

DEFENCE

CHAPTER FOUR

PEOPLE

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OVERVIEW

People are fundamental to Defence capability. The Defence White Paper, the Defence Update 2003, the Defence Update 2005 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 2006-07 will include:

- continuing to mitigate workforce challenges associated with the current and future competitive employment environment and implement initiatives to further improve retention and recruitment, guided by the Defence Workforce Plan and the Defence People Plan, including:
 - developing the next iteration of the *Defence Strategic Workforce Plan 2007-17* (incorporating the Defence People Plan),
 - enhancing workforce capabilities by attracting, developing and retaining skilled personnel, particularly those within areas identified as having specialist skill shortages, ADF critical trade shortages and Reservists,
 - implementing agreed recommendations of the Ministerial-directed review of ADF retention and recruitment,
 - completing an independent evaluation of the current ADF recruiting capability, and
 - conducting research to develop tailored recruiting strategies to attract more indigenous Australians to Defence;
- continuing to implement improvements announced in the Government's response to the Senate Foreign Affairs, Defence and Trade References Committee Report on the *Effectiveness of Australia's Military Justice System*;
- continuing to implement the Australian Defence Medal initiative;
- continuing to implement 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 through:
 - implementing the new flexible salary structure for Officers, and
 - examining the feasibility of a new Other Ranks salary structure and a disability allowance framework;
- implementing agreed recommendations from the Review of ADF Reserve Remuneration;
- developing and implementing the next ADF Workplace Remuneration Arrangement and the ADF Star Ranks Remuneration Arrangement, which are due to commence in the second half of 2006;
- implementing the new *Defence Collective Agreement 2006-09*, which will replace the *Defence Employees' Certified Agreement 2004-2006*;
- promoting a strong partnership between the Defence and Department of Veterans' Affairs through:
 - implementing the Military Rehabilitation and Compensation Scheme, which is due to be fully implemented in the second half of 2006, and
 - continuing the LINKS project, with a particular focus on initiatives in the areas of records management and transition management services for ADF personnel leaving the services;
- continuing to develop an integrated occupational health and safety management system guided by the *Defence Occupational Health and Safety Strategic Plan 2004-06*, including:
 - developing the next iteration of the *Defence Occupational Health and Safety Strategic Plan – Reshaping 2007-09*,
 - establishing the Defence Centre for Occupational Health, which will support the prevention and treatment of occupational illness and disease, and
 - improving occupational health and safety management information systems and self-assessment tools;
- continuing to implement measures to further improve ADF health, including:
 - the Defence injury prevention program,
 - the ADF alcohol, tobacco and other drugs program,
 - the ADF suicide prevention program,
 - continuing health studies of personnel deployed on Operation Anode (Solomon Islands) and Operation Citadel (Timor-Leste),
 - the agreed recommendations of the review of Defence health services, and
 - HealthKEYS to allow the creation of electronic health records and assist in the management of ADF health;

- 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,
 - undertaking a review of ADF joint education and training,
 - developing an integrated Defence Australian Public Service (APS) Learning and Development strategy,
 - expanding the suite of training modules available through flexible delivery, including eLearning, and
 - promoting the learning and growth of Defence leaders and managers through the Australian Defence College by providing education to military officers and officials from Australia and overseas throughout their careers;
- developing personnel policies for Defence, including:
 - providing an overarching policy framework to enable development of a long-term plan for the funding and delivery of housing and other living accommodation solutions for ADF members,
 - continuing to review the policy and entitlements for members with dependants (separated) to improve support to ADF personnel separated from their families due to service requirements, 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, including the trial of a CD-based resume preparation tool, and expanding the assistance provided to spouses based in remote or overseas posting locations,
 - expanding the Defence childcare program by increasing the number of corporate centres within the program and the number of priority positions available to Defence families in long day care and family day care settings,
 - implementing a new ‘ADF Emergency Support for Families Scheme’ to ensure greater support and practical assistance to families of ADF members serving away from home,
 - continuing sponsorship of school transition aide positions and resources within primary and secondary schools that support significant enrolments of mobile dependants of ADF members,

