

Age for a Change

AGEING AND PUBLIC SECTOR RENEWAL IN THE 21ST CENTURY

Rasika Ranasinghe and John Spoehr
March 2012

Report prepared for the Public Service Association of South Australia

WISeR
Informing Decisions



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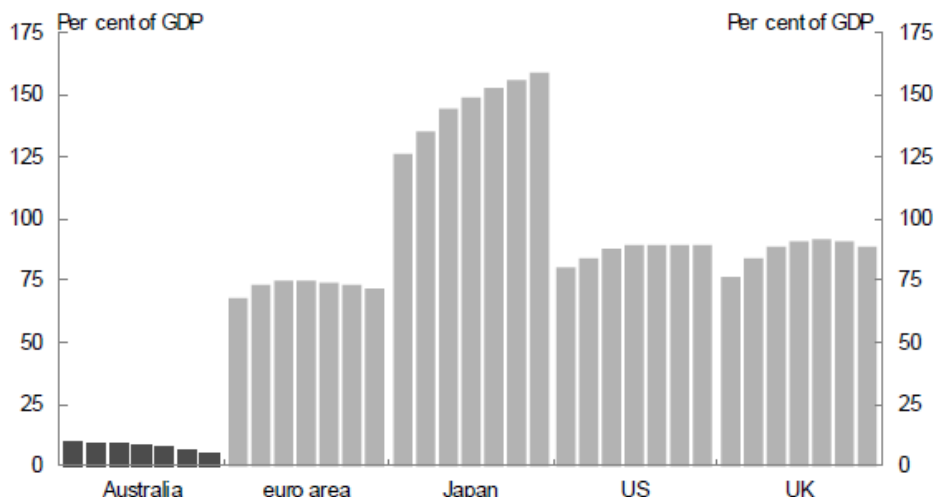
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KEY FINDINGS AT A GLANCE

- A key challenge for policymakers is to manage complex pressures arising from population ageing. The State Government is at the frontline of responding to the needs of an ageing population while at the same time needing to manage the ageing of the public sector workforce. While fiscal pressures are making this difficult it is vital that short-term pressures to cut expenditure do not undermine the capacity and capability of the public service to innovate and deliver. Central to this is the retention of critical knowledge and skills and the orderly transfer of these from older workers to younger workers as part of a public sector age management strategy.
- Fiscal austerity measures adopted in the Euro-zone over the last few years have neither reversed the impact of the economic downturn nor stemmed rising unemployment.
- Despite the relative resilience of the South Australian economy over recent years total government revenues have been shrinking as a share of the economy. This is problematic given expectations that health and aged care costs will rise significantly over the next five to ten years as the population ages. The State Government has little capacity on its own to absorb escalating health and aged care costs. Ultimately the Australian Government will have to take greater fiscal responsibility for the health care system in Australia. This may mean taking full responsibility for hospital funding in particular.
- Australia and South Australia have low levels of public debt, particularly compared to most other advanced economies.

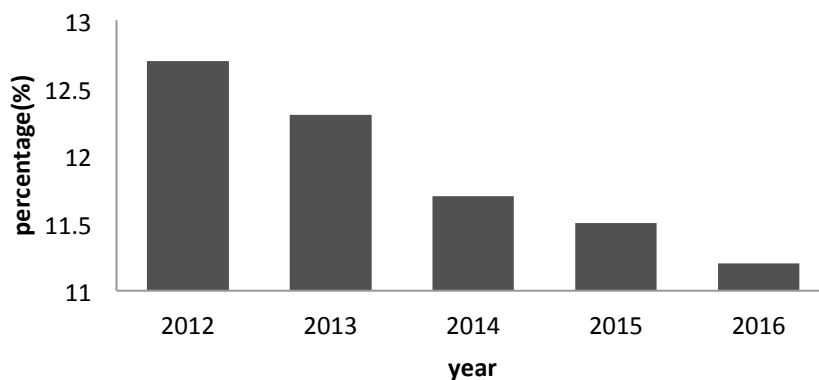
COMPARISON OF GOVERNMENT NET DEBT FOR SELECTED ECONOMIES, 2011-2017



- It is better to view public debt, where it is applied to productivity enhancing infrastructure and demand shocks such as recessions, as public investment. In other words prudent borrowing helps to boost productive capacity, industry development, jobs and underpin future growth.
- South Australia's public sector employment is shrinking as a proportion of the total workforce.



