



## No more privatising the Public Service

Party:

Australian Greens

Summary of proposal:

The proposal has 2 components which would commence on 1 July 2023 and would be ongoing.

**Component 1** would increase funding and staffing levels for Australian Public Service (APS) staff.

- Element 1 would lift wage growth for staff under the Australian Public Service Act 1999 (the Act) over 4 years from 2023-24 to 2026-27, namely by 4% per year for all APS level and Executive Level staff and by 2% per year for all Senior Executive Service (SES) staff.
  - After this time, wages would return to their projected growth. The impact of the efficiency dividend on wage growth would be removed.
- Element 2 would restore total ongoing staffing numbers under the Act to 153,473 full-time equivalent employees, the same as at the end of 2011-12.
  - The increase in ongoing staff would occur in equal stages over a 4-year period and ongoing staff numbers would grow by the same rate as population growth thereafter.
- Element 3 would remove the average staffing level cap for staff under the Act.
  - The cap currently maintains staff in the general government sector, excluding military and reserves, at or below their 2006-07 level of 167,596.

**Component 2** would restrict expenditure on labour-hire companies and some contractors.

- Element 1 would shift expenditure from labour-hire companies to general APS departmental funding. Labour hire would be allowed in exceptional circumstances.
- Element 2 would impose a cap of 7.5% of current projected agency-by-agency expenditure for consultancy contracts and non-consultancy contracts, where labour is procured directly by an Australian Government entity or through on-hire labour firms.
  - The Australian Renewable Energy Agency and Clean Energy Finance Corporation would be exempt.

The increase in staffing numbers under Component 1 would be used to add several additional functions to the public service, including:

- establishing a justice reinvestment co-ordinating body in the Attorney-General's Department
- developing a plan to increase and developing the First Nations' health workforce within the Department of Health
- establishing a whistle blower protection commissioner and an independent debates commission within the Department of Prime Minister and Cabinet
- establishing an independent development oversight agency and restoring the role of the Climate Ambassador within the Department of Foreign Affairs and Trade

- establishing a Centre for Climate Repair within the Commonwealth Scientific and Industrial Research Organisation.

## Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by around \$3,210 million over the 2022-23 Budget forward estimates period. This is primarily driven by an increase in departmental expenses and somewhat offset by an increase in taxation revenue.

The Parliamentary Budget Office (PBO) considered the taxation impacts of superannuation contributions for additional staff hired under Elements 2 and 3 of Component 1. These have not been included, as the likely impact would be negligible.

The proposal would have an ongoing 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.

The estimates are sensitive to the assumptions on wage and population growth, as well as that the structure and composition of Australian Government agencies and the APS would remain constant over time.

The estimated impact of the cap on consultancy and non-consultancy contracts under Component 2 is highly sensitive to projections of contract expenses over time, which historically can vary significantly between years. In addition, the base contract data, which the estimates rely on, is imperfect and subject to a number of limitations.

**Table 1: Financial implications (\$m)<sup>(a)(b)</sup>**

	2022-23	2023-24	2024-25	2025-26	<b>Total to 2025-26</b>
Fiscal balance	-	-24.0	-1,068.0	-2,115.0	<b>-3,207.0</b>
Underlying cash balance	-	-24.0	-1,068.0	-2,115.0	<b>-3,207.0</b>

(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.

- Indicates nil.

## Key assumptions

The PBO has made the following assumptions in costing this proposal.

### Component 1 – Increase APS staffing levels and funding

- The salary at each classification would be the median base salary per level.
- Salaries under the baseline would grow by the wage cost index 3.
- The composition of staff classifications at each APS level, Executive Level and SES level would remain consistent with their 2020-21 proportions under the baseline and proposal.
- Any additional staff under the proposal would be placed within agencies affected.
- The additional staff hired under Element 2 and Element 3 would otherwise be employed and pay personal income tax at the equivalent amount to baseline remuneration amounts for the APS.

- All affected employees would receive superannuation contributions equivalent to 15.4% of income earned.
- The usual costs of employing APS staff would result in additional departmental expenses, which include human resource support, organisational services, information technology services, and property operation expenses.
- The additional roles and functions would not affect the financial impact of Component 1.

