

The Senate

Finance and Public
Administration References
Committee

APS Inc: undermining public sector
capability and performance

The current capability of the Australian Public
Service

November 2021

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Abbreviations

ABC	Australian Broadcasting Corporation
Academy	Australian Public Service Academy
ACQSC	Aged Care Quality and Safety Commission
AFR	Australian Financial Review
AGGP	Australian Government Graduate Program
ANAO	Australian National Audit Office
ANZSOG	Australia and New Zealand School of Government
APS	Australian Public Service
APSC	Australian Public Service Commission
ASL	Average Staffing Level
ATO	Australian Taxation Office
BEPS Action Plan	Base Erosion and Profit Shifting Action Plan
CbCR	Country by Country Reporting
CEO	Chief Executive Officer
CICTAR	Centre for International Corporate Tax Accountability and Research
CLL	Centre for Leadership and Learning
committee	Senate Finance and Public Administration References Committee
COO	Chief Operating Officers
CPD	Centre for Policy Development
CPSU	Community and Public Sector Union
DFA	Defence Families of Australia
DFWA	Defence Force Welfare Association
DPP	Director of Public Prosecutions
DSS	Department of Social Services
DTA	Digital Technology Agency
DVA	Department of Veterans' Affairs
EL	Executive Level
FOI	Freedom of Information
GCH	Government Consulting Hub
GGs	General Government Sector
GRI Tax Standard	Global Reporting Initiative Tax Standard
HC Review	Australian Public Service Hierarchy and Classification Review
HR	human resources
ICT	information and communication technology
JCPAA	Joint Committee of Public Accounts and Audit
JSE	Jobs and Skills Exchange
KPI	Key Performance Indicator

MoG	Machinery of Government
NDIA	National Disability Insurance Agency
NDIS	National Disability Insurance Scheme
NDIS Commission	National Disability Insurance Scheme Quality and Safeguards Commission
OECD	Organisation for Economic Co-operation and Development
PM&C	Department of the Prime Minister & Cabinet
PS Act	<i>Public Service Act 1999</i>
SDC	Secretaries Digital Committee
SES	Senior Executive Service
STEM	science, technology, engineering and mathematics
Thodey Review	2019 Independent Review of the Australian Public Service
TJNA	Tax Justice Network Australia
UK	United Kingdom
VPS	Victorian Public Service
Workforce Strategy	Australian Public Service Workforce Strategy 2025
WPI	Wage Price Index

List of Recommendations

Recommendation 1

3.200 The committee recommends that the Australian Government abolish the Average Staffing Level cap and require agencies and departments to manage staffing levels within the funding envelope provided by the Budget.

Recommendation 2

3.201 The committee recommends that the principal mode of employment in the Australian Public Service (APS) be direct, permanent employment. Short term peaks in employment requirements should in the first instance be filled with either the redeployment of permanent staff or the direct employment of APS non-ongoing staff. The use of labour hire should only occur where it is not possible to engage non-ongoing staff directly.

Recommendation 3

3.202 The committee recommends that the Australian Government:

- identify where Australian Public Service (APS) work has been contracted out to labour hire companies; and
- develop and report on a strategy to return the work to direct APS employment.

Recommendation 4

3.203 The committee recommends that the Australian Public Service Commission examine the Jobs and Skills Exchange initiative in the Victorian Public Service, with a view to establishing a similar initiative in the Australian Public Service.

Recommendation 5

3.204 The committee recommends that the annual employee census conducted by the Australian Public Service Commission ahead of the *State of the Service* report be expanded to include all labour hire staff who have been engaged on behalf of the Australian Public Service in that calendar year.

3.205 The resulting data should be reported in an aggregated and disaggregated format. In addition, labour hire level data should be collated and used to evaluate the performance of individual firms.

Recommendation 6

3.206 The committee recommends that the Australian Public Service Commission collect and publish standardised agency and service-wide data on the

Australian Government's utilisation of contractors, consultants, and labour hire workers.

Recommendation 7

3.207 The committee recommends that the Australian Government require all agencies to disclose:

- the contractual arrangements (including pay rates and conditions) of all labour hire workers in their agency; and
- the margins charged by each labour hire company they engage.

Recommendation 8

3.208 The committee recommends that the Department of Finance regularly collect and annually publish service-wide expenditure data on contractors, consultants, and labour hire workers, including the cost differential between direct employment and external employment for each role.

Recommendation 9

3.209 The committee recommends that the Australian Government require all agencies to publicly disclose the rates and conditions of Australian Public Service employees, and that this information is drawn to the attention of labour hire staff.

Recommendation 10

3.210 The committee recommends that the Australian Government guarantee that no worker employed on a labour hire, contract or consultancy basis should receive less in their take home pay or overall employment package than an Australian Public Service employee performing comparable work.

Recommendation 11

3.211 The committee recommends that the Australian Government require that there is a limit placed on the number of consecutive fixed-term labour hire contracts an agency can issue for a role, with an overall cap of 12 months. Once this cap has been exceeded, the role must be filled through direct employment in the Australian Public Service, either on an ongoing or non-ongoing basis.

Recommendation 12

3.212 The committee recommends that the Australian Government require agencies to undertake a cost-comparison analysis prior to any engagement of external staff, factoring in both the financial cost and longer-term impacts on agency capacity and capability.

Recommendation 13

3.213 The committee recommends that the Australian Public Service Commission seek advice about whether a conflict of interest arises, or whether it is in the interest of effective procurement consistent with the Commonwealth Procurement Rules, to have the following arrangements:

- labour hire employees engaged by agencies that have regulatory oversight over entities that themselves have labour hire arrangements potentially with the same labour hire provider; and
- multiple 'shopfront' agencies owned by the same parent company competing for Commonwealth tenders or being on the same Commonwealth panel.

Recommendation 14

4.122 The committee recommends that the Australian Government immediately finalise and publish the Digital Review conducted by the Digital Transformation Agency.

4.123 In line with recommendation 14 of the Independent Review of the APS, the committee recommends the Digital Review include information relating to:

- current and forecast ICT expenditure and assets;
- systems scheduled for retirement or no longer supported by software vendors (and the associated risks);
- future requirements; and
- any urgent ICT capital investment needs.

Recommendation 15

4.124 The committee recommends that the Australian Government, as a matter of priority, use the findings of the Digital Review to develop and fund a long-term, whole-of-government ICT blueprint, as recommended in the Independent Review of the Australian Public Service.

Recommendation 16

4.125 The committee recommends that where ICT contracts must be awarded to multinational corporations, at a minimum the Australian Government must require those corporations to produce a copy of reporting under the Global Reporting Initiative Tax Standard, or implement the standard within one year.

Recommendation 17

4.126 The committee recommends that the Australian Government apply greater scrutiny in the awarding of ICT contracts to ensure that:

- Australian companies are given the chance to compete on a level playing field.
- External providers are only used when absolutely necessary to ensure that technical capacity is built within the APS.

Recommendation 18

5.68 The committee recommends that the Australian Government commit to developing robust engagement guidelines (similar to those used by the Victorian Government) to ensure that as a first principle, external professional services should not be engaged to undertake work identified as a universal and enduring public service function.

Recommendation 19

5.69 The committee recommends that the Australian Government require that contracts of engagement for external consultants include a mandatory, enforceable provision requiring skill transfer back to Australian Public Service employees.

Recommendation 20

5.70 The committee recommends that the Australian Government establish a consultancy hub to provide in-house consultancy services to Australian Public Service departments and agencies.

5.71 The consultancy hub should draw lessons from the establishment of the Government Consulting Hub operating within the United Kingdom Civil Service.

5.72 The consulting hub should be responsible for monitoring and developing agency-level policy capability.

5.73 The consulting hub should be responsible for assessing and approving all requests from agencies to use external consultants, and be given the authority to rewrite specifications before contracts are put out for tender.

Recommendation 21

5.74 The committee recommends that the Australian Government consider introducing an effective cap on the amount agencies can spend on external consultants.

Recommendation 22

5.75 The committee recommends that the Department of Finance lead work to reform how consultancies are categorised and tagged in AusTender with the goal of more accurately capturing the level of expenditure on consultants across the Australian Public Service.

- 5.76 The committee recommends that the Department of Finance take into account the previous findings of the Australian National Audit Office in designing the AusTender reform.

Recommendation 23

- 6.14 The committee recommends that the Department of Finance develop a comprehensive strategy to improve procurement and contract management capability across the Australian Public Service, with a particular focus on the areas of concern identified by the Australian National Audit Office.

Recommendation 24

- 7.98 The committee recommends that the Australian Government revise the Public Sector Workplace Relations Policy 2020 to remove the cap on public sector wage increases tied to the Wage Price Index.

Recommendation 25

- 7.99 The committee recommends that the Australian Government revise the Public Sector Workplace Relations Policy 2020 to enable agencies to genuinely bargain, in good faith, without restrictions on enhancing employment conditions.

Recommendation 26

- 7.100 The committee recommends that the Australian Government revise the Public Sector Workplace Relations Policy 2020 to build a more collaborative workplace culture, including by improving consultation rights for staff through their union.

Recommendation 27

- 7.106 The committee recommends that the Australian Government implement recommendation 33 of the Independent Review of the Australian Public Service and move towards common core conditions and pay scales for APS-level and Executive Level employees.

Recommendation 28

- 7.109 The committee recommends that the Secretaries Board and the Australian Public Service Commissioner publish the final report of the Australian Public Service Hierarchy and Classification Review upon receipt and act upon its recommendations as soon as practicable.

Recommendation 29

7.115 The committee recommends that the Australian Public Service Commission commit to regular, published evaluation updates on the operations of the Australian Public Service Surge Reserve.

Recommendation 30

7.116 The committee recommends that the Australian Public Service Commission regularly monitor, collate and publish mobility metrics for agencies.

Recommendation 31

7.122 The committee recommends that the Australian Public Service Commission monitor and evaluate the operation of the Australian Public Service Academy and provide public, yearly updates on what the initiative has achieved in tangible terms.

Recommendation 32

7.126 The committee recommends that the Australian Public Service Commission monitor and evaluate the operation of the Australian Government Graduate Program in order to refine it as necessary so that graduate recruitment consistently contributes to addressing critical skill gaps in the Australian Public Service workforce.

Recommendation 33

7.127 The committee recommends that the Australian Government place greater importance on the role of the Australian Government Graduate Program and consider expanding it to a more ambitious scale, particularly as the Australian Public Service and the Australian economy more broadly recover from the impacts of the COVID-19 pandemic.

Recommendation 34

7.133 In light of the current gender wage gap of 6.6 per cent, the committee recommends that the Australian Public Service Commission undertake analysis of why a gender wage gap in the Australian Public Service persists and implement a plan to eliminate it.

Recommendation 35

7.134 The committee recommends that the Australian Public Service Commission conduct research to establish whether the long-term shift away from a common set of pay and conditions across agencies has impacted on the gender wage gap within the Australian Public Service.

Recommendation 36

8.51 The committee recommends that the Australian Government amend the *Public Service Act 1999* as per recommendation 5 of the Independent Review of the Australian Public Service (APS) to:

- **reflect key principles for the APS — apolitical, stewardship, openness, integrity and adherence to merit, and**
- **extend application of these principles and APS Values to Commonwealth agencies not covered by the *Public Service Act 1999*.**

Executive Summary

The shift from committed and capable Australian Public Service (APS) staff to labour hire, consultancies and information and communications technology (ICT) firms has generated profits for multinational corporations, but undermined APS capability, wasted expenditure on poor value for money ventures and weakened public service delivery for Australians.

The APS is a foundational institution of Australia's democracy and its proper functioning is essential to the prosperity and security of all Australians.

Evidence to this inquiry, however, has reiterated the now well-established position that the APS is suffering from a lack of investment in its people, its policy development, and its digital and ICT capabilities. This is resulting in direct and adverse impacts on the APS's ability to deliver for the community.

These findings are not new, having been made repeatedly in recent years by numerous reviews which have found APS capability is no longer fit for purpose—and yet these findings remain unaddressed.

In late 2019, the Independent Review of the APS (Thodey Review) found that the APS needed 'a service-wide transformation', encompassing both short-term change and long-term reform, in order to achieve better outcomes and more efficiently serve the Government, the Parliament and the Australian public.

The committee agrees with the observation made in the Thodey Review that although the APS is not broken, it is not performing at its best. The COVID-19 pandemic has shown this to be a prescient observation, and one which has not been properly heeded by the Government.

In saying this, the committee would like to make clear that it is not diminishing the tremendous amount of work done by APS staff and leadership. The committee acknowledges the extraordinary commitment and resilience shown by APS employees over the past 24 months in dealing with the unprecedented crises created by bushfires, floods and the ongoing COVID-19 pandemic.

However, what became abundantly clear to the committee during this inquiry is that it is not sufficient or sustainable to rely on the efforts of APS employees while APS capability is being run down and undermined. Additionally, the committee heard that Australians want more effective and more active government stewardship of services, as well as deeper engagement in local communities.

Privatisation and externalisation

The committee has concluded that there is a pressing need for the APS to pivot away from the damaging trend of outsourcing core, ongoing public service work. The hollowing out of APS capability through privatisation and externalisation must stop. Evidence received indicated that the Average Staffing Level (ASL) cap has led to a systemic overreliance on labour hire and contracting arrangements within the APS. This widespread and unnecessary externalisation is eroding workforce capability and leading to poor service delivery outcomes.

Under the ASL policy the Government is actively choosing to direct large amounts of public money away from essential services and towards for-profit companies. The committee considers it is not ethical or in the public interest to direct billions of dollars of Commonwealth expenditure to for-profit firms, which undermines APS capability and results in the delivery of an often inferior service that could be delivered more cost-effectively by permanent APS staff.

While the ASL cap may make the APS appear smaller, it does so at the expense of long-term capability and quality service delivery for Australian communities. The shadow workforce necessitated by an arbitrary, ideologically driven staffing cap is not sustainable, cost-effective or transparent.

The committee is also concerned by the overreliance on external consultants for policy advice. The role of the public service in providing 'frank and fearless advice' to government is one of the key characteristics of a properly functioning Westminster democracy. When the Government, despite access to a skilled and independent APS, consistently chooses to spend exorbitant amounts of taxpayer money on commissioning strategic policy advice from private consulting firms, public sector capability is undermined.

It is alarming that the Government's preference is for policy advice from private, for-profit firms, which operate with an ethos vastly different to that characterised by the values of service, integrity and impartiality which define the APS. The committee considers that this preference shows a flagrant disregard for the value of public policy, as well as the skills and capacity of the APS.

The committee believes that the APS must end its overreliance on external workforce and consulting arrangements and find other ways to be flexible within the funding envelope set out in the Budget, while building core skills, knowledge, and APS capability.

'Frank and fearless' undermined

The committee has been persuaded by the evidence before the inquiry that the APS is suffering from a creeping politicisation. This is cause for serious concern, and the committee calls upon the APS to do more to fiercely protect its independence. The role of the APS as set out in the *Public Service Act 1999* is abundantly clear. The APS is established to be an apolitical public service that is efficient and effective in serving not only the government of the day, but also the Parliament and the Australian public. The latter two of these stakeholders hold equal importance with the first and must be respected as such.

Recommendations

The importance of a robust and capable APS in the face of future challenges has been clearly demonstrated by Australia's experience of the COVID-19 pandemic.

Evidence before the committee indicates that the APS must be sufficiently funded and resourced to allow it to excel at essential service delivery for the Australian community and to perform its other vital national interest functions. The APS should focus on rebuilding and investing in in-house skills, systems and people to restore its capability and reach its full potential.

The committee is of the view that action and investment is urgently needed to halt APS capability erosion and to ensure that the long-term capacities and skills of the APS are properly developed, retained and safeguarded well into the future.

Based on the evidence to the inquiry, the committee has set out 36 recommendations which relate to:

- the labour hire arrangements in the APS;
- the digital and ICT capability of the APS;
- the use of consultants for public policy advice;
- the procurement capability of the APS;
- the strategic management of the APS workforce; and
- the culture of the APS.

Chapter 1

Introduction

Referral

- 1.1 On 1 December 2020, the following matter was referred to the Senate Finance and Public Administration References Committee (the committee) for inquiry and report by 31 October 2021:

The current capability of the Australian Public Service (APS) with particular reference to:

- (a) the APS' digital and data capability, including co-ordination, infrastructure and workforce;
- (b) whether APS transformation and modernisation projects initiated since the 2014 Budget have achieved their objectives;
- (c) the APS workforce; and
- (d) any other related matters.¹

- 1.2 On 27 October 2021, the reporting date was extended to 25 November 2021.

Conduct of the inquiry

- 1.3 Details of the inquiry were made available on the committee's website and the committee invited a number of organisations and individuals to lodge submissions.
- 1.4 The committee received 32 submissions and a large volume of additional information, all of which are listed at Appendix 4 of this report.
- 1.5 The committee held a number of public hearings for the inquiry, as follows:
- 5 March 2021, Canberra;
 - 20 July 2021, Canberra;
 - 21 July 2021, Canberra;
 - 26 July 2021, Canberra; and
 - 6 August 2021, Canberra.
- 1.6 A list of witnesses who gave evidence at the hearings is available at Appendix 5 of this report.

Acknowledgment

- 1.7 The committee thanks all those who contributed to the inquiry by making submissions, providing additional information, and appearing at public hearings.

¹ *Journals of the Senate*, No. 75, 1 December 2020, p. 2639.

Content and structure of report

- 1.8 The committee does not intend for this report to function as an exhaustive assessment of the capability of the APS.
- 1.9 Many of the matters considered by the committee have already been extensively examined in the 2019 Independent Review of the APS (Thodey Review), chaired by Mr David Thodey AO.
- 1.10 The committee considers the final report of the Thodey Review to be a thorough and comprehensive evaluation of the state of the APS. Additionally, the committee considers that the 40 recommendations contained in the report constitute a sensible, well-considered set of suggestions that clearly chart a practical way for the APS to improve its capability into the future.
- 1.11 Given this, the committee has chosen to focus on specific elements of APS capability in line with the terms of reference for the inquiry. While many of these are closely inter-related, for ease of navigation the matters are dealt with separately as follows:
- Chapter 2 sets out baseline information on the APS to provide context for the rest of the report.
 - Chapter 3 explores the extent of labour hire arrangements within the APS and the damaging impacts on capability.
 - Chapter 4 examines matters relating to the digital capability of the APS, with a focus on information and communication technology.
 - Chapter 5 looks at the use of consultants for public policy advice.
 - Chapter 6 briefly examines the procurement capability of the APS.
 - Chapter 7 canvasses matters relating to the strategic management of the APS workforce.
 - Chapter 8 delves into issues relating to the culture of the APS and contains the concluding observations of the committee.

Chapter 2

Background

2.1 This chapter will provide the background information on the Australian Public Service (APS) required to contextualise the report. It will cover:

- the role and profile of the APS;
- the findings of the Independent Review of the APS;
- the 2019 APS reform agenda set out by the Commonwealth Government;
- the expectations of the Australia public for the APS; and
- a selection of observations on the current capability of the APS.

Role of the APS

2.2 According to the *Public Service Act 1999* (PS Act), the role of the APS is clear. It is established to be:

...an apolitical public service that is efficient and effective in serving the Government, the Parliament and the Australian public.¹

2.3 The APS was founded in the Westminster tradition as an impartial, professional and merit-based service operating for successive governments. This tradition has adapted to suit Australia's needs since 1901.²

2.4 As observed in the Independent Review of the APS (Thodey Review), while the Westminster APS tradition is still evolving, the elements it broadly requires can be characterised as follows:

- Public servants to provide high-quality, independent and evidence-based advice to the Government, and implement the Government's decisions efficiently, effectively and ethically.
- Public servants to ensure that their advice and implementation, or the perceptions of these, are not affected by political factors.
- Mutual respect between public servants and ministers and parliamentarians, and between public servants themselves, to allow a free flow of ideas and information and ensure that responsibility for decisions is taken as and when required.
- A career structure for public servants that is independent and based on merit.
- Stakeholder confidence that decisions by public servants are not affected by their personal, financial, political or other interests or those of their relatives or friends.³

¹ *Public Service Act 1999*, s. 3.

² Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 87.

Statistical outline of the APS workforce

- 2.5 Section 44 of the PS Act stipulates that each year the Australian Public Service Commissioner issue a report to the agency's Minister for presentation to the Australian Parliament. The report is required to provide information on the state of the APS during the past year.⁴
- 2.6 In addition to the annual State of the Service report, twice a year the Australian Public Service Commission (APSC) releases a 'snapshot' of data concerning all APS employees as at 30 June and 31 December. The data is provided by agencies and is drawn from the APS Employment Database.⁵
- 2.7 The most recent APS employment data available at the time of the committee's inquiry was published on 3 September 2021. This data release provided a statistical outline of the APS workforce employed under the PS Act as at 30 June 2021 and covered 97 agencies.⁶
- 2.8 According to the data release, as at 30 June 2021 the employee headcount of the APS was 153 945. Of this number, 87 per cent (approximately 134 000) were ongoing employees, and 13 per cent (approximately 20 000) were non-ongoing.⁷
- 2.9 The headcount figure does not adjust for hours worked and includes employees who are on extended leave (for 3 months or more), including those on maternity leave and leave without pay. It should be noted that the headcount figure is different to Average Staffing Level (ASL) data which counts staff for the time they work and averages staffing over an annual period.⁸

³ Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 88. Note: The Thodey Review notes that this characterisation was adapted from the following source: Australian Public Service Commission, [*Reinvigorating the Westminster tradition: Integrity and accountability in relations between the Australian Government and the APS*](#), 2008.

⁴ Australian Public Service Commission, [*State of the Service Report 2019–20: Learning through change*](#), November 2020, p. v.

⁵ Australian Public Service Commission, *APS Employment Data 30 June 2021*, 3 September 2021, www.apsc.gov.au/employment-data/aps-employment-data-30-june-2021 (accessed 7 October 2021).

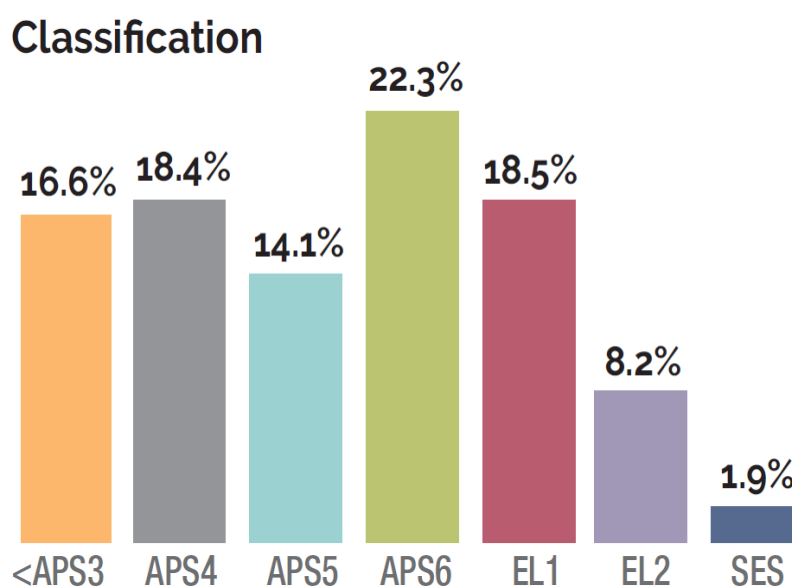
⁶ Australian Public Service Commission, *APS Employment Data 30 June 2021*, 3 September 2021, www.apsc.gov.au/employment-data/aps-employment-data-30-june-2021 (accessed 7 October 2021).

⁷ Australian Public Service Commission, [*APS Employment Data: 30 June 2021 release*](#), September 2021, p. 1. See also: Mr Patrick Hetherington, Acting Deputy Australian Public Service Commissioner, Australian Public Service Commission, *Senate Select Committee on Job Security Proof Hansard*, 27 August 2021, p. 2.

⁸ Australian Public Service Commission, [*APS Employment Data: 30 June 2021 release*](#), September 2021, p. 3.

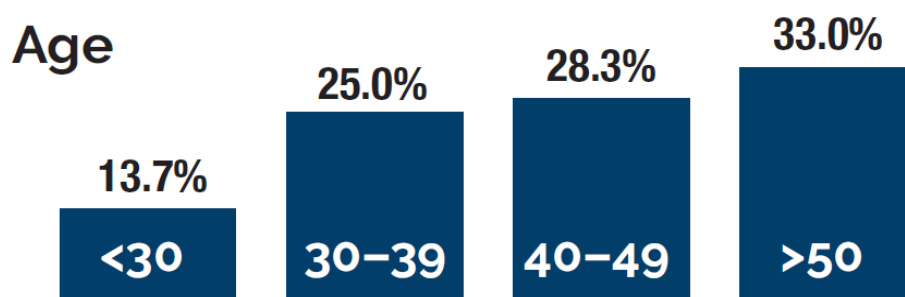
- 2.10 Additionally, as the APSC only captures data relating to the number of people employed under the PS Act, the headcount figure does not account for those people working in the APS employed via labour hire arrangements.⁹ Further discussion on this matter can be found in a later chapter of this report.
- 2.11 The following infographics, reproduced from the data release, provide an overview of the make-up of the APS as at 30 June 2021 in respect to classification, age, geographical location and diversity indicators.

Figure 2.1 Proportion of APS employees by classification – 30 June 2021



[Source: Australian Public Service Commission, *APS Employment Data: 30 June 2021 release*, September 2021, p. 1]

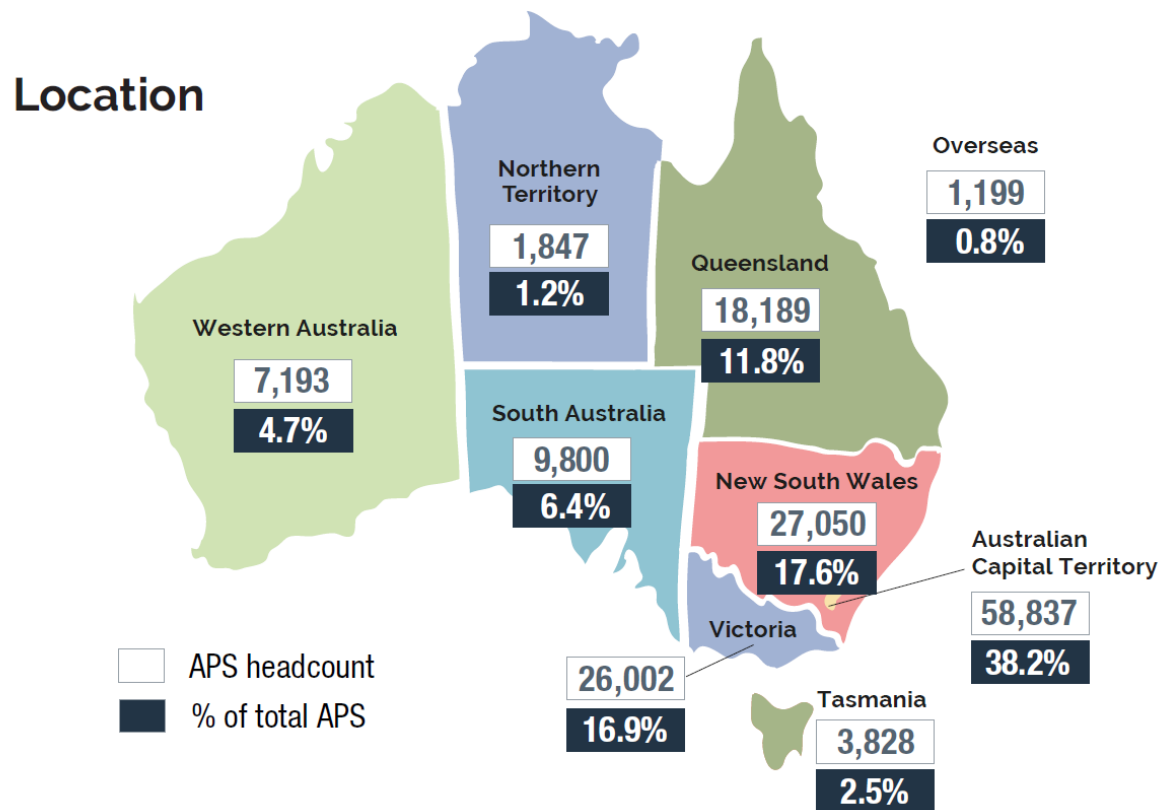
Figure 2.2 Proportion of APS employees by age – 30 June 2021



[Source: Australian Public Service Commission, *APS Employment Data: 30 June 2021 release*, September 2021, p. 1]

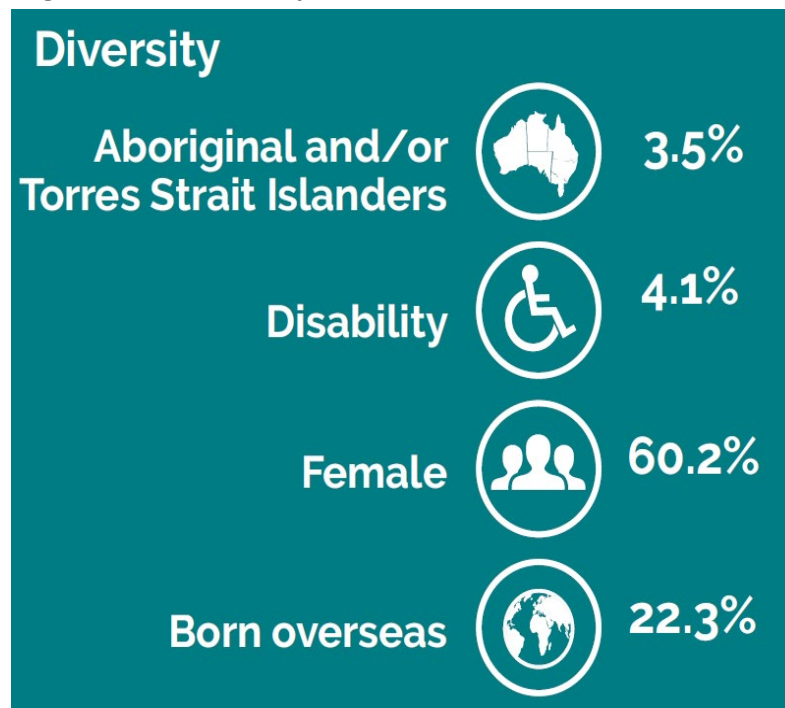
⁹ Mr Patrick Hetherington, Acting Deputy Australian Public Service Commissioner, Australian Public Service Commission, *Senate Select Committee on Job Security Proof Hansard*, 27 August 2021, p. 2.

Figure 2.3 Proportion of APS employees by location – 30 June 2021



[Source: Australian Public Service Commission, *APS Employment Data: 30 June 2021 release*, September 2021, p. 1]

Figure 2.4 Diversity indicators in the APS – 30 June 2021



[Source: Australian Public Service Commission, *APS Employment Data: 30 June 2021 release*, September 2021, p. 1]

Independent Review of the APS

- 2.12 The Commonwealth Government commissioned the Independent Review of the APS (Thodey Review) in May 2018. The review was led by an independent panel of six individuals with extensive public and private sector experience, chaired by Mr David Thodey AO. The final report was submitted to the government in September 2019 and publicly released on 13 December 2019.¹⁰
- 2.13 The Thodey Review examined the capability, culture and operating model of the APS. It engaged with more than 11 000 individuals and organisations, conducted over 400 consultations, commissioned eight reports and five surveys, and reviewed relevant reports, literature and other sources.¹¹
- 2.14 The independent panel found that the APS needed 'a service-wide transformation' encompassing both short-term change and long-term reform in order to achieve better outcomes and more efficiently serve the government, the Parliament and the Australian public.¹²
- 2.15 The Thodey Review concluded that the APS needed to:
- work more effectively together, guided by a strong purpose and clear values and principles;
 - partner with the community and others to solve problems;
 - make better use of digital technologies and data to deliver outstanding services;
 - strengthen its expertise and professional skills to become a high-performing institution;
 - use dynamic and flexible means to deliver priorities responsively; and
 - improve leadership and governance arrangements.¹³
- 2.16 The Thodey Review concluded that while the APS is 'not broken', it is 'not performing at its best today and is not ready for the big changes and challenges that Australia will face between now and 2030'.¹⁴
- 2.17 The final report made 40 recommendations and highlighted the need for the APS to have 'ambitious service-wide performance outcomes and targets to provide a focal point for transformation and hold the APS to account'.¹⁵

¹⁰ Australian Government, *Final report of the independent review released*, 13 December 2019, <https://www.apsreview.gov.au/news/> (accessed 3 September 2021).

¹¹ Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 16.

¹² Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 16.

¹³ Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 8.

¹⁴ Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 16.

- 2.18 The report found that the APS was 'ill-prepared' for the future as a result of multiple factors. It detailed:

From the evidence gathered, the review concludes that the APS is ill-prepared to grasp the opportunities of the future for several reasons. It lacks a clear unified purpose, and is too internally focused. There has been long-running underinvestment in the APS's people, capital and digital capability, while siloed approaches, rigid hierarchies and bureaucratic rules create barriers to effective delivery. APS leaders do not always act as a unified team. Most of all, the APS is not changing fast enough to meet government expectations and deliver for Australians in a changing world.¹⁶

- 2.19 Additionally, the report concluded:

To be fit for purpose for coming decades, the APS needs to instinctively put the needs and interests of Australians first in everything it does. It requires upfront investment in digital transformation, public capital and its people.¹⁷

APS reform agenda

- 2.20 The government released its response to the Thodey Review on 13 December 2019. The response either noted, agreed in full, or agreed in part with the 40 recommendations.¹⁸
- 2.21 In addition to commenting on the recommendations, the government's response also set out an APS reform agenda titled 'Delivering for Australians'.¹⁹
- 2.22 The delivery and implementation of the APS reform agenda is led by the APS Reform Office, part of the Department of the Prime Minister and Cabinet (PM&C). The reform agenda is governed by the Secretaries Board, with the Secretary of PM&C and the APS Commissioner acting as 'chief change leaders'. Reform initiatives are supported by the APS Chief Operating Officers (COO) Committee, which is comprised of the COO from all departments and major agencies, and the Secretaries Digital Committee.²⁰

¹⁵ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 19.

¹⁶ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 20.

¹⁷ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 52.

¹⁸ Department of the Prime Minister and Cabinet, [Delivering for Australians. A world-class Australian Public Service: The Government's APS reform agenda](#), 13 December 2019, pp. 15–26. A more comprehensive summary of the responses to each recommendation can be found at Appendix 3 of this report.

¹⁹ Department of the Prime Minister and Cabinet, [Delivering for Australians. A world-class Australian Public Service: The Government's APS reform agenda](#), 13 December 2019, p. 8.

²⁰ Department of the Prime Minister and Cabinet, *Submission 2*, p. 2.

Progress to date

2.23 During its inquiry the committee received information on the progress of the APS reform agenda.

2.24 PM&C advised that the APS Reform Office was established in February 2020 and commenced a three month 'planning sprint'. However, in April 2020 work on implementing the reform agenda was paused due to the onset of the COVID-19 pandemic.²¹

2.25 Mr William Story, First Assistant Secretary in the APS Reform Office, explained the process in the lead-up to the pause in work:

We commenced a three-month planning process in late February 2020, and that was designed to set out all the initiatives and actions that the government committed to in its response to the Thodey report... So we commenced that process and were working with agencies across the Commonwealth who were responsible for those different initiatives in order to define projects, the milestones, outcomes et cetera, for all that. The Secretaries Board, as COVID became a reality and a significant, overwhelming focus for the APS, decided at the start of April to pause that process in order to allow the APS to focus on the immediate priorities in responding to the pandemic.²²

2.26 PM&C informed the committee that the Secretaries Board took the decision to pause work in order to free up APS resources and effort to focus on responding to the immediate needs of the pandemic. Mr Story expanded upon this:

As the secretary of PM&C and the commissioner [of the APS] said at the time, what they observed was reform in action that, in a way, was delivering on many of the commitments of the government or its aspirations for the APS.²³

2.27 PM&C advised that in June 2020, the APS Commissioner and the Secretary of PM&C asked the APS Reform Office to recommence planning, with a direction to focus the work on the priorities that supported the APS to respond to the needs arising from COVID-19.²⁴

²¹ Mr William Story, First Assistant Secretary, APS Reform Office, Department of the Prime Minister and Cabinet, *Committee Hansard*, 5 March 2021, p. 16.

²² Mr William Story, First Assistant Secretary, APS Reform Office, Department of the Prime Minister and Cabinet, *Committee Hansard*, 5 March 2021, p. 16.

²³ Mr William Story, First Assistant Secretary, APS Reform Office, Department of the Prime Minister and Cabinet, *Committee Hansard*, 5 March 2021, p. 16.

²⁴ Mr William Story, First Assistant Secretary, APS Reform Office, Department of the Prime Minister and Cabinet, *Committee Hansard*, 5 March 2021, p. 16.

2.28 The Secretaries Board convened at the end of July 2020 to agree upon three 'critical priorities' that the APS would focus on in the immediate term in light of the pandemic.²⁵

2.29 On 4 September 2020, the PM&C secretary and the APS Commissioner released an 'open letter' to the APS sharing the three priorities:

- (1) Continue to support Australia's response to and recovery from the pandemic.
- (2) Accelerate the APS digital transformation.
- (3) Invest in skills to strengthen workforce planning and capability.²⁶

2.30 The APSC highlighted to the committee that the mobilisation and collaboration experienced across the APS during the initial pandemic response had seen 'years of reform realised in just months'.²⁷

2.31 Mr Peter Woolcott AO, APS Commissioner, explained the impact of the pandemic on the pace of reform:

When we were first grappling with COVID, there was a moment when the Secretaries Board decided that we needed to actually pause all this and focus on COVID. We quickly realised a few months in that quite a number of the reform measures that were part of the Thodey approach—acting as one enterprise, being much more joined up and being focused on the Australian people—were actually happening anyway as a consequence of COVID. So we then sought to pick up the speed again of a lot of the initiatives that were in the government's *Delivering for Australians* response to the Thodey report.²⁸

2.32 The committee heard that the government allocated \$15.1 million over two years to initiate the APS reforms arising from the Thodey Review, with \$5.8 million in 2019–20 and \$9.3 million in 2020–21 put to a range of initiatives through PM&C and the APSC.

2.33 For example, PM&C detailed that:

In terms of Prime Minister and Cabinet, in effect, this has supported the establishment of the [APS Reform] Office, the establishment of the reform program architecture and delivery. There are a range of practical things that the Reform Office has been involved in over the course of the last year. Just to highlight one: we have used some of that funding to support effective APS communications through the crisis. That wasn't a need that we anticipated in December 2019 when that funding was provided. But

²⁵ Mr William Story, First Assistant Secretary, APS Reform Office, Department of the Prime Minister and Cabinet, *Committee Hansard*, 5 March 2021, p. 16.

²⁶ Department of the Prime Minister and Cabinet, [Open letter to the Australian Public Service](#), 4 September 2020, pp. 1–2.

²⁷ Australian Public Service Commission, *Submission 3*, p. 5.

²⁸ Mr Peter Woolcott AO, Australian Public Service Commissioner, Australian Public Service Commission, *Committee Hansard*, 5 March 2021, p. 34.

what it does is illustrate that we've sought to use that money [for] practical purposes over the last year.²⁹

2.34 The APSC advised that its component of the \$15.1 million was \$5.46 million over two years, with \$4.415 million committed as at March 2021.³⁰

2.35 Various elements of the progress of the APS reform agenda are further discussed in subsequent chapters of this report.

Public expectations of the APS

2.36 The committee received evidence emphasising the high standard to which the APS is held by the Australian community.

2.37 As the Thodey Review noted, the APS is a foundational institution of Australia's democracy and its proper functioning is essential to the prosperity and security of all Australians.³¹

2.38 The Centre for Policy Development (CPD), a non-partisan, independent policy institute, provided the committee with evidence obtained through its extensive analysis over a number of years of Australian attitudes to democracy and the role of government.³² It noted that results clearly showed Australians believed services delivered by the government were of higher quality and more affordable, accessible and accountable than those delivered by private companies or charities.³³

2.39 The CPD summarised its research as showing that:

...Australians want more effective and more active government stewardship of services and deeper engagement in local communities. Nine in 10 Australians now think it's important for government to maintain the capability and skills to deliver services directly, instead of paying others to do it, and that number is up from three-quarters of Australians in 2018.³⁴

2.40 The CPD emphasised that although this view was emphatic regardless of voting intention, Coalition voters were even more in favour.³⁵

²⁹ Mr William Story, First Assistant Secretary, APS Reform Office, Department of the Prime Minister and Cabinet, *Committee Hansard*, 5 March 2021, p. 34.