PUBLIC SECTOR WORKFORCE AS A PER CENT OF TOTAL WORKFORCE, SOUTH AUSTRALIA: 2012-2016



- There is a high risk that public sector workforce reduction strategies in response to fiscal pressures will undermine the capacity of government to provide essential public services at a sufficiently high level of quality and quantity. There is also an accompanying risk that such a strategy will make it more difficult for South Australia to sustain growth and prevent rising unemployment.
- There are significant labour market implications flowing from demographic changes taking place in South Australia, including an ageing workforce, and increasing and more complex demand for public sector services. Significant innovation and investment in the Public sector workforce will be required in the coming years, in order to be able to efficiently and effectively manage these changes in public sector service delivery.
- As more people live to older ages of 85 and more, their need for aged care services can be expected to grow given that people in this age group are the most intense users of health and aged care services.
- There is a need to avoid a rapid loss of public sector workers through workforce reductions and retirements to enable an orderly transfer of skills and experience within the South Australian public service. This loss represents a considerable value, which needs to be taken into account in public sector workforce planning.
- Insufficient entry to mid level recruitment has the potential to generate significant age imbalance in the public sector, making it more difficult to transfer high value knowledge and skills held by employees approaching retirement. Significant gaps in skills and knowledge are likely to arise in this context.
- A 'high road' strategy involving the adoption of a high performance workplace agenda offers the prospect of a more responsive public sector without the damaging impacts of large scale workforce reductions on morale and productivity.
- South Australia can be a leader in public sector workplace innovation through adoption of high performance workplace practices that recognize that high levels of workplace engagement and satisfaction are central to improving public sector performance including the quality and efficiency of public services.

1 BACKGROUND

1.1 AGE OF CHANGE

As with other developed countries, Australia faces the challenge of an ageing population as well as an ageing workforce. South Australia and its public sector are particularly affected by this challenge.

The ageing of the population is a function of two major demographic processes – reducing fertility rates and increased longevity. Australia's total fertility rate has been falling since 1961 but in recent years has been relatively stable. Improved health care and advances in a range of medical treatments and technologies have been largely responsible for increased longevity.

Of particular significance, however, has been the fact that Australia has been adding extra years of life to the population aged over fifty. Since the early 1970s, 7.6 extra years have been added to the lifespan of men aged 50 years or over and 6.3 extra years for women in this older age group. This represents a very significant change, which has been referred to as 'the ageing of the aged' (Hugo 2007: 171).

As more people live to advanced ages, their need for aged care, health and community services can be expected to grow given that people in this age group are the most intense users of health and aged care services. For example, 32% of people aged between 65 and 74 need assistance with personal and everyday activities, compared with 86% of people aged 85 and over. Chronic disease is also more prevalent among the oldest age groups. The number of people with dementia is expected to more than treble by 2050. Not surprisingly, the proportion of GDP spent on aged care is projected to increase from 0.7 per cent in 2007 to 1.9 per cent by 2046 (Productivity Commission 2008: xvi-xviii, 36, 44-45).

The challenge for policymakers is to manage complex pressure in this age of change. The State Government is at the frontline of responding to the needs of an ageing population while at the same time managing the ageing of the public sector workforce, which is responsible for delivering key services. There is a high risk that public sector workforce reduction strategies in response to fiscal pressures will undermine the capacity of government to provide essential public services at a sufficiently high level of quality and quantity. There is also an accompanying risk that such a strategy will make it more difficult for South Australia to sustain a healthy growth profile and prevent rising unemployment.

International experience demonstrates that large-scale public sector reductions while realizing short-term savings are not aiding the recovery of depressed economies. They are in fact adding to the problem of a lack of effective demand – first generated initially by the financial crisis and then exacerbated by what have become widely known as austerity policies. Governments that stimulate rather than deflate the economy are best positioned to recover from the crisis. The Australian Government chose a high rather than low road to recovery through its stimulus package – an initiative which greatly benefited South Australia. Continued global instability and a persistently high Australian dollar are set to dampen but not stall growth in 2013-14. A stimulus package is likely to be necessary to help boost economic activity and employment growth in slower growth states like South Australia.

1.2 GLOBAL ECONOMIC OUTLOOK

Australia has maintained favourable growth prospects despite continued global economic and financial uncertainty, particularly across the Euro-zone and in the United States. Fiscal austerity measures adopted in the Euro-zone over the last few

years have neither reversed the impact of the economic downturn nor stemmed rising unemployment.

The suite of austerity measures applied in the European Union (EU) has been far-reaching, reducing employment security and incomes. They have included;

- Reduction of the minimum wage
- Pay freezes and reduction of salary and bonuses
- Pension cuts and increased retirement age
- Reduction of severance pay
- Reduction in vacation days
- Easing of restrictions on layoffs
- Reduction in duration and amount of unemployment benefits
- Collective bargaining agreements no longer applicable economy-wide.
- Preference for company-specific rather than sector-wide agreements
- Reduction in welfare benefits
- Expansion of part-time and temporary work

Numerous studies have revealed the negative outcomes of these austerity measures. Key indicators in the region, such as the unemployment rate, continue to deteriorate. Data in early May showed that the unemployment rate for the Euro-zone had reached 10.9 per cent, the highest since the introduction of the common currency in 1999 (Laven and Santi, 2012). According to Stiglitz (2013), increasing income inequality in the United States is holding back economic recovery, due to lower or stagnant consumer demand

