Australian Government

The Australian Government's report on the Audit of Employment

The Australian Government's Audit of Employment

The Australian Government committed to undertake an Audit of Employment (the Audit) upon coming into office, as part of the Government's broader suite of Australian Public Service (APS) reforms. Its purpose was to provide an estimate of the use of external labour (contractors, consultants, outsourced service providers and labour hire) across the APS. The Audit was jointly delivered by the Department of Finance and the Australian Public Service Commission (APSC).

The Audit collected data on the use of external labour in the 2021-22 financial year from the 112 entities across the public service who employ staff under the *Public Service Act 1999*. Audit data reflects the portfolio structures as at 30 June 2022, and so some portfolio names do not align to current portfolio names where there have been machinery of government changes since 1 July 2022.

This is the first time data of this nature has been collected across the APS and entities' responses are based on the reporting possible from their accounting and reporting systems. Neither the Department of Finance nor the APSC have undertaken quality assurance of the data provided by entities – as such, caution should be taken when analysing the Audit data, comparing the Audit data with broader APS-related data, and drawing conclusions.

The Audit outcomes will inform the APS' pathway to becoming a model employer, and the approach to rebuild the capability of the APS over time. The APSC leads this work for the Government.

Key Outcomes

The APS workforce is one component of the 'Australian Government enterprise' and the enterprise is significantly larger than indicated by the Average Staff Level (ASL) numbers published by the Government in the Budget Papers which capture the direct employment of public servants by APS agencies.

The Audit brought together information on the use of external labour by 112 entities across the APS who employ staff under the *Public Service Act 1999*. It found that in 2021-22, these entities employed an external labour workforce of 53,900 staff (on a full-time equivalent or FTE basis) at a cost of $20.8 billion. By way of comparison, the direct employment of public servants in these 112 agencies in the same time period was 144,300[(b)].

- This implies that in 2021-22, the Government workforce (public servants plus external labour) was around 37 per cent larger than the workforce measured by public servant numbers alone. Around 1 in every 4 dollars spent by agencies for departmental purposes was on external labour services.

	2021-22 baseline of the APS workforce
Total staff in the APS workforce within Audit scope[(a)] (External labour (FTE) and ASL)[(c)]	**198,182**
External labour (FTE)	53,911
Actual ASL[(b)]	144,271

(a) All entities that employ staff under the *Public Service Act 1999* were in scope of the Audit.

(b) Data for 2021-22 represents the actual ASL outcome as reported by general government sector (GGS) entities within scope of the Audit and is consistent with the figures published in the 2022–23 October Budget Paper No.4 and 2022–23 March Budget Paper No.4.

(c) See the end of the report for definitions used in the Audit.

Breakdown of external labour by FTE

The Audit establishes a 2021-22 baseline for the external labour workforce of 53,911 within the APS. The external labour workforce disaggregated by portfolio[1] and employment type is presented in the table below.

Size of external APS labour force disaggregated by portfolio and employment type, 2021-22

Portfolio	Consultants	Contractors	Labour Hire	Outsourced Service Provider	Total
Attorney-General's	9	225	411	66	**712**
Agriculture	7	2,588	48	0	**2,643**
Defence	370	8,311	46	26,199	**34,926**
Education, Skills and Employment	8	540	725	0	**1,272**
Foreign Affairs and Trade	26	570	3	74	**673**
Industry, Science, Energy and Resources	82	485	481	141	**1,189**
Social Services	12	1,737	2,479	1,201	**5,429**
Veterans' Affairs	183	521	798	50	**1,552**
Finance	28	159	338	179	**704**
Health	21	240	801	4	**1,065**
Home Affairs	130	1,528	35	1	**1,694**
Infrastructure *etc.*	41	188	181	73	**482**
Prime Minister and Cabinet	36	236	296	58	**626**
Treasury	1	868	74	0	**943**
Total	**954**	**18,196**	**6,716**	**28,045**	**53,911**

There are slight differences in rows, columns and totals in this table due to rounding.

The majority of external labour FTE (65 per cent) were employed in the Defence portfolio with the Social Services portfolio (10 per cent) and the Agriculture portfolio (5 per cent) the next largest users of external labour.

The Department of Veterans' Affairs had the largest use of external labour as a percentage of their total workforce (ASL combined with external labour FTE) at 41 per cent, with the Defence portfolio at 26 per cent.

Around 52 per cent of external labour FTE workers were outsourced service providers (OSPs) (dominated by Defence) followed by contractors, labour hire and consultants. Outsourced service providers deliver services such as garrison, health and base support in the Defence department and cleaning, security services and facilities management across many departments. A breakdown of the employment types is shown below.