³⁰ Ms Mary Wiley-Smith, First Assistant Commissioner, Australian Public Service Commission, *Committee Hansard*, 5 March 2021, p. 34.

³¹ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 8.

³² Centre for Policy Development, *Submission 20*, p. 1.

³³ Centre for Policy Development, *Submission 20*, pp. 1–2.

³⁴ Dr Travers McLeod, Chief Executive Officer, Centre for Policy Development, *Proof Committee Hansard*, 6 August 2021, p. 15.

³⁵ Centre for Policy Development, *Submission 20*, p. 2.

2.41 As Dr Travers McLeod, Chief Executive Officer (CEO) of the CPD explained:

They [Coalition voters] are the strongest supporters of more active government. When we asked them that question last year, 95 per cent of people who identified as Liberal and National voters wanted the government to maintain capability and skills to deliver services directly. The numbers are strong across the board; it's not a coloured result, but they were the strongest supporters.³⁶

2.42 The CPD observed that evidence showed that Australians did not want the APS to be outsourced. It detailed:

Australians do not want their democracy, or the services on which Australians depend, to be wholly sublet. The experience of hotel quarantine and the vaccine rollout during COVID-19 has reinforced that Australians remain uneasy about the outsourcing of essential services.³⁷

2.43 In discussion on this matter, the committee queried the CPD on whether a diminished APS capability had a detrimental impact on the Australian public's confidence in the institutions of government and in turn, the strength of democracy.

2.44 Dr McLeod responded:

... I don't think that's too big an assertion. In fact, we've found there's a direct relationship between the esteem and trust Australians have in their democracy and the effectiveness of the institutions in delivering big service systems and solving big problems.³⁸

External observations on the current capability of the APS

2.45 During the course of the inquiry the committee found it instructive to consider overarching commentary on the current capability of the APS from a number of well-qualified, seasoned observers.

2.46 In an essay for *The Monthly* publication, Professor John Quiggin, a Laureate Fellow in Economics at the University of Queensland, argued that the COVID-19 pandemic had revealed 'huge gaps' in 'nation-state capacity' at the federal level. Defining nation-state capacity as 'the set of tools available to government to achieve its policy goals', Professor Quiggin asserted that the capacity of the public service had been 'hollowed out', and that the nation-state capacity of the Commonwealth Government was now 'a shadow of what it was in the mid-20th century'.³⁹

³⁶ Dr Travers McLeod, Chief Executive Officer, Centre for Policy Development, *Proof Committee Hansard*, 6 August 2021, p. 18.

³⁷ Centre for Policy Development, *Submission 20*, p. 2.

³⁸ Dr Travers McLeod, Chief Executive Officer, Centre for Policy Development, *Proof Committee Hansard*, 6 August 2021, p. 18.

³⁹ John Quiggin, ['Dismembering government: Why the Commonwealth can't do anything anymore'](#), *The Monthly*, September 2021, pp. 26, 33.

- 2.47 The CPD observed that the 'long run decline of APS capability' was something that successive governments must bear responsibility for, although it emphasised that the trend had accelerated since 2013.⁴⁰
- 2.48 The CPD posited that a clear shift in the focus and orientation of the APS had resulted in an erosion of the quality of public service advice, an ever-diminishing number of people with long-term experience of large service delivery systems, as well as a withdrawal of the APS from communities. It suggested that the 'cumulative impact of declining capability is frightening for Australia and Australian communities...'⁴¹
- 2.49 The CPD concluded:
- A history of outsourcing the design and delivery of service systems to private and not for profit firms, and a similar predisposition to contract out for advice on policy development, has worn away internal APS knowledge, experience and expertise....
- This loss of capability, creativity and depth has hurt the APS and operated to the detriment of all Australians. The capability gap has been laid bare by recent inquiries, reviews and royal commissions into aged care, employment services, vocational education and training, and the state of the APS itself. A clear theme emerging has been to invest more into public service capability, double down on place-based responses and use these to inform systems reform, embed a professions mindset into the APS, and restore public delivery capability or benchmarking to lift confidence in service delivery across the board.⁴²
- 2.50 Mr Terry Moran AC served as Secretary of PM&C from 2008 to 2011. In this role he was the chair of the Advisory Group on Reform of Australian Government Administration, which was commissioned in 2009 by then Prime Minister the Hon Kevin Rudd MP to produce a blueprint for reforms designed to equip the APS for the future.⁴³
- 2.51 In giving evidence to the committee's inquiry in 2021 in his current role as chair of the CPD, Mr Moran remarked that parts of the APS are 'not fit for purpose in the face of the challenges before Australia in the future'.⁴⁴
- 2.52 Professor Andrew Podger AO, Honorary Professor of Public Policy at the Australian National University with a lengthy career at senior executive levels

⁴⁰ Dr Travers McLeod, Chief Executive Officer, Centre for Policy Development, *Proof Committee Hansard*, 6 August 2021, p. 15.

⁴¹ Dr Travers McLeod, Chief Executive Officer, Centre for Policy Development, *Proof Committee Hansard*, 6 August 2021, p. 15.

⁴² Centre for Policy Development, *Submission 20*, p. 1.

⁴³ See Advisory Group on the Reform of Australian Government Administration, [*Ahead of the Game: Blueprint for the Reform of Australian Government*](#), March 2010.

⁴⁴ Mr Terry Moran AC, Chair, Centre for Policy Development, *Proof Committee Hansard*, 6 August 2021, p. 19.

of the APS (including as secretary to several departments and APS Commissioner) gave evidence to the committee in a private capacity.

- 2.53 He agreed that the APS was experiencing a decline in capability. He highlighted to the committee that many of the capability issues canvassed during the inquiry had been raised multiple times by various reviews over the past two decades (most recently in the Thodey Review), but had failed to be addressed.⁴⁵

- 2.54 He elaborated on this position:

Perhaps what surprises me most about the continuing failure to address these issues is that the measures needed are not radical. They would protect important institutions, improve the value for money and impose a more market oriented approach to administration. The opposition to them seems to stem both from concern not to constrain the increasing power of a political executive and from an unwillingness to admit that current policies are failing badly.⁴⁶

- 2.55 John Halligan, Emeritus Professor in Public Administration at the University of Canberra, submitted to the committee in private capacity. He too pointed out that the capability issues of the APS had remained unaddressed for many years. He explained:

In many respects the 2010s were a lost decade for capability improvements. The language of transformation, capability gaps and stewardship for the Secretaries Board was apparent earlier in the decade only to be reiterated by the Independent Review at the end because too little had happened in too many areas.⁴⁷

- 2.56 The Australian National Audit Office (ANAO) informed the committee that based on its audit assessments the APS performed well in a number of areas. As Mr Grant Hehir, Auditor-General, explained:

Our work has shown that overall the APS performs well, demonstrating strong capabilities in several areas such as policy development and the design phase of the delivery continuum. The APS implements many programs and, on the whole, does well in its areas of expertise, where it leverages past experience in delivery frameworks.⁴⁸

- 2.57 However, the ANAO also observed that its audit program had identified several core areas where there was 'room for improvement' in current APS

⁴⁵ Mr Andrew Podger, private capacity, *Proof Committee Hansard*, 6 August 2021, p. 23. See also Mr Andrew Podger, *Submission 7*, pp. 1–2.

⁴⁶ Mr Andrew Podger, private capacity, *Proof Committee Hansard*, 6 August 2021, p. 23.

⁴⁷ Emeritus Professor John Halligan, *Submission 26*, p. 5.

⁴⁸ Mr Grant Hehir, Auditor-General, Australian National Audit Office, *Proof Committee Hansard*, 6 August 2021, p. 29.

capability, including ICT transformation and cybersecurity; procurement; regulation; and performance measurement and evaluation.⁴⁹

- 2.58 These insights from the ANAO, as well as those of the individual observers set out above, will be canvassed in more detail throughout the report.

Committee view

- 2.59 The committee agrees with the observation made in the Thodey Review that although the APS is not broken, it is also not performing at its best.
- 2.60 As this report will explore over the coming chapters, there is a clear and urgent need for transformation within the APS in order to halt capability erosion and restore institutional memory so that, as an institution, the APS is better equipped to serve the Australian public.
- 2.61 In saying this, the committee would like to make clear at the outset that it is not diminishing the tremendous amount of work done by individuals within the APS.
- 2.62 The committee acknowledges the extraordinary commitment, professionalism, resilience and flexibility that APS employees have shown over the past 24 months in dealing with the unprecedented crises created by bushfires, floods and the ongoing COVID-19 pandemic.
- 2.63 However, what is abundantly clear to the committee is that it is not sufficient or sustainable to rely solely on the individual efforts and goodwill of APS employees.
- 2.64 It is essential that the workforce be supported from an institutional standpoint to ensure that the APS is fit for purpose to face the challenges of the future. Only in doing this can the APS continue to work for the benefit of all Australians, through the provision of high-quality policy advice and service delivery.
- 2.65 It is to these matters of capability that this report will now turn.

⁴⁹ Mr Grant Hehir, Auditor-General, Australian National Audit Office, *Proof Committee Hansard*, 6 August 2021, p. 29.

Chapter 3

Labour hire

Privatisation by stealth

- 3.1 The externalisation of the Australian Public Service (APS) has been characterised by the media, politicians and expert observers as 'outsourcing' or 'privatisation by stealth'.¹
- 3.2 The committee received a substantial amount of evidence on matters relating to the increasing externalisation of the APS workforce. Submitters raised numerous concerns about the negative impact of the trend on APS capability.
- 3.3 For example, the Centre for Policy Development (CPD) highlighted that externalisation had 'worn away' APS capability on multiple fronts:
- A history of outsourcing the design and delivery of service systems to private and not for profit firms, and a similar predisposition to contract out for advice on policy development, has worn away internal APS knowledge, experience and expertise...²
- 3.4 By externalisation, the committee is referring to external, 'privatised' or 'outsourced' workforce arrangements such as labour hire, independent contracting and consulting — arrangements where there is no direct employment relationship between the worker and the APS agency. The worker is not an APS employee. This is in contrast to an APS employee who is directly employed (on either an ongoing or non-ongoing basis) by an APS agency, generally under the *Public Service Act 1999* (PS Act).
- 3.5 Labour hire is a 'triangular relationship' in which a labour hire firm supplies a worker to a third party (i.e. the host) in exchange for a fee. In this arrangement, there is no direct employment or contractual relationship between the host and

¹ See for example: Sarah Basford Canales, 'Government departments average one in five contract workers amid concerns of 'stealthy privatisation'', *Canberra Times*, 21 January 2021, www.canberratimes.com.au/story/7087674/stealthy-privatisation-of-public-sector-causes-concern/ (accessed 23 September 2021); Geordie Wilson, 'Outsourcing Government itself: the hidden privatisation of the public service', *Michael West Media*, 8 September 2020, <https://www.michaelwest.com.au/privatisation-of-the-public-service/> (accessed 23 September 2021); Markus Mannheim, 'Federal Government spending \$5 billion per year on contractors as gig economy grows inside public service', *ABC News*, 10 September 2020, www.abc.net.au/news/2020-09-10/contractors-and-the-public-service-gig-economy/12647956 (accessed 23 September 2021); Matthew Elmas, 'Public service outsourcing in the spotlight as government tightens the reins', *The Mandarin*, 8 October 2020, <https://www.themandarin.com.au/141834-public-service-outsourcing/> (accessed 23 September 2021).

² Centre for Policy Development, *Submission 20*, p. 1.

the labour hire worker. Instead, the worker is engaged by the labour hire firm, either as an employee or as an independent contractor.³

- 3.6 This chapter will refer to workers provided to an APS agency (i.e. the host) through a labour hire firm as 'labour hire workers' or 'labour hire contractors' interchangeably.
- 3.7 The Independent Review of the APS (Thodey Review) considered that the increased use of labour contractors and consultancy services warranted specific discussion in its final report. It noted that about a quarter of the submissions to the review commented on the use of such arrangements, and that most submitters expressed concern about the growing size of the APS's external workforce and the negative effect on in-house capability.⁴
- 3.8 The Thodey Review concluded that labour contractors and consultants were increasingly being used to perform work that had previously been core 'in-house' capability for the APS. It pointed out that over the previous five years (to 2019) government spending on contractors and consultants had significantly increased while spending on APS employee expenses had remained steady.⁵

Chapter structure

- 3.9 This chapter will examine the externalisation of the APS workforce, in particular the extensive use of outsourcing arrangements such as labour hire.⁶
- 3.10 Matters addressed include:
- the legacy and impact of the ASL (average staffing level) cap;
 - the scale of labour hire within the APS;
 - whether labour hire arrangements are cost-effective; and
 - the impact of labour hire arrangements on workers, service delivery standards, and APS capability more broadly.
- 3.11 The chapter also includes a section focusing on the specific operations of the Department of Veterans' Affairs (DVA) in order to illustrate submitter concerns.

³ Community and Public Sector Union, *Submission 24 (Appendix B)*, p. 11. See also Industrial Relations Victoria, [Victorian Inquiry into the Labour Hire Industry and Insecure Work](#), 31 August 2016, p. 48.

⁴ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 185.

⁵ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 185.

⁶ Chapter 5 of this inquiry will explore consultancy arrangements.

Impact of the ASL cap

3.12 Much of the evidence the committee received in regard to APS labour hire arrangements emphasised the adverse impacts of the ASL cap.

What is the ASL cap?

3.13 When discussing public sector employees, the Commonwealth budget papers use the ASL, a method of counting that adjusts for casual and part-time staff, in order to show the average number of full-time equivalent employees within an agency.⁷

3.14 In the 2015–16 Budget, the Coalition Government undertook to maintain the size of the general government sector (GGS), excluding military and reserves, at around or below the 2006–07 ASL of 167 596.⁸

3.15 This cap, often referred to as the ASL cap, ASL rule or staffing cap, is still applied across the GGS, which incorporates all of the APS and a range of government agencies. The ASL cap and any adjustments to it are published in the federal budget papers each year.⁹

Submitter concerns

3.16 Submitters overwhelmingly advised the committee that the ASL cap was a core factor driving the externalisation of the APS.

3.17 The Community and Public Sector Union (CPSU) argued that the practical effect of the ASL cap was to force agencies to use labour hire workers to do core, ongoing work that would normally be performed by APS employees.¹⁰

3.18 While acknowledging that there were a range of factors that contributed to the increase in labour hire arrangements, the CPSU posited that the ASL cap was 'an absolutely key driver',¹¹ a position consistent with information it had received from senior APS agency managers involved with decisions to increase labour hire.¹²

⁷ Parliamentary Library, [Research Paper: Budget Review 2020–21](#), October 2020, p. 123.

⁸ Parliamentary Library, [Research Paper: Budget Review 2020–21](#), October 2020, p. 123.

⁹ Australian Public Service Commission, *APS Employment Data 31 December 2020 release*, 26 March 2021, www.apsc.gov.au/employment-data/aps-employment-data-31-december-2020-release (accessed 20 September 2021).

¹⁰ Community and Public Sector Union, *Submission 24*, p. 10. See also: Mr Alistair Waters, National President, PSU Group, Community and Public Sector Union, *Proof Committee Hansard*, 20 July 2021, p. 29.

¹¹ Ms Melissa Donnelly, National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 13.

¹² Ms Melissa Donnelly, National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 13.

3.19 Ms Melissa Donnelly, National Secretary of the CPSU, outlined:

The primary driver given to staff about the use of labour hire is the ASL cap. Agencies are limited in how many APS employees they are allowed to employ. Therefore, the only option available to agencies is the use of labour hire.¹³

3.20 Ms Donnelly spoke of an 'explosion' in the use of labour hire in the APS since the introduction of the ASL cap policy:

The government's ASL cap has driven an explosion in the use of labour hire. Since 1 July 2015, around \$7.8 billion has been spent on labour hire. In 2020 alone, it was \$2.1 billion. We estimate that up to one in five of the total workforce of APS agencies are engaged as labour hire and contractor employees, and, with some agencies, double that. Our estimate is that there are as many as 20,000 labour hire employees engaged across the APS.¹⁴

3.21 The CPSU informed the committee there was a distinct lack of service-wide data on labour hire workers.¹⁵ However, it noted that by collating data from a number of publicly available sources, it was possible to identify a clear increase in APS labour hire expenditure, coinciding with the introduction of the ASL cap in 2015.¹⁶

3.22 As Mr Osmond Chiu, Senior Policy and Research Officer for the CPSU, summarised:

...unfortunately, there's no transparency about how many labour hire employees there are. What is clear is that the ASL cap has been the driver of this increase.¹⁷

3.23 The CPSU argued that while the advent of the ASL cap was not the only decision to undermine the capability of the APS, it had proven to be a 'tipping point' in public debate:

There is an astonishing degree of unanimity and frankness about its [ASL cap] effects. Senior public servants, usually extremely circumspect about government policy, have gone on the record in Parliamentary committees stating that the ASL cap has forced them to employ labour hire.¹⁸

¹³ Ms Melissa Donnelly, National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 10.

¹⁴ Ms Melissa Donnelly, National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 8.

¹⁵ This matter is discussed in more detail later in this chapter.

¹⁶ Mr Osmond Chiu, Senior Policy and Research Officer, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 9.

¹⁷ Mr Osmond Chiu, Senior Policy and Research Officer, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 9.

¹⁸ Community and Public Sector Union, *Submission 24*, pp. 5–6.

3.24 This assertion tallied with evidence lodged by APS agencies and other submitters to the Senate Legal and Constitutional Affairs References Committee in its 2020 inquiry into the impact of changes to service delivery models on the administration and running of government programs.¹⁹

3.25 The CPSU was strongly of the view that while the ASL cap made government appear smaller, it did so at the expense of long-term APS capability and quality service delivery for Australian communities. It observed:

The ASL cap is an absolute limit on the number of people who can be employed in Commonwealth Government. It's not a limit on how much work is done, or how much money is spent, or even how many people can do work on behalf of the government — it is only a limit on secure employment.²⁰

3.26 Professionals Australia characterised the ASL cap as a 'false economy'. It described the cap as amounting to 'privatisation by stealth' through forcing agencies to shift work and resources from APS agencies to private consulting and contracting firms.²¹

3.27 The Centre for International Corporate Tax Accountability and Research (CICTAR) also contended that the ASL cap had been a huge factor in driving the use of external workforce arrangements.²²

3.28 Professor Andrew Podger also noted that the extensive use of labour hire in the APS was 'particularly problematic'.²³

3.29 He characterised the ASL cap as a 'crude instrument' that did not function as an efficiency measure.²⁴ He observed that it was unclear how the Department of Finance identified the level for the ASL cap, and that as a policy its focus on restrictions seemed inefficient. He explained:

What criteria do they use for that cap? The cap is in addition to a cap on resources, and that is the control we ought to maintain: the cap on how much money is appropriated for administrative expenses. Then we should let the agency work out what allocation of that money will get the most value for money and the best delivery of services. That's what the agencies

¹⁹ Senate Legal and Constitutional Affairs References Committee, *Impact of changes to service delivery models on the administration and running of government programs*, February 2020, pp. 15–16.

²⁰ Community and Public Sector Union, *Submission 24*, p. 5.

²¹ Professionals Australia, *Submission 8*, p. 6.

²² Dr Claire Parfitt, Senior Research and Strategist, Centre for International Corporate Tax Accountability and Research, *Proof Committee Hansard*, 26 July 2021, p. 4; Professionals Australia, *Submission 8*, p. 6.

²³ Professor Andrew Podger, private capacity, *Proof Committee Hansard*, 6 August 2021, p. 25.

²⁴ Professor Andrew Podger, private capacity, *Proof Committee Hansard*, 6 August 2021, p. 26.

would like to do, I should think, and we should let them do it, and they will get more value for money out of it.²⁵

- 3.30 Professor Podger acknowledged the need for the APS to have an element of flexibility in its workforce. However, he noted that this could be achieved using the non-ongoing staff arrangements available under the PS Act, without the need for a restrictive staffing cap and the associated overreliance on labour hire. He stated:

Some agencies do need flexibility in terms of having some staff who are not ongoing. You can see that in places like Services Australia, which does have fluctuating levels of demand and needs to be able to get extra staff from time to time and then let them go. But that was the purpose of having the non-ongoing staff arrangements in the Public Service Act: to give agencies that flexibility. An agency can use that and then have, if you like, a reserve workforce that it draws on from time to time and that it can train, to ensure that they are able to do the jobs that the agency wants. The agency [is] able to control the employment. With labour hire they have no control, other than through a contract, as to which individuals are employed. Those individuals are not subject to the APS values or any of the integrity issues that are implicit in the Public Service Act. Get rid of the ASL cap but also rethink the outlay for hire arrangements and use non-ongoing staff arrangements instead.²⁶

Observations from the Thodey Review

- 3.31 The Thodey Review examined the impact of the ASL cap on the APS, and ultimately recommended that the ASL cap be abolished.
- 3.32 It identified a decline in APS capability across key areas of responsibility — policy advice, regulatory oversight, and delivery of services and support to the public, as well as internal enabling functions.²⁷ The final report concluded that four reasons were behind the decline in capability; two of which were staffing level caps (that is, the the ASL cap) and the increased use of contractors and consultants.²⁸
- 3.33 In regard to staffing level caps, the Thodey Review summarised:

Staffing-level caps have made it difficult for agency heads to retain some functions or to maintain them at the same size and strength as previous years. Some agencies reported that the caps have made it difficult to maintain long-term strategic policy functions, which has led to a divestment in analytical capability.²⁹

²⁵ Professor Andrew Podger, private capacity, *Proof Committee Hansard*, 6 August 2021, p. 25.

²⁶ Professor Andrew Podger, private capacity, *Proof Committee Hansard*, 6 August 2021, p. 25.

²⁷ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 185.

²⁸ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 185.

²⁹ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 185.

- 3.34 Additionally, it noted that while caps have 'undoubtedly achieved efficiencies' across the APS as intended, 'they now risk the unintended consequence of reducing capability across the service'.³⁰
- 3.35 The Thodey Review acknowledged that it was not possible for the APS to have 'in-house' expertise in all areas, and that there was clearly a benefit in leveraging external providers where required.³¹
- 3.36 However, the report strongly emphasised that the use of external capability needed to be 'strategic and well-informed', with a sustained, overarching focus on achieving value for money and better outcomes.³²
- 3.37 It concluded that the APS must:
- (i) make decisions on the use of external capability by reference to a whole-of-service workforce strategy that identifies the core capabilities in which the APS should invest in building in-house – with external capability used to perform non-core or variable work activity;
 - (ii) manage use of external capability closely, from the contract design stage through to performance of the prescribed task; and
 - (iii) ensure that all arrangements lead to a transfer of knowledge to the APS.³³
- 3.38 The report made clear that the APS needed to find the right balance between retaining and developing core in-house capability, while also leveraging external capability to ensure a 'sustainable and efficient operating model for the decades ahead'.³⁴
- 3.39 In regard to the ASL cap it concluded:
- Fiscal discipline and efficiency are critically important in public sector organisations but the Average Staffing Level rule is not essential to realising this objective.³⁵

³⁰ Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 185.

³¹ Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 187.

³² Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 187.

³³ Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 187.

³⁴ Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 187.

³⁵ Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 191.

3.40 The Thodey Review instead suggested that all agency heads should be accountable for managing their workforce and delivering government priorities within allocated budgets, not for simply adhering to a cap.³⁶ It explained:

Removing the caps will force agency heads to take decisions on staffing resources, whether APS employees, contractors or consultants, based on capability needs, the most efficient use of resources, return on investment, best use of skills and other sensible criteria.³⁷

3.41 Following on from these conclusions, recommendation 19 of the Thodey Review proposed a range of actions centred on the development of a 'whole-of-service' workforce strategy which would eventually allow for the ASL cap to be abolished. Specifically, it recommended the government:

Develop a whole-of-service workforce strategy to build and sustain the way the APS attracts, develops and utilises its people, to ensure that it can perform its functions.

- APSC to develop a whole-of-service workforce strategy for Secretaries Board endorsement and implementation by all agencies.
- APSC to monitor progress and update the strategy regularly.
- Government to abolish the Average Staffing Level rule after the APS has demonstrated its workforce planning capability through the strategy.³⁸

3.42 In its response to recommendation 19, the government agreed to the development of a workforce strategy but directly rejected the proposal to abolish the ASL cap. It reasoned:

The Government will continue to manage the size of the APS through the Average Staffing Level rule, and support flexible application of the cap to deliver priorities. The Government notes the recommendation that it abolish the Average Staffing Level rule in light of outcomes arising from the APS Workforce Strategy; it considers the Average Staffing Level rule is working effectively and will keep its application under consideration in light of workforce needs and the Government's priority to deliver budget repair.³⁹

³⁶ Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 191.

³⁷ Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 191.

³⁸ Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 191.

³⁹ Department of the Prime Minister and Cabinet, [*Delivering for Australians. A world-class Australian Public Service: The Government's APS reform agenda*](#), 13 December 2019, p. 20.

- 3.43 During the committee's inquiry, the Department of the Prime Minister and Cabinet (PM&C) affirmed that the ASL cap continues to be government policy, and that the APS must work within that policy.⁴⁰

What is the scale of labour hire within the APS?

- 3.44 During the course of the inquiry the committee encountered significant difficulties in ascertaining the extent of labour hire arrangements within the APS, both in terms of the number of workers and the total level of expenditure.

A lack of data

- 3.45 Submitters highlighted the lack of transparency from the government on the matter, and noted that it was difficult to build a comprehensive picture of APS labour hire arrangements due to the lack of data collected and published. They reasoned that the inadequacy of the available information demonstrated serious deficiencies in the Commonwealth's reporting requirements on the issue.
- 3.46 For example, the CPSU informed the committee that there was very limited publicly available data on labour hire in the APS, both in terms of expenditure and the headcount involved.⁴¹
- 3.47 The Thodey Review made similar observations in regard to the lack of available data. It noted that data on the growing size of the APS's external workforce was not gathered or analysed centrally, and often proved inadequate. It stated:
- ... the number of contractors and consultants working for the APS is not counted and data on expenditure are inconsistently collected across the service. Data insights that would shed light on whether contractors or consultants met objectives are not routinely aggregated.⁴²

Estimates of scale

- 3.48 Despite the absence of centralised data, the committee received estimates from various submitters on the number of positions filled and the amount of expenditure on labour hire. It also considered evidence from the Thodey Review and took into account estimates from media analysis.
- 3.49 For example, the Thodey Review cited information from the 2018 inquiry into labour contracting in the government, initiated by the Joint Committee of

⁴⁰ Mr Philip Gaetjens, Secretary, Department of the Prime Minister and Cabinet, *Committee Hansard*, 5 March 2021, p. 39.

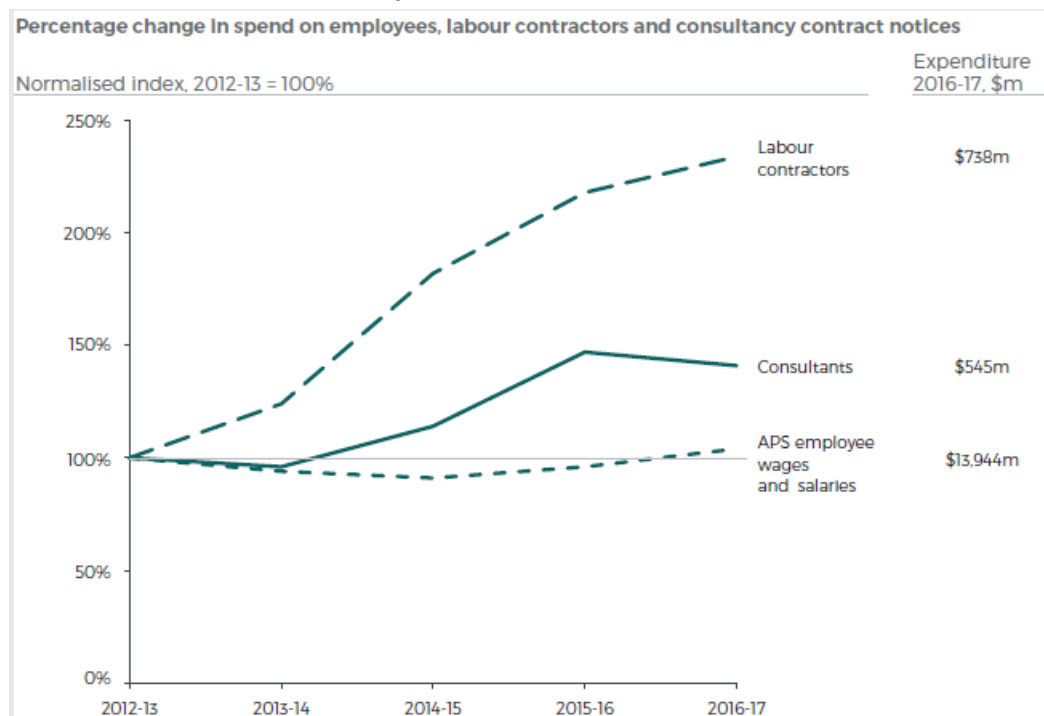
⁴¹ Mr Osmond Chiu, Senior Policy and Research Officer, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 9.

⁴² Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 185.

Public Accounts and Audit (JCPAA).⁴³ Submissions to the JCPAA inquiry revealed that spend on contractors more than doubled across a sample of 24 agencies between 2012–13 and 2016–17. AusTender data showed a similar increase in the total value of consultancy contracts across the APS, over the same four years, from \$386 million in 2012–13 to \$545 million in 2016–17.⁴⁴

- 3.50 The following graph, reproduced from the Thodey Review final report, illustrates the increased contractor and consultancy spend since 2012, while APS wages and salaries remained largely flat.

Figure 3.1 Percentage change in spend on employees, labour contractors and consultancy contract notices.



[Source: Department of the Prime Minister and Cabinet, *Our Public Service, Our Future: Independent Review of the Australian Public Service*, 13 December 2019, p. 186. See footnote 355 in that document for further information.]

- 3.51 Additionally, the Thodey Review noted that the increases in contractor and consultant spend had occurred against the backdrop of a significant increase in the size of programs administered by the APS, but almost no increase in departmental budgets. It concluded:

The review has heard, and data suggest, that contractors and consultants are being used to meet the increased burden of program delivery — work

⁴³ The inquiry was based on the Australian National Audit Office Report No. 19 (2017-18) relating to government procurement contract reporting. The inquiry lapsed when that iteration of the JCPAA ceased to exist at the dissolution of the House of Representatives on Thursday 11 April 2019.

⁴⁴ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 186.

traditionally done by APS employees — as well as policy design and implementation.⁴⁵

- 3.52 The CPSU estimated that at least 20 000 APS positions are filled on a labour hire basis. It advised that it had arrived at this figure through collating various publically available sources, including data from Senate estimates, Freedom of Information (FOI) requests, and AusTender.⁴⁶
- 3.53 In regard to labour hire expenditure, the CPSU advised that based on AusTender data it had identified an increase in spending on temporary personnel service contracts from about \$289 million in 2013 to \$2.1 billion in the 2020 calendar year.⁴⁷
- 3.54 Mr Chiu of the CPSU explained:
- Roughly, it's been a 612 per cent increase in spending on labour hire since this [Coalition] government came into power. If you compare it against budget data on how much spending on public sector wages and salaries have increased, that's only been about 10 per cent. So I think that alone has shown there's been a massive increase in spending on labour hire compared to ongoing spending on APS staff.⁴⁸
- 3.55 The CPSU informed the committee that as at 23 February 2021, the total spend on 'Temporary Personnel Service' contracts published on AusTender since 1 July 2015 was just over \$7.766 billion. It highlighted that the list of 32 000 contracts (which included over 5000 contracts for DVA) did not include all the various labour hire contracts signed by APS agencies, given that there is no standard categorisation for this type of contract in AusTender.⁴⁹
- 3.56 CICTAR also commented on the 'very limited and very problematic' data available on AusTender.⁵⁰ It advised that through analysing the AusTender 'Temporary Personnel Services' data, it had calculated that between 1 July 2020 and 1 July 2021, the federal government awarded \$2.6 billion in temporary personnel contracts, an increase on the \$2.4 billion for the corresponding

⁴⁵ Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 186.

⁴⁶ Community and Public Sector Union, *Submission 24*, p. 13. See also Mr Osmond Chiu, Senior Policy and Research Officer, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 9.

⁴⁷ Mr Osmond Chiu, Senior Policy and Research Officer, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 9.

⁴⁸ Mr Osmond Chiu, Senior Policy and Research Officer, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 9.

⁴⁹ Community and Public Sector Union, *Submission 24*, p. 62.

⁵⁰ Dr Claire Parfitt, Senior Research and Strategist, Centre for International Corporate Tax Accountability and Research, *Proof Committee Hansard*, 26 July 2021, p. 3.

period in 2019–20. CICTAR noted, however, that the AusTender data, and therefore the resulting figures, did not capture all labour hire contracts.⁵¹

- 3.57 Dr Claire Parfitt, Senior Research and Strategist for CICTAR, highlighted the challenges in gaining an accurate picture of labour hire arrangements across the APS, given that the government knew so little about its own practices. She explained:

Nailing down the figures of contractors within the APS has proven very, very difficult. In fact, a core part of our submission is that the government knows very little...A real core problem in researching this area is the government knows very little about its own practices in this regard, which is one of the things that we would recommend changes, that the government informs itself better in this domain.⁵²

- 3.58 The committee is also aware that the lack of official government data on the expenditure and number of people engaged through external arrangements such as labour hire contracting has also been a regular feature in media commentary.
- 3.59 For example, a 2020 ABC analysis of 120 000 federal government contracts — for services such as consulting, staffing and recruitment — suggested the Commonwealth's market for 'private' labour had doubled in the past five years to be worth more than \$5 billion a year.⁵³
- 3.60 Similarly, analysis conducted by the Canberra Times in 2021 indicated that nearly one in five people working in federal government departments were employed on external contracts or through labour hire firms.⁵⁴
- 3.61 The Australian Public Service Commission (APSC) advised the committee that it did not collect data on the number of labour hire workers used by agencies to supplement their workforces. It confirmed that it only collected data in relation to public servants and people employed under the PS Act, and that data on labour hire was 'held by agencies'.⁵⁵

⁵¹ Centre for International Corporate Tax Accountability and Research, answer to question on notice, 26 July 2021 (received 28 July 2021).

⁵² Dr Claire Parfitt, Senior Research and Strategist, Centre for International Corporate Tax Accountability and Research, *Proof Committee Hansard*, 26 July 2021, p. 4.

⁵³ Markus Mannheim, 'Federal Government spending \$5 billion per year on contractors as gig economy grows inside public service', *ABC News*, 10 September 2020, www.abc.net.au/news/2020-09-10/contractors-and-the-public-service-gig-economy/12647956 (accessed 23 September 2021).

⁵⁴ Sarah Basford Canales, 'Government departments average one in five contract workers amid concerns of 'stealthy privatisation'', *Canberra Times*, 21 January 2021, www.canberratimes.com.au/story/7087674/stealthy-privatisation-of-public-sector-causes-concern/ (accessed 23 September 2021)

⁵⁵ Mr Peter Woolcott AO, Australian Public Service Commissioner, Australian Public Service Commissioner, *Committee Hansard*, 5 March 2020, p. 39.

3.62 When queried by the committee as to why the APSC did not collect that data, Mr Peter Woolcott AO, the APS Commissioner, responded:

...we are responsible for collecting data around Australian public servants—the 150,000 Australian public servants employed under the Public Service Act. That's our remit. We do that very thoroughly.⁵⁶

3.63 Evidence to the Senate Select Committee on Job Security in August 2021 also confirmed that there is no central mechanism tracking labour hire in the APS. For example, an official from the Department of Finance stated:

It is true that there's no central data holding of labour hire information. There is reporting through the AusTender platform of labour hire contracts, but there is no, if you like, aggregated set of data that we possess in Finance—or anywhere else in government, to my knowledge.⁵⁷

3.64 The Select Committee on Job Security also traversed the topic with the APSC. In response to a question about whether 'anyone' in the government knew what proportion of the APS workforce was engaged through labour hire, an official reiterated that it was not within the APSC's remit to know:

From the Public Service Commission's perspective, the workforce mix and percentage of labour hire use at agency level really is a responsibility of agency heads. Agency heads are best placed to determine what the appropriate mix of their workforce should be based on their business outcomes. So that's not something I can provide, but it's a question perhaps better put to agencies.⁵⁸

3.65 The committee queried the Australian National Audit Office (ANAO) as to whether it would be possible to collect data on the scale of APS labour contracting.

3.66 The Auditor-General observed that the crux of the matter was whether the Parliament wanted the data collected. He commented:

Departments report a large amount of detail on APS staffing because the Parliament has required that to happen. If there was a requirement on entities to maintain data on some form of ASL equivalent for contract labour or expenditure on contract labour, they would set up systems to collect the data and do it.⁵⁹

⁵⁶ Mr Peter Woolcott AO, Australian Public Service Commissioner, Australian Public Service Commissioner, *Committee Hansard*, 5 March 2020, p. 39.

⁵⁷ Mr Matt Yannopolous, Deputy Secretary, Budget and Financial Report, Department of Finance, *Senate Select Committee on Job Security Proof Hansard*, 27 August 2021, p. 2.

⁵⁸ Mr Patrick Hetherington, Acting Deputy Australian Public Service Commissioner, Australian Public Service Commission, *Senate Select Committee on Job Security Proof Hansard*, 27 August 2021, p. 2.

⁵⁹ Mr Grant Hehir, Auditor-General, Australian National Audit Office, *Proof Committee Hansard*, 6 August 2021, p. 48.

3.67 In an effort to ascertain the scale of labour hire usage across the APS, the committee requested staffing profile information from agencies across all portfolios. The committee asked for the following:

The staffing profile for the agency as at 1 July 2021, broken down into:

- a) APS ongoing employees: headcount and Average Staffing Level (ASL);
 - b) APS non-ongoing employees: headcount and ASL;
 - c) Labour hire staff: headcount and Full-Time Equivalent (FTE); and
 - d) Other contractors: headcount and FTE.
- 2) The percentage of staff engaged through labour hire arrangements as a percentage of total agency headcount.
- 3) The total value of labour hire contracts entered into between 1 January 2021 and 30 June 2021.

3.68 The responses received indicated that agencies had differing methods of collecting data, and that many agencies did not collect data that allowed them to disaggregate the numbers of labour hire workers from other contractors.⁶⁰

3.69 For example, some agencies advised that their recordkeeping systems did not or could not differentiate between contractors directly procured by the agency (e.g. independent contractors), and workers procured through labour hire firms.⁶¹

Transparency concerns

3.70 The committee received evidence on the intersection between the prevalence of labour hire arrangements in the APS and multinational tax avoidance.

3.71 CICTAR argued that, in addition to diminishing APS capability, the widespread use of external workforce arrangements through multinational labour hire firms also threatened the government's overall fiscal position. It asserted this was because many of the commonly used labour hire firms utilised 'complex, transnational corporate structures that are designed to reduce and avoid taxes'.⁶²

⁶⁰ The responses received from agencies are listed under Additional Information in Appendix 4 of this report, and are published on the inquiry webpage. Not all agencies complied with the committee's request for information. The Department of the Prime Minister & Cabinet, the Treasury, and the Department of Education, Skills and Employment did not respond to the committee and did not provide an explanation for the lack of response.

⁶¹ See for example: Department of Home Affairs, additional information, received 14 September 2021; Department of Industry, Science, Energy and Resources, additional information, received 14 September 2021; Department of Agriculture, Water and the Environment, additional information, received 14 September 2021; Department of Foreign Affairs and Trade, additional information, received 12 October 2021.

⁶² Dr Claire Parfitt, Senior Research and Strategist, Centre for International Corporate Tax Accountability and Research, *Proof Committee Hansard*, 26 July 2021, p. 2.