- The UK Office for National Statistics (2013) reports that the country's economy has shrunk by 0.3% in the last quarter of 2012.
- A recent study by the ILO has shown that the increase in youth unemployment rates between 2009 and 2011 in the OECD tends to be higher for economies that have undergone strong fiscal tightening (Matsumoto et al, 2012).
- Rising unemployment in many EU countries – Greece (21.7%), France (10%), Portugal (15.3%), Ireland (14.5%), Spain (24.1%), U.K (8%)¹
- Unemployment in the United States is currently at 7.8%. This figure, while lower than the high of 10% in 2009, hides the increasing number of discouraged workers – those who drop out of the labour force, and those who didn't enter the workforce.
- In the United States, low-wages, reduced benefits, converting permanent employment into part-time, temporary and contingent workers, breaking up unions and subcontracting jobs. (US Census Bureau, 2012; American Staffing Associations, 2012)
- The economy of the 17 nations in the euro shrank by 0.6% in the fourth quarter of 2012, which was worse than forecast (Eurostat, 2013)

1.3 ECONOMIC OUTLOOK FOR AUSTRALIA AND SOUTH AUSTRALIA

To date, Australia has avoided the worst effects of the Global Financial Crisis (GFC) sustaining growth where other countries have experienced sharp contraction. While unemployment has remained relatively low is now rising as a consequence of a sustained high Australian dollar, continued global economic instability and the impact of domestic austerity measures at the state level, particularly in Queensland.

Slower national growth has translated into a decline in both national and state revenue sources, placing pressure on State Governments to reduce expenditure or

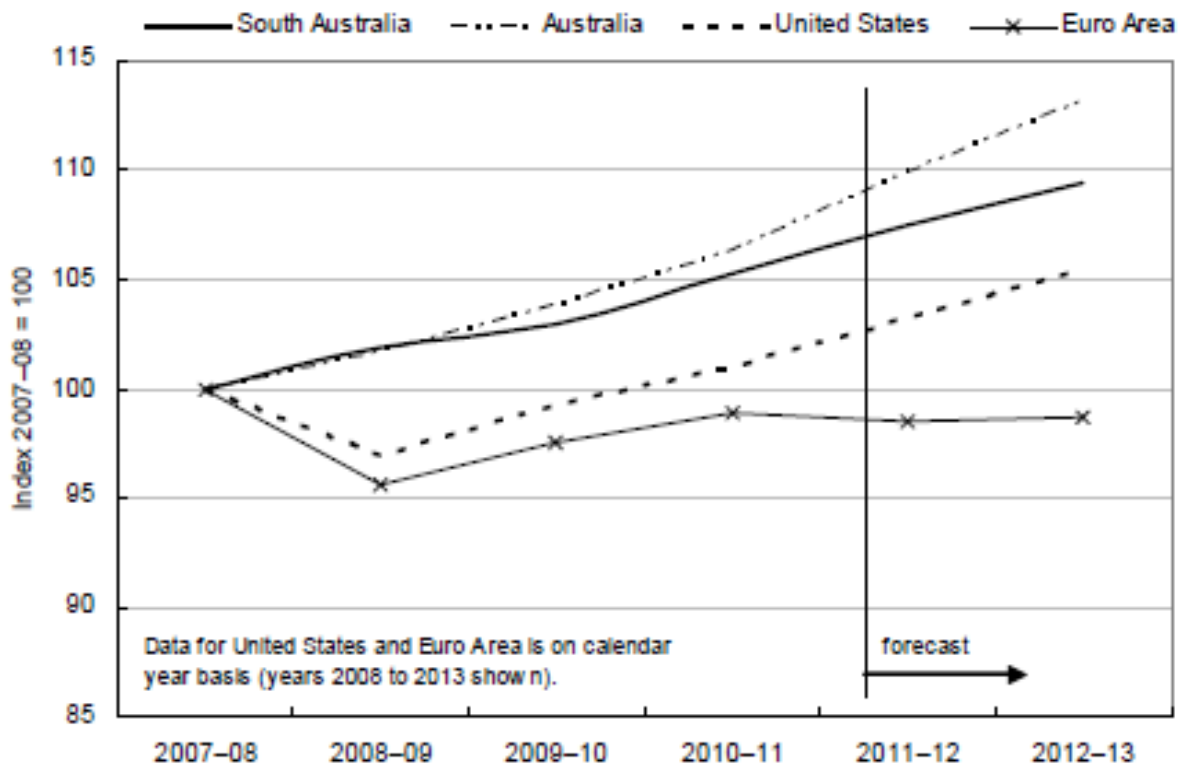
¹ Lavan,Z and Santi, F (2012), based on Eurostat data.

run deficit budgets. While South Australia has not been immune from these pressures the State's economy is characterized by sustained growth rather than decline. This has been greatly aided by the Australian Governments stimulus package, which has helped to insulate South Australia from some of the worst effects of the GFC so far. If global uncertainty prevails and the dollar remains high, it is likely that South Australia will need further assistance from the Australian Government to avoid a demand shock that fuels rising unemployment.

