



Report Title:	Achieving Fiscal Savings and Reducing Spend on Contractors and Consultants		
Report No:	2023-0291		
Date:	27 November 2023		
To:	Hon Nicola Willis, Minister for the Public Service		
Action Sought:	Discuss this briefing with officials	Due Date:	27 November 2023
Contact Person:	Hannah Cameron - Deputy Commissioner Strategy and Policy		
Contact Number:	9(2)(a) privacy		
Encl:	Three appendices	Priority:	Medium
Security Level:	IN CONFIDENCE		

Executive Summary

- 1 The Government has signalled an intention to constrain public expenditure with a corresponding impact on the public sector workforce. This workforce is made up of employees (referred to as FTE - Full Time Equivalents) and also contractors and consultants to whom work is outsourced. The Government has also indicated an intention to maintain the quality of services to the New Zealand public.
- 2 Workforce size is driven by government investment in public services through budget cycles. Our advice is that setting constraint through fiscal sustainability and budget processes is the most effective way to drive efficiencies in the public service.
- 3 Te Kawa Mataaho Public Service Commission (the Commission) can help you right size the Public Service by:
 - advising you on the impact of policies or investments on public service size (FTE)
 - setting and monitoring expectations to reduce reliance on contractors and consultants
 - providing assurance that key customer facing services have been protected, and
 - advising on innovations to drive greater efficiencies in 'back office' functions.
- 4 The Commission collects, monitors and publicly reports key workforce metrics for the Public Service (that is the Departments and Departmental Agencies). The most recent workforce data was released on 2 November 2023 (see **appendices to this report**).
 - a In the last five years, FTE in the Public Service have risen from 49,730 FTE in June 2018 to 63,117 FTE in June 2023. We also collect forecasts on FTE from agencies. These indicate that by June 2024, Public Service FTE are estimated to be 64,687.
 - b Data on contractor and consultant spend by departments shows that operating spending in 2022/23 was slightly reduced, and that spending as a proportion of workforce spending (our measure to judge the reliance on contractors and consultants)

reduced to 13.1% from 14.5%. Agency forecasts indicate a reduction of operating spending for the current 2023/24 financial year to around \$768m, a decrease of around \$144m compared to the previous year.

- 5 The next quarterly data release on public service workforce is due on 14 December.
- 6 Looking forward to the financial year 2024/25, we are working with the Treasury to provide advice on how you might approach budget processes to achieve your overall savings. A baseline reduction process would lead to cuts in public service FTE and reduced spending on contractors and consultants. We recommend a simple approach to apportioning reductions to agencies, with follow-up processes giving ministers visibility of the trade-offs being made.
- 7 Members of the public and the media do not necessarily distinguish between spending by government Departments, and that of Crown entities, and the Government has indicated a policy of applying constraint in contractor and consultant spend to Crown entities as well. This will be important to realise the scale of savings sought.
- 8 The Commission's current mandate does not extend to collecting Crown entity workforce data. However, we have estimated 2021/22 operating spending on contractors and consultants, which indicates that spending by agencies outside Public Service departments may be around 55% of the total.
- 9 Ministers can use levers under the Crown Entities Act 2004 to apply expectations for ongoing savings, and in the first instance, to require Crown entities to provide their current spending by Christmas. We can advise you on these processes, and how you could enhance current Crown entity monitoring processes to achieve your goals.
- 10 Defining front-line and back-office roles is difficult and could cause perverse incentives. To ensure that key customer facing services have been protected, we suggest that you could identify key occupations which we will monitor to ensure that these roles are not affected. We can provide you advice on how this could operate.
- 11 Finally, there are also other options to ensure that the Public Service is operating in a more effective and efficient way. Our briefing on the Public Service operating model [2023-0295 refers] indicates some levers that can be applied to achieve this, and we can provide further information on potential workforce innovations.

Recommended Action

We recommend that you:

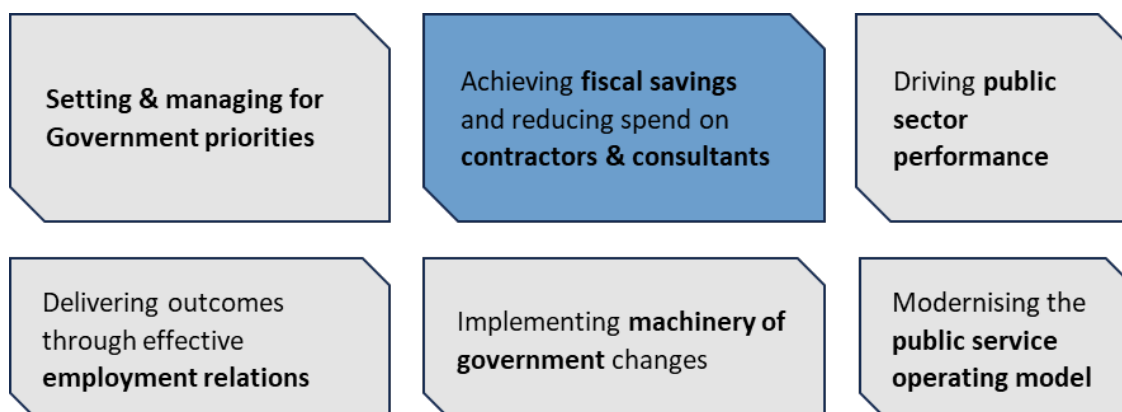
- a **note** the current size and composition of the Public Service, which was published online on 2 November 2023, and that the next quarterly data update is due on 14 December.
- b **note** that the Commission, in conjunction with the Treasury, will provide you further advice on implementation of the savings targets through the Initial Baseline Exercise, and assurance mechanisms for ensuring savings impact in the intended areas of spending.

