

# *Public Services in the Hunter:*

*An Engine of Economic  
and Social Prosperity*

**Fact Sheets Prepared by the Centre for Future Work  
at the Australia Institute**

**November 2022**

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This set of fact sheets was commissioned by Hunter Workers.



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# Highlights

These fact sheets present statistical data documenting the extraordinary benefits derived by communities in the Hunter region thanks to the provision of essential public services: including health care; primary, secondary and tertiary education; social services; services for aged care, child care, and disability supports; policing and emergency responders; public transportation; parks and recreation; administration and infrastructure; and others. Some of the major findings include:

- Four sectors in which public provision is especially important (including health care, education, public administration and safety, and transportation) account for 35% of total Hunter region employment, and 85% of net job growth in the last 5 years.
- State-funded services account for the lion's share of all public sector work: over 80% of public sector jobs are attributable to state services (including health care, education, state government, and transport).
- State-funded services account for almost 30,000 direct full-time equivalent (FTE) positions in the Hunter region, making this the largest single employer in our region. Those services add over \$3 billion per year to regional GDP.
- Combined wages and salaries for state public sector workers total \$2.65 billion per year – constituting an enormous injection of household income and spending power into the regional economy.
- State-funded service agencies in the Hunter (including hospitals and schools) purchase some \$1.3 billion worth of “upstream” inputs, materials, supplies, and services from private businesses in the public sector supply chain.
- Consumer spending by state public service workers in the Hunter (and those in the supply chain) adds \$1.75 billion to the sales of consumer goods and services businesses, most of them located right in this region.
- For every 10 direct jobs in state-funded public services, there are another 5 indirect jobs in upstream supply chain and downstream consumer industries. 45,000 regional jobs depend on continued provision of high-quality state public services.
- Public sector jobs are an especially important source of work and income for women. Women account for 64% of jobs in major Hunter public sector industries. The gender wage gap in public services is much smaller (12% for full-time ordinary earnings) than in the private sector.
- Public service delivery is especially important in regional areas, due to dispersed and older populations; greater distances; and limited alternative employment opportunities. State service jobs (FTEs) make up 11.4% of all employment in the Hunter, 2 percentage points more than in Sydney.
- International evidence indicates that quality of life considerations (including community safety, housing, transportation, and culture and recreation) are increasingly vital in attracting new business investment to a region. This requires continued public fiscal support for top-quality public services.

# Introduction

The COVID pandemic has reminded all Australians of the vital importance of essential services in supporting our families and communities to be safe, healthy, and inclusive. Through all successive stages of this pandemic (still not yet over), public service providers in health care, schools, emergency response agencies, public health departments, aged care and child care centres, and dozens of other service agencies continued performing their duties: despite risks to their own health, understaffing, and unprecedented need. Without the hands-on dedication of those service providers – backed by management, support, and infrastructure workers in the background – our communities could not have survived the pandemic.

While the experience during the pandemic was extreme, the reality is that we rely on public service providers for a foundation of care, support, and protection at all times – good and bad. But we often take these services for granted. Some politicians focus only on how to reduce public sector delivery and wage costs (to pay for politically expedient tax cuts or other gimmicks), and make vague and unjustified complaints about public sector “bureaucrats.” These voices ignore the value generated by public services, visible in so many dimensions of our lives: direct well-being, extra support when we need it, and the economic benefits arising from employment of tens of thousands of skilled and dedicated service providers.

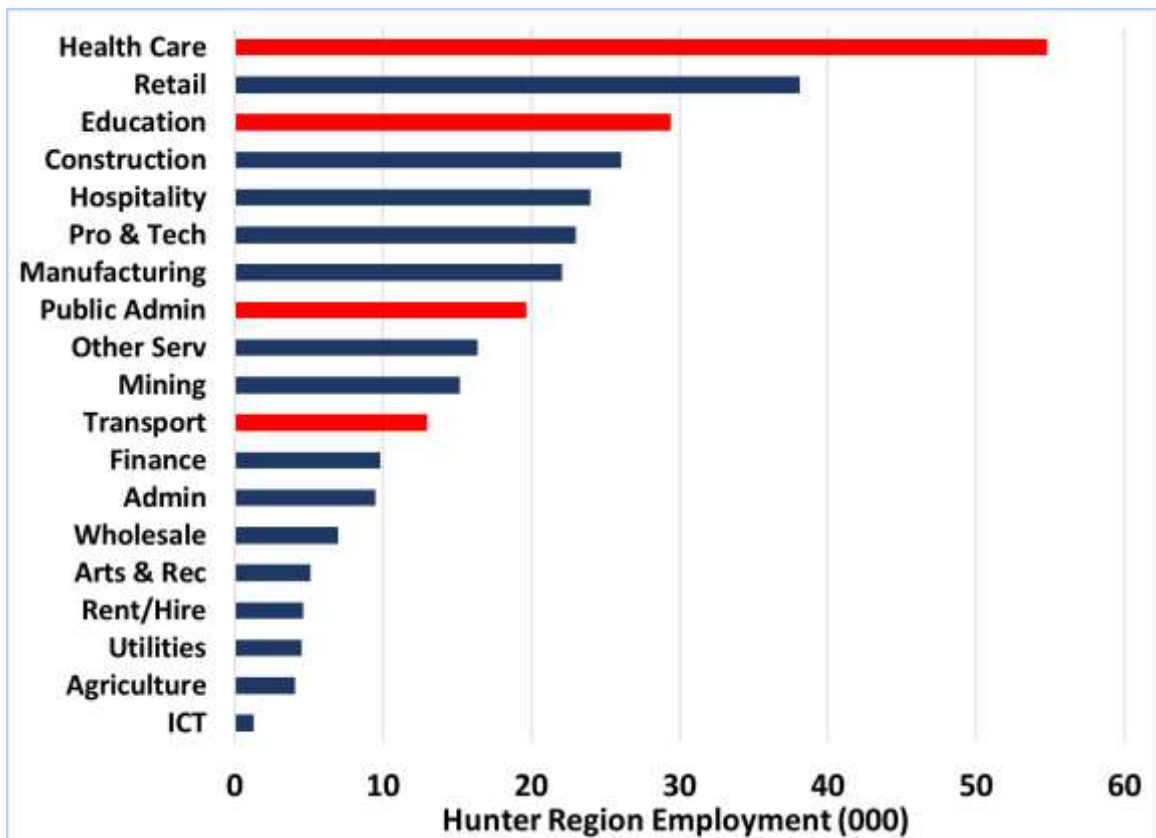
This set of fact sheets compiles statistical data from official sources documenting the extraordinary benefits enjoyed by communities in the Hunter region<sup>1</sup> thanks to the ongoing provision of essential public services: including health care; primary, secondary and tertiary education; social services; services for aged care, child care, and disability supports; policing and emergency responders; public transportation; parks and recreation; administration and infrastructure; and many others. Tens of thousands of Hunter residents work to deliver these services, even in the most challenging of circumstances. Their combined incomes constitute a major fiscal expense, to be sure. But they are also a major economic stimulus to the region. It is one-sided to think of public services only as a “cost item” on a government’s budget. Instead, they constitute important economic drivers in their own right: creating new jobs, stimulating demand for private sector activity (both “upstream” in the public sector’s supply chain, and “downstream” in the myriad of consumer industries that benefit when public sector workers spend their incomes. Public services make a vital contribution to improving social well-being and equality – including by providing opportunities for decent employment to women, and reducing the gender wage gap

between men and women. International experts agree that quality of life indicators (including good health care and schools, community safety and amenities, public transportation infrastructure, cultural and recreation facilities, and more) are increasingly central in being able to attract investment and mobile workforces to a region. All of these quality of life indicators depend directly on strong and consistent support for public service delivery.

