a proportion of the State's workforce has declined from 18.7 per cent to 12.3 per cent. Following the election of the present Government there has been a modest increase in public sector employment.

The challenge over the next decade is to attract and retain qualified and experienced people in the State public sector. In June 2011 the first of the baby boomer generation will turn 65. This will usher in an unprecedented wave of retirements. Over the decade and half from 2011 to 2026, nearly half of the State's public sector employees will reach retirement age.

The immediate challenge facing the South Australian Government is to develop a comprehensive public sector workforce development strategy to help avoid the emergence of widespread skill shortages over the next few years. Recent low fertility rates mean that the pool of young people that employers can draw from is shrinking. The competition for skilled workers is set to intensify in this context, fuelling poaching of employees and higher rates of turnover.

Already significant skills shortages are evident in the public sector. Examples include administration and reception, payroll, audit, radiographers, aboriginal education workers, health workers, speech pathologists, physiotherapists, social workers, psychologists, pharmacists, engineers, solicitors, dentists, dental assistants, medical scientists and Customer Service Officers. Acknowledged skills shortages include finance and economics, property management, human resources and information technology specialists. A detailed strategy to deal with these is urgently required.

The South Australian Government has a narrow window of opportunity available to it to develop the public sector workforce development strategy that it needs to minimise the potentially disruptive impact of workforce ageing on the provision of high quality public services to South Australians.

5.2 Overview of Public Sector Employment

There was a sustained loss of public sector employees throughout the 1990s and early-2000s ending in 2002. Table 5.1 shows that in June 2001 there were 28,078

fewer full-time equivalent employees than there were in 1992. This represents a reduction of 29 per cent over the decade. Table 5.2 indicates that the most significant decline in public sector employment occurred in the three year period, 1995 to 1997. The reduction was largely due to the heavy job shedding associated with the downsizing and delayering of the public service that occurred during the corporatisation and eventual privatisation of the Government's business enterprises.

Table 5.1: South Australian Public Sector Full Time Equivalent Employees, June 1992 to June 2006.

| Year | FTE Employees |
|------|---------------|
| 1991 | 101,647 |
| 1992 | 96,960 |
| 1993 | 96,259 |
| 1994 | 90,885 |
| 1995 | 86,498 |
| 1996 | 79,432 |
| 1997 | 76,392 |
| 1998 | 77,601 |
| 1999 | 70,517 |
| 2000 | 68,615 |
| 2001 | 68,884 |
| 2002 | 69,770 |
| 2003 | 71,373 |
| 2004 | 72,141 |
| 2005 | 76,720 |
| 2006 | 78,228 |

Source: OCPE Annual Reports.

It was argued by the former State Government that this scale of job loss was required in order to ensure that the sale or lease of these assets to the private sector would proceed. The expectation was that jobs lost from the public sector would be matched by jobs gained in the private sector. However, Australian Bureau of Statistics labour force data shown in Table 4.7 shows that the jobs shed as part of the corporatisation and privatisation were a net loss to the South Australian labour force.

The significant loss of public sector jobs that occurred in 1999 was largely a statistical artefact associated with the decision to re-classify the 5,888 full-time equivalent employees of the State's three universities and hence to remove them from future enumerations of the public sector workforce.

Table 5.3 indicates that public sector employment declined significantly as a percentage of all persons employed in South Australia between 1992 and 2002. Whereas 18.1 per cent of the South Australian workforce was employed in the public sector in 1991, this figure had dropped to 12.1 per cent by 2002. That is, not only has the recent increase in public sector employment had no effect on workforce ageing, but public sector employment has barely kept up with growth in the South Australian labour force. This concept of the size of the public sector relative to the size of the South Australian labour force is an important benchmark of the ability of the public sector to provide the quantity and quality of services that the community expects.

Table 5.4 indicates that male employment in the public sector has declined faster than female employment. In 1995 male employees accounted for 44.5 per cent of all public sector workers and females 55.5 per cent. However, Figure 5.1 shows that by 2006 just under two thirds of all public sector workers were female (64.9 per cent) whereas only 35.1 per cent were males. Table 5.4 shows that this "feminisation" of the public sector was largely a feature of the late-1990s when 15,000 male jobs were shed as a result of the privatisation of State's government business enterprises, whereas only 6,000 female jobs were lost over the same period.

Nevertheless, male public sector employment continues to fall, even though the privatisation of State Government assets has ceased.

Table 5.2: Change in the Number of Employees in the South Australian Public Sector June 1995 to June 2006.

| Year | Change in number of employees | Percentage change |
|------|-------------------------------|-------------------|
| 1995 | -4,350 | -4.8 |
| 1996 | -70,665 | -8.2 |
| 1997 | -3,041 | -3.8 |
| 1998 | 12,096 | 1.6 |
| 1999 | -7,084 | -9.1 |
| 2000 | -1,902 | -2.7 |
| 2001 | 270 | 0.4 |
| 2002 | 868 | 1.0 |
| 2003 | 1,603 | 2.3 |
| 2004 | 768 | 1.1 |
| 2005 | 4,579 | 6.3 |
| 2006 | 1,508 | 2.0 |

Source: OCPE Annual Reports.

Table 5.3: South Australian Public Sector Employees (Full-time Equivalent Persons) as a Percentage of Persons Employed in South Australia, 1992-2006.

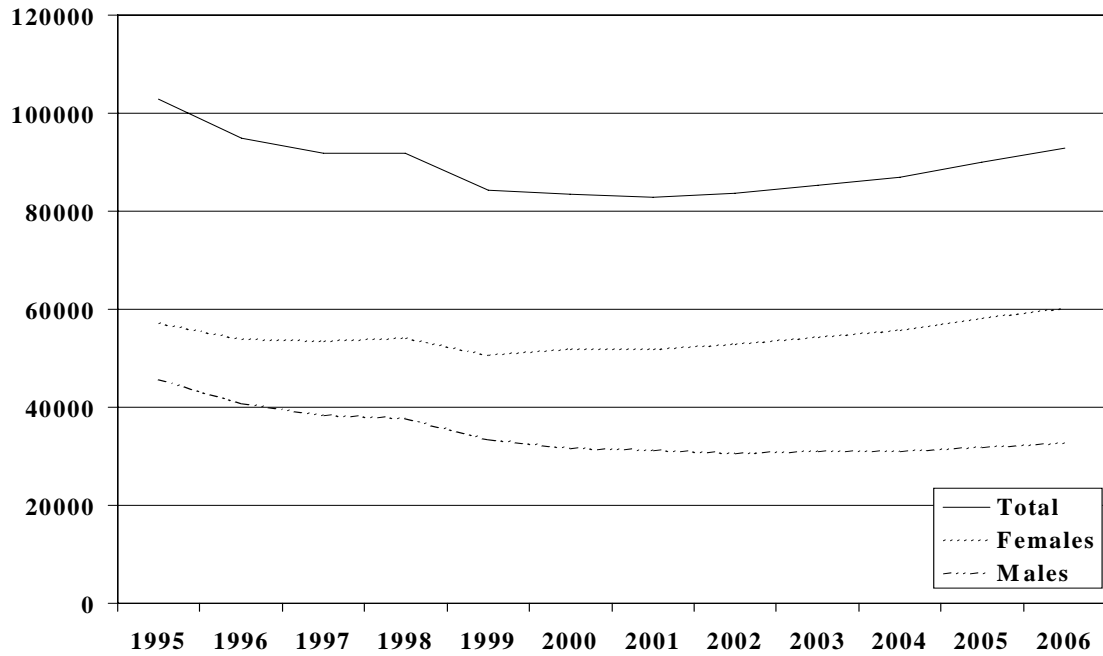
| Year | Percent |
|------|---------|
| 1991 | 18.1 |
| 1992 | 17.7 |
| 1993 | 17.4 |
| 1994 | 16.7 |
| 1995 | 15.9 |
| 1996 | 14.4 |
| 1997 | 13.9 |
| 1998 | 14.4 |
| 1999 | 12.7 |
| 2000 | 12.4 |
| 2001 | 12.3 |
| 2002 | 12.1 |
| 2003 | 12.1 |
| 2004 | 12.1 |
| 2005 | 12.1 |
| 2006 | 12.4 |

Source: OCPE Annual Reports.

The “feminisation” of the South Australian public sector has also been driven by more recent events. Since 2002 the increased female employment of 8,000 is four times the increase in male employment of 2,000. This disproportionate increase in

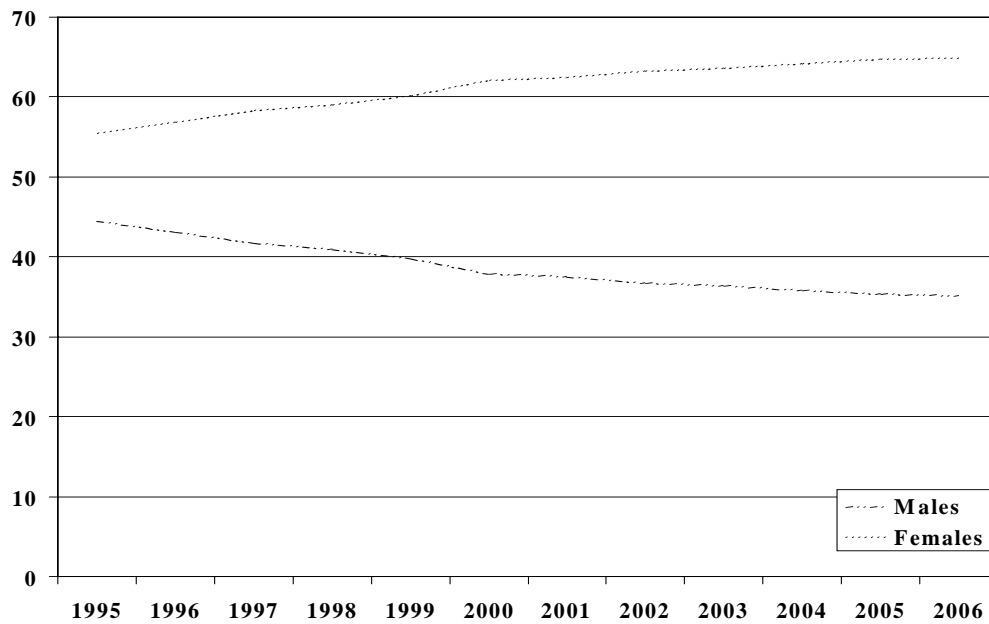
female employment is largely due to the high proportion of part-time female employees.

Figure 5.1: Employees in the South Australian Public Sector, persons 1995 to 2006.



Source: OCPE Annual Reports.

Figure 5.2: Employees in the South Australian Public Sector, per cent, 1995 to 2006.



Source: OCPE Annual Reports.

Being able to adapt positively to the needs of large numbers of part-time female employees is going to be a key plank in any strategy to brand the Public Sector as an employer of choice of this key and growing labour market segment.

Table 5.4: Employees in the South Australian Public Sector, Persons, 1995 to 2006.

| Year | Males | Females | Total | Percentage male | Percentage female |
|------|--------|---------|---------|-----------------|-------------------|
| 1995 | 45,745 | 57,154 | 102,899 | 44.5 | 55.5 |
| 1996 | 40,906 | 53,902 | 94,808 | 43.1 | 56.9 |
| 1997 | 38,282 | 53,530 | 91,812 | 41.7 | 58.3 |
| 1998 | 37,671 | 54,147 | 91,818 | 41.0 | 59.0 |
| 1999 | 33,544 | 50,655 | 84,199 | 39.8 | 60.2 |
| 2000 | 31,697 | 51,846 | 83,543 | 37.9 | 62.1 |
| 2001 | 31,123 | 51,830 | 82,953 | 37.5 | 62.5 |
| 2002 | 30,652 | 52,932 | 83,584 | 36.7 | 63.3 |
| 2003 | 31,085 | 54,243 | 85,328 | 36.4 | 63.6 |
| 2004 | 31,083 | 55,802 | 86,886 | 35.8 | 64.2 |
| 2005 | 31,777 | 58,202 | 89,979 | 35.4 | 64.6 |
| 2006 | 32,615 | 60,233 | 92,848 | 35.1 | 64.9 |

Source: OCPE Annual Reports.