[1] Data was collected based on the portfolio and agency structures as at 30 June 2021-22.

External APS labour force by employment type, 2021-22

Employment Type	2021-22 FTE (%)	
OSPs	28,045	52.0%
Contractors	18,196	33.7%
Labour Hire	6,716	12.5%
Consultants	954	1.8%
Total FTE	**53,911**	

Breakdown of external labour by expenditure

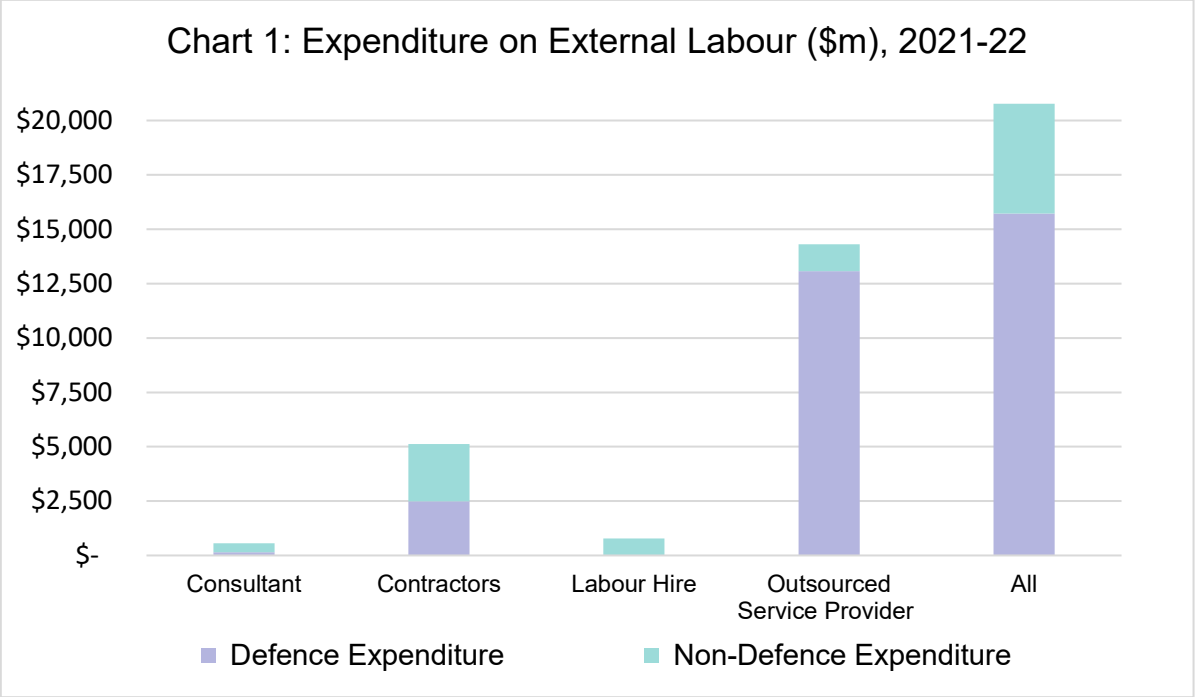
Expenditure by labour type

Five Departments (Defence, Social Services, the Australian Taxation Office, Agriculture, Water and the Environment and Home Affairs) were responsible for almost 90 per cent of all expenditure on external labour, with Defence responsible for 76 per cent of the total reported expenditure on external labour for 2021-22.

By external labour type, outsourced service providers (OSPs) engaged via a commercial arrangement accounted for nearly half of the external labour hire engaged by the APS, followed by contractors, labour hire, and then consultants.

- 69 per cent ($14.3 billion) of total expenditure was spent on OSPs, followed by 25 per cent ($5.1 billion) on contractors.
- Excluding Defence, 52 per cent ($2.6 billion) of total expenditure was spent on contractors, followed by 25 per cent ($1.2 billion) on OSPs, 15 per cent ($0.8 billion) on labour hire.

A breakdown of expenditure by labour type is shown in Chart 1 below.



Expenditure and FTE by job family

Excluding expenditure data from the Department of Defence, who were unable to provide a breakdown by specific job families, the top three job families based on expenditure are: ICT and digital solutions, service delivery, and portfolio, program and project management. The job family data and corresponding percentage of totals (excluding expenditure that could not be linked to a job family) are shown below.

