



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party
Date Referred: 9/10/2018

Proposal No: A012
Date Published: 18/03/2019

Proposal Title: Cutting waste - reduce spending on agency hire contractors by 10%

Cluster: Whole of Government

General Government Sector Impacts

	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-2022 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	(161,917)	(165,560)	(169,699)	(497,175)
Depreciation	-	-	-	-	-
Less: Offsets	-	-	-	-	-
Revenue	-	-	-	-	-
Net Operating Balance:	-	161,917	165,560	169,699	497,175
Capital Expenditure	-	-	-	-	-
Capital Offsets	-	-	-	-	-
Net Capital Expenditure:	-	-	-	-	-
Net Lending/(Borrowing):	-	161,917	165,560	169,699	497,175

Total State Sector Impacts

Net Lending/(Borrowing):	-	161,917	165,560	169,699	497,175
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Notes and costing assumptions

- The estimated impact of reducing expenditure on recruitment contractors by 10% is \$497 million over 3 years from 2019-20.
- Total expenditure for recruitment contractors across the forward estimates is based on actuals for 2017-18, escalated according to the Sydney Consumer Price Index (CPI) forecasts/ projections in the Pre-Election Budget Update: 2% in 2019-20, 2.25% in 2020-21 and 2.5% in 2021-22.
- The costing reduces this total expenditure by 10% each year. This amount represents the expected savings from this proposal. It is assumed that this reduction is allocated to agency budgets based on the government's priorities.
- The financial dataset underpinning this costing has been provided by the Department of Finance, Services & Innovation (DFSI). Most of this information can be accessed publicly at <https://data.nsw.gov.au/data/dataset/prequalification-scheme-contingent-workforce>
- This dataset captures all General Government Sector (GGS) agencies, however, it does not capture information on contractors for frontline service delivery e.g health and education. As such, they are excluded from this costing.
- This dataset captures salary and other employee-related costs, such as superannuation and workers compensation. However, it does not capture additional costs such as travel, accommodation or reimbursement of out of pocket expenses. It is not possible to estimate these additional costs as they are highly variable across contractors and over time, and as such they are excluded from this costing.

Notes and costing assumptions continued:

Other Assumptions

- No change to employee numbers. However, there may be an impact on workloads.
- No change to payroll tax (currently 5.45%)
- No change to superannuation payments (currently 9.50%)
- All suppliers apply the same employee related on-cost rates (payroll tax 5.45% and workers compensation 1.00%)
- No change to supplier fees (7.05% for the first 12 month period and 5.14% for more than 12 months).

Supplementary Information

- DFSI has provided information on the number of Full Time Equivalent (FTE) contractors engaged by NSW in 2017-18. However, this information is not available from 2018-19 onwards.
- The following table represents the 2017-18 FTE figures by Cluster. It also shows the impact of an indicative 10% reduction:

Cluster	FTE	FTE Saved - if 10% reduction
Transport	2,156	216
Finance, Services and Innovation	904	90
Industry*	753	75
Health	706	71
Education	494	49
Family and Community Services	623	62
Justice	637	64
Planning and Environment	496	50
Treasury	101	10
Premier and Cabinet	111	11
External to Government Sector**	21	2
Totals	7,002	700

*Includes TAFE and Sydney Water

** External to Government Sector as per the Workforce Planning Report circulated by the Public Service Commission.