

**INQUIRY INTO NSW GOVERNMENT'S USE AND
MANAGEMENT OF CONSULTING SERVICES**

Organisation: Unions NSW
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**Submission to NSW Legislative Council
Public Accountability and Works Committee
Inquiry into NSW Government's use and
management of consulting services**



August 2023

Unions NSW

Part 1: Introduction, Structure and Recommendations

1. Unions NSW is the peak body for trade unions and union members in New South Wales. We have 48 affiliated trade unions and trades and labour councils, who collectively represent more than 600,000 union members working across all industries in NSW, including in all areas of the NSW public sector.
2. Unions NSW commends the NSW Legislative Council Public and Accountability Works Committee's (**PAWC**) inquiry into the use and management of consulting services by NSW Government agencies. Unions NSW's interest in the inquiry is threefold.
3. First, the interests of workers are often affected by the work of consulting firms. This is because consulting firms are often "enablers and legitimators of executive decisions that undermine the conditions and incomes of workers",¹ yet their role in those decision-making processes are mostly hidden and unchecked.
4. Second, the increasing use of private consulting services in NSW government is privatisation by stealth.² Through our campaigns, Unions NSW has consistently argued against privatisation of public services and infrastructure.³ Privatisation is a threat to the democratic ideals of transparency and accountability. Citizens need public services and infrastructure to be provided by governments, and not by private companies. This is because the transparency and accountability mechanisms that give voters a say as to the delivery of those services and infrastructure exist in government (such as this inquiry) but not in private enterprise.
5. Third, the outsourcing of core business of government, whether through private consulting services, labour hire or private contractors, necessarily "hollows out" or de-skills the public sector.⁴ We want a skilled and thriving public sector, as opposed to a public sector where important managerial decisions are outsourced to a "shadow government" of consulting firms.
6. The Pricewaterhouse Coopers (**PwC**) tax scandal has shone a spotlight on the dangers of consultant use. However, the PwC tax scandal alone does not explain those dangers. The everyday and comparatively mundane involvement of consultants in core government managerial decision-making processes is equally, if not more, problematic. The use of consulting services is an insidious continuation of the story privatisation and must be checked by the NSW Government.

Structure of this submission

¹ Mariana Mazzucato and Rosie Collington, *The Big Con: How the Consulting Industry Weakens our Businesses, Infantilizes our Governments and Warps our Economies* (Penguin Allen Lane, 2023) pp 202-203

² Term borrowed from [Geoffrey Watson, "Our government is being privatised by stealth: PwC scandal shows how" Sydney Morning Herald](#) (online, 16 May 2023)

³ For example, we successfully opposed the sale of five public hospitals in 2016-18. See a video of our campaign: [Unions NSW "Keep our Hospitals Public"](#) (Facebook, 14 November 2016) and our petition: ["Keep NSW in a Healthy State", Unions NSW](#). We also successfully opposed the privatisation of Sydney Water in 2023. See photos of our campaign: [Unions NSW, "Services Not Sell-offs"](#) (Facebook, 15 March 2023)

⁴ [Community and Public Sector Union, Principal Submission to Australian Department of the Prime Minister and Cabinet, Independent Review of the Australian Public Service](#) (July 2018) pp 44-48

7. Our submission focuses on five of the inquiry's terms of reference and two case studies.
8. Overall, we say that the use of consulting firms in the NSW government:
 - a. Lacks accountability and transparency – see **Part 2** of this submission addressing term of reference (b).
 - b. Is not adequately reported on and disclosed by of government agencies – see **Part 3** addressing term of reference (c).
 - c. Does not provide value for money to the NSW government – see **Part 4** addressing term of reference (d).
9. Our first case study is about NSW Health, specifically understaffing in the Central Coast Local Health District (**CCLHD**) and the engagement of PwC. This will be dealt with predominantly in **Part 2**, and also in **Parts 3 and 4**.
10. In **Part 5** of this submission, we deal with two of the inquiry's terms of reference. We say that increasing our reliance on the private sector has a negative impact on the capacity and future development of the NSW public service - addressing term of reference (f). We are cognisant of the inquiry's focus is on consulting services. However, we say that outsourcing – whether consulting services, labour hire or contractors – diminishes the capacity and future development of the NSW public service. In this sense, we also address term of reference (k), being “any other related matter”. To illustrate, we provide our second case study on the skills crisis in the NSW public sector engineering.

