

Chapter 2

Benchmarking employment, expenditures and revenues in Australia's public administration

This chapter describes basic features of the Australian Commonwealth government, including quantitative data on employment, expenditures and revenues.

Basic features

Australia is a very large country in terms of territorial size, in fact a continent, but of intermediate size in terms of population and GDP. Australia is a federal country. The Australian Constitution defines the federal legislative powers of the Commonwealth (federal) Parliament, most of which are concurrent with the powers of the states. Also, the states retain legislative powers over matters not specifically listed in the Constitution (other than a small list of exclusive powers of the Commonwealth). In the areas of concurrent power, the Constitution provides for Commonwealth laws to prevail over state laws in the event of any inconsistencies.

A large number of local governments (564) operate under the 6 states and the Northern Territory. The Australian Capital Territory government administers both local and state government functions. The federal level of government, the Commonwealth, has a bicameral Parliament, with strong Westminster political traditions. The lower house of Parliament, the House of Representatives, has 150 members, each representing a separate electoral division. Members are elected using the full preferential voting system, which differs from a “first past the post” system when no candidate receives an absolute majority. It bolsters a strong two-party system and generally results in governments with strong backing in the House; the current situation of a minority government is unusual. The upper house, the Senate, is directly elected from each of the 6 states and 2 territories, with each state holding 12 seats and the 2 territories holding 2 seats. State senators are elected for six-year terms and territory senators for three-year terms. The Senate is elected using a proportional representation system, leading to the representation of some smaller parties and independents, next to the two main parties.

