



Workforce Insights

Industry insights brought
to you by Local Government
Management Solutions.

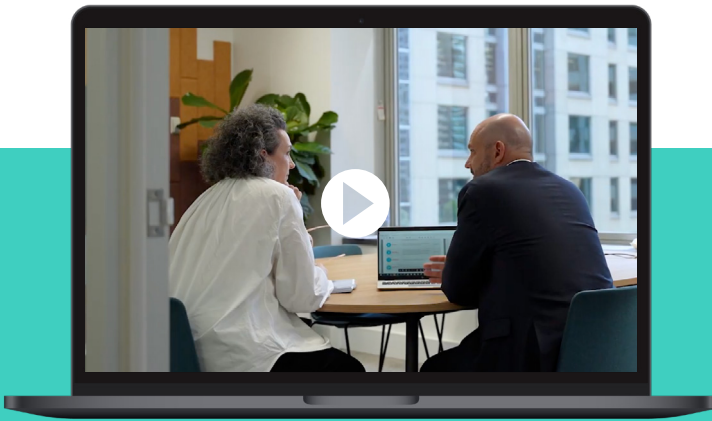
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What's Inside

This report combines insights from our annual LGNSW HR Metrics survey and industry research on workforce trends. The data and insights in this report will help councils gain an understanding of their talent landscape and prepare for the opportunities and challenges the future holds.

LGNSW wishes to thank all the councils that contributed to our survey and all the consulting thought leaders whose research data informed our analysis and helped shape our perspectives.



Our LGMS team has an extensive background in local government with a proven track record of delivering results that have enhanced councils' organisational cultures and service delivery.

About Local Government Management Solutions

LGMS was established in 1993 to provide a range of recruitment and performance review services for councils. Our highly experienced team are local government specialists with a strong track record of delivering results for councils.

Our range of services includes delivering a range of human resource services on a fee-for-service basis such as:

- Executive and specialist recruitment;
- Senior executive performance reviews;
- Organisational and structural reviews;
- Staff engagement and leadership surveys;
- Comparative NSW council data on remuneration, HR metrics and finance, and
- Position description development, fully aligned with the Local Government Capability Framework.

LGMS understands the local government sector and the challenges it faces. Our team:

- Works holistically, supporting our clients through to the conclusion of the project;
- Are local government specialists working exclusively for local government organisations;
- Have consistently been the market share leaders for executive recruitment in NSW;
- Has a strong and well-established network of potential applicants;

- Provides expert advice in the best interest of councils, which includes consideration of legislative and regulatory compliance issues that councils may face;
- Draws on an extensive partner and stakeholder networks, including LGNSW's Workforce and Legal and Learning and Development teams, and
- Enjoys a successful track record of longevity of past appointments, with a very high percentage completing the five-year term of their contracts.

LGMS works closely with councils' mayors, councillors, GMs and other executive staff every day, guaranteeing a comprehensive awareness of the pressures councils face and how this translates into decision-making on the ground.

High respect for the LGMS brand is reflected in our superior market share and success recruiting GMs and senior staff in NSW.

By utilising LGMS for your recruitment needs, you can be assured that your investment will be returned to the local government sector, benefiting all councils across NSW.

For more information please email lgms@lgnsw.org.au or contact one of the team directly

Christian Morris
 Manager, Management Solutions
 P 02 9242 4160
 E christian.morris@lgnsw.org.au

Claudia Nossa Cortes
 Senior Consultant
 P 02 9242 4051
 E nossacortes@lgnsw.org.au

Anantha Dinavahi
 Senior Consultant
 P 02 9242 4025
 E anantha.dinavahi@lgnsw.org.au

