



## **Band A Labour Market A Future Scenario**

### **Introduction**

The labour market for Band A school and preschool leaders is shaped by changes to economic, social and policy contexts and conditions.

Historical data on the operations of the Band A market is important; however, it is insufficient on which to base policy decisions. An assessment of how economic, social, policy and demographic contexts will shape future behaviour in the labour market is required to develop a complete picture. This assessment requires exploration of existing drivers and trends that will shape the behaviour of the people who participate in the market.

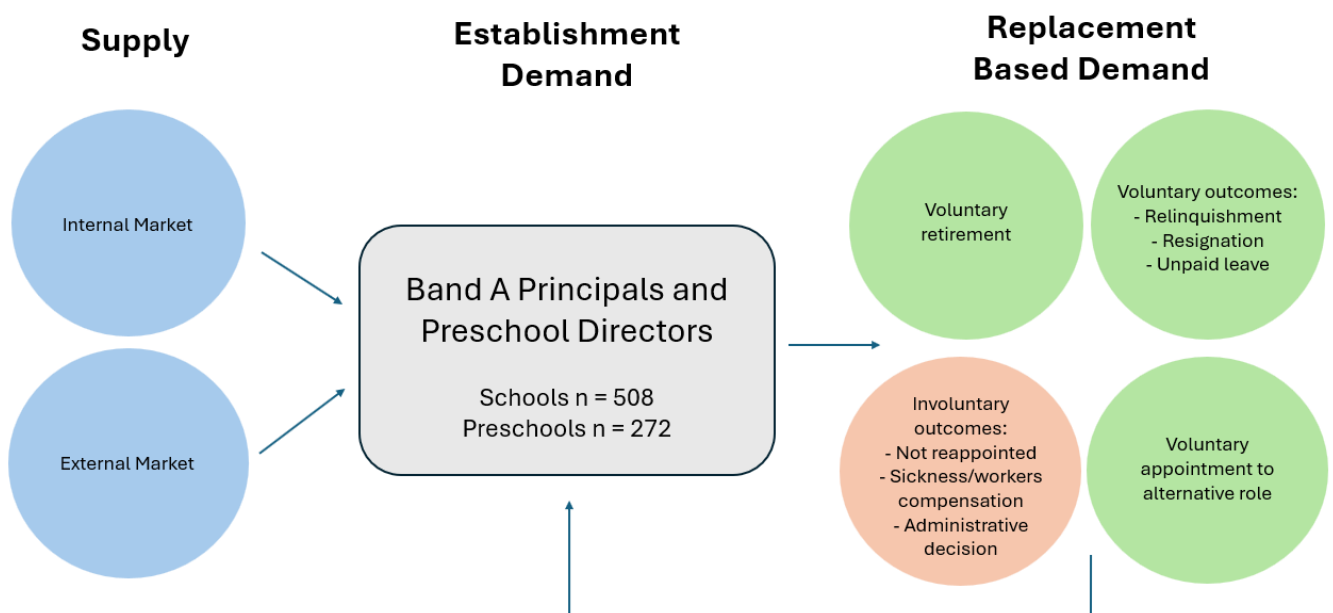
The development of a future scenario of the functioning of the Band A labour market is a valuable tool to assess future risks and weigh up countervailing policy options.

Comment is made on the relevance of changing labour market conditions to the current work on Band A permanency at the conclusion of this paper.

### **The structure and operations of the Band A labour market**

A diagram that describes the operation of the Band A labour market is below:

## **Band A Labour Market**



The diagram includes three interacting elements that define the Band A labour market.

1. **Establishment demand:** A Band A role is required for each established school and preschool. The total establishment demand is determined by the number of schools and preschools operating.
2. **Exit based new demand:** Any exit from an establishment position creates a vacancy. Exit may be through three avenues:
  - Voluntary (retirement, relinquishment, resignation, appointment to a new non-principal role, appointment to an alternative principal role, longer term leave).
  - Involuntary (not reappointed/reselected, incapacity/workers compensation).
  - Subject to administrative authorities (transfer/removed from role).
3. **Candidate supply:** The minimum standard for entry into a school leaders' role is full teachers' registration and general requirements specified in the position description. All positions are open to applicants internal to DfE and external candidates who meet minimum requirements.