5.3 A More Precarious Public Sector

The previous section demonstrated the decline in the quantity of employment in the South Australian public sector over the period 1991 to 2001 and the subsequent modest increases. However, employment has both a quantitative and a qualitative dimension. This Section will demonstrate that changing employment relations over the past decade or so, has also led to a reduction in the quality of public sector employment. In brief, it will be argued that public sector employment is becoming increasingly precarious and insecure. However, this reduction in the quality of employment is occurring at a time when the government should be thinking strategically and looking to brand the public sector as an employer of choice. This

means that the public sector needs to be aware of what potential recruits are looking for in a job and be prepared to meet these demands.

For the public sector to become an employer of choice and be able to compete with the private sector in an increasingly competitive labour market it must begin to effectively deal with the challenges of an ageing workforce. This means putting in place employment arrangements that attract and retain quality employees. The continued provision of high quality public services means that the public sector will need to provide high quality and well paid jobs to attract and retain high quality employees.

The term *precarious employment* was coined in the 1980s by the International Labour Office (Campbell, 1997) to refer to jobs that have both *low levels of pay* and *high levels of labour insecurity*. In the 1990s the second part of this concept, labour insecurity, was developed by disaggregating it into the following eight different forms or dimensions;

1. employment insecurity; when employers can dismiss or lay off workers, or put them on short-time with little difficulty or cost;
2. job insecurity; when employers can move workers from one job to another at will or where the content of the job can be altered or reduced;
3. work insecurity; when the working environment is unregulated, polluted or dangerous in some way, so the ability to continue to work is at risk;
4. income insecurity; when earnings are unstable, or when transfer payments are contingency-based or not guaranteed;
5. working-time insecurity; when employers can impose fragmented shortened or irregular hours without great difficulty or cost;
6. representation insecurity; when employers can impose change in the labour process and refuse to negotiate with effective trade unions and other institutions that protect the rights and collective interests of workers;
7. skill reproduction insecurity, when opportunities to gain and retain skills through access to education and training are impeded; and
8. labour market insecurity, when a surplus of labour reduces the probability of securing appropriate employment to the point where workers take whatever jobs are available.

These eight dimensions of labour insecurity are a useful tool for describing and analysing contemporary changes in employment quality in Australia. However, the usefulness of this concept is limited as the data required are only available at the firm or enterprise level.

Table 5.5: Employees in the South Australian Public Sector by Appointment Type, June 1997 to June 2006.

| | On-going | Contract | Other |
|------|----------|----------|-------|
| 1997 | 76.8 | 15.4 | 7.8 |
| 1998 | 75.3 | 16.2 | 8.5 |
| 1999 | 73.2 | 18.1 | 8.7 |
| 2000 | 64.6 | 23.3 | 12.1 |
| 2001 | 62.8 | 24.8 | 12.4 |
| 2002 | 63.1 | 24.7 | 12.2 |
| 2003 | 58.9 | 28.9 | 12.2 |
| 2004 | 63.3 | 25.7 | 11.1 |
| 2005 | 62.3 | 26.3 | 11.4 |
| 2006 | 63.0 | 27.7 | 9.3 |

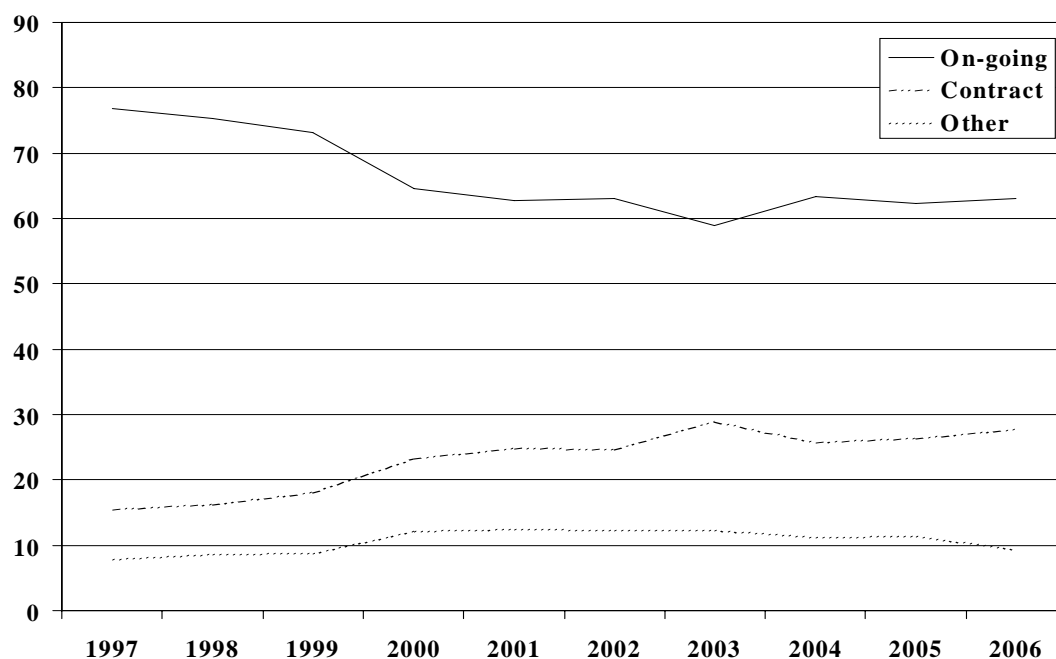
Source: OCPE Annual Reports.

In the context of analysing changes that have occurred to the quality of employment in the South Australian public sector the concept of *precarious employment* needs to be narrowed to an analysis of working time insecurity, as this is the only dimension of *precarious employment* for which relevant data are readily available. Hence, changes in the extent of *precarious employment* in the South Australian public sector can be measured by analysing changes in the quality of employment offered by the South Australian public sector, by analysing changes in appointment type. Moreover, the OECD (Aijala; 2001) notes that one of the main attractions of public sector employment, at least for some segments of the labour market, is the opportunity for secure, full-time employment. The Government must not lose sight of this aspiration of potential employees when it finally decides it is time to brand the public sector as an employer of choice.

The decline in public sector employment in South Australia has been accompanied by a reduction in the number of ongoing employees over the last decade, as more public sector workers have been moved on to contracts and into casual employment. Table 5.6 indicates that contract employment almost doubled 15.4 per cent of all employees, in 1997 28.9 per cent in 2001. This trend towards increased casual employment began to reverse in 2002. However, more action needs to be taken in this regard if the public sector is to effectively brand itself as an employer of choice.

In 2003 two thirds of employees on contracts in the South Australian public sector were women (66.4 per cent) and one third were males (33.6 per cent) (Table 8). These figures reflect the overall gender balance in the South Australian public sector and do not appear to have changed to any extent between 1997 and 2003.

Figure 5.3: Employees in the South Australian Public Sector by Appointment Type, June 1997 to June 2006.



Source: OCPE Annual Reports.

Table 5.7 indicates that the proportion of full-time employees in the South Australian public sector has declined steadily from 67.8 per cent in June 1997 to 62.9 per cent in June 2006. This is a fall of 4.9 percentage points, compared with a fall of just 2.3 percentage points for the South Australian workforce as a whole and 3.0 percentage points for the Australian workforce.

Table 5.6: Employees on contracts in the South Australian Public Sector, June 1997 to June 2003.

| Year | Males | Persons | | Total | Percentage change | |
|------|-------|---------|--|--------|-------------------|---------|
| | | Females | | | Males | Females |
| 1997 | 4,578 | 8,641 | | 13,219 | 34.6 | 65.4 |
| 1998 | 4,611 | 9,109 | | 13,720 | 33.6 | 66.4 |
| 1999 | 4,972 | 10,309 | | 15,281 | 32.5 | 67.5 |
| 2000 | 4,699 | 8,830 | | 13,529 | 34.7 | 65.3 |
| 2001 | 7,169 | 13,417 | | 20,586 | 34.8 | 65.2 |
| 2002 | 7,045 | 13,645 | | 20,690 | 34.0 | 66.0 |
| 2003 | 6,194 | 13,609 | | 20,503 | 30.2 | 69.8 |
| 2004 | 7,332 | 14,955 | | 22,287 | 32.9 | 67.1 |
| 2005 | 7,590 | 16,035 | | 23,643 | 32.1 | 67.9 |
| 2006 | 5,604 | 12,282 | | 17,886 | 31.3 | 68.7 |

Source: OCPE annual Reports.

Table 5.7: Percentage of Full-time Employees in the Australian Workforce, the South Australian Workforce and the South Australian Public Sector Workforce, June 1997 to June 2003.

| | South Australian Public Sector | South Australian Workforce | Australian Workforce |
|------|--------------------------------|----------------------------|----------------------|
| 1997 | 67.8 | 71.2 | 74.4 |
| 1998 | 67.4 | 72.3 | 74.4 |
| 1999 | 66.1 | 71.3 | 73.9 |
| 2000 | 63.9 | 71.5 | 73.8 |
| 2001 | 63.6 | 69 | 71.9 |
| 2002 | 62.9 | 67.9 | 71.4 |
| 2003 | 62.4 | 69.9 | 71.2 |
| 2004 | 62.5 | 68.7 | 71.7 |
| 2005 | 67.7 | 69.1 | 71.5 |
| 2006 | 62.9 | 68.9 | 71.4 |

Source: OCPE Annual Reports.

Figure 5.3 indicates that the South Australian public sector workforce has a smaller percentage of full-time employees than the South Australian workforce as a whole and a considerably lower percentage of full-time employees than the Australian workforce. The loss of full-time jobs during the latter half of the 1990s drove the stagnation of full-time employment in the State. Conversely, the South Australian public sector employs a higher percentage of part-time workers than either the South Australian workforce as a whole or the Australian workforce (Figure 5.4).

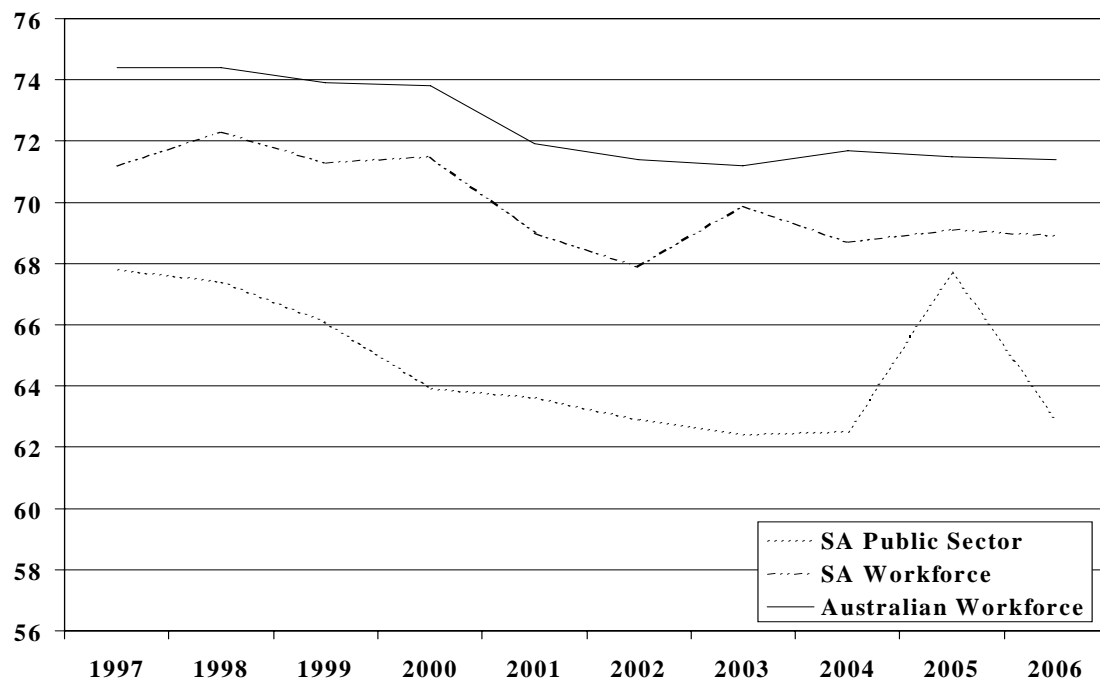
Table 5.8: Percentage of part-time employees in the Australian workforce, South Australian workforce and South Australian public sector workforce by employment status, June 1997 to June 2006.

| | South Australian Public Sector | South Australian Workforce | Australian Workforce |
|------|-----------------------------------|-------------------------------|-------------------------|
| 1997 | 32.2 | 28.8 | 25.6 |
| 1998 | 32.6 | 27.7 | 25.6 |
| 1999 | 33.9 | 28.7 | 26.1 |
| 2000 | 36.1 | 28.5 | 26.2 |
| 2001 | 36.4 | 31 | 28.1 |
| 2002 | 37.1 | 32.1 | 28.6 |
| 2003 | 37.6 | 30.1 | 28.8 |
| 2004 | 37.5 | 31.3 | 28.3 |
| 2005 | 32.3 | 30.9 | 28.5 |
| 2006 | 37.1 | 31.1 | 28.6 |

Source: OCPE Annual Reports.