Emily King
 HR Consultant
 P 02 9242 4018
 E emily.king@lgnsw.org.au

Contents

People trends in local government 2022-23	5
Incremental growth in workforce size	5
Marginal increase in salaries and overall employee costs	5
Stabilisation of turnover trends	5
Increase in new starter turnover	5
Improvements in workforce productivity	6
Increases in L&D spend	6
Increase in influx of early talent	6
Modest increases in workforce diversity	6
HR team efficiency improvements	6
Insights from external research	7
Economic outlook	7
Business transformation through emerging tech	7
Population growth	7
Hiring	8
Talent attraction	8
Flexible and remote working	8
Workforce rationalisation	8
Workforce turnover	8
Workforce diversity in public sector in NSW	9
Career development	9
L&D investments	9
AI's impact on workforce	9
Employee wellbeing	10
Workforce trends and imperatives of the future	11
Offering new benefits to enhance EVP	11
Adopting GenAI, but with caution	11
Accelerating investments on data and digital literacy	11
Preparing for new roles	11
Increasing focus on micro-credentials and micro-skills	11
Staying prepared for rapidly expanding contingent workforces	11
Increasing salary transparency	11
Accepting that resistance to return-to-office will continue	11
Building learning organisations	12
Sharpening the focus on soft skills and ethics	12

People Trends in Local Government 2022-23

This section provides an overview of how councils in New South Wales compare on various HR metrics. It is based on data from 70 councils that completed the LGNSW 2022-2023 HR Metrics Survey, which equates to a participation rate of 53%.

2022-23 can best be described as a year of stabilisation – a year where councils experienced their operating environment and workforce gradually returning to pre-Covid patterns. It was also a year of an impressive performance by rural councils, where they surpassed their urban and regional counterparts not only in financial performance, but also on people efficiencies.

Here are the key themes that emerge from the HR metrics data we collected from our annual surveys and other sources:

Incremental growth in workforce size

After the double-digit growth we witnessed in 2021-22, we now see a marginal increase in workforce demand. The median number of approved positions and FTE numbers has decreased by 12% and 0.5% respectively, while median headcount has increased by 10%. Casual and labour hire staff continue to account for 12-13% of the overall headcount.

Workforce demand was higher in rural councils, where the median number of approved positions and headcount increased by about 12-13% each.

Marginal increase in salaries and overall employee costs

Median salary and wage costs have increased by 5% across the industry. Total employee costs have increased by less than 4%.

Labour costs have accounted for only 32% of total operating expenditure of councils, as compared to the 34% contribution we witnessed in 2021-22.

While urban councils have experienced an 11% increase in employee costs, rural councils have had only a 3% increase (despite having a higher increase in headcount). This is an indicator of the significant effort councils have taken to manage costs while attracting new talent and retaining existing talent.

Stabilisation of turnover trends

After the 6 percentage-point spike we experienced in turnover after the pandemic, the total turnover rate has now stabilised at 18% (a similar stabilisation trend has been observed in other industries).

Vacancy rates have also remained stable at 11%. Turnover and vacancy rates of the past two years have probably been the key contributors to the 1 percentage-point increase we observed in overtime hours % (contribution to overall working hours of the workforce).

It must be highlighted here that rural councils have been able to bring their turnover down from 21% to 18%, and their vacancy rates from 11% to 8%.

We continue to lose 1.3-1.5% of talent due to retirement and involuntary exits (a trend that has not changed much in the past 10 years).

Increase in new starter turnover

Across all categories of councils, we have observed an increase in turnover of new starters – the median turnover has increased from 11% to 15%.

This is a trend that leaders and people and culture teams need to pay close attention to, especially given the fact that more than 98% of these exits were voluntary. Councils need to strengthen their hiring and onboarding efforts to ensure they set the right expectations (performance, rewards, operating context, working conditions, etc.) with potential recruits.



Improvements in workforce productivity

After the unprecedented increases we saw in unscheduled leave days, number of lost time incidents, and total hours of lost time in 2021-22 (primarily due to the pandemic, vaccine mandates, and natural disasters), the data is now trending downwards, which is a positive sign.

Here is what we have observed:

- 5% decrease in the average number of unscheduled leave days per FTE
- A 17% decrease in lost time severity average (average number of hours lost per lost time incident)
- A 24% decrease in median total hours of lost time

Increases in L&D spend

Average investment per FTE increased from ~\$700 in 2020-21 to ~\$840 in 2022-23, a 20% increase. The median percentage of workforce receiving study assistance has increased from 2% to 3%, another encouraging trend.

These positive trends indicate how councils are slowly returning to pre-pandemic ways of working. It would help for councils to continue to make meaningful investments on professional development of staff members, especially in today's rapidly evolving operating environment.

Increase in influx of early talent

Councils have increased their investments on early talent programs, and this has resulted in a ~1 percentage-point increase in the percentage of workforce that is aged less than 25 years.