## **Component 2 – Restrict labour-hire companies and some contractors**

- Contract notice values reported to AusTender would be representative of total expenditure and reflect the total estimated maximum value of the contract.
- Contracts representing expenditure for labour hire under Component 2 would comprise the following United Nations Standard Products and Services Code (UNSPSC) numbers:
  - 80100000 (Management advisory services), 80101504 (Strategic planning consultation services), 80101505 (Corporate objectives or policy development), 80101506 (Organisational structure consultation), 80101510 (Risk management consultation services), 80101600 (Project management), 80101706 (Professional procurement services), 80110000 (Human resources services), 80111509 (Job evaluation services), 80111600 (Temporary personnel services), 80111700 (Personnel recruitment), 80140000 (Marketing and distribution), 80141500 (Market research), 80141600 (Sales and business promotion activities), 80141602 (Public relation services), 80141700 (Distribution), 80150000 (Trade policy and services), 80160000 (Business administration services), and 80161500 (Management support services).
- Under the baseline, expenditure on contracts for labour procurement per agency in 2021-22 would be the average annual expenditure for that agency between 2016-17 and 2019-20 and would remain constant in real terms over the period to 2032-33.
- For each affected agency, departmental expenses would grow in accordance with the wage cost index 3 and efficiency dividend growth over the medium term, based on baseline appropriation estimates for 2024-25.
- All estimated spending on contracts above the cap would be able to be returned to the budget.

## Methodology

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

### **Component 1**

The financial implications of Component 1 were estimated by taking the difference between the proposed and baseline remuneration expenses and incorporate increases in staffing levels.

#### Element 1

- Remuneration expenses under the proposal were estimated by growing salaries by the specified increases. Remuneration increases were applied after removing efficiency dividends.

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<sup>1</sup> [https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Budget\\_Office/Costings\\_and\\_budget\\_information](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information)

- Remuneration expenses under the baseline were estimated by growing salaries by the wage cost index 3 and adjusting for the applicable efficiency dividend amounts.
- The number of staff receiving wage increases was the number of staff employed under the Act as at 2020-21.

### Element 2

- The increase in staff under Element 2 was calculated by estimating the difference between the headcount of ongoing staff employed under the Act at the end of 2011-12 and 2021-22. The additional headcount of ongoing staff was adjusted to reflect Average Staffing Level (ASL).
- Additional ASL was spread in 4 equal increments from 2023-24 to 2026-27, and grown by population growth in subsequent years, as specified. The additional ASL numbers at each classification was kept consistent with the share of APS staff in 2021-22 at each classification.

### Element 3

- The ASL for staff under the Act represents a subset of staff in the general government sector. The increase in staffing under Element 3 was calculated by estimating the number of staff employed under the Act in 2021-22, removing the cap on employee numbers and growing this by population growth in subsequent years.
- The revenue impact was calculated by applying the 2021-22 Budget personal income tax schedule to the difference in the total salary expense under current arrangements and under the proposal for each classification level. Changes to marginal tax rates from 1 July 2024 have been considered. Additional tax raised on increased superannuation contributions was included for Element 1.

### Interactions

- Both Elements 2 and 3 would increase ongoing APS staff numbers if implemented alone. If implemented together, the financial impact would be less than the sum of each element. The wage increase under Element 1 would apply to the additional staff employed under Element 2 and Element 3. These 2 interactions are separately shown in Attachment A.

## **Component 2**

### Element 1

- The shift in expenditure from contracts for labour procurement to general APS funding was calculated as equivalent to reducing departmental expenses on contracts. Baseline spending on contracts for labour procurement was calculated as the average spend between 2016-17 and 2019-20, grown by the consumer price index in subsequent years.
  - Where the reported contract duration was greater than one year, the financial impact was annualised and proportionally allocated to future financial years.
- Baseline spending on contracts for labour procurement may be underestimated. A comparison between departmental budgets and contract expenditure cannot accurately analyse contract expenditure performed within departments impacted by Machinery of Government changes.
- Austender data was used as a reference point to establish the estimated financial value of amendments to contracts. As the full value of contract amendments are reported to Austender and not just the value of additional expenditure, an average uplift factor of 28% was applied to the annualised expenditure on parent contracts.

- This is consistent with the Australian National Audit Office (ANAO) analysis of AusTender data reported between 2014-15 and 2018-19 on the average annual value of amendments being between 20% and 39% of the total value of all contracts. Further, almost one-third of amended contracts were amended on more than one occasion and between 6% and 9% of amended contracts were amended within 12 months of being published.

## Element 2

- The financial impact represents the limiting of contract labour that could be procured by a department under 'exceptional circumstances' to 7.5% of the agency budget.
- This would be an offset to the impact of Component 2 Element 1.