Hon Nicola Willis

Minister for the Public Service

Purpose of Report

- 12 This paper sets out:
- the latest data on the Public Service workforce, and
 - how the Commission can support you to realise your commitments as they relate to savings and efficiencies in the Public Service workforce, including reducing expenditure on contractors and consultants.
- 13 It is part of the first tranche of interrelated briefings on key focus areas that we set out in our briefing on supporting your first 100 days [2023-0289 refers]:



Context

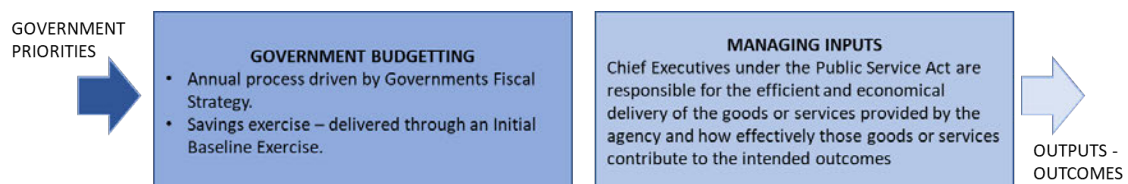
- 14 The economic and fiscal climate creates a need for immediate savings and stronger measures for ongoing efficiency and fiscal discipline. The Government has signalled an intention to:
- reduce government expenditure across certain agencies or sectors by 6.5%, with a focus on ‘back-office’ efficiencies. It was suggested this will be an average level of savings across identified agencies in the Public Service, with agencies that have experienced high rates of growth since 2017 expected to identify larger savings.
 - reduce consultant and contractor spending by \$400 million, with public sector chief executives required to report on their existing contractor and consultant expenditure by Christmas 2023, and department-specific caps introduced in 2024 with quarterly reporting of this expenditure. These limits will vary across agencies according to work programmes and existing contracts.

Drivers of growth in the Public Service

Recent growth in the Public Service

- 15 Since 2018 the Public Service has grown by about 13,400 FTE. Prior to 2020 this growth was driven by building capability in the Public Service and population growth. From 2020 growth was largely driven by the previous Government’s response to COVID and government priorities. Much of the COVID funding was time limited, and growth has slowed over the last 18 months as this funding has ceased. Current forecasts suggest growth is slowing further, and with the recent savings exercise of the previous Government, agencies have already begun undertaking line by line reviews and implementing recruitment freezes. At the same time, population growth is now rising again and will create more demand for public services.

- 16 Our advice has consistently set out that the main driver of workforce growth is increases to budgets. This was particularly demonstrable through funding for COVID response activities that resulted in significant growth in public service numbers. Budget processes have not always provided information on the flow-on impact of implementing decisions on the Public Service workforce. Equally, individual ministers make budget choices based on their priorities, and may not always consider how this will affect the overall capacity needed across the Public Service.
- 17 To make this more transparent in government decision making we have been working with the Treasury over the previous two years to improve the understanding of workforce implications from Budget processes and can now directly attribute a significant proportion of growth to new funding.
- 18 Once funding has been provided, agencies make decisions about the deployment of resources to deliver outputs and outcomes. In some cases, it is appropriate to use external resources, such as where there is not the scale to build and retain the capability in the Public Service, or for short term capacity needs. A simple description of the allocation of public service resources is shown in the diagram below.



- 19 Agencies are also responsible for designing appropriate business and operating processes to implement services. Increasingly, this includes working across the Public Service to ensure that services are aligned and joined-up, and further information on mechanisms for this is in our briefing on the public service operating model [2023-0295 refers].
- 20 Since 2018 there has been increasing concern regarding the use of contractors and consultants where it would be more appropriate to build core capability. At that time, the previous Government set expectations for a reduced reliance on external resources. In response the Commissioner set out expectations around the appropriate use of contractors and consultants and began public reporting of contractor and consultant expenditure. More recently the Government Procurement Lead has issued guidance to agencies about the appropriate use of contractors and consultants, emphasising that such resources should only be used where there is a need for unique and specialised skills, not for general work that should be delivered within agencies.
- 21 The drive for reductions to date has been focused mainly on operating funding (OPEX) not capital funding (CAPEX). This is because CAPEX is usually focused on driving delivery of schools, roads, IT systems, etc. These projects are important to the longer-term building of infrastructure, and often rely on types of expertise that the Public Service would not expect to employ directly on an ongoing basis (e.g., engineers or architects).

Monitoring the Public Service workforce

- 22 A key function of the Commission is to provide regular high-quality reporting on the public service workforce. Over the past year we have moved to quarterly monitoring and reporting of workforce size (including contractors and consultants) and will enhance this by collecting more detailed administrative payroll information quarterly from September.

- 23 This data has only included departments and departmental agencies – we do not currently collect workforce information from Crown entities, as the mechanisms for monitoring such entities are different. This is discussed further below.

