

DEFENCE
CHAPTER FIVE
PEOPLE

OVERVIEW

WORKFORCE SUMMARY

OVERVIEW

Priorities remain as reported in the *Portfolio Budget Statements 2004-05*, as well as the following additions:

- implementation of the recommendations of the *Strategic Workforce Planning Review 2003* will embed personnel requirements, numbers and skills into the capability development processes;
- personnel policies developed for Defence will include the improvement of leave and absence management, in order to reduce unscheduled absences for Australian Public Service staff and to foster an environment that encourages the taking of annual leave;
- specific strategies to target shortages in the ADF workforce will include:
 - ADF tertiary recruitment to target university students for direct, graduate and undergraduate entry,
 - recruitment to the Royal Military College, Duntroon,
 - Navy engineering, health officer and Army Reserve recruitment, and
 - technical trades recruitment to specific categories of trades people;
- enhancing further opportunities for young people to develop leadership and team building skills in an adventurous, military-like setting by:
 - continuing support of the Cadet Initiated Activities Program,
 - developing tri-Service programs to develop the skills of Cadet staff,
 - introducing a mental health awareness module for Cadets,
 - promoting the Cadet Acceptable Behaviour Program and devising an evaluation strategy,
 - establishing an Indigenous Participation Program,
 - consolidating the occupational health and safety project, and
 - undertaking a study to better understand the attitudes and behaviours of Cadets and Cadet staff; and
- improving ADF health through the ADF alcohol, tobacco and other drugs service, which was referred to in the *Portfolio Budget Statements 2004-05* as the ADF drug and alcohol program.

WORKFORCE SUMMARY

The overall average Defence workforce is now estimated to be 91,393 in 2004-05, representing a reduction of 30 from the budget estimate of 91,423. Details are provided in Table 5.1.

Table 5.1: Defence Workforce⁽¹⁾

	2004-05 Budget Estimate	2004-05 Revised Estimate	Variation	
				%
Permanent Force				
Navy	13,167	13,167	0	0
Army	26,035	25,735	-300	-1.2
Air Force	13,670	13,393	-277	-2.0
Sub-total Permanent Force⁽²⁾	52,872	52,295	-577	-1.1
Reserve Force				
Navy	1,850	1,850	0	0
Army	16,700	16,700	0	0
Air Force	2,160	2,577	417	19.3
Sub-total Reserve Force	20,710	21,127	417	2.0
Sub-total Military	73,582	73,422	-160	-0.2
Australian Public Service				
Vice Chief of the Defence Force/Chief of Joint Operations	70	1,109	1,039	1,484.3
Navy	740	727	-13	-1.8
Army	668	655	-13	-1.9
Air Force	889	877	-12	-1.3
Defence Materiel Organisation	5,160	4,470	-690	-13.4
Corporate Services and Infrastructure Group	4,398	4,417	19	0.4
Defence Personnel Executive	1,198	1,096	-102	-8.5
Defence Science and Technology Organisation	2,243	2,241	-2	-0.1
Other Groups	2,475	2,379	-96	-3.9
Sub-total Australian Public Service	17,841	17,971	130	0.7
Total Workforce	91,423	91,393	-30	-

Notes

- Staffing numbers for the Permanent Forces and Australian Public Service are based on average funded strength and full-time equivalent respectively. Numbers for Reserves represent numbers of General or Active Reservists who will undertake paid service during the financial year.
- Numbers for the Permanent Force include General Reservists undertaking full-time service.

ADF Permanent Force

The revised average funded strength for 2004-05 is 52,295, an overall decrease of 577 from the 2004-05 budget estimate of 52,872. This decrease is due to the following changes.