The Hunter region has faced, and will continue to face, major economic changes, challenges, and uncertainty. Some of our traditional base industries will experience downsizing and even workplace closures in coming years. In this context, it is more important than ever to appreciate the value of public services in supporting a more diverse, sustainable, and inclusive regional economy. Hunter residents should demand that support from their government: to ensure that essential services be supported to meet our immediate needs, and to maximise the spin-off economic benefits that top-quality public services can support.

# #1: Public Services Boost Employment

Employment by Sector, Hunter Region, 2022

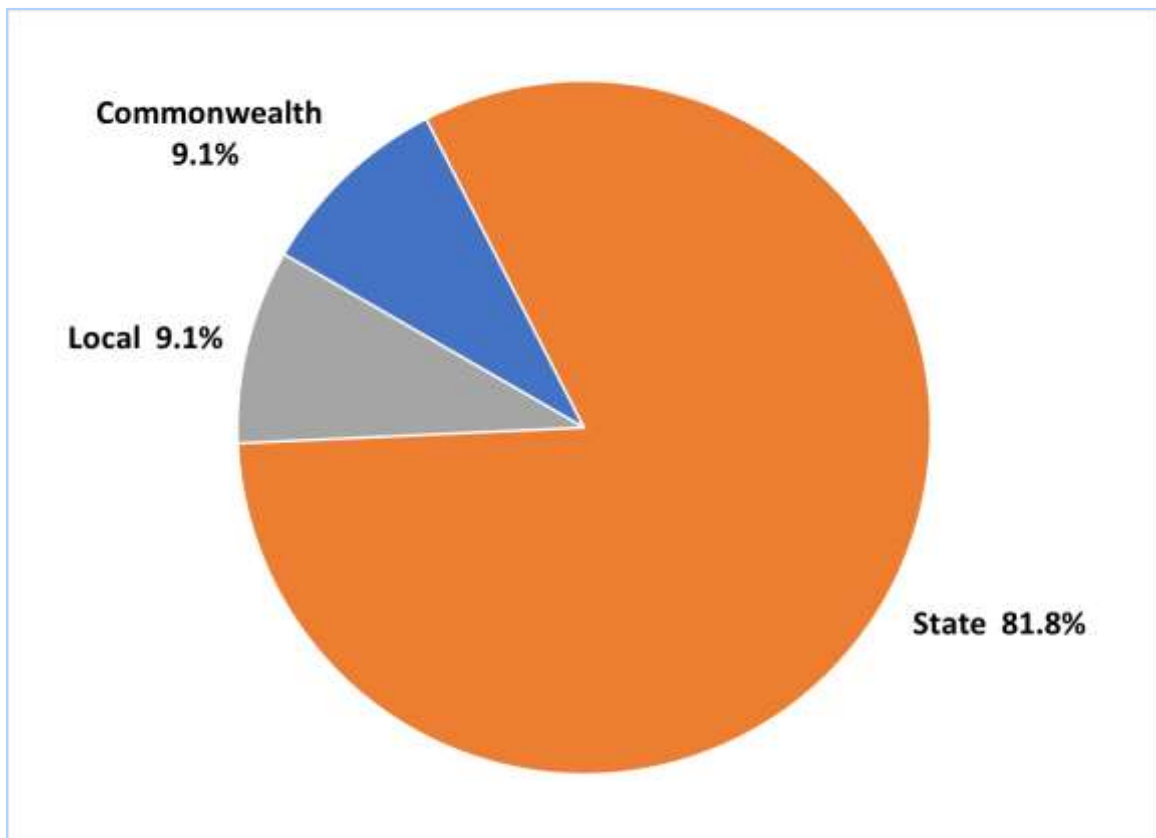


Source: National Skills Commission, Employment Region Industry Profile.

Essential public services constitute some of the Hunter’s most important industries. Four key sectors where public sector provision is particularly important are highlighted above: health care, education, public administration, and transportation. (Not all jobs in those industries are public, due to government outsourcing and privatization, but most public sector jobs are located in those sectors.) Those 4 sectors account for over one-third of employment across the Hunter: over 115,000 jobs in total. What’s more, those sectors have been the dominant source of job growth in the Hunter over the past five years. Total employment in those 4 sectors grew by 15% (or 15,000 jobs) from 2017 to 2022, accounting for 85% of all net new jobs in the Hunter region. Two-thirds of those new jobs were in health care alone. It is clear that essential public services are not just vital to the protection and quality of life for residents of the Hunter. They are also the most important driver of regional job-creation and prosperity.

