



<b>Report Title:</b>	Public Service Workforce Data - September Quarterly Update		
<b>Report No:</b>	2023-0306		
<b>Date:</b>	11 December 2023		
<b>To:</b>	Hon Nicola Willis, Minister of Finance		
<b>Action Sought:</b>	Noting	<b>Due Date</b>	14 December 2023
<b>Contact Person:</b>	Josh Masson, Chief Data Officer, Strategy and Policy		
<b>Contact No:</b>	9(2)(a) privacy		
<b>Encl:</b>	Yes	<b>Priority:</b>	Medium
<b>Security Level:</b>	IN CONFIDENCE		

### Executive Summary

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1. The Commission collects, monitors, and publicly reports key workforce metrics for Public Service departments and departmental agencies. Over the past year we have moved from annual to quarterly monitoring and reporting of workforce size.

9(2)(f)(iv) confidentiality of advice

3. The quarterly data will be released on 14 December, and in preparation, this report provides further information on workforce growth over the first quarter and when we would expect to see reductions in workforce growth.
4. We will also be releasing information on communications professionals. We collect this as a separate exercise to provide more fine-grained information on this group who have received public interest in the past. The size of this group has remained stable over time.

### Recommended Action

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We recommend that you:

- a **note** that the Commission releases quarterly data on FTE and contractor and consultant spend, and that the next release is due on 14 December.
- b **note** that FTE in the first quarter does not yet show the impact of savings exercises by the previous government or the exercise underway by the new government.

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- c **note** that recent agency forecasts are for growth of FTE by June 2024 of 2.5%, but we expect this to decrease once your savings exercises are implemented.

Hon Nicola Willis  
**Minister for the Public Service**

## Purpose of Report

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1. Workforce data results for the first quarter (1 July – 30 September) are due to be released on 14 December. 9(2)(f)(iv) confidentiality of advice [REDACTED] You sought further advice on the drivers of workforce (FTE) growth over this period.

## Drivers of workforce growth over the first quarter

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2. **Appendix one** provides the overall picture of workforce growth, including the quarterly change and our forecast data.
3. The main driver of workforce growth are increases to budgets. In most cases these are provided through Budget decisions and are driven by demand for some cost recovered services. Budget decisions from previous years can continue to drive growth over multiple years. Multi-year appropriations can ramp up over the course of the appropriation, or take time to recruit, creating workforce increases in out years.
4. In 2022 we saw significant workforce recruitment pressures, which were a driver for the decline in workforce numbers, alongside machinery of government changes and some reduction in short term COVID recovery and response funding. The delayed filling of vacancies contributed to annual growth in 2022/23 of 4.5%. Our most recent survey has found that recruitment challenges have significantly eased. There were vacancies being recruited for throughout last year that were only filled in the first quarter of 2023/24.
5. Also driving workforce deployment has been population growth returning to the high levels that existed pre-COVID, with the estimated resident population increasing by 2.7% in the year to 30 September 2023. This particularly has an impact on cost recovered services that are driven by demand, such as immigration.
6. Finally, we had several agencies indicate that growth was driven by transitioning from contractors and consultants to fixed and permanent roles.
7. The switch from contractor to employed workforce is also seen in September 2023 quarterly contractor and consultant expenditure of \$269.5M total, with \$180M OPEX and \$89.5M CAPEX. Annualised (multiplied by four). Total expenditure for the September quarter is down 15 percent from 2022/23.
8. Our key measure for contractors and consultants is a proportional figure of OPEX as a percentage of total spending on the Public Service workforce. Our first quarter results bring this ratio down to 10.3%, in line with pre COVID (2020/21) results.

### *Agency specific analysis*

9. **Appendix two** provides data on FTE and OPEX contractor and consultant spend by agency.
10. Quarterly growth has not universally occurred across every organisation. Eleven agencies had reductions in FTE and another 10 agencies grew by less than 10 FTE. We usually focus on absolute growth i.e., the actual increase in the number of FTEs, rather than proportional growth. This is because a focus on proportional growth can lead to a misleading focus on very small agencies who make a small impact on overall numbers.
11. The largest growth was in the following five agencies:
  - a. Inland Revenue (201 FTEs) driven by increase in Customer and Compliance Services business groups as vacancies were able to be filled. They are, however, forecasting a reduction in FTE forecast over the next three quarters.