- ensuring support for ADF families which have a special needs dependant, including the sponsorship of respite care through the ‘Circle of Friends’ respite program,
- streamlining the access points for all ADF families who require advice and support through a toll-free advice and referral line, and
- enhancing the professional program of support and counselling to families which have a member who dies or is seriously injured in service;
- continuing improvements to Defence’s human resources and payroll management system, including:
 - continued expansion of the employee self-service workflow functionality across Defence, including developing and implementing a work performance management tool,
 - implementing enhanced personnel and payroll services to Defence people through online internet access,
 - implementing from the corporate human resources application a business intelligence tool for improved human resources data extraction and management reporting, and
 - completing documentation to support the requirements for the software upgrade project and integration of pay systems;
- continuing to develop the ADF Cadets as a youth development program delivered in partnership by Defence and the community. Defence is committed to strengthening this partnership and developing Australia’s youth through a range of programs designed to enhance the Cadet experience and facilitate the entry of interested and eligible Cadets into the ADF. These programs include:
 - designing a cadet-specific recruitment process and tailored career marketing information,
 - improving the care and control of minors through the delivery of a Youth Development Guide, a review of adult staff recruitment processes, continued implementation of a revised Cadet behaviour policy and child protection policies, and continued development of the training programs for the ADF Cadets,
 - implementing a revised military-like activities policy, including on firearms training, to enhance the Cadet experience, and
 - implementing a Cadet policy manual containing relevant tri-service Cadet policy and community engagement protocols.

WORKFORCE TRENDS

The ADF is currently about 1,500 below its authorised personnel targets. At the same time, there are about 2,000 ADF personnel overseas on operational deployment, or on international engagement tasks. These factors have contributed to workforce shortfalls in Defence's non-Service Groups. A number of recruitment and retention measures have been taken or are planned which will help recover ADF numbers. Significant resources are being applied through the Defence People Plan. Until military numbers recover, Defence is also ameliorating the impact of workforce shortfalls in non-Service Groups through a 'whole-of-workforce' approach, by temporarily increasing civilian numbers using non-ongoing staff in order to compensate for military workforce gaps, within the total workforce. This will result in temporary increases in the civilian workforce.

Despite the shortfalls in military numbers, Defence continues to meet its operational requirements and implement the White Paper program of 3 per cent real growth and this is continuing to place pressure on the total workforce. Chart 4.1 shows the trends in the total Defence workforce since 2000-01.

Chart 4.1: Trends in Average Strength for the Total Defence Workforce including Reserves 2000-01 to 2006-07