3.72 The CICTAR submission analysed the operations of a number of labour hire firms commonly used by the APS:

The firms we have analysed include Adecco, Hays, OUTSOURCING Inc, Persol, Randstad, Recruit Holdings and Well Group. Adecco paid no tax. OUTSOURCING Inc and Well Group do not report their income or tax payments to the ATO, so we cannot know if they pay. Persol paid \$4 million on over \$2 billion in revenue, implying a profit margin of 0.63 per cent in Australia; although the company's profit margin is nearly five per cent. Recruit Holdings paid \$8.7 million on \$1.7 billion of revenue, better than Persol but still a tiny profit margin of 1.7 per cent. The company's structure, like others we have analysed in our submission, permits extensive related party transactions and prevents transparency to ensure Australian taxpayers know whether or not they are being taken advantage of.

The only company that seems to be making good money in this sector is Hays, which reports a substantially higher profit margin than its labour hire competitors in Australia and, accordingly, pays more in tax. Why is Hays' profit margin, we might ask, and tax bill so much higher than its competitors? In a competitive market, we would expect these other firms to be out-competed if their profits are so weak.⁶³

3.73 CICTAR proposed a range of oversight and control mechanisms to ensure that labour hire firms paid by the APS provided taxpayers with value for money and performed their contractual obligations to a high standard. It recommended that the APS vet labour hire firms according to past performance, disclose the details of all contracts, require firms to file full financial statements with the Australian Securities and Investments Commission and maintain a register of beneficial ownership.⁶⁴

3.74 CICTAR pointed out that the opaque ownership structures of many of the multinational firms contracted to the APS had implications on adherence to the Commonwealth procurement guidelines. It argued that if the APS was not properly informed about who it was contracting with, it was not possible for existing oversight mechanisms (such as the Commonwealth Procurement Rules) to be effective.⁶⁵

⁶³ Dr Claire Parfitt, Senior Research and Strategist, Centre for International Corporate Tax Accountability and Research, *Proof Committee Hansard*, 26 July 2021, p. 2.

⁶⁴ Dr Claire Parfitt, Senior Research and Strategist, Centre for International Corporate Tax Accountability and Research, *Proof Committee Hansard*, 26 July 2021, p. 2.

⁶⁵ Dr Claire Parfitt, Senior Research and Strategist, Centre for International Corporate Tax Accountability and Research, *Proof Committee Hansard*, 26 July 2021, p. 4.

- 3.75 For example, CICTAR posited that it was possible for an APS agency to receive tenders from two, seemingly separate companies with different names, only for both to be owned by the same multinational firm.⁶⁶
- 3.76 The committee queried whether CICTAR was aware of any instances where APS tendering arrangements had been distorted by a lack of competition in this way.
- 3.77 In response, Dr Parfitt acknowledged that given the inadequacy of public data there was not enough transparency around APS processes to know which companies tendered for which particular contracts. However, she stated that there were 'scores of examples' as many APS agencies outsourced to the same corporate groups under different names.⁶⁷
- 3.78 She detailed:
- To pick a couple of examples...we have the Department of Health contracting with Clicks Recruit, HOBAN Recruitment and HorizonOne, all of which are [subsidiaries] of OUTSOURCING Inc group. They are also contracting with both Chandler McLeod and PeopleBank, which are both subsidiaries of Recruit Holdings. That is also true for the Australian Tax Office. It is outsourcing to both Chandler Macleod, PeopleBank as well as Clicks Recruit and HOBAN Recruitment. It is a process that repeats on and on. The Attorney-General's Department is contracting both with Adecco in its own name and also with Agility, which is a subsidiary of Adecco that was recently rebranded again to Modis.⁶⁸
- 3.79 In relation to this, Mr Jason Ward, spokesperson for the Tax Justice Network Australia (TJNA), flagged that there was also the potential for 'major conflict of interest' where labour hire firms owned by the same multinational outfit were contracted to an APS agency, as well as to a private entity that the APS agency was regulating.⁶⁹
- 3.80 He provided an example of how this situation could occur within the remit of the Aged Care Quality and Safety Commission (ACQSC), the government regulator that assesses and monitors the quality of care and services of private aged care providers. He explained:

...it's really disturbing to find out that a significant portion of the workforce in an agency like the Aged Care Quality and Safety Commission are labour

⁶⁶ Dr Claire Parfitt, Senior Research and Strategist, Centre for International Corporate Tax Accountability and Research, *Proof Committee Hansard*, 26 July 2021, p. 2.

⁶⁷ Dr Claire Parfitt, Senior Research and Strategist, Centre for International Corporate Tax Accountability and Research, *Proof Committee Hansard*, 26 July 2021, p. 4.

⁶⁸ Dr Claire Parfitt, Senior Research and Strategist, Centre for International Corporate Tax Accountability and Research, *Proof Committee Hansard*, 26 July 2021, p. 4.

⁶⁹ Mr Jason Ward, Spokesperson, Tax Justice Network Australia, *Proof Committee Hansard*, 26 July 2021, p. 8.

hire workers and [these workers] are inspecting facilities where other employees of the same firms are actually staffing those facilities...⁷⁰

- 3.81 CICTAR advised that the ACQSC contracted its work to a range of labour hire organisations including Adecco, Hays, Randstad and Programmed. It stated that in addition to contracting to the ACQSC to provide quality assessors, all of these firms concurrently contracted to aged care providers to provide nurses, assistants in nursing, maintenance workers and support workers.
- 3.82 To evidence this scenario, CICTAR provided the committee with a number of advertisements for relevant jobs at each of the labour hire firms it listed.⁷¹
- 3.83 For example, a September 2021 online job advertisement from labour hire firm Programmed sought a Brisbane-based 'Senior Quality Assessor' for a 'casual, 12 month placement' to work in 'an accreditation/quality role' with a 'government organisation'. Based on the information in the advertisement, it appeared as though the 'government organisation' referenced was ACQSC. The advertisement stated:

We are looking for the right people to join our high performing team who are responsible for the assessing and monitoring the performance of individual aged care providers (residential, home care and flexible care) against the Aged Care Quality Standards.⁷²

The impact of labour hire

- 3.84 Despite a lack of centralised data making it difficult to gain a comprehensive picture of APS labour hire arrangements, submitters argued that the available data was sufficient to clearly demonstrate the APS's growing use and reliance on external workforce arrangements.
- 3.85 Submitters expressed concern with the large size of the external workforce used to augment the APS, and argued that this chronic overreliance on labour hire hollowed out the APS's capability and diminished the quality of services delivered to the public.
- 3.86 They also contended that the widespread use of labour hire did not represent value for money, given that the external arrangements generally cost the government more than sustaining an in-house APS workforce.

⁷⁰ Mr Jason Ward, Spokesperson, Tax Justice Network Australia, *Proof Committee Hansard*, 26 July 2021, p. 8.

⁷¹ Centre for International Corporate Tax Accountability and Research, answer to question on notice, 26 July 2021 (received 28 July 2021).

⁷² Seek, *Quality Assessor/Auditor, Programmed Health Professionals Pty Ltd*, www.seek.com.au/job/53913794?type=standout%20-%20searchRequestToken=37f8819c-89d6-4155-a3aa-54058e13dfb2 (accessed 23 September 2021).

- 3.87 Finally, submitters noted that labour hire arrangements were often not conducive to stable and fair employment conditions for workers, particularly when used for years on end.
- 3.88 These three areas of concern will be examined in greater detail in the following sections.

Insecure employment

- 3.89 The committee received evidence that drew attention to the negative impacts of long-term labour hire contracting on workers, given the inherently insecure nature of the arrangements.
- 3.90 The CPSU highlighted the pressures faced by labour hire workers arising from the impermanence of their contract arrangements, including differing pay and conditions and limited opportunities for career progression compared to APS employees.

- 3.91 It explained the impact of insecure work on individuals:

These people do not receive sick, personal, annual, or any other leave entitlements, creating challenges to work-life balance and limited flexibility in planning breaks and time away. This can lead to fatigue and cause further flow-on effects to the efficiency and capacity of the overall workforce.⁷³

- 3.92 For example, the CPSU advised that many labour hire workers contracted to the National Disability Insurance Agency (NDIA) were paid less than their colleagues employed directly by the APS. The CPSU also stated that these labour hire workers were often contractually prohibited from discussing their pay rates with colleagues and were afraid of speaking out about workplace conditions.⁷⁴ Ms Beth Vincent-Pietsch, CPSU Deputy Secretary detailed:

Our understanding from the members that we have amongst that cohort is that many, if not most, of them are earning \$10 or so less an hour than their colleagues doing exactly the same work. We do know that those members are concerned about speaking out because they've been told they have confidentiality requirements around their pay and conditions. Because their employment is so insecure—they can be terminated with only an hour's notice—they're very nervous about speaking out or contacting the union around their pay and conditions. It's a very untenable position for them to be in.⁷⁵

⁷³ Community and Public Sector Union — members from the Australian Maritime Safety Authority (AMSA Connect), *Submission 15*, p. 4.

⁷⁴ Community and Public Sector Union, answers to questions on notice (21 July 2021) received 5 August 2021.

⁷⁵ Ms Beth Vincent-Pietsch, Deputy Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 21 July 2021, p. 4.

3.93 The CPSU also informed the committee that labour hire workers were not covered by the APS bargaining policy or APS industrial relations decisions, which at times could lead to problematic outcomes. It elaborated:

... an example of that was last year [2020], paid pandemic leave was offered to APS non-ongoing employees but the labour hire employees sitting next to them were not offered the same arrangements.⁷⁶

3.94 Additionally, it provided an example of the differences in conditions for labour hire workers at Services Australia:

With the [COVID-19] vaccination program that's currently underway in Australia, Services Australia directs that employees, including casuals, have a capacity to get paid time to be vaccinated. But for labour hire workers, Services Australia doesn't pay the labour hire companies, and, as far as we're aware, none of the labour hire companies provide paid time for their staff to get vaccinated.⁷⁷

3.95 The CPSU also noted that labour hire workers were not eligible for the pay increases that APS employees were eligible for through the annual increments negotiated through agency enterprise agreements.⁷⁸

3.96 The CPSU furnished the committee with feedback from CPSU members working in the Australian Maritime Safety Authority through labour hire arrangements which highlighted the personal and financial stress caused by the insecurity of their work. For example, one member said:

...not receiving an offer of full-time employment nor any pay rise in the 3 years is a recurring blow to my self-esteem. It's not knowing if my contract will be renewed until a few weeks out from expiry of my last [that] causes yearly stress. I believe I am also not eligible to apply for a home loan due to the terms of my employment however, it is hard to even conceive of making such a commitment considering the precarity of my employment.⁷⁹

3.97 The CPSU also argued that the ongoing insecure work arrangements had a negative impact on workplace culture and productivity:

It does cause cohesion problems and culture problems within the workplace and in terms of how labour hire employees feel about their security at work. Going to issues like the ability to do your job in a frank and fearless way—that's a hard thing to do if you may or may not be asked back if the labour hire firm gets a complaint about you et cetera. There's a

⁷⁶ Ms Melissa Donnelly, National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 11.

⁷⁷ Mr Alistair Waters, National President, PSU Group, Community and Public Sector Union, *Proof Committee Hansard*, 20 July 2021, p. 33.

⁷⁸ Community and Public Sector Union — members from the Australian Maritime Safety Authority (AMSA Connect), *Submission 15*, p. 5.

⁷⁹ Community and Public Sector Union — members from the Australian Maritime Safety Authority (AMSA Connect), *Submission 15*, pp. 5–6.

range of ways that the differing conditions and differing job security causes problems in the workplace.⁸⁰

- 3.98 The committee sought information as to whether labour hire workers were generally paid more or less than APS workers doing the same roles.
- 3.99 Mr Michael Tull, Assistant National Secretary of the CPSU, advised that while the situation varied, in some agencies the CPSU was aware of labour hire workers being paid less than comparable APS employees.⁸¹
- 3.100 Mr Tull further advised that in other agencies, the CPSU was aware of labour hire workers being paid according to or 'pretty closely matching' the pay rate to comparable APS roles as set out in the agency's enterprise agreement. He cited DVA and the Attorney-General's Department as examples of this situation.⁸²
- 3.101 However, Mr Tull emphasised that although the labour hire workers were paid similar rates to their APS counterparts, the government still had to pay a premium on top of that to the labour hire company.⁸³ He noted that this was one of the key reasons why labour hire staff cost more than APS employees.⁸⁴
- 3.102 As part of its inquiry, the Senate Select Committee on Job Security queried the APSC as to whether there was an APS policy or requirement that labour hire workers in an agency receive equal pay to APS employees in that agency at the same level doing the same work. An APSC official responded:
- I think the answer to that is no. When people are engaged via labour hire, they're engaged under the terms of their contractual arrangements.⁸⁵
- 3.103 The Department of Finance and the APSC also informed the Senate Select Committee on Job Security that they did not have visibility of labour hire worker remuneration and did not have figures on the wage differentials between APS employees and labour hire workers doing the same role.⁸⁶

⁸⁰ Ms Melissa Donnelly, National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 11.

⁸¹ Mr Michael Tull, Assistant National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 12.

⁸² Mr Michael Tull, Assistant National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 12.

⁸³ Note: The issue of value for money is explored further in the next section.

⁸⁴ Mr Michael Tull, Assistant National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 12.

⁸⁵ Mr Patrick Hetherington, Acting Deputy Australian Public Service Commissioner, Australian Public Service Commission, *Senate Select Committee on Job Security Proof Hansard*, 27 August 2021, p. 7.

⁸⁶ Mr Matt Yannopolous, Deputy Secretary, Budget and Financial Report, Department of Finance, *Senate Select Committee on Job Security Proof Hansard*, 27 August 2021, p. 6; Mr Patrick Hetherington,

Value for money

3.104 Evidence received by the committee indicated that the use of labour contracting in the APS was not cost-effective, particularly in light of the margins charged by labour hire providers.

3.105 The CPSU expressed doubt in relation to the government's claim that using external providers cost less as it avoided the ongoing expenditure that resulted from recruiting additional public servants.⁸⁷ It asserted:

While the full and exact costs of using contractors and labour is unknown due to a lack of data and transparency, that data that is available suggests the Government's claim is false.⁸⁸

3.106 The CPSU argued that publicly available data indicated that it cost an APS agency more to engage staff as labour hire or contractors, compared with hiring staff as APS employees.⁸⁹

3.107 Similarly, Professor Podger observed that it appeared the APS had lost sight of value for money considerations, and tended to opt for contract and labour hire arrangements even when it demonstrably did not offer value for money.⁹⁰

3.108 The CPSU drew attention to the margins charged by labour hire providers which drove up the costs to the APS. National Secretary Ms Donnelly explained:

We know, and a number of agencies have given evidence to Senate estimates and other processes on this—that there is, absolutely, a premium paid to labour hire companies through these arrangements. This is the reason why they cost more than having APS employees. You have a labour hire company that is, itself, clipping the ticket, if you like, to drive their own profits. There have been examples where some agencies have been forthcoming, in estimates and other places, that there is a significant premium.⁹¹

3.109 Additionally, the CPSU pointed out that the higher costs of labour hire compared to direct APS employment did not translate to higher rates of pay for labour hire workers.

Acting Deputy Australian Public Service Commissioner, Australian Public Service Commission, *Senate Select Committee on Job Security Proof Hansard*, 27 August 2021, p. 7.

⁸⁷ Community and Public Sector Union, *Submission 24*, p. 18.

⁸⁸ Community and Public Sector Union, *Submission 24*, p. 18.

⁸⁹ Community and Public Sector Union, *Submission 24*, pp. 18–21.

⁹⁰ Professor Andrew Podger, private capacity, *Proof Committee Hansard*, 6 August 2021, p. 24.

⁹¹ Ms Melissa Donnelly, National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 9.

3.110 To illustrate, Mr Tull of the CPSU outlined an example of this situation within the Commonwealth Director of Public Prosecutions (DPP):

...the DPP told the Senate that they pay 25 to 28 per cent more for labour hire workers than it would cost for APS employees, while at the same time those labour hire workers are paid less than the APS employees. The Commonwealth is paying more in total costs because of labour hire fees, and workers are getting paid less. That's obviously a terrible situation.⁹²

3.111 The committee heard that the amount paid to a labour hire firm was generally inclusive of:

- the supplier margin;
- administration fees; and
- worker remuneration.⁹³

3.112 The committee heard that the rate of the supplier margin and the administrative fee varied across providers and contracts.

3.113 For example, DVA advised that over the past three financial years it had used 60 labour hire providers, and in 2020 it negotiated hourly rates and margin fees with 17 of these. It explained that those 17 providers were now DVA's 'preferred providers' and therefore used the most. DVA stated that it now paid a margin of 12 per cent to those 'preferred providers', but prior to 2020–21 and for non-preferred providers, the margin amounts varied by provider.⁹⁴

3.114 The committee also heard that agencies did not have any visibility of what labour hire workers were being paid by the providers.⁹⁵

3.115 For example, Services Australia advised the committee that it did not have visibility of the remuneration of labour hire workers in its workforce.⁹⁶ Similarly, the NDIA stated that it did not have any visibility of what labour hire workers in its agency were paid.⁹⁷

⁹² Mr Michael Tull, Assistant National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 12.

⁹³ National Disability Insurance Agency, answers to questions on notice, 21 July 2021 (received 9 August 2021).

⁹⁴ Department of Veterans' Affairs, answers to questions on notice, 20 July 2021 (received 29 September 2021).

⁹⁵ See for example: Mr Alistair Waters, National President, Public Services Union Group, Community and Public Sector Union, *Proof Committee Hansard*, 20 July 2021, p. 33.

⁹⁶ Mr Michael Nelson, General Manager, People Division, Services Australia, *Proof Committee Hansard*, 20 July 2021, pp. 44–45.

⁹⁷ Dr Lisa Studdert, Deputy Chief Executive Officer, National Disability Insurance Agency, *Proof Committee Hansard*, 21 July 2021, p. 21.

3.116 The following exchange between the committee and Mr Roger Winzenberg, Assistant Secretary in the People Services branch of DVA clearly illustrated the situation:

CHAIR: Do you have visibility of the pay rates that are provided to each labour hire employee by the labour hire agency?

Mr Winzenberg: No.

CHAIR: So you don't know how much they are being paid?

Mr Winzenberg: We pay public service rates for public service positions and then we pay the on-costs. We don't have visibility of what the labour hire company pays its employee in hand.

CHAIR: It's a mystery to you how much they are paid?

Mr Winzenberg: The anecdotal evidence we hear from our labour hire employees is that they're paid similar rates to what our own people are paid.

CHAIR: Anecdotal evidence. But you don't have any requirements that they are paid a certain rate?

Mr Winzenberg: As I said, we contract them at the APS rates and then we pay the on-costs, the agency fee. What the actual agency pays their employees in the hand, we don't have visibility of.⁹⁸

3.117 The APSC advised that it did not have any visibility or capture any data on the remuneration of labour hire workers, stating that it was 'a matter for agencies'.⁹⁹

3.118 Professionals Australia commented on how the concept of value for money was undermined by the consistent use of external workforce arrangements. It observed that each time core APS work was contracted out rather than being conducted in-house, the government made an investment into 'a resource that is lost at the end of the contract'.¹⁰⁰

3.119 The CPSU also detailed how this lack of value for money impacted agency budgets and APS capability more broadly:

...where you're using labour hire, you are getting fewer employees for your salary budget than you could if you were just employing APS employees. When you put that out across \$2 billion worth of spending [across the Commonwealth], the numbers really add up. We are talking about a lot of jobs and a lot of money going to labour hire profits that should be going into public service jobs and capability.¹⁰¹

⁹⁸ Mr Roger Winzenberg, Assistant Secretary, People Services Branch, Department of Veterans' Affairs, *Proof Committee Hansard*, 20 July 2021, p. 20.

⁹⁹ Mr Patrick Hetherington, Acting Deputy Australian Public Service Commissioner, Australian Public Service Commission, *Senate Select Committee on Job Security Proof Hansard*, 27 August 2021, p. 7.

¹⁰⁰ Professionals Australia, *Submission 8*, p. 11.

¹⁰¹ Mr Michael Tull, Assistant National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 12.

Impact on service quality

3.120 Evidence received by the committee indicated that the widespread use of labour hire within the APS had hollowed out capability to the extent that the quality of service that many agencies were able to deliver to the public was significantly diminished.

3.121 In particular, the committee received a large amount of feedback from CPSU members across the APS detailing the particular impacts of externalisation on the operations of their respective agencies.¹⁰²

3.122 The CPSU argued that the extensive use of labour hire encouraged a loss of corporate knowledge and skills, both of which sabotaged service delivery to the public.

3.123 It submitted:

Members [of the CPSU] have warned the growth of insecure work has affected the skill base of agencies. The skills and corporate knowledge needed to work in the APS are substantial and the extensive use of labour hire makes it far harder to maintain. Members commented that significant investment is made in staff who then leave for more secure jobs.¹⁰³

3.124 Mr Alistair Waters, National President of the PSU Group within the CPSU, catalogued the problems in Services Australia arising from a reliance on poorly trained labour hire workers:

The failure to engage permanent staff that have the experience and the proper training results in poor quality of training and staff that just don't have the necessary experience. It's led to multiple problems, including the creation of reverse workflows, double handling, a dramatic rise in errors, increasing complaints, unnecessary appeals, declining customer satisfaction, and trust and reputational damage to the agency...¹⁰⁴

¹⁰² See for example: Community and Public Sector Union, *Submission 24*; Community and Public Sector Union — members from the Department of Veterans' Affairs, *Submission 14*; Community and Public Sector Union — members from the Australian Maritime Safety Authority (AMSA Connect), *Submission 15*; Community and Public Sector Union — Tasmanian Regional Office, *Submission 16*; Community and Public Sector Union — members from Aged Care Quality and Safety Commission, *Submission 17*; Community and Public Sector Union — members from the National Disability Insurance Agency and the National Disability Insurance Scheme Quality and Safeguards Commission, *Submission 18*; Community and Public Sector Union — members from Services Australia, *Submission 19*; Community and Public Sector Union — members from the Australian Taxation Office, *Submission 25*.

¹⁰³ Community and Public Sector Union, *Submission 24*, p. 24.

¹⁰⁴ Mr Alistair Waters, National President, PSU Group, Community and Public Sector Union, *Proof Committee Hansard*, 20 July 2021, p. 28.

3.125 The CPSU provided the committee with direct feedback from its members to further illustrate its claims. For example, a member from Services Australia stated:

The training gaps are becoming quite obvious. The idea that you can replace the knowledge held by experienced APS staff by labour hire staff following 'blueprint' instructions will end up costing our customers, and the taxpayer a damn sight more than what it was ever worth.¹⁰⁵

3.126 The CPSU also emphasised that service delivery capacity was lost when APS staff were constantly required to train a steady stream of new labour hire workers due to high turnovers, on top of their usual workloads.¹⁰⁶

3.127 It provided the committee with feedback from its members on this matter.

3.128 For example, a member from DVA stated:

There are some areas in DVA that require a bit of training. It's demoralising to see months of training leave with a contractor, because they have gone somewhere else for a permanent position or a longer contract...¹⁰⁷

3.129 A CPSU member from the NDIA stated:

I have trained 8 people in the last 18 months who have all left before they were skilled enough to be useful. We still don't have these positions filled and are about to do it all again. I am facing burnout due to the increased workload and the extra work of training staff who ultimately do not contribute to the team.¹⁰⁸

3.130 Another CPSU member within the NDIA commented:

We have had entire teams made entirely of contractors quit and all that skill and knowledge is lost in an instant. I have had to pick up the work of 3 additional people with no notice, these positions (still going to labour hire) have not been filled almost 12 months later, 4 labour hire [workers] coming and going in the meantime.¹⁰⁹

3.131 The CPSU also cited feedback from members in the ACQSC warning that the agency's 'long-term regulatory capability' was not being retained as contracted staff, many of whom had developed good skills, either did not last their full contract term or were 'head hunted' into permanent positions by aged care providers.¹¹⁰

¹⁰⁵ Community and Public Sector Union, *Submission 24*, p. 24.

¹⁰⁶ Community and Public Sector Union, *Submission 24*, p. 24.

¹⁰⁷ Community and Public Sector Union, *Submission 24*, p. 24.

¹⁰⁸ Community and Public Sector Union, *Submission 24*, p. 25.

¹⁰⁹ Community and Public Sector Union, *Submission 24*, p. 25.

¹¹⁰ Community and Public Sector Union, *Submission 24*, p. 25.

Case study: Department of Veterans' Affairs

- 3.132 The damage to APS capability caused by an overreliance on labour hire is evident in the operations of DVA.
- 3.133 The committee found that the situation within DVA illustrated many of the elements examined in broader terms earlier in this chapter.¹¹¹
- 3.134 For example, the committee heard that the ASL cap had necessitated extensive use of labour hire contractors, which reduced the ability of DVA to effectively administer core services in a timely manner. This in turn negatively impacted on the quality of services delivered to veterans. The committee also found it difficult to gain a comprehensive, sequential picture of the worker headcount and expenditure of DVA labour hire arrangements given the lack of data collected and publicly released.
- 3.135 The following section lays out this evidence as a case study. It is not intended to be an exhaustive catalogue of the operations of DVA.

Impact of the ASL cap and the extent of labour hire arrangements

- 3.136 The CPSU posited that DVA's extensive reliance on labour hire contractors was largely driven by the ASL cap.¹¹²
- 3.137 The CPSU asserted that in the face of increased case numbers, DVA had relied heavily upon on labour hire to meet the demands, rather than engaging additional APS employees.
- 3.138 As a result of this, the committee heard that DVA operated with a 'blended workforce', comprised of directly engaged APS employees and staff engaged through labour hire arrangements.
- 3.139 In the absence of standardised, collated and regularly updated public data tracking headcount and expenditure on labour hire arrangements, to gain a picture of the blended workforce the committee was required to rely upon sporadic snapshots of information released by DVA in response to direct requests from Senate committees
- 3.140 For example, in April 2021 DVA advised the Senate Select Committee on Job Security that as at 31 January 2021, it employed:
- 986 labour hire staff (33.4 per cent of the total departmental workforce); and
 - 192 contractor staff (6.5 per cent of the total departmental workforce).

¹¹¹ A further case study setting out information on the operations of the NDIA and the National Disability Insurance Scheme Quality and Safeguards Commission can be found at Appendix 4 of this report.

¹¹² Ms Melissa Donnelly, National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 20 July 2021, p. 2. See also Community and Public Sector Union – members from the Department of Veterans' Affairs, *Submission 14*, p. 6.

3.141 It also advised that for the period 1 July 2020 to 31 January 2021 it procured labour hire and/or contract employees from 80 providers at a total cost of nearly \$168.19 million.¹¹³

3.142 Evidence received through Senate estimates showed that:

- DVA used the services of 46 separate labour hire providers in 2019–20 at a cost of \$82.106 million.¹¹⁴
- As at 30 June 2020, the headcount of staff engaged through labour hire arrangements was 1246, representing 41.6 per cent of total staff headcount (given that DVA had 1750 APS employees).¹¹⁵
- As at December 2020, the DVA 'preferred providers negotiated fee' (i.e. the margin) paid to labour hire providers was 12 per cent.¹¹⁶

3.143 Additionally, in October 2020 DVA was asked through Senate estimates to provide the maximum and minimum fees paid to labour hire firms in 2019–20 as a percentage mark-up on the cost of the labour hire worker.

3.144 DVA did not provide the information and instead responded in December 2020:

The Department of Veterans' Affairs does not maintain centralised records on these matters in a form that could be easily reported. Given the broad nature of the question, providing a response would substantially and unreasonably divert departmental resources from its other operations.¹¹⁷

3.145 DVA acknowledged to the committee that it had needed to 'supplement' its APS workforce with labour hire in order to deal with increased demand and deliver the required services and levels of support to veterans and their families.¹¹⁸

¹¹³ Department of Veterans' Affairs, answers to questions on notice, Senate Select Committee on Job Security, 31 March 2021 (received 30 April 2021).

¹¹⁴ Department of Veterans' Affairs, answer to question on notice, question no. 489 (portfolio question no. 44), Senate Foreign Affairs and Trade Legislation Committee Budget Estimates 2020–21, 26 October 2020 (received 11 December 2020); Department of Veterans' Affairs, answer to question on notice, question no. 515 (portfolio question no. 70), Senate Foreign Affairs and Trade Legislation Committee Budget Estimates 2020–21, 26 October 2020 (received 11 December 2020).

¹¹⁵ Department of Veterans' Affairs, answer to question on notice, question no. 515 (portfolio question no. 70), Senate Foreign Affairs and Trade Legislation Committee Budget Estimates 2020–21, 26 October 2020 (received 11 December 2020).

¹¹⁶ Department of Veterans' Affairs, answer to question on notice, question no. 489 (portfolio question no. 44), Senate Foreign Affairs and Trade Legislation Committee Budget Estimates 2020–21, 26 October 2020 (received 11 December 2020).

¹¹⁷ Department of Veterans' Affairs, answer to question on notice, question no. 515 (portfolio question no. 70), Senate Foreign Affairs and Trade Legislation Committee Budget Estimates 2020–21, 26 October 2020 (received 11 December 2020).

¹¹⁸ Mr Mark Harrigan, Chief Operating Officer, Department of Veterans' Affairs, *Proof Committee Hansard*, 20 July 2021, p. 15.

3.146 Mr Mark Harrigan, Chief Operating Officer for DVA explained:

The No. 1 driver to our increase in labour hire has been the increase in workload, stemming from veterans and their families reaching out for the support they need, which is a positive thing. Our role is to provide them that support, and we will do that however we need to through the use of a blended workforce mix.¹¹⁹

3.147 DVA advised that a blended workforce was an intrinsic feature of its staffing arrangements. As Mr Harrigan stated:

We will always have a blended work force...¹²⁰

3.148 DVA contended there were several reasons why it used a blended workforce, including:

- the need for flexibility; and
- the requirement to remain within the parameters dictated by the ASL cap.

3.149 Mr Harrigan explained:

Firstly, we recruit to what we're allowed to under the ASL cap. We know that across certain areas of the department there are significant volumes of work that've built up over recent years. To ensure that we deliver the best possible service to veterans and their families, our way to address that—to get through the claims to a high standard—is to bring the bodies on that we need, the individuals we need, who we can accredit to get the work done. Whether they be taking phone calls from veterans, whether they be processing claims from veterans, our focus is on addressing the workloads, getting through the backlogs, and that has necessitated a need to supplement our APS workforce with a non-APS workforce. That's our focus.¹²¹

3.150 The 2021–22 Budget allowed for 447 additional ASL positions to be allocated to DVA in order to 'help improve the efficiency of veterans' service delivery'.¹²²

3.151 DVA acknowledged it was 'greatly appreciative' of the additional ASL increase provided for in the 2021–22 Budget.¹²³ However, it clarified for the committee that while the increase to its ASL cap was over the forward estimates for four years, the funding allocated was only for two years.¹²⁴

¹¹⁹ Mr Mark Harrigan, Chief Operating Officer, Department of Veterans' Affairs, *Proof Committee Hansard*, 20 July 2021, p. 15.

¹²⁰ Mr Mark Harrigan, Chief Operating Officer, Department of Veterans' Affairs, *Proof Committee Hansard*, 20 July 2021, p. 14.

¹²¹ Mr Mark Harrigan, Chief Operating Officer, Department of Veterans' Affairs, *Proof Committee Hansard*, 20 July 2021, p. 14.

¹²² Commonwealth of Australia, *Budget Measures: Budget Paper No. 4 2021–22*, p. 14.

¹²³ Mr Mark Harrigan, Chief Operating Officer, Department of Veterans' Affairs, *Proof Committee Hansard*, 20 July 2021, p. 15.

¹²⁴ Mr Roger Winzenberg, Assistant Secretary, People Services Branch, Department of Veterans' Affairs, *Proof Committee Hansard*, 20 July 2021, p. 15.

3.152 DVA advised at a public hearing in July 2021 that it was using this funding to create non-ongoing APS positions. For example, it outlined that up to 30 June 2021 it had converted 195 labour hire staff to non-ongoing APS staff, and that going forward there was a program (through two other client service divisions) to convert approximately another 120 into non-ongoing APS staff.¹²⁵

3.153 Mr Harrigan provided the committee with further detail on how DVA was incorporating the uplift in ASL:

As you've indicated, the department received an increase to its ASL cap in the current financial year of 447 ASL. Our focus at the moment is on making available permanent ongoing positions and non-ongoing positions across the department, and that includes making the opportunity available to non-APS workforce who have worked for the department for some time. The majority of the additional ASL that the department received will go to claims processing and client programs. That work is well underway...¹²⁶

3.154 In addition to the focus on claims processing, DVA advised that other client programs would benefit from the increased ASL, including the rehabilitation programs and the case coordination and complex case coordination areas.¹²⁷

3.155 When queried by the committee on the temporary nature of the additional ASL funding, DVA advised that it would 'go back to government in future budgets to look at that issue'.¹²⁸

3.156 The committee questioned DVA as to whether, in the context of budget discussions, it had made representations to government about an increase to its ASL cap in light of the growing DVA workload.

3.157 Mr Harrigan responded with DVA's position:

Through the budget process, we have been in discussions for several years now with government about the emerging workloads of the department, particularly in our claims processing areas. To the extent that we think we need supplementation for the workforce in that area, we will put forward a submission that seeks to obtain additional supplementation to allow us to complete those claims as quickly and as accurately as we can.¹²⁹

¹²⁵ Mr Roger Winzenberg, Assistant Secretary, People Services Branch, Department of Veterans' Affairs, *Proof Committee Hansard*, 20 July 2021, p. 15.

¹²⁶ Mr Mark Harrigan, Chief Operating Officer, Department of Veterans' Affairs, *Proof Committee Hansard*, 20 July 2021, p. 14.

¹²⁷ Mr Mark Harrigan, Chief Operating Officer, Department of Veterans' Affairs, *Proof Committee Hansard*, 20 July 2021, p. 13.

¹²⁸ Mr Roger Winzenberg, Assistant Secretary, People Services Branch, Department of Veterans' Affairs, *Proof Committee Hansard*, 20 July 2021, p. 15.

¹²⁹ Mr Mark Harrigan, Chief Operating Officer, Department of Veterans' Affairs, *Proof Committee Hansard*, 20 July 2021, p. 14.

3.158 When pressed by the committee as to whether 'additional supplementation' meant an addition to the ASL cap, Mr Harrigan responded:

To the extent that the budget proposal we put forward asks for more money for our workforce, our preference has been for an addition to our APS work force.¹³⁰

3.159 DVA emphasised to the committee that any changes to the ASL cap were a matter for government. Officials noted that DVA needed to comply with funding parameters and the ASL cap, and that it was open to the government to make different arrangements in future budgets.¹³¹

3.160 In conclusion, DVA noted that despite the temporary increase in ASL allocation in the 2021–22 Budget, it would continue to operate a blended workforce into the future, given its need for workforce flexibility.

3.161 Mr Harrigan explained:

We're pleased that we have received some ASL cap relief that will allow us to reduce some of our reliance on labour hire and our non-APS workforce. However, particularly in the area of claims processing, where there is not the certainty that we would like in an ideal world, claims processing and claims volumes are uncertain. For as long as that's the case, we need some flexibility in our workforce in that area. We have always had a flexible, blended workforce—a mix of APS and non-APS—and we will continue to, but the budget has allowed us to reduce some reliance on labour hire and fill some additional Public Service roles, and that includes in claims processing.¹³²

The challenges of a blended workforce

3.162 The CPSU argued that a reduction in permanent APS staffing levels in DVA since 2013 and the corresponding increase in temporary labour contracting arrangements diminished departmental capability and led to poor service outcomes.¹³³

3.163 Specifically, it stated that high claim and client numbers, combined with lower APS staffing levels and an 'explosion' in labour hire arrangements had led to:

- unsustainable caseloads for staff;
- poor job security for large numbers of the DVA workforce;
- high staff turnover; and

¹³⁰ Mr Mark Harrigan, Chief Operating Officer, Department of Veterans' Affairs, *Proof Committee Hansard*, 20 July 2021, p. 14.

¹³¹ Mr Roger Winzenberg, Assistant Secretary, People Services Branch, Department of Veterans' Affairs, *Proof Committee Hansard*, 20 July 2021, pp. 18, 21.

¹³² Mr Mark Harrigan, Chief Operating Officer, Department of Veterans' Affairs, *Proof Committee Hansard*, 20 July 2021, p. 14.

¹³³ See for example: Community and Public Sector Union, *Submission 24*, pp. 27–28; Community and Public Sector Union – members from the Department of Veterans' Affairs, *Submission 14*, pp. 6–8.

- a reduction in productivity due to the constant diversion of resources for training purposes.¹³⁴

3.164 As Ms Donnelly, the CPSU National Secretary, summarised:

The high workloads, combined with the lack of job security for labour hire staff, result in a revolving door, with high turnover, loss of corporate knowledge and lots of resources being deployed to train new, incoming labour hire staff.¹³⁵

3.165 The CPSU drew the committee's attention to the challenges inherent in dealing with increased case numbers with consistently inadequate staffing levels:

Since 2013, we've seen DVA client numbers grow, ongoing staff fall by 379, and an explosion in the use of labour hire arrangements. At the same time, there has been a significant increase in claims, case loads and backlogs. The current number of 323,000 clients is significantly above previous forecasts of 250,000. With 700,000 veterans in the community and, as result of Veteran Centric Reform, greater emphasis on and support for veterans to make claims—which is obviously the right thing to do—it's no surprise that workloads and case loads are ever increasing. DVA reports that Military Rehabilitation and Compensation Act liability claims have more than trebled in the past three years, and permanent impairment claims have doubled over that same period.¹³⁶

3.166 The CPSU detailed the difficulties caused by a blended workforce with so many staff engaged as labour hire contractors. These included:

- Confusion in navigating the different workplace conditions (e.g. leave entitlements) between staff.
- Labour hire staff being frightened to raise concerns about high workloads, given their lack of job security.
- Labour hire staff not having access to the DVA EAP (employee assistance program).¹³⁷

3.167 As CPSU DVA workplace delegate Ms Fiona Duffy explained:

There's a bit of an us-and-them about the labour hire staff. It's a struggle to manage that....Some teams are fifty-fifty or more labour hire, and it is a bit like two different classes of staff, no matter how hard we try to manage that.¹³⁸

¹³⁴ Community and Public Sector Union – members from the Department of Veterans' Affairs, *Submission 14*, p. 6.

¹³⁵ Ms Melissa Donnelly, National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 20 July 2021, p. 1.

¹³⁶ Ms Melissa Donnelly, National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 20 July 2021, p. 1.

¹³⁷ Ms Fiona Duffy, Workplace Delegate, Community and Public Sector Union, *Proof Committee Hansard*, 20 July 2021, p. 4.

¹³⁸ Ms Fiona Duffy, Workplace Delegate, Community and Public Sector Union, *Proof Committee Hansard*, 20 July 2021, p. 4.

3.168 The CPSU highlighted that one of the key problems with the large number of labour hire workers was the constant need to train new workers in response to high staff turnover stemming from the lack of job security.

3.169 Ms Duffy outlined the diversion of resources required and the associated negative impact on productivity:

.....we're constantly training and losing people and training and losing people. Because we can't offer them any security and people are leaving, we're spending a huge amount of time and resources training people, and it actually has a negative impact on productivity.¹³⁹

3.170 She continued:

Senior delegates are offline constantly to train and support people, and then people are leaving. By the time they get skilled they're leaving, or they're leaving beforehand, and then we have to start training all over again. So it's a circular sort of problem, and that has as big an impact on productivity as anything else.¹⁴⁰

3.171 Ms Duffy emphasised that the ongoing churn of labour hire workers and the time it took to train new individuals did not allow for the backlog of veteran claims to be efficiently addressed:

It takes six to 12 months for a claims delegate to learn the legislation, and we lose about a quarter of all labour hire in the first six months anyway. We're constantly fighting to keep staff. The good staff move off to permanent jobs, so it doesn't really have the impact on the backlog that you would hope. Just throwing more labour hire at it isn't necessarily going to get through the claims because of the cost on the ground of having to manage a large cohort of labour hire in the claims space.¹⁴¹

3.172 Related to this issue, CPSU representatives noted that a compounding factor was the level of mentoring and formal training required to get new workers up to speed, given the complexity of the three pieces of legislation that workers had to be familiar with.¹⁴²

¹³⁹ Ms Fiona Duffy, Workplace Delegate, Community and Public Sector Union, *Proof Committee Hansard*, 20 July 2021, p. 6.

