

ESTIMATES BRIEF – Hot Issue**EXTERNAL LABOUR SAVINGS**

Supplementary Budget Estimates – October 2025

External Labour Savings**Subject/Issue**

The Government is committed to reducing reliance and spending on consultants, contractors and labour hire (external labour).

Key facts and figures

- Up to the 2025 Pre-election Economic and Fiscal Outlook (PEFO), the Government had agreed **\$4.7 billion** in savings from external labour, comprised of:
 - \$3.0 billion over 5 years from 2022-23 from external labour in the 2022-23 October Budget (*Savings from External Labour, and Savings from Advertising, Travel and Legal Expenses* (2022-23 October Budget, Paper No.2, p 83));
 - \$1.0 billion over 4 years from 2024-25 in the 2024-25 Budget (*Savings from External Labour – extension* (2024-25 Budget, Paper No.2, p 76)); and
 - \$718.8 million in 2028-29 in the 2025-26 Budget from a one-year extension of the 2024-25 Budget measure (*Savings from External Labour – further extension* (2025-26 Budget, Paper No.2, p 32)).
- Table 1:** Financial impacts of the combined savings measures since the 2022-23 October Budget

	2022-23 \$m	2023-24 \$m	2024-25 \$m	2025-26 \$m	2026-27 \$m	2027-28 \$m	2028-29 \$m	Total \$m
<i>Original measure: 2022- 23 Oct Budget</i>	500.0	625.0	625.0	625.0	625.0	-	-	3,000.0
<i>One-year Extension: 2024- 25 Budget</i>	-	-	-	-	-	625.0	-	625.0
<i>Additional Savings: 2024- 25 Budget</i>	-	-	93.8	93.8	93.8	93.8	-	375.2
<i>Further One-year extension: 2025-26 Budget</i>	-	-	-	-	-	-	718.8	718.8
Total	500.0	625.0	718.8	718.8	718.8	718.8	718.8	4,719.0

- The agreed savings have been applied to the departmental funding appropriation of entities in the General Government Sector (GGS) to which the ongoing Efficiency Dividend applies.
 - The GGS includes all Australian Government entities that are not Public Financial Corporations, such as the Australian Reinsurance Pool Corporation, or Public Non-financial Corporations (Trading), such as NBN Co Limited.

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- Entities exempt from the external labour save in the 2022-23 October Budget remained exempt from the 2024-25 and 2025-26 Budget measures.
- In the 2025 election, the Government committed to achieve a further **\$6.4 billion** in savings from external labour and other non-wage expenses across the public service over four years from 2025-26.
 - Savings of \$800 million in 2025-26 were reflected in the revised 2025-26 Appropriation Bills.
 - The allocation of the full APS saving across entities will be published in the 2025-26 MYEFO.
- **Table 2:** Financial impacts of the 2025 election commitment¹

	2025-26 \$m	2026-27 \$m	2027-28 \$m	2028-29 \$m	Total \$m
<i>Further reducing spending on consultants, contractors and labour hire, and non-wage expenses</i>	800.0	1,600.0	2,000.0	2,000.0	6,400.0

If asked: What was the methodology used for the allocation of the first year (2025-26) of the \$6.4 billion save?

- The majority of the saving was targeted at further reducing spending on external labour. This component was allocated to entities based on their supplier expenses, consistent with the approach to allocating past external labour savings.
- The remainder of the save was allocated to entities proportionately based on their travel spending.

If asked: Were any entities exempt from the 2025-26 saving?

- Entities exempt from previous external labour savings measures were also exempt from the external labour component of the 2025-26 saving.
- Entities with travel expenditure of less than \$50,000 or that did not report travel expenses were exempt from the travel component of the saving.

If asked: How is the Government allocating the remaining savings?

- The Government is still considering the approach to allocating the remaining savings.

If asked: When will the allocation of the savings be published?

- Consistent with the Charter of Budget Honesty, the saving will be published as a measure in the 2025-26 MYEFO.