Current size and composition of the Public Service

- 24 The Commission collects, monitors and publicly reports key workforce metrics for the Public Service (that is the Departments and Departmental Agencies).
- 25 The most recent quarterly collection (1 July – 30 September) is due to be released on 14 December. This quarterly release is focused on size and composition of the public service workforce. Over time our quarterly releases will expand to include other key metrics. A summary of the quarterly findings is attached in **Appendix One**.
- 26 In addition to the quarterly releases, we provide annually a more comprehensive look at key workforce metrics. This year’s annual workforce data, as at 30 June 2023, was released on 2 November. A summary of this release is attached as **Appendix Two**.
- 27 The headline annual figures of current size and composition of the public service are:
- As at 30 June 2023 there were 63,117 FTE staff in the Public Service. This was an increase of 4.5% (or 2,736 FTEs) from 60,381 FTEs in 2022. In the five years between 30 June 2018 and 2023, Public Service FTEs rose by about 13,300 FTEs or 29.9%.
 - Based off agency forecasts provided at the end of September 2023, FTEs will increase by 2.5% (or 1,570 FTEs) to 64,687 FTEs at 30 June 2024. This does not reflect savings exercises that were already underway under the previous Government.
 - In 2022/23 OPEX on contractors and consultants as a proportion of total workforce spending was 13.1%, having trended down from 13.4% in 2017/18 to 10.4% in 2020/21, before spiking in 2021/22 at 14.5%, and
 - Public service organisations spent \$911.9 million OPEX on contractors and consultants and \$356.6 million CAPEX in the 2022/23 year. **Appendix Three** provides a breakdown of contractor and consultant spend and forecasts by agency.
- 28 The quarterly collections for both FTE and contractors and consultants include forecast information through to the end of the current financial year. These forecasts do not fully reflect subsequent reprioritisation through the previous Government’s fiscal sustainability plan, which we expect to drive some reduction in growth. We also expect the forecasts to be further revised as a result of further expected savings.

Contractors and Consultants

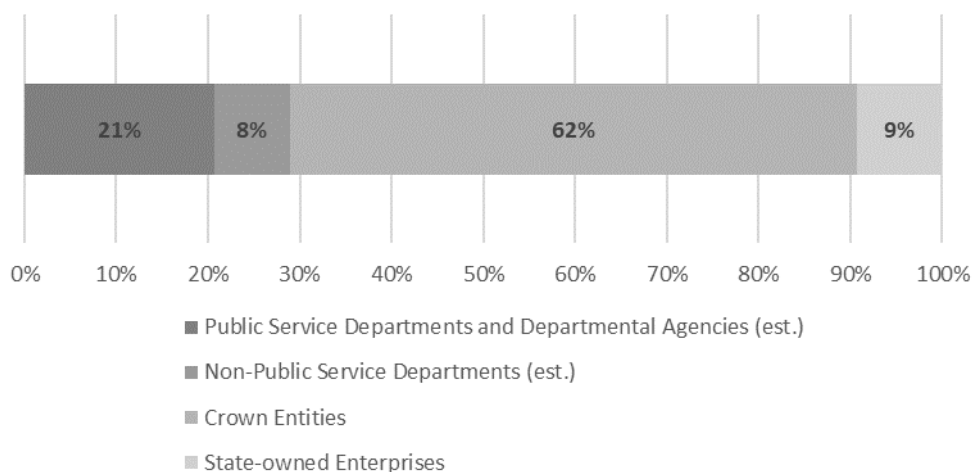
- 29 Prior to 2018 contractor and consultant expenditure was predominantly measured through Select Committee standard estimates and financial review processes. It was also captured to a lesser degree through Treasury financial reporting. There was no agreed definition and as a result information quality was poor. With greater public scrutiny of contractor and consultant expenditure the Commission established a definition, with endorsement from the Clerk of the House of Representatives, and then began annual collection and public reporting from departments and departmental agencies.
- 30 To understand that balance between investing in public service capability and efficient use of external resources we use a proportional measure (OPEX as a percentage of total spending on the Public Service workforce). This is a more meaningful measure than actual dollars spent, as expenditure on public services has consistently risen over the last 14 years alongside revenue, reflecting national growth and inflation.

31 Further work has also been undertaken as part of the previous Government’s Fiscal Sustainability Programme. This includes an expectation of reduction in external capability expenditure to pre-covid levels of no more than 11% of Public Service workforce spending, no later than the start of 2025/26. To support this aim, chief executives were asked to ‘lock in’ their contractor and consultant forecasts by 13 October 2023. The Commissioner has indicated that these forecasts should not be exceeded without written authority.

Understanding the Crown entity workforce

32 Over a similar period there has also been growth within Crown entities. While we do not track this data, Stats NZ’s business demography data indicates that ‘other government entities’ (which is predominantly made up of Crown entities and non-Public Service departments but excludes health and education sectors), grew from 47,488 FTE in 2018 to 54,704 FTE in 2023. Given this size, we consider there are significant opportunities to better understand the Crown entities workforce as it relates to the cost of Crown personnel expenditure. Note personnel expenditure includes pay, which is also a driver. Pay is explored further in the briefing on employment relations [2023-0293 refers].

Share of 2022/23 total Crown personnel expenditure (\$36B)



33 Members of the public, or media, do not necessarily distinguish between public servants working in government Departments and those in the wider public sector. Likewise, they expect similar standards of integrity and efficient use of taxpayer funding regardless of the legal status of the entity.