Summary of recommendations

11. Our recommendations are for the NSW government to:
 - a. **Recommendation 1:** Emphasise in guidance related to the procurement of consulting services provided to government agencies the mandatory nature of compliance with award consultation obligations owed to employees and unions.
 - b. **Recommendation 2:** Include as a mandatory term of contracts with consulting services the requirement for the firm to comply with the government agency's consultation obligations owed to employees and unions.
 - c. **Recommendation 3:** Create specific and enforceable award obligations on consulting services to provide relevant documents to employees and unions where consultants are responsible for actions that have significant effects on employees in the workplace.
 - d. **Recommendation 4:** In relation to NSW Health, consider the impact of consulting services on the NSW Health expenditure in the Special Commission of Inquiry into the funding of healthcare in NSW.⁵
 - e. **Recommendation 5:** Request that NSW Health explain the change in practice around 2016/17 to classifying prima facie consultancy expenditure as “contractor” expenditure.

⁵ See: [NSW Parliamentary Budget Office, *Costings for Special Commission of Inquiry into the funding of healthcare in NSW* \(20 March 2023\)](#)

- f. **Recommendation 6:** Provide detailed guidance to agencies on when consultants should be used.
 - g. **Recommendation 7:** Direct NSW government agencies to develop tools to meaningfully assess and report on the benefits and quality of work done by consultants.
 - h. **Recommendation 8:** Reduce the use of consultants by 40% by June 2027.
 - i. **Recommendation 9:** Reinvest savings from reduced use of consulting services to fund competitive wages and benefits packages to improve skills key areas of the public sector, including in engineering.
 - j. **Recommendation 10:** When consultants are engaged for the same job as equivalent public sector staff, they must receive the same pay – not more or less.
 - k. **Recommendation 11:** Consultant expenditure is to be declared transparently and reported using the same processes as employee-related costs. This is to prevent circumvention the ERC budget processes and to allow easier identification of possible savings from the reduction of consultant use.
12. We have had the opportunity to review the submissions of the Health Services Union (HSU)⁶ and Public Service Association (PSA)⁷ to this inquiry and support the recommendations in those submissions.

Part 2: Lack of accountability and transparency – Term of reference (b)

13. In our experience, the use of consulting services in the NSW government lacks accountability and transparency.
14. This is unsurprising given the NSW Auditor-General's findings in her March 2023 report. On accountability and transparency, these findings are relevant:⁸
- a. Most agencies did not provide evidence that they use consultants strategically.
 - b. There are gaps in record keeping, including critical documents missing. For us, the most concerning statistic from the report was NSW government agencies' inability to keep the most critical document in a commercial arrangement, being the contract. According to the report, "contracts were not provided for almost one quarter (24%) of the [82] consulting engagements" that were selected for audit.⁹
 - c. Most consulting engagements were not monitored or evaluated by agencies.
 - d. Most agencies did not transfer or retain knowledge and skills from consulting engagements.

⁶ [Health Services Union, Submission No 17](#) to Public Accountability and Works Committee, *Inquiry Into NSW Government's Use and Management of Consulting Services* (19 July 2023)

⁷ [Public Service Association of NSW, Submission No 20](#) to Public Accountability and Works Committee, *Inquiry Into NSW Government's Use and Management of Consulting Services* (24 July 2023)

⁸ [Audit Office of NSW, New South Wales Auditor-General's Report: NSW government agencies' use of consultants](#) (Performance Audit, 2 March 2023) pp 6-7

⁹ [Audit Office of NSW, New South Wales Auditor-General's Report: NSW government agencies' use of consultants](#) (Performance Audit, 2 March 2023) pp 7, 26

15. The NSW Auditor-General's conclusions accord with the union experience of the use of consulting services. For example, in the HSU's submission to this inquiry relating to NSW Health, they describe the lack of transparency and respect shown by the management consulting firm to workers at a Local Health District (**LHD**) in that firm's redesign an IT system at that LHD. That IT system turned out to be not fit for purpose and caused negative changes in working conditions.¹⁰
16. In this submission, we draw PAWC's attention to another case study about NSW Health, specifically the Central Coast Local Health District (**CCLHD**). This case study shows a lack of transparency and accountability in relation to PwC's involvement on an "efficiencies" project.

