

DEFENCE

CHAPTER FIVE PEOPLE

OVERVIEW

WORKFORCE SUMMARY

OVERVIEW

People are fundamental to Defence capability. The 2000 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. The White Paper, in particular, provided guidance on the need for Defence to take account of the changing demography. The goal is to ensure that now, and in the future, Defence has the right people with the right skills, as well as the appropriate training, leadership and experience, to meet capability requirements.

Priorities

Priorities in 2004-05 include:

- introducing improved processes for the priority setting and funding of people initiatives;
- continuing to implement the recommendations of the *Strategic Workforce Planning Review 2003* by:
 - implementing the new Defence Workforce Plan to address major workforce challenges confronting Defence over the next ten years,
 - taking action to manage and forecast critical employment categories particularly in the information environment, aerospace, health and project management, and
 - continuing to develop policies towards achieving a separation rate of eight per cent for the ADF by 2010.
- developing the Defence People Plan to better prioritise human resource activities and expenditure to address capability risks identified in the Defence Workforce Plan;
- continuing remuneration reform in the ADF by implementing the agreed outcomes of the *ADF Review of Australian Defence Force Remuneration 2001* (the Nunn Review), in particular:
 - superannuating specified skill-based elements of allowances in the nature of pay, and
 - developing a flexible salary structure for officers.
- implementing the *Defence Employees' Certified Agreement 2004-2006*, the *ADF Workplace Remuneration Arrangement 2004-06*, and the *ADF Star Ranks Remuneration Arrangement 2004-06*;

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- implementing the Military Compensation Scheme in partnership with the Department of Veterans' Affairs (the Military Compensation function is to be transferred to the Department of Veterans' Affairs from 2004-05);
- developing an integrated occupational health and safety management system guided by the Defence Occupational Health and Safety Strategic Plan;
- implementing measures to further improve ADF health, including:
 - the Defence injury prevention program,
 - the ADF drug and alcohol program,
 - the ADF suicide prevention program,
 - establishing a deployed health studies unit within the new Centre for Military and Veterans' Health,
 - commencing a health study of personnel deployed on Operation Anode (Solomon Islands),
 - continuing the health study of personnel deployed on Operation Citadel (East Timor), and
 - implementing agreed recommendations of the review of Defence health services.
- validating the 360-degree senior leadership feedback program to continue to inform senior leadership development;
- developing targeted education and training including:
 - providing access to e-learning,
 - implementing agreed outcomes of the Defence Business Skilling Review, and
 - promoting undergraduate and postgraduate courses offered by the Australian Defence College and the Australian Defence Force Academy.
- targeting the Graduate Development Program to capability requirements by developing and implementing a scholarship to attract more people with accounting qualifications;
- developing personnel policies for Defence including:
 - reviewing ADF leave policy, with a view to streamlining leave procedures,
 - assessing the relevance and appropriateness of the current remote locality conditions of service package,
 - implementing national arrangements for the Employee Assistance Program for APS staff, and
 - implementing outcomes of the *Defence Review of Merit in Employment Decisions 2003* to improve the application and perception of the merit principle for APS recruitment.

- supporting ADF members and their families through:
 - delivering employment assistance for partners of ADF members,
 - enhancing the child-care program,
 - delivering educational transition assistance and support to children of ADF members,
 - finalising the development of a new system for classifying the housing entitlements of ADF members with dependents, and
 - upgrading current, and investing in new, accommodation for members without dependents.
- continuing improvements to Defence’s human resources and payroll management system (PMKeyS) including:
 - enhancing employee self-service functionality, including the implementation of electronic workflow, and
 - improving management reporting capability using web technology and warehousing software.
- developing strategies to better encourage ADF Cadet organisations to be a source of potential recruits for the ADF and further enhancing the ADF Cadets through programs aimed at:
 - addressing the occupational health and safety compliance and functionality of cadet accommodation,
 - developing a cadet firearms training policy and examining the viability of acquiring a standard Defence training firearm for cadets,
 - providing information technology systems, and
 - undertaking a cadet research study to increase awareness of the cadet community as a means of targeting potential recruits to the ADF.

WORKFORCE SUMMARY

The overall Defence workforce is forecast to be 91,423 in 2004-05, a reduction of 22 from the 2003-04 projected result of 91,445.

