

DEFENCE

CHAPTER FIVE PEOPLE

OVERVIEW

WORKFORCE SUMMARY

OVERVIEW

People are fundamental to Defence capability. The Defence White Paper, the Defence Update 2003 and the Defence Capability Review outlined the Government's expectations of capabilities that Defence should develop and sustain over a ten-year period. They emphasised the requirement for more ready forces (including concurrent deployments in several areas of operation) to respond to more demanding international circumstances and to present the Government with a wider range of options. In particular, the Defence White Paper provided guidance on the need for Defence to take account of the changing demography. The people goal is to ensure that Defence has the right numbers of ADF and civilian personnel with the right skills and experience to provide the capabilities we need to undertake complex military operations, to support operations adequately across a number of fields, and to administer the Defence organisation.

Priorities

Priorities in 2005-06 will include:

- continuing development of the Defence Workforce Plan and the Defence People Plan to address workforce challenges associated with the current and future challenging and competitive employment environment, which features a low unemployment rate and a declining number of potential ADF candidates in the 15 to 24 year age bracket, through:
 - broadening the reach of the ADF to today's youth through a range of strategic personnel initiatives, including 'Steps to the Future', a program targeting students in the 14 to 18 year age group, and providing additional incentive and recognition programs within schools for students in the 16 to 18 year age group, and
 - enhancing workforce capabilities by attracting, developing and retaining skilled personnel, particularly those within areas identified as having specialist skill shortages and ADF critical trade shortages;
- continuing initiatives from the Defence Civilian Injury Prevention and Absence Management Framework to reduce the incidence and severity of unscheduled absences in the civilian workforce;
- continuing remuneration reform in the ADF by the development and implementation of a flexible salary structure for officers through the Remuneration Reform Project;
- undertaking a Review of ADF Reserve Remuneration;
- developing the next Defence Employees' Certified Agreement, the ADF Workplace Remuneration Arrangement and the ADF Star Ranks Remuneration Arrangement, all of which are due to commence in the second half of 2006;

- continuing to implement the Military Rehabilitation and Compensation Scheme in partnership with the Department of Veterans' Affairs;
- continuing to develop an integrated occupational health and safety management system guided by the *Defence Occupational Health and Safety Strategic Plan 2004-06*;
- implementing measures to further improve ADF health, including:
 - the Defence injury prevention program,
 - the ADF drug and alcohol program,
 - the ADF suicide prevention program,
 - consolidating the deployed health studies unit within the Centre for Military and Veterans' Health,
 - continuing health studies of personnel deployed on Operation Anode (Solomon Islands), Operation Citadel (East Timor) and to the Middle East Area of Operations, and
 - implementing agreed recommendations of the review of Defence health services;
- continuing to develop targeted education and training through:
 - ongoing implementation of the agreed outcomes of the Defence Business Skilling Review,
 - responding to the training needs identified by the Defence Financial Statements Remediation Plans,
 - expanding the suite of training modules available through eLearning, and
 - promoting the learning and growth of Defence leaders and managers through the Australian Defence College by providing education to military officers and Australian Public Service (APS) managers throughout their careers;
- developing personnel policies for Defence including:
 - implementing a new locality allowance framework to recognise service in specified difficult localities,
 - reviewing the policy and entitlements for Member with Dependents (Separated) to improve support to ADF personnel separated from their families due to service requirements,
 - finalising the outcomes of the *Defence Review of Merit in Employment Decisions 2003* to improve the application and perception of the merit principles for civilian recruitment, and
 - strengthening the performance management culture through training and educational material for managers, supervisors and staff, which