## **Assessment of the current labour market**

### **1. Establishment Demand**

#### Schools

The number of schools show relative decline from 602 in 2007 to 508 in 2022<sup>1</sup>.

A total of 563 people are employed on a Principal contract. Within this group, four are part-time employees<sup>2</sup>.

The decline in the number of schools is attributable to three factors:

- The amalgamation of primary and junior primary schools.
- A focussed program for the closure of small schools.
- Consolidations through the development of new schools under the Education Works Program.

In the medium term, this trend is likely to stabilise and the balancing effect of population growth and new schools already in the planning phase may see some increase in new schools.

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<sup>1</sup> The figures quoted is the number of schools identified in the Mercer evaluation. The DfE Workforce Profile identifies 563 persons as of June 2023. The discrepancy in the numbers is likely due to people on leave, secondment, suspension etc. The 2007 data is derived from Attachment 1 of the Joint Associations Paper on Classification and Remuneration 2023 and the 2022 figure is derived from DfE Workforce Profile 2023. Both figures will include non-active Principals and hence there will be some variance with the number of schools. These figures can be adjusted when accurate data is available.

<sup>2</sup> DfE Workforce Profile 2023.

## Preschools

The number of preschools is 272<sup>3</sup>. Within the 292 Preschool Directors employed, 89 are part time<sup>4</sup>. The early years are a key focus area for government reform including the initiative of three year olds to preschool. This strategy is in its formative stage and there is no reliable evidence to suggest a rationalisation of standalone preschools in the foreseeable future.

## **2. Exit Based New Demand**

The total demand for Band A leaders is fixed by the number of schools and preschools. New demand is primarily determined by the exit rate from established positions.

Current departmental data is<sup>5</sup>:

1. 2023 separations and unpaid leave<sup>6</sup>
  - PSD: separation 4.8% - unpaid leave 2.1% = 6.9%
  - Principals: separation 4.6% - unpaid leave 1.8% = 5.4%
  
2. Age profile
  - Principals 21.7% are 60 or over, 36.5% are 50-60. The percentage in the 10 year indicative retirement window is 58.2%<sup>7</sup>
  - PSDs: 13.7% are 60 or over, 31% are 50-60. The percentage in the 10 year indicative retirement window is 44.7%

## Forecasting exit rates

The forecasting model is based on the Band A labour market diagram on page one. Estimates are provided for the four defined areas of exit-based replacement demand.

Explanatory notes:

- Includes all Band A Principals and Preschool Directors (PSDs). Supplementary information on PSDs is provided in the narrative and footnotes.
- Estimates on exits are based on a per annum figure over a five year horizon. Within the ambit of this estimate, rates of exit will vary from year to year.
- The population of the whole class is 780 establishment positions. One percent therefore equals 7.8 FTE.

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<sup>3</sup> Number of preschools derived from Mercer data. The DfE Workforce Profile 2023 indicates 292 PSDs.

<sup>4</sup> DfE Workforce Profile 2023. Nearly all part time PSD roles are not elective but defined by site hours.

<sup>5</sup> DfE Workforce Profile 2023.

<sup>6</sup> Separations relate to end of employment and would exclude alternative employment gained, long term leave and workers compensation.

<sup>7</sup> The 10 year retirement window for the purposes of this scenario is all positions currently 60 and over and 50% of the positions in the 50-60 age bracket.