## Data sources

The Department of Finance and the Treasury provided economic parameters as at the *Pre-election Economic and Fiscal Outlook 2022-23*.

The Department of Finance provided updated departmental appropriations data as at the *Pre-election Economic and Fiscal Outlook 2022-23*.

The Auditor-General, 2020, [Auditor-General Report No.27 2019-20 Information Report, Australian Government Procurement Contract Reporting Update](#), accessed 15 December 2021.

Australian Public Service Commission, [APS Employment Release Tables - 30 June 2021](#), accessed 22 November 2021.

Commonwealth of Australia, 2021. [Budget Paper No. 4, Budget 2021-22, Part 2: Staffing of Agencies](#), accessed 22 November 2021.

Department of Finance, 2018. [AusTender Customised UNSPSC Codeset](#), accessed 22 November 2021.

Department of Finance, 2019. [Historical Australian Government Contract Notice Data, 2017-2018 Commonwealth Government Contract Data](#), accessed 22 November 2021.

Department of Finance, 2020. [Historical Australian Government Contract Notice Data, 2018-2019 Commonwealth Government Contract Data](#), accessed 22 November 2021.

Department of Finance, 2021. [Historical Australian Government Contract Notice Data, 2019-2020 Commonwealth Government Contract Data](#), accessed 22 November 2021.

## Attachment A – No more privatising the Public Service – financial implications

**Table A1: No more privatising the Public Service – Fiscal and underlying cash balances (\$m)<sup>(a)</sup>**

	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
<b>Revenue</b>													
<b>Administered tax</b>													
<i>Component 1, Element 1</i>	-	170.0	300.0	460.0	630.0	690.0	750.0	810.0	880.0	940.0	1,010.0	930.0	6,640.0
<b>Total – revenue</b>	-	170.0	300.0	460.0	630.0	690.0	750.0	810.0	880.0	940.0	1,010.0	930.0	6,640.0
<b>Expenses</b>													
<b>Departmental</b>													
<i>Component 1, Element 1</i>	-	-560.0	-1,120.0	-1,720.0	-2,350.0	-2,560.0	-2,790.0	-3,010.0	-3,250.0	-3,490.0	-3,730.0	-3,400.0	-24,580.0
<i>Component 1, Element 2</i>	-	-610.0	-1,230.0	-1,860.0	-2,490.0	-2,800.0	-3,120.0	-3,440.0	-3,760.0	-4,070.0	-4,390.0	-3,700.0	-27,770.0
<i>Component 1 Interaction - Elements 1 and 2</i>	-	-17.0	-66.0	-151.0	-275.0	-337.0	-405.0	-480.0	-562.0	-651.0	-746.0	-234.0	-3,690.0
<i>Component 1, Element 3</i>	-	-283.0	-304.0	-310.0	-305.0	-302.0	-295.0	-291.0	-289.0	-281.0	-272.0	-897.0	-2,932.0
<i>Component 1 Interaction - Elements 1, 2 and 3</i>	-	246.0	262.0	266.0	261.0	258.0	251.0	248.0	246.0	238.0	272.0	774.0	2,548.0
<i>Component 2</i>	-	1,030.0	1,090.0	1,200.0	1,240.0	1,290.0	1,330.0	1,380.0	1,430.0	1,490.0	1,550.0	3,320.0	13,030.0
<b>Total – expenses</b>	-	-194.0	-1,368.0	-2,575.0	-3,919.0	-4,451.0	-5,029.0	-5,593.0	-6,185.0	-6,764.0	-7,316.0	-4,137.0	-43,394.0
<b>Total (excluding PDI)</b>	-	-24.0	-1,068.0	-2,115.0	-3,289.0	-3,761.0	-4,279.0	-4,783.0	-5,305.0	-5,824.0	-6,306.0	-3,207.0	-36,754.0

(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.

- Indicates nil.

**Table A2: No more privatising the Public Service – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)<sup>(a)(b)</sup>**

	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
<b>Fiscal balance</b>	-	..	-10.0	-50.0	-110.0	-210.0	-330.0	-470.0	-640.0	-850.0	-1,100.0	-60.0	-3,770.0
<b>Underlying cash balance</b>	-	..	-10.0	-40.0	-110.0	-200.0	-310.0	-450.0	-620.0	-830.0	-1,070.0	-50.0	-3,640.0

- (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 glossary<sup>2</sup>.
- (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.
- .. Not zero but rounded to zero.
- Indicates nil.

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