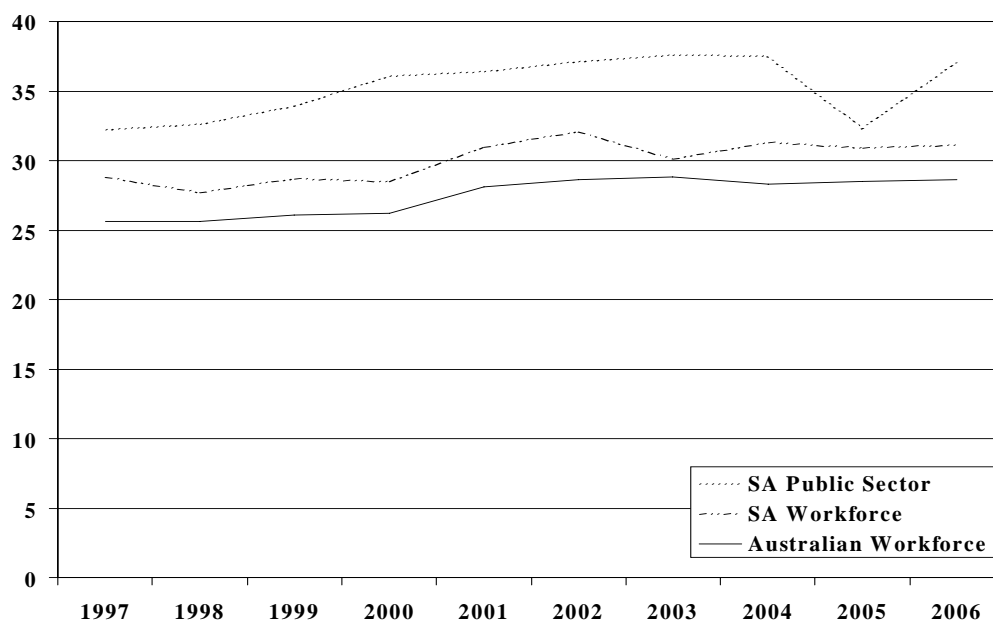
The quality of employment in the South Australian public sector, at least in terms of employment insecurity, has decreased over the past decade. The promise of secure employment in the past was one of the key attractions to many young people joining the public service. It is paradoxical that this reduction in employment security is occurring precisely at the time when the South Australian public sector needs to be actively recruiting young talent and branding itself as an employer of choice for young people. Despite claims by 'Generation Y' authors, secure employment is important to most young people.

Figure 5.4: Percentage of Full-time Employees in the Australian Workforce, the South Australian Workforce and South Australian Public Sector Workforce, June 1997 to June 2006.



Source: OCPE Annual Reports.

Figure 5.5: Percentage of Part-time Employees in the Australian Workforce, the South Australian Workforce and South Australian Public Sector Workforce, June 1997 to June 2006.



Source: OCPE Annual Reports.

5.4 An ageing public sector workforce

This section examines the age profile of the South Australian public sector workforce. Tables 5.8 and 5.9, as well as Figures 5.6, 5.7 and 5.8, clearly show that the public sector workforce has continued to age, despite the modest increases in employment levels since 2002. The median age of the public sector has increased from 43.5 years of age to 45.3. (Table 5.10). Moreover, the public sector workforce continued to age more quickly than the South Australian labour force in general.

Tables 5.8 and 5.9 illustrate the challenge posed by workforce ageing. Between now and 2011 about five per cent of both the male and the female workforce will reach the retirement age. Whether or not they decide to retire at age 65 is unknown. However, the trend shown in Table 5.8 suggests that a significant proportion will. Clearly, we need more precise information about retirement intention to inform public sector workforce planning strategies. A retirement intentions survey is urgently required to fill this gap in our knowledge. It should be noted that the Western Australian Government has recently undertaken two such retirement intentions surveys. These surveys could easily be replicated by the State Government to develop an understanding of the likely scale of retirements from the public sector over the next five years.

If past trends continue, Tables around 14 per cent of the male workforce and 10 per cent of the female workforce will reach retirement age in 2016. over. The wave of retirements is set to increase over the following five-year period and beyond. The baby boomer generation are those people born between 1946 and 1961. Their

retirement will be a key feature of the Australian labour market for the 15-year period between 2011 and 2026.

Table 5.8: Age-Profile South Australian Public Sector Workforce, Persons, June 1995 to June 2006, per cent.

| Age group | 1995 | 2001 | 2006 |
|-----------|-------|-------|-------|
| 15-19 | 0.3 | 0.7 | 0.6 |
| 20-24 | 5.9 | 5.8 | 5.2 |
| 25-29 | 11.1 | 9.0 | 9.0 |
| 30-34 | 12.9 | 10.2 | 9.6 |
| 35-39 | 17.6 | 12.4 | 11.3 |
| 40-44 | 19.0 | 17.2 | 13.4 |
| 45-49 | 16.4 | 18.4 | 17.1 |
| 50-54 | 10.2 | 15.2 | 16.7 |
| 55-59 | 4.9 | 8.0 | 11.6 |
| 60-64 | 1.5 | 2.5 | 4.4 |
| 65+ | 0.2 | 0.7 | 1.0 |
| Total | 100.0 | 100.0 | 100.0 |

Table 5.9: Age-Profile South Australian Public Sector Workforce, Males and Females, June 1995 to June 2006, per cent.

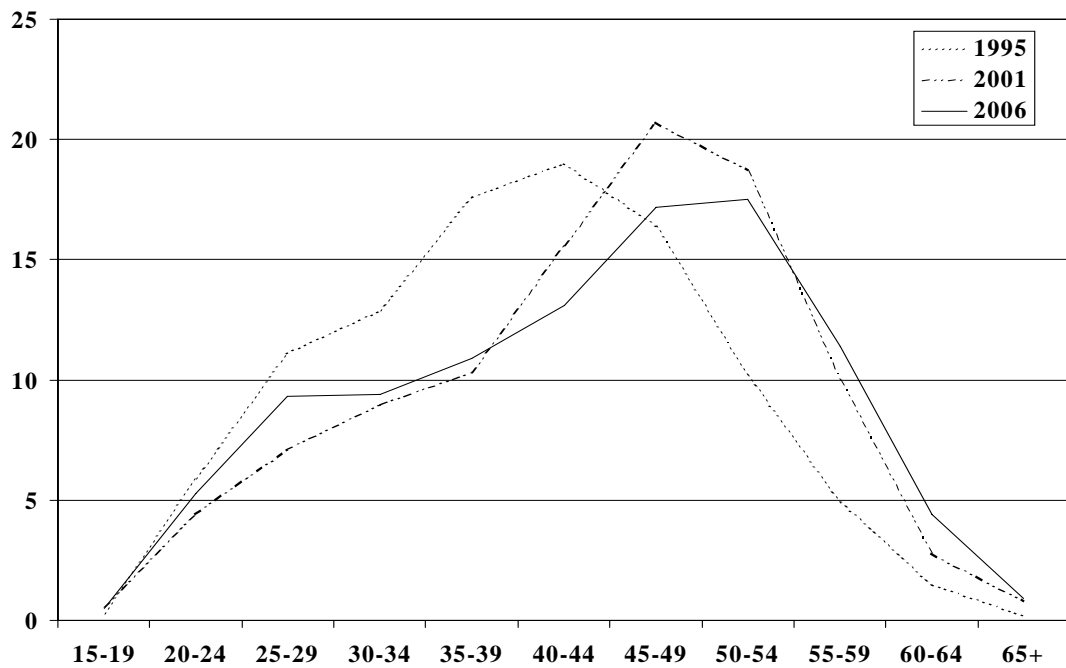
| Age group | Males | | Females | |
|-----------|-------|-------|---------|-------|
| | 2001 | 2006 | 2001 | 2006 |
| 15-19 | 0.7 | 0.6 | 0.7 | 0.6 |
| 20-24 | 4.6 | 4.0 | 6.5 | 5.9 |
| 25-29 | 7.9 | 8.1 | 9.6 | 9.5 |
| 30-34 | 9.8 | 9.6 | 10.4 | 9.6 |
| 35-39 | 11.8 | 11.0 | 12.7 | 11.5 |
| 40-44 | 16.3 | 12.3 | 17.7 | 14.0 |
| 45-49 | 18.8 | 16.3 | 18.1 | 17.5 |
| 50-54 | 17.0 | 17.9 | 14.1 | 16.0 |
| 55-59 | 9.2 | 13.7 | 7.3 | 10.5 |
| 60-64 | 3.1 | 5.1 | 2.2 | 4.1 |
| 65+ | 0.4 | 1.4 | 0.7 | 0.8 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

Source: OCPE Annual Reports

Table 5.9 shows that about 46 per cent of the male public sector workforce and 43 per cent of the female workforce will reach retirement age between 2011 and 2026. In other words nearly half of the public sector workforce will be considering retirement during this relatively short period. To avoid the potentially crippling impact that this could have on the operation of government, the State Government

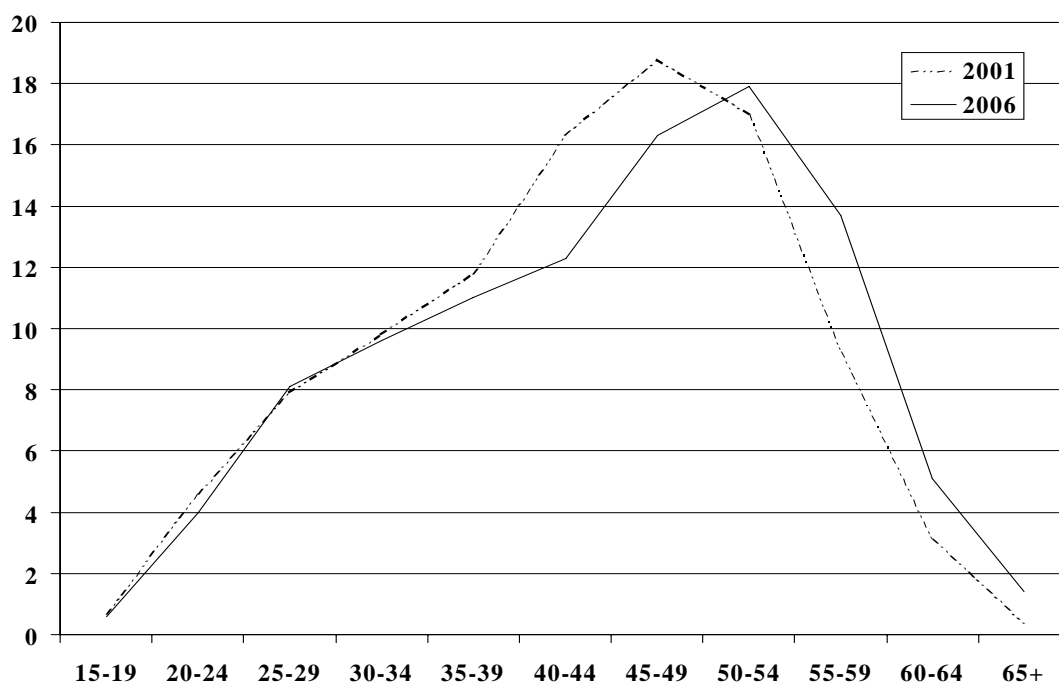
must act now and develop well informed and sophisticated responses to the workforce ageing challenge. The practical challenge is how can the State Government manage the potential loss of over 40,000 employees over a 15-year period.