### Retirement: Estimated exit range 4-6%

Factors that will influence retirement decisions:

- **Financial security:** In the research carried out by the University of Adelaide on *Career Intentions of DECS Teaching Staff Aged 45+ 2010 (AISR Survey)*<sup>8</sup>, financial security was the single most important factor influencing retirement decisions. As a result of increases in statutory superannuation contributions and greater awareness of options for maximising superannuation savings, higher confidence in capacity to retire could be expected. The dwindling number of people holding defined benefit superannuation means that market volatility may play a more significant role in future retirement decisions.
- **Retire from Band A role but stay in the workforce:** The wide variety of options for post-retirement employment is providing greater flexibility for people to stay in employment after retiring and accessing superannuation benefits. This is a relatively recent phenomena and there is a high probability that this will be an important retirement consideration in the future.
- **Work related factors:** Based on the AISR Survey, the next single most important factor influencing retirement decisions were “stress” and “feeling my work was valued”. Current research information suggests that work intensification is placing higher levels of stress on Band A roles and this will have a continuing influence on voluntary decisions (retirement and relinquishment) and involuntary decisions (sickness and workers compensation)<sup>9</sup>. A counterpoint to this research is recent higher wellbeing scores are being achieved by school principals relative to school teachers and Band B leaders<sup>10</sup>.
- **Personal and family:** Anecdotal evidence suggests that personal interests and the opportunities for increased leisure, together with family interests and commitments are important factors in decision making.

It is probable that decisions for retirement will be influenced by more than one of the factors described above. Some retirement decisions will be clearly planned while other decisions may be shaped by circumstances as they arise.

The average age for principal retirement across the period 2010-2023 was 65. In the more recent period of 2019 to 2023, the average retirement age was 60<sup>11</sup>. The more recent data suggests that people are making earlier retirement decisions. This will be an important area of behaviour to monitor as it has significant impact on the timing of exit based demand.

### Voluntary relinquishment/resignation/long term leave: Estimated exit range 1-2%

This covers people making their own decisions to resign or relinquish a role. In some instances, leave provisions are used where there may be uncertainty on a final decision.

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<sup>8</sup> Australian Institute for Social Research, Career Intentions Survey of DECS Teaching Staff Aged 45+, Ann-Loise Hordacre, John Spoehr, Kate Barnett & Eric Parnis.

<sup>9</sup>The Principal Occupational Health, Safety and Wellbeing Survey 2022 Data, Australia Catholic University Institute for Positive Psychology & Education.

<sup>10</sup> My Wellbeing July 2024.

<sup>11</sup> Internal Department Paper Band A Tenure Arrangements – Formative Policy Thinking.

Relinquishment is more common in PSD roles where the incentive to return to a teaching role at the AST-2 salary level rather than continue in a Band A-1 PSD is high<sup>12</sup>. Recent evidence from SASSLA casework indicates that there were four to five cases of Principals relinquishing a Band A role each year. Data is not available for non SASSLA members. The most cited reason for people voluntarily leaving their roles has been workload and stress related reasons<sup>13</sup>.

The number of people leaving for roles outside of DfE or moving interstate is not known. Based on general population characteristics, there is likely to be a small number each year.

Appointment to a new role outside of the Band A structure: Estimated exit range 1-1.25%

Band A leaders provide the pool for appointment to Education Director and other corporate roles established under s121 of the Education Act. The age profile in the s121 profile suggests high rates of retirement will feature over the next five years.

Involuntary exit: Estimated range 1.5-2%

Involuntary exit can occur for three main reasons:

- **Failure to be reappointed/reselected for a job:** this occurs in situations where a management decision is made to not reappoint a person to a role and the person fails to win the position back through a merit selection process. There is no published data on the rate on non-reappointments and the resultant behaviour of the employees in the role. Some anecdotal information suggests that persons will opt for retirement (in circumstances where this option is reasonably available) rather than stay in the workforce.
- **Sickness/workers compensation:** this includes persons who are incapacitated for continuing work. This can be short term but in higher age brackets, higher exit rates can be expected. Interstate data suggests higher rates of work-related injury is occurring in school leadership roles relative to teaching roles<sup>14</sup>.
- **Administrative decision:** this is where a person is reassigned or terminated from a role. These can occur from time to time but has limited statistical relevance in the operation of the functioning of the Band A labour market.

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<sup>12</sup> There is no definitive numbers available but examples of PSDs who have relinquished their roles are common.

<sup>13</sup> SASSLA Paper, Country School Visits Observation 2022 - A tale of four Principals country tour p. 5.