34 The Commissioner acts as the employer of public service chief executives and is also the Head of Service. This gives them greater responsibilities, relationships and levers for influencing change within the Public Service than in Crown entities. The mechanisms for driving efficiencies and savings within Crown entities are different. Governance of Crown entity spend occurs via the responsible Minister and monitoring agency, who have the overall view of funding and spending for each entity, usually contained in the Vote of the monitoring agency as non-departmental expenditure.

35 There is not a single reliable source of information for contractor and consultant expenditure for Crown entities. Treasury has a separate consultancy code¹ that can be used through

¹ This code is used widely across central government, but it does not appear to capture most expenditure. For example, for departments and departmental agencies in 2021/22 the expenditure captured by the

financial reporting and the Ministry of Business, Innovation and Employment (MBIE) as the Government procurement lead collects information² on contracts that go through the All of Government panel. The coverage of both sources appears to be improving over time. From both sources we have been able to estimate expenditure of around \$1.2B for OPEX, and \$1.6B for total expenditure (OPEX and CAPEX) for Crown entities and non-Public Service departments for 2021/22.

- 36 Despite the Commission's lack of specific legal jurisdiction in relation to Crown entities, successive governments have asked the Commission to take a stronger role across this sector, and you may wish to consider adjustments to monitoring and assurance for the Crown entity workforce. Ministers will need to consider whether you wish a central agency, such as Treasury or the Commission, to take this role. As an initial step the Commission has asked monitoring departments to collect one-off information from their Crown entities which has largely corroborated our estimates.

Implementing your savings targets

- 37 The Commission can support Government realise its savings targets - helping to set expectations for the Public Service, working with Treasury on providing you advice on how to implement the savings programme, and providing monitoring and assurance to ensure we meet those expectations.
- 38 Our initial advice, outlined in more detail below, is that you take the following steps to action your savings targets:
- Incorporate contractor and consultant savings \$400 million p.a. into initial baseline exercise and make clear that the exercise includes non-departmental expenditure (Crown Entities)
 - Set clear expectations about where savings should impact particular forms of spending (such as contractors and consultants), identify the services you wish to ensure are preserved
 - Allocate reduction targets to agencies in a way that reflects differing agency scale and growth since 2017 but generally keep apportionment as simple as possible
 - Set clear expectations for Chief Executives and Crown Entity Board Chairs, placing accountability on departmental chief executives to come up with proposed options for how they can best meet targets
 - Include a clear step (and time) in the process for senior Ministers to consider any reductions/trade-offs proposed
 - Set up clear assurance processes based on workforce data (including contractors and consultants) and processes for monitoring impact on frontline roles. Work with MBIE and TSY to improve information from Crown Entities

Treasury consultancy code only represented around 41% of total contractor and consultancy expenditure (56% of OPEX) as captured by the Commission.

² This data captures more of the expenditure in departments and departmental agencies than the Treasury data, but appears to have less coverage across Crown entities.

A single baseline reduction process and a broad approach

- 39 Departments make choices about how to deliver services/functions from their appropriations. They can reduce contractor and consultant spend by shifting to other forms of delivery e.g. employing staff, but this will not deliver a saving for the Government.
- 40 The appropriate mechanism to implement Government's objective is by reducing the size of baseline appropriations from targeted agencies. For this reason, the Commission and Treasury recommend that the proposed \$400m reduction in contractor and consultant spend and the 6.5% savings sought from reductions in 'back office' expenditure be managed through a single baseline reduction process.
- 41 We also consider it important to take as broad an approach as possible to baseline reductions to ensure agencies can identify the most appropriate sources of potential savings. Each agency has a different funding arrangement, and limiting reductions to a narrow range of appropriations may have unintended consequences and reduce opportunities for finding efficiencies. We understand that this is also Treasury's view.
- 42 Agencies are very different in size and scale, and in the levers they have available to them. For example, it is worth noting that 73% of Public Service employees work in the largest eight departments. The coalition agreements have also indicated that you will be informed by the growth in different agencies since 2017.
- 43 As outlined above, it will be important that reductions in consultant and contractor spending apply across both the Public Service Departments and Crown entities. To achieve this, you would need to ensure any savings exercise includes non-departmental expenditure. Using our current understanding of Crown entity expenditure, government could look to find approximately 45% of intended contractor and consultant savings in departmental and 55% in non-departmental expenditure.
- 44 We agree with Treasury that this exercise could exclude very specific elements of expenditure that cannot be controlled or do not deliver a real savings to the Crown such as third-party revenue, depreciation and financial fees. We also recommend that any process for seeking efficiency in capital expenditure (including that spent through contractors and consultants) is managed separately as part of consideration of Government's infrastructure investment plans.

Setting expectations, allocating reductions, and managing trade-offs

- 45 Our experience is that baseline reductions of this scale will work best if:
- agency-specific targets are set quickly and backed up with clear expectations, but leave discretion to departmental chief executives to come up with proposed options for how they can best meet targets, and
 - the process includes a clear step (and time) in the process for Ministers to consider any reductions/trade-offs proposed in service volumes, coverage, or eligibility.
- 46 There are choices within the baseline reduction exercise on the percentage reductions to be applied across agencies. We understand that Treasury is likely to recommend targets to be applied generally across all agencies, with some choices based on the scale of organisation, but without over-complicated exercises to determine agency specific targets. We agree that a relatively simple approach to allocating reduction targets is appropriate and time efficient.
- 47 As the employer of departmental and departmental agency chief executives, the Commissioner can support this process by issuing interim expectations making clear the

need for immediate action. We will also be inviting the Prime Minister and yourself to discuss Government expectations at a Public Service Leadership Team meeting.