- b. Ministry of Education (173 FTEs) growth in service roles, including learning support roles, expanding the school property portfolio and digital environment, and moving contractors and consultants to more permanent roles.
  - c. Ministry of Social Development (146 FTEs) recruitment in predominantly service delivery roles in anticipation of turnover to ensure staff are already upskilled to meet customer demand. They are, however, forecasting a reduction in FTE forecast over the next three quarters.
  - d. MBIE (130 FTEs) growth in Digital Data and Insights groups as contractors converted to employees, growth in immigration to respond to customer demand. MBIE are, however, forecasting an overall decrease in FTE over the year.
  - e. Ministry of Justice (117 FTEs) filling of established positions as recruitment pressures eased and turnover rates have fallen.
12. The information we collect on a quarterly basis is less detailed than our annual collection, meaning we cannot do the occupational analysis that we do each June. However, the explanations above from agencies highlight that growth is mostly focused on service delivery functions.

*Looking ahead – analysis of forecast information*

13. We also collect forecast information from agencies, both of FTE and contractor and consultant spend. We do not publicly release these figures on our website, they are only released when you choose to proactively release any briefings provided to you.
14. Agencies' current forecasts for the year show:
- a. FTE increase by a total of 2.5% by June 2024, when compared to June 2023
  - b. Contractor and consultant forecast for the year totals \$1,117.2M, \$767.7 OPEX and \$409.5 CAPEX. About 23% of the forecast has been spent in the first quarter. This would be a 16% reduction in OPEX spend from 2022/23 and would result in a ratio of 10.6% for the year as a proportion of total workforce spend.
15. We have seen through adjustments to forecasts that agencies have begun to apply restraint, and several agencies have observed pauses in recruitment. Additionally, downward pressure was being exerted through central agency mechanisms. On 22 June, following Budget announcements in May, the Commissioner issued a letter to all Chief Executives expecting that they:
- a. Identify efficiencies and productivity improvements, including identifying opportunities to manage cost pressures within baseline
  - b. Review all Crown expenditure with a view to reprioritisation
  - c. Ensure there were the appropriate financial managed capabilities and controls in place.
16. In August, The Treasury sent out the fiscal savings exercise to agencies with a view to identify savings by November. These exercises have put the Public Service in a better position to meet your fiscal sustainability programme objectives. The previous government's proposed reductions are now being incorporated into Budget 2024 processes, with the savings largely to be applied to 2024/25, and are therefore not observable in quarter one of 2023/24. None of these exercises have been completed yet and therefore it is not surprising that they are not fully reflected in quarterly results or agency forecasts.

17. We will continue to collect quarterly results, monitor the impact of savings exercises, and will brief you as we start to see changes in outcomes.

### **Communications personnel**

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18. In addition to the data being released on workforce size and composition, we are also releasing communications personnel numbers. Every year we receive several OIA and media queries on communications personnel. These were historically directed back to each agency as our Workforce Data collection, which is based off administrative payroll data, can't measure smaller workforces such as communications staff with great precision. Communications employees are included in the 'other professionals not included elsewhere' occupation group in our reporting.
19. To proactively manage the public interest, we have issued guidance on the communications workforce definition and have begun collecting this information six monthly from Public Service departments and departmental agencies. This collection, as at 30 September 2023, will be the first time we have proactively released this information, with the two prior collections being used to help respond to queries.
20. Using the definition, there were 513.5 full-time equivalent (FTE) communications staff across Public Service departments and departmental agencies at 30 September 2023. This is up marginally (3.5 FTEs or 0.7%) from 510 FTEs in March 2023. Communications staff are around 0.8% percent of the total workforce, a proportion that has decreased slightly since first being measured in this way in June 2022.