It would help for councils to continuously expand this pool, so they are able to leverage benefits such as:

- Access to new ideas and perspectives
- Higher levels of digital fluency
- Higher levels of learning agility
- Lower impact on wage costs
- Strengthening of future talent pipeline

Modest increases in workforce diversity

The ongoing efforts of councils have contributed to these modest improvements in talent diversity:

- 0.05 percentage-point increase in Aboriginal and Torres Strait Islander representation

- ~1 percentage-point increase in female talent
- 0.2 percentage-point increase in staff with a disability

HR team efficiency improvements

2022-23 has been another year of solid performance from people and culture teams across councils in NSW. Average recruitment timelines remain at <55 days (research indicates the average in other industries is 82 days).

Offer acceptance rates have improved by 3 percentage points; on an average, we now have 96% of offers getting accepted by candidates.

In summary, the year 2022-23 was another year that leadership, people and culture teams, and all council workforces need to be proud of. Despite the continuing pressures of operating in a highly competitive talent market, budget restrictions, complexities of the industrial relations landscape, and the looming impact of an ageing workforce, the teams have delivered another year of impressive operational and financial performance, the benefits of which are already being reinvested in the community.



Insights from External Research

The following datapoints provide a snapshot of workforce trends across industries in the past couple of years:

Economic outlook

There are mixed sentiments on the future of the global and Australian economy. There is consensus, however, on the impact of inflation on business growth:

-  The outlook for growth in the Australian economy is modest at best. Excluding the pandemic period, the expected economic growth of 1.3% in the 2024 calendar year would be the weakest since the early 1990s recession [RMIT's Training Environment and Economic Outlook report]
-  37% of CEOs believe that economic growth will happen; an equal number believe that the market is going to decline [PwC's 27th Annual Global CEO Survey, 2024]
-  Over the next decade, economic growth is expected to average just 2.1% per year. If realised, it would represent the slowest rate of growth across any 10-year period since the World War II [RMIT's Training Environment and Economic Outlook report]
-  Cost of living pressures continue to dominate, with the Consumer Price Index rising by 5.4% in the 12 months to September 2023, and unemployment trending upwards. [RMIT's Training Environment and Economic Outlook report]
-  52% of respondents believe that "Inflation, currency, and capital concerns" will influence their three-year plans [Mercer's Global Talent Trends Report, 2024]
-  In 2024, inflation and uncertainty about the Australian economy will continue to put pressure on CEOs to make tough decisions balancing their short and long-term priorities. [PwC's 27th Annual Global CEO Survey, 2024]

Business transformation through emerging tech

Digital acceleration is believed to be another key factor that would force leaders to rethink and reinvent their business and operating models. Australia has found to be a little slower in acceptance and adoption of emerging technologies:

-  Top performing companies are six times more likely to have increased investment in whole-of-business transformation by greater than 30% over the past three years. [PwC's 27th Annual Global CEO Survey, 2024]
-  CEOs in Australia generally have high expectations of revenue growth in the next three years, mostly from existing products and services. Fewer companies in Australia are making more than 20% of sales from newer products and services. [PwC's 27th Annual Global CEO Survey, 2024]
-  Most CEOs (85%) surveyed in Australia believe their company would still exist 10 years from now - even if they don't make changes to their business model. By contrast, 45% of global CEOs think their companies will not be viable in a decade from now if they continue on their current path. Data indicates that CEOs in Australia are not moving fast enough to adjust their business [PwC's 27th Annual Global CEO Survey, 2024]
-  One recent survey found Australian businesses are lagging in AI deployment, ranking 13th of 14 leading economies in 202. [ACS and Deloitte's Australia's Digital Pulse 2023 report]

Population growth

Population expansion and concentration in certain regions will impose immense pressure on rapid development of housing, transportation, and other utilities:

-  NSW population is set to grow from 8.1 (2021) to 10.5 million in the next 25 years. Migration will continue to be a key contributor to this growth [Informed Decisions' population forecast for NSW]
-  Greater Sydney will account for 71-74% of population growth, with double-digit increases expected to happen in North West Sydney, City and Southern Sydney, South West Sydney, and Parramatta regions [Informed Decisions' population forecast for NSW]
-  Hunter-Central Coast region (Maitland, Cessnock) will experience the highest growth (>330k in the next 25 years) in regional NSW [Informed Decisions' population forecast for NSW]




