

**ESTIMATES BRIEF – Hot Issue**  
**Budget Estimates – May 2024**

**EXTERNAL LABOUR SAVINGS**

**EXTERNAL LABOUR SAVINGS MEASURE**

**Issue**

The 2024-25 Budget measure *Savings from External Labour - Extension* will achieve savings of \$1.0 billion over four years from 2024-25.

**Key facts and figures**

- In the 2024-25 Budget, the Government will deliver an additional saving of \$1.0 billion over four years from 2024-25 by further reducing spending on consultants, contractors and labour hire (external labour).
  - The measure was announced by the Minister for Finance on Sunday, 5 May 2024 ([Attachment A](#)).
- The \$1.0 billion saving comprises:
  - a one-year extension of the existing external labour saving of **\$625.0 million** in 2027-28; and
  - an additional **\$375.0 million** over four years (\$93.8 million per year) from 2024-25 to 2027-28.
- This saving is in addition to the \$3.0 billion in savings from external labour from the 2022-23 October Budget measure *Savings from External Labour, and Savings from Advertising, Travel and Legal Expenses* (p. 83, 2022-23 October Budget Paper No.2). It brings the total savings delivered by this Government from reducing reliance on external labour sources to **\$4.0 billion** since 2022-23.
- The Government will also commission a second Audit of Employment in the second half of 2024, to measure how the public service is delivering on the Government's commitment to reduce spending on external labour.

**Key points**

- The additional external labour saving in the 2024-25 Budget was calculated using the same methodology as the 2023-24 Budget.

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- The saving has been applied to the departmental funding appropriation of entities in the General Government Sector for which the ongoing Efficiency Dividend applies.
  - The *General Government Sector* includes all Australian Government entities that are not Public Financial Corporations, such as the Australian Reinsurance Pool Corporation, or Public Non-financial Corporations (Trading), such as NBN Co Limited.
- The value of the saving for each entity was based on the entity's goods and services expenses (supplier expenses) as at the 2024-25 Pre-ERC.
  - 2024-25 Pre-ERC data was used as the basis for the calculation as it represents the best available complete dataset for supplier expenses across the General Government Sector.
- The savings calculation was adjusted for those entities which reported a significantly higher share of external labour usage in 2020-21 through the Audit of Employment. This adjustment was also undertaken for the allocation of savings in the 2023-24 Budget.
  - The financial impacts of the combined savings since the 2022-23 October Budget are detailed in the below table.

	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m	2026-27 \$m	2027-28 \$m	Total \$m
<b>Existing savings</b>	500.0	625.0	625.0	625.0	625.0	-	3,000.0
<i>Additional Savings</i>	-	-	93.8	93.8	93.8	93.8	375.0
<i>One-year Extension</i>	-	-	-	-	-	625.0	625.0
<b>Total additional savings</b>	-	-	93.8	93.8	93.8	718.8	1,000.0
<b>Combined savings</b>	500.0	625.0	718.8	718.8	718.8	718.8	4,000.0

- All entities, which the Government decided to exclude from the original savings calculation in the 2023-23 October Budget, were again exempt from the allocation of the remaining savings. See below for further detail.
- The allocation of the total additional savings (additional savings and extension) by portfolio is outlined in [Attachment B](#).

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### Background

In the 2022-23 October Budget, the Government delivered savings of \$3.6 billion over four years from 2022-23 through the Budget measure Savings from External Labour, and Savings from Advertising, Travel and Legal Expenses. Of this, \$3.0 billion savings were delivered through savings from external labour.

The measure was implemented using a staged approach. The 2022-23 savings (\$0.5 billion) were allocated to agencies in the 2022-23 October Budget and were identified in the measures table of individual Portfolio Budget Statements. The remaining savings (\$2.5 billion) were allocated to agencies over four years from 2023-24 in the 2023-24 Budget through estimate variations. The savings allocation was included in the aggregates of all Portfolio Budget Statements and some statements separately identified the savings as a significant estimates variation.

For the 2024-25 Budget measure, the savings have been allocated to agencies and will be identified in the measures tables of individual Portfolio Budget Statements (noting that some portfolios may do so on a portfolio basis or on an individual agency basis).