### **Communications key points**

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21. **Growth in the size of the Public Service** in the September quarter is due to budget decisions, work programmes and priorities of the previous government. It also reflects the filling of vacancies as previous recruitment difficulties eased.
22. 64,222 FTEs at 30 September 2023, a quarterly increase of 1,105 FTEs (or 1.8 percent).
23. The current government's savings and efficiency drive will put downward pressure on next year's growth. This is likely to see a reduction in FTEs.
24. **Contractor and consultant** total expenditure for the September quarter is down 15 percent from 2022/23.
25. Agencies spent a total of \$180 million in OPEX and \$89.5 million in CAPEX on contractors and consultants, for a total spend of \$269.5 million in the September quarter.
26. As a share of total workforce spend, operating expenditure (OPEX) on contractors and consultants decreased to 10.3 percent in the September quarter.
27. **Communications staff** numbers remain about the same as a percentage of the total Public Service workforce.
28. There were 513.5 communications FTEs in the September quarter, or 0.80 percent of the Public Service workforce. This is down slightly on the 510 FTES (0.81 percent) in the March quarter.

### **Next Steps**

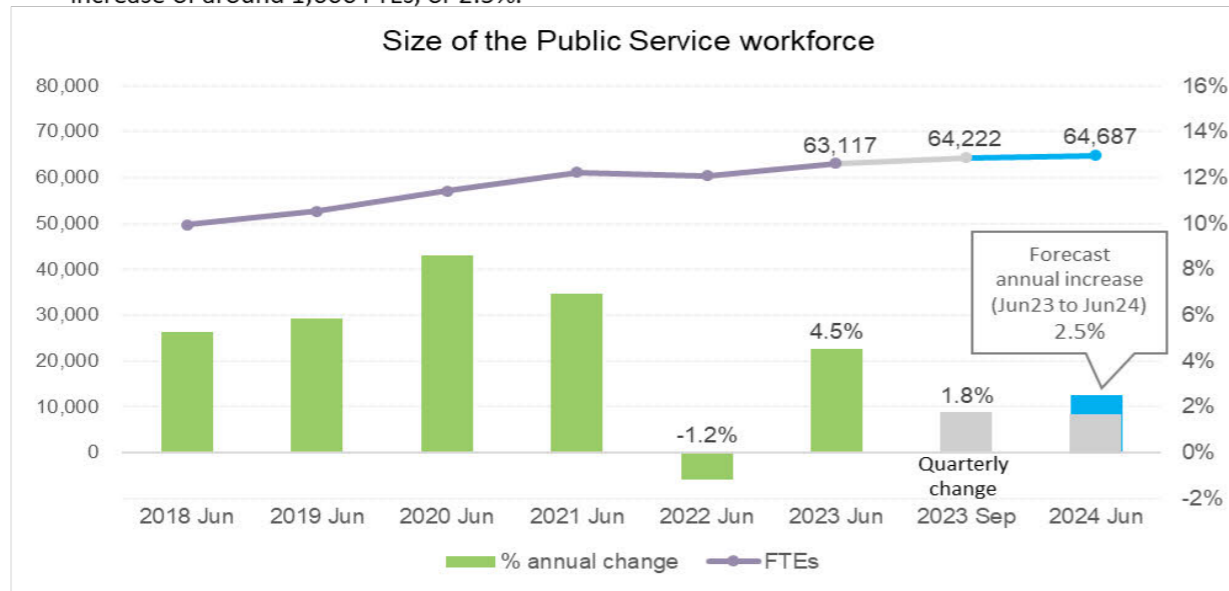
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29. Quarterly data will be released on 14 December. We will work with your office if there are any public or media queries as a result.