Case study 1: Understaffing of nurses at Central Coast Local Health District and PwC "Our Path to Excellence" efficiencies project

17. Understaffing has many consequences for the quality and safety of healthcare. In an understaffed hospital or ward, health workers can only do so much to increase the efficiencies within their ward or the hospital.
18. The understaffing of nurses at CCLHD's major Gosford and Wyong Hospitals is a longstanding and known problem. For many years, the NSW Nurses and Midwives Association (**NSWNMA**) and its members have raised understaffing concerns with CCLHD management.¹¹ This has included community campaigning, petitions, strikes and requests to CCLHD seeking a collective approach between management and staff to fix the problem of understaffing. Despite the CCLHD CEO himself has acknowledging the issue of understaffing at CCLHD in 2022 review of health services in rural, regional and remote NSW before the NSW Legislative Council,¹² CCLHD management has consistently refused to fix the problem of understaffing in a meaningful way.
19. These issues of understaffing are subject to current litigation at both the Industrial Relations Commission of NSW and Supreme Court of NSW.¹³ Gosford Hospital is alleged to be one of the worst offenders for staffing breaches of the NSW *Public Health System Nurses' and Midwives' (State) Award*. It has committed up to a possible 777 award contraventions of safe staffing obligations between 31 December 2018 and 30 October 2022. In the month of August 2022 alone, Gosford Hospital had over 300 unfilled nursing shifts each week and more than 1,500 unfilled nursing shifts for the entire month.¹⁴

¹⁰ [Health Services Union, Submission No 17](#) to Public Accountability and Works Committee, *Inquiry into NSW Government's Use and Management of Consulting Services* (19 July 2023) pp 4-5

¹¹ For example, see: ['Poor staffing prompts rally at Gosford Hospital'](#), *The Lamp* (8 December 2021); ['Central Coast nurses and midwives rally against 'unprecedented' low staffing levels'](#), *The Lamp* (6 December 2021); ['Nurse numbers cut at Gosford'](#), *The Lamp* (1 June 2021); ['Central coast nurses voice outrage at lack of ratios'](#), *The Lamp* (18 May 2021); ['Short staffing rife at Gosford Hospital'](#), *The Lamp* (28 August 2019)

¹² [NSW Legislative Council Portfolio Committee No. 2 – Health, Health outcomes and access to health and hospital services in rural, regional and remote New South Wales](#) (Report 57, May 2022) p 94 at [4.62]

¹³ See: [Janelle Wells, 'Nurses' union sues NSW government alleging understaffing, patient mistreatment'](#), *ABC News* (15 March 2023); [Duncan Murray 'Nurses to sue NSW government over staff shortages'](#), *The Canberra Times* (15 March 2023) <<https://www.canberratimes.com.au/story/8121619/nurses-to-sue-nsw-government-over-staff-shortages/>>; ['Prosecution case launched over broken health system'](#), *The Lamp* (15 March 2023)

¹⁴ See **Attachment 1** to the submission provided confidentially to this inquiry. Attachment 1 is NSWNMA's community petition for the Central Coast region about the understaffing of CCLHD hospitals (around February and March 2023)

20. In early 2023, CCLHD partnered with consulting firm PwC to set up a 3-year project called “Our Path to Excellence”. The project appears to have commenced in March 2023. However, it was not until May 2023 that the details of this project became widely known by staff across the district. CCLHD’s stated purpose for the project is to ensure the quality and safety of healthcare by increasing the “efficiency”¹⁵ of care from a multidisciplinary perspective and by “empowering [staff] to solve problems as they arise and change or remove the things you do as a team that do not add value to patient care”.¹⁶ The project states that it will achieve these purposes using six “improvement partner” positions made up of internal staff.¹⁷ CCLHD states the reason for PwC’s involvement as:¹⁸

The team from PwC has implemented similar programs across Australia and will be working as part of our team. They will support us to build our capability and capacity. This will help us to ensure we are all equipped with the right skills to sustain our consistent ways of working as part of our day-to-day.