Hiring

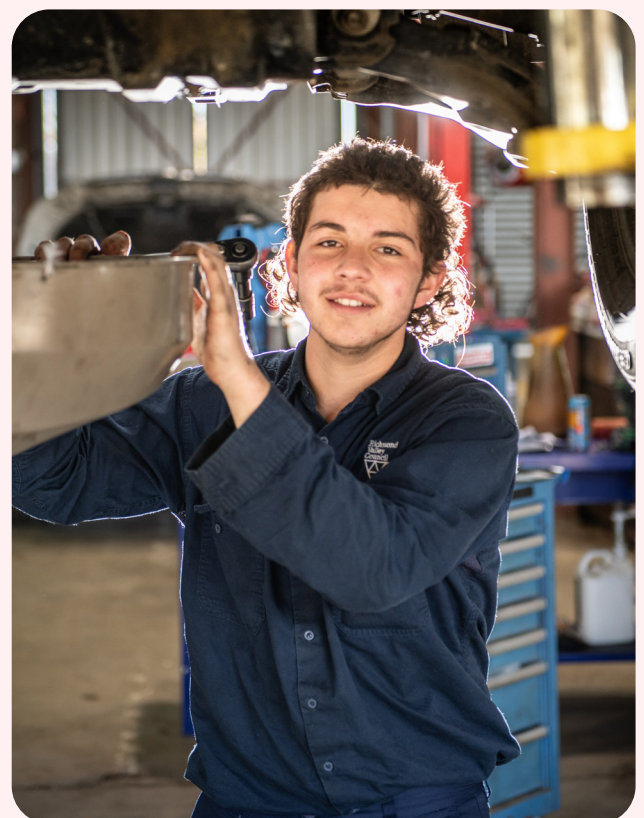
Hiring rates have stabilised now after the spikes we saw in the past couple of years. However, what is interesting is that there is a growth in the job application rates of candidates:

-  There was a 25% decline in hiring activity between August 2022 and August 2023 in Australia [Global and Regional Talent Trends Reports, LinkedIn]
-  Hiring activity has declined in general, however, there has been a 16% increase in the rate at which candidates have been applying to jobs [Global and Regional Talent Trends Reports, LinkedIn]

Talent attraction

Companies are rethinking their advertising strategies to meet the priorities of tomorrow's workforce:

-  64% of candidates are likely to apply to a job if the posting includes salary information. 44% of candidates decided not to apply to a job in the past year because the posting did not include salary information [Gartner HR Survey]
-  Employers on an average are willing to pay: 10% more for leadership and business skills; 9% more for industry or job specific skills; 8% more for data and digital skills. However, experts feel that the industry needs to invest more on data and digital skills to be future-ready [RMIT's Training Environment and Economic Outlook report]
-  LinkedIn job posts that mention artificial intelligence or generative AI have recorded 17% greater application growth over the past two years than job posts with no such mentions. In Australia, we've seen a 1.1 times increase in job posts mentioning generative AI over the past two years and 1.9 times increase in applications. [Global and Regional Talent Trends Reports, LinkedIn]



Flexible and remote working

Four-day workweeks are gaining more popularity as a component of EVP. The resistance to return-to-office mandates continues:

- 63% of candidates rated “four-day workweek” as the top future of work offering that would attract them to a job [Gartner HR Survey]
- Research has found that in-office requirements do not have a statistically significant impact on employee performance, positively or negatively [Gartner Research]
- Intent-to-stay among average employees was 8% lower with strict return-to-office mandates. Among high-performing employees, their intent to stay was 16% lower with these RTO mandates, double the rate of average employees. Among millennials and women, the intent to stay was 10% and 11% lower [Gartner HR Survey]

Workforce rationalisation

Despite the growing sentiment that AI will replace humans in many jobs, workforce retrenchment is not an immediate priority for most of the industries (besides IT) and their leaders:

- 29% of 800 employers surveyed have indicated plans of having redundancies, impacting about 16% of their workforce [RMIT's Training Environment and Economic Outlook report]
- Only one-in-five survey respondents said they would reduce their workforce, as compared to 25% in 2022. [Mercer's Global Talent Trends Report, 2024]