<sup>14</sup> Victorian Auditor Generals Health and Wellbeing Audit June 2023 Figure A p. 16.

## Summary

The estimated aggregated range for all Band A positions are:

- Low - 7.5% = 58.5 positions
- Median - 9.4% = 73 positions
- High - 11.25% = 88 positions

For the purpose of this study, the median exit rate of 9.4% will be applied. The reliability of these estimates would be considerably improved with a disciplined regime of data collection and survey information on voluntary exit intentions and involuntary exits.

There will likely be some differential outcomes of PSDs who have a lower population in the retirement window.

External events that impact on financial security, post-employment options and work satisfaction may be volatile over the next ten years and effect exit decisions.

### 3. Candidate Supply

#### Schools

- Public education generally has is an internal state-based labour market. External recruitment of Band A leaders has historically been <1%. Increased emigration rates may have a small effect in the medium term. High demand across Australia for school leaders and superior remuneration/conditions in the private system is likely to keep intersectoral mobility for Band A roles at low levels.
- There is evidence that there has been a sustained reduction in the number and quality of applications for Band A roles over time. Departmental data shows generally low application rates for principal and preschool director positions which is a lead indicator of a shortage of candidates interested in pursuing these roles<sup>15</sup>.
- Strong anecdotal evidence suggests application fields remain thin with competition limited to the most desirable locations and mobility between metro to country. High SES to low SES location is lower than the historical average.
- Evidence suggests that age profile of the Band B structure has a lower age profile than the historical mean average (43 years compared to 52 years for Band A roles)<sup>16</sup>. A defining question for this group of employees are future intentions for career progression and the material conditions (remuneration, location and specific contextual factors) relevant to career choices.

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<sup>15</sup> SASLA Leadership Policy Paper July 2018.

<sup>16</sup> DfE Workforce Profile 2023. There has been a greening effect of the Band B workforce. In 2008 the modal age of Band B employees was 54 compared to the modal age of Principals of 50 – DECS Workforce Plan 2008.

The demographic trends suggest that employee behaviour is being influenced by social and economic trends that restrict access to, or do not incentivise employees to actively seek Principal roles:

- The teaching workforce is rapidly “greening” as represented by the significant upward trend in 20-39 age bracket which now represents 48% of the teaching workforce<sup>17</sup>. Australian research indicates that qualitative factors of work have significant influence on career decisions to apply for Principal roles<sup>18</sup>. Data from the Department’s Wellbeing Survey 2023 indicates that a higher level of unfavourable comments in relation to qualitative conditions of work are recorded for teachers in this age bracket<sup>19</sup>. A question that arises is the correlation between a critical view of current employment conditions and future career intentions to pursue leadership roles, including future Band A roles.
- There is strong anecdotal evidence that traditional employment pathways are less attractive. This particularly applies to movement from the city to country. Following the abolition of required transfer schemes over the last 25 years, the new cultural norm is that employees expect choice in where they work, and the conditions under which they work.
- An increasing ratio of part time work roles compared to full time teaching roles has transformed the teaching labour market over the last 20 years. Currently 36.5% of the total teaching workforce is part time, and within this cohort, 42% of school teachers are part time. These numbers are not replicated in leadership roles within the schooling system with <1% of Principals and 9.5% of Band B leaders working part time<sup>20</sup>.
- Change in gender composition is a long-term trend within the teacher labour market. The male teaching workforce is at an historic low of 26%. Currently, males have higher levels of representation in Band A (36%) Band B (31%)<sup>21</sup> roles and this will likely decrease over the medium term through exits. Australian research shows that men are more likely to apply for school leadership roles than women and this may lead to some thinning in aggregate applications in the medium to longer term<sup>22</sup>.

### Preschools

PSDs are a discrete category of employment and historically there is very limited career movement from Director to Principal.

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<sup>17</sup> DfE Workforce Profile 2023.

<sup>18</sup> Cranston, N 2007, Through the eyes of potential aspirants; another view of the principalship, *School Leadership and Management*, vol. 27, no. 2, pp.109-128.