# Public Service Workforce Composition Quarterly update as of 30 September

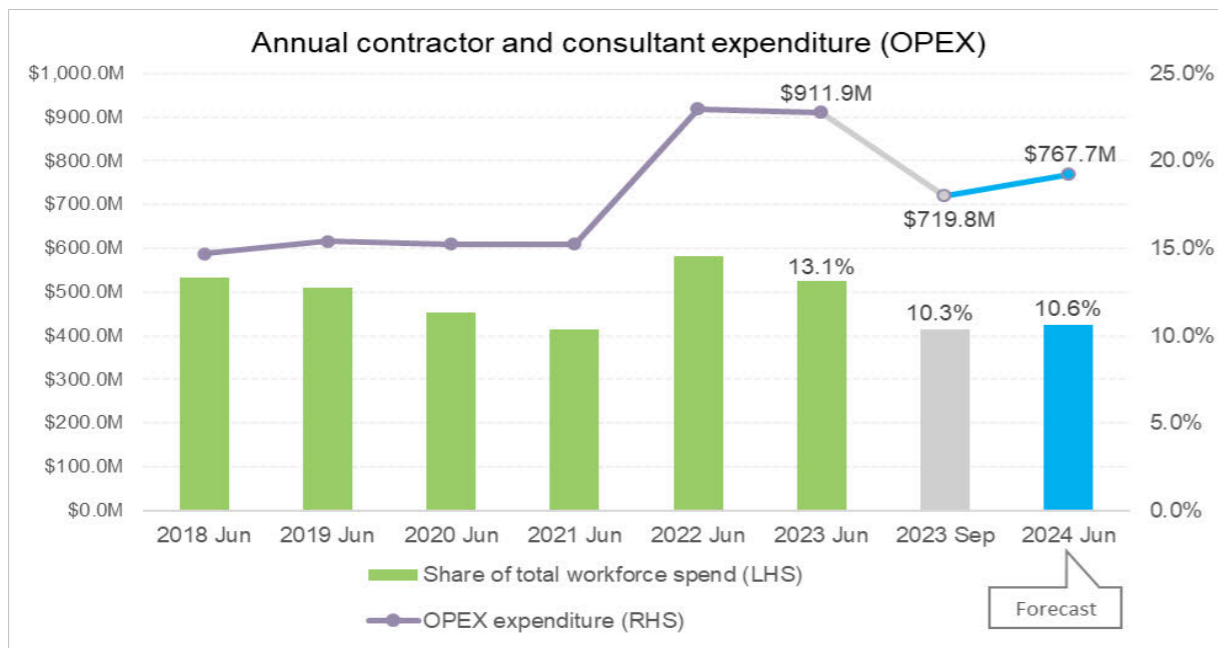
## Q1 2023/24 continues growth from 2022/23...

- Agencies had 64,222 FTEs as of 30 September 2023, a quarterly increase of 1,105 FTEs (or 1.8%).
- Slower growth is forecast in the remainder of 2023/24 by individual agencies, with the Public Service predicted to grow 0.7% over the coming 9 months to 64,687 FTEs by 30 June 2024, an annual increase of around 1,600 FTEs, or 2.5%.



## ...contractor and consultant expenditure continues to shrink

- As a share of workforce spend, operating expenditure (OPEX) on contractors and consultants decreased to 10.3% in Q1 2023/24, the lowest it's been since measurement began (2018).
- When quarterly spending is annualized for the 2023/24 year, it shows a 21% decrease in dollar terms from 2022/23. Forecast expenditure for full year 2023/24 is also down, but to a slightly lesser extent.