## #2: State Government Does the Heavy Lifting

NSW Public Sector Employment by Level of Government Funding



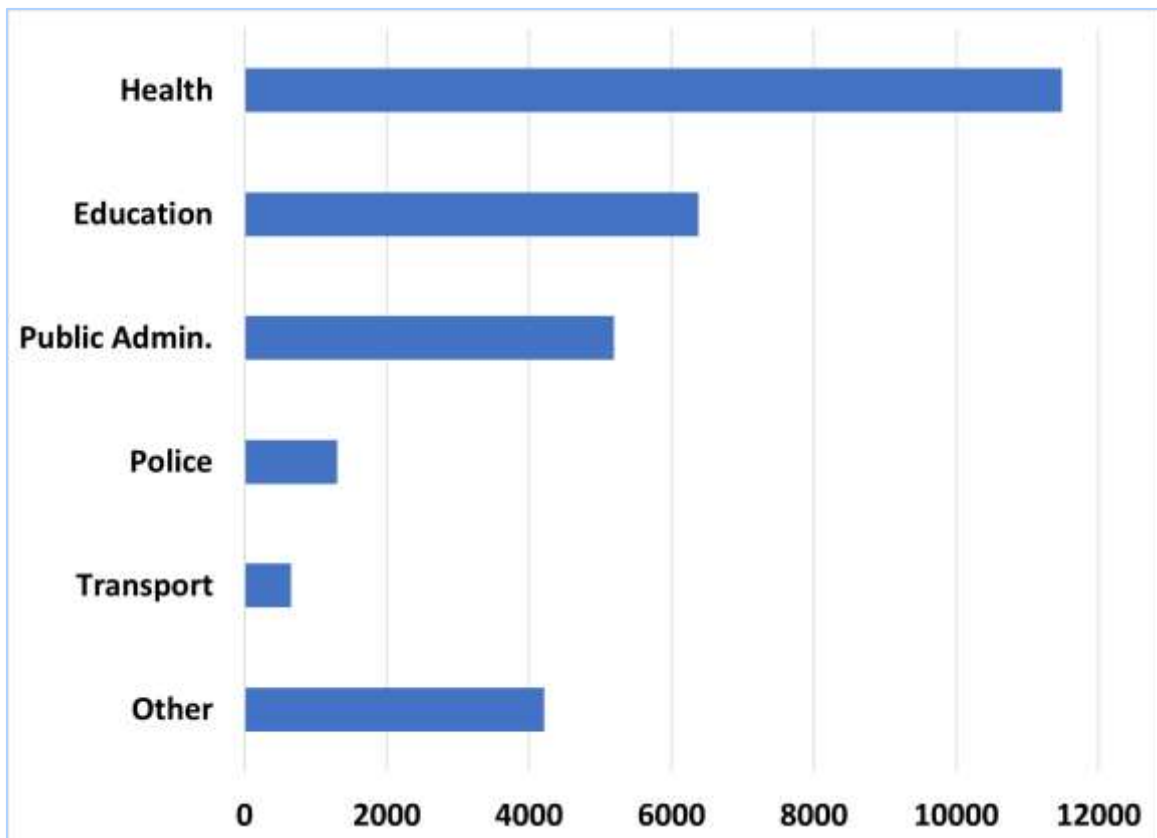
*Source: Calculations from ABS Employment and Earnings, Public Sector.*

Governments at all levels employ qualified staff to provide essential services and protect our communities. But under the division of constitutional powers in Australia, by far the biggest responsibility rests with the states. Over 80% of public sector workers in NSW are employed by the state government and state-funded services (including health, education, police, social services, state government, and transportation). Those state-funded services add over \$3 billion to GDP in the Hunter Region.<sup>2</sup> Thus it is vital that state governments commit firmly and consistently to adequate funding, quality service delivery, and fair employment practices. Decisions by the state government over funding, service levels, and staffing policies dominate the evolution of public services, and determine the resulting economic and social spin-offs. Citizens who care about public services and the role they play in our communities, should care deeply about the choices and policies of the state government.



# #3: The Public Sector Provides Essential Services

State Public Sector Employment by Industry, Hunter Region (FTEs)

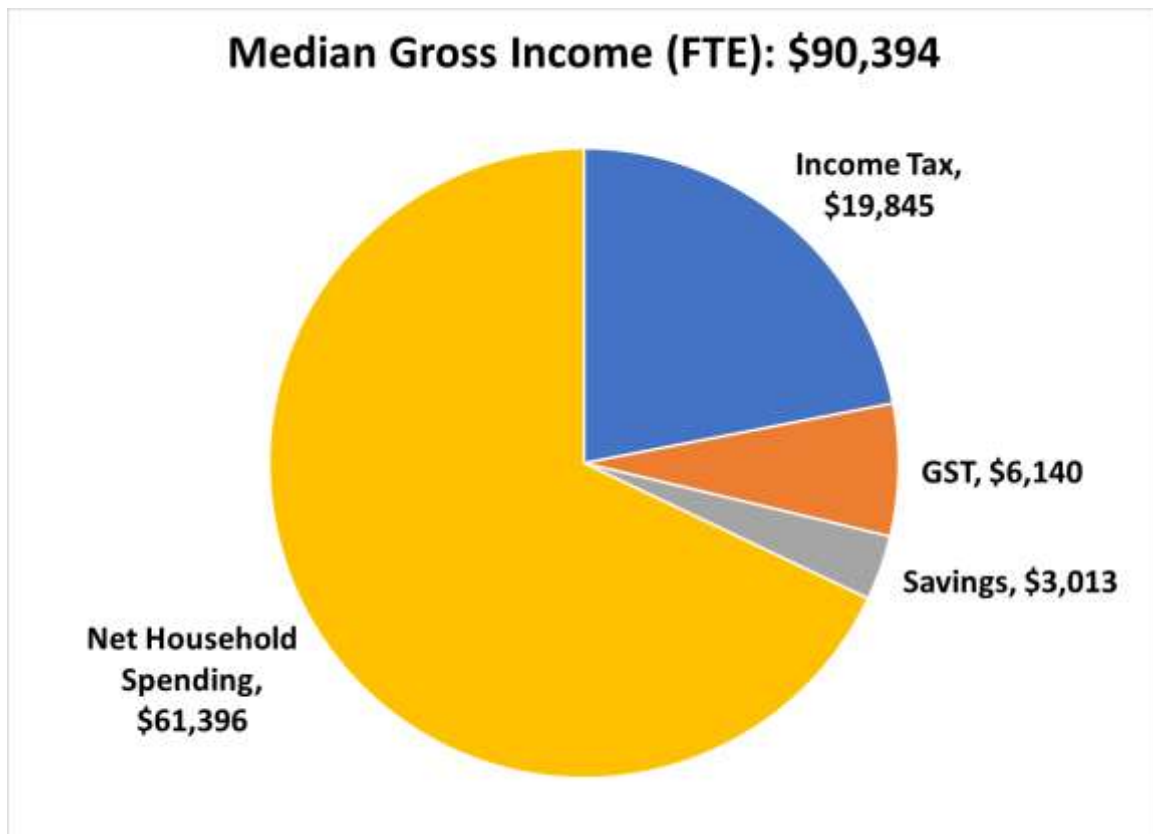


Source: Calculations from NSW Public Service Commission, Workforce Profile Report.

Public sector workers provide a full range of valuable services, that are essential for safe and liveable communities. State-funded public services employed over 29,000 full time equivalent (FTE)<sup>3</sup> staff in the Hunter region in 2021, mostly in direct front-line functions. Almost half (11,500 FTEs) work in health care and related services. The importance of this work during the COVID pandemic was obvious: those workers literally put their lives on the line, working incredible hours in gruelling conditions, to protect the health and well-being of Hunter residents. Another 6000 FTE staff work in state schools, about 5000 in public administration and government (including state parks, child and family services, health and safety inspectors, and more). 1300 FTE staff work in the police service, 650 in transportation, and 3600 more in a wide range of other functions. Life in our communities would quickly become dangerous and intolerable without the dedication and skill of these public servants.