External labour disaggregated by job family

Job family	Expenditure ($m)	% of total	FTE	% of total
ICT and Digital Solutions	1,920	43%	6,158	32%
Service Delivery	764	17%	3,524	19%
Portfolio, Program and Project Management	392	9%	2,022	11%
Total	**3,076**	**69%**	**11,704**	**62%**

Expenditure by agency

After the Department of Defence, the four agencies which have the highest expenditure on external labour are Services Australia, the Australian Taxation Office, the Department of Agriculture, Water and the Environment and the Department of Home Affairs. These 5 agencies account for 88% of expenditure.

Expenditure on external labour by agency

Entity	Expenditure ($m)	% of total incl. Defence	% of total excl. Defence
Dept. of Defence	15,713	76%	
Services Australia	981	5%	19%
Australian Taxation Office	648	3%	13%
Dept. of Agriculture, Water and the Environment	441	2%	9%
Dept. of Home Affairs	403	2%	8%
All other agencies	2,585	12%	51%
Total	**20,771**		

Areas of focus

Consultants and contractors

The Government is committed to reduce the Commonwealth's reliance on consultants and contractors. These two external labour sources represented 27 per cent of total expenditure in 2021-22 and 36 per cent of the total external labour FTE workforce.

The top 10 entities by use of consultants and contractors (ranked by expenditure) are listed in the below tables.

Top 10 entities – use of consultants in 2021-22

Entity	Exp ($m)	FTE
Dept. of Defence	154.3	370
Dept. of Industry, Science, Energy & Resources	80.2	73
Dept. of Foreign Affairs & Trade	22.3	25
Dept. of Veterans' Affairs	12.5	115
Australian War Memorial	9	68
Home Affairs	8	130
Future Fund Management Agency	5.8	17
Services Australia	3.1	12
National Blood Authority	2.4	18
National Recovery and Resiliency Agency	0.7	17

Top 10 entities – use of contractors in 2021-22

Entity	Exp ($m)	FTE
Dept. of Defence	2,487.2	8,311
Services Australia	550.8	1,737
Dept. of Home Affairs	395	1,377
Dept. of Agriculture, Water & Environment	350.9	1,905
Dept. of Veterans' Affairs	134.3	463
Australian Taxation Office	119.3	509
Dept. of Education, Skills & Employment	107.5	476
Bureau of Meteorology	104.5	612
Dept. of Foreign Affairs & Trade	73.1	456
Dept. of Industry, Science, Energy & Resources	59.6	318

Excluding expenditure that was not recorded against a job family, ICT and digital solutions was the most common use of combined consultant and contractor expenditure in 2021-22 as shown in the table below.

Consultant and contractor expenditure by APSC job family, 2021-22*

Job family	Consultants ($m)	Contractors ($m)	Total ($m)
Unclassified	193.1	3,016.5	3,209.6
ICT and Digital Solutions	36.3	1,307.8	1,344.1
Portfolio, Program and Project Management	97.8	142.0	239.8
Data and Research	50.8	115.4	166.2
Service Delivery	14.2	107.8	122.0
Compliance and Regulation	11.6	76.3	88.0
Policy	47.2	35.2	82.3
Accounting and Finance	30.5	49.8	80.2
Science and Health	9.8	56.5	66.2
Legal and Parliamentary	13.8	47.3	61.0
Monitoring and Audit	15.1	30.0	45.1
Administration	6.1	33.6	39.6
Communications and Marketing	6.4	32.4	38.8
Engineering and Technical	15.5	13.5	29.0
Intelligence	3.9	24.9	28.8
Human Resources	7.2	15.1	22.3
Information and Knowledge Management	2.5	11.0	13.4
Senior Executive	0.8	3.6	4.4
Trades and Labour	0.9	3.0	3.9
Grand Total ($m)	**563.4**	**5,121.5**	**5,684.9**

There are slight differences in rows, columns and totals in this table due to rounding
*Defence does not differentiate between Labour Hire and Contractors, which may affect the levels shown above

Labour hire

The highest users of labour hire were the Social Services, Health and Industry portfolios.

The most common job families for labour hire were service delivery, ICT and digital solutions and portfolio, program and project management.

The expenditure and FTE for the top 10 job families and portfolios is shown below.