Figure 5.6: Age-Profile South Australian Public Sector Workforce, persons, June 1995 to June 2006, per cent.



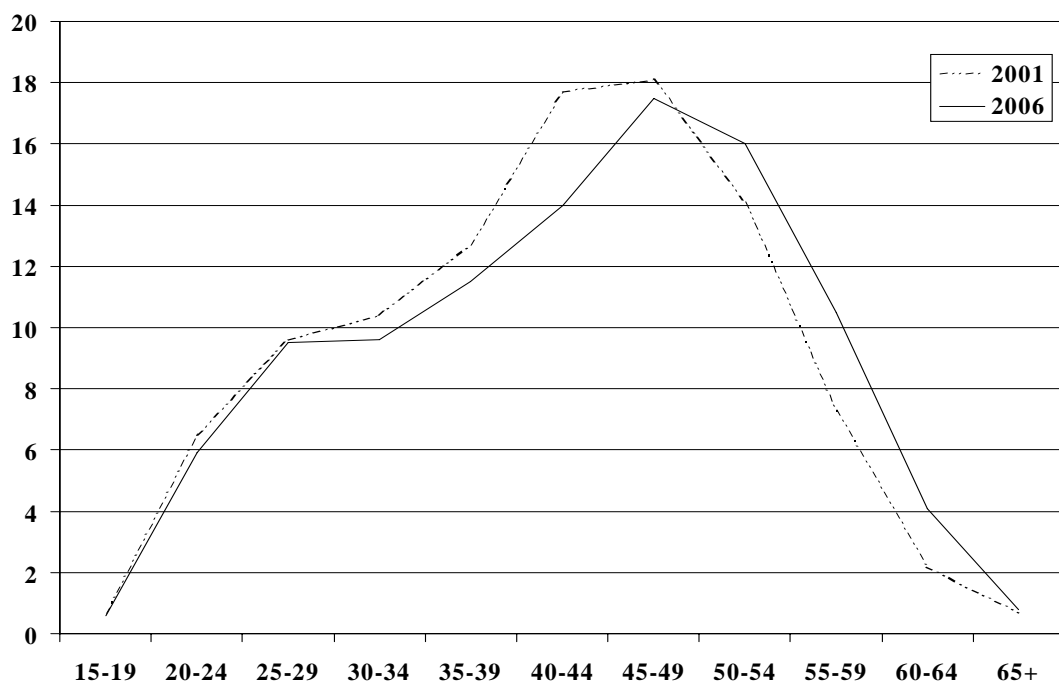
Source: OCPE Annual Reports

Figure 5.7: Age-Profile South Australian Public Sector Workforce, Males, June 1995 to June 2006, per cent.



Source: OCPE Annual Reports

Figure 5.8: Age-Profile South Australian Public Sector Workforce, Females, June 1995 to June 2006, per cent.



Source: OCPE Annual Reports

Table 5.10: South Australian Public Sector, Median Age, 1990, 2001 and 2006.

| | Males | Females | Total |
|-------------|--------------|----------------|--------------|
| 1990 | 40.6 | 34.5 | 38.5 |
| 2001 | 44.7 | 42.9 | 43.5 |
| 2006 | 46.3 | 44.6 | 45.3 |

Source: OCPE Annual Reports

5.5 Regional employment incentives

Public services are provided to regional and rural communities in South Australia through a wide variety of facilities. These range from TAFE SA campuses in regional cities, like Mount Gambier that employ hundreds of people, to a small TAFE SA learning centre operating out of a shop front in a small township such as Lucindale, employing one person a week.

The past decade or so has witnessed profound economic and demographic change in rural and regional South Australia. As a result there has been both a decline and a re-distribution of the non-metropolitan population of South Australia. As a result, the pattern of service demand and supply is changing. Moreover, it is becoming increasingly difficult for the public sector to attract key personnel to regional and rural areas.

As discussed above, the public sector is experiencing significant labour shortages in key professional and para-professional occupations. These shortages are generally acute in regional South Australia. Many positions are left vacant until a crisis arises and then an unsatisfactory short-term fix is implemented. For example, the inability to recruit dentists in the Iron Triangle means that dentists from

Adelaide fly to the Iron Triangle to perform clinics. Also in the Iron Triangle, the inability to recruit social workers means that under qualified staff are required to perform social worker roles, with obvious adverse effects on service quality. Arrangements such as these are do not enable the public sector to satisfy its statutory duty to provide high quality services to all.

Clearly, a more strategic approach needs to be taken to addressing skills shortages in regional and rural South Australia. For example, Chief Executives already have the delegation to provide up to 100 per cent of salaries as an incentive for public servants to live in non-metropolitan areas. More extensive use of this delegation should reduce the number of vacancies in regional South Australia in the short-term and thereby provide the Government with the breathing space it needs to develop and implement long-term, more cost effective strategies.

A long-term strategy to fill vacant positions in rural and regional South Australia would have at least three dimensions. First, the State public sector needs to understand and respond proactively to innovative attraction and retention strategies being adopted by other employers in the public and the private sectors. For example, the private sector has been quite successful in attracting skilled workers to work in the mining industry in regional South Australia. The State public sector will have to review public sector pay and working conditions to keep pace with innovations in other sectors.

Second, the public sector needs to review the housing that is provided to public servants as an incentive to moving to the country. The housing stock that is available to public servants is inconsistent with the housing that is available in

Adelaide. It tends to be old, too small with too few rooms, no family rooms and small, outdated bathrooms and kitchens. Such housing does not act as an incentive, but rather a disincentive to move to the country. So, the provision of appropriate housing would be an integral component of any regional employment strategy.

Third, the current regional incentives seem to be based on an outdated model of family life and labour market participation. They appear to be based on the traditional view of the nuclear family, working father, stay at home mother and a brace of young children. Hence, present regional employment incentives pay no attention to catering for the employment needs of both parents, and any older children. However, these days the nuclear family tends to include two working parents. So, in many cases transfer to a vacant position in the country often involves one of the parents, and possibly older children, being forced to give up their jobs. Hence, catering for the employment needs of spouses needs to be an integral part of the any regional employment strategy.

5.6 Recruitment and retention

Section 5.4 demonstrated that the ageing of the South Australia public sector workforce has the potential to generate widespread labour and skill shortages in the absence of appropriate workforce planning strategies. It was observed that the median age of the public sector workforce had increased from 38.5 years of age to 45.3 between 1990 and 2006. That Section did not try to explain this process. However, Tables 5.11, 5.12 and 5.13, below, provide some insights into the ageing process. Table 5.11 shows that the public sector has a disturbingly high churn rate.

In 2005 recruitment equated to 12.5 per cent of the public sector workforce and separations equated to 11.4 per cent of public sector employees. Disturbingly, these figures increased to 18.5 per cent and 12.9 per cent respectively in 2006. These are the only two years for which such data are available from OCPE Annual Reports. As a result of such high recruitment rates, the proportion of the public sector workforce that has been employed for five years or less has risen from 40.0 per cent in 2005 and 45.8 per cent in 2006.

This high churn rate might help explain some of the problems discussed above. First, it may explain why the public sector workforce is ageing so quickly. Figure 5.7 and 5.8 show that over the period 2001 to 2006 the proportion of public sector employees aged under 30 has remained remarkably constant. Hence, the ageing of the public sector is due to the retention of older employees and the separation of younger employees, often after a short period of employment. Indeed, Figure 5.7 and 5.8 and Table 5.11 suggest that the number of recruits aged between 15 and 29 is matched by similar numbers of separations. Moreover, a large proportion of all recruits and separations are in these age groups. However, additional information needs to be collected and reported by the OPE. In particular, information about the number of separations needs to be cross-tabulated by age and length of service. Nevertheless, the available information begs two further questions, how is it that the public sector is so effective at recruiting young people, but is so ineffective at retaining these recruits?

Second, the data shown in Tables 5.11, 5.12 and 5.13 also might go some way to explaining why alarm bells about the looming workforce crisis have not started ringing. It would appear from these three Tables that the public sector has become

used to the need to constantly recruit to replace separations. Consequently, the looming workforce crisis might just be seen as more of the same. The problem for policymakers is that the period ahead presents recruitment and retention challenges on such a large scale that there is no room for such complacency.

Third, Table 5.11 suggests that this culture of indifference is supported by the apparent capacity, at least under present labour market conditions, to recruit on the scale that will be required to match the waves of retirements that are expected after 2011. However, paradoxically, the public sector does not appear to have the capacity to retain its new recruits. This would seem to be a key question that needs to be addressed.

Table 5.11: South Australian Public Sector, Employees Recruited and Separated 2005 and 2006

| | Recruitment | | | Separations | | |
|-------------|-------------|---------|---------|-------------|---------|---------|
| | Males | Females | Persons | Males | Females | Persons |
| 2005 | 3,604 | 7,628 | 11,232 | 3,550 | 6,829 | 10,229 |
| 2006 | 5,688 | 11,420 | 17,158 | 4,021 | 7,953 | 11,956 |

Source: OCPE Annual Reports, 2005 and 2006

Table 5.12: South Australia Public Sector, length of Service 2005

| | Males | Females | Persons |
|-----------------------------|---------------|---------------|---------------|
| Less than 12 months | 5,965 | 13,075 | 19,040 |
| 12 months to 3 years | 3,837 | 8,288 | 12,125 |
| 4 to 5 years | 1,694 | 3,142 | 4,836 |
| 6 to 9 years | 4,937 | 10,128 | 15,065 |
| 10 to 14 years | 2,973 | 5,834 | 8,807 |
| 15 to 19 years | 3,568 | 6,440 | 10,008 |
| 20 to 24 years | 2,335 | 4,424 | 6,759 |
| More than 25 years | 6,468 | 6,871 | 13,339 |
| Total | 31,777 | 58,202 | 89,979 |

Source: OCPE Annual Reports, 2005 and 2006

Tables 5.12 and 5.13 reinforce the concerns stated above relating to the need for the public sector to develop better knowledge management strategies. These two Tables show a disturbing trend in the length of employment in the public sector. In

2005, 40 per cent of the workforce had been employed for five years or less. But by 2006 this figure had increased to 45.8 per cent. As a consequence, the median length of service has fallen from 9.5 years in 2005 to 8.0 years in 2006.

Table 5.13: South Australia Public Sector, Length of Service 2006

| | Males | Females | Persons |
|-----------------------------|---------------|----------------|----------------|
| Less than 12 months | 4,308 | 8,602 | 12,910 |
| 12 months to 2 years | 3,049 | 7,428 | 10,477 |
| 2 to 3 years | 2,415 | 6,242 | 8,657 |
| 3 to 4 years | 1,706 | 3,817 | 5,523 |
| 4 to 5 years | 1,715 | 3,235 | 4,950 |
| 5 to 10 years | 5,101 | 9,898 | 14,999 |
| 10 to 15 years | 2,968 | 5,419 | 8,387 |
| 15 to 20 years | 3,260 | 5,801 | 9,061 |
| 20 to 25 years | 2,469 | 4,210 | 6,697 |
| More than 25 years | 5,624 | 5,581 | 11,205 |
| Total | 32,615 | 60,233 | 92,848 |

Source: OCPE Annual Reports, 2005 and 2006

This discussion shows that the South Australian public sector is quite effective at recruiting and selecting new employees. However, its ability to retain new employees is problematic. This discussion poses important questions, that the public sector does not appear to have adequately addressed. In particular, why is it so difficult to retain employees and is this supported by a workforce culture that considers high churn rates as acceptable? If organisational culture is part of the retention problem, then this is an added dimension to the looming public sector workforce crisis. Moreover, organisational culture cannot be changed quickly.

5.7 Graduate programs and traineeships

This submission argues that quality jobs are a prerequisite for the provision of quality services. Graduate and traineeship programs should be a pathway to quality jobs and meaningful career paths. They are an essential part of any strategy designed to deal with skill shortages.