## #4: Public Services Generate Incomes, Taxes, and Spending

### Incomes, Spending, and Taxes of Hunter State Public Sector Workers

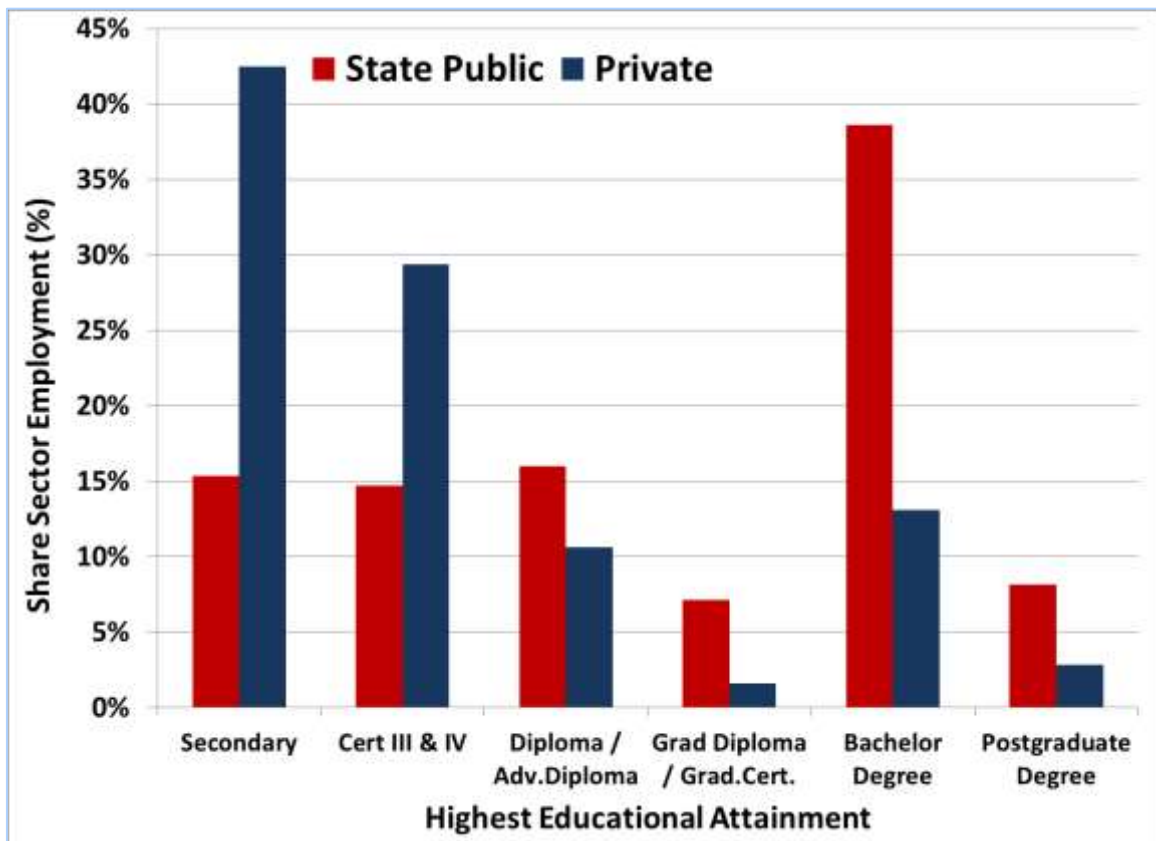


*Source: Calculations from NSW Public Service Commission and ABS (see notes).*

Tens of thousands of workers provide essential public services in the Hunter region, and their earnings strengthen the entire regional economy. Median earnings for full-time workers in state-funded public services in the Hunter region are about \$90,000 per year. The combined wages and salaries paid to Hunter public sector workers amounts to an enormous injection of income, spending power, and prosperity for the regional economy. State public sector workers (in health, education, police, transportation, state government, and other roles) earn a total of \$2.65 billion in compensation per year. And remember, close to one-third of that total (about \$900 million per year) returns to the coffers of state and federal governments through income taxes, GST, and other tax payments by public sector workers. Most of the rest is ultimately received by local businesses and services in the form of household spending by employed public service workers: worth some \$1.75 billion per year.

# #5: Public Services Employ Highly-Trained Workers

Qualifications of State Public Sector Workers in Regional NSW

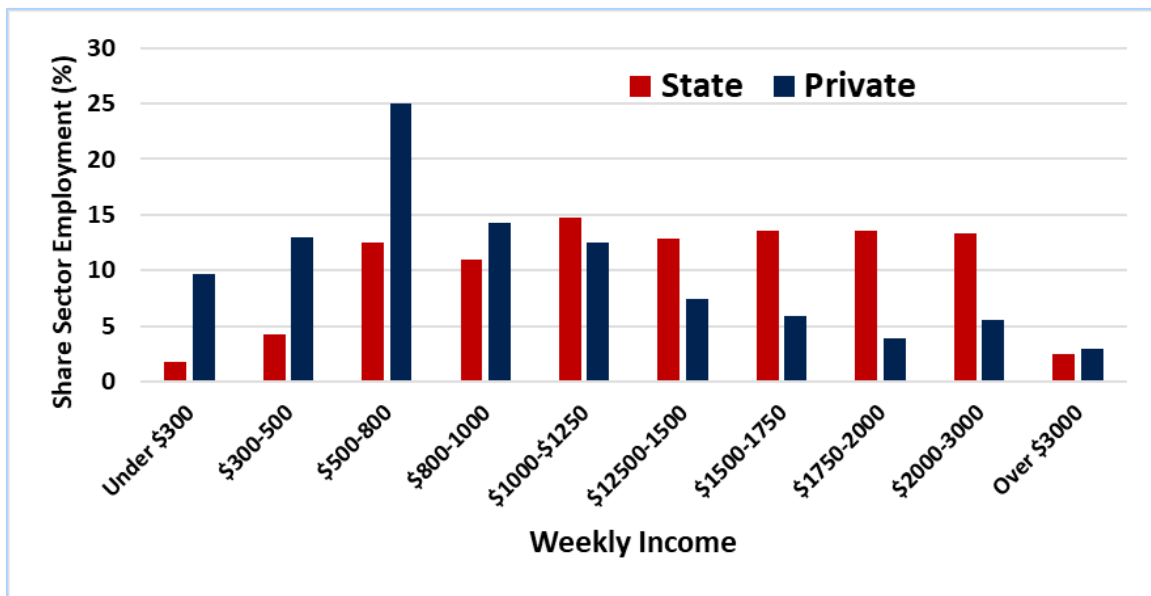


Source: Calculations from ABS 2016 Census, Table Builder.