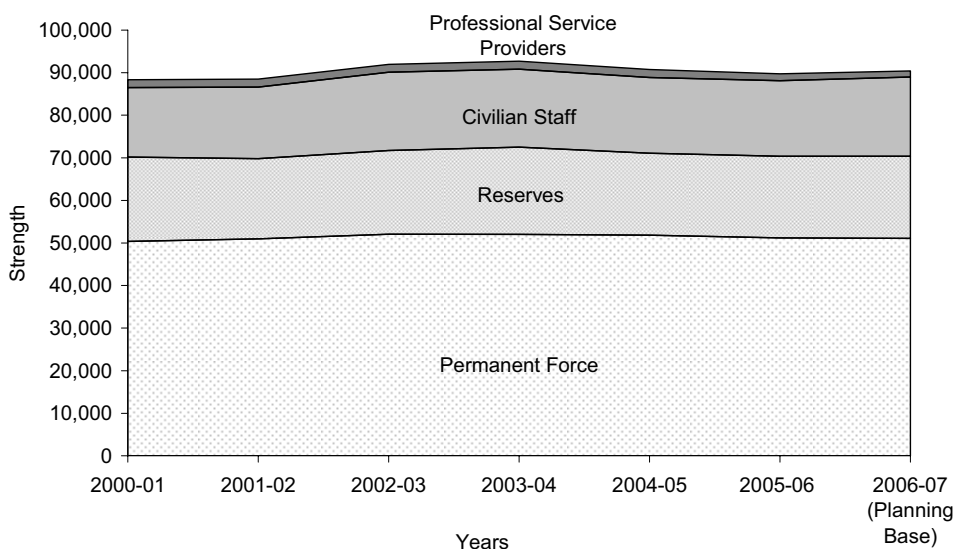
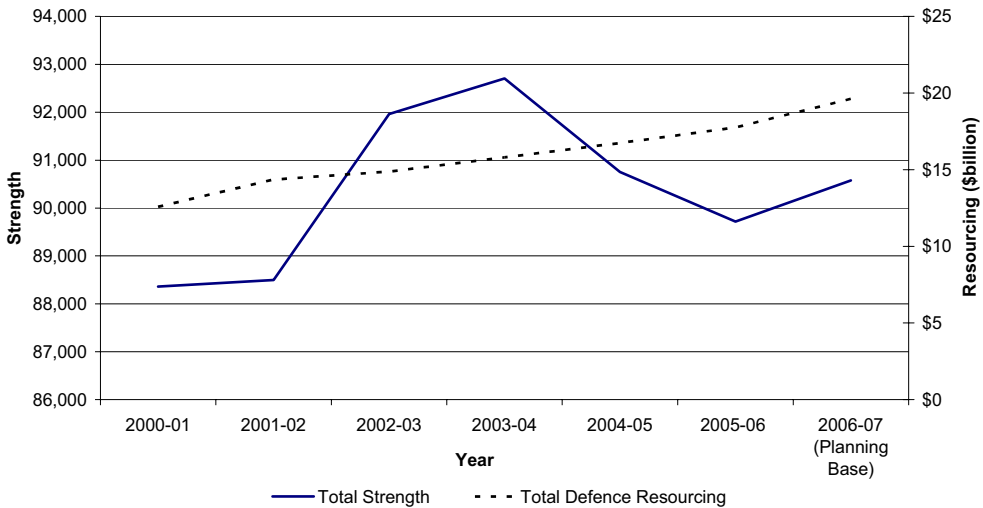


Chart 4.2 shows the total workforce numbers in relation to the increasing size of the Defence Budget.

Chart 4.2: Comparison of Total Defence Workforce Numbers and Total Defence Resourcing Levels 2000-2001 to 2006-2007

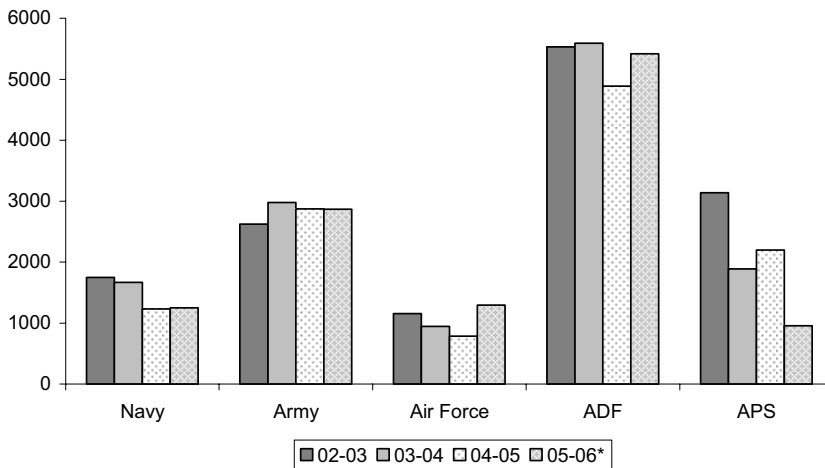


Note

1. The figures in this chart include the Defence Materiel Organisation (DMO).

Chart 4.3 shows the trend for enlistments by Service and APS for the period 2002-03 to 2005-06.