Around half of the graduates recruited to the public sector entered via the former OPE South Australian Public Sector Graduate Recruitment Program, while others have been recruited through various agency graduate recruitment programs. These programs are seen as key strategies to arrest the ageing of the public sector workforce. Table 5.14 shows the number of graduates recruited over the past five years.

Table 5.14: Graduates in the South Australian Public Sector, by Employment Type 2002 to 2006

| | Employment type | | | Total |
|------|-----------------|------------|-----------|-------|
| | On-going | Short-term | Long-term | |
| 2002 | 131 | 227 | 9 | 367 |
| 2003 | 30 | 125 | 7 | 162 |
| 2004 | 22 | 88 | 21 | 131 |
| 2005 | 48 | 181 | 31 | 260 |
| 2006 | 55 | 17 | 37 | 262 |

Source: OCPE Annual Reports.

Three key points are evident from Table 5.14. First, is the modest increase, at least in terms of the number of graduates being employed under these schemes. However, the number of graduates recruited by these programs is too small to have any real effect on the ageing of the public sector. Second, the scale of graduate recruitment is too low to address current skills shortages, let alone the shortages that will appear from 2011 onwards. Third, only about 20 per cent of these

graduates are being employed on an ongoing basis. It will be necessary to provide greater rather than less security in the future to retain employees. In this context it is important to provide ongoing positions to graduates as part of a retention strategy.

Table 5.15 shows the number of trainees and apprentices in the South Australian public sector. Those people appointed on a short-term basis reflects the number of trainees and about half of these people leave the public sector once their traineeship is completed. This represents a huge waste of valuable resources from the public sector, but a steady supply of well trained, job ready people for the private sector. The long-term categories relates to apprentices in the traditional trades. Clearly, the South Australian public sector can be much more pro-active in reducing skills shortages by taking a much more active role in the training of apprentices and trainees. These programs need to be expanded and strategies need to be implemented so that these people are retained in the public sector once their training is completed.

Table 5.15: Apprentice and Trainees in the South Australian Public Sector, by Employment Type 2002 to 2006

| | Employment type | | | Total |
|------|-----------------|------------|-----------|-------|
| | On-going | Short-term | Long-term | |
| 2002 | 0 | 509 | 91 | 600 |
| 2003 | 0 | 414 | 48 | 462 |
| 2004 | 0 | 351 | 72 | 423 |
| 2005 | 0 | 359 | 63 | 422 |
| 2006 | 0 | 371 | 68 | 439 |

Source: OCPE Annual Reports.

5.8 Skills shortages in the South Australian public sector

The PSA is concerned about the impact of public sector skills shortages on the quality of services in South Australia. We believe that a more strategic approach to identifying and filling vacancies must be adopted. It appears that Agencies have adopted an *ad hoc* approach to filling vacancies. The filling of vacancies is often delayed as a cost cutting measure, placing pressure on service delivery. Effective workforce planning requires a more strategic approach to the recruitment and retention of professional and para-professional staff. A strategic approach to managing skills shortages requires an understanding of the supply of skills in relation to the future demand for services. To avoid shortages there must be an attempt to reconcile these two factors by linking workforce planning with strategic planning.

We need to know a great deal more about skill shortage in the public sector. This would be aided by the collection of data on unfilled vacancies and the time it takes to fill vacancies. The only source of information about skills shortages relevant to the South Australian public sector is the Department of Employment and Workforce Relations, *Skills Demand List for South Australia*, the last of which was published in July 2006 (DEWR, 2006). While the list is for South Australia as a whole, it is indicative of skills shortages in the public sector. The list suggests that the South Australian public sector is experiencing skills shortages in the following areas;

- registered nurses;
- registered midwives;
- mental health nurses;
- enrolled nurses
- dentists;

- hospital pharmacists;
- occupational therapists;
- physiotherapists;
- speech pathologists;
- radiographers;
- sonographers;
- teachers; and
- information and communication technology.

This is not a comprehensive list and so it is not a sound basis for strategic planning.

The State Government needs to report information about how long it takes to fill vacancies, by occupation. However, this growing list of shortages for the South Australian labour market as a whole should be indicative of the increasingly tight labour market situation in South Australia and the need for the South Australian public sector to think strategically about recruiting and retain professionals and para-professionals before these skills shortage become really acute.

A key issue that the Government must examine is the dimensions of pay relativities that exist between the public sector and the private sector for comparable work. The labour market is already tightening and the private sector has responded by increasing wages. It was noted above that the public sector has been forced to fly dentists into the Iron Triangle. This is largely because the public sector has a severe shortage of dentists largely because it is only able to recruit one new dental graduate per year. Moreover, the general short supply of dentists in South Australia means that the starting salaries of new dental graduates is the highest of all university graduates in South Australia. The State Government must acknowledge that tightening labour markets are driving up graduate salaries in some areas and the Government needs to respond to these market signals.

However, given the looming labour force crisis and the difficulties that will be experienced in competing with the private sector then the public sector may need to develop an inward looking model to fill skills shortages. That is, instead of recruiting trained professionals through graduate entry programs, the public sector could invest in its present employees and provide them with opportunities to under go education and training. This would ensure a constant supply of graduates to fill vacancies as and when they arise.

The PSA seeks the Government's commitment to ensuring that the resources available to the public sector are sufficient to fill all vacant positions in a timely manner without any adverse impact on service delivery.

It is recommended:

- That the State Government should as a matter of urgency conduct a retirement intentions survey.
- The State Government needs to develop a comprehensive workforce planning strategy in order to strategically address the workforce crisis that is associated with the ageing of the public sector's baby boomer employees.
- The State Government should develop a knowledge management strategy as part of an overall workforce planning strategy.
- That the State government reviews its regional incentive programs in order to address chronic skills shortages in regional South Australia.
- That the State Government significantly expand its graduate recruitment programs to address both the current skills shortages and the ageing of the public sector workforce.
- The State Government should investigate how it can work in partnership with the new owners of the State's former government busies enterprises to boost apprentice training in the traditional trades.
- The State government needs to reverse recent changes to the status, funding and resourcing so that the Commissioner for Public Employment can develop the capacity to strategically manage workforce development issues across the entire public sector.
- The State Government should develop strategies to support its current employees to develop their skills and as an alternative approach to address the current skills shortages.

6 Workforce Development

6.1 Introduction

Previous budget submissions by the PSA have argued the need for the public sector to brand itself as an employer of choice to enable it to successfully address the challenges posed by an ageing workforce. The employer of choice literature focuses almost entirely on the need to recruit people who are entering the workforce for the first time, either at the entry level or the graduate entry level. However, as discussed in the previous section, branding the South Australian public sector as an employer of choice with new labour force entrants will not be enough. Other groups of employees will also need to be drawn into the public sector workforce and then retained in the public sector. Hence, the public sector also needs to develop strategies to draw people into the workforce who might not normally be labour market participants, such as married women, Aboriginal and Torres Strait Islanders and some of the 2.2 million Australian men aged between 15 and 65 who are not in the labour force (Productivity Commission, 2007). Moreover, it needs to ensure that it retains the knowledge, skills and expertise of its current employees for as long as possible. So, it will need to develop strategies to delay as long as possible the full separation of employees over 65 years of age from the public sector.

Comprehensive workforce development strategies must be developed if the South Australian public sector is to effectively plan for its future needs. The challenge for the State Government is to ensure that it has the right people in the right places with the right skills at the right time. However, this rather straightforward plan is

becoming increasingly difficult to implement for two reasons. First, the community of South Australia is demanding an increasing quantity of increasingly complex public services. Second, the public sector is on the cusp of serious problems relating to retention and recruitment. The aim of this Section is to provide some insights into the nature of the workforce development challenges that the South Australian public sector will need to address in the foreseeable future and to briefly discuss how workforce planning is a process that the South Australian public sector should employ to meet these challenges.

6.2 The need for public sector workplace planning

As shown above, the South Australian public sector will experience a significant loss of employees in the near future, with the resultant loss of skills, experience and expertise. However, the community is increasingly demanding that the Government provide a growing range of increasingly complex social services. This presents the Government with a dilemma, how can the public sector meet this increased demand when its capacity to supply these services is diminished? Furthermore, the South Australian Government is not the only government that is facing this problem. These problems are also shared by the private sector. Hence, unless, the South Australian government acts soon to address these problems, they will be compounded by an increasingly tight labour market caused by the private sector increasing its demand for employees to replace those that are lost through retirement. This section briefly reviews four recent international studies into the problems that the public sector is experiencing with recruitment and retention.

6.3 Branding the public sector as an employer of choice.

The OECD recently conducted a study of how eleven of its member countries are addressing difficulties in recruiting and retaining public servants (Aijala, 2002). This study found that four countries are currently facing problems in this regard and a further three soon expect to face this problem. Furthermore, six of the case study countries were found to be experiencing critical skill shortages. This OECD study identified four key causes of these problems:

- **Demographics:** Due to demographic changes, a large proportion of public sector employees will soon be eligible to retire. In most countries, more than a quarter of national government employees are over 50 years of age. Exacerbating this problem is the fact that the generation that is currently entering the workforce tends to be smaller than the generation that is retiring. This will increase competition among employers for a smaller pool of available workers.
- **Compensation:** Wages are now leading to a loss of government competitiveness. While salaries are not the only factor that attracts high performers to government employment, it nevertheless is important when competing for recent graduates. Wages have proven to be a crucial retention factor especially after two to four years of service.
- **Declining image of the public sector:** With few exceptions, young people tend not to rate public employment highly. There is a belief that the public sector is bureaucratic, old fashioned and the prestige of the public service in many countries is low. The trust that communities have in their governments has also decreased and this has had a negative impact on the image of the government as an employer.
- **Human Resource Management:** Old-fashioned human resources management practices deter high quality staff. In many countries seniority is more important than merit and promotions are not clearly linked to performance. Career paths can be unclear and little emphasis is placed on staff development.

According to this study conducted by the OECD the solution to the recruitment and retention problems that are being experienced by its member countries, which includes Australia, is to make the public sector an employer of choice that provides challenging work, progressive human resources policies and opportunities for promotion and career development.

6.4 The challenges facing the public sector

The importance of effectively addressing the human resource management challenges that are currently or soon to be faced by public sector organisations in many parts of the world was highlighted at a recent meeting conducted by the United Nations Committee of Experts on Public Administration. The Committee was established recently by the Economic and Social Council of the United Nations and is comprised of 24 experts from around the world. The Committee recognised that there is no universal blueprint for reform of the public sector. Nevertheless, the Committee hopes that its work can help reformers to identify good practices, highlight lessons learned and reduce risks. In its report, the Committee selected six key public administration areas that presented both challenges and opportunities for state governance and public administration worldwide.

In order to encourage measurable progress over a short period of time, the Committee decided to develop a targeted and highly selective number of key areas, rather than preparing a long list of recommendations. The challenges that were identified by the Committee are;

- to build capacity, the public sector must recruit and retain its fair share of the best available talent;
- in response to the impact of globalisation and the emergence of a knowledge based economy, public sector organisations must become “learning organisations”, recognised as strong and strategic institutions;
- capacity-building in support of State governance will require the harnessing of the power of information and communication technologies in support of innovation;
- capacity-building in support of State governance requires the alignment of financial and management capacities to ensure the optimal mobilisation and use of resources;

- capacity-building also means to design and implement effective combination of decentralisation and centralisation policies and programs in order to promote people-centred development; and
- State capacity-building can be assisted by evidence based international data.
- In respect of the challenge to recruit and retain the best available talent, the Committee observed that success would depend on several factors including;
 - the reputation of public sector institutions;
 - an efficient recruitment strategy, based on merit and competence combined with a retention strategy for the most critical skills; and
 - reasonable compensation and adequate working conditions.
- The Committee emphasised the following key issues;
 - to promote ethical standards and combat corruption;
 - to recognise diversity, promote inclusiveness and gender equality;
 - to address the brain drain issues resulting from the competition for talent between the private and public sectors and between developed and developing nations; and
 - to focus the work of public sector institutions on those functions that only the State can perform or performs best.

Some of the issues that were identified by this committee are not relevant to South Australia. Nevertheless, many are. Clearly, the challenges that the South Australian public sector is soon to confront are not unique to South Australia. Rather, they are typical of developments occurring in many parts of the world. Hence, the South Australian response to these challenges can be informed by actions that are being taken elsewhere in the world.