Labour hire expenditure and FTE by APSC job family, 2021-22

Job family	Labour Hire ($m)	Labour Hire FTE
Service Delivery	161.4	2,102.7
ICT and Digital Solutions	146.0	712.8
Portfolio, Program and Project Management	123.0	1,021.9
Data and Research	71.9	471.1
Compliance and Regulation	65.0	523.0
Administration	45.1	508.5
Communications and Marketing	32.7	328.0
Policy	27.1	189.3
Accounting and Finance	23.6	217.5
Legal and Parliamentary	21.7	136.2
Total	**717.5**	**6,211**

There are slight differences in rows, columns and totals in this table due to rounding

Labour hire expenditure and FTE by portfolio, 2021-22

Portfolios	Labour Hire ($m)	Labour Hire FTE
Social Services	311.8	2,479
Health	126.0	801
Industry, Science and Resources	62.7	481
Attorney-General's	58.9	411
Education, Skills and Employment	54.4	725
Prime Minister and Cabinet	48.0	296
Finance	43.0	338
Infrastructure etc.	29.7	181
Treasury	11.7	74
Defence	10.2	46
Total	**756.4**	**5,832**

There are slight differences in rows, columns and totals in this table due to rounding

ICT & digital solutions

ICT and digital solutions was the job family with the largest expenditure at the whole-of-government level, accounting for $1.9 billion of expenditure on external labour in 2021-22.

- The majority of ICT and digital solutions (ICT) spending was on contractors, as shown below.

ICT and digital solutions expenditure and employment by employment type, 2021-22

Employment type	ICT ($m)	ICT (FTE)
Contractors	1,307.8	6,543
Outsourced Service Providers	429.4	3,517
Labour Hire	146	713
Consultants	36.3	140
Total	**1,919.5**	**10,912**

There are slight differences in rows, columns and totals in this table due to rounding

The Social Services and Treasury portfolios had the highest amount of expenditure in this job family[2], see the top 10 portfolios based on expenditure below.

ICT and digital solutions expenditure and employment by portfolio, 2021-22

Portfolio	ICT ($m)	ICT (FTE)
Social Services	513.1	1,606
Treasury	494.0	628
Health	208.1	175
Agriculture, Water and Environment	142.1	748
Industry, Science and Resources	110.2	463
Foreign Affairs and Trade	76.7	253
Education, Skills and Employment	73.1	312
Finance	68.0	378
Attorney-General's	66.7	292
Home Affairs	58.7	851
Total	**1,810.7**	**5,706**

There are slight differences in rows, columns and totals in this table due to rounding

[2] D*efence were only able to link a small portion of their expenditure with job families. They were likely the highest spender in this category.*

Key Audit definitions

Term	Definition
Outsourced service provider	External services engaged via commercial arrangement to deliver a function of Government to, or on behalf of, an entity. Examples: - The Department of Finance engages outsourced service providers to provide services such as security, cleaning and facilities management across many Government tenancies. - The Department of Defence uses outsourced service providers focusing on garrison, health and base support services. - Service Australia and the Australian Taxation Office have outsourced some of their contact centre services – this allows flexible and affordable upscaling in peak periods to support internal capability. - The Department of Foreign Affairs and Trade have outsourced service providers to deliver facilities management services.
Consultants	Consultants are defined as the provision of professional, independent advice, and other strategic services that involve the development of an intellectual output which represents the independent view of the service provider and assists with entity decision-making
Contractors	A contractor is defined as the engagement of temporary services for which: - the output is being produced on behalf of the Commonwealth entity - the output is generally regarded as a Commonwealth entity product - the services are performed under the direction or supervision of the Commonwealth entity - remuneration is based on time worked, usually calculated on an hourly rate - the skills required are specialised in nature.
Labour hire	A labour hire is defined as the engagement of temporary services for which: - the output is being produced on behalf of the Commonwealth entity - the output is generally regarded as a Commonwealth entity product - the services are performed under the direction or supervision of the Commonwealth entity - remuneration is based on time worked, usually calculated on an hourly rate - skills required are generalist in nature
Average Staffing Level (ASL)	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 full-time equivalent. ASL captures direct employment and does not include workers paid through a third party or employees on unpaid leave.

Distinction between Average Staffing Level (ASL) and Full-time Equivalent (FTE)

ASL represents 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 full-time equivalent. ASL figures are representative of staff employed within the General Government Sector (GGS) who are renumerated through an entities payroll. ASL does not include workers paid through a third party or employees on unpaid leave. To allow an equivalent and measurable comparison, entities subject to the Audit were asked to provide external labour force data in the form of a full-time equivalent employee, or FTE.

APSC job family framework

The APS job family framework (the Framework) was used in the Audit. Entities were provided with the 18 job families, alongside an extract of the Framework, in order to classify where the work was being undertaken. The Framework is based on occupational groupings and works in a three tier system. The tier system involves grouping ‘like’ job roles and subsequently forming a job function which are then grouped into overarching job families. The Framework contains 239 job roles, 75 job functions and 18 overarching job families. The full extent of the Framework can be found on the APSC’s website.