Chart 4.3: Enlistment Numbers by Service and APS 2002-03 to 2005-06⁽¹⁾⁽²⁾⁽³⁾

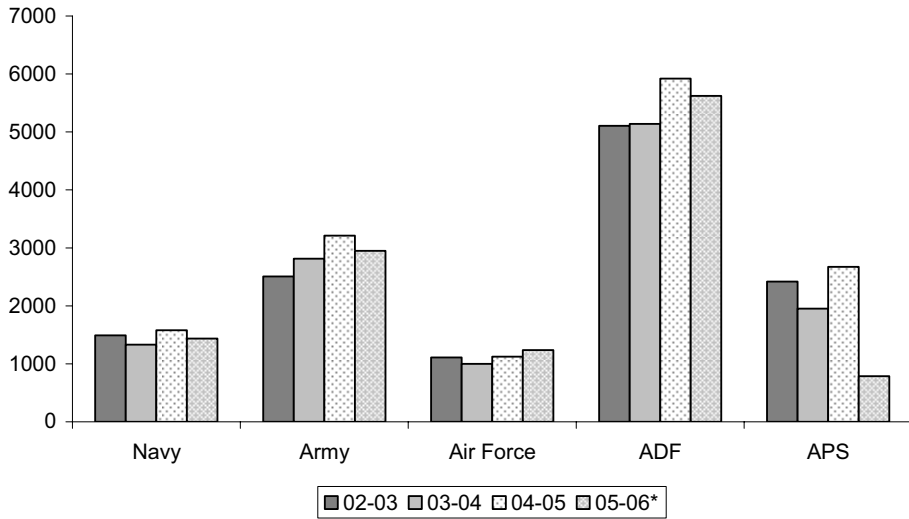


Notes

1. Figures in this chart show actual staff.
2. Enlistment figures for 2005-06 are an estimate only.
3. APS enlistment figures for 2005-06 exclude the DMO.

Chart 4.4 shows the trend for separation numbers by Service and APS for the period 2002-03 to 2005-06.

Chart 4.4: Separation Numbers by Service and APS 2002-03 to 2005-06⁽¹⁾⁽²⁾⁽³⁾

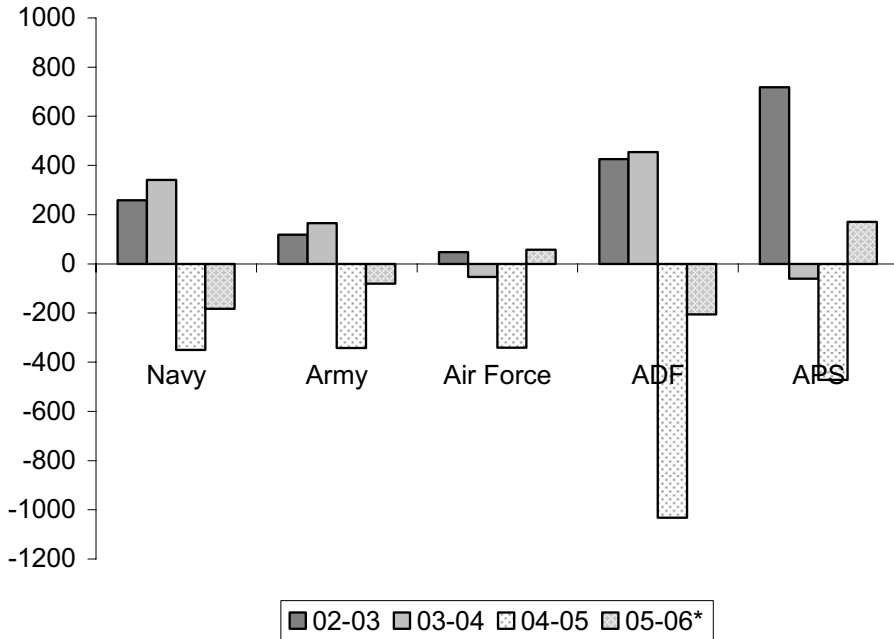


Notes

1. Figures in this chart show actual staff.
2. Enlistment figures for 2005-06 are an estimate only.
3. APS enlistment figures for 2005-06 exclude the DMO.

Chart 4.5 shows the change in permanent strength by Service and APS over the last four years. The figures for 2005-06 are an estimate only.

Chart 4.5: Change in Permanent Strength by Service and APS 2002-03 to 2005-06⁽¹⁾⁽²⁾⁽³⁾



Notes

1. Figures in this chart show actual staff.
2. Figures for 2005-06 are an estimate only.
3. APS figures for 2005-06 exclude the DMO.