21. By May 2023, workload concerns had caused over 1,000 staff to sign an open letter demanding a meeting with CCLHD CEO to discuss the systemic issues of understaffing and compliance with award safe staffing obligations.

22. On 24 May 2023, a meeting was held with the CCLHD CEO. Employees raised their frustration about the PwC project. While the staff FAQ suggests that PwC’s involvement was to be ongoing for the 3-year period,¹⁹ CCLHD management stated at the meeting that PwC’s involvement was going to be for the “kick-off” of the project only. Not much else is known about PwC’s involvement. At this meeting, the NSWNMA requested documents and information about PwC’s involvement. As at the time of writing, CCLHD has not been forthcoming with this material.

23. NSWNMA members have raised three main concerns about the PwC project. First, the engagement of PwC appeared tone deaf to the real problems in the workplace. The main driver of “inefficiency” was clear and proven – it was understaffing and lack of compliance with award safe staffing obligations. But CCLHD presented the PwC project as a panacea for “efficiency” and “improving the quality and safety of healthcare” at CCLHD. As already mentioned, in an understaffed hospital or ward, health workers can only do so much to increase the efficiencies within their ward or the hospital.

24. Second, there appeared to be no discernible difference in the deliverables of the project as compared to a regular managerial review. It was the core role of nursing managers to manage systemic inefficiencies as part of their jobs and liaise with other departments within the hospital. However, the understaffing had caused nursing managers to fill vacant shift and *themselves* “be on the ward floor”, taking time away from their managerial tasks.

¹⁵ Discussions between CCLHD nurses and CEO on 24 May 2023.

¹⁶ See **Attachment 2** to the submission provided confidentially to this inquiry. Attachment 2 is CCLHD’s FAQ document for the “Our Path to Excellence” project (undated).

¹⁷ Attachment 2 – CCLHD’s FAQ document for the “Our Path to Excellence” project (undated)

¹⁸ Attachment 2 – CCLHD’s FAQ document for the “Our Path to Excellence” project (undated)

¹⁹ Attachment 2 – CCLHD’s FAQ document for the “Our Path to Excellence” project (undated)

25. Third, the PwC project would create extra administrative processes and paperwork, taking time away from an already time poor and understaffed workforce.

26. After concerns raised by staff in May 2023, CCLHD were pressured into holding focus groups across the district to consult on nursing and midwifery employee concerns between late July and early August 2023.²⁰

27. Case study 1 raises several accountability and transparency issues in relation to its employees.

28. First, there are unanswered questions about PwC's engagement in the 'Our Path to Excellence' project. It is unclear how CCLHD is using PwC's services strategically. It is unclear how PwC's engagement arose in the first place and would be evaluated during and after the engagement. Questions unanswered include:

- a. What were the terms of reference of PwC's engagement? Did the terms include a consideration of understaffing and award safe staffing obligations? Why? Or why not?
- b. Was PwC consulted about how to address the vacancies issue, e.g. how to run a successful recruitment strategy to fill the vast number of vacancies?
- c. What "similar programs across Australia" did PwC implement? Has a similar program been implemented in a NSW local health district? What were these programs? Were these programs successful? By what measures were the success or failure of these programs measured? What is the NSW Ministry of Health's involvement and oversight of these types of programs?
- d. What was the procurement process undertaken?
- e. How much money was spent on engaging PwC for this project? And on the project overall?
- f. Was PwC's involvement meant to be for the whole time of the project? Did the PwC tax scandal have any bearing on the cessation of PwC's engagement?
- g. What were the qualifications of the PwC consultants? Did any of the consultants have clinical experience or worked in a hospital? If so, of what kind and for how long?

We would be grateful if the PAWC could inquire into these questions.