- A reduction of 300 in average funded strength in the Army comprising:
 - a reduction of 46 to provide funding to the Vice Chief of the Defence Force Group for the brigade maintenance contract as Army is unable to provide appropriately qualified staff, and

- a reduction of 253 due to slower than expected recruiting achievement in certain trades and officers.
- A net decrease of 277 in Air Force due mainly to lower than planned recruit intakes in the latter part of 2003-04, resulting in a lower actual staffing level by 293 at the start of 2004-05. This is partially offset by an increase of 15 average funded strength for geospatial imagery and intelligence analysts for JP2044 – Space-Based Surveillance Capability.

ADF Reserve Force

The revised estimate for the Reserve Force in 2004-05 is 21,127, an increase of 417 from the budget estimate of 20,710. This increase is in relation to the active component of the Reserve element expecting to undertake paid service during 2004-05 and does not include Reservists undertaking full-time service in support of the Permanent Force, as they are included in the Permanent Force numbers (see Note 2 to Table 5.1). The increase is the result of an increase in participation in the Air Force Reserve.

Civilian Workforce

The Australian Public Service (APS) full-time equivalent strength has increased by 130 to 17,971. Some of the large variations evident in Table 5.1 result from offsetting transfers between Defence Groups as part of new ADF command and control arrangements. The total increase of 130 is more than explained by delays in staff separations as a result of slippage of the Defence Integrated Distribution System implementation (+303). Other workforce variations that contribute to the overall variation include:

- delays in the substitution of more costly health service Professional Service Providers to civilian positions (-102), which is partly offset by the conversion of more costly Professional Service Provider positions to civilian staff in other areas in Defence (+69);
- an additional 75 staff for the transition period of the Business Improvement Project which is partially offset by savings of 32 staff already achieved through this project (+43);
- delays in the commencement of newly-recruited air traffic controllers (-11); and
- a forecast underachievement across the board due to lower than anticipated general APS recruitment (-172).

Table 5.2 shows the breakdown of personnel by service and rank including the APS.

Table 5.2: Breakdown of Personnel Numbers by Service and Rank

	2004-05 Budget Estimate	2004-05 Revised Estimate
NAVY⁽¹⁾		
Star Ranked Officers	36	36
Senior Officers ⁽²⁾	439	439
Junior Officers	2,378	2,378
Other Ranks	10,314	10,314
Sub-total: Permanent Navy	13,167	13,167
Reserve Forces ⁽³⁾	1,850	1,850
Sub-total Navy	15,017	15,017
ARMY⁽¹⁾		
Star Ranked Officers	48	51
Senior Officers ⁽²⁾	505	606
Junior Officers	4,948	4,769
Other Ranks	20,534	20,309
Sub-total: Permanent Army	26,035	25,735
Reserve Forces ⁽³⁾	16,700	16,700
Sub-total Army	42,735	42,435
AIR FORCE⁽¹⁾		
Star Ranked Officers	37	37
Senior Officers ⁽²⁾	521	512
Junior Officers	3,550	3,525
Other Ranks	9,562	9,319
Sub-total: Permanent Air Force	13,670	13,393
Reserve Forces ⁽³⁾	2,160	2,577
Sub-total Air Force	15,830	15,970
APS⁽¹⁾		
Senior Executives ⁽⁴⁾	113	110
Senior Executive Relief Staff ⁽⁵⁾⁽⁶⁾	-	15
Senior Officers ⁽²⁾⁽⁵⁾	3,850	4,047
Other APS Staff	13,878	13,799
Sub-total APS	17,841	17,971
Total Workforce	91,423	91,393