- 48 As set out our briefing on performance management [2023-0292 refers], we also propose Ministers meet at an early stage with Crown entity chairs, and consider issuing a revised, enduring Letter of Expectations. This can also be reinforced by individual Ministers communicating expectations through specific letters of expectation.
- 49 If you agree that flexibility should be built into the process, it then follows that Ministers will need to review proposed savings and moderate the savings exercise. This step ensures that the Government is making the decisions and trade-offs on what activity is stopped to realise the overall savings.

Assurance

- 50 Once savings targets have been allocated to identified agencies, Ministers will need assurance about the areas that progress is being made and about the areas being impacted. The Government has indicated that the first port of call should be on contractor and consultant spending, and that savings should not undermine front line service delivery. This will need to be managed through establishing assurance processes which will be different for Departments and Crown entities respectively.
- 51 We will provide you with assurance that the Public Service is on target to meet your expectations quarterly for departments and departmental agencies. Agencies will notify the Commission of any potential changes to forecasts for both contractors and consultants, and FTE. We will work with you and responsible Ministers to determine whether new forecasts continue to meet your expectations.
- 52 New requirements around the monitoring of contractor and consultant spending will be required for Crown entities. We, together with Treasury, can provide further advice on the most appropriate ongoing monitoring processes for this spending.
- 53 We will also continue to work with the Treasury to provide you advice on the workforce implications of Budget decisions. This will help Budget Ministers make more informed decisions, as this may impact agency forecasts. Through successive Budgets we consider that more could be done to ensure a deeper, more structured assessment of cost pressures and reprioritisation options for each agency earlier in the budget cycle, perhaps as a feature of agency-specific reviews. We understand the Treasury will be briefing you on this idea.

Impact on front-line services

- 54 To ensure that the savings do not undermine front line service delivery, we propose that we could monitor the size of a few, priority specific customer-facing roles such as corrections officers, social workers, or Department of Conservation rangers. There may also be roles of interest in the wider public sector such as Police officers, nurses or teachers, where we could work with the appropriate agencies to collate information in one place. We can explore this idea with you and provide a list of potential roles that could be prioritised by the Government.
- 55 This approach would give Ministers general assurance around investment, although we note there are other drivers (e.g. technological change, such as Inland Revenue's Business Transformation) that can reduce the number of customer-facing roles. The share of front-line services, such as correctional or social services, delivered by providers outside of the Public Service (such as community organisations), can also change.
- 56 Trying to establish a broader and definitive front office/back office definitional split is more problematic. There are hundreds of different occupations to define, and some occupations

may not be customer facing but do provide services to the public. Occupations themselves can consist of many different types of roles, with some being customer facing, and some administrative. For example, a lawyer could be providing services direct to the public or to internal contract management. This approach could create perverse incentives, such as agencies altering how they define/describe their job roles to allow more of their workforce to be categorised front office.

Longer-term options for driving greater workforce efficiency

- 57 There are other opportunities to support savings efforts and drive efficiencies by taking a whole of public service approach.
- 58 Savings may be able to be found over the longer term through pay restraint and your Government’s approach to pay equity settlements, and our briefing on employment relations [2023-0293 refers] provides further information on how you can set your expectations around remuneration.
- 59 Efficiencies could also be gained through the greater alignment of common back-office functions such as property, IT, procurement and information. For example, the Public Service currently occupies around 500,000 square metres of office space in central Wellington, and this could be reduced using different occupancy models and providing a stronger role to the Government Property System Lead (MBIE). Our briefing on the Public Service operating model [2023-0295 refers] sets out in more detail how you could use functional leaders to drive these improvements.
- 60 There is also opportunity for working at scale to enable a more mobile and flexible workforce, including:
- strategic workforce planning to ensure agencies are anticipating and actively managing required capability shifts
 - more formal mobility models or ‘flying squads’ for staff in key capability areas such as Policy or Corporate roles, to ensure resources can shift to current government priority areas, and
 - taking the pressure off demand for consultants by developing ‘in-house consultancy’ models.
- 61 We can brief you further on these ideas, some of which have already been piloted/tested overseas.