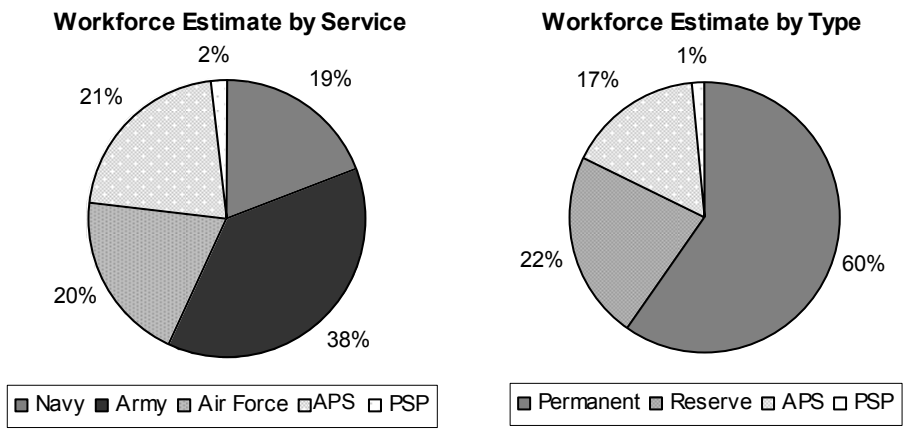
WORKFORCE BUDGET SUMMARY

The total Defence workforce is forecast to be 85,813 in 2006-07, comprising:

- Permanent Forces of
 - 12,784 Navy Personnel,
 - 25,220 Army Personnel, and
 - 13,249 Air Force Personnel;
- 19,250 Reserve Forces;
- 14,148 APS staff; and
- 1,162 Professional Service Providers (PSPs).

Chart 4.6 shows the composition of the workforce by Service and by type.

Chart 4.6: Defence Workforce – Budget Estimates by Service and Type



The total workforce is forecast to increase by 842 compared with the 2005-06 projected result of 84,971, as shown in Table 4.1.

Table 4.1: Defence Workforce

	2005-06 Estimated Actual	2006-07 Budget Estimate	Variation	
				%
Permanent Force⁽¹⁾⁽²⁾⁽⁴⁾				
Navy	12,800	12,784	-16	-0.1
Army	25,259	25,220	-39	-0.2
Air Force	13,130	13,249	119	0.9
Sub-total Permanent Force	51,189	51,253	64	0.1
Reserve Force⁽³⁾				
Navy	1,850	1,850	-	-
Army	15,000	15,000	-	-
Air Force	2,300	2,400	100	4.3
Sub-total Reserve Force	19,150	19,250	100	0.5
Sub-total military	70,339	70,503	164	0.2
Australian Public Service				
Vice Chief of the Defence Force/Chief of Joint Operations	898	891	-7	-0.8
Navy	714	750	36	5.0
Army	675	815	140	20.7
Air Force	871	903	32	3.7
Corporate Services and Infrastructure Group	3,868	4,009	141	3.6
Defence Personnel Executive	1,202	1,202	-	-
Defence Science and Technology Organisation	2,215	2,251	36	1.6
Other Groups	2,912	3,327	415	14.3
Sub-total Australian Public Service⁽¹⁾	13,355	14,148	793	5.9
Sub-total Professional Service Providers⁽⁵⁾	1,277	1,162	-115	-9.0
Total workforce	84,971	85,813	842	1.0

Notes

1. Numbers for the Permanent Forces and APS are based on average funded strengths and full-time equivalent respectively.
2. Numbers for the Permanent force includes Standby Reservists undertaking full-time service.
3. Numbers for Reserves represent numbers of Standby or Active Reservists who will undertake paid service during the financial year.
4. DMO workforce numbers are not included as they are required to be shown separately since that organisation was established as a prescribed agency on 1 July 2005.
5. PSPs are individuals under contract filling APS line positions.

ADF Permanent Force

The average funded strength of the permanent ADF for 2006-07 is estimated at 51,253, an overall increase of 64 from the 2005-06 estimated actual of 51,189. The Navy's numbers are planned to reduce by 16 following the rationalisation of the Command and Control structure, and the Air Force is planned to increase by 119 due to increases in recruitment during the year (+136), partially offset by savings in relation to the rationalisation of the Command and Control structure (-17). The Army's strength will reduce by 39 in 2006-07 compared with the 2005-06 projected result. The rationalisation of the Command and Control structure accounts for 29 of the decrease, and the civilianisation of Army positions accounts for a further 56. Alternatively, the Army's strength will grow by 24 in

2006-07 as a result of the Hardened and Networked Army initiative and there is a further small increase of 22 as the Army progressively overcomes the recruitment and retention difficulties experienced in the last couple of years. Recruitment and retention measures should help the Army's personnel numbers stabilise and then grow beyond 2006-07.