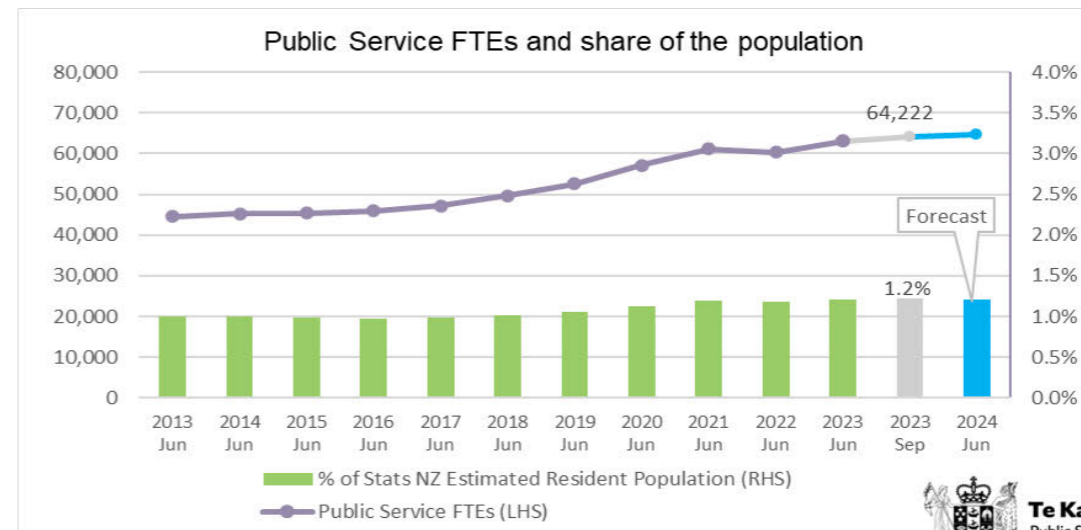


## Forecast growth is slowing and is expected to slow further...

- The forecast annual increase of 1,600 FTEs by 30 June 2024 includes new FTEs funded through Budget 23 (up to 1,150 FTE), the impact of any multi-year programmes funded in previous Budgets, and the ongoing filling of vacancies as turnover decreases. Growth also attributed to moving from contractor resource to employees.
- On the restraint side some recruitment has been paused and preparations made for additional savings. The previous government's fiscal sustainability programme was beginning to have an impact, but not yet fully implemented. Forecast annual FTE growth was revised down to 2.5% in September from 3.2% in June. Despite this revision, forecasts do not fully reflect the outcomes of the fiscal sustainability process and will be further impacted by any additional savings exercises.
- In terms of contractors and consultants, agency forecasts for 2023/2024 are projecting overall operating expenditure of around \$768 million, a decrease of around \$144 million, or 16%. However, capital expenditure is projected to increase by around \$53 million, or 15%.
- If current forecasts are met, we expect the proportion of total workforce spend on contractors and consultants to decrease from 13.1% to 10.6%. This includes 0.7% FTE growth over the coming 9 months and a minimum 3% increase in salary (related to the PSPA). It may also be affected by the outcome of any savings exercises.
- We will continue to monitor and report quarterly on FTE and contractor and consultant spend; updated data next available in February 2024.

## Workforce growth aligning again with population growth

- As workforce growth slows, population growth has increased to pre-COVID levels. The estimated resident population increased by 2.7% in the year to 30 Sep 2023.
- Maintaining the population ratio around the long-term rate of 1%, would require annual workforce growth to continue to slow.