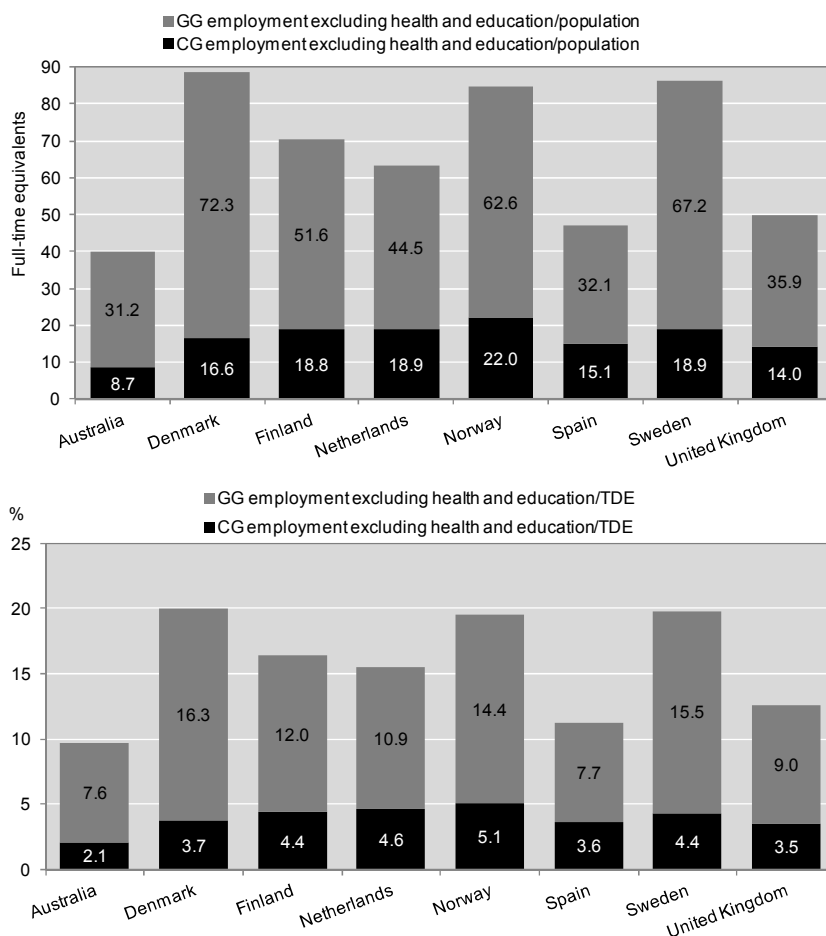
General government employment

The size of government employment can only be compared between countries by excluding health and education. This is because there are very different ways of organising health and education in the Value for Money countries. For instance, in the Nordic countries, Spain and the United Kingdom, health is entirely inside the government sector; in the Netherlands it is entirely in the corporate sector. Educational establishments that are privately owned and controlled are in most countries in the corporate sector but they constitute widely diverging shares of total employment in education. In this light, a sensible comparison can only be made by leaving health and education aside. Figure 2.1 presents total Commonwealth employment in full-time equivalents (FTE) excluding health and education per 1 000 inhabitants and as a percent of domestic

employment. Total government employment includes both administrative activities and service delivery. The sub-sector of social security has been merged with the Australian government in this figure as well as in the following tables of this chapter.

Figure 2.1. Employment in general and federal government excluding health and education relative to population and domestic employment

FTE per 1 000 inhabitants and % of domestic employment in FTE, 2006



Notes: Data for Australia are for 2008. Data for the Netherlands are for 2004. TDE: total domestic employment. FTE: full-time equivalent. GG: general government. CG: central (federal) government.

Sources: OECD *Public Finance and Expenditure Database* (PFED); *Laborsta database*; Australian Public Service Commission.

Table 2.1. **Basic statistics of Australia**¹

Land and population	
Area (1 000 km ²)	7 692
Agricultural area (2008)	4 173
Population (in thousands)	21 244.4
Inhabitants (per km ²)	2.8
Employment (in thousands) (2010)	11 170.4
<i>of which: agriculture</i>	328.8
Production	
Gross domestic product (AUD billions) (2008)	1 051.1
Gross domestic product per head (AUD thousands)	50.0
General government finance	
Total expenditures (% of GDP)	36.3
Total revenues (% of GDP)	30.4
Deficit (ESA '95 ²) (% of GDP)	5.9
Public net debt (% of GDP)	1.8
Central government finance	
Total expenditures (% of GDP)	26.3
Total revenues (% of GDP)	22.7
Deficit (ESA '95 ²) (% of GDP)	4.1
Public debt (% of GDP)	3.3
Politics	
Composition of the House of Representatives (elections 2010)	150
<i>of which: Australian Labor Party</i>	72
Total coalition (Liberal Party of Australia, Liberal National Party of Queensland, Country Liberals [Northern Territory] and The Nationals)	73
The Australian Greens	1
Independents	4

1. Public finance data: fiscal year 2009-2010; other data are for 2009 unless otherwise indicated. 2. ESA95 is the *European System of Accounts* (see Eurostat, 1996).

Sources: OECD National Accounts and OECD Labour Force Statistics, OECD Publishing, Paris; Australian Bureau of Statistics.

It appears that Australia has very low employment in general government (including states and local government), in fact the lowest of all of the Value for Money countries for which data are available. This is probably due to the large and consistent privatisation and outsourcing efforts of the last decades. This has led to a small government and large efficiency gains. In this respect, Australia is an example for the other Value for Money countries.

Table 2.2 shows the distribution of employment in the Value for Money countries by level of government.

Table 2.2. Employment in general government excluding health and education by level of government

% of total general government in FTE, 2006

	Australia	Denmark	Finland	Netherlands	Norway	Spain	Sweden	United Kingdom	Average
Central government	27.8	23.0	36.5	42.5	35.2	47.1	28.2	39.1	34.9
State government	n.a.					15.0			1.9 (15.0)
Local government	n.a.	77.0	63.5	57.4	64.8	37.8	71.8	60.9	54.2 (61.9)
General government	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes: Data for Australia are for 2008. Data for the Netherlands are for 2004. Averages are calculated by setting unavailable data at zero. The number in parentheses is the true average for the countries for which data are available.