<sup>19</sup> My Wellbeing Survey, section 7 - age profile.

<sup>20</sup> DfE Workforce Profile 2023.

<sup>21</sup> DfE Workforce Profile 2023.

<sup>22</sup> Owen S, Kos, J & McKenzie, P (2008) Staff in Australia’s Schools. *Teacher Workforce Data and Planning Processes in Australia* DfE Workforce Profile 2023.

Relevant workforce and demographic data indicates:

- The ratio of teachers to Directors is 70/30 (2.3 teachers to each PSD).
- Within a cohort of 292 Directors, 203 Directors are full time (70%) and 89 (30%) are part time.
- The workforce is 97.4% female.
- In the preschool teaching workforce, 23% of employees are full time and 77% part time. In FTE terms, there are 1.7 teachers for each establishment PSD role.
- The average age of the teaching workforce is 45 years and 48 years for the Director workforce.

Anecdotal information suggests that suitable candidates are currently very thin in metro areas and even more so in country areas. Competition for jobs is very limited and many roles are being filled by relatively inexperienced teachers.

Demand for early years teachers is strong across Australia due to policy changes at the Commonwealth and State level. Information published by Australian Government Department of Employment Skills - Small and Family Business, indicates that the average SA market for early childhood teachers to the number of suitable applicants for preschool roles was 0.7 per vacancy in 2019<sup>23</sup>.

#### **Band A Permanency – Impact on exit rate**

In a future scenario where Band A appointments were made on a permanent basis under existing policy conditions, exit rates would likely be affected at two levels:

- Involuntary: The current system enables involuntary exit where people are not reappointed/or reselected to a role where they have a continuing interest in staying. This could occur through formal reappointment/selection processes or through individual agency where people “read the writing on the wall” and make their own decisions to pursue other avenues of employment or exit the system.
- Voluntary: contract end points are often used as decision points for people to make exit decisions. Where contract end points do not exist, there will likely be some retention effect associated with people continuing in their role for an extended period.

The adoption of a policy on permanent appointment to Band A roles will have some retention affect across the system. This effect will likely be around the 2% range per annum. The early adoption of a policy of permanent appointment would likely have an immediate impact, but over a 10 year cycle the impact would likely reduce as the policy is “normed” and policy adjustments are made to cover exigencies.

An analysis of exit through non reappointment/reselection over the last two years would provide clearer data.

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<sup>23</sup> The 2019 survey noted that the labour market for early childhood teachers has tightened substantially in the last year (2018). In current market conditions this trend is evident in DfE selection processes.



## Summary

### Schools

The available evidence suggests softening of supply of candidates for Band A roles due to the structural and cultural changes in the workforce.

Evidence suggests that employee behaviour is being influenced by social and economic trends that restrict access to, or do not incentivise employees to apply for Band A roles. This is an important area for future inquiry and research.

A future scenario is that the pool of potential applicants for Principal roles will be lower than historical averages due to restricted access and disincentives to actively seek out Band A roles. Under this scenario the following policy considerations are evident:

- Challenging conditions in hard to staff and low SES schools are likely to continue in the medium to longer term. Specific programs and incentives may need to be developed to support mobility.
- Lower levels of mobility will place an increased emphasis on internal development of leaders in situ or in defined geographic locations.
- Job design and conditions of employment may need to be redesigned around the interests and needs of employees to ensure the best teachers are attracted to leadership roles.
- New organisation models of schooling may need to be developed to cater for specific circumstances where chronic labour market conditions exist.

Under the scenario presented, candidate supply conditions for Band A school leaders will remain challenging for the foreseeable future. Further deterioration of conditions is more likely than improvement.

### Preschools

Preschool Director market conditions are likely to deteriorate in the medium term due to internal supply pressures and increased intersectoral competition due to future government investment in early education in South Australia and other States<sup>24</sup>.