Next Steps

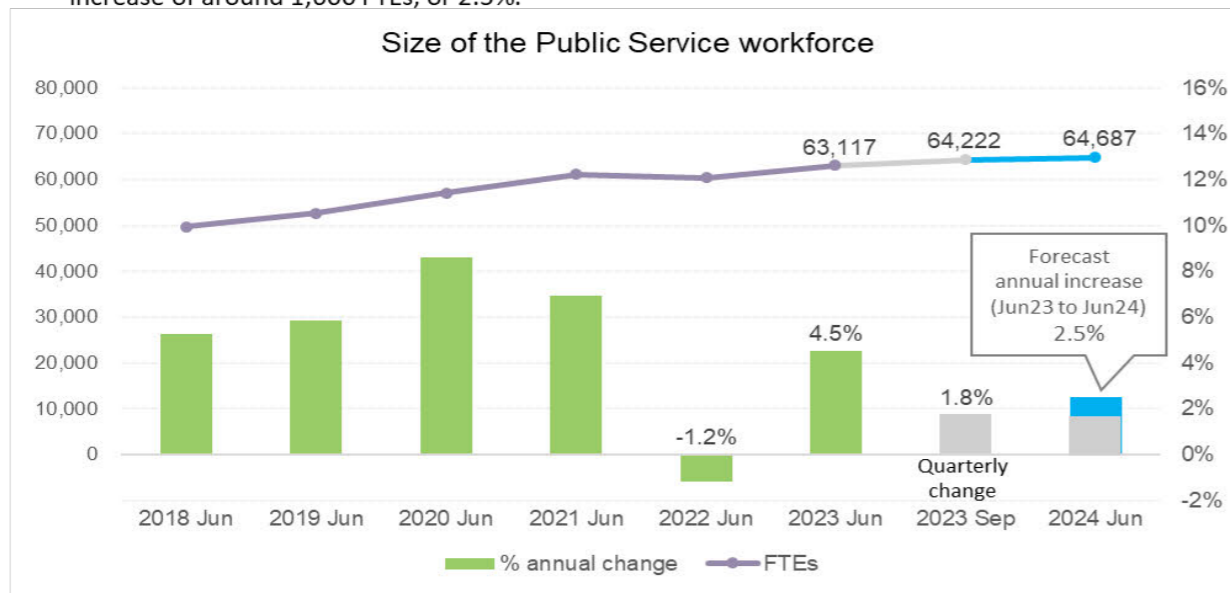
- 62 We will work with the Treasury on providing you with further advice on realising the contractor and consultant savings, and the processes around the Initial Baseline Exercise.
- 63 An update of the first quarter results (July – September) on workforce growth, including contractor and consultant expenditure will be published on 14 December 2023. You will be briefed prior to this release.
- 64 We can provide you with further advice relating to:
- mechanisms to set expectations on Crown entities to contribute to the savings targets, and ongoing monitoring options, and
 - opportunity for working at scale to enable a more mobile and flexible workforce.

Public Service Workforce Composition

Quarterly update as of 30 September

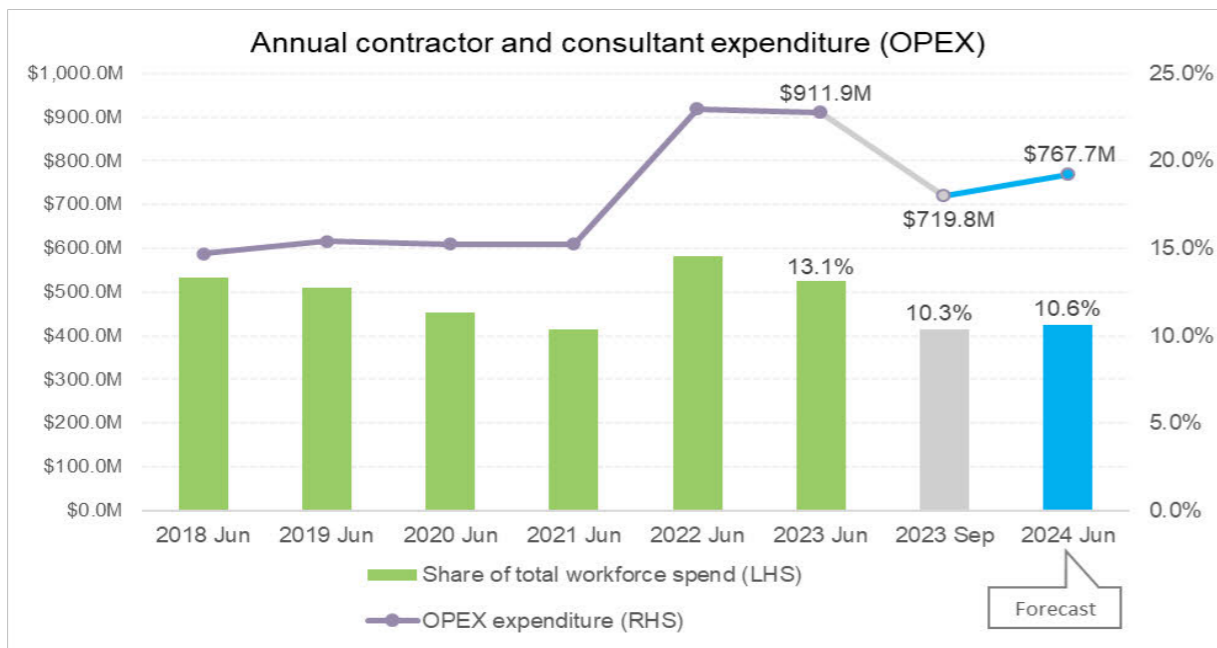
Q1 2023/24 continues growth from 2022/23...

- 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.