¹⁴⁰ Ms Fiona Duffy, Workplace Delegate, Community and Public Sector Union, *Proof Committee Hansard*, 20 July 2021, p. 6.

¹⁴¹ Ms Fiona Duffy, Workplace Delegate, Community and Public Sector Union, *Proof Committee Hansard*, 20 July 2021, p. 2.

¹⁴² Ms Fiona Duffy, Workplace Delegate, Community and Public Sector Union, *Proof Committee Hansard*, 20 July 2021, p. 6. See also Mr Shane Wright, Section Councillor, Community and Public Sector Union, *Proof Committee Hansard*, 20 July 2021, p. 6.

3.173 The CPSU also questioned the value for money being achieved by the reliance on labour hire workers, given that the arrangements cost more than directly engaging APS staff. It stated:

DVA admitted in March this year that labour hire can cost 15 to 20 per cent more, on average, than permanent staff.¹⁴³

Impact on service delivery for veterans

3.174 The CPSU submitted that the excessively high caseloads and lack of staff contributed to delays in claims processing, which led to frustration and anxiety for veterans.¹⁴⁴

3.175 The CPSU asserted that a 'direct line' could be drawn between the use of labour hire by DVA and increased waiting times and reduced services for veterans.¹⁴⁵

3.176 For example, Ms Donnelly described the impact of the blended workforce model on veterans as 'disastrous' and made particular reference to the long waiting times veterans faced to have their compensation claims allocated and processed.¹⁴⁶

3.177 In making this point, the CPSU referenced the poor mental health facing many veterans in Australia as reported in the media, and pointed to research commissioned by DVA showing that delays to processing compensation claims directly impacted the mental health of claimants.¹⁴⁷

3.178 The CPSU noted that the *Australian Veteran's Recognition (Putting Veterans and the Families First) Act 2019* includes a commitment that claims made under the *Military Rehabilitation and Compensation Act 2004* (often known as MRCA) be decided within 90 days from when the claim is received, or within 90 days of any requested information being provided.¹⁴⁸

¹⁴³ Ms Melissa Donnelly, National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 20 July 2021, p. 2.

¹⁴⁴ Community and Public Sector Union — members from the Department of Veterans' Affairs, *Submission 14*, p. 6.

¹⁴⁵ Community and Public Sector Union, *Submission 24*, p. 28.

¹⁴⁶ Ms Melissa Donnelly, National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 20 July 2021, p. 2.

¹⁴⁷ Community and Public Sector Union — members from the Department of Veterans' Affairs, *Submission 14*, p. 5.

¹⁴⁸ Community and Public Sector Union — members from the Department of Veterans' Affairs, *Submission 14*, p. 5; Department of Veterans' Affairs, *Australian Veterans' Recognition (Putting Veterans and their Families First) Act 2019*, 2 November 2020, www.dva.gov.au/about-us/overview/legal-resources/recent-changes-our-legislation/australian-veterans-recognition (accessed 27 September 2021).

3.179 The CPSU cited discussions during Senate estimates proceedings in March 2021 where it was put to DVA that the average processing time for MRCA Initial Liability claims was 178 days, and 186 days for Permanent Impairment claims.¹⁴⁹

3.180 Evidence from DVA in May 2021 set out the processing times for claims for the six month period 1 July 2020 to 31 December 2020:

Table 3.1 Median and average time taken to process claims - 1 July 2020 to 31 December 2020

Claim type	Median processing time (days)	Average processing time (days)
MRCA Liability	168	193
MRCA Permanent Impairment	111	148
MRCA Incapacity	31	41

Source: Department of Veterans' Affairs, answer to question on notice, question no. 398 (portfolio question no. 19), Senate Foreign Affairs and Trade Legislation Committee Additional Estimates 2020–21, 24 March 2021 (received 5 May 2021).

3.181 Additionally, updated evidence from DVA in October 2021 set out the processing times for the period 1 July 2020 to 31 March 2021:

Table 3.2 Median and average time taken to process claims - 1 July 2020 to 31 March 2021

Claim type	Median processing times (days)	Average processing times (days)
MRCA Liability	198	218
MRCA Permanent Impairment	126	157
MRCA Incapacity	34	44

Source: Department of Veterans' Affairs, answer to question on notice, question no. 7 (portfolio question no. 7), Senate Foreign Affairs and Trade Legislation Committee Budget Estimates 2021–22, 2 June 2021 (received 15 October 2021).

¹⁴⁹ Community and Public Sector Union – members from the Department of Veterans' Affairs, Submission 14, p. 5. See also: Senate Foreign Affairs and Trade Legislation Committee Hansard, 24 March 2021, pp. 185–187.

3.182 In regard to claim processing times, in July 2021 CPSU informed the committee:

...over 4,300 initial liability claims older than a year are yet to be processed. Even then, once a claim is determined, some veterans are waiting up to five months to access payments, due to backlogs and understaffing. In June 2020, last year, there were 44,350 unprocessed claims. By the end of the year, there were nearly 50,000 unprocessed claims.¹⁵⁰

3.183 The CPSU drew attention to the use of labour hire staff within the Coordinated Client Support (CCS) area. CCS is an internal DVA support service provided to 'contemporary veterans and dependants identified as having complex and multiple needs'.¹⁵¹ The CPSU stated that two thirds of the staff working in CCS were employed on short term labour hire contracts. It emphasised that CCS provides assistance to 'the most vulnerable and complex cases', and due to high staff turnover, veterans must constantly re-tell their story to a new case manager, at the risk of exacerbating their trauma.¹⁵²

3.184 In order to gain further insight into the impact on veterans, the committee sought evidence from Defences Families of Australia (DFA) and the Defence Force Welfare Association (DFWA).

3.185 Mr Kel Ryan, National President of DFWA, observed that the ex-service community had a stake in the efficient workings of DVA as the department worked to meet the demands of 'an ever-increasing and complex veteran community'.¹⁵³

3.186 He stated that DFWA supported the CPSU's submission regarding the unsatisfactory outcomes in DVA service stemming from an overreliance on labour hire staff. He explained:

We view the staffing issue as central to addressing the increasing workload faced by DVA because of the changed notion of a veteran, the general issuance of the white card [Veteran White Card]...and the consequent dramatic increase in the number of injury compensation and related claims for support. It is a wicked problem.¹⁵⁴

¹⁵⁰ Ms Melissa Donnelly, National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 20 July 2021, p. 2.

¹⁵¹ Department of Veterans' Affairs, *Coordinated client support*, 19 December 2019, www.dva.gov.au/civilian-life/support-ex-service-organisations-and-advocates/coordinated-client-support (accessed 28 September 2021).

¹⁵² Community and Public Sector Union – members from the Department of Veterans' Affairs, *Submission 14*, p. 5.

¹⁵³ Mr Kel Ryan, National President, Defence Force Welfare Association, *Proof Committee Hansard*, 20 July 2021, p. 8.

¹⁵⁴ Mr Kel Ryan, National President, Defence Force Welfare Association, *Proof Committee Hansard*, 20 July 2021, p. 8.

3.187 Mr Ryan also drew attention to the need for quality training for the whole DVA workforce. He noted that DFWA had concerns about the quality of training and empathy levels within DVA workforce, an issue 'compounded by the coming in and going out of contract staff'.¹⁵⁵ He elaborated:

It is our view that claims processing will only be improved with a well-trained and stable APS workforce. This demands less reliance on short-term contract staff that require constant supervision.¹⁵⁶

3.188 Mrs Sandi Laaksonen-Sherrin, National Convenor of DFA, reported that her organisation had not had complaints from current serving ADF members and their families regarding processing times of DVA claims. However, she posited that this could be due in part to there potentially being less of an impetus of time for these ADF members, given they remain serving and have stable employment.¹⁵⁷

Committee view

3.189 The committee is strongly of the view that the ASL cap has led to a systemic overreliance on labour hire arrangements within the APS.

3.190 It considers that this widespread and ultimately unnecessary externalisation is eroding workforce capability, does not represent value for money, and is leading to poor service delivery outcomes.

3.191 Additionally, the committee is mindful of the impermanence of labour hire arrangements and the impact this has upon workers and their sense of security, including their capacity to get a mortgage and live a normal family life.

3.192 Under the ASL policy the government is actively choosing to direct large amounts of public money away from essential services and towards for-profit companies, many of which pay little or no tax in Australia. The committee considers it is not ethical or in the public interest to direct billions of dollars of Commonwealth expenditure in this manner.

3.193 While the ASL cap may make the APS appear smaller, it does so at the expense of long-term capability and quality service delivery for Australian communities. The shadow workforce necessitated by an arbitrary, ideologically driven staffing cap is not sustainable or cost-effective.

¹⁵⁵ Mr Kel Ryan, National President, Defence Force Welfare Association, *Proof Committee Hansard*, 20 July 2021, p. 8.

¹⁵⁶ Mr Kel Ryan, National President, Defence Force Welfare Association, *Proof Committee Hansard*, 20 July 2021, p. 8.

¹⁵⁷ Mrs Sandi Laaksonen-Sherrin, Defence Families Australia, *Proof Committee Hansard*, 20 July 2021, p. 9.

- 3.194 The committee believes that the APS must end its overreliance on external workforce arrangements and find other ways to be flexible within the funding envelope set out in the Budget, while still building core skills, knowledge, and APS capability.
- 3.195 The committee notes the Jobs and Skills Exchange (JSE) initiative from the Victorian Public Service (VPS). The JSE was established in July 2019 to support an efficient, fair and high-quality public service in Victoria. The single, online platform makes it easier for VPS staff to find internal opportunities and simpler for hiring managers to find talent within the VPS. This approach enhances workforce mobility, skills development and career opportunities within the VPS by plugging capability gaps, developing better career paths and making better use of VPS staff, whether to meet short-term needs and secondments, or for more permanent moves.¹⁵⁸
- 3.196 The committee is of the opinion that a similar initiative in the APS would reduce red tape barriers to internal secondments and reduce the reliance upon external providers to fill surge requirements with labour hire staff. The GovERP work completed to date provides an important foundation for this type of approach.
- 3.197 During the inquiry it became apparent to the committee that there is a glaring absence of consistent, disaggregated collected on many elements of labour hire arrangements, both at an individual agency level and across the APS.
- 3.198 The committee was alarmed at not only this lack of data, but also at the distinct lack of curiosity shown by agencies in regard to details surrounding their use of labour hire, including the levels of expenditure, the margins charged by providers, and the wages and conditions of workers.
- 3.199 The committee considers it essential that data collection is improved across the APS in order to build a comprehensive picture of labour hire and other forms of externalisation. Radical public transparency on this front is required to ensure that labour hire and other external workforce arrangements are only used when necessary and represent value for money.

Recommendation 1

- 3.200 The committee recommends that the Australian Government abolish the Average Staffing Level cap and require agencies and departments to manage staffing levels within the funding envelope provided by the Budget.**

¹⁵⁸ Victorian Government, *Jobs and Skills Exchange*, <https://www.vic.gov.au/jobs-and-skills-exchange> (accessed 12 November 2021).

Recommendation 2

3.201 The committee recommends that the principal mode of employment in the Australian Public Service (APS) be direct, permanent employment. Short term peaks in employment requirements should in the first instance be filled with either the redeployment of permanent staff or the direct employment of APS non-ongoing staff. The use of labour hire should only occur where it is not possible to engage non-ongoing staff directly.

Recommendation 3

3.202 The committee recommends that the Australian Government:

- identify where Australian Public Service (APS) work has been contracted out to labour hire companies; and
- develop and report on a strategy to return the work to direct APS employment.

Recommendation 4

3.203 The committee recommends that the Australian Public Service Commission examine the Jobs and Skills Exchange initiative in the Victorian Public Service, with a view to establishing a similar initiative in the Australian Public Service.

Recommendation 5

3.204 The committee recommends that the annual employee census conducted by the Australian Public Service Commission ahead of the *State of the Service* report be expanded to include all labour hire staff who have been engaged on behalf of the Australian Public Service in that calendar year.

3.205 The resulting data should be reported in an aggregated and disaggregated format. In addition, labour hire level data should be collated and used to evaluate the performance of individual firms.

Recommendation 6

3.206 The committee recommends that the Australian Public Service Commission collect and publish standardised agency and service-wide data on the Australian Government's utilisation of contractors, consultants, and labour hire workers.

Recommendation 7

3.207 The committee recommends that the Australian Government require all agencies to disclose:

- the contractual arrangements (including pay rates and conditions) of all labour hire workers in their agency; and
- the margins charged by each labour hire company they engage.

Recommendation 8

3.208 The committee recommends that the Department of Finance regularly collect and annually publish service-wide expenditure data on contractors, consultants, and labour hire workers, including the cost differential between direct employment and external employment for each role.

Recommendation 9

3.209 The committee recommends that the Australian Government require all agencies to publicly disclose the rates and conditions of Australian Public Service employees, and that this information is drawn to the attention of labour hire staff.

Recommendation 10

3.210 The committee recommends that the Australian Government guarantee that no worker employed on a labour hire, contract or consultancy basis should receive less in their take home pay or overall employment package than an Australian Public Service employee performing comparable work.

Recommendation 11

3.211 The committee recommends that the Australian Government require that there is a limit placed on the number of consecutive fixed-term labour hire contracts an agency can issue for a role, with an overall cap of 12 months. Once this cap has been exceeded, the role must be filled through direct employment in the Australian Public Service, either on an ongoing or non-ongoing basis.

Recommendation 12

3.212 The committee recommends that the Australian Government require agencies to undertake a cost-comparison analysis prior to any engagement of external staff, factoring in both the financial cost and longer-term impacts on agency capacity and capability.

Recommendation 13

3.213 The committee recommends that the Australian Public Service Commission seek advice about whether a conflict of interest arises, or whether it is in the interest of effective procurement consistent with the Commonwealth Procurement Rules, to have the following arrangements:

- labour hire employees engaged by agencies that have regulatory oversight over entities that themselves have labour hire arrangements potentially with the same labour hire provider; and
- multiple 'shopfront' agencies owned by the same parent company competing for Commonwealth tenders or being on the same Commonwealth panel.

Chapter 4

Digital capability

Accelerating the digital transformation

- 4.1 In order for the Commonwealth Government to meet the rapidly evolving needs and expectations of Australian communities into the future, digital services to citizens and internal digital capability must be delivered simply, securely and efficiently.
- 4.2 This will require an Australian Public Service (APS) equipped with a well-developed digital and data capability – both in terms of infrastructure and workforce.
- 4.3 The Independent Review of the APS (Thodey Review) found that while the government had made significant data and digital investments over the past decade, the APS was not keeping pace with increasing public expectations in that realm and needed to accelerate its digital transformation.¹
- 4.4 As the final report observed:
- While pockets of excellence exist and are being developed across the APS, data and digital is underutilised in many areas, including in service delivery and policy and program evaluation.²
- 4.5 The Thodey Review identified that the APS's progress on data and digital initiatives had been impeded by a number of factors, including:
- Whole-of-government digital and data functions are fragmented and incomplete, and the Digital Transformation Agency (DTA) lacks the authority and resources to drive the digital agenda.
 - The APS lacks the ability to attract, retain and nurture high-quality talent, along with the level of consistent leadership across government required for a culture of innovation and change across the APS.
 - The APS has slowly and inconsistently adopted modern digital toolsets such as business and data architecture, citizen life events and journey maps and human-centred design across agencies.
 - Many agencies rely on ageing and complex systems, and this leads to inflexibility and high running costs and constrains changes in policy.
 - Traditional governance, funding and procurement models incentivise large one-off change programs, rather than more flexible and agile delivery models.³

¹ Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 145.

² Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 145.

4.6 The Thodey Review concluded that the APS required a 'shift in trajectory' in order to realise its digital agenda. It outlined six key priorities with corresponding recommendations to drive this change:

- (1) strengthening digital governance
- (2) planning for a digitally enabled APS
- (3) building data and digital skills
- (4) delivering seamless services
- (5) supporting staff with common, high-quality services
- (6) better use of data.⁴

Chapter structure

4.7 Guided by the findings and recommendations of the Thodey Review, during its inquiry the committee chose to focus on three elements of the digital capability of the APS:

- (1) The need for strategic and significant investment in ICT (information and communication technology) capability.
- (2) The importance of a highly skilled digital and ICT workforce located within the APS.
- (3) The need to rethink ICT procurement.

4.8 This chapter will examine each of these elements in turn and conclude with the committee's consolidated views.

The need for strategic and significant investment in ICT

4.9 Evidence before the committee indicated that the ICT capability of the APS was severely lacking and required significant investment to remedy.

4.10 For example, the Community and Public Sector Union (CPSU) submitted that high quality ICT was critical to the digital capability of the APS. However, it argued that decades of government underinvestment had resulted in substandard ICT systems which inhibited the ability of APS employees across many agencies to do their jobs efficiently on a day-to-day basis.⁵

³ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 146.

⁴ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, pp. 146–147.

⁵ Ms Melissa Donnelly, National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 2. See also: Community and Public Sector Union — members from the Australian Taxation Office, *Submission 25*, pp. 11–12; Community and Public Sector Union — members from Services Australia, *Submission 19*, pp. 18–21; Community and Public Sector Union — members from Department of Veterans' Affairs, *Submission 14*, pp. 9–10.

4.11 Mr Michael Tull, Assistant National Secretary for the CPSU, explained:

Our members regularly report that they do not have the tools that they need to do their job effectively. Our submissions and the evidence that you will have heard from our workplace leaders give you a number of examples of where people are anchored to legacy systems or have to use multiple systems to get their work done.⁶

4.12 The CPSU also argued that due to inadequate ICT, services offered to the public by the APS were not to an appropriate standard, particularly when compared to the standard set by the private sector.⁷

4.13 The CPSU informed the committee that this was not a new problem. It noted that it had been raising concerns with substandard ICT and the associated impacts on the work, satisfaction and productivity of APS employees since 2008.⁸

4.14 The Thodey Review noted that there were numerous examples of ageing ICT systems across the APS. It stated:

Underinvestment has translated into minimal maintenance and upgrades of existing ICT platforms, resulting in ICT environments which are ageing and difficult to maintain. The fragmented and incoherent approach has resulted in an eclectic mix of technologies and systems that complicate the management and upgrade of the total ICT portfolio. This is stifling innovation and contributing to a slow degradation of service delivery to the Australian public.⁹

4.15 Additionally, the Thodey Review identified that limited work had been done by the APS to assess the overall budgetary investment required for digital transformation, including any efficiencies and savings that would result from transformation. It noted:

The APS has high run costs due to using out-of-date and old technology platforms, and investment in transformation offers an opportunity to bring down costs.¹⁰

⁶ Mr Michael Tull, Assistant National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 11.

⁷ Mr Michael Tull, Assistant National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 11. See also Community and Public Section Union, *Submission 24*, pp. 44-45.

⁸ Community and Public Section Union, *Submission 24*, p. 45.

⁹ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 156.

¹⁰ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 153.

Lack of data on whole-of-government ICT expenditure

- 4.16 In light of the evidence on ageing and substandard ICT systems across the APS, the committee sought to ascertain the current level of ICT expenditure across government agencies.
- 4.17 The Department of Finance advised that there was currently no central data collection process related to ICT expenditure across government.¹¹
- 4.18 The Thodey Review pointed out that the last time the APS documented whole-of-government ICT spend was in 2015–16. It noted that as a result, there was no detailed inventory of the systems that existed across the APS, nor the associated risks, costs and upgrade needs.¹²
- 4.19 The final report observed that while a lack of data precluded it from estimating more precisely the funding required to digitally transform the APS, analysis suggested that raising APS spending levels to benchmark digital transformations in the private sector could be in the order of \$400 to \$900 million a year.¹³
- 4.20 To resolve the lack of information on government spend, the Thodey Review concluded that a 'comprehensive ICT audit' was urgently required to ascertain information relating to:
- current and forecast ICT expenditure and assets;
 - systems scheduled for retirement or no longer supported by software vendors (and the associated risks);
 - future requirements; and
 - any urgent ICT capital investment needs.¹⁴
- 4.21 It also concluded that such an audit would enable the prompt development of a 'whole-of-government ICT blueprint' to guide future investment in digital transformation.¹⁵ These findings were encapsulated in recommendation 14 of the final report, which included detailed implementation guidance as follows:
- Complete audit within six months; submit blueprint to Government by end-2020.
 - Keep ICT audit current and update the blueprint every two years.

¹¹ Department of Finance, answers to questions on notice, 5 March 2021 (received 1 April 2021).

¹² Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 156.

¹³ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 154.

¹⁴ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 157.

¹⁵ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 156.

- Publicly release the blueprint. Build on the experience of countries like Singapore.
- Ensure audit and blueprint are comprehensive — include ICT strategy and governance, projects, procurement, assets, systems and services, cyber security, and service -delivery models.
- In treating risks of legacy and unsupported systems, seek to maintain the continuity of the business of government at all times.
- Consider the 2012 Queensland Government ICT audit as a useful model in implementing this recommendation.¹⁶

4.22 In its December 2019 response to the Thodey Review, the government agreed to recommendation 14. It stated:

The Secretaries Board will conduct an urgent audit of government ICT capability, risks and needs and, in light of the audit, seek Government agreement to commission a longer-term ICT blueprint as proposed.¹⁷

Status of 'urgent audit'

- 4.23 At a public hearing on 5 March 2021, the committee sought information on the progress of the 'urgent audit'.
- 4.24 The DTA provided the committee with information on a Digital Review that it had 'just commenced'.¹⁸ It stated that the review would cover spend on ICT and digital systems, as well as capture information on workforce policy and processes.¹⁹
- 4.25 The DTA advised that as part of this process it was conducting a Digital Review Audit Data Collection Survey amongst APS agencies and that responses were due at the end of March 2021. It also noted that the Digital Review would be completed and provided to the Secretaries Board for consideration at the end of May 2021.²⁰
- 4.26 The committee sought to gain clarity on whether the Digital Review was the 'urgent audit of government ICT capability, risks and needs' the government committed the Secretaries Board to in response to the Thodey Review.

¹⁶ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 157.

¹⁷ Department of the Prime Minister and Cabinet, [Delivering for Australians. A world-class Australian Public Service: The Government's APS reform agenda](#), 13 December 2019, p. 19.

¹⁸ Mr Randall Brugeaud, Chief Executive Officer, Digital Transformation Agency, *Committee Hansard*, 5 March 2021, p. 2.

¹⁹ Mr Randall Brugeaud, Chief Executive Officer, Digital Transformation Agency, *Committee Hansard*, 5 March 2021, p. 3.

²⁰ Mr Randall Brugeaud, Chief Executive Officer, Digital Transformation Agency, *Committee Hansard*, 5 March 2021, p. 3.

- 4.27 The DTA indicated that the Digital Review would be the 'foundation' for the audit and that it could be asked to conduct 'follow-up reviews' by the Secretaries Board.²¹ It explained:

The digital review is being conducted to capture the broader strain of information that we believe is necessary to inform the audit. If there is information discovered as part of the review that requires further data to be captured and decisions to be made by secretaries, that is where the accountability lies. The DTA is not in a position to make APS-wide decisions on the implications of the review.²²

- 4.28 In response to the committee's line of questioning, the Department of the Prime Minister and Cabinet (PM&C) attempted to clarify the scope and governance arrangements of the Digital Review.

- 4.29 Ms Tanja Cvijanovic, First Assistant Secretary for the Policy Innovation and Projects Division, outlined:

I think we're talking semantics about whether it's an audit or a review. The review will look at the stock and flow of digital and ICT investments, as well as workforce capability and other things, and the review might make recommendations to the Secretaries Digital Committee about actions that the public sector needs to take to improve the enterprise-wide approach to digital and ICT investments, and all that that means, including in relation to workforce.²³

- 4.30 When directly queried as to whether the Digital Review constituted the 'urgent audit', Mr William Story, First Assistant Secretary for the APS Reform Office within PM&C, advised that 'for all intents and purposes', the Digital Review was 'fulfilling the functions of the audit'.²⁴

- 4.31 During the course of the hearing, further discussion ensued as to whether the 'urgent audit' as characterised by the government would be an additional piece of work undertaken at a later stage informed by DTA's Digital Review, or whether it was likely that the Secretaries Board would adopt the DTA's work and consider the 'urgent audit' complete for the purposes of the Thodey Review recommendation.

²¹ Mr Randall Brugeaud, Chief Executive Officer, Digital Transformation Agency, *Committee Hansard*, 5 March 2021, p. 3.

²² Mr Randall Brugeaud, Chief Executive Officer, Digital Transformation Agency, *Committee Hansard*, 5 March 2021, p. 3.

²³ Ms Tanja Cvijanovic, First Assistant Secretary, Policy Innovation and Projects Division, Department of the Prime Minister and Cabinet, *Committee Hansard*, 5 March 2021, pp. 3–4.

²⁴ Mr William Story, First Assistant Secretary, APS Reform Office, Department of the Prime Minister and Cabinet, *Committee Hansard*, 5 March 2021, p. 36.

4.32 In response, Mr Philip Gaetjens, Secretary of PM&C and Chair of the Secretaries Board, advised:

... Again, as chair of the [Secretaries] board, I'd like to see what they [the DTA] produce first and then I'll make a decision about what is necessary to meet the recommendations or the government response.²⁵

4.33 The committee sought further information on the progress and status of the Digital Review in September 2021.

4.34 The DTA advised that 20 APS agencies had participated in the Digital Review Audit Data Collection Survey. It also advised that the Secretaries Digital Committee (SDC) had considered the draft findings and recommendations of the Digital Review, and that the DTA was currently responding to that feedback. The DTA noted that the Digital Review would be presented to the Secretaries Board once it has been agreed by the SDC, but did not provide an anticipated timeframe for this. It also reported that a decision had yet to be taken by the government as to whether the Digital Review would be made publicly available.²⁶

4.35 In early September 2021 the committee put a series of questions to PM&C seeking a progress update and clarity on the status of the Digital Review. PM&C did not provide a response to the committee prior to the finalisation of this report in late November 2021.

Digital and ICT workforce

4.36 The capability of the APS's digital and ICT workforce was another area of interest for the committee. In particular it explored matters relating to:

- the existence of skill gaps in the APS;
- the externalisation of ICT roles across the APS (i.e. the use of contractors); and
- the need to rebuild the internal ICT workforce of the APS.

Skill gaps

4.37 Evidence before the committee indicated significant digital, ICT and data skill gaps within the APS.

4.38 In 2019 the Thodey Review identified that there was a need to build data and digital expertise within the APS in order to provide improved services to Australians. It cited data from the 2017–18 State of the Service report that indicated that 65 per cent of APS agencies noted skills and capability as a

²⁵ Mr Philip Gaetjens, Secretary, Department of the Prime Minister and Cabinet, *Committee Hansard*, 5 March 2021, p. 37.

²⁶ Digital Transformation Agency, additional information received 27 September 2021, p. 1–4.

barrier to using data, and 58 per cent thought that they were under-skilled in the digital aspects of delivering for the public.²⁷

4.39 The Australian Public Service Commission (APSC) informed the committee that each year it asked APS agencies to identify their capability gaps through the APS Agency Survey. In 2020, out of 95 agencies that responded, 72 per cent identified 'critical skill shortages' in:

- data (70 per cent);
- digital (54 per cent); and
- ICT (40 per cent).²⁸

4.40 The APSC further advised that through the APS Employee Census it asked employees what skill gaps they identified in their immediate work group. In 2020, 46 per cent of respondents said their workgroup was experiencing skill and capability gaps, with the top gaps listed being:

- ICT (33 per cent); and
- digital (18 per cent).²⁹

The externalisation of the ICT workforce within the APS

4.41 The committee received evidence regarding the high numbers of external contractors working in ICT roles in the APS.³⁰ Submitters contended that the critical shortage in ICT skills across the APS was compounded by a longstanding overreliance on external ICT personnel. They argued that this led to huge amounts of unnecessary expenditure and contributed to the progressive deskilling of the internal workforce.

4.42 Professionals Australia is a union representing 25 000 professionals involved in the fields of science, technology, engineering and mathematics (STEM). It claimed that the APS's current approach favoured 'buying in' or importing skills, rather than investing in creating a workforce of ICT professionals within the APS.³¹

²⁷ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 158.

²⁸ Australian Public Service Commission, [Delivering for Tomorrow: APS Workforce Strategy 25](#), March 2021, p. 20; Ms Mary Wiley-Smith, First Assistant Commissioner, Australian Public Service Commission, *Committee Hansard*, 5 March 2021, p. 42; Ms Katrina Purcell, Assistant Commissioner, Strategic Policy and Research Group, Australian Public Service Commission, *Committee Hansard*, 5 March 2021, p. 44.

²⁹ Ms Katrina Purcell, Assistant Commissioner, Strategic Policy and Research Group, Australian Public Service Commission, *Committee Hansard*, 5 March 2021, pp. 43–44. See also: Australian Public Service Commission, [Delivering for Tomorrow: APS Workforce Strategy 25](#), March 2021, p. 20.

³⁰ The matter of contractors within the APS is more broadly addressed in other parts of this report.

³¹ Professionals Australia, *Submission 8*, p. 7.

- 4.43 The CPSU expressed concern that an overreliance on ICT contractors for core, ongoing work had caused the APS to lost sight of the benefits of in-house ICT development and resulted in a deskilled workforce.³²
- 4.44 The CPSU also drew the committee's attention to the findings of the ICT Procurement Taskforce established by the government in 2016.³³ The final report of the taskforce was presented in August 2017 and identified an overreliance on ICT contractors within the APS. The report detailed that:
- ...technical ICT capability gaps in the Australian Public Service have resulted from an over-reliance on ICT contractors — particularly for more complex, high-value ICT work. The Australian Public Service employs more than 14,000 ICT personnel, a third of which are contractors. The share of external ICT personnel has grown over the past five years and spend on internal ICT personnel has fallen accordingly.³⁴
- 4.45 The report also concluded that the overreliance on contractors was unsustainable going forward, noting that:
- It is expensive (the average annual cost of an internal ICT employee is around \$132,000 while the cost of a contractor is around \$214,000³⁵), and causes ongoing erosion of ICT capability in agencies.³⁵

The extent of the problem

- 4.46 The committee encountered difficulty in ascertaining the total government spend on ICT contractors, as well as the total headcount of external ICT personnel working in the APS. This was due to a lack of publicly available data as the APS does not centrally collect or collate this information.
- 4.47 Given the lack of an official government figure on expenditure, in January 2020 media outlet iT News estimated that the total government outlay on ICT contractors in 2019 'likely surpassed \$1 billion'. It arrived at this figure by analysing separate batches of information provided by 35 APS agencies through the Senate estimates process.³⁶

³² Community and Public Sector Union, *Submission 24*, pp. 50–54; Community and Public Sector Union — members from Services Australia, *Submission 19*, pp. 18–19.

³³ Digital Transformation Agency, *ICT Procurement Taskforce report*, www.dta.gov.au/help-and-advice/ict-procurement/ict-procurement-taskforce-report, 23 August 2017 (accessed 1 October 2021).

³⁴ Digital Transformation Agency, *Report of the ICT Procurement Taskforce*, August 2017, p. 45.

³⁵ Digital Transformation Agency, *Report of the ICT Procurement Taskforce*, August 2017, p. 46.

³⁶ Justin Hendry, 'IT contractors now cost the Commonwealth \$1bn a year', *iT News*, 28 January 2020, <https://www.itnews.com.au/news/it-contractors-are-now-costing-the-commonwealth-1bn-a-year-536994> (accessed 1 October 2021).

4.48 The article explained:

The new data, which has been compiled by iTnews, reveals that the 35 agencies spent just over \$862 million on IT contractors over the course of the 2018-19 financial year, up from \$636 million in 2017-18 and \$583.5 million in 2016-17.

But the 2018-19 figure - which represents a \$226 million year-on-year increase - does not include spending at two-thirds of Commonwealth agencies, including service delivery juggernauts, Services Australia and the Australian Taxation Office.

When taking into account the remaining agencies, IT contractor costs were almost certainly above \$1 billion across the Commonwealth last year [2019].³⁷

- 4.49 In an effort to gain an accurate insight into the headcount of contracted ICT personnel within the APS, the committee sought information from the DTA regarding the numbers of APS ICT staff and ICT contractors in each agency.
- 4.50 The DTA informed the committee that there were approximately 10 000 permanent public servants who identified as digital and ICT professionals.³⁸
- 4.51 It also provided data collected in October 2020 for 77 agencies reflecting the average staffing level (ASL) for ICT roles for the 2019–20 year, broken down by APS employees and ICT contractors.³⁹
- 4.52 The DTA advised that 'depending on agency needs', ICT contractors were used for specialised skills for short term projects, or for 'staff augmentation' during periods of high demand.⁴⁰
- 4.53 Across the 77 agencies for which data was provided, the ASL was approximately 10 184 for ICT contractors, and approximately 10 020 for internal APS ICT staff.⁴¹
- 4.54 As the selection in the table below sets out, the figures illustrate that many of the core APS agencies are heavily reliant on ICT contractors, with contractor numbers dwarfing internal employees in some instances.

³⁷ Justin Hendry, 'IT contractors now cost the Commonwealth \$1bn a year', *iT News*, 28 January 2020, <https://www.itnews.com.au/news/it-contractors-are-now-costing-the-commonwealth-1bn-a-year-536994> (accessed 1 October 2021).

³⁸ Mr Randall Brugeaud, Chief Executive Officer, Digital Transformation Agency, *Committee Hansard*, 5 March 2021, p. 5.

³⁹ Parliamentary Library, *Research Paper: Budget Review 2020–21*, October 2020, p. 123. Note: ASL is a method of counting used by the APS that adjusts for casual and part-time staff, in order to show the average number of full-time equivalent employees.

⁴⁰ Digital Transformation Agency, answers to questions on notice, 5 March 2021 (received 24 May 2021).

⁴¹ Digital Transformation Agency, answers to questions on notice, 5 March 2021 (received 24 May 2021).

Table 4.1 Average ICT staffing levels for the 2019-20 financial year

Agency	APS ICT staff ASL 2019-20	ICT contractor ASL 2019-20
Department of Defence	995	4334
Services Australia	2266	2443
Department of Home Affairs	677	694
Department of Health	191	438
Australian Taxation Office	1752	379
Department of Education, Skills and Employment	583	242
Department of Foreign Affairs and Trade	182.2	176
Department of Industry, Science, Energy and Resources	201.81	152
Department of Finance	231.94	117.2
Department of Agriculture, Water and the Environment	207	110
Department of the Prime Minister and Cabinet	54	89
Department of the Treasury	45.2	31
Department of Veterans' Affairs	27.11	21

Source: Digital Transformation Agency, answers to questions on notice, 5 March 2021 (received 24 May 2021).

- 4.55 Reflecting the figures provided by the DTA, Services Australia informed the committee that as at 31 December 2020 its Technology Services Group employed 2266 APS employees and 2443 non-APS employees (i.e. contractors). It advised that the Technology Services Group utilised the services of a range of external providers to assist in delivery, providing it with the flexibility to engage short-term specialist services.⁴²

Rebuilding the internal workforce

- 4.56 In light of the skill gaps and chronic overreliance on external ICT personnel, the committee considered what was required to rebuild the capability of the internal APS ICT and digital workforce.

⁴² Services Australia, *Submission 12*, p. 7.

4.57 Submitters argued that there was a significant need for the APS to recruit a strong ICT workforce. For example, Professionals Australia asserted that the APS would be increasingly required to respond to threats and challenges that could only be met by a highly skilled ICT professional workforce. It emphasised that the government needed to prioritise investment in recruiting, reskilling or upskilling a 'sovereign' ICT professional workforce, rather than relying on external personnel.⁴³

4.58 The Thodey Review also identified that work needed to be done to make the APS an attractive employer for those with ICT and digital skills:

Those with skills in high demand, for example emerging technologies, do not look at the APS as a potential employer. This is problematic, given the shortages in digital talent across Australia. Australia will require 100,000 extra technology-skilled workers by 2023, yet there are fewer than 5,000 local graduates from relevant fields each year.⁴⁴

4.59 Evidence before the committee indicated that there were several elements that contributed to making ICT recruitment challenging, including a highly competitive labour market.

4.60 The APS Workforce Strategy 2025 (Workforce Strategy) released by the APSC in March 2021 identified that there was increased competition in the Australian labour market for ICT and digital technology skills due to a number of factors, including:

- a current shortage of specialist skills;
- strong predicted growth in demand for technology workers; and
- the fact that developing professional expertise in those areas can take an estimated seven years or more.⁴⁵

4.61 However, the Workforce Strategy also observed that despite operating in a competitive labour market and being faced with skill shortages, less than 50 per cent of agencies were 'actively and strategically' planning for workforce skills and capabilities.⁴⁶ It emphasised the need to recruit strategically for the longer term:

The APS cannot continue to be overly reliant on recruiting from the labour market and only when a vacancy arises. We must be able to proactively and strategically recruit with a 5–10-year horizon in mind, to build strong

⁴³ Professionals Australia, *Submission 8*, p. 5.

⁴⁴ Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 212.

⁴⁵ Australian Public Service Commission, [*Delivering for Tomorrow: APS Workforce Strategy 2025*](#), March 2021, p. 12.

⁴⁶ Australian Public Service Commission, [*Delivering for Tomorrow: APS Workforce Strategy 2025*](#), March 2021, p. 12.

capability pipelines for data and digital/ICT roles, and develop these capabilities internally through focused programs....⁴⁷

- 4.62 The committee also heard that the APS was not seen as an attractive career option for ICT professionals due to the uncompetitive pay and conditions.
- 4.63 For example, Professionals Australia observed that lucrative private sector opportunities created by competition for their skills, combined with stagnant APS pay, acted as significant factors pushing ICT professionals out of the public sector, or preventing them from considering an APS career in the first place.⁴⁸
- 4.64 The CPSU advised that the current APS bargaining policy⁴⁹ prevented agencies from including tailored arrangements such as specialised pay structures in enterprise agreements, despite such arrangements forming a 'significant component' to attracting and building critical specialist capabilities within fields such as ICT.⁵⁰
- 4.65 The CPSU reported that its members repeatedly raised uncompetitive pay and conditions as one of the major factors impeding ICT personnel recruitment. It identified that low pay rates for APS ICT positions compared to the private sector, as well as a lack of career progression (except into managerial roles) were common themes in feedback.⁵¹
- 4.66 The CPSU provided the committee with direct feedback from its members on the issue. For example, a CPSU member within Geoscience Australia stated:
- We are having trouble attracting staff due to the pay we are able to offer in a competitive environment, particularly in IT security. We have had several recruitments where we were unable to fill positions due to no suitable applicants applying.⁵²
- 4.67 Additionally, a CPSU member within the Australian Criminal Intelligence Commission stated:
- APS salaries and conditions can't compete with the market, especially for skilled technical people who do not want to move into management for salary progression (which is the only option). The APS is no longer perceived as a secure employer and opportunities are limited for reskilling in the ICT arena in the APS.⁵³

⁴⁷ Australian Public Service Commission, [*Delivering for Tomorrow: APS Workforce Strategy 2025*](#), March 2021, p. 12.

⁴⁸ Professionals Australia, *Submission 8*, p. 5.

⁴⁹ A broader discussion of the APS bargaining framework is included in a later chapter of this report.

⁵⁰ Community and Public Sector Union, *Submission 24*, pp. 56–57.

⁵¹ Community and Public Sector Union, *Submission 24*, pp. 56–57.

⁵² Community and Public Sector Union, *Submission 24*, p. 57.

⁵³ Community and Public Sector Union, *Submission 24*, p. 57.

The Digital Profession

- 4.68 As set out earlier in this chapter, the Thodey Review identified that there was a need to build data and digital expertise within the APS. To action this, it recommended that the APS apply a 'professions model' to establish a digital and data profession. It suggested that as part of this, the APS should 'create a genuinely compelling offer' for individuals to work in data, digital and broader technology roles in the public service.⁵⁴
- 4.69 In its response to the final report, the government agreed to establish separate digital and data professions in order to 'build capability and support career paths in these critical areas'.⁵⁵
- 4.70 As a result of this commitment, the Digital Profession commenced in April 2020 led by the DTA, and the Data Profession commenced in September 2020 led by the Australian Bureau of Statistics.⁵⁶
- 4.71 The APSC explained that the Digital Professional Stream Strategy was a structured approach to 'build and uplift the core digital expertise of leadership and the workforce, and build specialist expertise in digital roles'. It characterised the strategy as:
-a deliberate approach to setting professional standards, implementing digital career pathways and addressing digital skills gaps. It will build networks and ways to strategically recruit, develop, grow and retain talent in digital leadership and the digital capability of our workforce.⁵⁷
- 4.72 The DTA informed the committee that as at 12 March 2021, the Digital Profession had 1451 foundation members. It noted that foundation membership was open to anyone 'who would like to help shape the future of the Profession', including those in academia and private industry.⁵⁸
- 4.73 The DTA also flagged that a tiered membership model was intended for roll out later in 2021 to enable APS digital and ICT employees to join the profession as 'digital practitioners' with the option of becoming verified or accredited professionals.⁵⁹

⁵⁴ Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, pp. 158-159.

