



## **Australian Government**

Australian Government response to the Senate  
Finance and Public Administration References  
Committee report:

APS Inc: undermining public sector capability and  
performance

MAY 2024

## Government Response to the Senate Finance and Public Administration References Committee report:

### APS Inc: undermining public sector capability and performance

#### Government response to recommendations 1 to 36

The Government thanks the Senate Finance and Public Administration Committee for the report ‘APS Inc: undermining public sector capability and performance’ and notes the recommendations in the report. However, given the passage of time since this report was tabled, a substantive Government response is no longer appropriate as many recommendations have already been addressed in the Government’s APS Reform agenda and 2023-24 Budget measures. The APS Reform agenda builds on a range of reform efforts, reviews and sources to date and positions the APS to be future fit and capable of adapting and evolving to changing and rising expectations.

Number	Recommendation
1	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.
2	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.
3	The committee recommends that the Australian Government: <ul style="list-style-type: none"><li>• identify where Australian Public Service (APS) work has been contracted out to labour hire companies; and</li><li>• develop and report on a strategy to return the work to direct APS employment.</li></ul>
4	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.
5	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.  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.
6	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.

Number	Recommendation
7	<p>The committee recommends that the Australian Government require all agencies to disclose:</p> <ul style="list-style-type: none"> <li>• the contractual arrangements (including pay rates and conditions) of all labour hire workers in their agency; and</li> <li>• the margins charged by each labour hire company they engage.</li> </ul>
8	<p>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.</p>
9	<p>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.</p>
10	<p>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.</p>
11	<p>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.</p>
12	<p>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.</p>
13	<p>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:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• multiple 'shopfront' agencies owned by the same parent company competing for Commonwealth tenders or being on the same Commonwealth panel.</li> </ul>
14	<p>The committee recommends that the Australian Government immediately finalise and publish the Digital Review conducted by the Digital Transformation Agency.</p> <p>In line with recommendation 14 of the Independent Review of the APS, the committee recommends the Digital Review include information relating to:</p> <ul style="list-style-type: none"> <li>• current and forecast ICT expenditure and assets;</li> </ul>

Number	Recommendation
	<ul style="list-style-type: none"> <li>• systems scheduled for retirement or no longer supported by software vendors (and the associated risks);</li> <li>• future requirements; and</li> <li>• any urgent ICT capital investment needs.</li> </ul>
15	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.
16	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.
17	<p>The committee recommends that the Australian Government apply greater scrutiny in the awarding of ICT contracts to ensure that:</p> <ul style="list-style-type: none"> <li>• Australian companies are given the chance to compete on a level playing field.</li> <li>• External providers are only used when absolutely necessary to ensure that technical capacity is built within the APS.</li> </ul>
18	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.
19	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.
20	<p>The committee recommends that the Australian Government establish a consultancy hub to provide in-house consultancy services to Australian Public Service departments and agencies.</p> <p>The consultancy hub should draw lessons from the establishment of the Government Consulting Hub operating within the United Kingdom Civil Service.</p> <p>The consulting hub should be responsible for monitoring and developing agency-level policy capability.</p> <p>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.</p>
21	The committee recommends that the Australian Government consider introducing an effective cap on the amount agencies can spend on external consultants.
22	The committee recommends that the Department of Finance lead work to reform how consultancies are categorised and tagged in AusTender with the

Number	Recommendation
	<p>goal of more accurately capturing the level of expenditure on consultants across the Australian Public Service.</p> <p>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.</p>
23	<p>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.</p>
24	<p>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.</p>
25	<p>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.</p>
26	<p>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.</p>
27	<p>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.</p>
28	<p>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.</p>
29	<p>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.</p>
30	<p>The committee recommends that the Australian Public Service Commission regularly monitor, collate and publish mobility metrics for agencies.</p>
31	<p>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.</p>
32	<p>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</p>

Number	Recommendation
	consistently contributes to addressing critical skill gaps in the Australian Public Service workforce.
33	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.
34	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.
35	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.
36	<p>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:</p> <p>reflect key principles for the APS — apolitical, stewardship, openness, integrity and adherence to merit, and</p> <p>extend application of these principles and APS Values to Commonwealth agencies not covered by the Public Service Act 1999.</p>