The change in the workforce is due to continuing growth towards White Paper targets, which has been offset by a reduction in Australian Public Service (APS) staffing - mainly through the expected implementation during 2004-05 of the Defence Integrated Distribution System project, along with progress on the programmed reduction of the APS workforce. 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
 - 13,167 Navy personnel,
 - 26,035 Army personnel, and
 - 13,670 Air Force personnel.
- 20,710 Reserve Forces; and
- 17,841 APS staff.

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

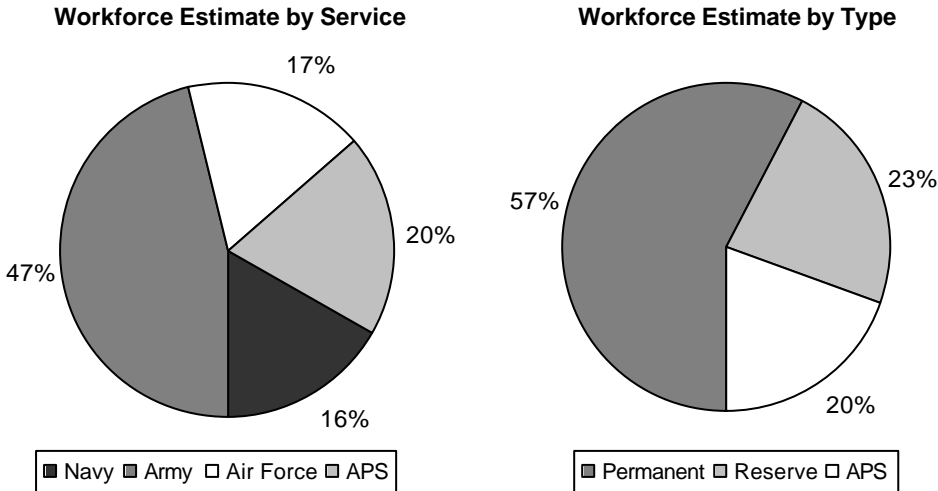


Table 5.1: Defence Workforce⁽¹⁾

	2003-04		2004-05		Variation	
	Projected Result	Budget Estimate				%
Navy	13,121	13,167	46	0.4		
Army	25,623	26,035	412	1.6		
Air Force	13,481	13,670	189	1.4		
Sub total Permanent Force⁽²⁾	52,225	52,872	647	1.2		
Reserve Force Staffing	20,864	20,710	-154	-0.7		
Sub total Military	73,089	73,582	493	0.7		
APS Staffing	18,356	17,841	-515	-2.8		
Total Workforce	91,445	91,423	-22			

Notes

1. Numbers for the Permanent Forces and APS are based on average funded strengths (AFS) and full-time equivalent (FTE) 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 include General Reservists undertaking full-time service.

ADF Permanent Force

The estimated permanent ADF average funded strength for 2004-05 is 52,872, an overall increase of 647 from the 2003-04 projected result of 52,225. This increase is due to the following changes:

- The Navy increase of 46 in average funded strength (AFS) is for continued growth towards White Paper targets, and builds on the additional average funded strength gained during 2003-04 from favourable recruiting and improved retention.
- The increase of 412 average funded strength in the Army is for growth towards White Paper targets, along with continued staffing growth for the Special Operations Command and counter-terrorist capabilities (+156).
- The Air Force increase of 189 average funded strength is due to current low separation rates flowing from the implementation of revised strategies to re-shape the workforce and meet the White Paper targets.

ADF Reserve Force

The estimated size of Reserve Force for 2004-05 is 20,710, the same as the budget estimate for 2003-04, and a decrease of 154 (-0.7 per cent) from the then estimated outcome in 2003-04 of 20,864. This figure represents the active component of the Reserve element who are expected to undertake paid service during 2004-05. These figures do not include Reservists undertaking full-time service, as they are included in the Permanent Force numbers (see Note 2 to Table 5.1).

Civilian Workforce

The APS full-time equivalent average (FTE-A) funded strength budget estimate for 2004-05 is 17,841. This represents a decrease of 515 from the 2003-04 projected result of 18,356.