- introduces courses focused on managing underperformance and strengthening performance measures;
- supporting ADF members and their families through:
 - delivering employment assistance to partners of ADF members and improving the availability of personalised resumes as part of the assistance package,
 - enhancing the Defence childcare program by increasing access to places nationally, and establishing booking and placement services that support mobile Defence families,
 - expanding the ADF Emergency Support for Families program to ensure greater support and practical assistance to families of ADF members serving away from home,
 - increasing Defence's sponsorship of school transition aide positions within public and private schools that have significant enrolments of ADF children, to support the mobility of ADF members,
 - distributing a new multi-media digital student portfolio to facilitate the transition of primary and secondary students between state and territory education systems, and
 - implementing the new Welcome-Partners in Defence program that targets information and services to spouses and other family members who are new to the ADF;
- continuing improvements to Defence's human resources and payroll management system (PMKeyS) including the:
 - continued expansion of its self service functionality, including electronic workflow across Defence,
 - implementing the warehousing software strategy to support archiving and management reporting, and
 - development of documentation to support the requirements for the software upgrade project and integration of ADFPAY systems;
- developing strategies to encourage and facilitate recruitment from the three ADF Cadet organisations to the ADF and further enhance the ADF Cadet experience through programs aimed at:
 - ensuring that all Cadet accommodation provides a safe and healthy environment,
 - implementing the 'pathways' project which aims to remove barriers and simplify the recruitment process for Cadets interested in joining the ADF,
 - improving the functionality of the Cadet information technology system (CadetNet) through the implementation of the Cadet Online Administration System,

- implementing the Cadet firearms policy and commencing acquisition of the standard Cadet .22 inch bolt action training rifle,
- allowing Cadets to input directly into initiatives designed to improve their leadership and teamwork skills through the Cadet Initiated Activities program,
- continuing implementation of the Cadet health awareness module,
- continuing the Cadet Acceptable Behaviour program and its evaluation,
- implementing the Indigenous Participation program which aims to increase participation by Indigenous Cadets, and
- implementing a range of human resource initiatives including a project to further develop the skills of Cadet staff, the provision of an alternative dispute resolution process and a Cadet Staff Performance Management System.

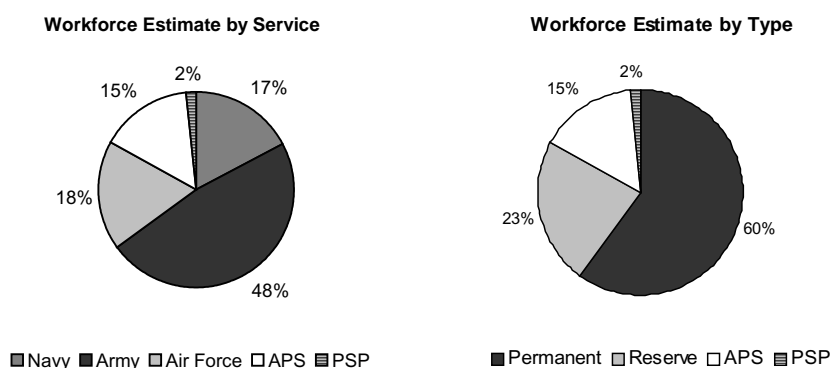
WORKFORCE SUMMARY

The overall Defence workforce is forecast to be 87,052 in 2005-06, a decrease of 4,867 from the 2004-05 projected result of 91,919. As the Defence Materiel Organisation (DMO) will become a prescribed agency on 1 July 2005¹, the Defence forecast for 2005-06 excludes APS staffing and Professional Service Providers (PSPs) for the DMO. The DMO's APS and PSP workforce information will now be reported separately in DMO's Chapter Five – People. But as the DMO was a Defence Group in the period 2004-05, the 2004-05 projected result also includes DMO's APS and PSP staff as part of the total Defence workforce.

The decrease in the Defence workforce is predominantly due to reductions in APS staffing due to the DMO becoming a prescribed agency and the completion of the rationalisation of the Defence Integrated Distribution System. The decrease in APS staffing is partially offset by the slight increase to the ADF average funded strength toward Defence White Paper targets. Changes within the respective elements of the workforce are shown at Table 5.1. Under current planning, the Defence workforce is estimated to comprise:

- Permanent Forces of;
 - 13,209 Navy personnel,
 - 25,484 Army personnel, and
 - 13,498 Air Force personnel.
- 20,150 Reserve Forces;
- 13,370 APS staff excluding the DMO; and
- 1,341 PSPs excluding the DMO.