29. Second, CCLHD's conduct breaches its award consultation obligations. Where an employer introduces change that is likely to have significant effects on employees (such as this 3-year "efficiencies" project), employers have two broad positive (or proactive) obligations. CCLHD has failed on both obligations:

- a. One, CCLHD failed its obligation to discuss *as soon as practicable after the decision to introduce change*,²¹ including giving prompt consideration to matters raised by employees and the union.²² In this instance, CCLHD started

²⁰ See **Attachment 3** to the submission provided confidentially to this inquiry. Attachment 3 is CCLHD's notice to staff about focus groups (5 July 2023).

²¹ [Public Health System Nurses' and Midwives' \(State\) Award 2022](#), clause 6(a)

²² [Public Health System Nurses' and Midwives' \(State\) Award 2022](#), clause 6(c)

consulting employees only *months after*²³ the change had been introduced²⁴ did not allow employees and the union to raise any matters for consideration.

- b. Two, CCLHD failed its obligation to provide the employees and the union with “all relevant information about the changes” for the purposes of discussion.²⁵ While employees have asked many questions about PwC’s engagement, such as the questions in the preceding paragraph, CCLHD has not been forthcoming all relevant information about the changes.

Recommendations relating to term of reference (b)

30. To address the problems of accountability and transparency we offer the following recommendations. The NSW Government is to:

- a. **Recommendation 1:** Emphasise to government agencies their mandatory compliance of award consultation obligations owed to employees and unions in guidance related to the procurement of consulting services.
- b. **Recommendation 2:** Include as a mandatory term of contracts with consulting services the requirement of the firm to comply with the government agency’s consultation obligations owed to employees and unions.
- c. **Recommendation 3:** Create specific and enforceable award obligations on consulting services where consultants are responsible for actions that have significant effects on employees in the workplace.
- a. **Recommendation 4:** In relation to NSW Health, consider the impact of consulting services on the NSW Health budget in the upcoming inquiry on the budget,²⁶ including replicating the NSW Auditor-General audit on use of consultants for NSW Health.²⁷

Part 3: Inadequacy of agency reporting and disclosure – Term of reference (c)

31. In Part 2, we showed a case study in NSW Health where a consulting firm was involved in a significant workplace change, but there was manifestly inadequate agency reporting and disclosure of relevant information to employees and unions. We adopt our submissions and recommendations in Part 2 of this document in answer to term of reference (c) given the interrelated nature of transparency, accountability and adequate reporting.

32. For completeness, we reviewed the NSW Health’s Answers to Supplementary Questions to this inquiry in attempt to match the CCLHD PwC “Our Path to Excellence” efficiencies project in Case Study 1 to CCLHD’s declared expenditure.²⁸ We extracted the five most recent PwC expenditure by CCLHD in the table below.

²³ July and August 2023. See Attachment 3 is CCLHD’s notice to staff about focus groups (5 July 2023).

²⁴ This is understood to be in early 2023.

²⁵ [Public Health System Nurses’ and Midwives’ \(State\) Award 2022](#), clause 6(d)

²⁶ See: [NSW Parliamentary Budget Office, Costings for Special Commission of Inquiry into the funding of healthcare in NSW](#) (20 March 2023)

²⁷ NSW Health was not one of the ten agencies audited as part of this audit: [Audit Office of NSW, New South Wales Auditor-General’s Report: NSW government agencies’ use of consultants](#) (Performance Audit, 2 March 2023)

²⁸ [NSW Health, Answers to Supplementary Questions from Hearing – Thursday 15 June 2023](#) (provided to this inquiry on 17 July 2023) Attachments to Question 1 - Consolidated Local Health District advice, pdf p 33

They are from the 2021/22 financial year. We note CCLHD spent \$550,000 in that financial year on PwC services. However, it is not clear which of the five items the “Our Path to Excellence” efficiencies project relates to given the items are described so generally. For example, either “Cclhd moh enhancement proposal” and “Integrated management system engagement letter” could be the relevant line item. Or the project may have not been reported in this document.