It was encouraging that South Australia's economy continued to grow in the aftermath of the GFC. It is estimated that in 2012-13 Gross State Product (GSP) will be 9.4 per cent larger than in 2007-08, whereas the US economy, based on International Monetary Fund forecasts, is estimated to be only 5.4 per cent larger over this period, and the size of the European Union economies 1.3 per cent smaller.

Economic recovery in the United States slowed in the second half of 2011-12 as did economic growth in China.

FIGURE 1: INTERNATIONAL COMPARISON OF GROWTH IN REAL GDP



Source: SA Govt (2012) Mid-year budget review 2012-13., based on the International Monetary Fund World Economic Outlook (October 2012), Australian Government 2012-13 Mid-Year Economic and Fiscal Outlook, South Australian Treasury estimates

The outlook for the Australian and South Australian (SA) economies remains solid relative to other advanced economies. According to the Government of SA (2012)²;

- The forecast for real Australian GDP growth in 2012-2013 has been revised downward by a quarter of a percentage point to 3 per cent.
- The unemployment rate is forecast to increase to 5.5% and remain around that level through 2013-2014.
- The SA economy grew by 2.1 per cent in 2011-12.

² Government of SA (2012), 2012-13 Budget Papers (1 to 6).

- The State Final Demand (SFD) increased by 2.1 per cent in 2011-12.
- Recent SFD figures indicate that new business investment remained strong and was at a near record high, with household spending remaining positive.

Figure 2 shows how South Australia and Australia compare with the major economies in relation to unemployment. It is a sobering picture with both Europe and the US experiencing very high rates of unemployment. While South Australian unemployment has remained relatively low it is rising as a consequence of the high Australian dollar, public sector expenditure reductions, in some areas, and softness in the housing construction sector.

FIGURE 2: UNEMPLOYMENT RATES: MAJOR ECONOMIES AND SOUTH AUSTRALIA



Source: Mid-year budget review (2012-2013). Note: Latest official unemployment rate estimates as at 17th December 2012.

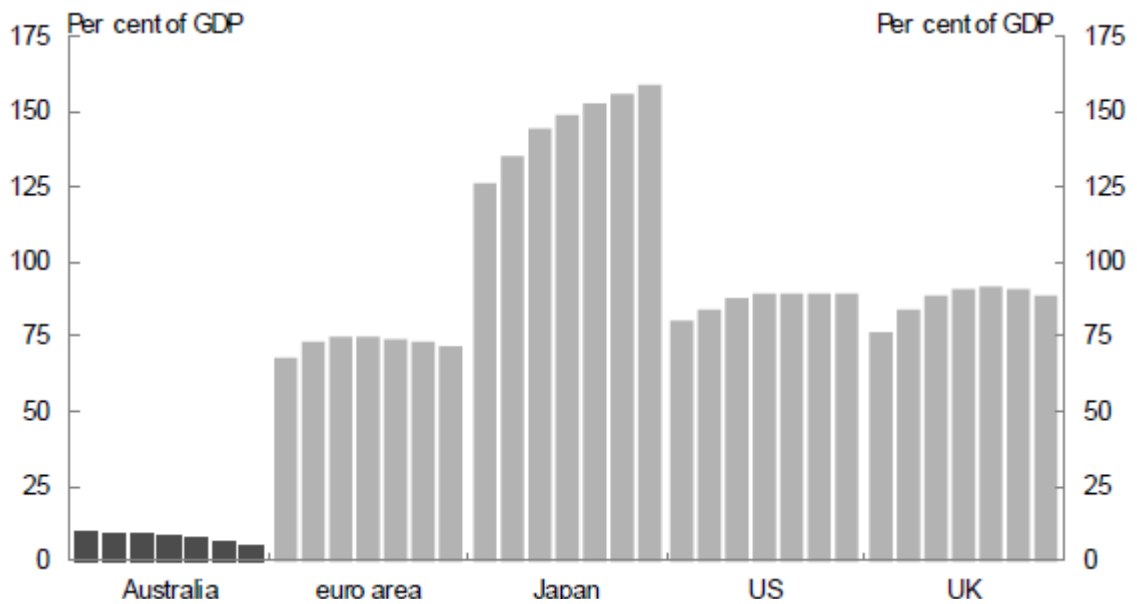
Despite the resilient performance of the South Australian economy, the State government has indicated in the 2012-13 Mid-Year Budget Review (MYBR) that total government revenues have been shrinking as a share of the economy. In fact, the MYBR states that general government revenues are expected to be at the lowest level as a percentage of Gross State Product (GSP) in the last 30 years. This is problematic given expectations that health and aged care costs will rise significantly over the next five to ten years as the population ages. The State Government has little capacity on its own to absorb escalating health and aged care costs. Ultimately the Australian Government will have to take greater fiscal responsibility for the health and aged care system in Australia. This may mean taking full responsibility for hospital funding in particular.

