

The regional impact of public service job cuts

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Introduction

The Coalition has proposed to cut the size of the Commonwealth public service workforce by 12,000 over the next two years. There has been considerable debate in Canberra, which employs more Commonwealth public servants than any other city, about the likely impact of such a contraction on the local economy.

In addition to the direct effect of a reduction in the size of the public service it is also important to consider the indirect effects of such employment reductions. That is, when jobs are lost in one industry in a local economy the reduction in demand has 'spill over' or 'multiplier' effects on other industries. It was with these effects in mind that the ACTU recently estimated that, in addition to the 12,000 direct jobs that the Coalition planned to remove from the public service there would be an additional 18,000 jobs lost through this multiplier effect. The ACTU justified the claim that all 30,000 jobs would be lost in the ACT on the basis that the Coalition had ruled out cuts to 'front line' service delivery workers¹.

In responding to this claim, the Liberal Senator for the ACT Gary Humphries claimed that the estimated reduction in Canberra's employment of 30,000 was exaggerated. His critique was based on the claim that only around one third of Commonwealth employment was based in Canberra². By that logic, the job losses in Canberra would be around 10,000 with the other 20,000 job losses spread across the country.

Senator Humphries view appears, however, to contradict the view of Tony Abbot who has stated that 'front line service positions would be exempt'.³

While it is unclear whether or not the Coalition's plan to cut 12,000 jobs will be concentrated entirely in Canberra or spread across the country it is clear that the direct and indirect job losses associated with the proposed policy will have significant regional effects. This paper provides estimates of the likely job losses in other regions if, as suggested by Senator Humphries, the Coalition plans to spread the public sector cuts around the country rather than confine them to the ACT.

Method

According to the Commonwealth Budget the average staffing across all Commonwealth agencies in Australia is expected to be 258,704 in 2010-11.⁴ Of those 57,276 people are military personnel, leaving 201,428 civilian public servants.

The census data allows for the allocation of public service employment across all electorates. That means it is possible to estimate the job losses throughout Australia on the

¹ Canberra Times, Fears PS razor to hit 30,000 ACT jobs,
<http://www.canberratimes.com.au/news/local/news/general/fears-ps-razor-to-hit-30000-act-jobs/1912383.aspx>

² ABC Online, 'Coalition says job loss prediction a beat up', 13 August 2010. Incidentally the census figures suggest 29 per cent of public servants engaged in the government administration industry are based in Canberra.

³ Canberra Times, Fears PS razor to hit 30,000 ACT jobs,
<http://www.canberratimes.com.au/news/local/news/general/fears-ps-razor-to-hit-30000-act-jobs/1912383.aspx>

⁴ *2010-11 Budget Paper No 1*, May 2010.

assumption that job losses would be proportional to the actual employment of public servants in each electorate.

If it is assumed that Senator Humphries' interpretation of the Coalition's policy is correct and that job losses in Canberra would be proportionate to the geographic distribution of public service workers, the direct and indirect effects of the Coalition plan would be felt all over Australia. The following tables provide estimates of those direct and indirect effects. The estimates are based on the assumption that the indirect effects associated with public service job cuts are distributed evenly between local and national effects. That is, half of the indirect job losses are expected to be local and half of the impact is assumed to be distributed across the economy. For example, Eden Monaro, if Senator Humphries is correct, could expect to lose 272 direct jobs and a further 264 indirect jobs.

The following table gives the electorates most at risk as well as

- The actual number of Commonwealth public servants,
- The direct job losses that might be anticipated,
- The indirect job losses that can be expected, and
- The total job losses likely.

Table 1 – Distribution of job losses associated with a reduction in public service employment of 12,000 if job losses are not confined to Canberra

	Public sector employment	direct job losses	indirect job losses	Total Job losses
Canberra	28930	1723	1353	3076
Fraser	24865	1481	1171	2652
Eden-Monaro	4570	272	264	536
Melbourne	2192	131	158	289
Denison	2077	124	153	277
Herbert	2075	124	153	276
Adelaide	1915	114	146	260
Wills	1872	112	144	255
Batman	1838	110	142	252
Franklin	1701	101	136	237

Hindmarsh	1688	101	135	236
Jagajaga	1631	97	133	230
Solomon	1606	96	132	227
Hume	1605	96	132	227
Brisbane	1591	95	131	226
Lindsay	1581	94	131	225
Gippsland	1539	92	129	220
Perth	1536	92	129	220
Griffith	1534	91	129	220
Lilley	1534	91	129	220
Boothby	1523	91	128	219
Sturt	1516	90	128	218
Grayndler	1476	88	126	214
Maribyrnong	1436	86	124	210
Melbourne Ports	1433	85	124	209
Petrie	1419	85	123	208
Indi	1413	84	123	207
Gellibrand	1409	84	123	207
Leichhardt	1406	84	123	207
Deakin	1361	81	121	202
Chisholm	1344	80	120	200

Conclusion

Cuts to the public service provide short term opportunities for political parties to reduce expenditure but they are likely to result in significant regional and long run economic impacts.

Commonwealth public service employment is heavily concentrated in Canberra but the majority of Commonwealth public servants actually work across the rest of the country. The decision by the Coalition to rely on natural attrition to achieve a reduction in the size of the public sector, combined with their statement that 'front line' service staff will be exempt makes it highly likely that the majority of employment reductions, and in turn the majority of economic damage, will be concentrated in Canberra.