⁵⁵ Department of the Prime Minister and Cabinet, [*Delivering for Australians. A world-class Australian Public Service: The Government's APS reform agenda*](#), 13 December 2019, p. 19.

⁵⁶ Australian Public Service Commission, *Submission 3*, p. 6.

⁵⁷ Australian Public Service Commission, *Submission 3*, p. 7.

⁵⁸ Digital Transformation Agency, answers to questions on notice, 5 March 2021 (received 24 May 2021).

⁵⁹ Digital Transformation Agency, *Submission 5*, p. 7.

4.74 In terms of the make-up of the Digital Profession, the DTA advised that it captured which organisation a member belonged to, but not whether they were a contractor or APS employee. It provided the following breakdown of members by organisation type:

- 1077 employed by a federal agency;
- 77 employed by a state agency;
- 17 by a local government agency; and
- 280 members who are non-government (e.g. from industry or academia).⁶⁰

Concerns with ICT procurement

4.75 The Centre for International Corporate Tax Accountability and Research (CICTAR) expressed concern about the high level of APS expenditure on external contracts for ICT services.⁶¹

4.76 It argued that an overreliance on ICT contractors:

- did not provide taxpayers with value for money; and
- did not built the long-term digital capability of the APS.⁶²

4.77 Additionally, it also argued the many of the large multinational ICT contractors used by the APS had a track record of tax avoidance, giving them an unfair competitive advantage over Australian companies.⁶³

4.78 CICTAR explained:

To the extent that outsourcing IT is required, Australian tech companies, without a track record of aggressive tax avoidance schemes, continue to face a major competitive disadvantage. Awarding contracts to these multinationals has been to the detriment of local companies that are capable of delivering the same services with higher standards and greater benefits to the Australian economy.⁶⁴

4.79 As noted earlier in this chapter, there is currently no central data collection process related to ICT expenditure across government.⁶⁵

4.80 Mr Jason Ward, spokesperson for the Tax Justice Network Australia (TJNA), estimated that based on a 2017 quote from the then Assistant Minister for

⁶⁰ Digital Transformation Agency, answers to questions on notice, 5 March 2021 (received 24 May 2021).

⁶¹ Centre for International Corporate Tax Accountability and Research (CICTAR), *Submission 28*, p. 1.

⁶² Centre for International Corporate Tax Accountability and Research (CICTAR), *Submission 28*, p. 1.

⁶³ Centre for International Corporate Tax Accountability and Research (CICTAR), *Submission 28*, p. 1.

⁶⁴ Centre for International Corporate Tax Accountability and Research (CICTAR), *Submission 28*, p. 1.

⁶⁵ Department of Finance, answers to questions on notice, 5 March 2021 (received 1 April 2021).

Digital Transformation⁶⁶, the government spends approximately \$10 billion per year on ICT.⁶⁷ Regardless of the exact figure, he submitted that such significant government expenditure should not be awarded to multinational 'tech giants' with track records of tax avoidance.⁶⁸

4.81 When queried by the committee on the extent of the reliance on external ICT providers, Mr Ward stated that the APS was 'heavily reliant' on external providers and 'even more heavily reliant' on large multinational providers.⁶⁹

4.82 Mr Ward acknowledged that there were times when it may be appropriate for the APS to utilise external services. However, he emphasised that an overreliance on external arrangements ultimately diminished the ICT capability of the APS over the long term in terms of both personnel and equipment:

Obviously some services would need to be brought in externally because of technical expertise, but relying on these companies undermines the capacity of the APS to develop its own technical skills and knowledge. There is a lot of overlap between the labour hire side of this and the IT side—lots of people. It's not just equipment; it's personnel coming in to run the technical capacity of the APS.⁷⁰

4.83 CICTAR also stated that a significant feature of APS ICT contracts was the 'high level' of labour hire and temporary workers involved. It argued that this indicated that key work was being done by external contractors, and that as a result long-term knowledge and capacity were not being developed within the APS. It went on:

The use of external labour is likely to cost more than developing IT capacity within the APS and deepens reliance on future outsourcing contracts with costs escalating further over time.⁷¹

⁶⁶ Noel Towell, 'Tech giants to lose \$900 million in APS work', *Canberra Times*, 20 March 2017, www.smh.com.au/public-service/tech-giants-to-lose-900-million-in-aps-work-20170320-gv1ru2.html (accessed 24 September 2021).

⁶⁷ Mr Jason Ward, Spokesperson, Tax Justice Network Australia, *Proof Committee Hansard*, 26 July 2021, p. 7. See also: Centre for International Corporate Tax Accountability and Research (CICTAR), *Submission 28*, p. 2.

⁶⁸ Mr Jason Ward, Spokesperson, Tax Justice Network Australia, *Proof Committee Hansard*, 26 July 2021, p. 1.

⁶⁹ Mr Jason Ward, Spokesperson, Tax Justice Network Australia, *Proof Committee Hansard*, 26 July 2021, p. 7.

⁷⁰ Mr Jason Ward, Spokesperson, Tax Justice Network Australia, *Proof Committee Hansard*, 26 July 2021, p. 7.

⁷¹ Centre for International Corporate Tax Accountability and Research (CICTAR), *Submission 28*, p. 1.

The case for smarter, more transparent procurement

4.84 As canvassed earlier in this chapter, submitters indicated that to the greatest extent possible, the APS should seek to build its internal ICT workforce in order to reduce its reliance on external ICT personnel.

4.85 CICTAR and the TJNA acknowledged that there may be circumstances where there remained a genuine need for the APS to procure ICT services from external providers. However, they posited that this procurement needed to be done in a way that benefited the Australian economy and foregrounded transparency.

4.86 For example, CICTAR recommended that where external ICT contracts were required, preference should be given to companies that make the greatest contribution to the Australian economy, measured in terms of:

- technology transfer to the APS;
- innovation;
- high-quality jobs created; and
- income tax payments generated.⁷²

4.87 It commented:

...there is a huge opportunity with federal IT contracting to boost innovation in Australia's economy and support domestic business, job creation and increase corporate income tax revenue to fund public services.⁷³

4.88 Evidence from CICTAR highlighted the extremely low numbers of Australian companies receiving federal ICT contracts. Based on AusTender data released by the Department of Finance, CICTAR informed the committee that in 2020, 28 companies were awarded \$4.4 billion in federal contracts for ICT services. CICTAR advised that of these 28 companies, only four were Australian.⁷⁴

4.89 The TJNA also argued that where ICT outsourcing was necessary, the APS should focus on supporting domestic firms that contribute to the Australian economy.⁷⁵ Mr Ward noted:

There are domestic firms with appropriate capacity and capability, but they can't compete with multinationals who don't pay taxes, exploit cheap foreign labour and can underbid on initial contracts.⁷⁶

⁷² Centre for International Corporate Tax Accountability and Research (CICTAR), *Submission 28*, pp. 1, 13.

⁷³ Centre for International Corporate Tax Accountability and Research (CICTAR), *Submission 28*, p. 13.

⁷⁴ Centre for International Corporate Tax Accountability and Research (CICTAR), *Submission 28*, p. 1.

⁷⁵ Mr Jason Ward, Spokesperson, Tax Justice Network Australia, *Proof Committee Hansard*, 26 July 2021, p. 1.

- 4.90 CICTAR recommended that where ICT contracts must be awarded to multinational companies, the government should, at a minimum, require those corporations to produce a copy of reporting under the Global Reporting Initiative (GRI) Tax Standard, or implement the standard within one year.⁷⁷
- 4.91 CICTAR noted that the GRI Tax Standard includes public Country by Country Reporting (CbCR) on tax payments to governments. It explained that this would constitute an improvement over the current Organisation for Economic Co-operation and Development (OECD) CbCR standards, which are not public.⁷⁸
- 4.92 CICTAR advised that the implementation of the GRI Tax Standard would not pose a reporting burden on large multinational companies as they were already required to report country by country tax payments to the Australian Taxation Office (ATO) and other tax authorities under the OECD's Base Erosion and Profit Shifting (BEPS) Action Plan. CICTAR further noted that current CbCR data is not accessible outside of the ATO, and is therefore not available to help inform APS procurement decisions.⁷⁹
- 4.93 In summarising its position, CICTAR argued that any APS procurement of ICT should be seen as an opportunity to increase transparency, encourage responsible corporate behaviour, level the playing field for Australian companies, and ensure that 'tax dodging' corporations are not rewarded with federal contracts.⁸⁰

Committee views

The need for strategic and significant investment

- 4.94 The committee considers that building digital capability within the APS is critical to the future ability of the APS to properly perform its functions.
- 4.95 The committee is reluctant to deliver detailed recommendations in relation to future directions because of the paucity of information either publicly accessible, provided to the committee, or discovered through the Senate estimates process.

⁷⁶ Mr Jason Ward, Spokesperson, Tax Justice Network Australia, *Proof Committee Hansard*, 26 July 2021, p. 1.

⁷⁷ Centre for International Corporate Tax Accountability and Research (CICTAR), *Submission 28*, p. 13.

⁷⁸ Centre for International Corporate Tax Accountability and Research (CICTAR), *Submission 28*, p. 13.

⁷⁹ Centre for International Corporate Tax Accountability and Research (CICTAR), *Submission 28*, p. 13.

⁸⁰ Centre for International Corporate Tax Accountability and Research (CICTAR), *Submission 28*, p. 14.

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- 4.96 The committee agrees with the Thodey Review conclusion that a 'shift in trajectory' is required and believes that building APS digital capability is a strategic level issue for the APS. It follows that ICT capability plans, investment and expenditure, as well as workforce capability development, should have APS-level oversight and accountability.
- 4.97 The outsourcing of ICT projects without a strategy to simultaneously build ICT capability creates dependency on external providers and hollows out capability, effectively constraining future decision making. Outsourcing creates a self-reinforcing spiral.
- 4.98 The committee is extremely disappointed by the apparent lack of progress made on the 'urgent audit' of ICT capability, risks and needs committed to by the government in December 2019 in response to the Thodey Review.
- 4.99 The committee recognises that the advent of the COVID-19 pandemic in 2020 presented unforeseen challenges that understandably necessitated a shift in work priorities for the APS and resulted in delays to some aspects of the APS reform agenda. However, while strategic oversight and scrutiny has stalled, expenditure is continuing apace.
- 4.100 Since the commencement of the Digital Review in March 2021, progress appears to be lagging and the government's inability to provide clarity on the status of the work is concerning.
- 4.101 Further, the government indicated in its response to the Thodey Review recommendations that the audit would then lead to the commissioning of a 'long-term ICT blueprint', to be updated every two years. The lack of progress and clarity around the 'audit' is clearly also delaying this process, and therefore impeding the ability of the government to look properly at ICT capability in the long-term.
- 4.102 The committee calls upon the government to immediately clarify the status of the Digital Review. The government needs to confirm whether this piece of work constitutes the 'urgent audit' it committed to almost two years ago.
- 4.103 The committee considers the findings and recommendation put forward by the Thodey Review to be abundantly clear — there is an urgent need for detailed information on the state of whole-of-government ICT. There is also a pressing need to develop an overarching blueprint to guide strategic investment and ensure that the APS has 'fit-for-purpose' ICT systems. The digital transformation of the APS cannot be efficiently and effectively implemented without these two elements.
- 4.104 As such, the committee urges the Secretaries Board in the strongest possible terms to swiftly finalise and release the Digital Review.
- 4.105 The committee also urges the government to be guided by the results of the ICT audit and develop a whole-of-government ICT blueprint as an immediate

priority. The objective of the blueprint should be to provide leading edge digital capability in Australia by increasing APS digital and ICT capability and reducing reliance and expenditure on external firms in a measurable and planned way over a defined but ambitious timeframe.

- 4.106 The government must also commit the level of funding required to properly invest in the ICT capability of the APS and bring expertise back in-house. Only then will public sector digital services have a chance of matching the standards set by leading private sector companies.

Externalisation of the ICT workforce

- 4.107 The committee is extremely concerned with the high headcount and huge amount of federal expenditure on external IT contractors.
- 4.108 It is unacceptable that agencies like Services Australia have contractor numbers that dwarf internal employee numbers, nor is it in the interest of developing long-term capability.
- 4.109 The committee is strongly of the view that this overreliance on external personnel has hollowed out the ICT skills of the APS workforce and represents an inefficient use of taxpayer money.
- 4.110 It is clear that ICT contractors are being used for core, ongoing work and that the digital capability of the APS is inhibited by these arrangements.
- 4.111 The committee wishes to emphasise that this is not a new or novel problem. In 2017 the ICT Procurement Taskforce concluded that an overreliance on contractors had eroded the ICT capability of the APS and was 'unsustainable going forward'. The Thodey Review in 2019 then made similar findings. Another two years have passed and still, no real progress has been made.
- 4.112 The committee acknowledges that work is underway to identify and address the critical digital and ICT skill gaps within the APS. It considers the establishment of the Digital Profession a positive step.
- 4.113 However, the committee considers that significantly more must be done to recruit ICT professionals into the APS in order to build internal capability and lessen the reliance on external personnel.
- 4.114 Noting the challenges posed by a competitive labour market, the committee concludes that the APS must dramatically improve its offerings in order to attract talented employees with the requisite skills.
- 4.115 It is imperative that the APS become an employer of choice for ICT and digital professionals. The committee encourages the APSC to investigate methods to make this a reality, including through providing distinct career pathways, structured learning and development programs, and appropriate classification and remuneration scales embedded in enterprise agreements.

ICT procurement

- 4.116 The committee considers that APS ICT procurement, whether for personnel, equipment or systems, provides a valuable opportunity for the government to raise the standards of transparency, fairness and value for taxpayers.
- 4.117 The committee is concerned that domestic companies that abide by Australian tax law are at a significant disadvantage in obtaining federal ICT contracts while multinational competitors undercut them by minimising tax obligations and other corporate responsibilities. The fact that \$4.4 billion in federal contracts was awarded nearly entirely to overseas companies in 2020 alone highlights the extent of this problem.
- 4.118 The committee feels strongly that multinational companies that engage in tax minimisation in Australia should not be rewarded with taxpayer money through large federal ICT contracts for the APS.
- 4.119 The committee sees merit in the recommendation put forward by CICTAR in regard to the implementation of improved reporting standards.
- 4.120 Additionally, the committee's strong preference is that the APS build and maintain ICT capability and lower reliance on external providers. The committee calls for greater scrutiny to be required in the awarding of external ICT contracts to ensure that technical capacity is built and sustained within the APS.
- 4.121 The current volume of ICT outsourcing, as illustrated by the evidence put forward by CICTAR, is far too high. The vast amount of APS expenditure on external contracts for ICT services does not provide value for money for taxpayers, nor does it build the long-term capability of the APS.

Recommendation 14

- 4.122 **The committee recommends that the Australian Government immediately finalise and publish the Digital Review conducted by the Digital Transformation Agency.**
- 4.123 **In line with recommendation 14 of the Independent Review of the APS, the committee recommends the Digital Review include information relating to:**
- **current and forecast ICT expenditure and assets;**
 - **systems scheduled for retirement or no longer supported by software vendors (and the associated risks);**
 - **future requirements; and**
 - **any urgent ICT capital investment needs.**

Recommendation 15

4.124 The committee recommends that the Australian Government, as a matter of priority, use the findings of the Digital Review to develop and fund a long-term, whole-of-government ICT blueprint, as recommended in the Independent Review of the Australian Public Service.

Recommendation 16

4.125 The committee recommends that where ICT contracts must be awarded to multinational corporations, at a minimum the Australian Government must require those corporations to produce a copy of reporting under the Global Reporting Initiative Tax Standard, or implement the standard within one year.

Recommendation 17

4.126 The committee recommends that the Australian Government apply greater scrutiny in the awarding of ICT contracts to ensure that:

- Australian companies are given the chance to compete on a level playing field.
- External providers are only used when absolutely necessary to ensure that technical capacity is built within the APS.

Chapter 5

Consultants

- 5.1 This chapter will examine the diminishing policy capability of the Australian Public Service (APS) due to an overreliance on external consultants.

Use of consultants

- 5.2 In line with the externalisation trend discussed in previous chapters, evidence to the inquiry raised compelling concerns about the extensive use of consultants for core APS work.
- 5.3 Submitters argued that an overreliance on consultants was eroding APS capability, particularly in regard to the provision of policy advice.
- 5.4 Evidence before the committee also revealed a distinct lack of information around the level of government expenditure on consultants, leading to concerns about transparency and whether the ongoing reliance on consultants represented value for money.
- 5.5 These matters will be addressed in the following sections.

An excessive dependence on a 'para public service'

- 5.6 John Halligan, an Emeritus Professor in Public Administration at the University of Canberra who submitted to the committee in a private capacity, informed the committee that Australia had chosen a 'more regular and much greater use' of consultants than Canada and New Zealand. He noted that of all the Anglophone countries, Australia had arguably the heaviest reliance on consultants for advisory and management work.¹
- 5.7 He detailed:

A comparatively active consultancy community has heightened externalisation by providing contestability and further advisory sources from outside of government, but also establishing linkages on management and policy issues that influence public administration in ways not seen before. It is Australia's enduring reliance on private sector consultants for policy and management work that is most striking. The para public service has become a fundamental part of the government landscape.²

- 5.8 Professor Andrew Podger AO, a former APS Commissioner, informed the committee that although there was sometimes a valid need to engage external

¹ Emeritus Professor John Halligan, *Submission 26*, p. 2.

² Emeritus Professor John Halligan, *Submission 26*, p. 2.

advice, the APS suffered from an excessive use of consultants. He highlighted the danger that arose from this trend and cautioned:

There is a danger, in using consultants, that they will say what they think is wanted in order to get the next job. That's not to say getting consultants in is always a bad thing. There will be times when you need external expertise that you don't have in the place or you want a perspective from outside that you won't get from internal [employees]. So there are reasons for using consultants from time to time, but they should be used with some care.³

5.9 The Community and Public Sector Union (CPSU) argued that consultants were too often used by the APS, not because the work was not possible to complete 'in-house', but rather because of an unspoken preference from government for private advice.⁴

5.10 As Ms Melissa Donnelly, National Secretary of the CPSU, set out:

Too often consultants are used for work that could and should be done by APS employees. It happens because there seems to be a tacit preference for privatised advice, provided through consulting firms, rather than public policy advice and a disregard for the skills and capacities of APS staff.⁵

5.11 Ms Donnelly further explained that the excessive use of consultants raised transparency questions:

One of the many concerns we have around the use of consultants is about the impact it has on frank and fearless advice and the capacity of the Public Service to play its role in properly advising government. The lack of accountability and transparency and the risk that you have identified about getting the advice you want rather than the advice that perhaps should be given is absolutely a concern.⁶

5.12 A September 2021 discussion paper released by the Australia Institute noted that private consulting firms were doing an 'unprecedented' amount of public work. It observed that the growth in government spending on consultancies appeared to correspond to limits on APS employment imposed by the average staffing level (ASL) cap.⁷

5.13 Also of interest to the committee in its deliberations was commentary from Professor John Quiggin, a Laureate Fellow in Economics at the University of Queensland. Professor Quiggin made a number of observations in his essay for

³ Mr Andrew Podger, private capacity, *Proof Committee Hansard*, 6 August 2021, p. 25.

⁴ Community and Public Sector Union, *Submission 24*, p. 36.

⁵ Ms Melissa Donnelly, National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 8.

⁶ Ms Melissa Donnelly, National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 13.

⁷ Bill Browne, The Australia Institute, [Talk isn't cheap: Making consultants' reports publicly available via Senate order](#), September 2021, p. 8.

the September 2021 edition of *The Monthly* publication on the trend of governments relying on consultants for public policy advice. In particular, he remarked on the circular nature of the arrangement, given consulting firms are likely to provide policy advice that typically involves even more outsourcing.⁸ As he noted:

By their very nature, these firms are poorly placed to advise governments to reverse the process of which they are part'.⁹

- 5.14 Professor Quiggin also identified that a fundamental cost of outsourcing policy advice was the subsequent loss of institutional memory within the public service. He elaborated on why this was an inevitable outcome:

While consulting companies have plenty of institutional memory, it concerns the process of consultancy, not the concerns of individual clients. Consultants need to develop the flexibility to move quickly from one contract, and one team, to another. Such flexibility involves an element of amnesia.¹⁰

- 5.15 He further suggested that one of the important motives for outsourcing policy advice was the potential for 'blame-shifting when things go wrong'.¹¹

Loss of policy capability

- 5.16 The Independent Review of the APS (Thodey Review) cited research indicating that government ministers, alongside scholars and practitioners, had raised 'serious questions (and doubts)' about the APS's policy-making capacity.¹²
- 5.17 Submitters to the committee's inquiry posited that the ongoing, unnecessary use of consultants by governments had gradually eroded the APS's strategic policy capability.
- 5.18 Professor Halligan stated that the condition of policy capability in Australia had been 'problematic' for over a decade.¹³ Additionally, he observed that the excessive use of consultants raised questions about ministerial attitudes towards public governance:

⁸ John Quiggin, ['Dismembering government: Why the Commonwealth can't do anything anymore'](#). *The Monthly*, September 2021, p. 28.

⁹ John Quiggin, ['Dismembering government: Why the Commonwealth can't do anything anymore'](#). *The Monthly*, September 2021, p. 28.

¹⁰ John Quiggin, ['Dismembering government: Why the Commonwealth can't do anything anymore'](#). *The Monthly*, September 2021, p. 28.

¹¹ John Quiggin, ['Dismembering government: Why the Commonwealth can't do anything anymore'](#). *The Monthly*, September 2021, p. 28.

¹² Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 183.

¹³ Emeritus Professor John Halligan, *Submission 26*, p. 7.

The lack of interest in supporting strategic policy development raises questions about the nature of public governance. It can either imply that ministers have no need for strategic policy advice from departments because their focus is on the short term or that when they do, it can be provided by political advisers (or external sources).¹⁴

5.19 To counter the lack of policy capability, Professor Halligan recommended a policy profession stream be added to the list of APS professions, along with a renewed focus on the Policy Hub established by the Department of the Prime Minister and Cabinet (PM&C).¹⁵

5.20 The CPSU reported that feedback from its members strongly indicated that consultants were being used to do 'more strategic, complex work' that APS employees should be doing. The CPSU reported that APS staff were often relegated to providing administrative support and thus missed out on opportunities to develop their skills and expertise.¹⁶

5.21 Additionally, the CPSU stated that a key concern linked to the growth of consultants was the accompanying failure to transfer skills and knowledge to the APS.¹⁷

5.22 The CPSU provided examples of feedback from members illustrating the concerns it raised. For example, a CPSU member working in the Productivity Commission commented on the loss of institutional knowledge:

I've seen it firsthand both working as a consultant and working in the public sector. Some agencies can barely do their job because work they would normally do in-house has been given to consultants — institutional knowledge has been lost.¹⁸

5.23 Similarly, another CPSU member employed at the Australian Taxation Office remarked:

I have seen this first-hand in my Director job. We're carving out the most strategic work for consultants and delegating less complex work to ongoing staff — this does not build skills for the future...¹⁹

5.24 Professionals Australia also commented on the loss of skill and institutional knowledge inflicted upon the APS by a reliance on consultants. It argued that while the APS lost out, the consultancy firms themselves captured the experience and expertise and retained it 'to sell again in the future'.²⁰

¹⁴ Emeritus Professor John Halligan, *Submission 26*, pp. 7–8.

¹⁵ Emeritus Professor John Halligan, *Submission 26*, p. 7.

¹⁶ Community and Public Sector Union, *Submission 24*, p. 38.

¹⁷ Community and Public Sector Union, *Submission 24*, p. 38.

¹⁸ Community and Public Sector Union, *Submission 24*, p. 38.

¹⁹ Community and Public Sector Union, *Submission 24*, p. 38.

²⁰ Professionals Australia, *Submission 8*, p. 6.

5.25 It explained:

The knowledge and expertise developed in the delivery of APS business (be that infrastructure delivery, defence, health, innovation or biosecurity) should be captured by the APS and retained for the future prosperity of the Australian community. The APS should not be a vehicle to divert that expertise to the private sector, only to leave the Australian community with an ongoing consultancy bill anytime they want to use it again.²¹

No clear picture on expenditure

- 5.26 During the inquiry the committee encountered a great deal of difficulty ascertaining an accurate and up to date amount of government expenditure on consultants across the APS given the shortcomings of the data reported in AusTender²².
- 5.27 This difficulty is not new and has been well-documented in the media. For example, analysis in the Saturday Paper in October 2021 looking at the surge in outsourced policy work observed that the use of consultants in the APS was an ‘opaque and poorly governed space’.²³
- 5.28 The challenge inherent in gaining an accurate picture of government spend on consultants via AusTender was also a feature of extensive media analysis in 2018 in light of evidence presented to the Joint Committee of Public Accounts and Audit (JCPAA) inquiry into government procurement contract reporting.²⁴
- 5.29 The JCPAA inquiry²⁵ was in response to a 2017 Australian National Audit Office (ANAO) information report which identified data suggesting that APS

²¹ Professionals Australia, *Submission 8*, p. 6.

²² AusTender is the government's procurement information system which provides centralised publication annual procurement plans and contracts awarded.

²³ Rick Morton, 'How private management consultant's took over the public service', *The Saturday Paper*, 9 October 2021, www.thesaturdaypaper.com.au/news/politics/2021/10/09/how-private-management-consultants-took-over-the-public-service#hrd (accessed 12 October 2021). See also: Bill Browne, The Australian Institute, *Talk isn't cheap: Making consultants' reports publicly available via Senate order*, September 2021, pp. 5–6.

²⁴ See for example: Tom McIlroy and Edmund Tadros, 'Government hides \$200m of consulting contracts', *Australian Financial Review*, 21 February 2018, www.afr.com/companies/professional-services/how-200m-of-consulting-contracts-disappeared-20170917-gyj4jz (accessed 24 September 2021); Tom McIlroy and Edmund Tadros, 'Multiple ABNs see PWC, EY classed as SMEs', *Australian Financial Review*, 16 February 2018, www.afr.com/companies/professional-services/big-four-firms-classed-as-smes-on-classification-errors-20180216-h0w7dt (accessed 24 September 2021); Tom McIlroy and Edmund Tadros, 'Federal government struggles to define consultancy', *Australian Financial Review*, 13 February 2018, www.afr.com/companies/professional-services/federal-government-struggles-to-define-consultancy-20180212-h0vytz (accessed 24 September 2021).

²⁵ As noted in a previous chapter, the inquiry was based on the Australian National Audit Office Report No. 19 (2017–18) relating to government procurement contract reporting. The inquiry

agencies may have systematically underreported consultancy contracts in AusTender. The report found that for both suppliers and service categories, there was a 'substantial difference' in the value of contracts identified in AusTender using the 'consultancy' flag and the total value of contracts for the identified suppliers and categories.²⁶ As the ANAO explained in the report:

Many of these suppliers publically report consultancy as a substantial component of their business. Contracts with these suppliers and contracts in service categories including 'management advisory services' and 'information technology consultation services' have the vast majority (by value) classified as not being consultancy. **This may suggest entities have underreported consultancy contracts.**²⁷

- 5.30 The CPSU informed the committee that spending on consultants had 'dramatically increased' since the election of the Coalition Government in 2013, coinciding with the introduction of the ASL cap.²⁸
- 5.31 The CPSU emphasised to the committee that there was a lack of centralised data about the number of consultants working for the APS. It highlighted the 'inconsistent collection' of expenditure-related data in AusTender, as well as the absence of insights on whether consultants had met their objectives. It argued that this lack of data and evaluation had allowed the government to 'turn a blind eye' to the exponential growth of consultancy use and the subsequent hollowing out of APS strategic policy capability.²⁹
- 5.32 To address this, the CPSU recommended improvements to measurements for accountability, transparency and evaluation concerning the use of consultants.³⁰ It explained that with better data, the APS could identify when consultants were genuinely needed, and where they were required, mandate plans to transfer skills back in-house.³¹

lapsed when that iteration of the JCPAA ceased to exist at the dissolution of the House of Representatives on 11 April 2019.

²⁶ Australian National Audit Office, *Australian Government Procurement Contract Reporting, Information Report No. 19*, 2017–18, p. 24.

²⁷ Australian National Audit Office, *Australian Government Procurement Contract Reporting, Information Report No. 19*, 2017–18, p. 25. Emphasis added.

²⁸ Community and Public Sector Union, *Submission 24*, p. 38. Note: A more detailed discussion on the ASL cap is contained in a previous chapter.

²⁹ Community and Public Sector Union, *Submission 24*, p. 38.

³⁰ Community and Public Sector Union, *Submission 24*, p. 42.

³¹ Community and Public Sector Union, *Submission 24*, p. 42.

2018–19: Close to \$1.2 billion spent across eight consulting firms

- 5.33 In the absence of an official, collated dollar amount published by the APS, the committee turned to the most recent evidence available from the ANAO to gain an idea of government expenditure on consultants.
- 5.34 ANAO analysis of AusTender data up until 30 June 2019 showed a significant growth in the government's use of consultants since 2013. In 2018–19 consultancy contracts totalled \$647.0 million, up from \$365.9 million in 2013–14.³²
- 5.35 Through its analysis of the AusTender data, the ANAO identified eight firms reported as 'significant providers of consultancy services'. These consulting firms were:
- (1) PwC
 - (2) EY
 - (3) Deloitte
 - (4) McKinsey
 - (5) KPMG
 - (6) Clayton Utz
 - (7) GHD
 - (8) AECOM.³³
- 5.36 The ANAO found that in 2018–19, the government spent close to \$1.2 billion with those eight firms alone.³⁴
- 5.37 In arriving at this figure, the ANAO stated that it had included all contracts in AusTender with those eight suppliers, irrespective of whether they had been 'flagged' as a consultancy contract or not.³⁵
- 5.38 The figure below illustrates the total reported value of contracts with those eight firms over the ten years to 2018–2019.

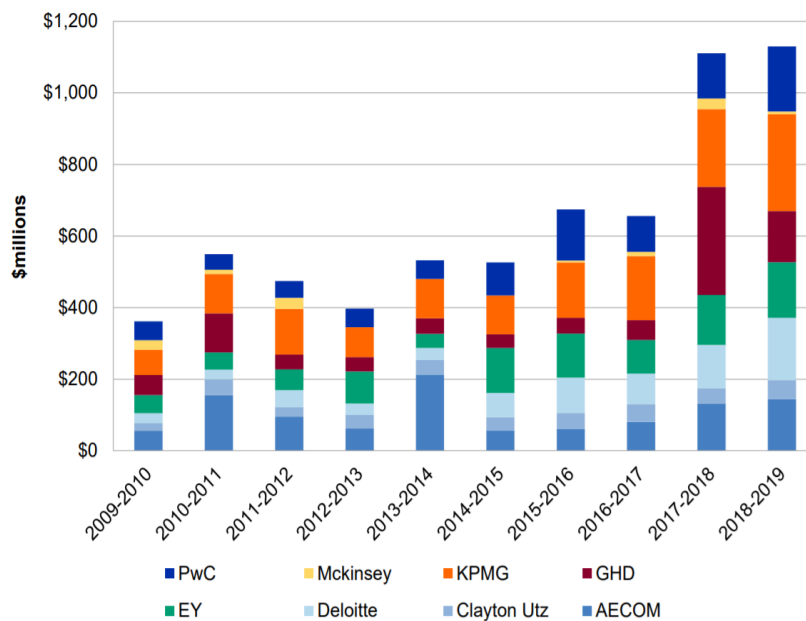
³² Australian National Audit Office, *Australian Government Procurement Contract Reporting, Information Report No. 27*, 2019–20, p. 43.

³³ Australian National Audit Office, *Australian Government Procurement Contract Reporting, Information Report No. 27*, 2019–20, p. 45.

³⁴ Australian National Audit Office, *Australian Government Procurement Contract Reporting, Information Report No. 27*, 2019–20, p. 45.

³⁵ Australian National Audit Office, *Australian Government Procurement Contract Reporting, Information Report No. 27*, 2019–20, pp. 45. Note: Contracts and amendments relating to consultancies are required to be identified on AusTender via the use of a 'Consultancy Flag' field, together with the supporting reason for the consultancy.

Figure 5.1 Contracts value by significant consultancy services providers: 2009–2010 to 2018–2019 irrespective of consultancies classification



Source: ANAO analysis of AusTender data.

[Source: Australian National Audit Office, *Australian Government Procurement Contract Reporting, Information Report No. 27, 2019–20*, p. 45.]

- 5.39 As a way of illustrating the extent of the government spend, the Australia Institute estimated that the close to \$1.2 billion spent on the eight firms in 2018–19 could have instead employed an additional 12 346 public servants.³⁶
- 5.40 However, the Australia Institute also noted that while there was very little public information on consulting fees, in practice the government's consultancy spend was 'unlikely to employ nearly as many people or produce nearly as much work' as hiring public servants directly.³⁷ It drew attention to 2019 analysis by the Australian Financial Review (AFR) which revealed the 'standard daily fees' charged by consulting firm McKinsey. The AFR reported that, according to pricing information contained in a successful pitch to government, daily fees ranged from \$10 000 to more than \$13 000 for an associate partner, and between \$13 000 to \$16 000 a day for a senior partner.³⁸

³⁶ Bill Browne, The Australia Institute, [Talk isn't cheap: Making consultants' reports publicly available via Senate order](#), September 2021, p. 8.

³⁷ Bill Browne, The Australia Institute, [Talk isn't cheap: Making consultants' reports publicly available via Senate order](#), September 2021, p. 11.

³⁸ Tom McIlroy and Edmund Tadros, 'Revealed: McKinsey partners charge \$16,000 a day (before discounts)', *Australian Financial Review*, 9 August 2019 <https://www.afr.com/politics/federal/revealed-mckinsey-partners-charge-16-000-a-day-before-discounts-20190808-p52f2a> (accessed 12 October 2021).

Solutions in other jurisdictions

5.41 The overreliance on external consultants is an issue that is also impacting public services in other jurisdictions.

5.42 For example, in 2019–20 the central government spend on external consultants in the United Kingdom (UK) was more than £700 million.³⁹ September 2020 media articles drew attention to comments from Lord Agnew of Oulton, Minister of State for the Cabinet Office and Her Majesty's Treasury, who argued:

We [the UK Civil Service] are too reliant on consultants. Aside from providing poor value for money, this infantilises the civil service by depriving our brightest people of opportunities to work on some of the most challenging, fulfilling and crunchy issues⁴⁰.

5.43 To tackle this overreliance, in May 2021 the UK Cabinet Office launched a Government Consulting Hub (GCH) to support civil servants to take on a greater role in projects, thereby reducing Civil Service spend on external consultants.⁴¹

5.44 The GCH functions as a centre of expertise on management consultancy. It aims to help reduce the amount that the UK Government spends on consultancy, maximise value where consultants are really needed, and upskill civil servants to deliver consultancy-type work to ensure the continuous growth of the Civil Service's internal capability and confidence.⁴²

5.45 In the Australian context, the Victorian Government has developed administrative guidelines on engaging professional services in the Victorian Public Service (VPS). The purpose of the guidelines is to provide decision-making principles and practical guidance to support VPS bodies and entities to determine when the use of professional services is appropriate and ensure that public resources are used in an efficient manner.⁴³

³⁹ United Kingdom Government, *New Hub will cut back government spending on external staff*, www.gov.uk/government/news/new-hub-will-cut-back-government-spending-on-external-staff, 20 May 2021 (accessed 13 November 2021).

⁴⁰ Lawrence Dunhill and Rajeev Syal, 'Whitehall 'infantilised' by reliance on consultants, minister claims', *The Guardian*, 30 September 2020, www.theguardian.com/politics/2020/sep/29/whitehall-infantilised-by-reliance-on-consultants-minister-claims (accessed 13 November 2021).

⁴¹ United Kingdom Government, *New Hub will cut back government spending on external staff*, www.gov.uk/government/news/new-hub-will-cut-back-government-spending-on-external-staff, 20 May 2021 (accessed 13 November 2021).

⁴² United Kingdom Government, *Government Consulting Hub*, 20 May 2021, www.gov.uk/government/publications/government-consulting-hub (accessed 13 November 2021).

⁴³ Victorian Government, *Administrative guidelines on engaging professional services in the Victorian Public Service*, 20 November 2019, www.vic.gov.au/administrative-guidelines-engaging-professional-services-victorian-public-service (accessed 13 November 2021).

- 5.46 The guidelines offer a framework for the 'valid use' of external engagements in the VPS. As the guidelines explain:

The decision to seek external support to deliver government policies, projects and programs is often driven by the need for specialist or technical skills or additional capacity to ensure new initiatives are delivered in a timely and effective manner. This is particularly true in situations where specialist skills are in emerging or growth areas not yet available within the VPS, it is not efficient to resource from within the VPS, or in areas where there is high demand for talent and certain specialist skills.

Parameters and tools to guide decision making in relation to external engagements, supported by quality workforce capability planning and development, will help to reduce inappropriate use of professional services and labour hire.⁴⁴

- 5.47 Principle One of the guidelines states that professional services should not be engaged to undertake work identified as a 'universal and enduring public service function'.⁴⁵
- 5.48 Enduring public service functions are defined as the work products and services that are intrinsic to the running of the public service and delivery of government priorities. While noting that the specific enduring public service functions will vary from one organisation to another due to their differing roles and functions, the guidelines note that there are 'universal functions' that should be resourced using public service employees as a first principle.⁴⁶
- 5.49 According to the guidelines, 'universal and enduring' public service functions include:
- policy and program development, implementation, and evaluation;
 - business case development;
 - business strategy and organisational development;
 - external stakeholder/community engagement and facilitation; and
 - internal meeting and event facilitation.⁴⁷
- 5.50 In recognition that professional services can play a 'legitimate role' in the VPS, Principle Two of the guidelines offers a framework for the valid use of external engagements.⁴⁸

⁴⁴ Department of Premier and Cabinet Victoria, *Administrative Guidelines on Engaging Professional Services in the Victorian Public Service*, Number: 2019/02, Issue: 1.1, October 2019, p. 3.

⁴⁵ Department of Premier and Cabinet Victoria, *Administrative Guidelines on Engaging Professional Services in the Victorian Public Service*, Number: 2019/02, Issue: 1.1, October 2019, p. 5.

⁴⁶ Department of Premier and Cabinet Victoria, *Administrative Guidelines on Engaging Professional Services in the Victorian Public Service*, Number: 2019/02, Issue: 1.1, October 2019, p. 5.

⁴⁷ Department of Premier and Cabinet Victoria, *Administrative Guidelines on Engaging Professional Services in the Victorian Public Service*, Number: 2019/02, Issue: 1.1, October 2019, p. 5.

5.51 According to the guidelines, professional services engagements should be limited to the following circumstances:

Work requiring skills or expertise not efficient to recruit or maintain within an organisation

To meet this condition, the following circumstances must apply:

- the necessary technical or specialist skill(s) required to deliver the work or services are not available or not efficient to maintain within an organisation, and
- current and future demand within the organisation for the technical or specialist skill(s) does not warrant recruiting the capability into the organisation.

Need for genuine independence

Independence may be required to instil confidence in the objectiveness, impartiality, and integrity of Government work, services, or decision-making processes. In these circumstances, the type and level of independence required must be carefully considered, including the potential for another area of a department or Government to provide the services.

The engagement connects the VPS with the latest technical advances, emerging key skills or expertise and builds VPS capability

Initially these services may need to be delivered by an external provider, however over time it is expected that new technologies, specialist skillsets and/or ways of working will be able to be delivered by internal capacity.

Approval of external engagements must therefore be able to demonstrate a contractual obligation and clear project strategy for transferring relevant skills and knowledge across to the VPS from the professional services provider.