ADF Reserve Force

The estimated number of Reserves expected to undertake paid service during 2006-07 is 19,250, an increase of 100 from the 2005-06 estimated actual of 19,150. This number does not include Reservists undertaking full-time service, as they are included in the Permanent Force numbers (see notes 2 and 3 to Table 4.1). The increase is due to anticipated growth from the High Readiness Reserve initiatives in the Air Force.

Civilian Workforce

The APS average funded strength expressed as full-time equivalent average for 2006-07 is 14,148. This represents an increase of 793 from the 2005-06 estimated actual of 13,355, comprising:

- civilianisation of military positions (+199);
- temporary backfilling of vacant military positions (+253);
- recovery of APS numbers following recruitment and retention problems experienced in 2005-06 (+102);
- additional staff for new measures announced in the 2005-06 Budget including in relation to the Hardening and Networking Army initiative (+20) and intelligence and security measures (+13);
- additional staff to implement the outcomes of the Military Justice Inquiry (+27);
- further substitution of Professional Service Provider positions with more cost effective APS positions (+20); and
- additional staff required to undertake new functions across all Groups including financial remediation projects, financial controls framework and stocktaking activity (+159).

Professional Service Providers

In addition to military and civilian employees, Defence engages as part of its total workforce, a number of PSPs, who are people with specialist skills contracted to fill an APS position usually because of Defence's inability to recruit or retain civilian staff with these skills. In 2003-04, Defence set savings targets for PSP positions and introduced a total workforce management framework, which allowed Group Heads to substitute more costly PSPs with civilian staff, in order to grow Defence's civilian personnel skills base and obtain more cost effective outcomes.

The estimated number of PSPs for Defence for 2006-07 is 1,162, representing an overall decrease of 115 from the 2005-06 estimated actual of 1,277 due to outsourcing of IT support services function. Since 2003-04 Defence has reduced its PSP workforce from 1,880 to 1,162 including substituting 400 positions with more cost effective civilian staff.

Table 4.2 shows the breakdown of personnel by service and rank including the APS.

Table 4.2: Breakdown of Personnel Numbers by Service and Rank

	2005-06 Projected Result	2006-07 Budget Estimate
NAVY⁽¹⁾		
Star-ranked officers	44	40
Senior officers ⁽²⁾	413	428
Junior officers	2,462	2,533
Other ranks	9,881	9,783
Sub total: Permanent Forces	12,800	12,784
Reserves ⁽³⁾	1,850	1,850
Total Navy	14,650	14,634
ARMY⁽¹⁾		
Star-ranked officers	57	59
Senior officers ⁽²⁾	646	688
Junior officers	4,744	4,796
Other ranks	19,812	19,677
Sub total: Permanent Forces	25,259	25,220
Reserves ⁽³⁾	15,000	15,000
Total Army	40,259	40,220
AIR FORCE⁽¹⁾		
Star-ranked officers	38	37
Senior officers ⁽²⁾	515	515
Junior officers	3,454	3,457
Other ranks	9,123	9,240
Sub total: Permanent Forces	13,130	13,249
Reserve Forces ⁽³⁾	2,300	2,400
Total Air Force	15,430	15,649

	2005-06 Projected Result	2006-07 Budget Estimate
APS staffing⁽¹⁾⁽⁴⁾		
Senior executives	103	103
Senior officers ⁽²⁾	3375	3451
Other APS staff	9877	10,594
Total APS staffing	13,355	14,148
Professional Service Providers ⁽⁵⁾	1277	1162
Total Professional Service Providers	1277	1162
Total Workforce	84,971	85,813

Notes

1. Permanent Forces and APS numbers are forecasts of the average strength for 2006-07. Reserve figures represent actual numbers of Standby or Active Reservists who render service. Numbers for the Permanent Forces, APS and PSPs exclude the DMO.
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 for Senior Executive Service include the Secretary of Defence.
5. PSPs are individuals under contract filling line positions.