Sources: OECD *Public Finance and Expenditure Database* (PFED), *Laborsta database*, Australian Public Service Commission.

The share of employment in the Australian Commonwealth government is substantially below average (27.8% versus 34.9% on average), which shows that Australia is a fairly decentralised country from the perspective of general government employment.

More information about the distribution of employment over public organisations is available from the “snapshots of the public administration” provided by participating countries. Snapshots have been provided by 7 of the 13 Value for Money countries. The snapshots only contain administrative employment, not service delivery. Administrative employment excludes: the military, the police, staff of penitentiary institutions, other collective service delivery (for instance units for construction or management of transport infrastructure), all non-profit institutions classified inside central government in the national accounts, all educational institutions, health providers and other institutions involved in individual service delivery (cultural services, social services, etc.).¹ The snapshots make it possible to distinguish between employment in core ministries, arm’s-length agencies, and independent agencies. An agency is defined as a unit of a ministry with a separate financial administration. An arm’s-length agency is defined as an agency for which the minister is

responsible as far as executive policy is concerned (not necessarily for handling of individual cases). An independent agency is an agency for which the minister is not responsible as far as policy execution is concerned (neither for handling of individual cases nor for executive policy). Table 2.3 shows the distribution of central government employment in these three kinds of organisations. The difference between the totals of administrative employment shown in Table 2.3 and the totals of central government employment excluding health and education as shown in Table 2.2 are due to service delivery employment.²

Table 2.3. Federal government administrative employment by type of organisation

% of total administrative central government employment in FTE, 2009

	Australia	Austria	Denmark	Finland	Netherlands	Norway	Spain	Average
Core ministries	42.0	29.7	6.2	10.4	43.2	8.7	36.1	25.2
Arm's-length agencies	58.0	47.3	80.5	80.8	21.7	86.8	63.3	62.6
Independent agencies	0	23.0	13.3	8.7	35.1	4.5	0.6	12.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Country responses to a questionnaire sent in January 2010.

Within the Commonwealth general government sector, there are several categories of agencies outside the ministries (departments of state). With the exception of the High Court of Australia, there are essentially two groupings: agencies established under the Financial Management and Accountability Act 1997 and bodies established under the Commonwealth Authorities and Companies Act 1997. Within these two groupings there are many types of entities, and the legislation or documentation establishing each entity determines its degree of autonomy. Agencies are also grouped in portfolios under a department of state. Australia has reported that all agencies should be considered as “arm’s-length agencies” in the sense of the “snapshot of the public administration”, implying that the minister remains responsible for executive policy. In view of the survey results presented in Table 2.3, it is possible that countries have interpreted the criterion of “independence” in different ways. While interpreting this table, it may therefore be appropriate to focus attention on the total of agency employment versus core ministry employment. It then transpires that the Australian Commonwealth government has relatively large employment in core ministries (42.0% versus 23.9% on average) and relatively low in agencies (58.0% versus 76.1% on average).

The snapshots also allow comparisons of the division of employment over the four activities of government (policy development, administrative policy execution, regulatory/supervisory activities, and support services). Table 2.4 shows the resulting picture. It should be emphasised that in spite of detailed guidelines, countries reported several problems in the distribution of employment over the four activities of government.

Table 2.4. Administrative employment in central government by government activity

% of total central government in FTE, 2009

	Australia	Austria	Canada	Denmark	Finland	Netherlands	Norway	Spain	Average
Policy development	18.5	15.0	n.a.	5.1	8.5	8.2	9.0	18.9	10.4 (11.9)
Administrative policy execution	31.5	48.7	n.a.	88.9	68.5	78.7	57.4	70.5	55.5 (63.5)
Regulatory/supervisory activities	17.0	13.8	9.1	4.9	7.0	6.0	27.5	0.5	10.7
Support services	33.0	22.5	18.3	1.1	16.1	7.0	6.1	10.0	14.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes: Averages are calculated by setting unavailable data at zero. The number in parentheses is the true average for the countries for which data are available.