Workers providing public services have higher average qualifications than those in the private sector. This reflects the intensive skills requirements of public service provision: including in health care, teaching, safety and policing, social services, and management and administration roles. The educational advantage of public sector workforce is especially apparent in regional NSW. In the private sector, workers with high qualifications usually must move to Sydney to find jobs that use their skills. In regional communities, however, public service agencies are a key source of employment for highly educated workers. In regional NSW, over 45% of state public sector workers hold a bachelor's or postgraduate degree, compared to 15% in the private sector. The maintenance and expansion of public services in regional communities like the Hunter, is thus a vital source of career opportunities – and this encourages young graduates to stay in their home regions, rather than joining the mass migration to Sydney.

# #6: Public Services Support Decent Jobs

Employment by Income Category in Regional NSW

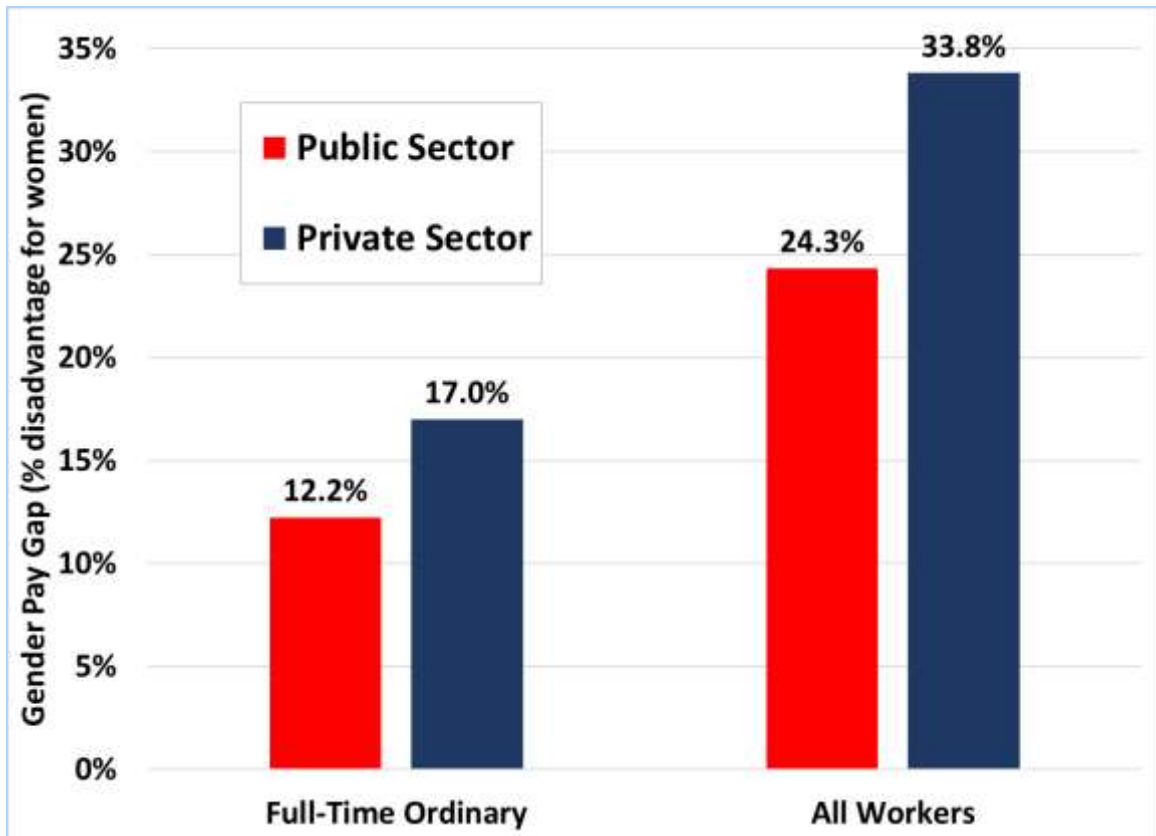


Source: Calculations from ABS, 2016 Census, Table Builder.

Thanks to the high qualifications and greater job stability in public sector roles, the provision of public services supports a greater number of decent middle-income jobs. More consistent hours, more permanency (rather than casual or temporary arrangements), and greater protection from negotiated enterprise agreements all help more public sector workers reach a comfortable standard of living. Unfortunately, actions by the state government to suppress wages, outsource services, and expand insecure employment practices are undermining that progress. Over 60% of state public sector workers in regional communities in NSW earn between \$1000 and \$3000 per week – compared to about 35% of workers in the private sector. The public sector workforce has less “extremes,” both low-wage and high-wage. For example, over 60% of private sector jobs in regional NSW pay less than \$1000 per week – more than twice the share (around 30%) for state public sector positions. The result is a larger group of middle-income earners. Without a strong public sector, the polarization of incomes between a small number of very high-income earners and a growing majority of lower-income households would become much worse. When more workers have decent, stable jobs, Australia benefits from stronger families, stronger communities, and a better democracy.