Work requiring capacity due to unpredictable demands that require immediate or time critical action.

The capacity condition is only applicable in circumstances that are characterised by unpredictable demands requiring immediate or time critical action, such as legal matters with court-imposed deadlines and urgency, or surge capacity required due to emergency management, or similarly critical events.

To meet this condition, the following circumstances must apply:

- the necessary capacity required to deliver the work or services is not available or not efficient to maintain within an organisation, and
- current and future demand within the organisation for the capacity do not warrant recruiting into the organisation.

⁴⁸ Department of Premier and Cabinet Victoria, *Administrative Guidelines on Engaging Professional Services in the Victorian Public Service*, Number: 2019/02, Issue: 1.1, October 2019, p. 6.

The capacity condition must not be used to bridge shortfalls in regular or foreseeable demand for internal capacity or capabilities.⁴⁹

Committee view

- 5.52 The committee is deeply concerned at the excessive use of consultants within the APS and the relationship of dependence that has formed.
- 5.53 It is utterly unacceptable that the government paid close to \$1.2 billion in one year to eight private consulting firms in an entirely unaccountable way, for work that arguably should have been completed in-house by the APS.
- 5.54 The committee notes a discussion paper released by the Australia Institute stated that Australia's consulting industry (public and private) is the fourth largest in the world. The paper concluded that by population, Australia's spending on consulting is greater than that of any other country, and almost double that of comparable countries like Canada or Sweden.⁵⁰
- 5.55 The committee is alarmed by October 2021 media reports indicating that the Morrison Government is on track to achieve its highest yearly consultancy bill to date, with nearly 1000 contracts with consultants entered since 1 July 2021. This is an average of more than \$2 million a day since the 2021–22 financial year began.⁵¹
- 5.56 The committee also draws attention to analysis by The Saturday Paper of contracts published on AusTender for a nine month period – between January 2021 and 6 October 2021 – which revealed that \$654 million worth of management advisory services, labour hire and consulting work were granted to just six companies.⁵²
- 5.57 Additionally, the committee considers it regrettable that the Morrison Government's decisions and strategies in significant areas, including the vaccine rollout, were informed by external consultants, rather than internal, independent expert policy advice.⁵³

⁴⁹ Department of Premier and Cabinet Victoria, *Administrative Guidelines on Engaging Professional Services in the Victorian Public Service*, Number: 2019/02, Issue: 1.1, October 2019, p. 6.

⁵⁰ Bill Browne, The Australian Institute, [Talk isn't cheap: Making consultants' reports publicly available via Senate order](#), September 2021, p. 2.

⁵¹ Sarah Basford Canales, 'Federal government's \$220m in APS consultancy contracts 'rivers of gold' for private sector', *Canberra Times*, 18 October 2021, www.canberratimes.com.au/story/7472687/rivers-of-gold-govt-averaging-2m-a-day-on-consultancy-fees/ (accessed 12 November 2021).

⁵² Rick Morton, 'How private management consultant's took over the public service', *The Saturday Paper*, 9 October 2021, www.thesaturdaypaper.com.au/news/politics/2021/10/09/how-private-management-consultants-took-over-the-public-service#hrd (accessed 12 October 2021).

⁵³ Rick Morton, 'How private management consultants took over the public service', *The Saturday Paper*, 9 October 2021, www.thesaturdaypaper.com.au/news/politics/2021/10/09/how-private-management-consultants-took-over-the-public-service#hrd (accessed 13 November 2021).

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- 5.58 With this context in mind, the committee is cognisant of the words of caution expressed by Professor Podger, Professor Halligan and Professor Quiggin, all astute observers of the APS and the broader Australian political environment.
- 5.59 The committee considers the role of the public service in providing 'frank and fearless advice' to government to be one of the key characteristics of a properly functioning Westminster democracy. When the government, despite access to a skilled and independent APS, consistently chooses to spend exorbitant amounts of taxpayer money on commissioning strategic policy advice from private consulting firms, public sector capability is undermined.
- 5.60 This preference for policy advice from private, for-profit firms that operate with an ethos vastly different to that characterised by the values of service, integrity and impartiality which define the APS, is alarming. The committee considers that this preference shows a flagrant disregard for the value of public policy, as well as the skills and capacity of the APS.
- 5.61 The committee is of the opinion that as a first principle, all strategic policy development work should be performed in-house by the APS unless there is a demonstrated and acute need to engage consultants. Using private consultants for strategic policy work should be the rare exception, not the rule.
- 5.62 On this matter, the committee considers it would be instructive for the APS to look at developing robust engagement guidelines, similar to those established by the Victorian Government, to ensure that external professional services are not engaged to undertake tasks identified as universal and enduring APS work. This would include work such as policy development.
- 5.63 Furthermore, the committee considers that when consultants are deemed necessary, any contracts of engagement must include a mandatory, enforceable provision requiring skill transfer to APS employees. The committee is also of the view that the Australian Government should consider introducing an effective cap on the amount agencies can spend on external consultants.
- 5.64 The committee sees merit in establishing an internal APS policy hub, modelled on the GCH in the UK. The committee would like to see an APS hub be responsible for monitoring and developing agency-level policy capability, as well as providing project advice, consulting and 'over-the-counter' strategy advice for agency and department heads. The consulting hub should also be responsible for assessing and approving all requests from agencies to use external consultants, and be given the authority to rewrite specifications before contracts are put out for tender.
- 5.65 The committee is concerned with the lack of transparency and oversight on consultant expenditure, particularly in light of the well-documented shortcomings of the data reported through AusTender. In conjunction with the large amount of money spent on labour hire, it is clear that the government could instead be investing considerable financial resources into the ongoing

development and retention of APS staff and significantly reduce its reliance on externalisation.

- 5.66 The committee calls upon the government to strengthen transparency and accountability in monitoring and reporting on the use of consultants as a matter of urgent priority.
- 5.67 The committee considers that the Department of Finance should lead reform on how consultancies are categorised in AusTender to more accurately capture the level of expenditure and dependency of APS agencies on private consulting firms.

Recommendation 18

- 5.68 The committee recommends that the Australian Government commit to developing robust engagement guidelines (similar to those used by the Victorian Government) to ensure that as a first principle, external professional services should not be engaged to undertake work identified as a universal and enduring public service function.

Recommendation 19

- 5.69 The committee recommends that the Australian Government require that contracts of engagement for external consultants include a mandatory, enforceable provision requiring skill transfer back to Australian Public Service employees.

Recommendation 20

- 5.70 The committee recommends that the Australian Government establish a consultancy hub to provide in-house consultancy services to Australian Public Service departments and agencies.
- 5.71 The consultancy hub should draw lessons from the establishment of the Government Consulting Hub operating within the United Kingdom Civil Service.
- 5.72 The consulting hub should be responsible for monitoring and developing agency-level policy capability.
- 5.73 The consulting hub should be responsible for assessing and approving all requests from agencies to use external consultants, and be given the authority to rewrite specifications before contracts are put out for tender.

Recommendation 21

- 5.74 The committee recommends that the Australian Government consider introducing an effective cap on the amount agencies can spend on external consultants.

Recommendation 22

- 5.75** The committee recommends that the Department of Finance lead work to reform how consultancies are categorised and tagged in AusTender with the goal of more accurately capturing the level of expenditure on consultants across the Australian Public Service.
- 5.76** The committee recommends that the Department of Finance take into account the previous findings of the Australian National Audit Office in designing the AusTender reform.

Chapter 6

Procurement capability

6.1 The procurement and contract management skills within the Australian Public Service (APS) were distinct matters raised during the committee's inquiry.

6.2 The Australia and New Zealand School of Government (ANZSOG) informed the committee that it believed there was a skills deficit in a broad sense in regard to procurement across the APS. As Professor Ken Smith, Dean and Chief Executive Officer, explained:

Our position is that there is a skills deficit or a capability problem with a coherent approach to procurement commissioning and contracting across the Public Service and that that issue needs some specific attention. Even though government might commission aged-care services or disability services et cetera, the government are still responsible for the end-to-end delivery of those services. They can't remove themselves from accountability for the quality of that delivery because the services are being delivered by [a] private or not-for-profit organisation, which is what we've seen through the range of royal commissions that have been in place on aged care and disability services.¹

6.3 The Australian National Audit Office (ANAO) informed the committee that it considered procurement to be a 'key capability' of the APS because so much of what the public service does involves a procurement component.² As the Auditor-General explained:

Frameworks that are established for high-quality procurement set out an approach that you would expect entities to take when procuring any service...The expectation is that they would have a clear understanding of what they are trying to buy and why; they would have a performance framework in place within the contract to hold those who are delivering the service to account for achieving the results of that; and they would have a performance framework through the management of the contract to ensure the contract services are delivered. That applies to any contract, really.³

6.4 The ANAO submitted that, through its audit program, it had identified procurement as an area for improvement within the APS. The ANAO noted that in 2019–20, the total value of procurement contracts entered into by

¹ Professor Ken Smith, Dean and Chief Executive Officer, Australia and New Zealand School of Government, *Proof Committee Hansard*, 6 August 2021, p. 36.

² Mr Grant Hehir, Auditor-General, Australian National Audit Office, *Proof Committee Hansard*, 6 August 2021, p. 31.

³ Mr Grant Hehir, Auditor-General, Australian National Audit Office, *Proof Committee Hansard*, 6 August 2021, p. 31.

entities that use AusTender was approximately \$54 billion, through over 81 000 procurement contracts in the same period.⁴

6.5 The Auditor-General advised that there was strong evidence from ANAO performance and financial audits that the public sector approach to procurement often fell short of the expectations set out in the regulatory framework.⁵

6.6 He also noted that in many cases, APS entities found it difficult to demonstrate that they had obtained value for money when using public resources.⁶

6.7 The Auditor-General further observed that the ANAO regularly finds entities 'complying with the letter of the procurement rules but not with their intent'.⁷

6.8 He elaborated:

Often the evidence suggests that the decision to exempt procurements from open competition has been based more on it being a less costly and easier process for the entity to undertake, rather than a focus on the overall value of taxpayer funds—for example, using the provision of extreme urgency brought about by unforeseen events. To grant an exemption from competitive tender simply because the procurement process was left too late points to poor management rather than the intent of the exemption.⁸

6.9 The Auditor-General emphasised the importance of the necessary skills and guidance for employees to ensure that APS procurement processes were conducted appropriately:

It's important that entity officials have or are able to draw on guidance and training as well as relevant expertise, such as the central procurement unit, to enable them to carry out their procurement activities efficiently and effectively, and in compliance with the intended government and entity requirements. A key step in effective procurement is to have a clear understanding of the requirements of procurement, and to ensure officials undertaking complex procurements have sufficient understanding of the procurement related objectives, the procurement requirements, the nature of the arrangements being established and procurement related risks. It is important for entities to ensure risk management and probity

⁴ Mr Grant Hehir, Auditor-General, Australian National Audit Office, *Proof Committee Hansard*, 6 August 2021, p. 29.

⁵ Mr Grant Hehir, Auditor-General, Australian National Audit Office, *Proof Committee Hansard*, 6 August 2021, p. 29.

⁶ Mr Grant Hehir, Auditor-General, Australian National Audit Office, *Proof Committee Hansard*, 6 August 2021, p. 30.

⁷ Mr Grant Hehir, Auditor-General, Australian National Audit Office, *Proof Committee Hansard*, 6 August 2021, p. 30.

⁸ Mr Grant Hehir, Auditor-General, Australian National Audit Office, *Proof Committee Hansard*, 6 August 2021, p. 30.

considerations are commensurate with the scale, scope and risk of procurement, while procuring from existing arrangements.⁹

6.10 The Auditor-General concluded:

Given the scale and value of public sector procurement activity, the ANAO undertakes performance audits every year in this area. The rules framework is well developed and mature, and it is designed to enable entities to demonstrate achievement of value for money. It's disappointing that we often see entities procurement and contract management efforts falling well short of expected standards. This is a capability area that needs ongoing focus within the service.¹⁰

Committee view

6.11 The committee is concerned by the ANAO evidence indicating that agencies often fall short of expected standards in their procurement and contract management activities. The committee commends the work of the ANAO on drawing attention to this deficit and identifying where improvements can be made.

6.12 In light of this, the committee considers that there is a need for an ongoing focus on improving APS capability in these areas to ensure that public money is managed judiciously.

6.13 The committee will continue to take an active interest in the findings of the ANAO in relation to procurement and contracting by APS agencies, and will continue to request that agencies show adherence to public sector procurement rules and guidelines as they are intended to be applied.

Recommendation 23

6.14 The committee recommends that the Department of Finance develop a comprehensive strategy to improve procurement and contract management capability across the Australian Public Service, with a particular focus on the areas of concern identified by the Australian National Audit Office.

⁹ Mr Grant Hehir, Auditor-General, Australian National Audit Office, *Proof Committee Hansard*, 6 August 2021, p. 30.

¹⁰ Mr Grant Hehir, Auditor-General, Australian National Audit Office, *Proof Committee Hansard*, 6 August 2021, p. 30.

Chapter 7

Creating a workforce for the future

- 7.1 A strong, skilled and supported workforce is integral to the capability of any institution, particularly to one whose mission is to serve the public interest. Evidence to the committee's inquiry demonstrated that the people of the Australian Public Service (APS) are overwhelmingly principled, hard-working and committed to serving the Australian community.
- 7.2 This observation is borne out by results from the 2020 APS Employee Census.¹ 85 per cent of respondents believed strongly in the purpose and objectives of the APS, while 92 per cent indicated they were happy to go the 'extra mile' at work when required. Furthermore, 91 per cent of respondents reported that they understood how their role contributed to achieving an outcome for the Australian public.² The committee observes, however, that the census ignores the tens of thousands of labour hire contractors who work side by side with APS staff providing public services.

A 'whole-of-service' approach

- 7.3 The Independent Review of the APS (Thodey Review) characterised the APS workforce as a 'valuable asset', that, if invested in and managed strategically, would provide a 'return many times over' to government and the Australian people.³
- 7.4 However, it also identified a number of workforce management challenges to be addressed, remarking:
- ...there is much work to do in nurturing the APS's people and unlocking their true value.⁴
- 7.5 The final report recommended the development of a 'whole-of-service' workforce strategy to build and sustain the way the APS 'attracts, develops and utilises' its people.⁵

¹ The APS Employee Census is an annual survey coordinated by the Australian Public Service Commission. It is administered to all APS employees to collect confidential attitude and opinion information on issues in the workplace. The 2020 census was administered from 12 October 2020 to 13 November 2020 and received responses from 108 085 APS employees across 100 agencies, a response rate of 78 per cent.

² Australian Public Service Commission, [*Australian Public Service Employee Census: Highlights Report: APS Overall*](#), 31 March 2021, p. 10.

³ Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 182.

⁴ Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 182.

- 7.6 In response to this recommendation, in March 2021 the Australian Public Service Commission (APSC) released the APS Workforce Strategy 2025 (Workforce Strategy) as part of the APS reform agenda.
- 7.7 The Workforce Strategy represents an 'enterprise-wide view' on how to equip the APS for future challenges. It includes three focus areas for action through to 2025:
- Attract, build and retain diverse skills, expertise and talent.
 - Embrace data, technology and flexible and responsive workforce models.
 - Strengthen integrity and purposeful leadership.⁶⁷
- 7.8 The Workforce Strategy is not intended to replace agency-level strategic and operational planning processes; rather is designed to support agencies to identify and build the workforce and capabilities needed for the future.⁸ The committee observes that the capacity of the Workforce Strategy to act as a 'strategy' is limited by what an Organisation for Economic Co-operation and Development case study titled *Workforce planning in the Australian Public Service* describes as the 'the decentralised nature of the APS'. The committee notes that because the ambition of the Workforce Strategy is not to replace agency-level workforce strategy planning, areas with poor workforce culture or weak workforce planning may be left behind.⁹

Chapter structure

- 7.9 Taking into account the findings of the Thodey Review and recognising the action areas outlined in the Workforce Strategy, the committee focused its attention on a number of issues relating to the strategic management of the APS workforce. These included:
- the workplace bargaining policy of the APS;
 - the pay and conditions of the APS;
 - the classifications and hierarchy of the APS;
 - mobility within the APS; and
 - matters relating to the APS Academy, graduate recruitment and diversity.

⁵ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 192.

⁶ Australian Public Service Commission, additional information received 15 September 2021, p. 3.

⁷ Australian Public Service Commission, *APS Workforce Strategy 2025*, 18 March 2021, www.apsc.gov.au/initiatives-and-programs/aps-workforce-strategy-2025 (accessed 4 October 2021).

⁸ Australian Public Service Commission, *APS Workforce Strategy 2025*, 18 March 2021, www.apsc.gov.au/initiatives-and-programs/aps-workforce-strategy-2025 (accessed 4 October 2021).

⁹ Organisation for Economic Co-operation and Development, [OCED Recommendation on Public Service Leadership and Capability: Workforce planning in the Australian Public Service](#), p. 8 (accessed 13 November 2021).

- 7.10 This chapter will examine each of these elements in turn and conclude with the committee's consolidated views.

Workplace bargaining policy

- 7.11 The committee heard evidence that indicated that the workplace bargaining arrangements in place for the APS had negative implications for the capability of the sector.
- 7.12 The Public Sector Workplace Relations Policy 2020 was released on 13 November 2020 and superseded the Workplace Bargaining Policy 2018. On its announcement, the government stated that the 2020 policy would ensure that APS wage rises would 'no longer exceed wage rises in the private sector' and would 'allow APS wage rises to follow the private sector wage growth when it eventually exceeds 2 per cent'.¹⁰
- 7.13 The Community and Public Sector Union (CPSU) argued that the Coalition Government's workplace bargaining approach since 2014 had negatively impacted on the APS's ability to attract and retain skilled staff, while creating barriers to staff mobility and career progression across the APS.¹¹
- 7.14 In regard to the current policy, the CPSU outlined:
- The Government's bargaining policy now caps wage increases to the private sector Wage Price Index, restricts content in agreements and bans any enhancements to conditions. This is despite the fact that APS employees are already paid significantly less than their equivalents in the private sector. The policy's application extends beyond the Australian Public Service to entities including key scientific research organisations CSIRO [Commonwealth Scientific and Industrial Research Organisation] and ANSTO [Australian Nuclear Science and Technology Organisation].¹²
- 7.15 The Wage Price Index (WPI) measures changes in the price of labour, unaffected by compositional shifts in the labour force, hours worked, or employee characteristics.¹³

¹⁰ Department of the Prime Minister and Cabinet, *New wages policy for Commonwealth Public Servants and a review of performance bonus arrangements for senior executives*, 13 November 2020, <https://ministers.pmc.gov.au/morton/2020/new-wages-policy-commonwealth-public-servants-and-review-performance-bonus-arrangements-senior-executives> (accessed 1 October 2021).

¹¹ Community and Public Sector Union, *Submission 24*, p. 56–59. See also Ms Melissa Donnelly, National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 8.

¹² Community and Public Sector Union, *Submission 24*, p. 56.

¹³ Australian Bureau of Statistics, *Wage Price Index – Australia*, June 2021 www.abs.gov.au/statistics/economy/price-indexes-and-inflation/wage-price-index-australia/latest-release (accessed 4 October 2021).

- 7.16 The CPSU advised that the requirement to cap APS wage increases to the WPI meant that pay increases could be unknown to APS employees at the time they had to vote on them. It explained:

The new Bargaining Policy ties federal public sector pay rises to annual changes in private sector wages, to be calculated at a later date. Under this policy, employees will be required to vote on an agreement that leaves future pay rates unknown.¹⁴

- 7.17 It also asserted that the pay increases available to APS employees would fluctuate year to year:

The maximum pay increase payable in each year of an enterprise agreement or determination will be capped at the annual WPI for the private sector for the most recent June quarter.¹⁵

- 7.18 The CPSU advised that the current APS bargaining policy still prevented agencies from including tailored arrangements (such as specialised pay structures) in enterprise agreements, despite such arrangements forming a 'significant component' to attracting and building critical specialist capabilities in areas such as information and communications technology (ICT).¹⁶

- 7.19 The CPSU also argued that the current bargaining policy removed consultation and delegate rights from enterprise agreements, which ran contrary to building constructive workplace relations.¹⁷ It detailed:

The removing of pre-decision and post-decision consultation provisions runs contrary to building and maintaining constructive and productive workplace relations within APS agencies where staff are involved to help determine the best outcomes. The ability to have a say before a decision is made is materially different to consultation after the fact. It can affect agency innovation and adaptation.¹⁸

- 7.20 In August 2021 the CPSU prepared a guide for its members to assist them in understanding the current policy. It advised that the 2020 policy continued the approach of previous policies in a number of ways which worked to make improvements to conditions 'very difficult'. It summarised:

'No enhancements' – the new policy continues this rule, making it difficult to achieve sensible improvements to enterprise agreements

¹⁴ Community and Public Sector Union, [What's in the new federal public sector bargaining policy? A detailed guide for CPSU members](#), August 2021, p. 1.

¹⁵ Community and Public Sector Union, [What's in the new federal public sector bargaining policy? A detailed guide for CPSU members](#), August 2021, p. 1.

¹⁶ Community and Public Sector Union, *Submission 24*, p. 57. Note: A more fulsome discussion on the matter of ICT personnel recruitment can be found in an earlier chapter of this report.

¹⁷ Community and Public Sector Union, *Submission 24*, pp. 57–58.

¹⁸ Community and Public Sector Union, *Submission 24*, p. 57.

Shifting conditions into policy – the government continues to push rights and entitlements into policy which the employer can change overnight.

Consultation under attack – agencies that have started bargaining under the new Bargaining Policy have been forced to water down consultation rights, with the government saying that agencies should no longer be required to reach agreement with consultative committees on basic consultation processes. This means agencies can do what they like, and water down or remove important consultation protections that were put in place in the last bargaining round.¹⁹

- 7.21 The CPSU recommended that the government act as a model employer and revise the workplace bargaining policy to enable agencies to genuinely bargain in good faith, without restrictions on pay and with the capacity to enhance employment conditions.²⁰

Inconsistent pay and conditions across the APS

- 7.22 The committee received evidence indicating that the complexity and inconsistency of pay and conditions across the APS had a significant impact on capability by adversely impacting workforce recruitment, development, mobility and retention.
- 7.23 For example, the CPSU asserted that the move away from a common set of pay and conditions in the APS was a consequence of enterprise bargaining. It advised that there were significant pay differentials across the APS, as well as differences across agencies in standard working hours, leave entitlements and many other core conditions.²¹
- 7.24 To illustrate, the CPSU noted that as at 30 June 2019, the top pay rate for an Executive Level (EL) 2 position in the Department of Defence was \$190 230, while the lowest pay rate for an EL 2 was in Aboriginal Hostels Limited at \$120 411. Additionally, it noted that the top rate for an APS 3 level position was \$75 717 for Meat Inspectors within the Department of Agriculture, Water and the Environment, while the lowest APS 3 rate was \$57 136 in Aboriginal Hostels Limited.²²
- 7.25 The CPSU contended that the arbitrary differences in pay and conditions negatively impacted APS capability through discouraging inter-agency

¹⁹ Community and Public Sector Union, [What's in the new federal public sector bargaining policy? A detailed guide for CPSU members](#), August 2021, p. 5. Citations omitted. Emphasis in original.

²⁰ See also Ms Melissa Donnelly, National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, p. 8.

²¹ Community and Public Sector Union, *Submission 24*, p. 58

²² Community and Public Sector Union, *Submission 24*, p. 58

mobility, reducing the sense of a unified APS, and causing unnecessary complexity during Machinery of Government (MoG) changes.²³

- 7.26 Ms Melissa Donnelly, National Secretary of the CPSU, elaborated on this position:

...we do think these pay differences are a significant constraint on capability, because it limits the capacity for mobility within the APS. It has implications also for career progression within the APS. Many reviews across the APS have identified the need to promote greater mobility across the APS and therefore a more greatly detailed understanding of different policy areas. But the idea that you would move and experience a \$70,000 pay cut is not a compelling one, of course, for some employees. So it does have real capacity implications.²⁴

- 7.27 As set out earlier in this report, Andrew Podger, an Honorary Professor of Public Policy at the Australian National University with a lengthy career at senior executive levels of the APS, gave evidence to the committee in a private capacity. He submitted that APS capability was reliant upon 'attracting, retaining, developing and optimally utilising' its employees. He noted that a key factor in this was remuneration and other non-monetary rewards.²⁵

- 7.28 Professor Podger was of the view that the current approach to setting APS pay and conditions lacked economic rationale and had adverse implications for the recruitment, development and retention of the workforce.²⁶

- 7.29 Additionally, he noted that the many problematic aspects of the current approach were well-known, despite government assertions to the contrary. He stated:

The current approach is administratively cumbersome and costly and, despite calls for more consistency for well over a decade now, differences across agencies have not narrowed and problems when machinery of government changes occur have grown more serious.²⁷

- 7.30 Professor Podger observed that there was no explicit consideration under the current approach of whether APS pay and conditions were attracting and retaining employees to properly skill the workforce, nor whether they were enhancing development and making the best use of resources.

- 7.31 To remedy this, Professor Podger recommended a proper 'market' approach based on APS-wide assessments for different occupational groups, instead of

²³ Community and Public Sector Union, *Submission 24*, pp. 58–59.

²⁴ Ms Melissa Donnelly, National Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 6 August 2021, pp. 11–12.

²⁵ Professor Andrew Podger, *Submission 7*, p. 8.

²⁶ Professor Andrew Podger, private capacity, *Proof Committee Hansard*, 6 August 2021, p. 23.

²⁷ Professor Andrew Podger, *Submission 7*, p. 8.

the current 'enterprise' approach (where each agency is required to negotiate pay and conditions based on artificial 'productivity' bargains).²⁸

7.32 He explained:

It is quite likely that a proper market comparison, combined with careful consideration of the public sector context and internal relativities aimed to ensure remuneration corresponds with respective responsibilities, would identify that some APS employees are overpaid and others underpaid. It would certainly confirm that variations across the APS are not justified. It would also have the advantage of greatly reduced transaction costs across the APS by re-introducing centralised negotiations.²⁹

7.33 The Thodey Review also identified the challenges associated with the 'inconsistent and complex' pay ranges and conditions within the APS. It observed that in 2019 there were over 100 enterprise agreements within the APS, and that many agreements had at least five, but some up to ten, individual pay points within classifications. It found that this could 'complicate and create transitional problems' during MoG changes.³⁰

7.34 The committee was provided with some analysis by the APSC which assessed the number of women employed at the different APS, EL and Senior Executive Service (SES) levels across the APS.³¹ On its own, this data does not account for the gender wage gap of 6.6 per cent within the APS, and it is apparent to the committee that the 'enterprise approach' is a contributing factor to the gender wage gap. Further work will be required to identify the departments and agencies where lower paid women are concentrated, in order to develop an effective strategy to address the gender wage gap.

7.35 The Thodey Review cited feedback indicating that the disparity in wages and conditions discouraged mobility and reduced the sense of a unified service with a strong career structure. It commented that these themes were consistent with evidence examined in the 2010 *Ahead of the Game* report of the Advisory Group on Reform of Australian Government Administration, chaired by Mr Terry Moran AC.³²

²⁸ Professor Andrew Podger, *Submission 7*, p. 8.

²⁹ Professor Andrew Podger, *Submission 7*, p. 8.

³⁰ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, pp. 254–255.

³¹ Australian Public Service Commission, additional information received 15 September 2021, p. 2.

³² Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 258. See also: Advisory Group on the Reform of Australian Government Administration, [Ahead of the Game: Blueprint for the Reform of Australian Government](#), March 2010.

7.36 The final report made particular mention of the lower salaries found in agencies with high representations of Indigenous employees:

...the agencies with the highest proportion of Aboriginal and Torres Strait Islander employees — Aboriginal Hostels Ltd and the Australian Institute of Aboriginal and Torres Strait Islander Studies — are the bottom outliers of each pay classification. The maximum salary for an EL 1 (middle manager) at Aboriginal Hostels Ltd in 2017 was \$99,941, while at Finance it was \$136,141, a \$36,200 difference. This level of discrepancy, particularly in agencies with a high representation of Indigenous employees whom the APS must attract and retain, is unacceptable.³³

7.37 The Thodey Review recommended a move towards common core conditions and pay scales over time to reduce complexity, improve efficiency and 'enable the APS to be a united high-performing organisation'.³⁴ It suggested that this be done 'at all levels with the intent of reducing complexity and administrative burden, bringing the APS in line with good corporate practice'.³⁵

7.38 Specifically, recommendation 33 stated:

- Government to review and set common core conditions for APS-level and EL employees for agencies to pursue during bargaining.
- Government to commission APSC to develop an implementation plan for introducing service-wide minimum and maximum pay points for APS-level and EL employees.
- Remuneration Tribunal to determine pay ranges and common standard conditions for each Senior Executive Service (SES) band.
- Remuneration Tribunal to review remuneration of department secretaries in light of their shared and strengthened responsibilities as members of the Secretaries Board.³⁶

7.39 In its response to the Thodey Review, the government stated that it did not agree with recommendation 33. It explained:

Current policies around APS pay and conditions are working effectively. Employees and agencies are agreeing to new enterprise agreements or productivity-based pay rises on existing terms and conditions, in an efficient and effective manner. The Government accepts the Secretaries Board advice **not to proceed** with service wide pay points and will continue with the existing APS Enterprise Bargaining Framework. The

³³ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, pp. 256.

³⁴ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 258.

³⁵ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 256.

³⁶ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 258.

Secretaries Board will further consider options to inject greater discipline in SES remuneration as a means of facilitating greater SES mobility.³⁷

Classifications and hierarchy

- 7.40 The Thodey Review observed that the majority of APS agencies adopted a 'traditional hierarchical model' for team structures and workplaces, characterised by 'pyramid like structures' with embedded lines of accountability supporting senior leaders and ministers. It noted that this model was 'well-suited' to particular types of work, particularly those that require high levels of accountability and where the 'consequences of failure are high'.³⁸
- 7.41 However, the final report concluded that many of the current organisational arrangements in the APS are 'ineffective' and 'insufficiently flexible and responsive for an increasingly connected and changing world'.³⁹
- 7.42 It cited feedback from APS employees indicating that:
- up to 72 per cent of Australian Government public servants agree or strongly agree that 'the public service is too hierarchical';
 - only 28 per cent of APS employees agree that 'decision-making processes at my agency are timely and efficient';
 - only 27 per cent APS employees agree that 'appropriate risk taking is rewarded in my agency'; and
 - nearly one in two APS employees — 44 per cent of the total — feel they have 'insufficient time to develop and implement innovations'.⁴⁰
- 7.43 The Thodey Review identified that there was a need for the APS to adopt fundamental changes to its organisational structures and hierarchies to 'best respond to the different scenarios that may play out by 2030'.⁴¹
- 7.44 In recommendation 32 of its final report it set out a range of actions for the APS to pursue in order to 'streamline management and adopt best-practice ways of working to reduce hierarchy, improve decision-making, and bring the right APS expertise and resources'.⁴²

³⁷ Department of the Prime Minister and Cabinet, [Delivering for Australians. A world-class Australian Public Service: The Government's APS reform agenda](#), 13 December 2019, p. 25. Emphasis added.

³⁸ Department of the Prime Minister and Cabinet, [Delivering for Australians. A world-class Australian Public Service: The Government's APS reform agenda](#), 13 December 2019, p. 249.

³⁹ Department of the Prime Minister and Cabinet, [Delivering for Australians. A world-class Australian Public Service: The Government's APS reform agenda](#), 13 December 2019, p. 249.

⁴⁰ Department of the Prime Minister and Cabinet, [Delivering for Australians. A world-class Australian Public Service: The Government's APS reform agenda](#), 13 December 2019, p. 249. Citations omitted.

⁴¹ Department of the Prime Minister and Cabinet, [Delivering for Australians. A world-class Australian Public Service: The Government's APS reform agenda](#), 13 December 2019, p. 249.

⁴² Department of the Prime Minister and Cabinet, [Delivering for Australians. A world-class Australian Public Service: The Government's APS reform agenda](#), 13 December 2019, p. 254.

- 7.45 The APSC established the APS Hierarchy and Classification Review (HC Review) in March 2021 as part of the government's response to recommendation 32 of the Thodey Review.⁴³
- 7.46 The remit of the HC Review is to examine the APS Classification Framework (both SES and non-SES levels) and its application in order to provide recommendations on an optimal management structure for the APS.⁴⁴
- 7.47 An independent panel was appointed to oversee the review, comprised of Dr Heath Smith PSM, Ms Kathryn Fagg AO FTSE and Mr Finn Pratt AO PSM.⁴⁵
- 7.48 The specific deliverables for the initiative are:
- Review and report on the current APS classification framework and develop recommendations on a 'clear, effective and efficient structure that is fit for the future'.
 - Provide advice to the APS Commissioner on implementation of recommendations arising from the review.
 - Review and update the 2014 APS Framework for Optimal Management Structure.⁴⁶
- 7.49 The APSC informed the committee that the review panel had undertaken extensive engagement with APS employees, the private sector, union bodies, interstate and international public sectors, and other interested parties.⁴⁷
- 7.50 It advised that the review panel presented 'emerging recommendations' to the Secretaries Board for feedback in July 2021 and was 'on track' to deliver the final report and supporting documents by the end of year, as requested by the APS Commissioner.⁴⁸

⁴³ Australian Public Service Commission, APS Hierarchy and Classification Review, 18 March 2021, www.apsc.gov.au/initiatives-and-programs/workforce-information/aps-hierarchy-and-classification-review (accessed 4 October 2021).

⁴⁴ Australian Public Service Commission, APS Hierarchy and Classification Review – Terms of Reference, 18 March 2021, www.apsc.gov.au/initiatives-and-programs/workforce-information/aps-hierarchy-and-classification-review/review-aps-hierarchy-and-classifications-terms-reference (accessed 4 October 2021).

⁴⁵ Australian Public Service Commission, APS Hierarchy and Classification Review, 18 March 2021, www.apsc.gov.au/initiatives-and-programs/workforce-information/aps-hierarchy-and-classification-review (accessed 4 October 2021).

⁴⁶ Australian Public Service Commission, APS Hierarchy and Classification Review – Terms of Reference, 18 March 2021, www.apsc.gov.au/initiatives-and-programs/workforce-information/aps-hierarchy-and-classification-review/review-aps-hierarchy-and-classifications-terms-reference (accessed 4 October 2021).

⁴⁷ Australian Public Service Commission, additional information received 15 September 2021, p. 2.

⁴⁸ Australian Public Service Commission, additional information received 15 September 2021, p. 3.

Mobility within the APS

7.51 The Thodey Review identified that career paths that included 'appropriate levels' of mobility were critical to the success of the APS, and recommended a range of measures to improve mobility.⁴⁹ It noted that 'moving around' was a key avenue of professional development for individual public servants which also benefited agencies.⁵⁰

7.52 The final report observed:

The APS would benefit from more porous boundaries — more staff movement between agencies as well as between the public service and other jurisdictions and sectors. The APS interagency mobility rate, which measures movement of employees between agencies in a year, is currently 2.5 per cent. This means in practice that 72 per cent of APS employees today have only ever worked in one agency.⁵¹

7.53 The committee received evidence that illustrated the importance of increased mobility to APS capability. In particular, the committee heard that the advent of the COVID-19 pandemic necessitated a greater mobility of APS staff within and across agencies in order to swiftly react to the changed work priorities of the crisis.

7.54 For example, Mr Philip Gaetjens, Secretary of the Department of Prime Minister and Cabinet (PM&C) detailed:

The APSC *State of the Service* found that, almost half of all APS employees shifted to work on activities related to COVID-19 from February last year [2020]; more than 2,300 employees moved to other agencies; and around 9,000 employees shifted to priority tasks within their own portfolios or other agencies. Supported by the APS Workforce Management Taskforce, led by the APS Commissioner, more than 1,700 staff from other Commonwealth agencies were redeployed to Services Australia to answer calls and process claims.⁵²

7.55 APS Commissioner Mr Peter Woolcott AO commented on the need to continue the focus on mobility in the longer term:

...2020 saw greater mobility across the APS and thousands of APS staff demonstrated their flexibility in shifting their focus on different priorities. We want to lock these changes in, keep tuning the system and ensure that we strive for better.⁵³

⁴⁹ Department of the Prime Minister and Cabinet, [Delivering for Australians. A world-class Australian Public Service: The Government's APS reform agenda](#), 13 December 2019, pp. 201–206.

⁵⁰ Department of the Prime Minister and Cabinet, [Delivering for Australians. A world-class Australian Public Service: The Government's APS reform agenda](#), 13 December 2019, p. 201.

⁵¹ Department of the Prime Minister and Cabinet, [Delivering for Australians. A world-class Australian Public Service: The Government's APS reform agenda](#), 13 December 2019, p. 201.

⁵² Mr Philip Gaetjens, Secretary, Department of the Prime Minister and Cabinet, *Committee Hansard*, 5 March 2021, p. 32.

⁵³ Mr Peter Woolcott AO, Australian Public Service Commissioner, Australian Public Service Commission, *Committee Hansard*, 5 March 2021, p. 33.

- 7.56 The APSC advised the committee that it had coordinated various 'surge' requests during 2020 and that overall these had been a good opportunity for the public service to demonstrate its 'agility and versatility'.⁵⁴
- 7.57 It stated that the experience and lessons learned from mobility initiatives had informed the development of the APS Mobility Framework, a deliverable of the Workforce Strategy.⁵⁵ The framework is aimed at supporting agencies to make strategic use of employee mobility, particularly in regard to three 'high value' uses:
- (i) To address surges in demand for existing services or new priorities.
 - (ii) To solve complex policy program or service delivery problems.
 - (iii) To develop employees and create a pipeline of talent.⁵⁶
- 7.58 To build on the surge responses necessitated by the pandemic, the APSC informed the committee it had established the APS Surge Reserve as an 'ongoing function' to allow the APS to respond rapidly to future crises.⁵⁷
- 7.59 The APSC indicated that the arrangements for the Surge Reserve were settled in early 2021, with the Secretaries Board agreeing to arrangements in April 2021.⁵⁸
- 7.60 It outlined the goals of the initiative:
- The APS Surge Reserve provides the capacity to rapidly mobilise Australian Public Service (APS) volunteers in large numbers in response to a crisis. The APS Surge Reserve complements, rather than replaces, existing agency specific and well established disaster response and management arrangements. Surge Reservists will deploy for short periods (initial terms of up to eight weeks) to help colleagues address a surge in demand for government services or support.
 - The Surge Reserve is a collective initiative of the APS with every portfolio contributing to the Reserve.
 - Surge Reservists may be asked to do a range of work carried out by government, depending on the need.
 - Surge Reservists will be able to contribute their efforts to help Australians in a time of crisis.⁵⁹

⁵⁴ Mr Patrick Hetherington, First Assistant Commissioner, Australian Public Service Commission, *Committee Hansard*, 5 March 2021, p. 41.

⁵⁵ Australian Public Service Commission, *The APS Mobility Framework*, 29 April 2021, www.apsc.gov.au/initiatives-and-programs/aps-mobility-framework (accessed 4 October 2021).

⁵⁶ Australian Public Service Commission, *Submission 3*, p. 15.

⁵⁷ Australian Public Service Commission, *Submission 3*, pp. 10, 15.

⁵⁸ Australian Public Service Commission, additional information, received 28 September 2021.

⁵⁹ Australian Public Service Commission, additional information, received 28 September 2021, p. 1.

7.61 The APSC advised that as at April 2021, 2091 APS employees had nominated for the Surge Reserve. It provided the committee with breakdowns of the volunteer cohort by portfolio, location and APS classification:

Figure 7.1 Surge Reserve nominees by portfolio

Surge Reserve Nominees by Portfolio, April 2021

Portfolio	Nominees
Agriculture, Water and the Environment	70
Attorney-General's	143
Defence	56
Education, Skills and Employment	109
Finance	127
Health	66
Home Affairs	349
Industry, Science, Energy and Resources	89
Infrastructure, Transport, Regional Development and Communications	20
Prime Minister and Cabinet	50
Social Services	511
Treasury	427
Veterans' Affairs	74
Total	2091

[Source: Source: Australian Public Service Commission, additional information, received 28 September 2021, p. 2.]

