

DEFENCE

CHAPTER FIVE PEOPLE MATTER

OVERVIEW

WORKFORCE SUMMARY

OVERVIEW

People Matter Priorities in 2003-04

Priorities remain as reported in the *Portfolio Budget Statements 2003-04*, except for the following additions:

- continuing to develop a phased approach to remuneration reform in the ADF, with the aim of rationalising some elements of existing allowances and developing a new pay structure for the ADF by the end of 2004; and
- implementing HealthKEYS to allow the capture of injury statistics and assist in the development of injury prevention strategies.

WORKFORCE SUMMARY

The overall average Defence workforce is estimated to be 91,411 in 2003-04, an increase of 1,248 above that estimated during the budget. This increase is due mainly to slippage in the implementation of the Defence Integrated Distribution System project, resulting in the expected Australian Public Service (APS) staff reduction of 638 planned for 2003-04 not occurring until 2004-05. Changes within the respective elements of the workforce are shown at Table 5.1. Under current planning, the Defence workforce is estimated to comprise of:

- Permanent Forces of
 - 13,121 Navy personnel;
 - 25,731 Army personnel; and
 - 13,460 Air Force personnel;
- 20,710 Reserve Forces; and
- 18,389 APS staff.

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

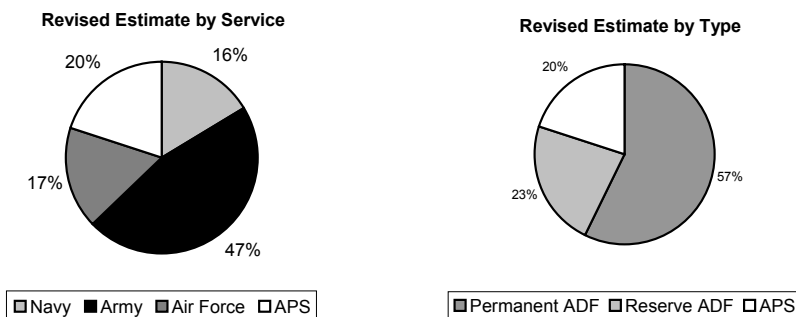


Table 5.1: Defence Workforce⁽¹⁾

	2003-04 Budget Estimate	2003-04 Revised Estimate	Variation (2003-04 Revised Estimate less 2003-04 Budget Estimate) %	
Navy	13,000	13,121	121	0.9
Army	25,941	25,731	-210	-0.8
Air Force	13,400	13,460	60	0.4
Sub total Permanent Force⁽²⁾	52,341	52,312	-29	-0.1
Reserve Force Staffing	20,445	20,710	265	1.3
Sub total Military	72,786	73,022	236	0.3
APS Staffing	17,377	18,389	1,012	5.8
Total Workforce	90,163	91,411	1,248	1.4

Notes

1. Staffing numbers for the Permanent Forces and APS are based on average funded strengths. Staffing numbers for Reserves represent numbers of General or Active Reservists who will undertake paid service during the financial year.
2. Staffing numbers for the Permanent Force include General Reservists undertaking full-time service.

ADF Permanent Force

The revised estimated permanent ADF average funded strength for 2003-04 is 52,312, an overall decrease of 29 from the 2003-04 budget estimate of 52,341. The variation is the net result of transfers between the Services, including a transfer in personnel targets by the Army as an offset to recognise improved retention and recruiting for the Navy and the Air Force. This improvement in recruiting, along with the continuation of the downward trend of the last twelve months in separation rates, is assisting to build force numbers towards White Paper targets.

- The Navy increase of 121 in average funded strength (AFS) is due to the transfer from Army of 29 AFS for the 2nd Tactical Assault Group and three AFS for Special Operations Command, two AFS transferred from Air Force for airborne early warning and control air mission crews, and 87 AFS from favourable recruiting and improved retention.
- The overall reduction in the Army of 210 AFS is due to the transfer to Navy of 29 AFS for the 2nd Tactical Assault Group, three AFS for Special Operations Command, and three AFS to the Air Force for Special Operations Command. In recognition of slower than expected recruiting achievement in certain trades and officers, the Army has agreed to reduce their personnel target by 175 AFS for 2003-04 to provide an offset for improved recruiting and retention in the other Services.
- The Air Force has a net increase of 60 due to the transfer from the Army of three AFS for Special Operations Command and the transfer of two AFS to the Navy for air mission crews, along with an additional 59 AFS from improved retention.

ADF Reserve Force

The revised estimate of Reserve Forces for 2003-04 is 20,710, an increase of 265 (1.3 per cent) from the budget estimate of 20,445. These figures do not include Reservists undertaking full-time service in support of the permanent force. This is mainly the result of an increase in participation in the Air Force, which has been partially offset by a reduction in participation in the Navy Reserve.

APS Workforce

The APS full-time equivalent average funded strength revised estimate for 2003-04 is 18,389. This represents an increase of 1,012 from the 2003-04 budget estimate of 17,377.

As reported in the *Portfolio Budget Statements 2003-04*, a programmed reduction plan was developed in response to the APS workforce growth evident in 2002-03. This program was expected to yield an overall reduction of 920 personnel during 2003-04, primarily as the result of market testing the Defence Integrated Distribution System, the implementation of new recruiting arrangements and efficiencies achieved from the program of administrative savings. The number of civilian personnel employed on the Defence Integrated

Distribution System will reduce progressively by 695 following contract signature.

Increases in some areas have exceeded savings so far made elsewhere in the portfolio. These include the intelligence functions; civilianisation in the Navy and the Air Force of previously military functions; project acquisition staff and air traffic controllers. Funds for an additional 19 civilian positions have been provided by the Government to implement the recommendations of the Budget Estimates and Framework Review. These increases will be offset from 2004-05 onwards through the civilian reduction program.