### Exemptions from savings

- The Government decided to exclude from the savings calculations, the departmental funding of the following entities:

1. Agencies exempt from the ongoing Efficiency Dividend (ED) (including partial exemptions).
2. Australian Security Intelligence Organisation (ASIO)
3. Australian Secret Intelligence Service (ASIS) <i>Consistent with other national security agencies that are exempt from the ongoing Efficiency Dividend.</i>
4. National Collecting Institutions (NCIs) <ul style="list-style-type: none"><li>a. Australian institute of Aboriginal and Torres Strait Islander Studies</li><li>b. Australian National Maritime Museum</li><li>c. Australian War Memorial</li><li>d. Museum of Australian Democracy at Old Parliament House</li><li>e. National Archives of Australia</li><li>f. National Film and Sound Archive of Australia</li><li>g. National Gallery of Australia</li><li>h. National Library of Australia</li><li>i. National Museum of Australia</li><li>j. National Portrait Gallery</li></ul>
5. High Court of Australia
6. Australian National Audit Office (ANAO)
7. Domestic, Family and Sexual Violence Council (DFSVC)
8. National Anti-Corruption Council (NACC)
9. Parliamentary Departments <ul style="list-style-type: none"><li>a. Department of Parliamentary Services</li><li>b. Department of the House of Representatives</li><li>c. Department of the Senate</li><li>d. Parliamentary Budget Office</li></ul>

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### Supporting information

#### Questions on Notice

##### *2023-24 Budget Estimates (May 2023)*

- **[F107](#) – Finance and Public Administration Legislation Committee, Senator Simon Birmingham** – Senator Birmingham made several requests for information related to how DFAT was able to achieve the required savings. The response referred to answers for F024 and F064 (below) for some questions, and directed that other questions are the responsibility of the accountable authority. Tabling date: 6 July 2023.
- **[F024](#) – Finance and Public Administration Legislation Committee, Senator Jane Hume** – Senator Hume requested an updated profile (following the extension to 2026-27) of the savings allocation by department. The response provided the updated allocation at a portfolio level and referred to the calculation methodology. Tabling date: 6 July 2023.

##### *2022-23 Supplementary Budget Estimates (February 2023)*

- **[F026](#) - Finance and Public Administration Legislation Committee, Senator Jane Hume** – Senator Hume requested an agency breakdown of the 2022-23 allocation of the saving as well as the details of how much of the \$3.6 billion is associated with external labour, advertising, travel, and legal expenses. The response referred to answers for F011 and F053 (below). Tabling date: 31 March 2023.

##### *2022-23 Budget Estimates (October-November 2022)*

- **[F011](#) - Finance and Public Administration Legislation Committee, Senator Dean Smith** – Senator Smith requested the agency breakdown of the 2022-23 allocation of the saving. The response noted that the 2022-23 allocation can be found in Portfolio Budget Statements. Tabling date: 22 December 2022.
- **[F064](#) – Attorney General’s Department Measure Savings, Senator Paul Scarr** – Senator Scarr requested details of how the saving was calculated. The response noted it was calculated as a levy based on historical information (for advertising, travel, and legal) or based on goods and services expenses (external labour). Tabling date: 22 December 2022.
- **[F053](#) – Finance and Public Administration Legislation Committee, Senator Barbara Pocock** – Senator Pocock requested a breakdown of how much of the \$3.6 billion is attributed to external labour, advertising, travel and legal expenses over the forward estimates. The response was provided consistent with the October Budget allocation of the saving. Senator Pocock further requested the overall spending on consultants across the APS for the last 10 years. The response was taken from AusTender with a total value of \$5,639.6 million over 10 years on consultancy contracts. Tabling date: 16 December 2022.
- In addition, several other portfolios received QoNs regarding how allocations for individual agencies were calculated.

#### Freedom of Information (FOI) Requests

- No FOIs asked.

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### Recent Ministerial Comments

- Nil

### Relevant Media Reporting

- [Labor saves \\$1 billion by bringing public servants back in-house](#) – The Canberra Times and Inner East Review – 4 May 2024.  
The article provides a breakdown of the \$1.0 billion savings from external labour, emphasising the continuation of the previous savings. The conversions since the 2022 election, new Audit of Employment and the reduced spending on external labour to date are highlighted.
- [Rebuilding and rebalancing APS](#) – The Canberra Times – 6 May 2024.  
The article provides the Finance Minister’s insight into the former government’s reliance on external labour and measures taken to rebuild the public service.
- [Gallagher hits APS agencies with new outsourcing tax](#) – The Mandarin – 5 May 2024.  
The article provides a breakdown of the \$1.0 billion savings from external labour, emphasising the continuation of the previous savings. The conversions to date and expected conversions in the 2024-25 Budget is highlighted and a reference to the new Audit of Employment is made.
- [Tax take surges as budget surplus within reach](#) – INDAILY – 6 May 2024.  
The article mentions the Government will deliver \$1 billion in savings on consultants and contractors in the context of a potential budget surplus.
- [Big four in firing line for \\$1.6b cuts to consultants, lawyers](#) – The Australian Financial Review (AFR) – 18 July 2023.  
The article provides a breakdown of the savings from external labour, advertising, travel and legal by portfolio from 2023-24 to 2026-27. Finance Minister is quoted on the entrenched use of consultancies and external labour in the public service the steps taken to wind back the overreliance of external labour.  
  