Employee Expenses

The budget estimate for employee expenses in 2006-07 is \$6,609.0m, representing an increase of \$309.4m from the 2005-06 projected result of \$6,299.6m. Details are shown in Table 4.3.

Table 4.3: Employee Expenses

	2005-06 Projected Result	2006-07 Budget Estimate	Variation ⁽¹⁾	
	\$m	\$m	\$m	%
Military Employee				
Permanent Salary, Allowances, Superannuation and Leave	4,165.6	4,329.8	164.2	3.9
Housing	416.5	424.9	8.4	2.0
Health Services	170.8	177.9	7.1	4.2
Other Expenses including Fringe Benefits Tax	297.2	298.5	1.3	0.4
Reserves Salary and Allowances	135.7	171.7	36.0	26.5
Sub-total Military Employee Expenses	5,185.8	5,402.8	217.0	4.2
Civilian Employee				
Salary, Allowances, Superannuation and Leave	1,091.5	1,183.3	91.8	8.4
Other Expenses including Fringe Benefits Tax	22.3	22.9	0.6	2.7
Sub-total Civilian Employee Expenses	1,113.8	1,206.2	92.4	8.3
Total Employee Expenses	6,299.6	6,609.0	309.4	4.9

Note

1. 2006-07 Budget Estimate less 2005-06 Projected Result.

Military Employee Expenses

Compared with the 2005-06 projected result, military employees expenses increased by \$217.0m for the following reasons:

- an increase in salaries, allowances, superannuation and leave of \$164.2m due to:
 - provision for the part year effect in 2006-07 of the new *ADF Workplace Remuneration Arrangement 2006-09* (+\$95.7m),
 - the full year effect of the March 2006 1.5 per cent pay rise flowing from the *ADF Workplace Remuneration Arrangement 2004-06* (+\$37.6m),
 - a net increase in average funded strength of 102 (+\$10.2m),
 - an additional 24 personnel for the Hardened and Networked Army initiative included in the 2006-07 Budget (+\$1.5m),
 - variation in allocations for current operations including in Iraq (+\$32.6m),
 - other net variations (-\$7.8m), and
 - a reduction of 62 personnel as part of the rationalisation of the Australian Defence Force Command and Control Structure (-\$5.6m);
- an increase in Reserve Salaries and Allowances of \$36.0m due to new measures announced in the 2006-07 Budget in relation to Reserves Remuneration (+\$36.1m);
- an increase in military housing costs of \$8.4m due to changes in housing numbers and Defence Housing Authority rental charges (\$8.4m);
- an increase in health costs of \$7.1m due mainly to medical and professional fees with the Services being unable to fully fill their medical and health services positions (+\$7.1m); and
- an increase in fringe benefits tax costs reflecting the increase in housing costs (+\$1.3m).

Civilian Employee Expenses

Compared with the 2005-06 projected result, civilian employee expenses are budgeted to increase by \$92.4m for the following reasons:

- a net increase in salaries, allowances, superannuation and leave of \$91.8m due to:
 - provision for the new *Defence Collective Agreement 2006-09* including salary progression (+\$61m),
 - the full year effect of the January 2006 two per cent pay rise flowing from the *Defence Employees Certified Agreement 2004-06* (+\$9.4m),
 - temporary backfilling of vacant military positions (+253 full-time equivalent) (+\$20.5m),

- civilianisation of 199 military positions (\$16.1m),
- recovery of 102 civilian personnel numbers following recruitment and retention difficulties experienced in 2005-06 (\$8.3),
- other variations in personnel numbers across all Groups (\$8.8m),
- additional staffing as a result of 2006-07 Budget measures (+33 full-time equivalent) (+\$2.4m),
- a decrease in superannuation costs as a result of the introduction of the Public Sector Superannuation Accumulation Plan (- \$3.5m), and
- revisions in employee provisions associated with measures to reduce high leave balances and other net variations (-\$31.2m);
- a net increase in other expenses including an increase in the Comcare premium (+\$0.6m).