6.5 Workforce planning

The two reports discussed above highlight the need for the South Australian public sector to undertake a comprehensive workforce planning exercise if it is to successfully meet the impending challenges that it will face relating to retention and recruitment. However, the issue is that the South Australian Government no longer has the capacity to undertake a comprehensive workforce planning exercise

due to the continual downgrading of the status of the Office of the Commissioner for Public Employment. Over the past few years, this office has been reduced in size from 80 to 20 people. Hence the Commissioner for Public Employment simply does not have the necessary resources to undertake this task.

Workforce planning can provide public sector organisations with the tools they need to address the human capital management challenges of the near future.

Effective workforce planning requires;

- strong executive leadership;
- a clearly articulated vision, mission and strategic objectives; and
- cooperative and supportive efforts by staff in a variety of functional areas.

Human resource professionals must play key leadership roles in this effort if it is to succeed. When undertaken properly, workforce planning can be a powerful tool to help public sector organisations to meet their human capital goals and to achieve their objectives. However, these three necessary conditions seem to be absent in South Australia at the present.

Workforce planning is the strategic alignment of the human capital of an organisation with its business direction. It is a methodical, process of;

- analysing the current workforce;
- identifying future workforce needs;
- establishing the gap between present and future needs; and
- implementing solutions so that the organisation can accomplish its mission, goals and objectives.

Workforce planning affects the full range of human resource management activities, including recruitment, attrition, retention, succession planning and employee training and development. There are several steps that must be included in any comprehensive workforce planning exercise;

- analysing the present workload, workforce and competencies;

- identifying the workload, workforce and competencies required to meet future needs and hence identify gaps and surpluses;
- preparing and implementing plans to build the workforce needed for the future; and
- evaluating the success of the workforce planning model to ensure that it remains valid and that objectives are being met.

If the South Australian public sector is to successfully address the problems identified in the preceding two sections, then it will need to undertake an comprehensive workforce planning exercise before, rather than after, the problems identified by the OECD, the United Nations and the present consultant become apparent. However, in order to do so, recent staff changes at the Office of the Commissioner for Public employment need to be reversed. In recent years, the Office for the Commissioner has lost 60 positions, downsized from 80 to 20 people. Consequently, the South Australian public sector simply does not have the capacity to undertake such planning.

6.6 United Kingdom Case Study

The United Kingdom government has already taken some steps to tackle the considerable barriers that face older workers who want to work longer, but more needs to be done, according to a new OECD report. This would help offset the negative impact of population ageing on economic growth and public finances and could also help alleviate future labour shortages. As part of its series of country reports on *Ageing and Employment Policies*, the OECD has released its report on the UK. It contains a survey of the main barriers to employment facing older workers, an assessment of the adequacy and effectiveness of existing measures to overcome

these barriers and policy recommendations for further action by the United Kingdom government, employers, trade unions and older workers themselves.

The report acknowledges that, compared with many other OECD countries, the United Kingdom has been far from complacent in addressing the barriers to employment faced by older workers. The government has sought to eliminate disincentives to continue working embedded in public and occupational pension arrangements. It has sought to change employer attitudes through its *Age Positive* campaign and *Code of Practice on Age Diversity in Employment*. In terms of active labour market programs, *New Deal 50 plus* and *Experience Works* are unique initiatives among OECD countries and should be commended. The government is also supporting training through the Employer Training Pilots and various lifelong learning initiatives and skill-improvement programs are available to help all workers, including older ones.

The government has not been acting alone. Non-governmental organisations such as Age Concern, the Employers Forum on Age and the Third Age Employment Network have made valuable contributions to the policy debate surrounding older workers. Trade unions, through the Union Learning Fund, are helping to promote training more generally.

Partly reflecting these measures as well as the recent strong performance of the United Kingdom economy, the proportion of people aged between 50 and 64 that work is higher in the United Kingdom than the averages of both the European Union and the entire OECD area. Nonetheless, this ratio is higher still in Denmark, Iceland, Japan, New Zealand, Norway, Sweden, Switzerland and the United States,

indicating that more can be done to improve employment prospects among older workers in the United Kingdom as well.

The share of older men who participate in the labour market, at 72 per cent, is still around seven percentage points lower than in the mid-1980s. And there is scope to bring the participation rates of older women further in line with those of older men. Moreover, many older workers withdraw from the labour market well before reaching the State Pension Age.

Enabling older people to continue working is important because it represents a positive policy response to the challenges to economic prosperity posed by ageing societies. In the United Kingdom, the ratio of the population aged 65 and over to the population aged between 20 and 64 is projected to rise from 27 per cent in 2003 to just under 50 per cent in 2050.

The OECD projects that unless there is a substantial increase in labour force participation, especially among older people, available labour resources will remain broadly stagnant in the United Kingdom over the next 50 years. This could lead to rising labour shortages and a pronounced slowdown in economic growth.

To remove the barriers that many older workers face to carry on working, the OECD calls on the United Kingdom authorities to adopt a coordinated and comprehensiveness package of measures, including;

- *Further pension reform is required to simplify the system and encourage later retirement while ensuring adequate incomes in retirement:* The OECD argues that the current two-tier State Pension system and the array of means-tested benefits are overly complex and may have adverse effects on incentives to work and save. It suggests that the simplest approach would be to provide

a higher basic universal State Pension. It also suggests that this should be accompanied in the longer run by an increase in the State Pension Age in line with rises in life expectancy since this would encourage greater labour market participation of older people and could help meet part of the cost of increasing the basic State Pension.

- *Take further steps to prevent disability-related benefits being used as a “de facto” early retirement scheme:* According to the OECD, the UK continues to record a higher rate of people moving onto disability benefits than most other OECD countries. While recognising that past reforms have met with some success, it argues that additional measures should be taken to stem these inflows. To help people already on benefits return to work, the OECD recommends “activation” measures such as extensive rehabilitation programs, work training, fostering of appropriate work opportunities and other types of training courses. It points out that some of these measures are currently being tested on a pilot basis and urges the government to implement them nationally as soon as practicable if they prove to be successful.
- *Measures to increase the willingness of employers to hire and retain older persons:* The OECD urges the government to move forward with anti-age discrimination legislation, including the abolition of mandatory retirement ages unless objectively justified. It also recognises that there is a need to inform employers about the implications of such legislation while continuing to promote age diversity in the workforce.
- *Strengthening older workers’ employability:* According to the OECD, various aspects of the New Deal 50 plus program could be enhanced, in particular, by increasing the transparency of the potential financial benefits available under New Deal 50 plus and by enhancing take-up of the training grant. It suggests that improved co-ordination among the various active labour market programs on offer could also help improve outcomes for all but especially those at risk of long-term unemployment such as the older unemployed.

Source: OECD 2004, Ageing and Employment Policies: United Kingdom.

This case study highlights yet another obstacle that the South Australian Government will need to address if it is to strategically address its ageing public sector workforce. The four issues discussed above are all relevant to the present context. Moreover, they are also the responsibility of the national Government. The Federal Government would need to implement legislative reforms to address similar problems in Australia. So, the Commonwealth Government will need to be a strategic partner in any workforce development planning process for the South Australian public sector.

6.7 Towards a public sector workforce planning strategy

6.7.1 Introduction

A public sector workforce planning strategy for South Australia needs to focus on four distinct segments of the South Australian labour market. First, new workforce entrants, who are often recruited at entry level and graduate entry level positions. Second, labour market re-entrants, who are typically older women who are re-entering the workforce after taking time out to bear and raise children. This is an important group of potential employees because of their strong preference for part-time employment. Third, is the knowledge management issues related to the retention of older employees. Finally, is the need for the public sector to act as a catalyst to increase the size of the South Australian labour force by providing jobs that are attractive to groups of people who are under represented in the South Australian labour force. The following discussion will focus on the workforce planning needs of two distinct groups, executives and Aboriginal and Torres Strait Islanders.

6.7.2 Executives in the State Public Sector

There have been significant changes in executive level employment in the State public sector since 2000. It has historically been regarded as important for governments to support the development of an executive that provides advice without fear or favour. Consequently, in the past department heads were

permanent appointments. However, this objective appears to be undermined in practice through the dramatic shift in the employment of executives from an ongoing to contract basis. This trend threatens to undermine one of the key principles of the Westminster system of government, which relies on an independent senior executive service in the public sector. Table 6.1 illustrates the decline in the proportion of Executives employed under the Public Sector Management Act as ongoing, permanent public servants between 1997 and 2006. Whereas just under 20 per cent of executives were ongoing in 1997 only 2.9 per cent were ongoing in 2002. Conversely, 97.1 per cent of executives were employed on contract in 2002. Again however, there has been something of a reversal of recent trends since the election of the new State government in 2002.

Table 6.1: Employees in the South Australian Public Sector by Appointment Type, June 1997 to June 2006.

| | On-going | Contract |
|------|----------|----------|
| 1997 | 19.8 | 80.2 |
| 1998 | 13.8 | 86.2 |
| 1999 | 7.5 | 92.5 |
| 2000 | 5.5 | 94.5 |
| 2001 | 3.3 | 96.6 |
| 2002 | 2.9 | 97.1 |
| 2003 | 12.8 | 84.9 |
| 2004 | 7.6 | 93.4 |
| 2005 | 8.16 | 91.9 |
| 2006 | 8.5 | 94.2 |

Source: OCPE Annual Reports.

From a workforce planning perspective it is important to reverse some of these trends. First, the contract nature of executive appointments means that it is difficult for the public sector to develop a culture that supports long-term strategic thinking about workforce planning issues. Second, there are the knowledge management issues that are associated with the loss of long-serving, highly qualified and experienced officers.

Table 6.2: Executive Employment in the South Australia Public Sector, 1995 to 2003.

| Year | Number of Executives | Total number of public sector employees | Percentage of executives |
|------|----------------------|---|--------------------------|
| 1995 | 1,460 | 102,899 | 1.4 |
| 1996 | 1,393 | 94,808 | 1.5 |
| 1997 | 1,709 | 91,812 | 1.9 |
| 1998 | 1,517 | 91,818 | 1.7 |
| 1999 | 1,570 | 84,199 | 1.9 |
| 2000 | 1,726 | 83,543 | 2.1 |
| 2001 | 1,142 | 82,953 | 1.4 |
| 2002 | 1,013 | 83,821 | 1.2 |
| 2003 | 1,007 | 85,328 | 1.2 |
| 2004 | 1,016 | 86,886 | 1.2 |
| 2005 | 1,023 | 89,979 | 1.1 |
| 2006 | 1,078 | 92,848 | 1.2 |

Source: OCPE Annual Reports.

The point that needs to be drawn from Table 6.1 and 6.2 is that executives are very important assets. They are the repository of considerable experience, expertise and knowledge. Moreover, their knowledge needs to be managed effectively is the South Australian public sector is to remain effective after 2011. Therefore, the Government needs to retain these 1,078 executives and their knowledge for as long as possible. The payment of retention allowances, particularly through superannuation bonuses will be part of the solution, along with providing satisfying and rewarding working environments that are flexible to the needs of older workers seeking do downshift.

6.7.3 Aboriginal and Torres Strait Islander employees

Increasing the representation of Aboriginal and Torres Strait Islander employees in the public sector is a key objective for the State Government. Target T6.2 of the South Australian Strategic Plan is to increase the percentage of the Aboriginal

population in the South Australian public sector from 1.2 per cent to 2.0 per cent within five years. Moreover, it is soon to become an increasingly strategic objective given the imperative to increase labour force participation rates to tackle the consequences of an ageing workforce. Table 6.3 shows that in 2003 there were only 784 Aboriginal and Torres Strait Islanders employees in the public sector. However, by June 2006 this figure had nearly doubled to 1,276. Hence, the proportion of Aboriginal and Torres Islander employees rose from 1.06 to 1.37 per cent.