Workforce turnover

Turnover rates have started to stabilise, but talent attrition continues to be a challenge across industries – organisations are having to grapple with productivity losses, increases in recruitment and training costs, and rapid loss of rich industry knowledge:






- 9.1% of employed people in New South Wales have changed jobs between Feb 2022 and Feb 2023 [Australian Bureau of Statistics, Job Mobility Report]
- In Australia, these were the four top reasons for people leaving their jobs: 1.) To get a better job or just wanted a change (32%) 2.) Other reasons (13%) 3.) Poor work arrangements, pay or hours (12.5%) and 4.) Family reasons (9%) [Australian Bureau of Statistics, Job Mobility Report]
- Turnover in public sector was at 11.5% in 2023 (as compared to 13.4% in 2022) [Australian Bureau of Statistics, Job Mobility Report]
- Employers that recently recruited to replace labourers, community and personal workers, machine operators, and drivers experienced medium-to-high rates of replacement [Jobs and Skills Australia's Recruitment Experiences and Outlook Survey]
- Close to a third (31%) of survey respondents reported they were offering higher wages and/ or other incentives to retain their staff, 20% were implementing flexible working arrangements, while 14% were upskilling their existing staff through further training programs or initiatives. [Jobs and Skills Australia's Recruitment Experiences and Outlook Survey]



Workforce diversity in public sector in NSW



[Workforce Profile Report 2023, NSW Public Service Commission]:

Minor changes were observed in the representation of different diverse groups in the NSW public sector workforce in 2023:

-  Women represent 66.5% of employees and 45.1% of senior leadership positions
-  Aboriginal and Torres Strait Islander people represent 3.9% of the workforce
-  2.6% of the workforce are people with a disability
-  20% of the workforce have English as a second language
-  Median age is 43 years





Career development

Despite their best intentions, organisations are not meeting employee expectations on career development:

-  Only 46% of employees feel supported trying to grow their careers at their organization [Gartner HR survey]
-  When employees feel supported by their organization to grow their careers, their likelihood of being a high performer increases by up to 39 percentage points, their willingness to stay at the organization increases by up to 19 percentage points, and their engagement increases by up to 61 percentage points. [Gartner research]
-  Compared to a year ago, most respondents of the Workforce Confidence Index study have shown they are less confident in their prospects to progress their careers. In Australia, respondents have shown a 8 percentage point decline in confidence in their prospects to progress their careers. [Global and Regional Talent Trends Reports, LinkedIn]

L&D investments

After having to streamline L&D budgets because of the pandemic, leaders have now begun to increase their L&D spend. However, industry experts believe we are not doing enough:

-  L&D budgets are expected to increase by 15% in 2024 (~\$1500 per employee) in 2024 [RMIT's Training Environment and Economic Outlook report]
-  Four out of five skills employers said they lacked were digital, including generative AI, or machine learning, data science, coding, and cyber security [RMIT's Training Environment and Economic Outlook report]
-  For every dollar that is cut from L&D budgets, businesses lose skills that are valued at \$3.40 [Deloitte's Access Economics study]
-  Projections show 1.8 million new tech skills will be needed by 2030, an increase of 1.3 million on today's levels. These are skills identified in areas such as scripting languages and software development principles. [ACS and Deloitte's Australia's Digital Pulse 2023 report]



AI's impact on workforce

Industries have now accepted the prevalence and impact of AI and are slowly adopting their ways of working to embrace AI technologies:

- 11.2 million number, or 95% of Australian workers will need some reskilling because new tech (AI, robotics, advanced data analytics, virtual worlds, additive manufacturing and advanced communications) will affect at least 20% of their work time [ACS and Deloitte's Australia's Digital Pulse 2023 report]
- \$135 billion annual investment is expected in critical emerging tech in Australia by 2030 [ACS and Deloitte's Australia's Digital Pulse 2023 report]
- Generative AI will play a role in 70% of text- and data-heavy tasks by 2025, up from less than 10% in 2023 [Gartner Research]
- The adoption of AI is expected to sharply accelerate the timeline for automation, potentially automating up to 29.5% of work hours in the U.S. economy by 2030, compared to 21.5% without AI. The report suggests this change is not limited to manual or routine tasks - but extends to areas requiring creativity, expertise, and interaction with people. [McKinsey's Generative AI and the future of work in America report]

