



Return delivery of employment services to the Commonwealth

Party: Australian Greens

Summary of proposal:

The proposal would progressively return the delivery of employment services from external providers to the Australian Government over 5 years.

This proposal is ongoing and would commence from 1 July 2022.

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by around \$630 million over the 2022-23 Budget forward estimates. This reflects an increase in departmental expenses of around \$3,630 million and a decrease in administered expenses of around \$3,000 million.

The proposal would have an impact beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2032-33 is provided at Attachment A.

This costing is uncertain, and highly sensitive to the relative differences in efficiency between external providers and the Australian Government, the ability of government departments to undertake currently outsourced services given existing resources, structures, economic conditions, and compliance programs that impact the demand for employment services.

Table 1: Financial implications (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	Total to 2025-26
Fiscal balance	-90.0	-140.0	-180.0	-220.0	-630.0
Underlying cash balance	-90.0	-140.0	-180.0	-220.0	-630.0

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- The delivery of employment services by the Australian Government would have similar outcomes as the delivery by external providers. This would mean that there would be no impact to the tax and transfer payment systems.
- The Government would be less efficient in providing employment services than external providers. In the first year, it would cost the Government 25% more to deliver these services than external providers. However, the Government would become more efficient over time.

- 20% of employment services would be returned to Government in each year over the five years from 2022-23.
- Around \$25 million would be required in 2022-23 as additional departmental funding to establish and plan for this proposal.
- This proposal would be delivered by the Department of Education, Skills and Employment (DESE).

Methodology

The financial implications of this proposal were based on the amount of administered funding provided under *Workforce Australia*.

- The decrease in administered funding was based on the level of administered funding provided under *Workforce Australia* and the assumed proportion of employment services that would be delivered by external providers and Government in each year.
- The increase in departmental funding was based on the decrease in administered funding and the assumed difference in efficiency between Government and external providers. This increase also includes the assumed departmental funding required to establish and plan for this proposal

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.¹

Data sources

DESE provided information on funding for *Workforce Australia* as at the 2022 Pre-election Fiscal and Economic Outlook.

¹ https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information

Attachment A – Return delivery of employment services to the Commonwealth – financial implications

Table A1: Return delivery of employment services to the Commonwealth – Fiscal and underlying cash balances (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Expenses													
Administered													
<i>Decrease in funding for Workforce Australia</i>	240.0	620.0	900.0	1,240.0	1,540.0	1,510.0	1,570.0	1,580.0	1,580.0	1,650.0	1,660.0	3,000.0	14,090.0
Total – administered	240.0	620.0	900.0	1,240.0	1,540.0	1,510.0	1,570.0	1,580.0	1,580.0	1,650.0	1,660.0	3,000.0	14,090.0
Departmental													
<i>Increase in funding for DESE</i>	-330.0	-760.0	-1,080.0	-1,460.0	-1,790.0	-1,730.0	-1,770.0	-1,760.0	-1,740.0	-1,810.0	-1,810.0	-3,630.0	-16,040.0
Total – departmental	-330.0	-760.0	-1,080.0	-1,460.0	-1,790.0	-1,730.0	-1,770.0	-1,760.0	-1,740.0	-1,810.0	-1,810.0	-3,630.0	-16,040.0
Total – expenses	-90.0	-140.0	-180.0	-220.0	-250.0	-220.0	-200.0	-180.0	-160.0	-160.0	-150.0	-630.0	-1,950.0
Total (excluding PDI)	-90.0	-140.0	-180.0	-220.0	-250.0	-220.0	-200.0	-180.0	-160.0	-160.0	-150.0	-630.0	-1,950.0

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

Table A2: Return delivery of employment services to the Commonwealth – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<i>Fiscal balance</i>	-1.0	-3.5	-7.2	-12.0	-18.0	-24.5	-31.2	-37.9	-44.8	-51.9	-59.7	-23.7	-291.7
<i>Underlying cash balance</i>	-0.8	-3.2	-6.8	-11.5	-17.3	-23.7	-30.4	-37.1	-44.0	-51.0	-58.8	-22.3	-284.6

- (a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the table above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary².
- (b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

² [Online budget glossary – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au)