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## MINISTERIAL SUBMISSION

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**Minister for Finance**

**Election Commitment – Audit of Employment: joint Finance and Australian Public Service Commission (APSC) implementation plan**

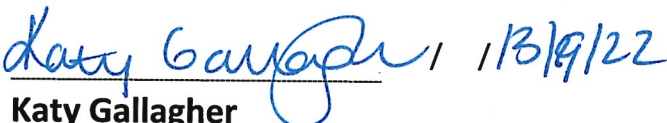
**Minister's action due by:** 15 September 2022, to enable Finance to issue an Estimates Memorandum to advise entities of the requirements and timeframes for the Audit of Employment.

**Recommendation:**

That you:

- i. **Agree** the joint Finance and APSC implementation plan for the Audit of Employment, including the timeframes summarised at Attachment A.

**AGREED** / NOT AGREED / PLEASE DISCUSS

  
**Katy Gallagher**

**Key Issues:**

The Government has committed to conduct an Audit of Employment within the Australian Public Service (APS) (the Audit) to support the broader APS reform agenda.

2. Finance and the APSC have developed a proposed implementation approach for the Audit based on discussions with you and your Office, and further to MS22-000565. The results from the Audit will feed into the proposed implementation plan for the *Savings from External Labour* submission to come forward in the 2023-24 Budget context.

***Audit scope and objectives***

3. The Audit will comprise a review of the workforce composition of the APS, informed by consultation with entities. The Audit will form one element of the APS' pathway to becoming a model employer.

4. Through the Audit, the Government will:

- a. Establish a baseline of the APS workforce for 2021-22, including staff employed under the *Public Service Act 1999*, and those externally engaged, including contractors, labour hire and consultants.

## PROTECTED CABINET

- b. Support a conversion of roles performed by external labour to APS positions (where appropriate), and thereby enhance secure employment where temporary forms of work are being used inappropriately.
  - c. Develop strategic guidance for entities on when to commission skills internally and externally to build workforce capability – encompassing transition strategies – to make best use of the APS, contractors, labour hire, consultants, and other resourcing approaches that deliver on the Government’s priorities efficiently and effectively.
  - d. Contribute to the APS becoming a model employer.
5. The Audit will complement the broader suite of APS reform initiatives, and inform the APSC’s approach to supporting the Government to rebalance and rebuild the capacity and capability of the APS workforce over time.

### ***Delivery approach – including key requirements and timeframes***

6. The Audit will be delivered via two complementary work streams completed in parallel.

***Work stream 1: Collect the ‘baseline’ data and begin the process for Government to consider converting labour hire roles to Average Staffing Level (ASL) (Finance led). This will be done in two steps, a survey to provide information to assist Finance to develop guidance for the conversion process, followed by a baseline quantitative data collection.***

7. Finance and the APSC would undertake a short survey (returns due by early October 2022) to seek qualitative insights from agencies on identified capability gaps within their labour force. It would also gather agency views of, and reasons for, their preferred workforce composition (ASL, consultancies, contractors and labour hire) and which roles they would be looking to convert to ASL over the forward estimates period.
- a. These first qualitative responses would inform Finance’s design and proposed policy settings for a conversion process for the 2023-24 Budget.

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8. It is important to note, following Government consideration of portfolio Ministers’ workforce composition strategies during the 2023-24 Budget process, that the Employment Principles in section 10A of the *Public Service Act 1999* will remain an integral part of the workforce composition rebalancing process. Agencies would retain responsibility for the decision to convert roles that are filled through external contractor/labour hire workers to APS roles. The subsequent decision to engage a person as ASL will be subject to the APS Employment Principles which provide that the APS makes decisions relating to engagement and promotion on merit, including that all eligible members of the community are given a reasonable opportunity to apply.

9. Additionally, a baseline data collection (returns due early December 2022) would seek to establish the baseline expenditure on external private labour. The baseline would include a count of externally engaged staff, including contractors, labour hire and consultants, as well as external labour expenditure for 2021-22. All data would be categorised based on the APSC’s Job Family model, and definitions of external labour hire will indicate the type of work undertaken (e.g. short term, advice or processing). The external labour count would be

presented on a Full Time Equivalent (FTE) basis to avoid overstating or understating the use of external labour.

- a. To establish a baseline of the APS labour force, Finance and the APSC will collect data from only those agencies that employ staff under the *Public Service Act 1999* (see Attachment B). Constraining the scope of data collection to agencies that employ staff under the *Public Service Act 1999* will align with data collected by the APSC, thereby enabling a comparison using APS classification levels and Job Families (feeding in to conversions and rebalancing of targeted capability areas of the APS over time). This would also supplement 2021-22 data from the ASL Budget Collection which provides the average number of employees receiving wages or salaries over the financial year, with adjustments for casual and part-time staff to show the average FTE. ASL does not include workers paid through a third party (contractors) or employees on unpaid leave.
- b. To further support the interoperability of the baseline data collection with existing APS reporting, the consultation with entities would be used to drive a common understanding of terms, by referring to the definitions of consultants and contractors (including the subcategory of labour hire) that have been developed for the Chief Operating Officers' Committee.

***Work stream 2: Pathway towards the APS as a model employer stream (APSC led through the Secretaries Sub-committee on the Future of Work.***

10. The APSC would develop a Strategic Commissioning Framework (the Framework) for engaging internal and external capability with principles on when and how to commission skills. The Framework will assist agencies to build workforce capability by making best use of ASL, external labour hire and other resourcing approaches that deliver on the Government's priorities efficiently and effectively. The guidance would be developed as a priority of the Secretaries Sub-committee on the Future of Work, and will align with the ambitious and enduring reform plan for the APS. The Framework is a priority project and will form part of the broader suite of APS reforms being developed by the Future of Work Sub-Committee's Taskforce, the APSC, and the APS Reform Office.

11. A high-level summary of key Audit requirements and anticipated timeframes is provided at Attachment A.

12. To support improvement in the availability of the data on Commonwealth expenditure on external labour hire, ahead of the 2023-24 Budget, Finance will establish in the Central Budget Management System a financial sub-account to collect spending data on the externally engaged workforce, classifying the amount within the supply of goods and services expenditure. The timing of this collection (monthly or annual) is still being reviewed to ensure sufficient availability and analysis of data, with minimal impost on agencies.

***Community and Public Sector Union (CPSU)***

13. The CPSU has requested access to the data collected through the Audit, and inquired about opportunities to provide input into the Audit – either directly by the CPSU or through their members in agencies. The APSC and Finance will work with your Office to determine an appropriate response to these requests and provide advice alongside the November submission. The APSC will also continue its engagement with the CPSU across the range of APS reform initiatives.

**Risk and Sensitivities**

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15. Current labour market conditions may complicate any conversion process in the short-to-medium term. To undertake the conversion in a cost effective way given demand/supply challenges, any future approach will need to be informed by financial and capability constraints.

**Financial Implications:**

16. Nil – Finance and the APSC are undertaking the Audit within existing resources. It is unknown at this stage what the budget impact would be of converting contractors to ASL.

**Background:**

17. N/A

**Consultation:**

18. Finance and the APSC have consulted the Department of the Prime Minister and Cabinet and Secretary de Brouwer on the implementation plan, and have discussed the Audit with the Department of Employment and Workplace Relations given synergies with the employment-related election commitments they are delivering.

**Attachment/s:**

Att A – Timeline for the Audit of Employment

Att B – General Government Sector agencies in scope of the Audit of Employment

***Approved for electronic transmission***

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