1.3.1 NET DEBT

Australia and South Australia have low levels of public debt, particularly compared to most other advanced economies. Figure 3 below shows that Australia’s net debt as a percent of GDP is significantly low compared with selected advanced economies, such as the UK, USA, Japan and the Eurozone, and is forecast to remain very low by international standards. The state-comparison of net debt in Table 1 indicates that South Australia’s burden of net debt has continued to remain relatively small.

Discussions about public debt in Australia are rarely constructive and often ahistorical. Public debt is one of the key tools that governments have used since settlement to amortise the costs of large scale, long life infrastructure over generations, borrowing on more favourable terms than the private sector can, to build roads, bridges, hospitals, schools, communication systems, pipelines and railway lines. Government’s capacity to raise revenue from corporations and citizens through taxes, fees and fines, places it in a uniquely strong position to use borrowings to invest in infrastructure. Households and corporations also fund growth from borrowing but they do not have the sovereign revenue raising capabilities that governments have.

FIGURE 3: COMPARISON OF GOVERNMENT NET DEBT FOR SELECTED ECONOMIES, 2011-2017



Source: Government of Australia (2012), Mid-Year Economic and Financial Outlook, using IMF Fiscal Monitor October 2012 and Treasury data.

Note: Australian data are for the Australian government General government sector and refer to financial years beginning 2011-12. Data for all other economies are total government and refer to calendar years beginning 2011.

TABLE 1: GENERAL GOVERNMENT SECTOR NET DEBT, STATES AND TERRITORIES: 2008-09 TO 2012-13

State/Territory	2009-09	2009-10	2010-11	2011-12	2012-13
Net Debt (\$ Millions)					
NSW	8,108	12,013	13,871	13,459	13,001
VIC	5,292	9,892	13,292	15,802	15,966
Qld.	-19,281	-11,566	-2,964	2,416	5,455
WA	-2,618	686	3,180	5,006	6,076
SA	475	2,067	2,860	3,274	3,351
Tas.	-982	-693	-421	-186	-60
ACT	-2,804	-2,835	-2,605	-2,682	-2,995
NT	837	1,036	1,185	1,251	1,248

*Source: Adapted from Kompo-Harms (2010), based on Parliamentary library estimates
Note: Rounded to nearest million dollars, and subjected to rounding errors.*

It is better to view public debt, where it is applied to productivity enhancing infrastructure and demand shocks such as recessions, as public investment. In other words it helps to boost productive capacity, industry development, jobs and underpin future growth – a fundamental reality that many economic rationalists fail to grasp or accept. This reveals a common bias that the only productive borrowing is private sector borrowing. History suggests otherwise and recent history spectacularly so. Private sector borrowing to fund speculative high risk investments has been one of the major causes of the global instability we are currently experiencing. So has irresponsible lending to households that have had no demonstrable capacity to repay debt. Combined this recklessness led to the collapse of US and British financial institutions and a crisis that forced governments to intervene.

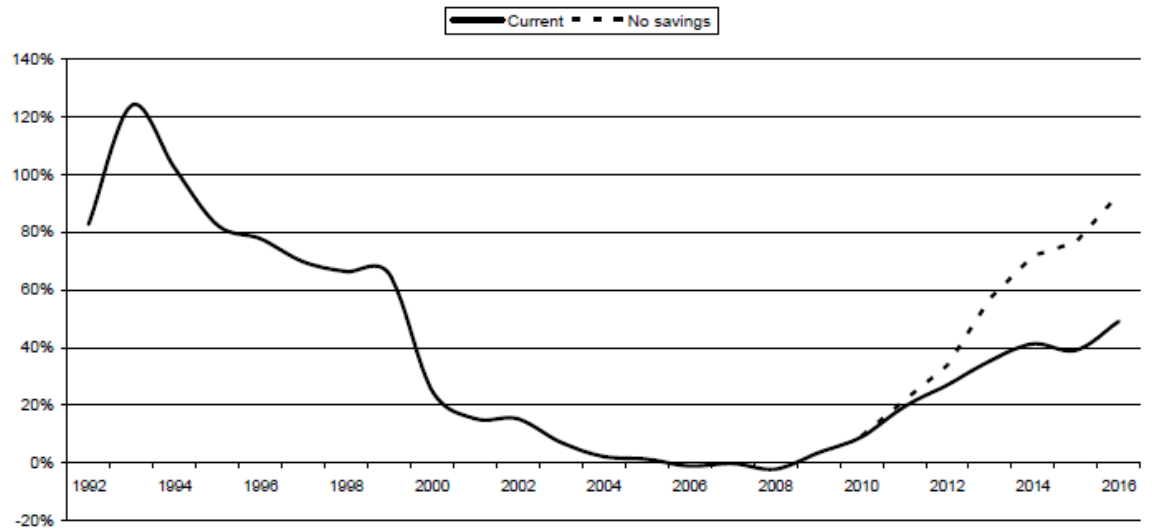
We live with the devastating legacy of global financial crisis today. Many financial institutions have failed as a consequence of their imprudence forcing governments to step in to avert system wide collapse. In the absence of this intervention the subsequent economic crisis would have been much worse than it has been. What some conveniently ignore is that excessive private debt has been the driver of the crisis while public debt has been used creatively in some nations to help minimise the impact of the crisis.