That said, if Senator Humphries is correct in his claim that most of the impact will occur outside of Canberra then it is important to consider where such reductions are likely to occur. The analysis presented above suggests that more than 12,000 job losses would be spread across the 31 electorates with the highest concentration of Commonwealth public servants. The regional impact of such job losses needs to be carefully considered.

Appendix A – Impact of public service employment of 12,000 if job losses are not confined to Canberra – All electorates.

	Public sector employment	direct job losses	indirect job losses	Total Job losses
Adelaide	1915	114	146	260
Aston	1042	62	107	169
Ballarat	1059	63	107	170
Banks	1014	60	105	166
Barker	287	17	73	90
Barton	1014	60	105	166
Bass	463	28	81	108
Batman	1838	110	142	252
Bendigo	1307	78	118	196

Bennelong	898	54	100	154
Berowra	703	42	91	133
Blair	568	34	85	119
Blaxland	673	40	90	130
Bonner	1187	71	113	184
Boothby	1523	91	128	219
Bowman	852	51	98	149
Braddon	452	27	80	107
Bradfield	648	39	89	128
Brand	559	33	85	118
Brisbane	1591	95	131	226
Bruce	992	59	104	163
Calare	458	27	80	108
Calwell	1276	76	117	193
Canberra	28930	1723	1353	3076
Canning	808	48	96	144
Capricornia	379	23	77	100
Casey	867	52	99	150
Charlton	765	46	94	140
Chifley	1027	61	106	167
Chisholm	1344	80	120	200
Cook	837	50	97	147

Corangamite	1219	73	114	187
Corio	1117	67	110	176
Cowan	1130	67	111	178
Cowper	805	48	96	144
Cunningham	1282	76	117	194
Curtin	932	56	102	157
Dawson	404	24	78	102
Deakin	1361	81	121	202
Denison	2077	124	153	277
Dickson	1237	74	115	189
Dobell	718	43	92	135
Dunkley	852	51	98	149
Eden-Monaro	4570	272	264	536
Fadden	616	37	88	124
Fairfax	384	23	77	100
Farrer	1100	66	109	175
Fisher	486	29	82	111
Flinders	524	31	83	115
Flynn	234	14	70	84
Forde	623	37	88	125
Forrest	755	45	94	139
Fowler	670	40	90	130

Franklin	1701	101	136	237
Fraser	24865	1481	1171	2652
Fremantle	830	49	97	147
Gellibrand	1409	84	123	207
Gilmore	372	22	77	99
Gippsland	1539	92	129	220
Goldstein	1040	62	106	168
Gorton	1291	77	118	195
Grayndler	1476	88	126	214
Greenway	813	48	96	145
Grey	563	34	85	119
Griffith	1534	91	129	220
Groom	666	40	90	129
Hasluck	796	47	96	143
Herbert	2075	124	153	276
Higgins	1165	69	112	182
Hindmarsh	1688	101	135	236
Hinkler	397	24	78	101
Holt	1212	72	114	186
Hotham	1109	66	110	176
Hughes	1009	60	105	165
Hume	1605	96	132	227

Hunter	372	22	77	99
Indi	1413	84	123	207
Isaacs	1264	75	116	192
Jagajaga	1631	97	133	230
Kalgoorlie	543	32	84	117
Kennedy	411	24	78	103
Kingsford Smith	1052	63	107	170
Kingston	1107	66	109	175
Kooyong	1134	68	111	178
La Trobe	932	56	102	157
Lalor	1157	69	112	181
Leichhardt	1406	84	123	207
Lilley	1534	91	129	220
Lindsay	1581	94	131	225
Lingiari	880	52	99	152
Longman	743	44	93	137
Lowe	922	55	101	156
Lyne	548	33	84	117
Lyons	458	27	80	108
Macarthur	730	43	93	136
Mackellar	399	24	78	102
Macquarie	915	55	101	155

Makin	1257	75	116	191
Mallee	538	32	84	116
Maranoa	242	14	71	85
Maribyrnong	1436	86	124	210
Mayo	908	54	101	155
McEwen	1107	66	109	175
McMillan	713	42	92	134
McPherson	640	38	89	127
Melbourne	2192	131	158	289
Melbourne Ports	1433	85	124	209
Menzies	1055	63	107	170
Mitchell	726	43	92	136
Moncrieff	483	29	82	110
Moore	1005	60	105	165
Moreton	1306	78	118	196
Murray	489	29	82	111
New England	401	24	78	102
Newcastle	1232	73	115	188
North Sydney	852	51	98	149
O'Connor	317	19	74	93
Oxley	925	55	101	156
Page	466	28	81	109

Parkes	491	29	82	111
Parramatta	1216	72	114	187
Paterson	516	31	83	114
Pearce	676	40	90	131
Perth	1536	92	129	220
Petrie	1419	85	123	208
Port Adelaide	1144	68	111	179
Prospect	955	57	103	160
Rankin	803	48	96	144
Reid	1045	62	107	169
Richmond	628	37	88	125
Riverina	432	26	79	105
Robertson	668	40	90	130
Ryan	1137	68	111	179
Scullin	1231	73	115	188
Shortland	811	48	96	145
Solomon	1606	96	132	227
Stirling	1155	69	112	180
Sturt	1516	90	128	218
Swan	1231	73	115	188
Sydney	1232	73	115	188
Tangney	1032	61	106	168

Throsby	955	57	103	160
Wakefield	624	37	88	125
Wannon	872	52	99	151
Warringah	613	37	87	124
Watson	935	56	102	157
Wentworth	990	59	104	163
Werriwa	1069	64	108	171
Wide Bay	399	24	78	102
Wills	1872	112	144	255