Personnel for new or enhanced capability support requirements and the Defence Integrated Distribution System slippage serve to obscure the ongoing successful efforts to constrain further general growth in Defence APS staffing. Defence is committed to achieving the three-year program of APS staff reductions.

Employee Expenses

The revised estimate for employee expenses in 2003-04 is \$6,544.7m, representing a decrease of \$30.6m from the 2003-04 adjusted budget estimate of \$6, 575.3m. The decrease in military employees reflects the ongoing refinement to the cost of the workforce following a zero-based budget review including the correction of the estimates for the overstatement of housing-related fringe benefits tax payments in the budget (-\$56.3m), partially offset by a revision to price parameters provided in the 2003-04 budget, reflecting movements in the non farm gross domestic product from 2.1 per cent to 2.7 per cent for 2003-04 (+\$25.7m).

The decrease in APS employee expenses is due to:

- revision to price parameters provided in the 2003-04 budget reflecting movements in the non-farm gross domestic product deflator from 2.1 per cent to 2.7 per cent for 2003-04 (+\$6.6m);
- reduced requirement for redundancies as a result of the slippage in the signing of the contract for the Defence Integrated Distribution System (-\$18.0m);
- savings as part of the civilian reduction program (-\$9.6m); and
- adjustments to staff numbers for intelligence functions, military positions civilianised, project acquisition, air traffic controllers and other minor variations (+\$13.0m).

Table 5.2: Employee Expenses

	2003-04 Budget Estimate ⁽¹⁾	2003-04 Adjusted Budget Estimate ⁽¹⁾	2003-2004 Revised Estimate	Variation (2003-04 Revised Estimate less 2003-04 Budget Estimate)	
	\$m	\$m	\$m	\$m	%
ADF Employee Expenses	5,298.1	5,233.7	5,211.1	-22.6	-0.4
APS Employee Expenses	1,341.6	1,341.6	1,333.6	-8.0	-0.6
Total Employee Expenses⁽²⁾	6,639.7	6,575.3	6,544.7	-30.6	-0.5

Notes

1. The Budget Estimate included an estimate of the reimbursement of the 2002-03 employee expenses for Operations Bastille/Falconer of \$64.4m. To reflect the true cost in 2003-04 of employees, an 'Adjusted Budget' column has been added to delete the \$64.4m in order to facilitate like-for-like comparisons.
2. Cross references to Table 1.5 on page 12 and Table 3.1 on page 55.

ADF Reserve Force

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 is the start of providing additional information on the Reserves and further information will be included in future portfolio budget documents.

The revised estimate for ADF Reserves expenses in 2003-04 is \$117.8m representing an increase of \$1.3m from the 2003-04 budget estimate of \$116.5m. This is due primarily to an increase in participation in the Air Force partially offset by a reduction in participation in the Navy.

The Reserves enhancement funding is primarily for employer support payments to help compensate employers who release reservist employees for Reserve service. The revised estimate in 2003-04 is \$17.5m representing a decrease of \$2.0m from the 2003-04 budget estimate of \$19.5m, and is due to a reduced requirement for employer support payments, based on trends to date.

Table 5.3: ADF Reserves

	2003-04 Budget Estimate	2003-2004 Revised Estimate	Variation (2003-04 Revised Estimate less 2003-04 Budget Estimate)	
	\$m	\$m	\$m	%
Navy Reserve Expenses	12.8	12.0	-0.8	-6.2
Army Reserve Expenses	89.0	88.8	-0.2	-0.2
Air Force Reserve Expenses	14.7	17.0	2.3	15.6
Total Reserve Expenses⁽¹⁾	116.5	117.8	1.3	1.1
Reserves Enhancement	19.5	17.5	-2.0	-10.3

Note

1. The Reserve Expenses are funded as part of ADF employee expenses and are included in Table 5.2.

Table 5.4: Breakdown of Personnel Numbers by Service and Rank

	2003-04 Budget Estimate	2003-04 Revised Estimate
NAVY⁽¹⁾		
Star Ranked Officers	35	35
Senior Officers ⁽²⁾	430	420
Junior Officers	2,378	2,372
Other Ranks	10,157	10,294
Sub total: Permanent Forces	13,000	13,121
Reserve Forces ⁽³⁾	2,087	1,850
Total Navy	15,087	14,971
ARMY⁽¹⁾		
Star Ranked Officers	56	56
Senior Officers ⁽²⁾	557	557
Junior Officers	4,669	4,637
Other Ranks	20,659	20,481
Sub total: Permanent Forces	25,941	25,731
Reserve Forces ⁽³⁾	16,700	16,700
Total Army	42,641	42,431
AIR FORCE⁽¹⁾		
Star Ranked Officers	37	37
Senior Officers ⁽²⁾	500	514
Junior Officers	3,411	3,557
Other Ranks	9,452	9,352
Sub total: Permanent Forces	13,400	13,460
Reserve Forces ⁽³⁾	1,658	2,160
Total Air Force	15,058	15,620
APS⁽¹⁾⁽³⁾⁽⁴⁾		
Senior Executives ⁽⁵⁾	117	117
Senior Executive Relief Staff ⁽⁶⁾	9	9
Senior Officers ⁽²⁾	3,120	3,562
Senior Officer Relief Staff ⁽⁶⁾	276	288
Other APS Staff	13,855	14,413
Total APS	17,377	18,389

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 format for APS staff has been amended to show averages of substantive personnel and relief staff who act in higher positions for short duration.
5. The figure of 117 average substantive Senior Executive Service includes the Secretary of the Department of Defence.
6. Relief Staff represents 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.