According to the MYBR (2012-13) net debt is expected to increase from \$4.3 billion to \$8.8 billion between the period from June 30th 2012 to June 30th 2016. This increase is a reflection of the State government's large capital investment program (which includes the new Royal Adelaide Hospital).

As a percentage of revenue, net debt is expected to increase from 27.0 per cent at 30 June 2012 to 49.1 per cent at 30th June 2016. Despite this increase, the MYBR (2012-13) states that the net debt level "remains relatively low in historical terms and within government's fiscal targets". However, the same report goes on to state that the GFC had resulted in the government's need to implement a number of savings and revenue measures.

Figure 4 below presents the current net debt as a percentage of revenue estimates compared to projected ratios if savings and revenue measures were not introduced from the 2008-09 MYBR onwards. The State Government projected that without the introduction of cost savings measures, net debt to revenue would have reached 93.2 per cent by 2015–16, 44.1 percentage points higher than current estimates.

FIGURE 4: NET DEBT AS A PERCENTAGE OF REVENUE



Source: SA Government (2012), Mid-Year Budget Review 2012-13

2 SA PUBLIC SECTOR EMPLOYMENT

KEY FEATURES OF THE SA PUBLIC SECTOR³

- The public sector comprised 85,727 Full-Time Equivalent (FTE) or 103,649 as at 30 June 2012.
- The proportion of the workforce in ongoing employment has declined (73.2 per cent in 1995-96 to 63.9 per cent in 2008-09), whilst the proportion of the non-ongoing workforce has risen (26.8 per cent in 1995-96 to 36.1 per cent in 2008-09).
- Labour hire costs have risen 62.2 per cent from \$46.3 million in 2006-07 to \$74.4 million in 2008-09.
- The SAPS is older and ageing faster than the State's workforce. In June 1998, the median age of the SAPS workforce was 41.8 years and this had increased to 46.5 years in June 2008 (compared with 38.1 years and 40 years respectively in the State's workforce).

It is important to note that a high proportion (41 per cent in June 2012) of employees in the SA public sector work part-time (Government of SA 2010). Hence the actual number of people employed is higher than the FTE (Full-Time-Equivalent) numbers. In fact in 2012, there were 103,649 persons working in 85,727 FTE positions (see Table 2 below). This has important implications for the workforce reduction strategy proposed in the SA budget, as the actual number of persons directly affected will be significantly higher than the 1600 FTE indicated in the budget.

³ Public Sector Performance Commission, Government of SA(2010) and Government of SA (2012) MYBR 2012-13

TABLE 2: SOUTH AUSTRALIAN PUBLIC SERVICE EMPLOYEES: 2003-2012

Year	SA Public Sector Employees		SA Public Sector Employees per 1000 Population	
	FTE	Persons	FTE	Persons
2003	71,372.80	85,576	46.6	55.9
2004	72,141.00	86,885	46.8	56.4
2005	76,720.30	89,979	49.4	58
2006	78,210.80	92,848	49.9	59
2007	79,715.20	94,780	50.4	59.9
2008	81,270.40	96,905	50.9	60.7
2009	83,885.10	100,597	52	62.3
2010	84,900.00	101,424	52.1	62.2
2011	84,882.10	101,485	51.8	61.9
2012	85,727.20	103,649	51.9	62.8

Source: Government of SA, Department of the Premier and Cabinet (2012), South Australian Public Sector Workforce Information, June 2012, Table 2.

The estimated aggregate workforce levels from 2012 to 2016 in the SA general government sector are presented in Table 3 below. According to the table, the number of FTEs is set to decline from 81,158 in 2012 (actual) to an estimated 76,176 in 2016.

TABLE 3: GENERAL GOVERNMENT SECTOR EMPLOYMENT NUMBERS, SOUTH AUSTRALIA (FTEs AS AT JUNE 30TH, 2012 AND ESTIMATES FOR 2013-16)

	2012 Estimate	2012 Actual	2013 Estimate	2014 Estimate	2015 Estimate	2016 Estimate
General government sector	82,214	81,158	81,235	78,503	77,374	76,176