- Note: the breakdown of savings by portfolio is consistent with information provided in QoN F024.

**Date:** 16 May 2024  
**Cleared by (SES):** Simon Writer  
**Telephone No:** 02 6215 3966  
**Group/Branch:** Budget Policy & Data Division  
**Contact Officer:** s22  
**Telephone No:** [REDACTED]  
**Consultation:** Nil  
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ATTACHMENT A

**MEDIA RELEASE**

5 May 2024

**LABOR TO ACHIEVE AN ADDITIONAL \$1 BILLION IN SAVINGS  
FROM CONSULTANTS AND CONTRACTORS**

The Albanese Labor Government will deliver a further \$1 billion in savings from reducing spending on consultants, contractors, and labour hire in the 2024-25 Budget. This is part of the Government's commitment to reduce the reliance on external labour and rebuild a fit-for-purpose public service that is resourced to deliver the services Australians expect.

This save is in addition to the \$3 billion in savings from reducing spending on external labour that the Government delivered in the 2022-23 October Budget, bringing the total savings delivered to \$4 billion.

The Government will also undertake a second Audit of Employment to measure and track exactly how the public service is delivering on the Government's commitment to reduce its reliance on external labour.

Since the election, there are around 8,700 roles that were done by contractors or labour hire that are now being performed by public servants. This includes an additional 2,400 conversions to be reported in the 2024-25 Budget.

The use of the biggest consulting firms has significantly reduced under the Albanese Government, dropping by \$624 million year-to-date this financial year compared to the comparable period in 2021-2022. Public servants are now doing this work that was previously outsourced.

Minister for Finance and the Public Service, Senator the Hon Katy Gallagher, said that instead of relying on a more expensive outsourced shadow workforce, the Albanese Labor Government is rebuilding the public service to do the job the Australian people expect.

"While the Liberals talked tough about capping public service numbers when they were in government, in reality they were spending billions outsourcing the work to keep the public service headcount artificially low," Minister Gallagher said.

"The important investments that we've made in Services Australia, Veterans' Affairs, the NDIA, Home Affairs and AUKUS are to ensure that the public service has enough staff to do the job they need to do to deliver services across the country and to keep Australians safe."

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“Two years into the public service rebuild, it’s no surprise that the Liberals are already drawing up plans to cut at least 10,000 public servant jobs and reduce services. It is clear Peter Dutton wants to go back to the era of Robodebt and slash the services that Australians rely on.”

The \$4 billion external labour save will comprise \$625 million allocated across all government agencies in 2027-28, consistent with the approach taken in the October Budget, plus an additional external labour levy of \$375 million over four years from 2024-25.

The first Audit of Employment showed that the former Government spent approximately one in every \$4 on external labour in 2021-22. At the same time as reducing the services Australians rely on, the Liberals employed a shadow workforce of tens of thousands of private consultants and contractors to keep the size of public service artificially low.

The actions the Albanese Labor Government is making to rebuild the public service and reduce the reliance on consultants and contractors recognises that delivering outcomes for Australians must be built on the foundations of a strong public service.



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**ATTACHMENT B**

Portfolio	2023-24 \$000	2024-25 \$000	2025-26 \$000	2026-27 \$000	2027-28 \$000	Total 2024-25 to 2027-28 \$000
Agriculture, Fisheries and Forestry	-	2,220	1,906	1,814	13,944	19,884
Attorney-General's	-	4,255	4,307	4,643	35,310	48,515
Climate Change, Energy, the Environment and Water	-	5,209	5,024	4,724	33,468	48,425
Defence	-	25,646	28,269	28,355	213,131	295,401
Education	-	734	769	686	5,435	7,624
Employment and Workplace Relations	-	2,111	2,231	2,438	20,397	27,177
Finance	-	2,122	1,230	1,345	16,475	21,172
Foreign Affairs and Trade	-	5,457	5,978	6,741	51,008	69,184
Health and Aged Care	-	4,203	3,407	3,194	22,482	33,286
Home Affairs	-	6,235	6,634	7,348	58,694	78,911
Industry, Science and Resources	-	2,819	2,912	2,781	21,539	30,051
Infrastructure, Transport, Regional Development, Communications and Arts	-	2,086	1,902	1,682	12,790	18,460
Prime Minister and Cabinet	-	1,417	1,429	1,368	10,333	14,547
Social Services	-	18,514	16,112	16,137	123,852	174,615
Treasury	-	10,777	11,697	10,544	79,941	112,959
<b>Total Government</b>	-	<b>93,805</b>	<b>93,807</b>	<b>93,800</b>	<b>718,799</b>	<b>1,000,211</b>