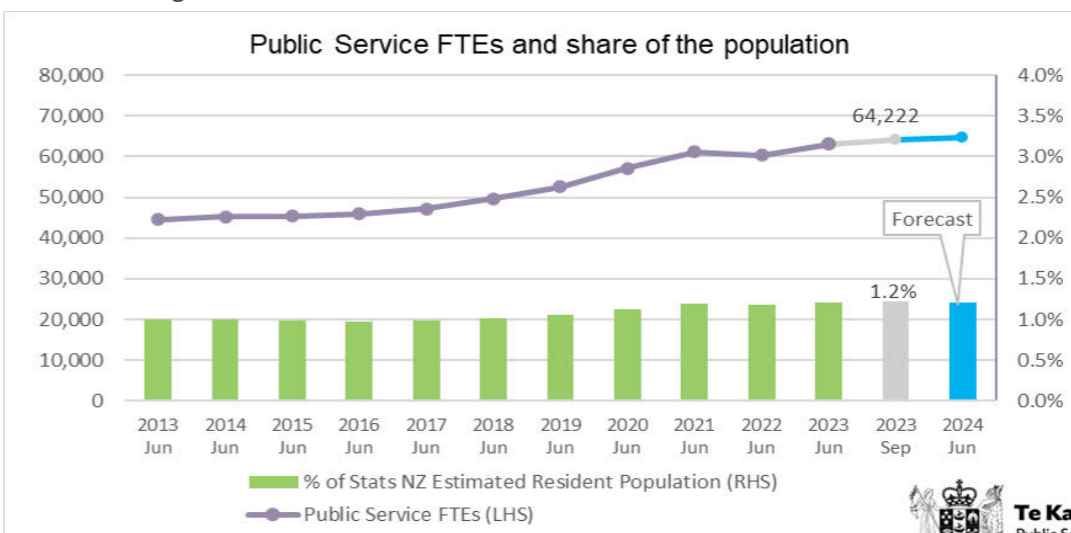


Forecast growth is slowing and is expected to slow further...

- 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.



2023 Workforce Data – key results for the Public Service

Annual as at 30 June

WORKFORCE SIZE

After decline last year, the Public Service has increased in size in 2023

- 63,117**
 - The Public Service workforce increased 4.5% to 63,117 FTE in 2023 (60,381 last year, and 49,730 in 2018)
 - The Public Service is 1.4% smaller than forecast in March 2023. Forecasts had indicated the public service would grow by 6.1% to 64,065 FTE.
 - The largest growth by occupation is in ICT Professionals and Technicians (up 12% to 2,387 FTE) and Information Professionals (up 11% to 9,426).
- 12%**
 - Information professionals, are now 14.9% of the workforce. The share of this group has increased steadily since records began. Some of this growth is to design and support digital services.
- 14.9%**
 - Inspectors and Regulators are the largest group with 17.8% of the workforce. However, their share has been declining since 2017. This has been driven by the IR business transformation and the fall in corrections officer numbers in the last 3 years.
- 17.8%**
 - 6.4% of public servants (excluding contractors and consultants) are employed on a fixed-time basis (7.8% in 2022, 9.7% in 2021). This is the lowest proportion since measurement began in 2000.

Public servant mobility remained high in 2023 but is reduced from last year

- 15.9%**
 - Unplanned turnover was 15.9% (17.3% in 2022, 10.5% in 2021).
- 9.5 days**
 - Average sick/domestic leave taken at highest level since measurement began at 9.5 days (was 8.3 days in 2022)

DIVERSITY

Ethnic representation is slightly improved across the Public Service

- | | |
|----------------------------------|-------------------------------------|
| 16.8% Māori (up 0.1 pp) | 14.5% Asian (up 1.1 pp) |
| 10.7% Pacific (up 0.1 pp) | 63.7% European (down 1.2 pp) |
- The Public Service leads the NZ working-age population in representation for Māori (15.1%) and Pacific (6.7%), but lags for Asian public servants (15.3%)
 - Māori representation at senior leadership level (tiers 1-3) has improved notably
 - **16.0%** Māori (up 1.5 pp)
 - **5.1%** Pacific (unchanged)
 - **3.1%** Asian (up 0.1 pp)
 - **1.0%** MELAA (up 0.2 pp)

PAY

Public Service wages have increased significantly in 2023 driven by implementation of the Public Sector Pay Adjustment

- \$97,200**
 - Average pay up 7.0% to \$97,200 (3.7% in 2022). Private sector up 7.7%
 - The median pay rate increased 7.2% to \$84,800 (3.4% in 2022)
- 9.1%**
 - 9.1% of the Public Service earn less than \$60,000 per annum, down from 16.8% last year, and 38.6% in 2018.
- 10.4%**
 - Pay at lower end increased more than at the top of the distribution (10.4% at 5th percentile, 6.2% at 95th percentile). This is also the case over 5 years (34.9% at 5th percentile, 16.4% at 95th percentile)
 - 36.5% of the Public Service earn above \$100,000, up from 31.3% last year, and 21.5% in 2019.
- 5.4%**
 - Senior leader pay has increased 5.4% (3% in 2022, 1.3% in 2021).
- 13.1%**
 - Using March 2023 contractor spend forecasts we anticipate OPEX spend will be 13.1% of total workforce spend.

The emphasis on paying public servants fairly continues to deliver significant improvements for women, Māori and Pacific workers

- 7.1%**
 - The Public Service gender pay gap is 7.1%. This is the lowest GPG on record (7.7% last year, 12.2% in 2018). The median pay GPG has also decreased, now 5.8% (6.8% in 2022, 5.6% in 2021)

Māori Pay Gap	5.4%	Pacific Pay Gap	16.6%	Asian Pay Gap	13.0%	MELAA Pay Gap	7.2%
6.5% in 2022		17.7% in 2022		12.4% in 2022		7.4% in 2022	
8.3% in 2021		17.9% in 2021		11.6% in 2021		7.2% in 2021	

New recruits are generally younger, more ethnically diverse and more mobile

- The average age in the Public Service is 44.0 years, unchanged for the last 2 years, after peaking at 44.8 years in 2015/16. Public servants under the age of 35 now make up 30.5% of the workforce, compared with 24.9% in 2013.
- Public servants under the age of 35 are more likely to be ethnically Pacific, Asian, or MELAA. 18.5% of public servants under 35 are Asian, and 14.2% are Pacific.
 - Younger workers are slightly less likely to be Māori. 16.6% of public servants under 35 are Māori, compared to 17.0% of public servants over 35.
- Unplanned turnover among public servants under 35 is higher than for other workers, at 23.1% compared to 12.9% for public servants over 35.