Chart 5.1: Defence Workforce – Budget Estimates by Service and Type



¹ See the Defence Materiel Organisation, Chapter One – Overview, p. 241.

Changes within the respective elements of the workforce are shown at Table 5.1 together with explanations of the changes.

Table 5.1: Defence Workforce

	2004-05 Projected Result	2005-06 Budget Estimate	Variation	%
Permanent Force⁽¹⁾⁽²⁾				
Navy	13,115	13,209	94	0.7
Army	25,389	25,484	95	0.4
Air Force	13,393	13,498	105	0.8
Sub-total Permanent Force	51,897	52,191	294	0.6
Reserve Force				
Navy	1,850	1,850	-	-
Army	16,100	16,000	-100	0.6
Air Force	2,300	2,300	-	-
Sub-total Reserve Force	20,250	20,150	-100	-0.5
Sub-total military	72,147	72,341	194	0.3
Vice Chief of the Defence Force/Chief of Joint Operations				
Navy	1,040	799	-241	-23.2
Army	725	728	3	0.4
Air Force	628	669	41	6.5
Corporate Services and Infrastructure Group	863	880	17	2.0
Defence Personnel Executive Organisation	3,902	3,732	-170	-4.4
Defence Science and Technology Organisation	1,100	1,184	84	7.6
Other Groups	2,169	2,202	33	1.5
Other Groups	3,001	3,176	175	5.8
Sub-total Australian Public Service Excluding Defence Materiel Organisation	13,428	13,370	-58	-0.4
Defence Materiel Organisation	4,478	-	-4,478	-100.0
Sub-total Australian Public Service Including Defence Materiel Organisation	17,906	13,370	-4,536	-25.3
PSPs – Defence	1,477	1,341	-136	-9.2
PSPs – DMO	389	-	-389	-100.0
Sub-total PSPs⁽³⁾	1,866	1,341	-525	-28.1
Total workforce	91,919	87,052	-4,867	-5.3

Notes

1. Numbers for the Permanent Forces and APS are based on average funded strengths and full-time equivalent respectively. Numbers for Reserves represent numbers of General or active Reservists who will undertake paid service during the financial year.
2. Numbers for the Permanent Force includes General Reservists undertaking full-time service and military personnel working in the Defence Materiel Organisation (DMO). For DMO military staff numbers see Table 5.1 in DMO's Chapter Five – People.
3. Professional Service Providers are individuals under contract filling line positions.

ADF Permanent Force

The estimated average funded strength for 2005-06 is 52,191, representing an overall increase of 294 from the 2004-05 projected result of 51,897.

This increase relates to:

- An increase of 94 in the Navy's average funded strength relating to:
 - continued growth towards Defence White Paper targets and anticipated improvement in recruiting, particularly for technical sailors, and improved retention (+52), and
 - the additional crews for Armidale-class patrol boats for the North West Shelf (+42);
- the increase of 95 average funded strength in the Army is for enhanced operational capability and movement towards Defence White Paper targets; and
- an increase of 105 in the Air Force's average funded strength due to planned increases in recruiting and retention initiatives.

ADF Reserve Force

The estimated size of the Reserve Force for 2005-06 is 20,150, representing an overall decrease of 100 compared with the 2004-05 projected result of 20,250. This figure represents the active component of the Reserve element expected to undertake paid service during 2005-06. It does not include Reservists undertaking full-time service, as they are included in the Permanent Force numbers (see Note 1 to Table 5.1). The decrease in Reserve strength relates to lower recruiting for the Army.