¹ Source: [Labor's costed plan to Build Australia's Future](#), 28 April 2025.

EXTERNAL LABOUR SAVINGS**Background*****Previous savings from external labour and non-wages expenses measures***

In the 2022-23 October Budget, the Government delivered savings of \$3.6 billion over four years from 2022-23 through the Budget measure *Savings from External Labour, and Savings from Advertising, Travel and Legal Expenses*. Of this, \$3.0 billion was delivered through savings from external labour.

- The 2022-23 savings (\$0.5 billion) were allocated to agencies in the 2022-23 October Budget and were identified in the measures table of individual Portfolio Budget Statements.
- The remaining savings (\$2.5 billion) were allocated to agencies over four years from 2023-24 as estimate variations in the 2023-24 Budget.
- The savings allocation was included in the aggregates of all Portfolio Budget Statements and some statements separately identified the savings as a significant estimates variation.

For the 2024-25 Budget and 2025-26 Budget measures, the savings were allocated to agencies and were identified in the measures tables of individual Portfolio Budget Statements (noting that some portfolios did so on a portfolio basis and others on an individual agency basis).

Savings for each entity for the 2024-25 and 2025-26 Budget measures were calculated using the following methodology:

- The allocation of \$625.0 million in 2027-28 was based on entities' goods and services expenses (supplier expenses) as at the 2022-23 October Budget. Adjustments were made for entities with higher reliance on external labour, as identified in the 2021-22 Audit of Employment.
- The allocation of the additional \$93.8 million in each of the four years from 2024-25 to 2027-28 was based on entities' goods and services expenses (supplier expenses) as at March 2024 – the most complete and current dataset available across the GGS.
- The additional \$718.8 million save in 2028-29 is a direct rollover of the 2027-28 external labour saving. Entity contributions remained unchanged from the previous year under the 2024-25 Budget measure.

Exemptions from external labour savings

The Government has exempted the following entities from its external labour savings measures agreed to date:

1. Agencies exempt from the ongoing Efficiency Dividend (ED)*
2. National security agencies not already exempt from the ED.
a. Australian Security Intelligence Organisation (ASIO)

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b. Australian Secret Intelligence Service (ASIS)
3. National Collecting Institutions (NCIs)
a. Australian Institute of Aboriginal and Torres Strait Islander Studies
b. Australian National Maritime Museum
c. Australian War Memorial
d. Museum of Australian Democracy at Old Parliament House
e. National Archives of Australia
f. National Film and Sound Archive of Australia
g. National Gallery of Australia
h. National Library of Australia
i. National Museum of Australia
j. National Portrait Gallery
4. High Court of Australia
5. Australian National Audit Office (ANAO)
6. Domestic, Family and Sexual Violence Commission (DFSVC)
7. National Anti-Corruption Commission (NACC)
8. Administrative Review Tribunal (formerly Administrative Appeals Tribunal)
9. IP Australia
10. Parliamentary Departments
a. Department of Parliamentary Services
b. Department of the House of Representatives
c. Department of the Senate
d. Parliamentary Budget Office

* Agencies with partial exemptions from the ED received corresponding partial exemptions from external labour savings measures.

2025 Election Commitment

In the 2025 election, the Government committed to achieve a further \$6.4 billion in savings from external labour and non-wage expenses across the public service over four years from 2025-26 (*Further reducing spending on consultants, contractors and labour hire, and non-wage expenses*).

To deliver on the election commitment, savings of \$800.0 million in 2025-26 were reflected in the revised 2025-26 Appropriation Bills. This was disclosed in the Explanatory Memorandum to Appropriation Bill (No. 1) 2025-2026 (see p2, 16 and 17). The Government will consider its approach to allocating the remaining savings of \$5.6 billion over three years from 2026-27 in the 2025-26 MYEFO. The full APS saving will be published as a measure in the 2025-26 MYEFO.