CCLHD	2021/22	Pricewaterhousecoopers consulting (australia) Pty Ltd	Cclhd moh enhancement proposal	Cclhd moh enhancement proposal	Prequalification Scheme	Pricewaterhousecoopers consulting (australia) Pty Ltd	\$ 99,000.00	FY21/22	\$ 99,000.00	Work assessed as complete to required standard prior to invoice being paid.
CCLHD	2021/22	Pricewaterhousecoopers consulting (australia) Pty Ltd	Wyong review project phase 1 & 2	Data analysis and assessment of operational capability in relation to average length of stay	Prequalification Scheme	Pricewaterhousecoopers consulting (australia) Pty Ltd	\$ 116,000.00	14/3 - 11/4/2022	\$ 116,000.00	Work assessed as complete to required standard prior to invoice being paid.
CCLHD	2021/22	Pricewaterhousecoopers consulting (australia) Pty Ltd	Wyong emergency dept diagnostic	Wyong emergency dept diagnostic	Prequalification Scheme	Pricewaterhousecoopers consulting (australia) Pty Ltd	\$ 120,000.00	11-Apr-22	\$ 120,000.00	Work assessed as complete to required standard prior to invoice being paid.
CCLHD	2021/22	Pricewaterhousecoopers consulting (australia) Pty Ltd	Engagement letter cclhd elderly and frail business case design and develop	Engagement letter cclhd elderly and frail business case design and develop	Prequalification Scheme	Pricewaterhousecoopers consulting (australia) Pty Ltd	\$ 85,000.00	FY21/22	\$ 85,000.00	Work assessed as complete to required standard prior to invoice being paid.
CCLHD	2021/22	Pricewaterhousecoopers consulting (australia) Pty Ltd	Integrated management system engagement letter	Integrated management system engagement letter	Prequalification Scheme	Pricewaterhousecoopers consulting (australia) Pty Ltd	\$ 135,000.00	FY21/22	\$ 135,000.00	Work assessed as complete to required standard prior to invoice being paid.

Consultant / contractor distinction

33. We draw the PAWC’s attention to the Auditor-General’s findings in her March 2023 report that “guidance for classifying and reporting on consulting expenditure is ambiguous”.²⁹ We are concerned that the ambiguity in the consultant/contractor distinction may have been misused to mask consultancy expenditure. To illustrate we refer below to two extracts from NSW Health’s Answers to Supplementary Questions relating to PwC and KPMG.³⁰ We note that the practice of classifying PwC and KPMG engagement as “contractor” began in the 2016/17 financial year. We would be grateful if the PAWC could inquire further into whether the consultant/contractor distinction has been misused and the reasons for sudden change in practice in the 2016/17 financial year.

²⁹ [Audit Office of NSW, New South Wales Auditor-General’s Report: NSW government agencies’ use of consultants](#) (Performance Audit, 2 March 2023) pp 6-7

³⁰ [NSW Health, Answers to Supplementary Questions from Hearing – Thursday 15 June 2023](#) (provided to this inquiry on 17 July 2023) Attachments to Question 1 - Consolidated Local Health District advice, pdf p 4

*Evaluations of the work done by consultants were rarely conducted. We were provided with evidence of post-engagement reviews of work done for only **three of the 82 engagements** we examined, despite a large majority of the engagements being valued at over \$150,000. One engagement in our sample included a report of unsatisfactory performance from a consultant (Boston Consulting Group). This consultant had been granted a contract extension several months prior to this report being made. [bold added]*

37. Case Study 1 on CCLHD illustrates the concerns raised above. First, it is not clear how the PwC project at CCLHD provides value for money when there is no discernible difference the deliverables of the project as compared to regular managerial processes, which is within the core business of CCLHD. The true problem is understaffing which has in turn caused managers to spend time “be on the ward floor”, taking time away from their managerial tasks.
38. Second, questions about whether PwC’s engagement is value for money remain unanswered. For example, at the time of procurement, what evidence of PwC’s past work convinced CCLHD to partner with PwC? Why is there no discernible difference in the deliverables of the PwC project as compared to the core business of CCLHD?

Recommendations relating to term of reference (d)

39. **Recommendation 7:** The NSW government agencies develop tools to meaningfully assess and report on the benefits and quality of work done by consultants.