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

	2003-04 Projected Result	2004-05 Budget Estimate
NAVY⁽¹⁾		
Star Ranked Officers	36	36
Senior Officers ⁽²⁾	439	439
Junior Officers	2,362	2,378
Other Ranks	10,284	10,314
Sub total: Permanent Forces	13,121	13,167
Reserve Forces ⁽³⁾	1,850	1,850
Total Navy	14,971	15,017
ARMY⁽¹⁾		
Star Ranked Officers	49	48
Senior Officers ⁽²⁾	588	505
Junior Officers	4,499	4,948
Other Ranks	20,487	20,534
Sub total: Permanent Forces	25,623	26,035
Reserve Forces ⁽³⁾	16,982	16,700
Total Army	42,605	42,735
AIR FORCE⁽¹⁾		
Star Ranked Officers	37	37
Senior Officers ⁽²⁾	521	521
Junior Officers	3,551	3,550
Other Ranks	9,372	9,562
Sub total: Permanent Forces	13,481	13,670
Reserve Forces ⁽³⁾	2,032	2,160
Total Air Force	15,513	15,830
APS⁽¹⁾		
Senior Executives ⁽⁴⁾	115	113
Senior Officers ⁽²⁾	3,860	3,850
Other APS Staff	14,381	13,878
Total Civilians	18,356	17,841

Notes

1. Permanent Forces and APS numbers are forecasts of the average strength for 2003-04. Reserve figures represent actual numbers of General or Active Reservists who render service during 2003-04.
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 figure of 113 average substantive Senior Executive Service includes the Secretary of the Department of Defence.

Civilian Reduction Program

As previously reported, a programmed reduction plan was developed in response to the APS workforce growth during 2002-03. This is expected to yield a reduction of 981 FTE-A positions by the end of 2004-05, primarily as the result of market-testing the Defence Integrated Distribution System as well as efficiencies achieved from the program of administrative savings. The number of civilian personnel employed on the Defence Integrated Distribution System will reduce by around 700 during 2004-05, following the contract signature.

As foreshadowed in the *Portfolio Additional Estimates 2003-04*, increases in some areas such as intelligence functions, civilianisation of military functions, project acquisition and air traffic controllers will be offset as part of the savings program.

Since the 2003-04 Budget, Defence has been allocated additional funding and FTE-A for the implementation of the Budget Estimates and Framework Review, implementation of the Defence Procurement Review and new intelligence measures. Table 5.3 shows these add-ons and demonstrates the plan to achieve the original savings targets set in the 2003-04 Budget.

Table 5.3: Status of the Civilian Savings Program Implemented in 2003-04

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
2002-03 Baseline and APS Staffing (as shown in Table 5.2 page 179 of the 2003-04 PBS)	18,385	17,377	17,404	17,137	17,137	17,137
2003-04 Additional Estimates adjustments (internal)						
Slippage in implementation of Defence Integrated Distribution System Project	-	638	-	-	-	-
Adjustments to savings targets to reflect actual 2002-03 achievement	-	90	-	-	-	-
Additional intelligence functions	-	167	-	-	-	-
Additional project acquisition staff	-	50	-	-	-	-
Additional air traffic controllers	-	35	-	-	-	-
Additional IT staffing	-	8	-	-	-	-
Delays in recruitment of staff	-	-12	-	-	-	-
Substitution of PSPs for APS staff to achieve a more cost-effective workforce	-	11	-	-	-	-
Government approved add-ons						
Implementation of the Budget Estimates and Framework Review	-	19	35	31	31	31
Additional staff to support current operations	-	6	-	-	-	-
2003-04 Additional Estimates Baseline (see page 114 of <i>Portfolio Additional Estimates Statements 2003-04</i>)	-	18,389	17,439	17,168	17,168	17,168
2004-05 Budget Estimates adjustments (internal)						
Slippage in recruitment in 2003-04	-	-117	-	-	-	-
Substitution of PSPs for APS staff to achieve a more cost-effective workforce	-	84	237	222	222	222

Government approved add-ons for 2004-05						
New intelligence measures	-	-	106	208	227	229
Implementation of Defence Procurement Review	-	-	59	48	48	48
2004-05 Budget Estimates - APS	18,385	18,356	17,841	17,646	17,665	17,667
Total savings ⁽¹⁾	-	-149	-981	-1,248	-1,248	-1,248

Note

- Total savings after discounting for government approved add-ons and substitutions from reductions in more expensive professional service providers (PSP) staff.