Related APS Reform Initiatives

The Audits of Employment and Strategic Commissioning Framework are separate to the external labour savings measures, but are important parts of the Government's broader efforts to reduce the public service's reliance on external labour.

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The 2021-22 Audit of Employment provided visibility of the use of consultants, contractors, labour hire and outsourced service providers in the APS. A second Audit of Employment for the 2023-24 financial year is in progress (see SB25-000066 – 2023-24 Audit of Employment).

The Strategic Commissioning Framework (released by APSC on 24 October 2023) requires APS agencies to bring core work back in-house over time. Agencies must set targets to reduce outsourcing of core work, and limit outsourcing of core work to defined circumstances.

Supporting information**Questions on Notice**

- QoN F056. 2022-23 October Budget Savings – External Labour, Advertising, Travel and Legal. 2024-25 Additional Estimates, 22 July 2025.
- QoN F098. 2022-23 October Budget Savings – External Labour, Advertising, Travel and Legal. 2024-25 Supplementary Budget Estimates, 19 December 2024.
- QoN F150. 2022-23 October Budget Savings – External Labour, Advertising, Travel and Legal. 2024-25 Budget Estimates, 30 July 2024.
- QoN F039. Budget measure on savings from external labour, advertising, travel and legal. 2024-25 Budget Estimates, 25 July 2024.
- QoN F052. Savings from External Labour. 2024-25 Budget Estimates, 25 July 2024.
- QoN F107. October 22 Budget measure - Savings from External Labour and Savings from Advertising, Travel and Legal Expenses. 2023-24 Budget Estimates, 6 July 2023.
- QoN F024. Savings from external labour, and savings from advertising, travel and legal expenses. 2023-24 Budget Estimates, 6 July 2023.
- QoN F026. External labour hire, consultancy, advertising campaigns, travel and legal expenses. Supplementary Budget Estimates 2022-23, 31 March 2023.
- QoN F011. Agencies individual savings. 2022-23 October and November Budget Estimates, 22 December 2022.
- QoN F064. AGD Measure Savings. 2022-23 October and November Budget Estimates, 22 December 2022.
- QoN F053. Budget Paper 2 - expenditure. 2022-23 October and November Budget Estimates, 16 December 2022.
- QoN F054. Consultants - Savings. 2022-23 October and November Budget Estimates, 12 December 2022.

Freedom of Information (FOI) Requests

- Finance FOI 24/057. Related Budget Estimates Briefs – Document 1: External Labour Savings Measure. Response provided on 22 November 2024.

Recent Ministerial Comments

- [‘APS set to bring more than half a billion dollars of core work in-house’](#), 4 November 2024, Senator Hon Katy Gallagher.
- [‘Rebuilding and rebalancing public service critical for Australia’s future’](#), 6 May 2024, Senator Hon Katy Gallagher.

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- [‘Labor to achieve an additional \\$1 billion in savings from consultants and contractors’](#), 5 May 2024, Senator Hon Katy Gallagher.

Relevant Media Reporting

- [‘Albanese government lies about its consulting spend, Greens allege’](#), Tom Ravlic, The Mandarin, 27 August 2025.
- [‘Labour vowed to crack down on consultants, but spending is going up’](#), Olivia Ireland and Brittany Busch, The Sydney Morning Herald, 27 July 2025.
- [‘Revealed: Labour’s consultancy bill equivalent to Morrison’s’](#), Tansy Harcourt, The Australian, 2 May 2025.
- [‘Labour defends plan to save \\$6.4 bn by cutting more consultants as experts call it a ‘lazy option’](#)’, Henry Belot and Dan Hervis-Bardy, The Guardian, 29 April 2025.
- [‘Labour pledges to save \\$6.4b by cutting spending on APS consultants, contractors’](#), Lanie Tindale and Dana Daniel, The Canberra Times, 28 April 2025.
- [‘Finance minister reveals a further \\$2bn in savings in Tuesday’s federal budget’](#), Dan Jervis- Bardy, The Guardian, 24 March 2025.

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