Appendix Three

Contractor and Consultant spending and forecasts by agency

(\$ millions)	2022/23 Actuals			2023/24 Forecast		
Organisation Name	2022/23 Operational	2022/23 Capital	2022/23 Total	2023/24 Operational	2023/24 Capital	2023/24 Total
Ministry of Education	\$113.9	\$164.2	\$278.1	\$79.6	\$179.4	\$259.0
Ministry of Social Development	\$101.9	\$31.0	\$132.9	\$118.0	\$31.7	\$149.7
Department of Internal Affairs	\$82.4	\$40.3	\$122.7	\$68.7	\$52.4	\$121.1
Ministry of Business, Innovation and Employment	\$89.8	\$14.6	\$104.4	\$76.6	\$11.3	\$87.8
Ministry for Primary Industries	\$59.0	\$4.9	\$63.9	\$38.3	\$16.9	\$55.2
Department of Corrections	\$44.7	\$17.7	\$62.4	\$31.8	\$15.6	\$47.5
Inland Revenue Department	\$41.7	\$7.0	\$48.7	\$37.4	\$23.2	\$60.6
Ministry of Health	\$46.9	\$0.1	\$47.1	\$19.6	\$0.1	\$19.7
New Zealand Customs Service	\$24.3	\$20.5	\$44.7	\$27.0	\$24.5	\$51.6
Ministry of Justice	\$34.4	\$8.1	\$42.4	\$27.7	\$5.9	\$33.6
Ministry for the Environment	\$37.2	\$0.0	\$37.2	\$39.2	\$0.0	\$39.2
Ministry of Foreign Affairs and Trade	\$33.9	\$2.1	\$36.0	\$33.5	\$0.0	\$33.5
Oranga Tamariki-Ministry for Children	\$28.2	\$7.6	\$35.8	\$25.3	\$7.9	\$33.2
Department of Conservation	\$30.5	\$4.5	\$35.0	\$42.6	\$4.5	\$47.1
Land Information New Zealand	\$9.2	\$20.4	\$29.6	\$8.3	\$18.9	\$27.2
Statistics New Zealand	\$24.2	\$4.1	\$28.3	\$14.1	\$10.5	\$24.6
Ministry of Transport	\$23.6	\$0.0	\$23.6	\$17.2	\$0.0	\$17.2
The Treasury	\$15.4	\$2.3	\$17.7	\$15.2	\$1.3	\$16.5
Ministry of Housing and Urban Development	\$15.0	\$1.9	\$17.0	\$7.1	\$0.8	\$7.9
Ministry of Māori Development-Te Puni Kōkiri	\$10.0	\$0.0	\$10.0	\$5.9	\$0.0	\$5.9
Ministry of Defence	\$4.4	\$4.7	\$9.1	\$3.6	\$4.5	\$8.1
Ministry for Culture and Heritage	\$8.5	\$0.0	\$8.5	\$1.8	\$0.0	\$1.8
Ministry for Disabled People	\$6.8	\$0.0	\$6.8	\$7.3	\$0.0	\$7.3
Public Service Commission	\$4.2	\$0.6	\$4.8	\$3.4	\$0.1	\$3.5
Office for Māori Crown Relations-Te Arawhiti	\$4.1	\$0.0	\$4.1	\$2.7	\$0.0	\$2.7
Crown Law Office	\$3.4	\$0.1	\$3.5	\$3.9	\$0.1	\$4.0

Department of the Prime Minister and Cabinet	\$3.1	\$0.0	\$3.1	\$2.8	\$0.0	\$2.8
Ministry for Pacific Peoples	\$2.9	\$0.0	\$2.9	\$2.5	\$0.0	\$2.5
Education Review Office	\$2.3	\$0.0	\$2.3	\$2.4	\$0.0	\$2.4
National Emergency Management Agency	\$1.7	\$0.0	\$1.7	\$1.5	\$0.0	\$1.5
Ministry for Women	\$0.9	\$0.0	\$0.9	\$0.9	\$0.0	\$0.9
Cancer Control Agency	\$0.9	\$0.0	\$0.9	\$0.3	\$0.0	\$0.3
Ministry for Ethnic Communities	\$0.8	\$0.0	\$0.8	\$0.2	\$0.0	\$0.2
Serious Fraud Office	\$0.8	\$0.0	\$0.8	\$0.5	\$0.0	\$0.5
Social Wellbeing Agency	\$0.5	\$0.0	\$0.5	\$0.1	\$0.0	\$0.1
Independent Children's Monitor	\$0.3	\$0.0	\$0.3	\$0.6	\$0.0	\$0.6
Total Public Service	\$911.9	\$356.5	\$1,268.5	\$767.705	\$409.530	\$1,177.235