Part 5: Reliance on consultants has a negative impact on the capacity and development of the NSW public service + the related matter outsourcing generally – Terms of reference (f) + (k)

40. As we said in Part 1, outsourcing the core business of government the private sector has a necessary negative impact on the capacity and development of the NSW public service. This is because over time, it “hollows out” or deskills the public sector. This insight is neither new nor controversial. Various high ranking public servants have provided this view at least over the past decade:
- the late Paul Shetler (former CEO of the Commonwealth Digital Transformation Office) on the Commonwealth government’s “IT outsourcing bent” draining the public service of tech talent.³²
 - the late Paul Barratt (former Secretary of the Commonwealth Department of Defence) on outsourcing in defence: “pushing core functions out of the public service “inevitably results in deskilling” and “successful...management of contracts requires... an understanding of the subject matter at least comparable to that of the service provider.”³³

³² [George Nott, “Govt’s IT outsourcing bent has deskilled public service, says former DTO chief” C/O](#) (14 March 2018)

³³ [Paddy Gourley “Public service, private interests”, Inside Story](#) (7 May 2019)

- c. in the UK context, Theodore Agnew (former Cabinet Office and Treasury minister of the Conservative Party) said of the UK public service's reliance 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 issues"³⁴
41. Despite this inquiry's focus on consulting services, it is important to contextualise consulting services as just one part of the broader context of outsourcing of core government business which also includes contractors and labour hire. All these various forms of outsourcing decrease the capacity and development of the NSW public service.
42. Within this context, we detail our second case study about the skills crisis NSW public sector engineering. This case study is adapted substantially from The Insight Centre's March 2023 report for Professionals Australia, which is the engineers' union.
43. The Insight Centre found that Australia will have an engineering skills shortage of gap 200,000 engineers by 2040.³⁵ However, this shortage will be felt disproportionately between the public and private sectors – it "will be felt most acutely in the NSW public sector if no targeted interventions are introduced to attract and retain skills."³⁶
44. The Insight Centre observation on the costs of the current level of skills in public sector engineering is: "The public sector's declining engineering capacity has immense financial implications, as the necessity to outsource critical engineering tasks to private contractors has increased public costs significantly across a wide range of projects." Therefore, as the skills crisis deepens, the outsourcing necessity (to contractors, labour hire and consultants) will only increase if nothing is done to remedy the skills crisis. This in turn will worsen the financial implications for the NSW government over time.

Case study 2: Skills crisis in NSW public sector engineering (adapted substantially from The Insight Centre's report for Professionals Australia)³⁷

45. The past decades have seen slow growth of the public sector engineering workforce in NSW and a decline in the overall proportion of the engineering workforce who choose public sector careers. In 2006, 18.6% of engineers were employed in the public sector in New South Wales, dropping down to 13.2% by 2021. This is despite the biggest infrastructure projects in NSW being West Connex (\$16 billion); Sydney Metro (\$12 billion); and Western Sydney Airport (\$5.3 billion). The figure below shows the engineering workforce proportion between private and public sectors over time.

³⁴ [Lawrence Dunhill and Rajeev Syal, "Whitehall 'infantilised' by reliance on consultants, minister claims" *The Guardian* \(30 September 2020\)](#)

³⁵ [The Insight Centre \(for Professionals Australia\), *Engineering a Better Future: Australia's Growing Crisis in Engineering Skills* \(March 2023\) p 1, 2, 5-7](#)

³⁶ [The Insight Centre \(for Professionals Australia\), *Engineering a Better Future: Australia's Growing Crisis in Engineering Skills* \(March 2023\) p 18](#)

³⁷ Adapted substantially from [The Insight Centre \(for Professionals Australia\), *Engineering a Better Future: Australia's Growing Crisis in Engineering Skills* \(March 2023\) pp 18-21](#)