Source: Country responses to a questionnaire sent in January 2010.

Although the numbers of Table 2.4 must be taken with a grain of salt, it appears that Australia has relatively large employment in the policy development area (18.5% versus 11.6% on average). Similarly, supervisory/regulatory activities and support service units also seem to be relatively large in size (17.0% versus 10.9% on average, respectively 33.0% versus 14.1% on average). The numbers are based on reporting by national administrations according to strict guidelines from the OECD Secretariat. It may nevertheless be the case that Australia has reported certain staff engaged in policy development but also involved in overseeing implementation in a different way than other countries. In addition, the reported numbers may be due to the fact that the Australian Commonwealth has outsourced or decentralised a relatively high proportion of its executive activities. Given that the total general government employment in Australia is very low, this would imply that there is little reason for concern about the reported numbers. The OECD Secretariat is making efforts to further improve the quality of the snapshots. In spite of these caveats, the current

picture suggests that there is still room in Australia to realise efficiency gains in typical “back-office” activities.

Countries also provided information on support service employment by kind of support service. The resulting picture is provided in Table 2.5.

Table 2.5 is also of questionable reliability due to the absence of and sometimes poor quality of data. Nevertheless, it is interesting to note that the distribution of employment in support services in Australia is close to the average distribution (assuming that “other corporate” employment covers mainly the services for which no recent data were available).

General government expenditures

Obviously, employment is not the only indicator for the size of government. Expenditures are equally important. Expenditures include all operational expenditure (including compensation of employment) as well as all programme expenditure (social benefits, transfers to sub-national government, public contributions and subsidies to the corporate sector, and most investment). Table 2.6 presents general government expenditures by sub-sector and for general government as a whole as a percent of general government expenditure. Note that the sum of the sub-sectors exceeds general government expenditure as a consequence of transfers between sub-sectors. The right indicators for the rates of centralisation are the expenditure shares of state and local government and not the expenditure share of central government (that typically includes large transfer payments to the states and the local governments).³

Table 2.6 shows that Australia, Denmark, Spain and Sweden have the largest expenditure shares for sub-national government (states and local governments taken together), all above 45%. Denmark and Sweden are very decentralised countries with all health, education and a large part of social services at the municipal level. Australia and Spain are federal countries with large state sectors that are lacking in unitary countries. Austria is also a federal country but with a much smaller state sector resulting in total sub-national expenditure below 35%. The other Nordic countries (Finland and Norway) and the Netherlands are also rather decentralised in terms of expenditures (sub-national expenditure shares between 25% and 30%). All other unitary countries are more centralised (sub-national shares below 25%).

Table 2.5. **Central government employment in support services**

Absolute and % of total central government support services in FTE, 2009

	Australia		Austria		Canada		Denmark		Finland		Netherlands ¹		Norway		Spain		Average (%) ²
	abs	%	abs	%	abs	%	abs	%	abs	%	abs	%	abs	%	abs	%	
Finance	7 706	22.5	1 082	16.5	4 700	9.4	350	48.5	1 720	20.1	993.0	12.0	364	12.2	4 402	16.8	19.8
HR and organisation	5 071	14.8	1 118	17.1	9 800	19.5	111	15.4	1 810	21.2	2 738.8	33.2	75	2.5	4 013	15.3	17.4
Information and ICT	10 674	31.1	1 834	28.0	19 700	39.2	171	23.7	2 080	24.3	1 190.8	14.4	1 264	42.4	6 384	24.3	28.5
Internal audit	n.a.	n.a.	142	2.2	700	1.4	n.a.	n.a.	60	0.7	853.6	10.3	n.a.	n.a.	n.a.	n.a.	18 (3.7)
Procurement	n.a.	n.a.	204	3.1	3 200	6.4	n.a.	n.a.	280	3.3	0.0	0.0	58	1.9	n.a.	n.a.	18 (2.9)
Communication	n.a.	n.a.	261	4.0	3 600	7.2	n.a.	n.a.	1 000	11.7	965.6	11.7	225	7.6	n.a.	n.a.	5.3 (8.4)
Accommodation, real estate and facilities	n.a.	n.a.	1 900	29.0	8 000	15.9	90	12.5	1 600	18.7	1 508.1	18.3	992	33.3	11 425	43.6	21.4 (24.5)
Other corporate	10 850	31.6	n.a.	n.a.	500	1.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.1 (16.3)
Total	34 301	100.0	6 541	100.0	50 200	100.0	722	100.0	8 550	100.0	8 250	100.0	2 978	100.0	26 224	100.0	100.0