Figure 7.2 Surge Reserve nominees by location

Surge Reserve Volunteers by State, April 2021

State	Nominees
New South Wales	502
Victoria	334
Queensland	314
Western Australia	105
South Australia	146
Tasmania	63
Australian Capital Territory	606
Northern Territory	21
Total	2091

[Source: Australian Public Service Commission, additional information, received 28 September 2021, p. 2.]

Figure 7.3 Surge Reserve nominees by APS classification

Surge Reserve Volunteers by APS Level April 2021	
Level	Nominees
SES1	1
Executive Level 2	147
Executive Level 1	388
APS6	543
APS5	378
APS4	370
APS3	170
APS2	81
APS1	8
Not known	5
Total	2091

[Source: Australian Public Service Commission, additional information, received 28 September 2021, p. 2.]

- 7.62 The APSC informed the committee that it expected the numbers of volunteers for the Surge Reserve to grow to 3000 to 4000 over time, with the expectation that only a subset would be available in a significant crisis. It noted that in response to a given crisis, portfolio departments and agencies would be asked by the APSC to advise which of their 'reservists' were available for deployment based on business needs and staff availability.⁶⁰
- 7.63 The APSC also furnished the committee with detail on the 'activations' of the Surge Reserve to date:

Figure 7.4 Activations of the Surge Reserve – data provided September 2021

Activations of the APS Surge Reserve					
Month	Host agency	Description of work	Geographic location	Period of time	Number of APS employees mobilised
Mar – 21	Department of Health (a)	Assist with COVID19 Vaccine Rollout	Canberra, ACT	Up to 8 weeks (b)	45
Jul-21	Services Australia	Assist in the delivery of COVID19 Disaster Payments	Canberra, ACT with surge centres established nationwide	Up to 4 weeks(b)	449(c)
(a) This was a small scale deployment to test key elements of the APS Surge Reserve model					
(b) Extensions to the deployment may have been agreed through home agencies, host agencies and employees.					
(c) Total does not include deployments managed under bilateral agreements between Services Australia and APS agencies.					

[Source: Australian Public Service Commission, additional information, received 28 September 2021, p. 3.]

- 7.64 In terms of evaluating the operations of the Surge Reserve, the APSC reported that it would continue to evaluate and refine the arrangements of the initiative as it progressed.⁶¹ It advised that it conducted surveys of volunteers at the

⁶⁰ Australian Public Service Commission, additional information, received 28 September 2021, p. 1.

⁶¹ Australian Public Service Commission, additional information, received 28 September 2021, p. 3.

conclusion of their deployment, and that results from the first deployment to the Department of Health showed:

- 86 per cent of respondents were able to identify positive elements of the deployment (including the opportunity to try new work, learn new skills and broaden networks).
- 77 per cent of respondents indicated they were 'satisfied' or 'very satisfied' with the deployment.⁶²

7.65 The APSC further noted that a review of the operation of the deployments to Services Australia in July 2021 would be conducted, and 'further enhancements' to the Surge Reserve arrangements would be considered in early 2022.⁶³

Building and upskilling a diverse workforce

7.66 The following section sets out evidence received by the committee on:

- the APS Academy;
- graduate recruitment; and
- diversity within the APS workforce.

APS Academy

7.67 In regard to learning and development opportunities for the APS workforce, the committee received information on the newly formed APS Academy.

7.68 In July 2020 the APSC commissioned a review to consider the future role of its Centre for Leadership and Learning (CLL) in supporting learning and development initiatives in the APS. One of the key outcomes of the process was the creation of the Academy.⁶⁴

7.69 Established on 1 July 2021, the Academy is focused on building capabilities central to 'public sector craft' and supporting 'one-APS capability development'.⁶⁵

7.70 The APS Commissioner characterised public sector craft as things that only public servants as 'insiders' know. He detailed:

....knowing how to work with government, knowing how to work with ministers, knowing how to understand the budget process, knowing how to implement policy, knowing how to project policy and be able to persuade ministers that this is the right course of action, because you as ministers have so many other competing sources of advice these days as

⁶² Australian Public Service Commission, additional information, received 28 September 2021, p. 3.

⁶³ Australian Public Service Commission, additional information, received 28 September 2021, p. 3.

⁶⁴ Australian Public Service Commission, *Submission 3*, p. 11.

⁶⁵ Mr Peter Woolcott AO, Australian Public Service Commissioner, Australian Public Service Commission, *Committee Hansard*, 5 March 2021, p. 33.

well. So it's a changing environment. The focus is very much on the craft of being a public servant and providing advice and implementing decisions...⁶⁶

- 7.71 The APSC advised that the Academy operates as a 'national, networked model', combining agency partnerships with extended networks such as academic institutions, specialist providers and the Australia and New Zealand School of Government (ANZSOG). It outlined:

The Academy's development focus will be on building capabilities central to the 'APS craft': in short, leadership, integrity, governance, policy, delivery and engagement. It will emphasise the importance of a broad suite of learning approaches, including experiential learning, on-the-job training, mobility and secondments, as well as some intensive face-to-face course offerings.⁶⁷

- 7.72 Submitters to the inquiry welcomed the establishment of the Academy and its focus on public sector craft, although noted that it had not been in operation long enough to gauge its success.

- 7.73 For example, at a public hearing in August 2021 the Centre for Policy Development (CPD) stated:

It's early days because it's [the Academy] only just been launched. One of the things we emphasised in our interactions with the Thodey panel, in its review, and in our submission to this and other related inquiries, has been the importance of a professions mindset across the public sector to develop what they call public sector craft but also deep expertise in areas. We think that's a very positive development and should really make a vital contribution over the next decade or so.⁶⁸

- 7.74 Dr Subho Banerjee, Deputy Chief Executive Officer (Research and Advisory) for ANZSOG who led the review into the APSC CLL, also emphasised the importance of public sector craft and the need to teach 'practical wisdom' – that is, the nuances and subtleties of excellence in public service.⁶⁹

- 7.75 He commented that he was encouraged by the creation of the Academy and the focus areas and learning approaches it encapsulated. He detailed:

I think it's all in this vein of trying to take really seriously what is special about being a public servant. What do you need that is really particular to excellence in public service? That builds on a good foundation of general professional skills: good writing, good communication, good team management, good team operation. There are a range of generic skills, but

⁶⁶ Mr Peter Woolcott AO, Australian Public Service Commissioner, Australian Public Service Commission, *Committee Hansard*, 5 March 2021, p. 43.

⁶⁷ Australian Public Service Commission, *Submission 3*, p. 14.

⁶⁸ Dr Travers MacLeod, Chief Executive Officer, Centre for Policy Development, *Proof Committee Hansard*, 6 August 2021, p. 20.

⁶⁹ Dr Subho Banerjee, Deputy Chief Executive Officer (Research and Advisory), Australia and New Zealand School of Government, *Proof Committee Hansard*, 6 August 2021, p. 37.

what's above that? It's things like: working in government; understanding the values of the APS; understanding what strategic policy really looks like in this context; what implementation looks like; really trying to get to what engagement is about, and how you can think about different forms of partnership with citizens in different kinds of ways. Those are the kinds of domains where we are trying to crystallise what is particular and special about the craft, and then there is thinking about a really innovative and interesting range of approaches to try to get to that.⁷⁰

Graduate recruitment

7.76 The committee received evidence setting out the improvements in train in regard to APS graduate recruitment processes.

7.77 The APSC advised that over the past five years the number of APS agencies that recruited graduates had remained consistent, with up to 39 agencies regularly recruiting. It detailed:

Together they represent an average annual intake of approximately 1,300 Graduates across the APS. Numbers have been fairly consistent over the last 20 years, with the lowest intake being 722 in 2003/4 and the highest 1551 in 2010/11. Graduate recruitment is increasingly important as a source of new APS employees. The share of new recruits who are graduates has increased to 15 per cent in 2019–20 from around 6 per cent in 2000–01.⁷¹

7.78 The APS Workforce Strategy observed that up until 2020, public service graduate programs were managed through a 'decentralised' model and the disparate approaches across agencies had proven problematic. It explained:

The user experience for prospective graduates was repetitive, time consuming and inconsistent, and agencies were competing against one another for talent.⁷²

7.79 To address this, in 2020 the APSC and partner agencies co-designed a new way to recruit graduates in a more collaborative manner, including a new portal on the APS Jobs platform. The updated portal functioned as a 'one-stop-shop' and meant graduates had more opportunities to apply for a number of roles across multiple agencies.⁷³

7.80 The success of the 2020 recruitment campaign informed the creation of the Australian Government Graduate Program (AGGP) in 2021, in which

⁷⁰ Dr Subho Banerjee, Deputy Chief Executive Officer (Research and Advisory), Australia and New Zealand School of Government, *Proof Committee Hansard*, 6 August 2021, pp. 37–38.

⁷¹ Australian Public Service Commission, additional information received 15 September 2021, p. 4.

⁷² Australian Public Service Commission, [Delivering for Tomorrow: APS Workforce Strategy 2025](#), March 2021, p. 38.

⁷³ Australian Public Service Commission, [Delivering for Tomorrow: APS Workforce Strategy 2025](#), March 2021, p. 38.

graduates could be considered for multiple agencies through a single application process.⁷⁴

- 7.81 The APSC stated that in 2021, in partnership with other agencies, it stood up generalist, economist, data and STEM (science, technology, engineering and mathematics) graduate streams to build on the success of the existing digital and HR (human resources) streams already established.⁷⁵
- 7.82 The APSC informed the committee that the Workforce Strategy had identified data, digital (e.g. ICT) and STEM as 'emerging capabilities' required by the APS. As such, the inclusion of those streams under the AGGP would facilitate an APS wide approach to recruiting the capabilities.⁷⁶
- 7.83 The APSC also forecast that as workforce requirements evolved, graduate streams would be implemented, scaled down or retired in line with the capabilities required in agencies.⁷⁷
- 7.84 The APSC reported that the AGGP received 8187 applications across all streams in 2021, which represented a 33 per cent increase on the previous year.⁷⁸

Diversity

- 7.85 The diversity of the APS workforce was another area of interest for the committee.
- 7.86 The Thodey Review examined this topic in depth, noting that there was overwhelming evidence that diverse and inclusive organisations 'perform better and have happier people'.⁷⁹ The final report elaborated:

Diversity — of background and life experience as well as in expertise and view points — creates challenge, provokes thought and encourages change. It provides different insights, which are especially valuable in tackling the complex and ambiguous problems faced by government each day. It produces better advice to ministers and better decisions, as they are more attuned to the needs and interests of all groups.⁸⁰

⁷⁴ Australian Public Service Commission, [Delivering for Tomorrow: APS Workforce Strategy 2025](#), March 2021, p. 38; Australian Public Service Commission, additional information received 15 September 2021, p. 4.

⁷⁵ Australian Public Service Commission, additional information received 15 September 2021, p. 3.

⁷⁶ Australian Public Service Commission, additional information received 15 September 2021, p. 5.

⁷⁷ Australian Public Service Commission, additional information received 15 September 2021, p. 5.

⁷⁸ Australian Public Service Commission, additional information received 15 September 2021, p. 4.

⁷⁹ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 216.

⁸⁰ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 216.

7.87 The Thodey Review acknowledged that while the APS had made progress over the years, it still struggled in some aspects of diversity and inclusion.⁸¹ It collated data from 2018 to illustrate:

Figure 7.5 Diversity by classification

Diversity by classification
% of classification by diversity group, 2018



Inclusion and discrimination by group
2018

The perceived rate of bullying, harassment and discrimination in the APS remains much higher for employees who identify as part of a diversity group:

2X

Aboriginal and Torres Strait Islander employees and staff with a disability are more than twice as likely to perceive discrimination

2X

People with a disability are twice as likely to perceive bullying and harassment

1.3X

Women and LGBTI+ staff are 1.3 times as likely to perceive bullying and harassment

[Department of the Prime Minister and Cabinet, *Our Public Service, Our Future: Independent Review of the Australian Public Service*, 13 December 2019, p. 217.]

7.88 The Thodey Review recommended a number of actions (set out in recommendation 25) to recruit, develop and promote more people with diverse view and backgrounds.⁸²

7.89 The government agreed with elements of the recommendation and explained:

The Secretaries Board is leading a range of actions to increase diversity and inclusion across the APS, through renewed Indigenous, gender and disability employment strategies. The Government has also requested the APS Commissioner to ensure the APS does more to retain and recruit older Australians. The Board does not consider additional goals and strategies are currently needed to advance this work and will continue to renew and update its approach to ensure it is effective.⁸³

⁸¹ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, pp. 216–218.

⁸² Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 216.

⁸³ Department of the Prime Minister and Cabinet, [Delivering for Australians. A world-class Australian Public Service: The Government's APS reform agenda](#), 13 December 2019, p. 22.

7.90 The APSC informed the committee of three strategies to promote diversity and inclusion in the APS:

- Commonwealth Aboriginal and Torres Strait Islander Workforce Strategy 2020–24
- APS Disability Employment Strategy 2021–25
- APS Gender Equality Strategy 2021–25 (undergoing a refresh in partnership with the Office for Women and expected to be released in late 2021).⁸⁴

7.91 In regard to the issue of pay equity, the APSC advised it collected remuneration data from all APS agencies on an annual basis, including hours worked, type of work, salary (including bonuses) allowances and superannuation.⁸⁵

7.92 The APSC informed the committee that the gender pay gap (i.e. the difference between the average full-time earnings of male and female employees) in the APS was 6.6 per cent in 2020, putting it below the current national figure of 14.2 per cent.⁸⁶

Committee views

Workplace bargaining policy

7.93 The committee agrees with the views put forward by the CPSU. Public sector wage growth has fallen behind private sector wage growth, which means the public sector wage strategy is now acting as a drag on wage growth for Australians more generally.⁸⁷

7.94 Additionally, the committee notes that the damage inflicted upon the APS by the previous workplace bargaining policies implemented by the Coalition Government was examined in detail by the Senate Education and Employment References Committee in its 2016 report *Siege of attrition: the Government's APS Bargaining Policy*.⁸⁸

⁸⁴ Australian Public Service Commission, additional information received 15 September 2021, p. 2. See also: Australian Public Service Commission, *Australian Public Service Gender Equality Strategy refresh*, 6 July 2021, www.apsc.gov.au/working-aps/diversity-and-inclusion/gender-equality-0 (accessed 1 October 2021).

⁸⁵ Australian Public Service Commission, additional information received 15 September 2021, p. 2.

⁸⁶ Australian Public Service Commission, additional information received 15 September 2021, p. 2.

⁸⁷ Michael Janda and Rachel Pupazzoni, *Wages growth stuck at record low as public sector pay freezes, award delays bite*, ABC News, 24 February 2021, www.abc.net.au/news/2021-02-24/wage-price-index-abs/13187102 (accessed 13 November 2021).

⁸⁸ Senate Education and Employment References Committee, *Siege of attrition: The Government's APS Bargaining Policy*, November 2016.

- 7.95 The committee is of the view that the government should revise the Public Sector Workplace Relations Policy 2020 to remove the cap on public sector wage increases tied to the WPI.
- 7.96 The committee is also of the view that the government revise the Public Sector Workplace Relations Policy 2020 to enable agencies to genuinely bargain, in good faith, without restrictions on enhancing employment conditions.
- 7.97 Finally, the committee considers that the government should revise the Public Sector Workplace Relations Policy 2020 to improve workers' rights to consultation. It considers that this would ensure the best outcomes for workplace decisions and improve the implementation strategies of government policy.

Recommendation 24

- 7.98 The committee recommends that the Australian Government revise the Public Sector Workplace Relations Policy 2020 to remove the cap on public sector wage increases tied to the Wage Price Index.**

Recommendation 25

- 7.99 The committee recommends that the Australian Government revise the Public Sector Workplace Relations Policy 2020 to enable agencies to genuinely bargain, in good faith, without restrictions on enhancing employment conditions.**

Recommendation 26

- 7.100 The committee recommends that the Australian Government revise the Public Sector Workplace Relations Policy 2020 to build a more collaborative workplace culture, including by improving consultation rights for staff through their union.**

Inconsistent pay and conditions across the APS

- 7.101 The committee believes the government was wrong to reject recommendation 33 of the Thodey Review.
- 7.102 The evidence before the committee clearly contradicts the position put forward by the government that its current policies around APS pay and conditions are working. The considerable pay disparity between agencies and the lack of workforce mobility highlight the substantial issues with the current policy approach.
- 7.103 The committee considers there is much to be gained in shifting the APS towards common core conditions and pay scales over time, particularly if the change is effected in line with the implementation guidance suggested by the Thodey Review.

7.104 The committee considers such a shift would significantly improve APS capability by increasing efficiency, minimising administrative burden and creating a more unified sector. Once implemented, evidence of these efficiencies would be realised as soon as the next MoG change occurs.

7.105 In particular, the committee would like to echo the comments of the Thodey Review in regard to the low levels of pay across all classifications in agencies with a high representation of Indigenous employees, compared to the rates at the same levels in other APS agencies. This situation is not acceptable and must be remedied.

Recommendation 27

7.106 The committee recommends that the Australian Government implement recommendation 33 of the Independent Review of the Australian Public Service and move towards common core conditions and pay scales for APS-level and Executive Level employees.

Classifications and hierarchy

7.107 The committee awaits with interest the outcome of the APS Hierarchy and Classification Review. The need for increased flexibility and mobility across the APS has been repeatedly highlighted to the committee, and it is vital that APS organisational structures are designed to be responsive to the needs of the public now and into the future, rather than relying on an outdated hierarchical model.

7.108 The committee considers it important that the structures and hierarchies of the APS are fit for purpose. This will allow agencies to function in a streamlined manner with effective administration processes and clear pathways of accountability. To this end, it is necessary that the findings of the HC Review are made public, and action taken to implement its recommendations.

Recommendation 28

7.109 The committee recommends that the Secretaries Board and the Australian Public Service Commissioner publish the final report of the Australian Public Service Hierarchy and Classification Review upon receipt and act upon its recommendations as soon as practicable.

Mobility within the APS

7.110 The committee acknowledges the efforts of the public servants who took part in surge requests in response to the COVID-19 pandemic, both in the early stages of the crisis in 2020, as well as into 2021. It considers the significant degree of inter and intra agency mobility to be fine examples of what the APS can achieve when it works flexibly.

- 7.111 Additionally, the committee commends the APSC on the establishment of the APS Surge Reserve. The committee considers that the initiative will form part of the solution to increasing mobility in the APS in the longer term, which will in turn provide distinct capability benefits.
- 7.112 The committee also commends staff at all levels who have contributed to the growth of the Surge Reserve.
- 7.113 The committee encourages the APSC to continue to monitor and refine the operation of the Surge Reserve, and make public its evaluations.
- 7.114 Additionally, the committee would like to see increased collaboration across the APS facilitated through reduced barriers to career mobility. It will watch with interest the results of the APS Mobility Framework initiatives in the medium to long term. It encourages the APSC to continue to monitor and publish mobility metrics for all agencies in order to provide a comprehensive picture of the state of mobility across the APS.

Recommendation 29

- 7.115 The committee recommends that the Australian Public Service Commission commit to regular, published evaluation updates on the operations of the Australian Public Service Surge Reserve.**

Recommendation 30

- 7.116 The committee recommends that the Australian Public Service Commission regularly monitor, collate and publish mobility metrics for agencies.**

APS Academy

- 7.117 The committee is encouraged by the creation of the APS Academy. It considers that it is critically important to APS capability that individuals employed in the APS have a clear and practical understanding of public service craft.
- 7.118 As will be examined in the next chapter of this report, the committee is strongly of the view that there is a pressing need to crystallise the idea of service — to the public and to the Parliament, in addition to the government of the day — within the APS workforce at all levels.
- 7.119 The committee believes that a proper grasp of what is meant by 'public service' is essential to guarding against the insidious creep of public sector politicisation in Australia.
- 7.120 On a separate note, the committee is disappointed that the APSC spent almost \$500 000 over two months on private contractors for elements of the design and build of the Academy. The committee understands this was because the

APSC needed additional resources to cope with the workload.⁸⁹ The committee wishes to express its astonishment at this situation and highlight it as a clear example of the excessive and inefficient reliance on private contractors wrought by the Average Staffing Level cap.

- 7.121 The committee encourages the APSC to closely monitor and evaluate the operation of the Academy, as well as seek and incorporate independent feedback (for example, from ANZSOG or the CPD) to continuously improve the program.

Recommendation 31

- 7.122 The committee recommends that the Australian Public Service Commission monitor and evaluate the operation of the Australian Public Service Academy and provide public, yearly updates on what the initiative has achieved in tangible terms.**

Graduate recruitment

- 7.123 The committee is pleased to see the concerns with the de-centralised model of graduate recruitment addressed through the establishment of the AGGP.
- 7.124 The committee is of the view that the APS must continue to evolve its recruitment practices and employee value proposition to ensure that it can compete with the private sector as an employer of choice for talented Australians.
- 7.125 The committee encourages the APSC to continue to monitor and refine the AGGP as necessary in order to ensure graduate recruitment contributes to addressing critical skill gaps in the APS.

Recommendation 32

- 7.126 The committee recommends that the Australian Public Service Commission monitor and evaluate the operation of the Australian Government Graduate Program in order to refine it as necessary so that graduate recruitment consistently contributes to addressing critical skill gaps in the Australian Public Service workforce.**

Recommendation 33

- 7.127 The committee recommends that the Australian Government place greater importance on the role of the Australian Government Graduate Program and consider expanding it to a more ambitious scale, particularly as the**

⁸⁹ Sarah Basford Canales, 'New public service academy pays its contractors \$500k', *Canberra Times*, 4 May 2021, www.canberratimes.com.au/story/7226440/embarrassing-new-public-service-academy-racks-up-500k-contractor-bill-in-two-months/ (accessed 4 October 2021).

Australian Public Service and the Australian economy more broadly recover from the impacts of the COVID-19 pandemic.

Diversity

- 7.128 The committee feels strongly that the make-up of the APS must reflect the communities it serves.
- 7.129 It considers that high rates of diversity within a workforce bring a multitude of benefits, and in the context of this inquiry, would only work to improve the capability of the APS.
- 7.130 The committee holds an interest in the APS Gender Equality Strategy 2021–25, due to be released by the end of the year. It encourages the APSC to release the refreshed strategy in line with the announced timeframe.
- 7.131 Additionally, while pleased that the gender pay gap in the APS is below the national figure, the committee considers that a 6.6 per cent gap still too high. The committee considers that the proportion of women employed at each salary level, taken on its own, does not explain the persistence of the wage gap.
- 7.132 The committee is of the view that further research is required to establish why the gender wage gap persists in the APS, and whether the shift away from a common set of pay and conditions in the APS (as discussed earlier in this chapter) has reinforced this gender inequality.

Recommendation 34

- 7.133 In light of the current gender wage gap of 6.6 per cent, the committee recommends that the Australian Public Service Commission undertake analysis of why a gender wage gap in the Australian Public Service persists and implement a plan to eliminate it.

Recommendation 35

- 7.134 The committee recommends that the Australian Public Service Commission conduct research to establish whether the long-term shift away from a common set of pay and conditions across agencies has impacted on the gender wage gap within the Australian Public Service.

Chapter 8

Culture and final observations

- 8.1 This chapter will canvass matters relating to the culture of the Australian Public Service (APS) and conclude with the committee's final observations.
- 8.2 In relation to culture, the chapter will examine:
- the continued importance of the Westminster tradition; and
 - the trend of politicisation within the APS.
- 8.3 As set out in Chapter 2 of this report, the APS was founded in the Westminster tradition as an impartial, professional and merit-based service designed to serve successive governments. As the Independent Review of the APS (Thodey Review) noted, while the Westminster approach provides a set of 'interrelated principles' to guide the APS, the tradition has also been regularly revisited and reviewed to ensure it adapts to suit the needs of the country.¹
- 8.4 The Thodey Review strongly affirmed the Westminster tradition as the system on which to base the APS's foundations 'today and into the foreseeable future'.²
- 8.5 In making this affirmation it explicitly rejected 'any move' towards a partisan 'Washminster' model³ whereby agency heads change when governments change and senior public servants (for example, secretaries of departments) have clear political allegiances.⁴
- 8.6 As the final report explained:

Retaining a Westminster foundation delivers a professional and permanent APS. It supports the APS to make necessary longer-term investments in its core and emerging capabilities, rebuilding its expertise, skills and institutional memory. It delivers an impartial and professional public service which underpins trust in the institution and, by extension, democracy. It ensures the APS can continue to attract and retain bright, dedicated people in the knowledge that they will have a rewarding career without the fear of losing their job with a change of Government. In contrast, Australia could not operate under a Washington model — it lacks

¹ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 88.

² Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 89.

³ Note: The term 'Washminster' is commonly used to refer to a hybrid of the Washington (i.e. United States) and Westminster (i.e. United Kingdom) systems of government.

⁴ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 89.

the broader set of institutions that allows the United States of America to support a more partisan public service.⁵

- 8.7 The final report of the Thodey Review touched upon the nature of the relationship between the APS and the elected government. It included the following quote, attributed to conversations with former APS secretaries, that asserted that over time this relationship had changed 'for the worse':

A key issue for the APS is its relationship with the elected government (and to some extent the Opposition) — this has changed, for the worse over time. Governments have shifted from wanting advisers to wanting fellow travellers, and tend to look more for those with similar views; this makes it much more difficult for the APS to operate according to the traditional model (such as being apolitical).⁶

- 8.8 It is this notion of whether it has become more challenging for the APS to operate in an apolitical manner that this chapter now turns.

Politicisation creep

- 8.9 The committee examined issues surrounding the politicisation of the APS and the corresponding impact on capability. It received evidence and observations from a number of independent observers on the matter suggesting that the capability of the APS was being adversely impacted by a creeping politicisation, or at the very least, increased political pressure.
- 8.10 John Halligan, Emeritus Professor in Public Administration at the University of Canberra, submitted to the committee in a private capacity. He identified politicisation as one of the major themes in the development of the APS that had significantly impacted on its capability over the past four decades. He noted that this development was similar to public services in Anglophone countries such as the United Kingdom, Canada and New Zealand.⁷
- 8.11 Professor Halligan defined politicisation as the expansion of the political sphere within the executive branch and described 'underlying politicisation' as the assertion of political authority and influence in the drive for policy implementation and results.⁸
- 8.12 He noted that components of this included:
- redefining relationships and roles;
 - the appointment process for senior public servants;
 - asserting executive authority;

⁵ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 89.

⁶ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 133.

⁷ Emeritus Professor John Halligan, *Submission 26*, p. 2.

⁸ Emeritus Professor John Halligan, *Submission 26*, p. 2.

- the extensive use of political advisers; and
- the notion that the incumbent government has ownership of the public service.⁹

8.13 In regard to the outcomes of this process Professor Halligan explained:

The result has been that political actors have permeated much more of the public management system. With the political executive taking more direct control there is government on demand. Lack of bipartisanship on approaches to public service also impacts on capability innovation. Limits to political influence remain because Westminster principles (a merit-based, professional and apolitical civil service) still matter to some extent.¹⁰

8.14 Professor Halligan also made the observation that the 'temporary occupancy of the government of the day is not tantamount to ownership' of the APS.¹¹

8.15 He drew the committee's attention to risks of diminished capability when governments behaved without sufficient regard for 'institutional considerations':

The problem with governments and ministers pursuing their own policy and management agendas without sufficient regard for institutional considerations is that cumulatively this has major institutional effects as well as collateral damage.¹²

8.16 Professor Andrew Podger AO, an Honorary Professor of Public Policy at the Australian National University with a lengthy career at senior executive levels of the APS (including as secretary to several departments and APS Commissioner) provided evidence to the committee on the matter in his private capacity. He emphasised that one of the underlying issues that continued to undermine APS capability was the nature of the relationship between the public service, the government, and the Parliament.¹³

8.17 He drew attention to the shifting nature of the relationship between the political executive and senior public servants; with the latter going from being treated as public 'trustees' to 'agents' with ministers as 'principals'.¹⁴

8.18 He further observed that one aspect of this shift had been a reduction in demand from government for the services the APS 'could and should' provide.¹⁵

⁹ Emeritus Professor John Halligan, *Submission 26*, p. 2.

¹⁰ Emeritus Professor John Halligan, *Submission 26*, p. 2.

¹¹ Emeritus Professor John Halligan, *Submission 26*, p. 8.

¹² Emeritus Professor John Halligan, *Submission 26*, p. 9.

¹³ Professor Andrew Podger, private capacity, *Proof Committee Hansard*, 6 August 2021, p. 23.

¹⁴ Professor Andrew Podger, *Submission 7*, p. 5.

¹⁵ Professor Andrew Podger, *Submission 7*, p. 5.

- 8.19 Professor Podger remarked that the politicisation of the APS should be viewed as a wider concept than 'just simply talking about whether senior appointments are politically motivated'.¹⁶ He explained:

It's more to do with the extent to which the political executive exercises power over administration. That, I think, has caused increasing problems, and those problems have been more particularly over the last 20 years than previously.¹⁷

- 8.20 Professor Podger also commented on the political pressure evidenced by the poor quality of performance and capability reporting coming out of the APS. In particular, he drew attention to the 'uneasiness' that public servants seemed to have in publishing information that 'might cause political difficulty'.¹⁸

- 8.21 Professor Podger provided an example which he felt demonstrated the kind of political pressure the APS must navigate in the present context, centred on the lack of agency submissions to recent reviews examining the APS. He indicated to the committee that it was instructive to pose the question of why APS agencies felt like they could not give views on the public record, even when related to their own capability. He elaborated:

Just one minor illustration of the increase in political pressure over the years. You mentioned earlier in the morning having looked at the Coombs Royal Commission [1974–1976 Royal Commission on Australian Government Administration]. One of the striking things about that royal commission was the amount and quality of submissions by agencies to that commission. Contrast that with the weakness and the very small number of submissions to the Thodey review in 2018–19. Have a look also at the most recent APS Commission's own review that it is undertaking now into classification. Have a look at what departments have put in. The departments' submissions are extraordinarily weak, few in number, yet this is vital to their whole capability. How do they handle the classification, the career management, the development of their staff? There are so limited submissions put in.¹⁹

- 8.22 In providing this observation, he emphasised that:

You have got to ask the question: why is a public service feeling they can't give views on the public record, even on their own management.²⁰

¹⁶ Professor Andrew Podger, private capacity, *Proof Committee Hansard*, 6 August 2021, pp. 23–24.

¹⁷ Professor Andrew Podger, private capacity, *Proof Committee Hansard*, 6 August 2021, p. 24.

¹⁸ Professor Andrew Podger, private capacity, *Proof Committee Hansard*, 6 August 2021, p. 24.

¹⁹ Professor Andrew Podger, private capacity, *Proof Committee Hansard*, 6 August 2021, p. 28.

²⁰ Professor Andrew Podger, private capacity, *Proof Committee Hansard*, 6 August 2021, p. 28.

8.23 Looking to the future, Professor Podger submitted that a number of factors suggested the likelihood of continued close political control of the APS, rather than the partnership implied by Westminster principles which involved a considerable degree of independence. These factors included:

- the increasing influence of the political executive (including through the changing role of ministerial advisers);
- the close management of communications; and
- the avoidance of risk.²¹

8.24 In order to address this creeping politicisation and bolster the independence of the APS, Professor Podger recommended a focus on APS values. He explained:

More weight on the APS Values of professionalism, impartiality and non-partisanship, still consistent with proper responsiveness to the elected government, could be ensured by the sorts of measures recommended by Thodey [recommendation 5] that were not adopted by the Government. These imply a move back towards a public trustee relationship rather than principal-agent one.²²

8.25 Professor Podger indicated that his own preference would be for the APS to strengthen its professional standing and reinforce its non-partisanship by moving further towards a New Zealand-type public service model, even more so than the extent recommended by the Thodey Review. He explained this could be achieved by:

- Establishing that the APS Commissioner is the professional head of the APS, with the appointment of the Commissioner being subject to endorsement by the relevant Parliamentary committee (as now occurs for the Auditor-General), and perhaps with longer tenure (the Auditor-General is appointed for 10 years);
- Giving the Commissioner the main role in advising on secretary and other agency head appointments, with some constraint on the Prime Minister not accepting the Commissioner's advice;
- Clarifying the role and accountability of ministerial advisers.²³

8.26 The committee queried the Australian National Audit Office (ANAO) on whether its audits had identified a trend of politicisation in the APS.

8.27 Auditor-General Mr Grant Hehir took care to frame his response with regard to the foundational framework with which the ANAO examines the APS:

The parliament establishes the framework under which the APS is meant to operate, and that sets some principles which relate to issues like: impartiality, frank and fearless advice and their obligation to serve the parliament, the government and the community of the day. In our work,

²¹ Mr Andrew Podger, *Submission 7*, p. 5.

²² Mr Andrew Podger, *Submission 7*, p. 5.

²³ Mr Andrew Podger, *Submission 7*, p. 5.

what we do is audit against that framework. Issues that concern us and that we report on in audit reports relate to circumstances where a department may not provide advice on a policy issue and say, 'Well, you have said you want to do this, so this is how you do it,' without providing advice. We tend to comment on those types of factors.²⁴

8.28 He continued on:

I don't know whether I can comment on politicisation, but what we look for is the effectiveness of the public sector in undertaking its remit under the PS Act. I would say that most of the time we see people operate effectively within that framework.²⁵

8.29 However, the Auditor-General also cautioned that:

On occasions we see circumstances where the quality of advice is less than what you would anticipate under that framework that parliament's put in place.²⁶

Thodey Review findings

8.30 In addition to the evidence from submitters, the committee considered the analysis and findings of the Thodey Review.

8.31 The Thodey Review explored whether the APS was becoming politicised, noting that 'some have expressed concerns that the APS is becoming politicised, while others have cautioned against exaggeration'.²⁷

8.32 However, ultimately the final report stated:

Research undertaken for the review concluded that the 'political-administrative environment (is) becoming increasingly politicised'.²⁸

8.33 On this matter, the report included a reflection from former APS Commissioner Lynelle Briggs AO, who observed that there had been times when Australian public servants had felt themselves under pressure to make decisions or tailor advice in ways that furthered a government's political interests.²⁹

²⁴ Mr Grant Hehir, Auditor-General, Australian National Audit Office, *Proof Committee Hansard*, 6 August 2021, p. 44.

²⁵ Mr Grant Hehir, Auditor-General, Australian National Audit Office, *Proof Committee Hansard*, 6 August 2021, p. 44.

²⁶ Mr Grant Hehir, Auditor-General, Australian National Audit Office, *Proof Committee Hansard*, 6 August 2021, p. 44.

²⁷ Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 90.

²⁸ Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 90.

²⁹ Department of the Prime Minister and Cabinet, [*Our Public Service, Our Future: Independent Review of the Australian Public Service*](#), 13 December 2019, p. 90.

- 8.34 The report also included an observation from Mr David Morgan AO, a former senior public servant and member of the Thodey Review's reference group, who emphasised that the APS was not solely responsible to the government of the day:

We [the APS] have now become an APS that is responsive but we also have a responsibility to three constituencies. The Government, the Parliament and the Australian public and they're equally important.³⁰

- 8.35 The Thodey Review concluded that Australia was not alone in contending with politicisation. It commented:

Other Westminster countries are grappling with politicisation of the public sector, perceived or real, too.³¹

- 8.36 To support the APS to best undertake its role in the Westminster tradition, the Thodey Review recommended that core guiding principles be distilled and set out in the *Public Service Act 1999* (PS Act).³²

- 8.37 The five core principles³³ proposed by the Thodey Review were:

- (i) Apolitical
- (ii) Stewardship
- (iii) Openness
- (iv) Integrity
- (v) Adherence to merit³⁴

- 8.38 The report noted that legislating these principles would provide clear guidance to the APS and its leaders and employees, as well as help reaffirm the Westminster tradition of the APS.³⁵ It explained:

These recommended principles are currently scattered throughout the *Public Service Act 1999* — in the Objects, APS Values, APS Employment Principles and Code of Conduct and within the functions and powers of the APS Commissioner, Secretaries Board, secretaries, agency heads, Merit Protection Commissioner, and SES [Senior Executive Service]. Legislating these principles will enable them to be consolidated and defined as a

³⁰ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 90.

³¹ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 91.

³² Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 96. See recommendation 5.

³³ A comprehensive explanation of each of the principles, as proposed by the Thodey Review, can be found at Appendix 3 of this report.

³⁴ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 91.

³⁵ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 91.

powerful set of foundational principles for the APS, alongside the current APS Values.³⁶

8.39 In particular, the report emphasised that legislated principles should give merit and stewardship broader meaning than their current application.³⁷

8.40 For example, it showcased merit as a unique element that distinguishes the APS as an institution distinct from that of ministers and their advisers:

In the *Public Service Act 1999*, the merit principle is focused on engagement and promotion decisions pursuant to the APS Employment Principles. Merit is one of the factors that distinguishes the unique role of the APS as an institution, distinct from that of ministers and their advisers. Legislating an APS principle of merit would give it broader application in guiding all the organisation does.³⁸

8.41 In its response to the Thodey Review, the government did not agree with the part of recommendation 5 that related to legislating core principles in the PS Act. It stated:

Consistent with the Secretaries Board's advice, the Government **does not agree** with the recommendation to amend the *Public Service Act 1999*. The Government has made clear that it endorses the Westminster principles that underpin the APS, including as reflected in the *Public Service Act 1999* and the APS Values, and it is not necessary to redefine and legislate these principles to achieve the intent of the recommendation.³⁹

Committee view

8.42 On balance the committee is persuaded by the evidence before the inquiry that the APS is suffering from a creeping politicisation. This is cause for serious concern.

8.43 The APS must fiercely protect its independence. It is imperative that the APS remain apolitical in order to continue in the Westminster tradition and properly fulfil its legislated role within Australian democracy.

8.44 The committee is of the opinion that the APS can protect and uphold its core values of professionalism, impartiality and non-partisanship while still retaining proper responsiveness to the elected government of the day. It is not a zero-sum game.

³⁶ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 91.

³⁷ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 91.

³⁸ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 91.

³⁹ Department of the Prime Minister and Cabinet, [Delivering for Australians. A world-class Australian Public Service: The Government's APS reform agenda](#), 13 December 2019, p. 16. Emphasis in original.

- 8.45 To that end, the committee shares the assessment of the Thodey Review that more must be done to promote a shared understanding of the APS and its role alongside the Executive and Parliament among APS employees, parliamentarians and their advisers.
- 8.46 The committee finds Professor Podger's commentary on the increasing unease that public servants appear to feel in revealing anything that may cause political difficulty for the government to be a particularly interesting observation.
- 8.47 This is because the committee considers that it found itself on the receiving end of this unease from certain APS agencies during its inquiry, when legitimate requests for data and information were evaded, rebuffed or answered reticently, often in a superficial manner and after lengthy delays. The committee has also observed similar behaviours and attitudes from public servants on display in numerous other parliamentary settings over recent years, particularly during Senate estimates and the associated questions on notice process.
- 8.48 The committee does not seek to adjudicate or attribute intent for this attitude and behaviour on an individual level. However, in light of broader evidence on the increasing politicisation of the APS, it thinks it important to offer up its observations.
- 8.49 The role of the APS as set out in the *Public Service Act 1999* is abundantly clear. The APS is established to be an apolitical public service that is efficient and effective in serving not only the government of the day, but also the Parliament and the Australian public.
- 8.50 The latter two of these stakeholders hold equal importance with the first, and must be respected as such. The committee encourages public servants, particularly those at senior executive levels, to be mindful of this and lead by example.

Recommendation 36

- 8.51 **The committee recommends that the Australian Government amend the *Public Service Act 1999* as per recommendation 5 of the Independent Review of the Australian Public Service (APS) to:**
- **reflect key principles for the APS — apolitical, stewardship, openness, integrity and adherence to merit, and**
 - **extend application of these principles and APS Values to Commonwealth agencies not covered by the *Public Service Act 1999*.**

Final observations

- 8.52 The committee echoes the assessment of the Independent Review of the APS: the APS is not broken, but it can be improved.
- 8.53 The importance of a robust and capable APS in the face of future challenges has been clearly demonstrated by Australia's experience of the COVID-19 pandemic.
- 8.54 The APS must be sufficiently funded and resourced to allow it to excel at essential service delivery for the Australian community.
- 8.55 The hollowing out of APS capability through 'privatisation by stealth' must stop. There is an urgent need for the APS to pivot away from the damaging trend of externalisation.
- 8.56 The APS must focus on rebuilding and investing in in-house skills, systems and people in order to restore its capability and reach its full potential.

