

# Public servants threaten recovery

Christian Kerr | *October 17, 2009*

## [The Australian](#)

**"BUDGET-breaking" blowouts in public service numbers are destroying the financial position of the states and threaten economic recovery, new research has found.**

State governments have significantly increased their workforces since the economic reforms of the 1990s, according to a report published by the Institute of Public Affairs.

The total number of workers employed by the six states jumped by 28 per cent between 2000 and 2008.

Victoria led the way with a 37 per cent increase in the total number of public servants. NSW, South Australia and Tasmania each recorded growth of about 25 per cent or more.

But frontline services such as health, education and policing have not benefited from the boost in numbers.

Instead, the greatest growth in state public service staffing has been in administration.

The paper finds no clear evidence that the bigger bureaucracies have led to better service delivery.

And public service earnings have grown strongly, with average pay increases outstripping those of private sector workers.

The research warns of an "unsustainable trend" that has seen state general government sector employee expenses rise from \$43.3 billion in 2000-01 to \$77.1bn in 2007-08, an increase of almost 9 per cent a year in the period.

"Continuing growth in state government bills for bureaucrats and public servants has significant national economic implications," report author Julie Novak said.

"Unless states take additional actions to reduce the cost burden of their employees, the extra financial burden will stunt our national economic recovery.

"It is estimated that taxpayers will need to pay an additional \$15.6bn to cover state government employee expenses above wage policy benchmarks over the next four years.

"The aggregate amount of payroll tax revenue collected by state governments last financial year was about \$16.5bn. In effect, the states will be approaching taxpayers seeking another payroll tax to subsidise extra public servants and their salary costs."

Ms Novak said state taxes were some of the most inefficient in Australia. "More taxes means less private investment and job creation," she said.

She warned of a risk that rising state wage costs would spill over into the private sector under a re-regulated industrial relations system, stoking inflationary pressures and putting pressure on interest rates.

The report's findings were endorsed by **Scott Prasser, Professor of Public Policy at the Australian Catholic University** and a former senior state bureaucrat. "The states have been big spenders and overspenders for a long time," he said.

Professor Prasser said large amounts of the increases in state spending had been consumed by operating expenses.

"The states are consuming vast amounts of money in bureaucracy, not delivering frontline services," he said.

NSW Opposition Treasury spokesman Mike Baird agreed that, long-term, staff spending by the states was unsustainable. "Expenses are growing much faster than revenue," he warned. "I'm very happy to support growth in frontline services, but what we continually get from the NSW state government is a complete lack of transparency about what is actually going into the frontline and what is slipping to the back."