Civilian Workforce

In preparation for the establishment of DMO as a prescribed agency from 1 July 2005, 4,448 civilian positions have been transferred to that organisation. As a consequence, but not solely for this reason, the full-time equivalent average funded strength has decreased by 4,536 to 13,370 compared with the 2004-05 projected result of 17,906. The overall decrease is mainly due to the following changes:

- a transfer of 4,448 positions to the DMO in preparation for establishing that the organisation as a prescribed agency from 1 July 2005;
- staff separations as a result of the implementation of the Defence Integrated Distribution System contract (-303);
- discontinuation of the additional staff provided to the Corporate Services and Infrastructure Group for the transition period of the Business Improvement Project (-75);
- staff savings achieved through the Business Improvement Project (-35);
- additional staff for new measures announced in the 2004-05 budget (+91);
- additional staff for new measures announced in the 2005-06 budget (+31);

- conversion of more PSP positions to more cost-effective civilian positions (+55);
- commencement of newly-recruited air traffic controllers (+11); and
- other variations in staffing numbers including recovery of shortfalls in critical skills areas (+137).

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 Projected Result	2005-06 Budget Estimate
NAVY⁽¹⁾		
Star-ranked officers	36	34
Senior officers ⁽²⁾	433	429
Junior officers	2,516	2,548
Other ranks	10,130	10,198
Sub total: Permanent Forces	13,115	13,209
Reserves ⁽³⁾	1,850	1,850
Total Navy	14,965	15,059
ARMY⁽¹⁾		
Star-ranked officers	53	53
Senior officers ⁽²⁾	603	603
Junior officers	4,586	4,597
Other ranks	20,147	20,231
Sub total: Permanent Forces	25,389	25,484
Reserves ⁽³⁾	16,100	16,000
Total Army	41,489	41,484
AIR FORCE⁽¹⁾		
Star-ranked officers	37	40
Senior officers ⁽²⁾	515	492
Junior officers	3,516	3,512
Other ranks	9,325	9,454
Sub total: Permanent Forces	13,393	13,498
Reserves ⁽³⁾	2,300	2,300
Total Air Force	15,693	15,798
APS⁽¹⁾⁽⁴⁾		
Senior executives ⁽⁵⁾	124	93
Senior officers ⁽²⁾	4,135	3,170
Other APS staff	13,647	10,107
Total APS	17,906	13,370
PSPs – Defence	1,477	1,341
PSPs – DMO ⁽⁴⁾	389	-
Total PSPs	1,866	1,341
Total Workforce	91,919	87,052

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.
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. DMO APS staffing and PSPs for the DMO form part of the 2004-05 Defence workforce projected result, however, are excluded from the 2005-06 Defence workforce budget estimate, due to the DMO becoming a prescribed agency from 1 July 2005 and the figures being reported separately.
5. The figures for Senior Executive Service include the Secretary of Defence.

Civilian Reduction Program

A programmed reduction in civilian staffing numbers was implemented in 2003-04 as part of the \$200m per annum Program of Administrative Savings.² Together with the outsourcing of the Defence warehousing function, this program was designed to yield a reduction of 1,428 full-time equivalent average positions by the end of 2005-06, including 638 for the outsourced contract.

Due to the requirement to fund an additional 180 project management, intelligence, air traffic controller and information technology positions, and provide transition positions in 2004-05, Defence adjusted its savings targets as shown in Table 5.3.

Table 5.3: Civilian Savings Program

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
2002-03 Baseline	18,385	18,385	18,385	18,385	18,385	18,385
Warehouse Outsourcing	-638	-638	-638	-638	-638	-638
Savings Program	-264	-529	-790	-790	-790	-790
New Positions	180	180	180	180	180	180
Transition Positions	-	67	-	-	-	-
Revised Baseline	17,663	17,465	17,137	17,137	17,137	17,137

Due to delays with the implementation of the Defence Integrated Distribution System, Defence was not able to action the run down in staffing numbers in accordance with the original plan. With the full implementation of the Defence Integrated Distribution System, Defence will fully achieve the savings program in the 2005-06 budget, with an underlying reduction of 1,248 positions now fully realised. Also, since establishing the savings baseline in the 2003-04 budget, three factors have varied the civilian staffing baseline:

- increases relating to a number of budget measures approved by the Government for which additional funding was provided, or which Defence was required to absorb;
- the replacement of expensive PSP positions with more cost effective civilian staff (these positions are offset by reductions in PSP workforce); and
- the transfer of 4,448 average full-time equivalent positions to the DMO in preparation for the establishment of that organisation as a prescribed agency from 1 July 2005.