# #7: Public Services Provide Quality Jobs for Women

Gender Pay Gap by Sector, 2022

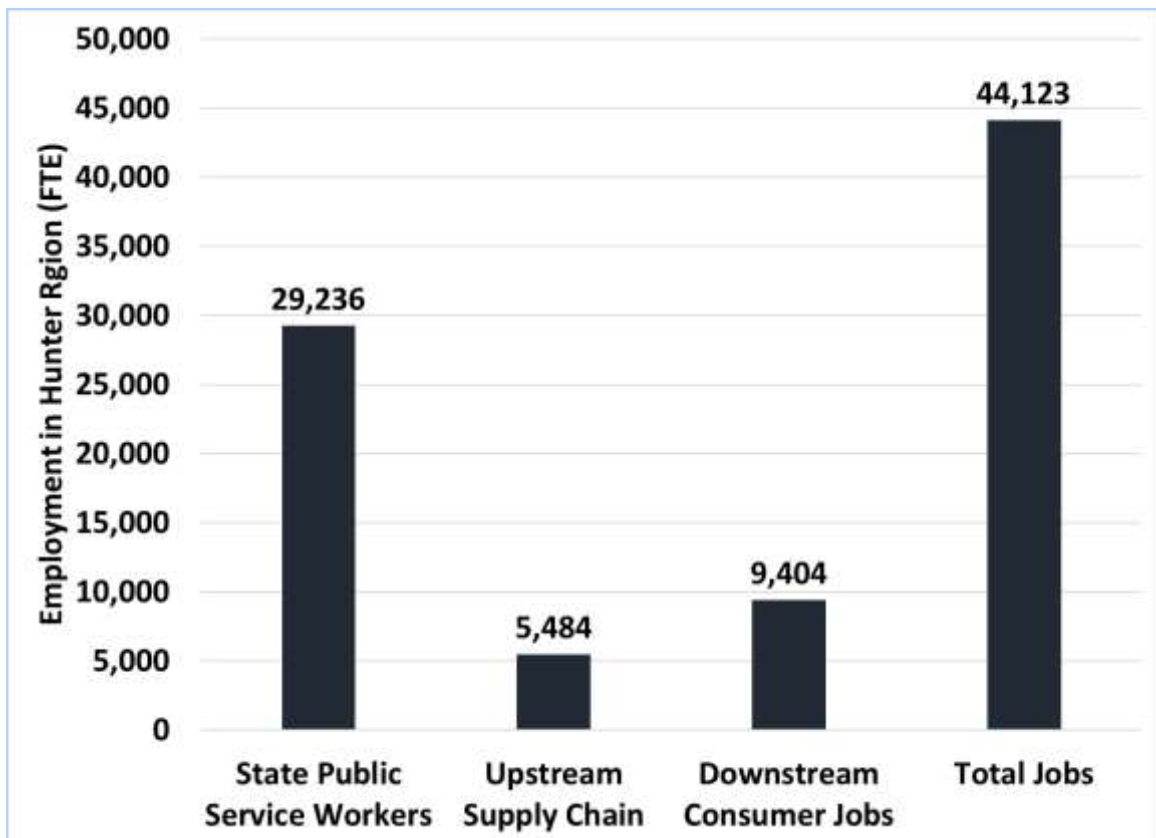


Source: Calculations from ABS, Average Weekly Wages.

Women in the Hunter region continue to face barriers and discrimination in the labour market, including a large wage gap compared to average earnings for men. Public sector jobs are one area where gender inequality is being partially addressed. Women in the public sector have more access to senior positions, are much more likely to work full-time, and are paid closer to what men earn. For full-time workers, women in the public sector still earn 12% less than men, smaller than the gap of 17% in the private sector. For all workers (including part-time staff), the gender pay gap is 24% in the public sector, versus 34% in the private sector. Average earnings for full-time women are 20% higher in the public sector than the private sector. And counting all job types (including part-timers), the public sector pays women 45% more – largely because they have much more opportunity for full-time work than in the private sector. Sustaining and expanding public sector employment is vital to women’s economic well-being.

## #8: Public Services Generate Large Economic Spin-Offs

Direct and Indirect Jobs from Hunter Region State Services

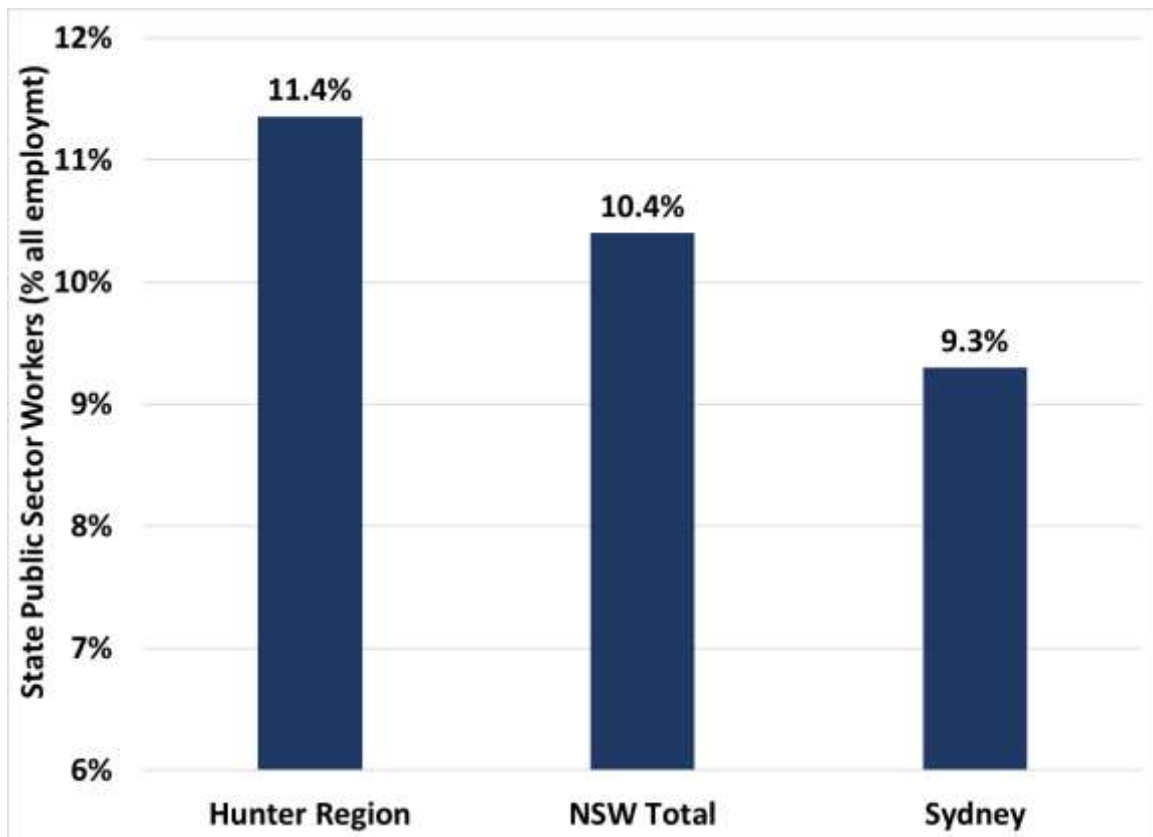


Source: Calculations from various ABS sources (see notes).

Public service delivery in the Hunter also supports substantial activity and employment in the private sector, through two distinct channels. First, “upstream” benefits arise from purchases of inputs, materials, and services by hospitals, schools, and other public service providers from their respective supply chains. Second, “downstream” benefits are generated when public sector workers (and those employed in the supply chain) spend their incomes on the full range of consumer goods and services they need. State-funded services in the Hunter region purchase about \$1.3 billion per year in inputs from upstream suppliers.<sup>4</sup> Then, public sector workers (and those in the public service supply chain) spend another \$1.5 billion in downstream spending. All told, public service delivery in the Hunter supports \$6 billion in annual economic activity, and 44,000 direct and indirect jobs. In total, every 10 direct state service jobs in the Hunter support another 5 jobs in the private sector.

## #9: Public Services are Vital in Regional NSW

State Public Sector Employment as Share Total Employment



Source: Calculations from NSW Public Service Commission, Workforce Profile Report.

Public service delivery is essential for any successful economy and labour market. But public services are especially important in regional communities. The regions have greater proportionate needs for many public services: including forest and fire protection; aged care (since regional populations are older on average); and services tailored for remote and indigenous communities. Moreover, service delivery can be more difficult amidst smaller, dispersed populations and over greater distances. Finally, regional labour markets have fewer high-quality private sector job opportunities – meaning that the decent, stable jobs in public services are more important to local prosperity. State-funded public sector jobs make up 11.4% of total employment in the Hunter region. That is two full percentage points more than in Greater Sydney. Hunter residents thus have a particularly important stake in making sure the state government commits to maintaining and expanding public services.