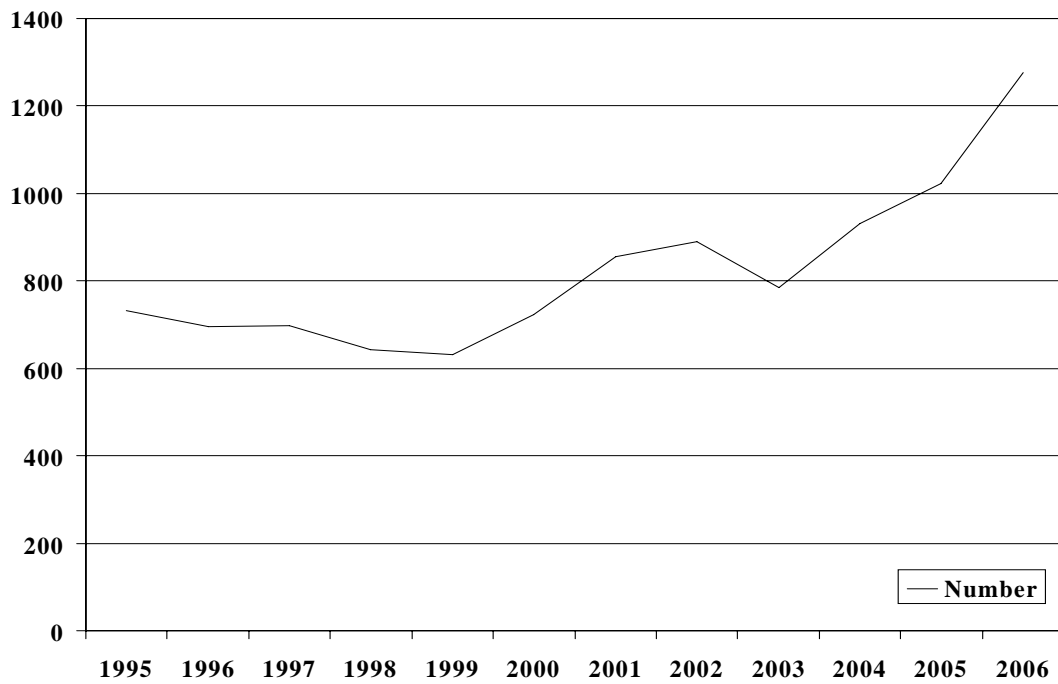
Table 6.3: Aboriginal or Torres Strait Islander Employees as a Proportion of Total Public Sector Employees, 1995 to 2006.

| Year | Number of ATSI employees | Total Public Sector employees | Percentage ATSI of total public sector employees |
|------|--------------------------|-------------------------------|--|
| 1995 | 733 | 102,899 | 0.71 |
| 1996 | 695 | 94,808 | 0.73 |
| 1997 | 698 | 91,812 | 0.76 |
| 1998 | 643 | 91,818 | 0.70 |
| 1999 | 632 | 84,199 | 0.75 |
| 2000 | 722 | 83,543 | 0.86 |
| 2001 | 856 | 82,953 | 1.03 |
| 2002 | 890 | 83,821 | 1.06 |
| 2003 | 784 | 85,328 | 0.72 |
| 2004 | 930 | 86,886 | 1.07 |
| 2005 | 1,023 | 89,979 | 1.10 |
| 2006 | 1,276 | 92,848 | 1.37 |

Source: OCPE Annual Reports.

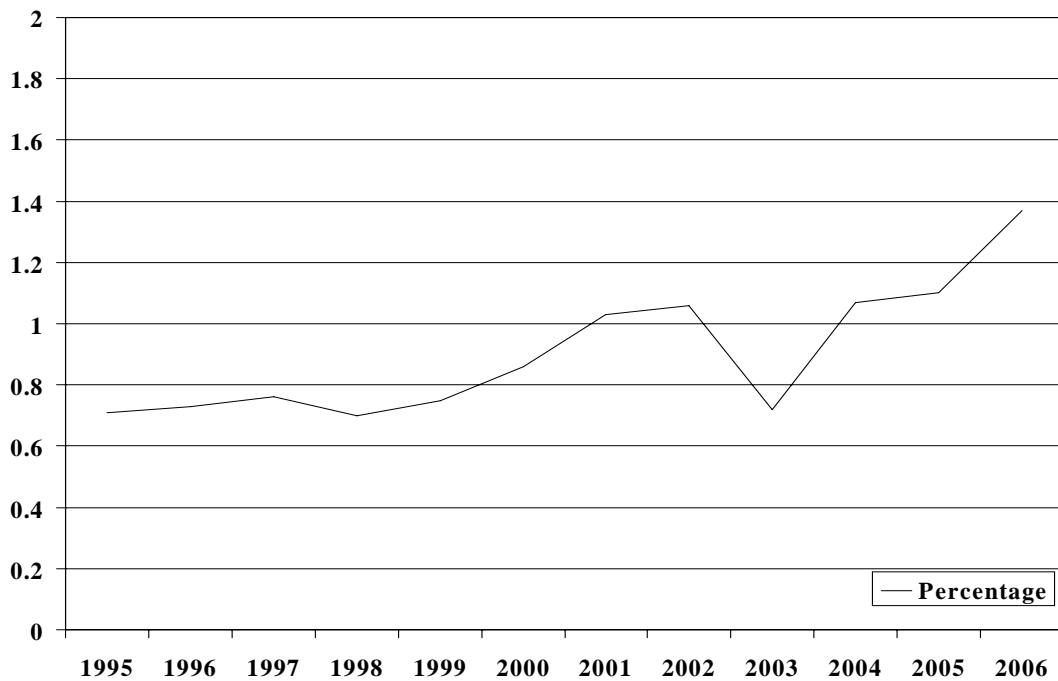
Despite the failure of the State Government to meet its target for Aboriginal employment, the strategies that it has developed have successfully doubled the number of Aboriginal employees. The strategies that successfully increased labour force participation of Aboriginal and Torres Strait Islanders may also be effective in increasing the labour force participation of other groups who are under-represented in the South Australian labour force.

Figure 6.1: Aboriginal or Torres Strait Islander Employees, persons, 1995 to 2006.



Source: OCPE Annual Reports.

Figure 6.2: Aboriginal or Torres Strait Islander Employees as a Proportion of Total Public Sector Employees, per cent, 1995 to 2006.



Source: OCPE Annual Reports.

6.8 Conclusion

Comprehensive workforce planning strategies must be developed to enable the public sector to deliver the services that the South Australian community expects. The challenge for the State Government is to ensure that it has the right people, in the right places, with the right skills at the right time. Determining the future staffing needs of the State Government requires close articulation between public sector strategic planning, and workforce planning in the context of an ageing workforce.

The key challenge confronting the South Australian public sector is how best to manage a rapidly ageing workforce. A significant proportion of the public sector workforce is expected to retire over the coming decade creating the possibility of chronic skill shortages and capability gaps in a range of areas. The public sector cannot afford a rapid and large scale loss of experience and expertise as this has the potential to undermine both the quantity and quality of future service delivery. Knowledge and skills management will be the key strategic objective of the public sector workforce in the years to come. This problem is not unique to South Australia, but rather is a problem shared by many other public sector organisations throughout the OECD.

Given the intensification of competition for skilled workers throughout the OECD it is important that the State Government develop a comprehensive workforce plan sooner rather than later. This will require providing the resources necessary to develop and implement the strategy. A whole of government approach should be taken involving collaboration between agencies, facilitated and supported by OPE

and a specialist public sector workforce planning team. In a climate of intense competition for skills it will prove difficult to find replacements for the large number of people who are set to retire. Consequently, the workforce planning challenge must be embarked upon now.

This Section outlines a strategic framework for the Government to consider in formulating a workforce plan for the State public sector. The framework includes five strategic objectives, all of which need to be managed differently. These are;

- to brand the public sector as an employer of choice for new labour force entrants, at both the entry level and graduate entry level;
- to brand the public sector as an employer of choice for labour market re-entrants, particularly women who are looking for part-time employment;
- to effectively engage in knowledge management by developing strategies to retain older staff, especially executives;
- to brand the public sector as an employer of choice for groups that are under represented in the State's labour force, for example Aboriginal and Torres Strait Islanders as a way of increasing the State's labour supply; and
- to compete effectively with the private sector with respect to wages and conditions.

In addressing these objectives, the following three structural problems need to be overcome.

Given recent reforms including the downgrading of the functions of the OPE the South Australian public sector is essentially a confederation of Agencies operating under the umbrella of the Public Sector Management Act. Hence, workforce planning is the responsibility of individual Agencies. A number of Agencies including DECS, DEFEEST and Health are taking the challenge of an ageing workforce very seriously and initiating various workforce planning initiatives. The Office of Public Employment was in the process of developing a public sector workforce plan but this appears to have been derailed by recent changes to the function of Office of Public Employment. There is an urgent need to ensure that

this process is reinvigorated. It appears to be no attempt to develop an integrated whole of public sector approach to dealing with the problems that have been caused by the ageing of the public sector workforce. It may be unrealistic to argue that the public sector should be re-integrated under a single set of employment relations. Nevertheless, a mechanism does need to be put in place to develop and implement an integrated workforce planning strategy.

Second, there appears to be no capacity within the public sector to provide strategic leadership to deal with the looming crisis. Such capacity existed under the auspices of the Office for the Commissioner of Public Employment. This Office was reasonably well resourced with a staff of about 80 people. But the staffing level was halved when the Office of the Commissioner for Public Employment was converted into the Office for Public Employment. Staffing was halved again when the Office for Public Employment was abolished and transferred to the Department of Premier and Cabinet. Clearly, these recent changes to the status of the Commissioner have reduced the capacity of the public sector to act strategically.

Third, is the short-term nature of the contracts of Chief Executives. This in turn leads to short-term thinking. Chief Executives need employment arrangements that encourage them to address longer term problems like the ageing of the workforce. Present incentive structures and performance management processes tend to focus the attention of Chief Executives on short term problems. The impending workforce crisis requires a long-term perspective, long-term planning, action and continuity. This necessitates a review of Chief Executive employment arrangements to encourage longer term planning.

It is recommended that:

- The State Government provide resources for the establishment of a Public Sector Workforce Development Unit within the Department of Premier and Cabinet. The Unit should be charged with the responsibility to develop a whole of government public sector workforce development strategy and provide research assistance and strategic support to agencies to develop and implement workforce plans that are complementary with the overall strategy.
- As a matter of priority the Public Sector Workforce Development Unit should provide recommendations to the State Government on mature age retention, succession planning and succession management strategies for the public sector.

7 Public Sector Reform

In June 2006 Premier Rann and Minister Weatherill announced the formation of the Government Reform Commission to identify opportunities to improve the way that the Government operates, to recognise excellence in public service and promote leadership now and into the future. The Government Reform Commission was also asked to look at the barriers and constraints that slow the Government's work and frustrates citizens and public servants in getting things done. The Commission is time limited, with work to be completed by the end of 2007. It will act as an advisory body, offering recommendations on new directions on public sector management and service delivery, and provide guidance for implementation of reform initiatives.

An important component of the reform process will be public sector capacity and capability building including training and development, attracting and retaining highly skilled and experienced public servants and managing an ageing workforce through the implementation of smart recruitment and succession strategies. An institutional focal point for this is required.

It is recommended that:

- The State Government consider the establishment of a Centre for Public Sector Innovation to foster and support wider use of evidence based approaches to policy development and continuous improvement through embedded policy and program evaluation methods. More broadly the Centre would foster the development of research relationships between the public sector and the South Australian higher education sector to assist with the implementation and enhancement of South Australia's Strategic Plan. It could also provide accredited short courses designed to build the capacity and capability of public servants to achieve this objective.

8 Shared Services

The Shared Services Reform Office was established in the Department of Treasury and Finance following the Government's 2006-07 budget announcement to reform the delivery of corporate and business support functions to government agencies by consolidating them in a shared services environment. Shared services means that some corporate and business service functions across South Australian Government agencies will be provided through a shared services organisation, rather than being duplicated across government agencies. This will help standardise and streamline processes across government to achieve economies of scale and service improvement.

Commencing in late-February 2007, a program of agency briefings will be scheduled across government to generate broader awareness of the shared services reform initiative and as a forum to hear staff comments and feedback in the early stages of reform planning.