1. Data for the Netherlands from 2006.

2. Averages are calculated by setting unavailable data at zero. The number in parentheses is the true average for the countries for which data are available.

Source: Country responses to a questionnaire sent in 2010.

Table 2.6. **General government expenditures by sub-sector**

% of general government expenditure, 2007

	Australia ¹	Austria	Denmark	Finland	France	Ireland	Netherlands	New Zealand	Norway	Spain	Sweden	United Kingdom	Average ²
Central government	72.0	88.0	75.8	80.8	87.9	91.4	95.2	89.3	79.2	67.7	65.3	91.5	82.0
State government	40.7	17.8								38.0			8.0 (32.1)
Local government	6.2	15.3	63.1	40.7	21.5	19.7	34.1	10.7	32.5	16.9	46.6	29.1	28.0
General government	100	100	100	100	100	100	100	100	100	100	100	100	100

1. Data for Australia are for fiscal year 2007-2008.

2. There are two other federal countries (Austria and Spain) in this group. For the calculation of the averages, employment in state government is set to zero for the other countries. The true average for the federal countries is provided in parentheses.

Sources: OECD *Public Finance and Expenditure Database* (PFED); Australian Bureau of Statistics.

General government revenues

Table 2.7 provides a picture of the sources of finance of the sub-sectors of general government in the Value for Money countries. In particular, it shows the share of own tax revenue in total revenue and thus the degree to which sub-national governments are dependent on grants from the central government and fees for services.

Table 2.7 shows that state government in Australia is for a large part dependent on Commonwealth grants. The share of own tax revenue of Australian states is about 16% below the average for the four federal countries (29.1% versus 41.4% on average). The own tax share of Australian local government is closer to average (35.5% versus 40.2% on average).

**Table 2.7. Own tax revenue as share of total revenue
by sub-sector of general government**

% of total revenue, 2008

	Australia ¹	Austria	Denmark	Finland	France	Ireland	Netherlands	New Zealand ²	Norway	Spain	Sweden	United Kingdom	Average ³
Central government	93.2	83.8	85.3	75.1	92.6	93.2	84.9	84.6	72.2	91.7	85.2	94.8	86.4
State government	29.1	42.8								52.3			10.4 (41.4)
Local government	35.5	66.0	37.5	47.0	45.8	13.5	10.7	53.4	41.8	49.5	66.9	14.9	40.2

1. Data for Australia are for fiscal year 2008-2009.

2. Data for New Zealand are for 2007.

3. There are two other federal countries (Austria and Spain) in this group. For the calculation of the averages, employment in state government is set to zero for the other countries. The true average for the federal countries is provided in parentheses.

Sources: OECD *Public Finance and Expenditure Database* (PFED); Australian Bureau of Statistics.

Notes

1. Administrative employment also excludes the Parliament and its staff, the head of state and her/his staff, the Supreme Audit Institution and its staff, and the judicial branch and its staff (the public prosecutors and their staff are not part of the judicial branch and thus included in the snapshots).
2. In addition, the differences are due to some administrative employment in health and education that are also excluded from Table 2.1.
3. The expenditure share of the states includes transfers to local government, but in the case of Australia these transfers are not high and do not substantially change the picture.

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