Under the scenario presented, the labour market conditions will remain chronic for the foreseeable future. Key areas of policy development most relevant to the preschool sector are:

- Internal development of existing teaching staff to progress to PSD roles and specifically designed incentive structures to attract and retain staff.
- New organisation models of preschools may need to be developed to cater for new labour market realities.

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<sup>24</sup> Very high attraction benefits are available including up to \$50,000 incentives in Victoria.

## **Responding to labour market trends over the next ten years - A strategic view**

Demand is defined by the number of school and preschool sites. Given the demography and estimated SA population increase to 2.2m by 2034<sup>25</sup> the number of schools and preschools will remain stable or slightly increase, particularly in the growth areas of Adelaide.

The current age demography and patterns of exit behaviour suggest that exits will remain reasonably steady over the next 10 years. This is attributed to:

- The high number of Band A leaders in the 10 year retirement window (Principals 58.2%, PSDs 44.7%).
- A potential for a small to moderate increase in voluntary exit decisions.

Based on this scenario, around 60% of people in Principal roles and 50% of PSDs will not be in those roles in 2034.

The Band A candidate market in recent years has been stuck in low supply of quality candidates relative to available vacancies. This condition is also replicated across other Australian jurisdictions and appears to be a long-term trend with conditions more likely to deteriorate than improve.

The composite of demographic, social and economic trends may continue to reduce mobility of employees and this presents specific issues for public education which is a statewide system that has a high number of rural and remote schools.

As discussed in the preceding narrative, the most immediate and challenging risks are in the PSD labour market.

A strategic approach to successfully confront these challenges would include the following elements:

- Designing roles to respond to the contemporary needs and interests of the emergent candidate pool supported through tailored development pathways, at the corporate and local level, for building the capabilities required for Band A roles.
- A continuing focus on retention of critical leadership capabilities within the system for stability and continuity. Ideally the system needs reserve capacity to manage contingencies.
- Structure and incentivise mobility to attract and retain Band A leaders in hard to staff rural, remote and low SES schools. Increased intervention in the labour market will be required to achieve a balanced distribution of the critical leadership capabilities needed for a successful public education system.

What is clear is that employment policies for Band A roles will need to be reflexive to meet changing conditions.

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<sup>25</sup> Panning SA: Population Projections for South Australian Regions 2021

## **How does the policy for permanent appointment for Band A roles fit into this scenario**

Two models of permanency have been discussed:

### **Model 1: Discussion Paper for the Joint Associations – Band A Principal Permanency**

The underlying premise of this paper is that the commitment of permanency should be interpreted literally as ongoing employment. The paper outlines key operational policies and system improvements needed to support the implementation of the policy.

The potential retention impact of a policy of this type is discussed in the narrative above.

### **Model 2: Band A Tenure Arrangements Formative Policy Thinking (*in confidence – not for distribution*)**

The premise of this paper is that there is a risk of locking down Principal positions and restricting movement in the system. The lack of reliable predictive data is cited as a reason to take a more cautious approach.

The proposed approach focusses on implementing system improvements including redeveloping role descriptions, performance management processes and reappointment/reselection processes.

There is some overlap in the two models in relation to system improvements. The major differences is that Model-1 embraces “permanence as ongoing employment” whereas Model-2 stays with the current “contract system”.

### **A Third Way?**

The purpose of this paper has been to develop future scenarios based on the Band A labour market.

Based on the thinking presented and contributions to the discussion to date, the following general propositions can inform a discussion on a future orientated policy:

- The potential value of permanency as an incentive to attract potential high-quality candidates to Band A roles.
- The need for role redesign and development options to attract a generation in the new demographic.
- The need to retain critical leadership capabilities in the system to manage exigencies and support system stability.
- Incentivising movement in the system. Permanency may be one of a suite of potential options available.
- Incentivising performance by having the status of permanent employment conferred based on established criteria rather than defined at the job level.
- Repositioning the PSD labour market to meet future challenges by offering Director positions as permanent.

The commitment to develop a policy position giving effect to Principal and Preschool Director permanency offers a window to make system changes that will support public education to navigate future labour market challenges. We need to keep an open mind and think creatively to make the most of this opportunity.