Notes

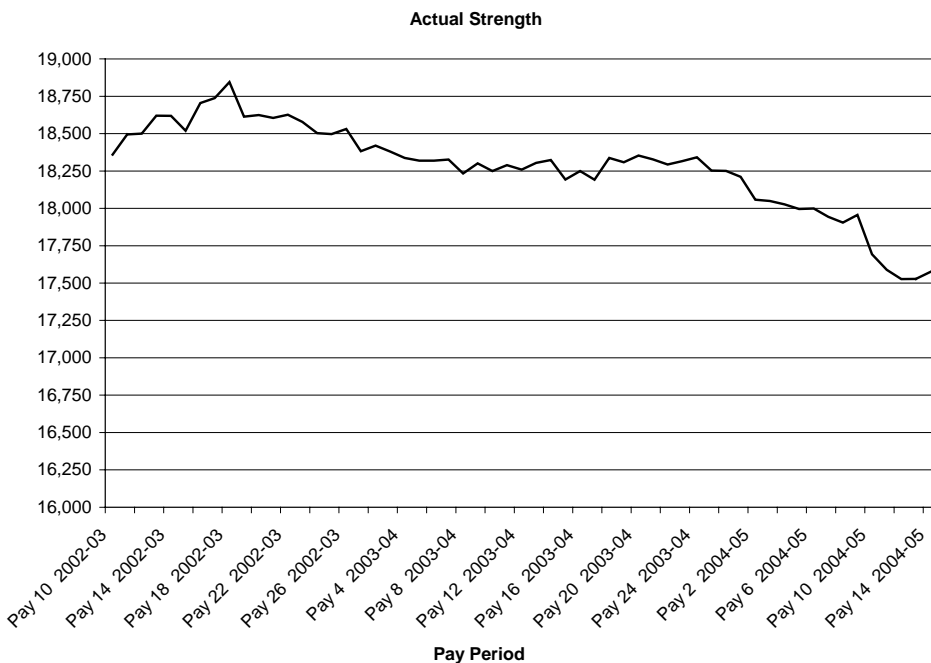
1. Permanent Forces and APS numbers are forecasts of the average strength for 2004-05. Reserve figures represent actual numbers of General or Active Reservists who render service during 2004-05.
2. Senior Officers are of Colonel or Lieutenant Colonel rank equivalent and substantive APS Executive Level 1 and 2.
3. Reservists on full-time service are reported in the Permanent Force.
4. The figures of 113 and 110 average Senior Executive Service include the Secretary of the Department of Defence.
5. The budget estimate only included substantive staff.
6. The revised estimate includes relief staff who are personnel acting within a higher classification for short duration, pending permanent filling action or while the incumbents are taking leave, acting in higher positions or on secondment to other agencies.

Civilian Reduction Program

A programmed reduction in civilian employee numbers was developed by Defence as part of its Program of Administrative Savings. This comes on top of an existing initiative to outsource the Defence warehousing function. This is expected to yield a reduction of 1,248 full-time equivalent average positions by the end of 2005-06, including 638 for the outsourced contract.

As at 1 July 2004, 619 civilian personnel were employed on the Defence Integrated Distribution System and they are all expected to be redeployed or exit the organisation during 2004-05. Since Pay 18 in 2002-03, actual (not average) civilian staff strength has reduced by 1,270 from 18,845 to 17,575 at Pay 14 in 2004-05. Based on current strength, Defence expects to meet its residual savings targets in 2005-06 as planned. Chart 5.1 illustrates the run down. After allowing for civilianisation of more costly Professional Service Provider positions to date (+307) and new budget measures agreed by the Government to date (+200), the underlying reduction in numbers since Pay 18 in 2002-03 is actually 1,777.

Chart 5.1: Movements in Actual Civilian Personnel Numbers from Pay 10 2002-03 to Pay 14 2004-05



Employee Expenses

The revised estimate for employee expenses in 2004-05 is \$6,677.7m, representing a decrease of \$32.6m from the 2004-05 budget estimate of \$6,710.3m. Details are shown in Table 5.3.