Senator Tim Ayres
Chair

Dissenting report from Coalition Senators

- 1.1 The Australian Public Service (APS) performs a critical role in supporting the executive government of the day to develop and deliver government policy. It provides advice and support to Ministers across all portfolio areas and in many cases is directly responsible for delivering services and outcomes to and on behalf of Australians.
- 1.2 As outlined in submissions to this inquiry by Government Departments, the task of ensuring that the APS has the capabilities to fulfil its role to a professional, high standard is ongoing, core business for Government and the APS itself. To that end, agencies within the APS have collaborated to deliver a significant transformation agenda since 2014.
- 1.3 As the Department of Finance outlined in its submission, this agenda has had a focus on lifting the capability of the APS through a range of initiatives covering financial management and accountability, recruitment and talent acquisition, procurement and grants administration, delivering new operating models and shared services, providing ICT platforms for use across the APS, and supporting APS entities to deliver Government priorities and services at best value. APS leadership has a primary role in driving change and reform across the APS.
- 1.4 Over the last two years the APS, like the whole country, has faced particular challenges in dealing with the ramifications of COVID-19. As the evidence provided to the Committee demonstrates, this has involved new and complex challenges for the APS workforce, both in relation to internal working arrangements but also in maintaining and improving its functions of service delivery and policy advice during uniquely challenging circumstances.
- 1.5 Evidence provided to the Committee demonstrates that the APS rose to this challenge effectively. The Department of the Prime Minister & Cabinet (PM&C) noted that the Australian National Audit Office had assessed the management of the APS workforce in response to COVID-19 and concluded that management of the APS workforce was effective in implementing the Government's COVID-19 priorities. At the same time, it was noted that the COVID-19 response did impact on the planned APS reforms – while some areas of reform were accelerated or continued as planned, others had to be paused or slowed due to the need to focus all available resources on addressing the health and economic emergencies.
- 1.6 It is important that this reform work continues, and it is encouraging to hear the commitment from PM&C that the APS will continue to have a culture of continuous reform and mechanisms. A number of mechanisms within the

public service have been established and/or tasked with leading this work, including the APS Reform Office established in PM&C.

- 1.7 In recent years significant funding has been provided to progress reform initiatives, including the \$500 million Modernisation Fund to ensure the public service can operate at the highest levels in a rapidly evolving world. The investment facilitates a number of modernisation projects and has improved how the public service works, providing new technologies, datasets, analytic systems and collaborative tools.
- 1.8 Initiatives funded through the Modernisation Fund include the Data Integration Partnership for Australia (DIPA). DIPA is a whole-of-Government collaboration involving over 20 Commonwealth agencies, designed to provide a single, coordinated approach to data integration over a range of portfolio areas, including health, education, and welfare. The DIPA has been essential in the Government's coordination of responses during the pandemic, aided by the real-time reporting of COVID cases across the country.
- 1.9 With over 150,000 employees across dozens of Departments and agencies, it is inevitable that there will be occasions when the APS falls short of internal or external expectations. It is important that there are robust mechanisms in place within the APS to minimise these occurrences to the greatest extent possible by identifying potential risks and shortcomings and proactively taking action to address them. The evidence supplied by various Departments indicates that this has been a key focus of APS leadership in recent years, and it is important that it remains a top priority in the years ahead.
- 1.10 Regrettably, many of the recommendations proposed by Labor Senators in the Chair's Report to this inquiry represent little more than a wish list for the union movement, which represents a minority of the APS workforce and only a fraction of Australian taxpayers who fund the public service.
- 1.11 Many recommendations have been lifted directly from union submissions and have ignored the evidence provided by APS agencies to the inquiry. Notably, many of the recommendations from Labor Senators would significantly increase the workload for various agencies and their APS employees for no demonstrable gain in outcomes for the Australian public. These Labor and union proposals would require significantly more taxpayer funding to be injected into the APS, yet they have been recommended by Labor Senators in the absence of any explanation about what the full cost would be and how these increased costs would be funded by taxpayers.

- 1.12 Coalition Senators on the Committee do not agree with this approach. Evidence shows that the APS reform agenda supported and funded by the Government is achieving results and that there are processes in place to continue the rollout of essential reforms. The APS should continue to be supported to continue these reforms, which will not be assisted by many of the politically-motivated recommendations made by Labor Senators on behalf of the union movement.

Senator Claire Chandler
Deputy Chair

Additional comments by the Australian Greens

- 1.1 Efficiency dividends, staffing caps and outsourcing of essential public services by successive governments has led to more expensive, lower quality, and less transparent service delivery, a gutting of the capabilities within the public sector, and APS employees having less job security and job satisfaction.
- 1.2 We support the suite of recommendations in this report to rebuild staffing levels, lift employment standards, and strengthen capabilities. These measures will empower the APS to meet the education, housing, health, social security, environmental protection, and infrastructure needs of the country.

Consultancies

- 1.3 It is clear that the hollowing out of public service capability creates a vicious circle that facilitates ongoing reliance on outsourced policy advice, less accountability and an inherent increased risk of corruption.¹ We support 'in-sourcing' measures to reduce reliance on external consultants as recommended in this report.
- 1.4 However, greater transparency is required in situations where consultants continue to be used. All consultancy contracts valued at more than \$50,000, and reports and other material prepared under those publicly funded contracts, should be tabled in parliament on a quarterly basis.

Removing restrictions on public servants

- 1.5 Lack of job security compounds existing constraints on public servants' freedom to express political views in their private capacity, fearing it will reduce the prospect of contract renewal.
- 1.6 Public servants need to be clear and confident that they can participate in public debate without this impinging on their job. The Greens will legislate to protect the right of public servants in their private capacity to engage in political advocacy, attend rallies, run for public office, participate in their union, and represent or be elected to external organisations.
- 1.7 Experienced public servants can make an invaluable contribution to politics and should not be prevented from nominating for election to Federal parliament. The Greens will seek to repeal the current restrictions under section 44 of the Constitution to facilitate public servants running for Federal parliament without having to sacrifice their public sector careers.

¹ See additional comments from the Australian Greens in the second interim report of the Senate Select Committee on Job Security.

Gender pay gap

- 1.8 We support Recommendations 34 and 35 requiring analysis of the persistent gender wage gap within the APS.
- 1.9 The Australian Greens have long called for gender equality reporting requirements to be extended to the public sector. We acknowledge the government's commitment to do that and recommend that the *Workplace Gender Equality Act 2012* be amended to give effect to that commitment.

Supporting inclusivity through employment and procurement policies

- 1.10 Given the significant investment in public sector employment and government contracts, APS employment policies, procurement and supply chain policies can help to encourage diversity, inclusivity and gender equality. The APS should take action to improve inclusivity and diversity, including:
- setting procurement targets for women-led and gender-equal businesses to help those businesses to grow and incentivise gender equal employment practices
 - adopting supplier codes of conduct precluding businesses who have not met *Workplace Gender Equality Act 2012* reporting obligations from tendering for government services
 - increasing targets for APS workforce participation for disabled people to 20% by 2030, and working with the disability sector to implement strategies to achieve those targets²
 - implementing targets for First Nations employment and graduate and mentoring programs to facilitate uptake and retention of First Nations employees.

Senator Larissa Waters
Australian Greens Senator for Queensland

² Evidence to the Disability Royal Commission on 22 November 2021 confirmed that currently 4% of APS employees are workers with disability.

Appendix 1

Government response to the recommendations of the Independent Review of the APS

Table 1.1 Summary of responses to recommendations

Recommendation number and summary	Summary of response
1: Implement APS transformation through strong leadership, clear targets, and appointment of a secretary-level transformation leader	Agreed
2a: Undertake regular capability reviews to build organisational capability 2b: Promote continuous improvement through the PM&C Citizen Experience Survey, APS census, external advice and better performance reporting	Agreed
3: Drive APS transformation and build capability with innovative funding mechanisms	Noted
4: Build the culture of the APS to support a trusted APS, united in serving all Australians	Agreed
5: Promote a shared understanding of the APS and its role alongside the Executive and Parliament	Agreed in part — the government did not agree with the recommendation to amend the <i>Public Service Act 1999</i>
6: Develop and embed an inspiring purpose and vision to unite the APS in serving the nation	Agreed
7: Reinforce APS institutional integrity to sustain the highest standards of ethics	Agreed in part — the government did not agree with the recommendation to amend the <i>Public Service Act 1999</i>
8: Harness external perspectives and capability by working openly and meaningfully with people, communities and organisations, under an accountable	Agreed in part — the government noted the recommendation for a

Charter of Partnerships	review of privacy, freedom of information (FOI) and record-keeping arrangements
9: Use place-based approaches to address intergenerational and multi-dimensional disadvantage	Agreed in part — the government stated that rather than develop a new framework, the Secretaries Board would first undertake cross-portfolio analysis on place-based approaches
10: APS to work in genuine partnership with Aboriginal and Torres Strait Islander peoples	Agreed in part — the government noted the recommendation that Parliament consider establishing an additional parliamentary committee on Indigenous Affairs
11: Strengthen APS partnerships with ministers by improving support and ensuring clear understanding of roles, needs and responsibilities	Agreed in part — the government did not agree to change arrangements for advisors
12: APS to work closely with the states and territories to jointly deliver improved services and outcomes for all Australians	Not agreed
13: Improve funding, structure, and management of digital functions across the APS	Agreed in part — the government noted the proposal to move the Digital Transformation Agency to a stand-alone central department
14: Conduct ICT audit and develop whole-of-government ICT blueprint	Agreed
15: Build data and digital expertise across the service by applying the professions model and creating centres of excellence	Agreed in part — the government stated that centres of excellence already existed
16: Deliver simple and seamless government services,	Agreed

integrated with states, territories and other providers	
17: Adopt common enabling tools and services to support efficiency, mobility, and collaboration	Agreed
18: Share and protect data for better services and policies, and make data open by default	Agreed
19: Develop a whole-of-service workforce strategy to build and sustain the way the APS attracts, develops and utilises its people, to ensure that it can perform its functions	Agreed in part — the government stated that it would not abolish the Average Staffing Level (ASL) rule and continue to use the ASL to manage the size of the APS
20: Establish an APS professions model and a learning and development strategy to deepen capability and expertise	Agreed
21: Improve mobility, support professional development, and forge strong linkages with other jurisdictions and sectors	Agreed in part — the government stated that it would not introduce a mandatory requirement that experience in two or more portfolios or sectors be a pre-requisite for appointment to the SES
22: Standardise and systematise performance management to drive a culture of high achievement	Agreed
23: Identify and nurture current leaders and staff with potential to become future APS leaders	Agreed
24: Overhaul recruitment and induction to reflect best practice, use APS's employee value proposition and target mid-career and senior talent outside the APS	Agreed in part
25: Strengthen the APS by recruiting, developing and promoting more people with diverse views and backgrounds	Agreed in part — the government stated that the Secretaries Board did not consider additional goals and strategies were needed to advance work to increase diversity and inclusion across the APS
26: Embed a culture of evaluation and learning from	Agreed in part — citing

experience to underpin evidence-based policy and delivery	advice from the Secretaries Board, the government did not agree to systematic changes to Cabinet and Budget advice processes
27: Embed high-quality research and analysis and a culture of innovation and experimentation to underpin evidence-based policy and delivery	Agreed in part — the government stated that the Secretaries Board did not consider it necessary to formalise publication of research in new protocols or similar
28: APS to provide robust advice to the Government that integrates and balances the social, economic and security pressures facing Australians	Agreed in part — the government stated that the Secretaries Board did not consider it necessary to establish a new Integrated Strategy Office within PM&C
29: Establish dynamic portfolio clusters to deliver government outcomes	Agreed
30: Ensure that Machinery of Government changes are well planned and evaluated, enabling a dynamic and flexible APS that responds swiftly to government priorities	Noted — the government stated that decisions on machinery of government changes are a matter for the Prime Minister
31: Review form, function and number of government bodies to make sure they remain fit for purpose	Agreed in part
32: Streamline management and adopt best practice ways of working to reduce hierarchy, improve decision-making, and bring the right APS expertise and resources	Agreed
33: Move toward common core conditions and pay scales over time to reduce complexity, improve efficiency and enable the APS to be a united high-performing organisation	Not agreed
34: Ensure APS capital is fully funded, sustainable and fit for purpose, and capable of delivering policy and services as intended by the Government	Agreed

35: Deliver value for money and better outcomes through a new strategic, service-wide approach to using external providers	Agreed in part — the government stated that Secretaries Board would further consider the proposal for a broader framework for the APS use of external providers
36: Provide robust and responsive advice to support governments deliver priorities through improved budget prioritisation	Agreed in part — the government did not agree with the recommendation to review the <i>Charter of Budget Honesty Act 1998</i>
37: Strengthen the primacy, role and performance of Secretaries Board within the public service	Agreed in part — citing advice from the Secretaries Board, the government did not agree that the Secretaries Board required additional legislative or ministerial authority
38: Clarify and reinforce APS leadership roles and responsibilities	Not agreed
39a: Ensure confidence in the appointment of all agency heads 39b: Ensure that performance management of Secretaries is robust and comprehensive 39c: Ensure that robust processes govern the termination of secretaries' appointments	Agreed in part — citing advice from the Secretaries Board, the government did not agree with initiatives in recommendations 39a and 39c
40: Reform and energise the APSC as a high-performing and accountable central enabling agency	Agreed

Source: Department of the Prime Minister and Cabinet, *Delivering for Australians. A world-class Australian Public Service: The Government's APS reform agenda*, 13 December 2019, pp. 15–26.

Appendix 2

Case study: National Disability Insurance Agency and the National Disability Insurance Scheme Quality and Safeguards Commission

1.1. Many of the concerns with labour hire arrangements explored in Chapter 3 of the report are evident in the operations of the National Disability Insurance Agency (NDIA) and the National Disability Insurance Scheme Quality and Safeguards Commission (NDIS Commission). These include:

- an ongoing reliance on labour hire for core, ongoing work;
- a diminished quality of service;
- stressful and insecure conditions for staff; and
- a lack of information on expenditure, particularly in regard to the wages paid to workers.

1.2. Similar to the DVA case study in Chapter 3, this section is not intended to be an exhaustive catalogue of the operations of the agencies. The committee merely considers it instructive to collate the evidence it received in order to contextualise and illustrate submitter concerns.

Concerns

1.3. The Community and Public Sector Union (CPSU) represents workers at both the NDIA and the NDIS Commission. It advised that its members in these agencies held deep concerns about the operations of both organisations which undermined the purpose of the National Disability Insurance Scheme (NDIS).¹

1.4. The CPSU argued that the NDIA had been unable to reach its potential due to a chronic overuse of labour hire arrangements. It cited data from June 2021 showing that over 1400 positions within the NDIA, or 26 per cent of the entire workforce, were engaged through labour hire arrangements.²

1.5. The CPSU argued that labour hire workers were 'almost exclusively' undertaking core agency work. It posited that workload pressures were

¹ Ms Beth Vincent-Pietsch, Deputy Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 21 July 2021, p. 1. See also: Community and Public Sector Union —members from the National Disability Insurance Agency and the National Disability Insurance Scheme Quality and Safeguards Commission, *Submission 18*, pp. 4–7.

² Ms Beth Vincent-Pietsch, Deputy Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 21 July 2021, p. 1.

'extreme' and that there was a pronounced backlog in reviews of planning decisions.³

1.6. Additionally, the CPSU highlighted that the lack of job security, inadequate staffing, and high workloads due to KPI (key performance indicator) pressures led to high staff turnover and a loss of specialised knowledge and experience, which further exacerbated existing workload pressures.⁴

1.7. Ms Beth Vincent-Pietsch, CPSU Deputy Secretary, set out the difference in conditions between labour hire staff and APS staff working together at the NDIA:

Labour hire staff are working besides NDIA staff, doing exactly the same job, but earning \$10 or so less an hour. They're prohibited from discussing their pay, and they can be dismissed with an hour's notice. The lack of paid leave in the event of contracting COVID-19 is an ongoing source of anxiety, as they only receive one day of paid emergency leave in the event that they have to self-isolate.⁵

1.8. The CPSU stated that the operations of the NDIS Commission had also been undermined by a staffing model reliant on labour hire contractors. Ms Vincent-Pietsch elaborated:

While the commission has received increases to their ASL [Average Staffing Level] in the past, this increase does not reduce the commission's reliance on labour hire, does not address the workload issues and does not address the serious workplace cultural issues. The workload issues are widely known within the agency, and the most recent APS census found that 85 per cent of staff indicated that they are working above capacity. In the reportable incidents team, staff members at any given time will have literally hundreds of serious incidents in their case load.⁶

1.9. The CPSU argued that both agencies needed to be properly funded and resourced with an increase to permanent staffing proportionate to the increasing workloads that each is projected to have into the future. It emphasised that until the overreliance on labour hire was addressed, the

³ Ms Beth Vincent-Pietsch, Deputy Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 21 July 2021, p. 1.

⁴ Ms Beth Vincent-Pietsch, Deputy Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 21 July 2021, pp. 1–2.

⁵ Ms Beth Vincent-Pietsch, Deputy Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 21 July 2021, p. 1.

⁶ Ms Beth Vincent-Pietsch, Deputy Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 21 July 2021, p. 2.

CPSU considered that the 'full potential' of the agencies and the NDIS itself would not be reached.⁷

- 1.10. The CPSU also reported that insufficient resources negatively impacted on NDIA and NDIS Commission workplace cultures and staff morale, particularly as the majority of people who worked for the two agencies considered themselves very committed to the purpose of the NDIS.⁸

Labour hire arrangements at the NDIS Commission

- 1.11. As at 31 March 2021, the NDIS Commission had 163 labour hire workers, comprising approximately 33 per cent of its workforce.⁹

- 1.12. The NDIS Commission stated that as part of the 2020 Budget it received a 'staffing uplift' of over 100 permanent ASL, and that while recruiting the additional Australian Public Service (APS) staff it had 'temporarily' increased its labour hire workforce (referred to as 'labour hire surge') to ease front line pressures and reduce backlog.¹⁰

- 1.13. It noted that the timing of the commencement of the Budget measure had resulted in it having the capacity to retain an additional flexible surge workforce out to the second quarter of 2021–22 to further reduce backlog.¹¹

- 1.14. In light of this, it advised:

- As at 1 July 2021, 16.7 per cent of the workforce headcount was labour hire.
- As at 1 July 2021, when including labour hire, 'labour hire surge' and contractors, 32 per cent of the workforce total headcount were engaged through labour hire or contractor arrangements.
- The total value of labour hire contracts entered into between 1 January 2021 and 30 June 2021 was nearly \$9.550 million.¹²

- 1.15. The NDIS Commission also explained that prior to additional funding in the 2020 Budget, its workforce comprised approximately 33.7 per cent labour hire.¹³

⁷ Ms Beth Vincent-Pietsch, Deputy Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 21 July 2021, p. 2.

⁸ Mr David Villegas, Field Organiser, Community and Public Sector Union, *Proof Committee Hansard*, 21 July 2021, pp. 4–5.

⁹ Department of Social Services, answers to questions on notice, Senate Select Committee on Job Security, 31 March 2021 (received 30 April 2021).

¹⁰ Department of Social Services, additional information, received 22 September 2021.

¹¹ Department of Social Services, additional information, received 22 September 2021.

¹² Department of Social Services, additional information, received 22 September 2021.

Labour hire arrangements at the NDIA

- 1.16. In July 2021 the CPSU advised that it believed the NDIA utilised approximately 1430 labour hire staff from 46 different labour hire firms.¹⁴
- 1.17. Given the lack of centralised, publicly reported data on APS labour hire (as discussed in Chapter 3), the committee sought specific information from the NDIA in order to build a picture of the expenditure on and extent of its labour hire arrangements.
- 1.18. As at 1 July 2021, the NDIA had 1500 'labour hire/contractors' in its workforce, with 24.6 per cent of the total headcount of staff engaged through labour hire arrangements.¹⁵
- 1.19. As set out in the table below, the NDIA provided a breakdown of the number of labour hire contractors by period of employment as at 30 June 2021. Additionally, it stated that over the past two years, the average period of employment for a labour hire contractor was one year and three months, with the longest period of engagement being five years and nine months.¹⁶

Number of labour hire contractors by period of employment as at 30 June 2021

Less than 6 months	6 to 12 months	12 months or more
450	138	887

Source: National Disability Insurance Agency, answers to questions on notice, 21 July 2021 (received 9 August 2021).

- 1.20. The NDIA advised the committee that it engaged with approximately 15 labour hire companies on a regular basis. It provided the committee with a list of 15 companies, as well as the amount paid to each between the period 1 July 2018 and 30 June 2021. The data showed that the NDIA spent a total of approximately \$484.78 million on labour hire arrangements between 1 July 2018 and 30 June 2021.¹⁷

¹³ National Disability Insurance Scheme Quality and Safeguards Commission, answer to question on notice, 21 July 2021 (received 6 August 2021).

¹⁴ Ms Beth Vincent-Pietsch, Deputy Secretary, Community and Public Sector Union, *Proof Committee Hansard*, 21 July 2021, p. 3.

¹⁵ Department of Social Services, additional information, received 22 September 2021.

¹⁶ National Disability Insurance Scheme Quality and Safeguards Commission, answer to question on notice, 21 July 2021 (received 6 August 2021).

¹⁷ National Disability Insurance Agency, answers to questions on notice, 21 July 2021 (received 9 August 2021).

Top 5 labour hire providers by contract amount

Company name	Total amount paid to company by NDIA between 1 July 2018 and 30 June 2021
Hays	\$153,622,382.70
DFP	\$81,220,377.93
Randstad	\$52,484,116.36
Chandler Macleod	\$37,086,829.96
Hoban	\$35,256,427.28

Source: National Disability Insurance Agency, answers to questions on notice, 21 July 2021 (received 9 August 2021).

1.21. The NDIA noted that the amounts paid to the companies were the 'total invoice' rates, and in addition to GST were also inclusive of:

- the supplier margin;
- administration fees; and
- staff remuneration.¹⁸

1.22. It also noted that the supplier margins and administrative costs varied across the contracts.

1.23. The committee requested a breakdown of amounts for each of the three elements; however, the NDIA responded that it did not have the 'structured data' to provide that level of detail.¹⁹

1.24. The NDIA informed that committee that it did not have any visibility of what labour hire workers in its agency were being paid. Dr Lisa Studdert, NDIA Deputy Chief Executive Officer, stated:

We don't have any view of that. That is between the labour hire firm and their contractor or employee.²⁰

¹⁸ National Disability Insurance Agency, answers to questions on notice, 21 July 2021 (received 9 August 2021).

¹⁹ National Disability Insurance Agency, answers to questions on notice, 21 July 2021 (received 9 August 2021).

²⁰ Dr Lisa Studdert, Deputy Chief Executive Officer, National Disability Insurance Agency, *Proof Committee Hansard*, 21 July 2021, p. 21.

Appendix 3

Core principles for the APS

1.1. To support the Australian Public Service (APS) to best undertake its role in the Westminster tradition, the Independent Review of the APS (Thodey Review) recommended that five core guiding principles be distilled and set out in the *Public Service Act 1999*. The APS principles proposed and defined by the Thodey Review are reproduced below.¹

(1) **Apolitical**

Providing policies, regulations and services for the Government of the day, while maintaining the trust of successive governments. Understanding and operating within the current political context, but in a politically neutral, unbiased way.

(2) **Stewardship**

Looking ahead to the medium and long term to identify and meet current and future challenges and take future opportunities, with the interests of all Australians in mind. Protecting the institution of the APS. Providing a repository of wisdom and experience, including maintaining the capability to serve successive governments, ensuring continuity of public service, sustaining core expertise to tackle multifaceted policy issues, being self-critical, building and sustaining genuine partnerships and remaining steadfast to the public interest.

(3) **Openness**

Engaging and partnering with stakeholders, and informing the public about how and why decisions are made. Releasing data and insights, reducing barriers to access, and improving accessibility, accountability and transparency. Ensuring that this does not preclude confidentiality, but enables a balance to be struck.

(4) **Integrity**

Adhering to a high moral standard, including acting in line with the APS Values and Code of Conduct. Maintaining high standards of ethical behaviour, including honesty, truthfulness and accuracy, in all interactions with the Government, stakeholders and the community, and across the APS.

(5) **Adhering to merit**

Ensuring that all decisions, particularly relating to procurement, provision of services and employment, are ethical and accountable. Ensuring that decision-making processes take into account all relevant aspects, including evidence, equity, legality, value for money, outcomes, and outputs.

¹ Department of the Prime Minister and Cabinet, [Our Public Service, Our Future: Independent Review of the Australian Public Service](#), 13 December 2019, p. 92.

Appendix 4

Submissions and additional information received by the committee

Submissions

- 1 Australian National Audit Office
- 2 Department of the Prime Minister and Cabinet
- 3 Australian Public Service Commission
- 4 The Hon Stuart Robert MP, Chair of Commonwealth-State Data and Digital Ministers' Meeting
- 5 Digital Transformation Agency
- 6 Department of Finance
- 7 Professor Andrew Podger AO
- 8 Professionals Australia
- 9 NSW Nurses and Midwives' Association
- 10 The newDemocracy Foundation
- 11 Department of Veterans' Affairs
- 12 Services Australia
- 13 Department of Education, Skills and Employment
- 14 Community and Public Sector Union – members from the Department of Veterans' Affairs
- 15 Community and Public Sector Union – members from the Australian Maritime Safety Authority (AMSA Connect)
- 16 Community and Public Sector Union – Tasmanian Regional Office
- 17 Community and Public Sector Union – members from the Aged Care Quality and Safety Commission
- 18 Community and Public Sector Union – members from the National Disability Insurance Agency and the National Disability Insurance Scheme Quality and Safeguards Commission
- 19 Community and Public Sector Union – members from Services Australia
- 20 Centre for Policy Development
- 21 Penten
- 22 Australian Manufacturing Workers' Union
- 23 The Australia and New Zealand School of Government
- 24 Community and Public Sector Union
- 25 Community and Public Sector Union – members from the Australian Taxation Office
- 26 Emeritus Professor John Halligan
- 27 *Confidential*
- 28 Centre for International Corporate Tax Accountability and Research
- 29 Department of Defence

- 30 National Archives of Australia
- 31 Ms Yun Jiang
- 32 Department of Health

Additional Information

- 1 Letter of correction – provided by the Australian Public Service Commission in relation to evidence given at public hearing on 5 March 2021; received 8 April 2021.
- 2 Letter of correction – provided by the Department of the Prime Minister and Cabinet in relation to evidence given at public hearing on 5 March 2021; received 12 April 2021.
- 3 'Multicultural Access and Equity Report 2020' – provided by the Federation of Ethnic Communities' Councils of Australia in relation to evidence given at a public hearing on 20 July 2021; received 22 July 2021.
- 4 John Cain Foundation Lecture entitled 'Federalism: Commonwealth, State and Local Government Working Together', delivered by Terry Moran AC on 27 November 2019 – provided by the Centre for Policy Development in relation to evidence given at a public hearing on 6 August 2021; received 6 August 2021.
- 5 Oration in honor of Jim Carlton AO entitled 'The next long wave of reform - where will the ideas come from?', delivered by Terry Moran AC on 25 March 2019 – provided by the Centre for Policy Development in relation to evidence given at a public hearing on 6 August 2021; received 6 August 2021.
- 6 Information relating to staffing profile – provided by the Department of the Senate; received 8 September 2021.
- 7 Information relating to staffing profile – provided by the Department of the House of Representatives; received 13 September 2021.
- 8 Information relating to staffing profile – provided by the Australian Centre for International Agricultural Research; received 8 September 2021.
- 9 Information relating to staffing profile – provided by the Parliamentary Budget Office; received 14 September 2021.
- 10 Information relating to staffing profile – provided by Austrade (Australian Trade and Investment Commission); received 15 September 2021.
- 11 Information relating to staffing profile – provided by the Department of Parliamentary Services; received 15 September 2021.
- 12 Information relating to staffing profile – provided by Tourism Australia; received 15 September 2021.
- 13 Information relating to the staffing profiles of portfolio agencies – provided by the Department of Social Services; received 22 September 2021.
- 14 Information relating to the staffing profiles of portfolio agencies – provided by the Department of Agriculture, Water and the Environment; received 14 September 2021.

- 15 Information relating to the staffing profiles of portfolio agencies – provided by the Department of Industry, Science, Energy and Resources; received 14 September 2021.
- 16 Information relating to the staffing profiles of portfolio agencies – provided by the Department of Home Affairs; received 14 September 2021.
- 17 Information relating to the staffing profiles of portfolio agencies – provided by the Attorney-General's Department; received 30 September 2021.
- 18 Information relating to the operations of the APS Surge Reserve – provided by Australian Public Service Commission; received 28 September 2021.
- 19 Information relating to the progress of the Digital Review (announced as part of the 'Delivering for Australians' APS reform agenda) – provided by the Digital Transformation Agency; received 27 September 2021.
- 20 Information relating to gender analysis of the APS workforce, the APS Hierarchy and Classification Review, and the APS Graduate Program – provided by the Australian Public Service Commission; received 15 September 2021.
- 21 Information relating to the staffing profiles of portfolio agencies – provided by the Department of Finance; received 12 October 2021.
- 22 Information relating to the staffing profiles of portfolio agencies – provided by the Department of Infrastructure, Transport, Regional Development and Communications; received 5 October 2021.
- 23 Information relating to the staffing profiles of portfolio agencies – provided by the Department of Health; received 15 October 2021.
- 24 Information relating to staffing profile – provided by the Department of Foreign Affairs and Trade; received 12 October 2021.
- 25 Information relating to the staffing profiles of portfolio agencies – provided by the Department of Defence; received 25 October 2021.

Answers to Questions on Notice

- 1 Answer to a question taken on notice by the Australian Public Service Commission at a public hearing on 5 March 2021; received 18 March 2021
- 2 Answers to four of five questions (#1, 2, 3 and 5) taken on notice by the Department of Finance at a public hearing on 5 March 2021; received 1 April 2021.
- 3 Answer to a question (#4) taken on notice by the Department of Finance at a public hearing on 5 March 2021; received 6 May 2021.
- 4 Answers to eight questions taken on notice by the Digital Transformation Agency at a public hearing on 5 March 2021; received 24 May 2021.
- 5 Answers to questions taken on notice by the Centre for International Corporate Tax Accountability and Research at a public hearing on 26 July 2021; received 28 July 2021.
- 6 Answer to a question taken on notice by the Department of the Prime Minister & Cabinet at a public hearing on 5 March 2021; received 3 August 2021.

- 7 Answer to question taken on notice by the Community and Public Sector Union at a public hearing on 20 July 2021; received 4 August 2021.
- 8 Answers to questions taken on notice by the Community and Public Sector Union at a public hearing on 21 July 2021; received 5 August 2021
- 9 Answers to questions taken on notice by the Community and Public Sector Union at a public hearing on 20 July 2021; received 5 August 2021.
- 10 Answer to question taken on notice by the National Disability Insurance Scheme (NDIS) Quality and Safeguards Commission at a public hearing on 21 July 2021; received 6 August 2021.
- 11 Answers to questions taken on notice by the Aged Care Quality and Safety Commission at a public hearing on 21 July 2021; received 9 August 2021.
- 12 Answers to questions taken on notice by the National Disability Insurance Agency at a public hearing on 21 July 2021; received 9 August 2021.
- 13 Answers to questions taken on notice by the Aged Care Quality and Safety Commission at a public hearing on 21 July 2021; received 10 August 2021.
- 14 Answer to question taken on notice by Services Australia at a public hearing on 20 July 2021; received 13 August 2021.
- 15 Answers to questions taken on notice (#2) by the Aged Care Quality and Safety Commission at a public hearing on 21 July 2021; received 31 August 2021.
- 16 Answers to questions taken on notice (#2) by Services Australia at a public hearing on 21 July 2021; received 2 September 2021.
- 17 Answers to questions taken on notice (#3) by Services Australia at a public hearing on 21 July 2021; received 17 September 2021.
- 18 Answers to questions taken on notice by the Department of Veterans' Affairs at a public hearing on 20 July 2021; received 29 September 2021.
- 19 Answer to question taken on notice (#4) by Services Australia at a public hearing on 21 July 2021; received 12 October 2021.
- 20 Answer to question taken on notice (#3) by the Aged Care Quality and Safety Commission at a public hearing on 21 July 2021; received 13 October 2021.
- 21 Answer to question taken on notice (#4) by the Aged Care Quality and Safety Commission at a public hearing on 21 July 2021; received 15 October 2021.

Tabled Documents

- 1 Australian Public Service Commission – Opening statement – tabled at a public hearing on 5 March 2021.
- 2 Australian Public Service Commission – Key initiatives table – tabled at a public hearing on 5 March 2021.
- 3 Australian Public Service Commission – Strategic APS labour force insights – tabled at a public hearing on 5 March 2021.
- 4 Australian National Audit Office – Opening statement by the Auditor-General – tabled at a public hearing in Canberra, 6 August 2021.

Appendix 5

Public hearings

Friday, 5 March 2021

Committee Room 2S1

Parliament House

Canberra

Digital Transformation Agency

- Mr Randall Brugeaud, Chief Executive Officer
- Mr Scott Cass-Dunbar, Chief Strategy Officer, Whole of Government Digital Strategy and Investment Group
- Ms Vanessa Roarty, Head of Digital Profession, Whole of Government Digital Strategy and Investment Group
- Mr Simon Quarrell, Head of Digital Investment and Insights, Whole of Government Digital Strategy and Investment Group
- Mr Peter Alexander, Deputy CEO and Chief Operating Officer

Department of the Prime Minister and Cabinet

- Mr William Story, First Assistant Secretary, APS Reform
- Ms Deborah Anton, Interim National Data Commissioner
- Mr Andrew Lalor, Assistant Secretary, Policy Innovation and Projects Division
- Ms Tanja Cvijanovic, First Assistant Secretary, Policy Innovation and Projects Division
- Mr Nathan Heeney, Chief Information Officer, Information Services Division

Department of Finance

- Mr Nathan Williamson, Deputy Secretary, Governance and Resource Management
- Ms Shannon Frazer, First Assistant Secretary, Productivity and Business Improvement, Governance and Resource Management
- Mr Matt Yannopoulos, Deputy Secretary, Budget and Financial Reporting
- Ms Amanda Lee, First Assistant Secretary, Budget Policy and Coordination Division, Budget and Financial Reporting
- Mr Andrew Danks, Acting First Assistant Secretary, Procurement and Insurance Division, Commercial and Government Services
- Mr Iain Scott, First Assistant Secretary, Corporate Services Division, Business Enabling Services

- Mr Rod Schreiber, Assistant Secretary, Productivity Improvement Branch, Productivity and Business Improvement, Governance & Resource Management

Australian Public Service Commission

- Mr Peter Woolcott AO, APS Commissioner
- Ms Mary Wiley-Smith, Deputy Commissioner
- Mr Patrick Hetherington, First Assistant Commissioner
- Mr Grant Lovelock, First Assistant Commissioner
- Ms Katrina Purcell, Assistant Commissioner

Department of the Prime Minister and Cabinet

- Mr Phil Gaetjens, Secretary (until 1.45pm, via videoconference)
- Ms Michelle Dowdell, First Assistant Secretary, Digital Technology Taskforce
- Mr William Story, First Assistant Secretary, APS Reform

Tuesday, 20 July 2021

Committee Room 2S3

Parliament House

Canberra

Community and Public Sector Union – members from the Department of Veterans' Affairs

- Ms Melissa Donnelly, National President (via videoconference)
- Mr Benjamin Stern, Organiser (via videoconference)
- Ms Fiona Duffy, Delegate (via videoconference)
- Mr Shane Wright, Section Councillor (via videoconference)
- Mr Zac Batchelor, Regional Secretary (via videoconference)

Defence Families of Australia

- Ms Sandi Laaksonen-Sherrin, National Convenor

Defence Force Welfare Association

- Mr Kel Ryan, National President (via videoconference)

Department of Veterans' Affairs

- Ms Rachel Goddard, First Assistant Secretary, Commemorations and Transformation Division
- Mr Mark Harrigan, Chief Operating Officer
- Mr Roger Winzenberg, Assistant Secretary, People Services Branch

Community and Public Sector Union – members from Services Australia

- Mr Alistair Waters, National President (via videoconference)
- Ms Emma White, Section Secretary (via videoconference)
- Mr Gareth Mills, Section President (via videoconference)

Federation of Ethnic Communities' Councils of Australia

- Ms Lauren Stark, Senior Policy and Project Officer

Economic Justice Australia

- Ms Anusha Goonetilleke, Social Security and Tenancy Program Manager and Lawyer, Canberra Community Law (via videoconference)

Services Australia

- Mr Charles McHardie, Deputy Chief Executive Officer, Transformation Projects
- Mr Michael Nelson, General Manager, People Division

Wednesday, 21 July 2021

Committee Room 2S3

Parliament House

Canberra

Community and Public Sector Union – members from the National Disability Insurance Agency and the National Disability Insurance Scheme Quality and Safeguards Commission

- Mrs Beth Vincent-Pietsch, Deputy Secretary
- Ms Bettina Prescott, Section Secretary (NDIA) (via videoconference)
- Mr Michael Packman, Section Councillor (NDIA) (via videoconference)
- Mr David Villegas, Organiser (NDISQC) (via videoconference)

Children and Young People with Disability Australia

- Ms Mary Sayers, Chief Executive Officer (via videoconference)

Australian Federation of Disability Organisations

- Mr Ross Joyce, Chief Executive Officer (via videoconference)
- Mr Patrick McGee, National Manager, Systemic Advocacy, Insight and Research (via videoconference)
- Mr Geoff Trappett OAM, Chair of the National Inclusive Transport Advocacy Network with AFDO (via videoconference)
- Ms Eva Sifis, Consultant (via videoconference)

National Disability Insurance Agency

- Dr Lisa Studdert, Deputy Chief Executive Officer, Markets, Government and Engagement (via videoconference)
- Mr Hamish Aikman, Chief People Officer (via videoconference)

National Disability Insurance Scheme Quality and Safeguards Commission

- Ms Samantha Taylor, Acting Commissioner (via videoconference)
- Mr Jason Stott, Chief Operating Officer

Community and Public Sector Union – members from the Aged Care Quality and Safety Commission

- Mrs Beth Vincent-Pietsch, Deputy Secretary
- Mr Richard Hanssens, Section Councillor (via videoconference)
- Ms Cheryl O'Regan, Organiser (via videoconference)

Aged Care Quality and Safety Commission

- Ms Janet Anderson PSM, Commissioner

Monday, 26 July 2021

Committee Room 2S1

Parliament House

Canberra

Centre for International Corporate Tax Accountability and Research

- Dr Claire Parfitt, Senior Researcher and Strategist (via videoconference)

Tax Justice Network Australia

- Mr Jason Ward, Spokesperson (via videoconference)

Friday, 6 August 2021

Committee Room 2S1

Parliament House

Canberra

Professor John Halligan, Private capacity (via videoconference)

Community and Public Sector Union (via videoconference)

- Ms Melissa Donnelly, National Secretary
- Mr Michael Tull, Assistant National Secretary
- Mr Osmond Chiu, Senior Policy and Research Officer

Centre for Policy Development (via videoconference)

- Mr Terry Moran AC, Chair
- Dr Travers McLeod, Chief Executive Officer
- Ms Frances Kitt, Policy Advisor

Professor Andrew Podger AO, Private capacity (via videoconference)

Australian National Audit Office (via videoconference)

- Mr Grant Hehir, Auditor-General for Australia
- Ms Rona Mellor PSM, Deputy Auditor-General
- Ms Carla Jago, Group Executive Director, Performance Audit Services Group
- Ms Deborah Jackson, Executive Director, Performance Audit Services Group
- Mr Daniel Whyte, Senior Director, Performance Audit Services Group

- Ms Xiaoyan Lu, Acting Executive Director, Systems Assurance and Data Analytics Group
- Ms Lesa Craswell, Acting Senior Executive Director, Systems Assurance and Data Analytics Group

The Australia and New Zealand School of Government (via videoconference)

- Professor Ken Smith, Chief Executive Officer
- Dr Subho Banerjee, Deputy Chief Executive Officer
- Professor Ariadne Vromen, Deputy Dean of Research and Bunting Chair of Public Administration