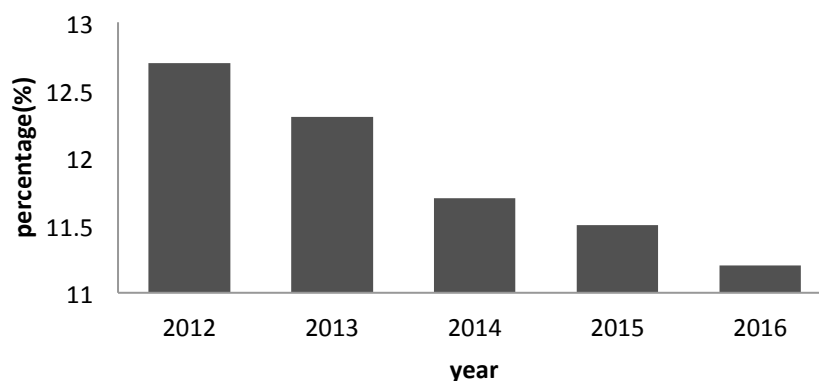
Source: Government of SA, Mid-Year Budget Review 2012-2013

2.1 SIZE OF THE PUBLIC SECTOR

The 'size' of the Public Sector workforce has been a target of recent budgetary policies, with the most recent 2012-13 MYBR stating "leaner" government as an explicit goal along with policies to achieve that goal.

The 2012-13 SA Budget Review states that “the Public Sector as a percentage of the total workforce will be the smallest that it has been since 2004”⁴. Figure 5, recreated from the MYBR 2012-13 presents this trend with estimates from 2012 to 2016. In 2012, there were 12.7 public sector workers for every 100 workers employed in the State. According to the estimates, this number will continue to fall, and will be approximately 11.2 public sector workers for every 100 workers employed in SA.

FIGURE 5: PUBLIC SECTOR WORKFORCE AS A PER CENT OF TOTAL WORKFORCE, SOUTH AUSTRALIA: 2012-2016



Source: Recreated from the Mid-Year Budget Review 2012-13(SA). Budget Paper 1: Budget Summary.

In order to achieve the goal of “leaner government”, the MYBR (2012-13) will introduce new savings measures including reducing public sector employees by another 1,000 persons over three years (2013-14 to 2015-16) that will save \$86.6 million a year by 2015-16⁵. According to these measures, between 2012 and 2016, the number of full time equivalent employees will decrease by 3,893⁶.

The 2012-13 Budget introduced the following additional savings measures;

- Reduction in ministerial office spending
- Agency mergers in order to reduce the size and number of government agencies.
- A two-phase red tape reduction program (saving approximately \$150 million a year between 2006 and 2012).

3 POPULATION AGEING AND IMPLICATIONS ON SERVICE DELIVERY

3.1 POPULATION DISTRIBUTION

According to the Government of Australia (2010) the number of Australians aged 65 to 84 years is expected to double between 2013 and 2050. During the same period, the number of people aged 85 and over is expected to more than quadruple. The

⁴ Government of SA (2012), Mid-Year Budget Review, Budget paper 1, Budget Review, Page 5.

⁵ Government of SA(2012, 2012-13 Budget Overview

⁶This reflects the cumulative impact of savings measures introduced since the 2008–09 Mid-Year Budget Review, partially offset by targeted new spending measures.

proportion of people aged 65 years or over is expected to rise from 13 per cent in 2010 to 23 per cent by June 2050.

South Australia has the second highest 'older' profile in the country, where for many years it was the oldest of the States and Territories. According to the 2011 ABS Census, there were 1,596,569 South Australians in 2011. Of these⁷:

- 257,547 or **16.2%** were aged 65 and over (nationally, 14 per cent of Australians were 65 years of age or more).
- 124,344 or 7.8% were aged 75 and over
- 38,151 or 2.4% were aged 85 and over.
- The **median age** for South Australians was **39 years**, just behind Tasmania (40 years), and two years older than the Australia median (37 years).

There are significant labour market implications of such a demographic transition, including an ageing workforce, and increasing and more complex demand for public sector services. Significant innovation and investment in the Public sector workforce will be required over coming years, in order to be able to efficiently and effectively manage these changes in public sector service delivery.

It is vital that short-term pressures to cut expenditure do not undermine the capacity and capability of the public service to innovate. Central to this is the retention of critical knowledge and skills and the orderly transfer of these from older workers to younger workers as part of a public sector age management strategy.

3.2 AGEING AND THE CHANGING DEMAND FOR PUBLIC SECTOR SERVICE

As more people live to older ages of 85 and more, their need for aged care services can be expected to grow given that people in this age group are the most intense users of health and aged care services.

According to the Survey of Disability and Ageing (ABS, 2011a);

- 32% of people aged between 65 and 74 need assistance with personal and everyday activities, compared with 86% of people aged 85 and over.
- The incidence of disability increases with age, and if current rates of incidence continue, there will be a rapid increase in the number of older people with a disability or chronic condition from 1.8 million in 2011, to 2.5 million in 2021, and 3.2 million in 2031.