As a consequence of these changes, the adjusted civilian staffing numbers for 2005-06 are 13,370 as shown in Table 5.4.

² For further details on the Program of Administrative Savings, see Chapter Two – Resourcing, pp. 57-58.

Table 5.4: Status of the Civilian Savings Program Implemented in 2003-04

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Revised Baseline (Table 5.3)	17,663	17,465	17,137	17,137	17,137	17,137
New Measures for 2003-04						
Budget Estimates and Framework	19	35	31	31	31	31
Current operations	6	-	-	-	-	-
New Measures for 2004-05						
New Intelligence Measures	-	106	208	227	229	-
Defence Procurement Review	-	59	48	48	48	48
Implementation of the Flood Report	2	3	3	3	3	3
New Measures for 2005-06						
New Intelligence Measures	-	-	15	15	15	15
Australian Defence Medal	-	-	10	10	10	10
Current operations	-	-	6	-	-	-
Sub-Total New Measures	27	203	321	334	336	107
Replacement of PSP positions	-	305	360	360	360	360
Transfer to DMO	-	-	-4,448	-4,447	-4,446	-4,446
Adjusted Baseline	17,690	17,973	13,370	13,384	13,387	13,158
Actuals/Forecast/Planned	18,303	17,906	13,370	13,384	13,387	13,158
Variation	613	-67	0	0	0	0

Employee Expenses

The budget estimate for employee expenses in 2005-06 is \$6,587.4m, representing a decrease of \$5.5m from the 2004-05 projected result of \$6,592.9m. Details are shown in Table 5.5.

Table 5.5: Employee Expenses

	2004-05 Projected Result	2005-06 Budget Estimate	Variation (2005-06 Budget Estimate less 2004-05 Projected Result)	
	\$m	\$m	\$m	%
Military Employee				
Permanent Salary, Allowances and Superannuation	4,106.7	4,326.7	220.0	5.4
Leave Liability	90.5	90.5	0.0	0.0
Housing	410.5	428.5	18.0	4.4
Health Services	152.7	148.2	-4.5	-2.9
Fringe Benefits Tax	330.4	317.3	-13.1	-4.0
Reserves Salary and Allowances	129.7	130.1	0.4	0.3
Sub-total Military Employee Expenses	5,220.5	5,441.2	220.7	4.2
Civilian Employee				
Salary, Allowances and Superannuation	1,243.1	1,036.5	-206.6	-16.6
Leave Liability	109.0	89.4	-19.6	-18.0
Other Expenses including Fringe Benefits Tax	20.3	20.3	0.0	0.0
Sub-total Civilian Employee Expenses	1,372.4	1,146.2	-226.2	-16.5
Total Employee Expenses	6,592.9	6,587.4	-5.5	-0.1

Military Employee Expenses

Compared with the 2004-05 projected result, Military employees expenses increase by \$220.7m for the following reasons:

- an increase in salaries, allowances and superannuation of \$220.0m due to:
 - an increase in average funded strength of 105 Air Force positions (+\$8.1m);