# #10: Public Services Improve Quality of Life and Attract Investment

Quality of Life Factors Affecting Investment Decisions	Industries for Which Quality of Life Appeal is Most Important
Housing, Schools, Recreation and Culture, Health Care, Cost of Living, Transportation Access, Crime and Safety, Climate	Life Sciences, Technology, Aerospace, Finance, Higher Education, Health Research, Professional Services

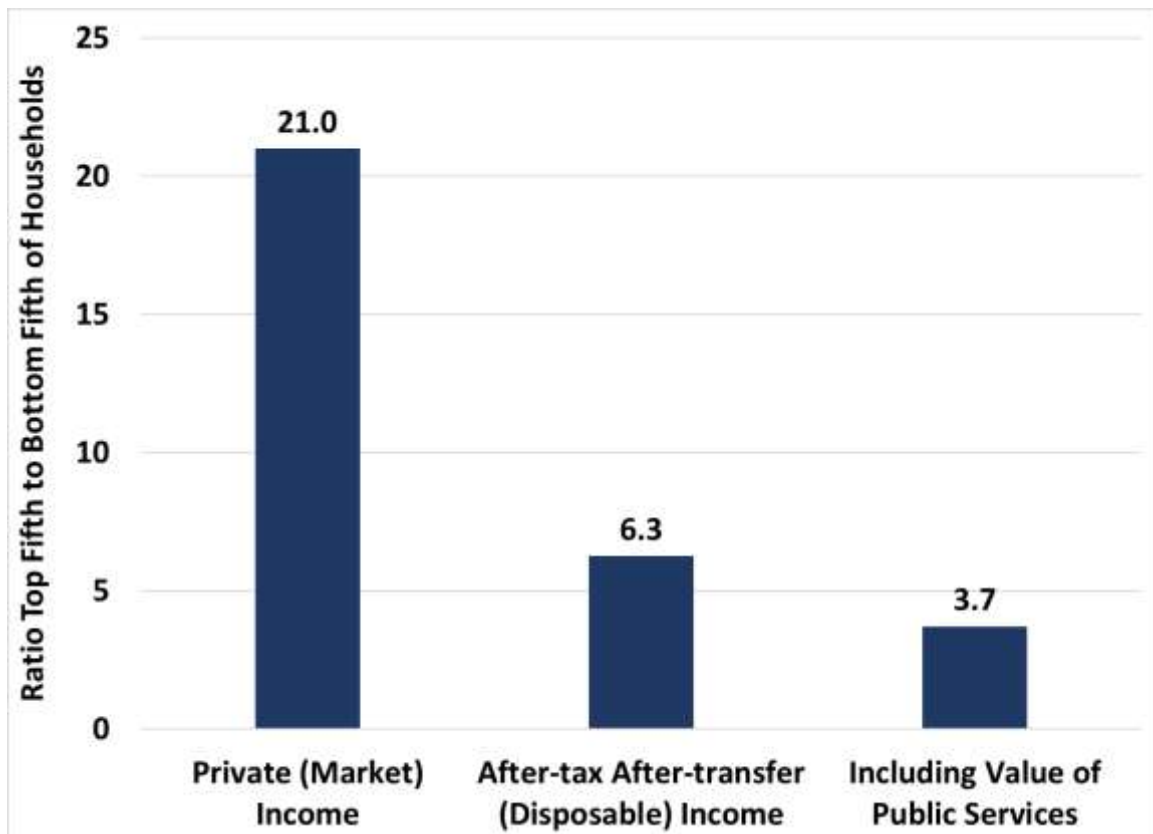
*Source: Investment Monitor.*

The Hunter region faces significant economic challenges in coming years, resulting from a combination of structural change (as some traditional industries experience downsizing or plant closures, while new industries grow), demographic transitions (an ageing population combined with migration by many younger people to major cities), and technological and environmental challenges. In confronting these issues, the Hunter has many advantages:<sup>5</sup> it is Australia’s largest regional economy, with a critical mass of population (750,000 people), key resources and infrastructure (including a major port and other transportation connections), and a high quality of life (including natural beauty, recreation opportunities, and less expensive housing than in major cities). Another critical advantage in marketing the Hunter as a site for incoming investment is its strong network of public services: including first-rate educational, health, and cultural facilities and services. International research confirms that quality of life considerations (including high-quality health care and education, community safety and inclusion, public transportation, and recreation and culture) have become essential criteria in attracting investment in mobile, high-tech industries. The Hunter region has the potential to excel on all those grounds – but only if governments make sufficient and consistent investments in providing these services.