Table 5.3: Revisions to Employee Expenses for 2004-05 Budget

	2004-05 Budget Estimate	2004-2005 Revised Estimate	Variation (2004-05 Revised Estimate less 2004-05 Budget Estimate)	
	\$m	\$m	\$m	%
Permanent Salary, Allowances and Superannuation	4,228.4	4,184.4	-44.0	-1.0
Leave Liability	90.7	100.1	9.4	10.4
Housing	412.8	410.5	-2.3	-0.6
ADF Compensation	-	-	-	-
Health Services	152.5	141.4	-11.1	-7.3
Other Expenses including Fringe Benefits Tax	293.7	342.6	48.9	16.6
Reserves Salary and Allowances	116.9	126.9	10.0	8.6
Sub-total Military Employee Expenses	5,295.0	5,305.7	10.7	0.2
Salary, Allowances and Superannuation	1,359.1	1,297.8	-61.3	-4.5
Leave Liability	35.2	50.4	15.2	43.2
Other Expenses including Fringe Benefits Tax	21.0	23.8	2.8	13.3
Sub-total Civilian Employee Expenses	1,415.3	1,372.0	-43.3	-3.1
Total Employee Expenses⁽¹⁾	6,710.3	6,677.7	-32.6	-0.5

Note

1. Cross reference to Table 2.5 on p. 16.

The net increase in military employee expenses (+\$10.7m) is due to:

- a revision of the price parameters used in the 2004-05 Budget reflecting a rise in the forecast non-farm gross domestic product deflator for 2004-05 from 2.5 per cent to 3.3 per cent (+\$36.2m);
- a lower than planned average funded strength comprising of 299 Army average funded strength and 293 Air Force average funded strength (-\$28.4m);
- incorrect classification of the 4 per cent Reserve salary costs in the budget, which are offset by Reserve salaries (-\$3.4m);
- reallocation of funds to suppliers expenses to fund increases in the operating element of the capital program (-\$61.6m);
- an understatement of the estimate for superannuation in the budget (+\$13.0m);
- increase in leave liability due to the impact of the 4 per cent pay rise in November 2004 from the *ADF Workplace Remuneration Arrangement 2004-06* (+\$9.4m);
- a reduction in Defence Housing Authority payments resulting from the buy-out of old on-base housing annuities in 2003-04 (-\$2.3m);

- transfer of funding from military to civilian employee expenses to fund the civilianisation of more expensive health service Professional Service Providers (-\$13.2m);
- variation in health costs associated with Operations Citadel/Spire and Catalyst (+\$2.1m);
- correction of the fringe benefits tax estimate to align annual payments with the financial year rather than with the fringe benefits tax year on which the original estimates were based (+\$48.9m);
- increased provision for the Army Reserve Training Scheme attendance allowance and the Army High Readiness Reserve bonus (+\$4.3m);
- increased Reserves salary requirement due to the pay rise in November 2004 from the *ADF Workplace Remuneration Arrangement 2004-06* (+\$3.4m); and
- increased requirement for Air Force Reserve training days (+\$2.3m).

The net decrease in civilian employee expenses (-\$43.3m) is due to:

- a revision of the price parameters used in the 2004-05 Budget reflecting a rise in the forecast non-farm gross domestic product deflator for 2004-05 from 2.5 per cent to 3.3 per cent (+\$9.7m);
- reduced requirement resulting from redundancies associated with contracting out of the warehousing function, Defence Integrated Distribution System, being brought to account in 2003-04 rather than as originally planned in 2004-05 (-\$23.0m);
- transfer of funds to the suppliers category to cover the progressive implementation of the Defence Integrated Distribution System contract costs (-\$13.7m);
- transfer of funding from military to civilian employee expenses to fund the civilianisation of more expensive health service Professional Service Providers (+\$13.2m);
- reallocation of funds to suppliers expenses to fund increases in the operating element of the capital program (-\$20.9m);
- an overestimate of the civilian salary and allowances at budget (-\$22.6m);
- a reduction in the superannuation estimate due to an overestimate of the employer superannuation contribution rates in 2004-05 (-\$4.0m);
- an understatement of the leave liability estimate at budget (+\$15.2m);
- variation in redundancy costs in 2004-05 (+\$1.3m);
- an increased Comcare premium (+\$1.0m); and
- an underestimate of the civilian employee fringe benefits tax at budget (+\$0.5m).