- increased average funded strength in the Army of 95 positions (+\$6.8m);
- increased average funded strength in the Navy of 94 positions (+\$7.1m);
- the full-year effect of the November 2004 4 per cent pay rise flowing from the *ADF Workplace Remuneration Agreement 2004-06* (+\$45.0m);
- the full-year effect of the June 2005 2 per cent pay rise flowing from the *ADF Workplace Remuneration Agreement 2004-06* (+\$73.7m);
- part-year effect of the March 2006 1.5 per cent pay rise flowing from the *ADF Workplace Remuneration Agreement 2004-06* (+\$20.5m);
- variations in allocations for current operations including in Iraq (+\$15.8m);
- increased requirement for new initiatives contained in the 2005-15 Defence People Plan (+\$48.0m);
- an increase in the superannuation contribution rates in the Defence Force Retirement and Death Benefits Scheme (33.9 per cent to 34.3 per cent) and the Military Superannuation Benefits Scheme (23.2 per cent to 23.5 per cent) representing a weighted increase of 0.3 per cent (+\$11.7m); and
- other variations following a revision of cost estimates including overseas allowances which have reduced due to foreign exchange variations (-\$16.7m).
- the net increase in military housing costs of \$18.0m is due to:
 - planned improvements to the standards of housing provided to members (+\$10.0m); and
 - increased numbers of members receiving Rental Allowance (+\$8.0m).
- the net decrease in health costs of \$4.5m is due to:
 - the conversion of more expensive health service PSP positions to more cost effective civilian positions (-\$9.0m); and
 - increased costs for sessional fees and the purchase and maintenance of equipment (+\$4.5m).
- net variation in fringe benefits tax payments (-\$13.1m);
- the net increase in Reserve Salaries and Allowances of \$0.4m is due to:
 - the part and full-year effects of the pay rises in November 2004, June 2005 and March 2006 flowing from the *ADF Workplace Remuneration Agreement 2004-06* (+\$5.4m); and
 - revised estimate for Reserve training days and increased full-time service (-\$5.0m).

Civilian Employee Expenses

Compared with the 2004-05 projected result, Civilian employee expenses decrease by \$226.2m for the following reasons:

- a net decrease in salaries, allowances and superannuation of \$206.6m due to:
 - A reclassification of civilian employee expenses to suppliers expenses associated with the prescription of DMO, with Defence to fund DMO's civilian workforce under the Materiel Acquisition and Materiel Sustainment agreement from 1 July 2005 (-\$314.7m);
 - other variations in staffing numbers including recovery of shortfalls in critical skills areas (+137) (+\$8.5m);
 - the full-year effect of the November 2004 4 per cent pay rise flowing from the *Defence Employees' Certified Agreement 2004-06* (+\$16.0m);
 - the full-year effect of the June 2005 2 per cent pay rise flowing from the *Defence Employees' Certified Agreement 2004-06* (+\$24.0m);
 - the part-year effect of the June 2006 2 per cent pay rise flowing from *Defence Employees' Certified Agreement 2004-06* (+\$15.0m);
 - the full-year effects of salary progression flowing from the *Defence Employees' Certified Agreement 2004-06* (+\$3.7m);
 - transition costs associated with the Business Improvement Project including voluntary redundancy costs (+\$32.7m);
 - the conversion of more expensive health service PSP positions to more cost effective civilian positions (+\$9.0m);
 - increased requirement for new initiatives contained in the 2005-15 Defence People Plan (+\$5.0m);
 - new intelligence operations measures (+\$4.7m);
 - additional staffing associated with 2004-05 and 2005-06 budget measures (+\$7.7m);
 - additional staffing associated with current operations including in Iraq (+\$1.4m);
 - transition costs for regional information communications technology market testing (+\$1.4m);
 - the full implementation of the outsourcing of the Defence Integrated Distribution System (-\$13.7m); and
 - a decrease in superannuation costs as a result of a lower superannuation contribution rates associated with the Public Service Superannuation Scheme (13.6 per cent to 12.8 per cent) and the Commonwealth Superannuation Scheme (26.7 per cent to 24.9 per cent) (-\$7.3m).

- the net decrease of \$19.6m in leave liability is due to:
 - A reclassification of civilian employee expenses to suppliers expenses associated with the prescription of DMO, with Defence to fund DMO's civilian workforce under the Materiel Acquisition and Materiel Sustainment agreement from 1 July 2005 (-\$27.2m);
 - the full-year effects of the November 2004 4 per cent pay rise and the June 2005 2 per cent pay rise flowing from the *Defence Employees' Certified Agreement 2004-06* (+\$4.1m); and
 - increases resulting from a revision of leave estimates (+\$3.5m).