Employee Expenses

The budget estimate for employee expenses in 2004-05 is \$6,710.3m representing a decrease of \$221.8m from the 2003-04 projected result of \$6,932.3m. The decrease in military expenses is due to one-off adjustments in 2003-04 for Superannuation, Leave Liability and Compensation (see notes at Table 5.4). These decreases are partially offset by increases related to continued growth towards White Paper targets, along with the increased costs related to certification of the new industrial agreement for the ADF, the Workplace Remuneration Arrangement 2004-06, and rising health services, housing and fringe benefits tax costs. The increase in APS expenses is due to redundancies related to the Defence Integrated Distribution System and costs of the *Defence Employees' Certified Agreement 2004-2006* pay increases that will occur during 2004-05. These additional costs will be partially offset by the reduction in overall APS employee numbers as part of the civilian reduction program.

Table 5.4: Employee Expenses

	2003-04	2004-05	Variation	
	Projected Result	Budget Estimate	(2004-05 Budget Estimate less 2003-04 Projected Result)	
	\$m	\$m	\$m	%
ADF				
Permanent Salary and Allowances	3,416.8	3,564.1	147.4	4.3
Superannuation ⁽¹⁾	901.9	664.3	-237.6	-26.3
Leave Liability ⁽²⁾	244.3	90.7	-153.6	-62.9
Housing	375.1	412.8	37.7	10.1
ADF Compensation ⁽³⁾	143.2	-	-143.2	-100.0
Health	132.0	152.5	20.5	15.5
Other Expenses including FBT	268.4	293.7	25.3	9.4
Reserves Salary and Allowances	117.1	116.9	-0.2	-0.2
Sub total ADF Expenses	5,598.8	5,295.0	-303.7	-5.4
APS				
Salary and Allowances	998.4	1,177.1	178.8	17.9
Superannuation	200.7	182.0	-18.7	-9.3
Leave Liability	114.8	35.2	-79.6	-69.3
Other Expenses including FBT	19.6	21.0	1.4	7.1
Sub total Civilian Expenses	1,333.5	1,415.3	81.9	6.1
Total Employee Expenses	6,932.3	6,710.3	-221.8	-3.2

Notes

- Includes one-off transfer of Defence Force Retirement and Death Benefits Scheme three per cent productivity liability from Administered to Departmental accounts (\$220.0m).
- Includes one-off accrual adjustments in 2003-04 to correct errors in long service leave and annual leave provisions (\$147.0m).
- Function transferred to the Department of Veterans' Affairs from 2004-05.

ADF Reserve Costs

The Joint Standing Committee for Foreign Affairs, Defence and Trade, in its review of the *Defence Annual Report 2001-02*, recommended that greater visibility be provided of the personnel costs of the Reserves. This presentation continues the provision of additional information on the Reserves.

The budget estimate for ADF Reserves expenses in 2004-05 is \$116.9m, representing a decrease of \$0.2m from the 2003-04 projected result of \$117.1m. This is primarily due to a reduction in participation in the Army.

The Reserves enhancement funding is primarily for employer support payments to help compensate employers who release reservist employees for Reserve service. The budget estimate in 2004-05 is \$20.0m representing an increase of \$5.6m from the 2003-04 projected result of \$14.4m and is due to an increased requirement for employer support payments.

Table 5.5: ADF Reserves

	2003-04 Projected Result	2004-05 Budget Estimate	Variation (2004-05 Budget Estimate less 2003-04 Projected Result)	
	\$m	\$m	\$m	%
Navy Reserve Expenses	13.5	12.3	-1.2	-8.9
Army Reserve Expenses	87.8	85.2	-2.6	-3.0
Air Force Reserve Expenses	15.8	19.4	3.6	22.8
Total Reserve Expenses	117.1	116.9	-0.2	-0.2
Reserves Enhancement	14.4	20.0	5.6	38.9
Total ADF Reserves	131.5	136.9	5.4	4.1

Defence is developing a force element and product costing model. From the model it will in future be possible to identify the cost of various Defence Force Elements and units. In order to give greater transparency of the Reserves, information will be provided in the 2003-04 Annual Report, once the project is complete.