## Appendix Two – Agency FTE and Contractor and Consultant numbers

Agency	FTEs					Contractors & Consultant OPEX		
	Jun-23	Sep-23		Jun-24		2022/23	2023/24	
	Actual	Actual	Quarterly % Change	Forecast	Forecast Annual % Change	Actual 2022/23	Forecast	Forecast Annual % Change
Department of Corrections	9,628	9,707	0.8%	9,900	2.8%	\$44.7M	\$31.8M	-28.8%
Ministry of Social Development	9,077	9,223	1.6%	9,187	1.2%	\$101.9M	\$118.0M	15.8%
Ministry of Business, Innovation & Employment	6,282	6,412	2.1%	5,996	-4.6%	\$89.8M	\$76.6M	-14.8%
Oranga Tamariki-Ministry for Children	4,651	4,746	2.1%	4,740	1.9%	\$28.2M	\$25.3M	-10.3%
Ministry of Justice	4,510	4,626	2.6%	4,913	8.9%	\$34.4M	\$27.7M	-19.5%
Ministry of Education	4,311	4,484	4.0%	4,500	4.4%	\$113.9M	\$79.6M	-30.1%
Inland Revenue Department	4,023	4,224	5.0%	4,076	1.3%	\$41.7M	\$37.4M	-10.3%
Ministry for Primary Industries	3,756	3,804	1.3%	3,900	3.8%	\$59.0M	\$38.3M	-35.1%
Department of Internal Affairs	2,663	2,631	-1.2%	2,606	-2.1%	\$82.4M	\$68.7M	-16.6%
Department of Conservation	2,554	2,586	1.2%	2,600	1.8%	\$30.5M	\$42.6M	39.6%
Statistics New Zealand	1,700	1,629	-4.2%	1,612	-5.2%	\$24.2M	\$14.1M	-41.5%
New Zealand Customs Service	1,322	1,341	1.4%	1,357	2.6%	\$24.3M	\$27.0M	11.4%
Ministry of Foreign Affairs and Trade	1,171	1,156	-1.3%	1,182	0.9%	\$33.9M	\$33.5M	-1.3%
Ministry for the Environment	1,010	1,033	2.2%	1,011	0.1%	\$37.2M	\$39.2M	5.4%
Land Information New Zealand	796	829	4.1%	887	11.5%	\$9.2M	\$8.3M	-9.6%
Ministry of Health	730	779	6.8%	850	16.5%	\$46.9M	\$19.6M	-58.3%
The Treasury	623	631	1.3%	631	1.2%	\$15.4M	\$15.2M	-1.3%
Government Communications Security Bureau	540	563	4.3%	691	28.0%			
New Zealand Security Intelligence Service	420	445	5.8%	463	10.2%			
Ministry of Māori Development-Te Puni Kōkiri	444	440	-0.8%	437	-1.5%	\$10.0M	\$5.9M	-40.7%
Ministry of Housing and Urban Development	383	384	0.1%	388	1.2%	\$15.0M	\$7.1M	-52.8%
Department of the Prime Minister and Cabinet	265	256	-3.2%	267	0.9%	\$3.1M	\$2.8M	-9.1%
Ministry of Transport	241	245	1.5%	233	-3.5%	\$23.6M	\$17.2M	-26.9%
Education Review Office	220	222	0.9%	240	9.2%	\$2.3M	\$2.4M	5.4%
Crown Law Office	212	218	2.8%	243	14.5%	\$3.4M	\$3.9M	13.3%
Public Service Commission	200	199	-0.5%	188	-6.0%	\$4.2M	\$3.4M	-19.5%
Ministry of Defence	191	196	2.6%	210	9.9%	\$4.4M	\$3.6M	-17.5%
Ministry for Disabled People	172	188	9.4%	306	78.4%	\$6.8M	\$7.3M	7.6%
Office for Māori Crown Relations-Te Arawhiti	187	184	-1.6%	165	-11.7%	\$4.1M	\$2.7M	-34.1%
Ministry for Culture and Heritage	182	176	-3.3%	157	-13.8%	\$8.5M	\$1.8M	-78.9%
National Emergency Management Agency	154	159	2.8%	176	14.1%	\$1.7M	\$1.5M	-10.3%
Ministry for Pacific Peoples	136	124	-8.5%	155	14.0%	\$2.9M	\$2.5M	-12.7%
Ministry for Ethnic Communities	61	77	26.6%	95	55.2%	\$0.8M	\$0.2M	-73.3%
Serious Fraud Office	74	71	-4.5%	78	5.7%	\$0.8M	\$0.5M	-32.4%
Cancer Control Agency	56	58	3.4%	66	17.6%	\$0.9M	\$0.3M	-70.3%
Independent Children's Monitor	56	56	-0.7%	60	7.0%	\$0.3M	\$0.6M	87.5%
Ministry for Women	43	44	1.6%	48	11.6%	\$0.9M	\$0.9M	-10.1%
Social Wellbeing Agency	36	41	14.4%	36	-0.3%	\$0.5M	\$0.1M	-81.5%
<b>Grand Total</b>	<b>63,117</b>	<b>64,222</b>	<b>1.8%</b>	<b>64,687</b>	<b>2.5%</b>	<b>\$911.9M</b>	<b>\$767.7M</b>	<b>-15.8%</b>

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