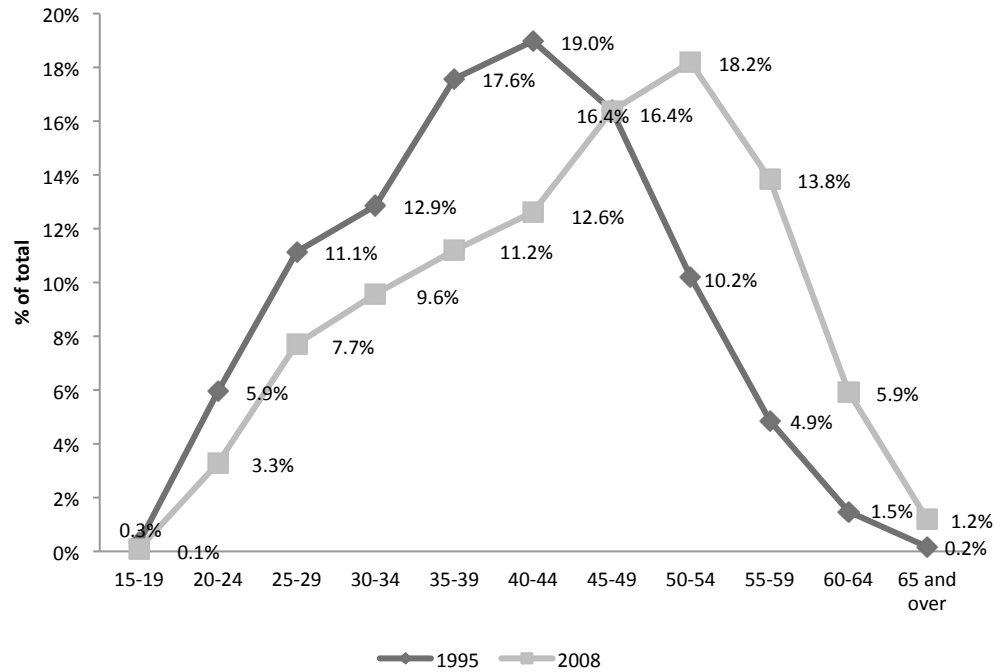
Chronic disease is also more prevalent among the oldest age groups. The number of people with dementia is expected to more than treble by 2050 to more than 730,000. Not surprisingly, the proportion of GDP spent on aged care is projected to increase from 0.7 per cent in 2007 to 1.9 per cent by 2046 (Productivity Commission 2008: xvi-xviii, 36, 44-45).

Managing the implications of an ageing workforce including an accelerating retirement rate of the baby boom generation is a particular challenge for policymakers in South Australia. The State Government acknowledges "South Australia has Australia's oldest and most rapidly ageing workforce." (SA Government, 2011). Figure 6 below clearly shows how the SA Public Sector workforce has 'aged' over time. Over the next five years this reality is likely to coincide with a significant expansion of the resources sector resulting in tightening of the South Australian labour market. In this environment it will be more difficult to attract and retain experienced workers in the public sector. It is important that policymakers appreciate the implications of the interaction between these powerful demographic and economic forces. Insufficient entry to mid level recruitment has the potential to

⁷ ABS (2011)

generate significant age imbalance in the public sector, making it more difficult to transfer high value knowledge and skills held by employees approaching retirement. Significant gaps in skills and knowledge are likely to arise in this context.

FIGURE 6: SOUTH AUSTRALIAN PUBLIC SECTOR EMPLOYEES, % BY AGE GROUP: 1995 AND 2008



Source: Office for Ethical Standards and Professional Integrity, Commissioner for Public Sector Employment

4 WORKFORCE PLANNING FOR THE 21ST CENTURY

As previously discussed, evolving demographic and labour market conditions mean that the public sector will have to engage in innovative workforce planning in order to maintain efficiency and effectiveness in service delivery. This may not be compatible with a sustained policy of public sector workforce reductions which may starve government of the experienced and skilled public servants it needs to meet community expectations.

COST TO GOVERNMENT OF SHORT TERM CUTS, RATHER THAN LONG TERM PLANNING

In many instances workforce reduction policies are driven by a desire to increase savings. There are however significant potential costs in this approach including, but not limited to⁸;

- Recruitment costs
- Labour hire commission
- High cost of skilled contractors
- Impact on work quality, including;
 - Loss of corporate knowledge
 - Lack of business continuity and inferior services
 - Other risks such as less accountability, and security of information.

⁸ For a detailed analysis of the costs of staff cuts, see Ranasinghe and Spoehr (2012).

Rapid loss of public sector workers, especially those with more experience and skill, will result in the loss of corporate knowledge and hinder the transfer of skills within the South Australian public service. This loss represents a considerable value, which needs to be taken into account in public sector workforce planning. Developing a better understanding of the implications of staff losses for the knowledge and skill base of the public service is a central element of public sector workforce planning.

The central challenge to be faced by policymakers is the potential loss of a large number of experienced and skilled public sector workers over a relatively short period of time and the growing difficulty of sourcing suitable replacements in a tighter labour market.

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