Employee wellbeing

The WHS efforts of organisations have brought some improvement to the fatality rates over the years. However, mental health issues are gaining prevalence, and increasing productivity losses:

- In the absence of work-related injuries and illnesses on an average, each year, Australia's work economy would be \$28.6 billion larger; 185,500 additional full-time equivalent jobs would be created, and workers across all occupations and skill levels would benefit from an average wage rise of 1.3% [Safe Work Australia]
- Fatality rate in Public Administration and Safety in 2022 was 1.2 workers per 100,000 workers [Safe Work Australia]
- Work-related mental health conditions are rising, with time off work in these cases more than four times longer than for other injuries. [Safe Work Australia]



Workforce Trends and Imperatives of The Future

Councils could benefit from early adoption of, or proactive acceptance of, these future-of-work trends:

Offering new benefits to enhance EVP

Organisations now have an increasing need to support their employees by offering new types of benefits such as:

- Housing subsidies to support return-to-office mandates
- Caregiver benefits such as onsite or shared drop-in childcare, pet care, and even elder care support
- More financial awareness and well-being programs including student loan repayments

Adopting GenAI, but with caution

Experts recommend immediate but incremental experimentation – exploring an initial set of use cases, and once they have been tried and tested to meet governance and accuracy standards, applying those tools in other areas of work.

Accelerating investments on data and digital literacy

Breakthrough technologies like Generative AI and advancements in quantum computing have immense potential to streamline processes, optimise decision-making, and fuel innovation. However, unlocking their full potential requires a workforce equipped with the technical know-how to harness these emerging technologies.

Preparing for new roles

The emergence of new technologies is going to create the need for new roles/skills such as AI ethicists, AI personality designers, algorithm bias auditors, etc.

Increasing focus on micro-credentials and micro-skills

Hiring and professional development strategies should now be built around micro-skills (small, specific skills) and micro-credentials (certifications or badges), as opposed to focusing solely on conventional qualifications. Major companies, including Google, Delta Airlines, Accenture, and Zoho, have already removed many of their degree requirements from job postings to attract qualified talent without arbitrarily limiting themselves. 45% of HR leaders surveyed by Mercer have indicated that rewarding skill acquisition has been the No.1 approach to address skills gaps.

Staying prepared for rapidly expanding contingent workforces

Increase in numbers of retirees, caregivers, and career switchers are contributing to the surge in the gig economy and non-traditional work models. Organisations are increasingly leveraging online platforms to connect with freelance workers to meet short and medium-term project/skill requirements.

Increasing salary transparency

Communication of salary ranges within and outside organisations is no longer a best practice, it is gradually evolving into a norm.

Accepting that resistance to return-to-office will continue

Employees continue to remain reluctant to return to office full time because of continuing concerns on commuting costs, health and safety risks, crowded workspaces, and work-life balance challenges. Organisations will thus have to continue exploring flexible solutions that benefit employers and employees.

Building learning organisations

Organisations will be in a constant catch-up mode with rapidly evolving technologies. This will require organisations to have a collaborative culture, a shared commitment to learning, willingness to experiment and take calculated risks with technologies.

Sharpening the focus on soft skills and ethics

Organisations will also need to continuously invest in strengthening soft skills of their leaders (human-centric and inclusive leadership, emotional intelligence), managers (conflict resolution, leading cross-cultural and remote teams, managing millennials and Gen Zs) and employees (resilience, critical thinking, collaboration).

Ethics-driven design, decision-making, and execution will become all the more critical given the context of geopolitical conflicts, scrutiny on environmental impact, data privacy concerns of pervasive technologies, and the growing intolerance to bias and discrimination.



Conclusion

The workforce trends highlighted in this report present opportunities and challenges that leadership and people and culture teams in councils need to proactively prepare for. By embracing these trends and investing in workforce development initiatives, councils can foster a more agile, future-ready workforce capable of delivering exceptional services to their communities.



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Contact Us

LOCAL GOVERNMENT NSW

GPO Box 7003 Sydney NSW 2001

Level 8, 28 Margaret Street Sydney NSW 2000

T 02 9242 4000

LGMS@LGNSW.ORG.AU

lgnsw.org.au