On 6 November 2006, Cabinet approved the collection and assurance of data from agencies to establish a baseline for shared services reform implementation and the measurement of potential future savings. The Shared Services Reform Office will manage the data collection process in partnership with consultants and agencies. The former Department for Administrative and Information Services carried out a data collection exercise as part of the development of the Business Case for South Australian Government Shared Corporate Services (July 2005). Data collected was from the 2003-04 financial year and given the time that has elapsed, data collection

and analysis must be repeated to establish a current picture of agency costs and activity levels.

The accuracy and credibility of the resulting database is fundamental to the success of the shared services reform initiative and will influence many aspects of the shared services reform implementation strategy. The data will form the basis on which decisions are made about:

- the potential for reform in the way services are delivered
- likely structure of a Shared Services Centre
- the appropriate benchmarks for future service delivery and pricing
- the achievable level of savings by agency.

The data collection process will include the following key elements:

- data definitions - clear definition of data elements, data types, data assurance, purpose for collection etc
- development of a robust and user friendly data collection tool, including pilots in four agencies
- early and effective engagement with agencies
- working with agencies to develop agency specific plans to achieve required timeframes
- data assurance, including agency verification process and comparing data to identify possible anomalies.

So, the shared services reforms are designed as a whole of government initiative to consolidate the government's corporate and business service functions in an organisation whose mission is to provide customer focused service as efficiently and effectively as possible. The aim is to integrate processes, people and technology in order to deliver a new business capability. It is expected that the reforms will create savings that will build to \$60 million per year by 2009/10. The PSA believes that the shared services reform process must focus on improving processes and services to the community rather than be driven by pre-determined budgetary savings targets.

Three State Governments, New South Wales, Queensland and Western Australia, have already introduced shared services models for providing corporate service. These three Governments have developed different models of shared services, although that stated aims are the same, to reduce costs and improve services. The experiences of these three States provide valuable insights into how shared services might operate in South Australia.

The concept of shared services promises to deliver efficiencies and cost savings by exploiting economies of scale in the provision of corporate services such as;

- human resources;
- payroll;
- finance;
- information technology; telecommunications
- fleet management;
- records and document management;
- procurement;
- property and facilities management;
- information services management;
- legal and administrative law;
- audit;
- supply;
- recruitment; and
- research and library services.

The evidence from New South Wales, Queensland and Western Australia suggests while shared services can generate cost savings, there are normally substantial set up and transition costs. So, it may take three to five years before net savings are achieved. The evidence from these three States suggest that net savings can be substantial. However, up to 90 per cent of these savings was due to staffing cuts and lower accommodation costs (New South Wales). Whereas in Western Australia, these cost savings were mostly associated with reduced employment and the standardisation of processes. In New South Wales Agencies are

encouraged to use natural attrition, training and deployment to manage staff changes. The PSA is concerned that these processes create unacceptably high workloads for many of those who remain. We also have wider concerns about how shared services arrangements might be used as a future platform for the outsourcing of public sector administrative services and jobs.

Indeed, the New South Wales Public Service Association argues that the restructuring of the provision of the corporate services of the New South Wales Government into a shared services model as;

The first step in a process that logically ends in the privatisation of services that the Government doesn't call "core business". Shared corporate services and job cuts are the driving forces behind their restructure - not improving services to schools or community.

The shared services model employed in New South Wales led to the removal of corporate services from 35 district offices. The loss of jobs in regional New South Wales was a concern for the New South Wales Public Service Association. The loss of jobs in regional South Australia is also of concern to the PSA.

The evidence presented here on the operation of shared services in three other States suggests that caution should be exercised in determining the shared services agenda and that the emphasis should be placed on service delivery

It is recommended that:

- The main aim of the shared services reform process should be the provision of high quality services and the achievement of increased efficiency and productivity by exploiting the opportunities offered by ICT rather than the achievement of arbitrary cost savings targets.

9 False Economies

9.1 Introduction

The aim of this Section of the Report is to briefly canvass a number of issues of concern to the PSA in relation to the implementation of budgetary cuts announced in the last State Budget. The PSA is concerned that the cuts are now beginning to impact on service delivery. Three examples are discussed here to illustrate our concern that cuts to support services can often be false economies that undermine the capacity of those in service delivery roles to do their jobs as efficiently and effectively as they might otherwise do.

9.2 Law and Order

The PSA is concerned that the State's corrections system is under great stress. Until recently, the focus of policy in this area has been the need to update the physical infrastructure. In this context, the three priorities have been, the need to build a new women's prison, the need to replace the Magill Training Centre with a facility that meets the needs of an increasingly diverse client group and finally the need to replace the ageing Yatala facility with a new 750-bed complex at Mobilong. The Mobilong prison is due to open in 2011. The PSA is concerned that the corrections system is chronically overcrowded. If prisoner numbers continue to increase at the present rate it is possible that the system will be around 750 beds short by the time the new prison at Mobilong is opened.

The overcrowding of the State's corrections system has serious consequences for the working conditions of corrections officers and the ability to recruit corrections officers. Moreover, the PSA is concerned that the overcrowding can have a serious effect on the health and safety of both corrections officers and prisoners.

The Government's focus on law and order issues appears to have resulted in a substantial increase in the number of people being arrested and held in custody on remand. The facilities to cope with this are not in place resulting in overcrowding.

The overcrowding is being addressed by short-term *ad hoc* arrangements including;

- holding prisoners in police cells for longer than is necessary;
- holding prisoners in the holding cells of courts for longer than necessary;
- the re-classification of prisoners to reflect bed vacancies rather the circumstances of prisoners;
- the doubling up of prisoners in cells using bunk beds;
- the hot seating of beds; and
- developing new of early release for tried and convicted prisoners.

It seems incongruous to the PSA that the Department's focus is the early release of people who have been convicted and sentenced, when the system is being clogged up by remandees, that is people who are presumed to be innocent as they have yet to be tried and convicted.

The overcrowding in the State's corrections system appears to flow from the large number of people being held in remand. It is taking too long to get too many cases heard before an appropriate court. The problem will not be solved by building more correctional facilities, which are expensive to build and operate. Rather, a whole of Government approach needs to be taken that either re-directs people who have been arrested away from being held on remand in custody or where people are held on remand in custody they are brought to trial more quickly and their

trials are conducted as speedily as practicable. This will require four key changes to be made;

- reducing the number of people who are held on remand in custody by diverting as many people as is practicable away from the prisons system;
- increasing funding to the Director of Public Prosecutions to reduce delays in bringing cases before the courts;
- increasing funding to the Public Defenders Office to reduce delays in moving cases through the judicial system once a case has been brought before the courts; and
- increasing funding to the courts authority to employ more judges and magistrates in order to bring more people before the courts.

As expensive as these strategies sound, they are more cost effective than building and staffing more jails.

The aim of policy should be to speed up the process by which remandees are moved through the judicial system.

9.3 Education

While the State Government has made a commitment not to reduce teacher numbers, in order to improve educational quality and outcomes it is pursuing cuts in teaching support services. The PSA believes that such cuts can often result in false economies. They may reduce expenditures in the short-term, but they can lead to higher costs over the long-term. The aim of this section is to briefly discuss a few examples of such false economies.

The first example is in relation to District Support Officers. Information and communication technology is now the basis of much of the curriculum that is taught in our schools. However, information and communication technology is

only an effective teaching and learning tool if it runs smoothly and efficiently. This means that the users of this technology, that is classroom teachers, need adequate support from IT specialists. Until recently, this support was provided by 11 District Support Officers, who acted as a mobile help desk. These District Support Officers have proven to be a cost effective solution to a previously expensive problem.

However, in seeking to make savings of \$2.8 million the Department has chosen to reduce the number of District Support Officers from 11 to three. While a private provider will be made available to provide support to teachers via an outsourcing arrangement which is likely to prove an inappropriate strategy to apply in this context. Our assessment is that outsourcing the functions performed by DSOs is highly likely to lead to deterioration in the quality of support to teachers. This is because District Support Officers accumulate a great deal of tacit knowledge, site specific skills and experience which is of enormous value to teachers. They are also more readily accessible enabling them to solve problems in a timely manner.

Second, parents of children in the State's public school system are given the impression that a comprehensive range of support services are available to students who have special needs. In reality this is not always the case. For example, it may take up to a year for a child to see a psychologist. By this time the child's problem may have worsened. Under these circumstances some children with a mental illness may be forced to have time out because schools do not have sufficient resources to develop and deliver appropriate curricula. If problems such as these are detected and treated early it is often the case that simple, inexpensive interventions are effective. But many of these problems are not treated early. They are left until a crisis situation forces action. These delays mean that the problems

are exacerbated; they become more complex and intractable. Hence, more complex and expensive interventions are required, which are often not effective.

Third, mainstream public schools are supposed to provide for the needs of all students, including those with disabilities. The needs of these children are supposed to be met by Special Needs School Support Officers. However, the present level of funding for Special Needs School Support Officers is insufficient to meet the needs of the number of children who require support. This often leads to indirect costs being imposed on their teachers and classmates as they attempt to support these children in the absence of specialist support services – a further false economy.

Finally, student attendance and retention is widely recognised as problem, especially in low socioeconomic areas. There are two types of costs associated with poor attendance. These are the direct costs to the child who has low attendance and the indirect cost to their classmates as a result of the disruption to classroom routines and patterns of work. These problems are likely to escalate when the school leaving age is raised to 17 years of age.

Fortunately school attendance and retention officers have proven to be effective in working with schools, students, parents and local communities to reduce truancy. This illustrates how early identification and intervention can lead to inexpensive and effective solutions. The planned reduction in the number of school attendance and retention officers represents a further false economy as it will increase both the direct and indirect costs of truancy

The Layton Report made recommendations about the need for child protection officers to be employed by DECS. Consequently one position was created, which was subsequently cut. The Layton Report recognised that while teachers have a mandatory child protection reporting duty, they receive no training in child protection. This suggests that DECS should be employing more, rather than fewer, child protection officers. The costs of not doing represent a false economy that should be addressed.

9.4 Disability Services

A further example of a false economy can be found in the area of Disability Services which is now part of DFC. Disability Services has a debt that it has to manage from its own resources. A freeze has been placed on its spending to manage this situation. The problem is that this is resulting in patients being treated in more expensive hospital facilities

The normal progress of people with head injuries is for the acute phase of their injury to be treated in hospital. They are then likely to be transferred to the Hampstead Centre for rehabilitation and the Julia Farr Centre for long-term rehabilitation. From there people hopefully then move into the community, either fully recovered or remaining in a program of long-term rehabilitation. About 20 new cases each week are referred to the Hampstead Centre. Some are minor cases, but many involve serious head injuries that require long-term treatment and rehabilitation.

In order to contain costs with the DFC budget the Hampstead Centre has severely restricted new admission. Patients who would normally be provided with a place at Hampstead are now treated in the public hospital system. The public hospital system is not appropriately equipped or staffed to cater for the long-term needs of people with head injuries. Moreover, the cost structure of the hospital system is about 15 to 20 per cent higher than that of disability services. While this might help contain expenditure within Disability Services the net effect on the State Budget of placing a cap on places at Hampstead will be negative, given the higher cost structure of the current alternative - hospital based care. This would appear to be a significant false economy.

9.5 Summary

These examples of false economies illustrate the importance of applying impact and risk assessment criteria to an evaluation of all savings proposals. Too often cost savings initiatives turn out to be false economies that create more problems than they solve. This section has illustrated that the pressure on agencies to continually deliver budgetary savings is having perverse effects in a wide range of areas. While short term savings goals may be met by some agencies, the net impact on the State Budget of the false economies identified in this submission is likely to be negative.

It is recommended that:

- The State Government investigate methods to reduce the number of people who are held on remand in custody by diverting as many people as is practicable away from the prisons system;
- The State Government increase funding to the Director of Public Prosecutions to reduce delays in bringing cases before the courts;

- The State Government increase funding to the Public Defenders Office to reduce delays in moving cases through the judicial system once a case has been brought before the courts; and
- The State Government increase funding to the courts authority to employ more judges and magistrates in order to bring more people before the courts.
- The State Government introduce more rigorous budgetary impact and risk assessment procedures to avoid false economies arising from budgetary savings measures. Such procedures should guide both agency based and Cabinet assessment of both savings and expenditure measures as part of a holistic public sector risk assessment framework.
- The State Government should review the number of support staff required to provide classroom teachers with important support services.

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