# #11: Public Services Create a More Equal Society

**Inequality Before and After Taxes, Transfers, and Public Services**

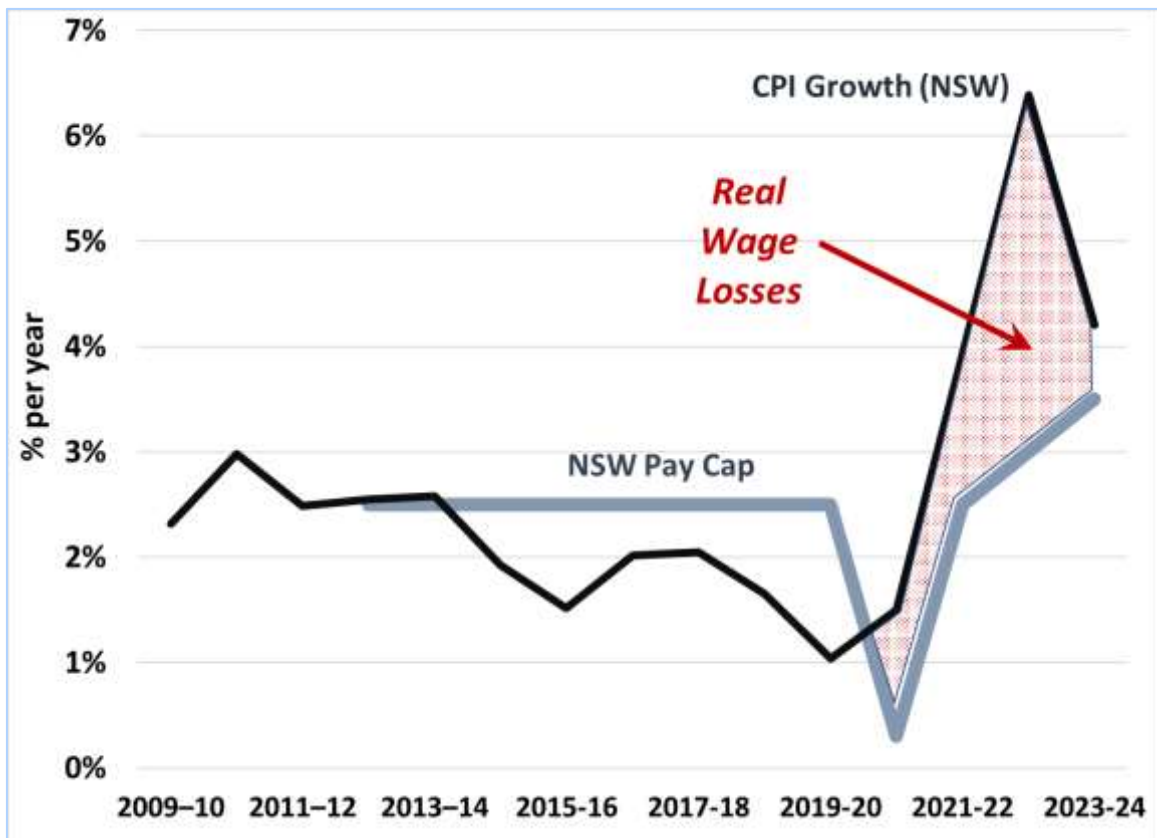


*Source: Calculations from ABS National Income Accounts and Household Income and Wealth.*

Essential public services (paid by our taxes) help to equalise income and well-being in Australian society. Because of the growing gap between rich and poor in the private sector, inequality in market incomes has grown steadily. Our tax system helps to reduce that gap: both by collecting a higher share of taxes from high-income households, and then paying out income supports (like Age Pension, Job Seeker, and other transfers) to those who need it. That reduces the ratio of income inequality between the richest 20% of households and the poorest from 21-to-1 in market incomes, to 6-to-1 in after-tax disposable incomes. But public services then reduce the gap further, to around 4-to-1. That's because those services, even though used by everyone, lift the total living standards of poorer households by a larger proportionate amount. Preserving quality public services (and a strong tax base to support them) is thus essential to maintaining any semblance of a fair go in Australian society.

# #12: Needless Austerity and Pay Caps Threaten Public Services

**Inflation and Wage Gains for NSW State Public Sector Workers**



*Source: Calculations from ABS, Consumer Price Index and RBA forecasts.*

Despite the essential nature of the services provided by public sector workers, and the important economic benefits generated by the jobs, incomes, and supply chain purchases of public sector agencies, the NSW state government has adopted very restrictive funding policies for many years. This has undermined these benefits, and are degrading the quality and stability of public sector jobs. For a decade the state government has arbitrarily capped annual pay rises for public service workers: at 2.5% for several years, even less in the pandemic. Combined with the recent surge in inflation, this is producing a rapid decline in real (after-inflation) wages for these workers. Real wages will have fallen over 6% by the end of the next fiscal year. A typical state public worker is now losing \$16,700 per year as a result of a decade of wage caps. Those losses will grow in coming years, and are harming the ability of public agencies to attract qualified staff and continue providing these essential services.

# Conclusion

When a major private sector industry (like a manufacturing sector, a technology company, a major bank, or a mining operation) expands over time, the business headlines pay tribute to the new opportunity and prosperity that result. The same is true of the expansion over time of essential public service industries like health care, education, public transportation, community services, and more. These services are not just a “cost item” on a government budget. They are sources of work, value-added, income, and tax revenue as important and valid as any private sector undertaking. Even more, since these sectors are premised on directly serving the public interest, the economic and social benefits are all the more apparent. And the continued health of public services is, in turn, a vital source of support and opportunity for the private sector: which benefits from new business and job-creation, both “upstream” through public sector supply and procurement, and “downstream” thanks to the consumer spending power of employed public sector workers. Most important of all, without consistent and high-quality public services, the safety, quality, and sustainability of life in our communities would inevitably degrade over time. That would chase away needed investment and job-creation by private businesses. More troubling, it would directly damage the quality and fairness of our communities.

Public services make a vital, wide-ranging contribution to the well-being of the entire regional economy in the Hunter. Our families, communities, and businesses depend vitally on well-funded, supported public services, and on the dedicated, highly-trained staff who deliver them. Understanding the economic and social value of public services, and demanding that our governments seize the full potential of that value (especially the state government, whose funding and policy decisions dominate the evolution of public services), will help build a stronger Hunter in the future.

# Data Sources

Australian Bureau of Statistics, Various Series:

- Employment and Earnings, Public Sector, Australia
- Australian National Accounts: National Income, Expenditure and Product
- Australian National Accounts: Input-Output Tables
- Australian Industry
- Average Weekly Earnings, Australia
- Labour Force, Australia, Detailed
- Household Income and Wealth, Australia
- National, State and Territory Population

Caon, Viola (2021), "Why quality of life matters more than ever as an FDI driver," *Investment Monitor*, 10 February, <https://www.investmentmonitor.ai/comment/why-quality-of-life-matters-more-than-ever-as-an-fdi-driver>.

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NSW Public Service Commission (2021), *Workforce Profile Report* (Sydney: State of NSW), [https://www.psc.nsw.gov.au/sites/default/files/2021-12/15772\\_NSW%20PSC\\_Workforce%20Profile%20Report%202021\\_DIGITAL\\_accessible\\_0.pdf](https://www.psc.nsw.gov.au/sites/default/files/2021-12/15772_NSW%20PSC_Workforce%20Profile%20Report%202021_DIGITAL_accessible_0.pdf).

RDA Hunter (2022), *Hunter Investment Prospectus* (Newcastle: Hunter Business Review), <http://www.hbrmag.com.au/assets/2022-Hunter-Investment-Prospectus-Online.pdf>.

# Notes

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<sup>1</sup> In the statistical summaries provided below, the Hunter region includes the Newcastle, Lake Macquarie, Cessnock, Maitland, Port Stephens, Singleton, Muswellbrook, Upper Hunter, Dungog, and Mid Coast LGAs (for ABS and Census data sources); and the Hunter Valley, Newcastle, and Lake Macquarie Work Areas (for NSW statistical publications).

<sup>2</sup> Estimate based on Australia-wide ratio of labour compensation of public service workers to GDP in a composite public service sector derived from ABS Australian National Accounts: Input-Output Tables.

<sup>3</sup> On a headcount basis, about 35,000 Hunter residents are employed in state-funded public services.

<sup>4</sup> Estimates in this section based on supply chain coefficients for a composite public service sector (including health and social services, education, and public administration and safety), calculated from ABS Input-Output Accounts. Indirect employment effects based on average employment coefficients derived from industry sector accounts published in ABS Australian National Accounts: Input-Output Tables. Downstream benefit estimates assume final consumption expenditure by state public sector workers equal to xx% of gross pre-tax income, on assumption of average tax payments and consumption propensity equivalent to average for NSW households in 2020-21, reported by ABS State Accounts.

<sup>5</sup> See RDA Hunter's *Hunter Investment Prospectus* for a detailed catalogue of the region's economic and social assets.