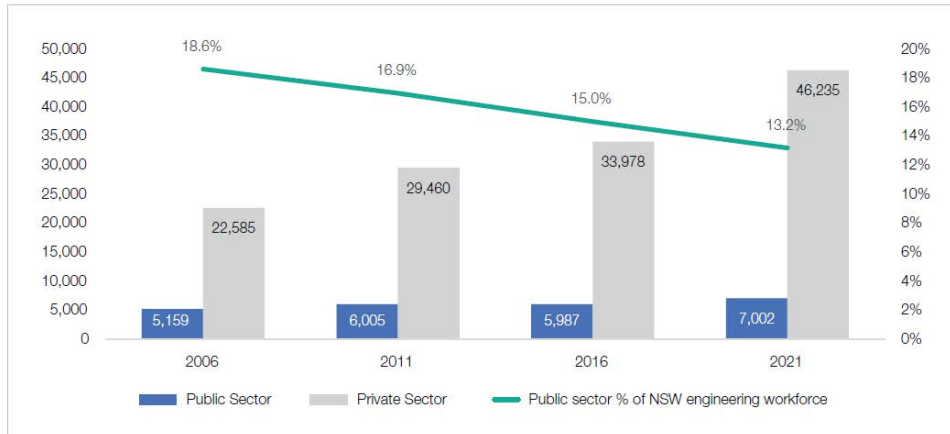


Figure 11. New South Wales public and private sector engineering workforce, 2006-2021

Source: ABS census data 2006-2021, TableBuilder

46. Significantly, there has been no growth in numbers in public sector engineering after the last major engineering skills shortage in 2011, whereas the private sector continued to grow, albeit at a smaller rate than before. The Insight Centre provides three main reasons for the NSW skills crisis in the public sector.
47. **One: Inability to attract younger workforce:** Along with limited growth, an ageing workforce is a further challenge in the New South Wales public sector. Over half (52.4%) of the engineers employed in the public sector are over 40, compared to 45.4% in the private sector. This indicates that the public sector is less attractive for younger engineers such as graduates. Moreover, with nearly 30% of the public sector engineering workforce aged 50 and above, a loss of skill due to retirement will be felt severely in the public sector over the next few decades.
48. **Two: Public sector wages cap decreases appeal of public sector career:** A further reason for the lack of competitiveness of the public sector in NSW is the state's cap on public sector wages, which prevents the sector from paying competitively to attract and retain staff. The pay cap was initially introduced at 2% in 2011 and was increased to 3% in 2022/23 and 3.5% in 2023/24 due to increasing pressure from unions. However, sharp accelerations in inflation and rising costs of living mean public sector workers in New South Wales have faced a substantial fall in real wages because of the caps. Wage caps in New South Wales contribute to pay disparities which limit the public sector's capacity to attract and retain engineers.
49. **Three: Previous public sector benefits no longer available:** Additional public sector benefits, like Defined Benefit Superannuation Schemes, are no longer available to new workers entering the sector, so are unable to offset salary gaps for workers as they have in the past.

Recommendations relating to term of reference (f) + (k)

50. To improve the capacity and development of the NSW public sector we recommend the NSW Government to:
- a. **Recommendation 8:** Reduce the use of consultants by 40% by June 2027.

- b. **Recommendation 9:** Reinvest savings from reduced use of consulting services to fund competitive wages and benefits packages to improve skills key areas of the public sector, including in engineering.
- c. **Recommendation 10:** When consultants are engaged for the same job as equivalent public sector staff, they must receive the same pay – not more or less.
- d. **Recommendation 11:** Consultant expenditure is to be declared transparently and reported using the same processes as employee-related costs. This is to prevent circumvention the ERC budget processes and to allow easier identification of possible savings from the reduction of consultant use.

Part 6: Conclusion

51. In this submission we have shown that the engagement of consulting services in NSW government lacks accountability and transparency, lacks adequate reporting and disclosure, and lacks any real evidence that these services provide value for money to the NSW public sector. We have also shown that outsourcing of core skills to the private sector creates capacity issues and skills crises in the NSW public service. We have shown the crisis that is to come in NSW public sector engineering.
52. The NSW government has a tough road ahead to reform the unaccountable and damaging use of consulting services in core public sector functions. We hope that our recommendations can be adopted as part of the solution to fixing this problem.