



Further reducing spending on consultants, contractors and labour hire, and non-wage expenses	
Party:	Australian Labor Party
Summary of proposal:  The proposal would reduce expenditure by \$6.4 billion over 4 years by directing Commonwealth agencies to reduce spending on consultants, contractors and labour hire, and non-wage expenses by \$800 million in 2025-26, \$1.6 billion in 2026-27, \$2 billion in 2027-28 and \$2 billion in 2028-29.  The proposal would start on 1 July 2025 and would be ongoing.	

## Costing overview

The proposal would be expected to increase the fiscal and underlying cash balances by around \$6.4 billion over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects a decrease in departmental expenses.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2035-36 is provided at Attachment A.

The Parliamentary Budget Office (PBO) has not made any assessment as to whether the specified changes in funding would affect the delivery or performance of Commonwealth agencies' program and service delivery.

**Table 1: Further reducing spending on consultants, contractors and labour hire, and non-wage expenses – Financial implications (\$m)<sup>(a)(b)</sup>**

	2025-26	2026-27	2027-28	2028-29	Total to 2028-29
Fiscal balance	800.0	1,600.0	2,000.0	2,000.0	6,400.0
Underlying cash balance	800.0	1,600.0	2,000.0	2,000.0	6,400.0

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

## Key assumptions

The PBO has made the following assumptions in costing this proposal.

- The implementation of the proposal would deliver the specified level of savings.
  - In aggregate, APS agencies would be able to accommodate the specified reduction in departmental resourcing.
  - Internal budget resourcing decisions, including expenditure on employees relative to external labour, are determined by each agency individually, within their resource allocations. The PBO

has made no assessment as to decisions that agencies would take with respect to relative allocations of their overall resourcing.

- Consistent with the PBO's general election guidance, in the absence of a public statement specifying that this policy is terminating, the PBO has assumed that this policy is ongoing.
  - In the baseline, spending on external labour would continue over the medium term at the same proportion of Gross Domestic Product (GDP) as in the final year of the forward estimates as at the 2025-26 Budget.
  - Savings from reducing external labour and non-wage expenses would be the same proportion of GDP as in the final year of the forward estimates as at the 2025-26 Budget. The savings would grow in dollar terms after the forward estimates, and would be roughly 0.2% of projected total Australian Government expenditure over the medium term, which is the proportion for the saving specified in 2028-29.

## Methodology

Financial implications over the forward estimates period were profiled as specified.

Annual savings from 2029-30 were grown in line with the projected overall increase in Australian Government expenditure, as per *Key assumptions*.

Financial implications were rounded consistent with the PBO's rounding rules.<sup>1</sup>

## Data sources

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025*, Commonwealth of Australia.

The Treasury provided estimates on the level of Australian Government expenditure over the medium term as at the 2025-26 Budget.

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<sup>1</sup> <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

## Attachment A – Further reducing spending on consultants, contractors and labour hire, and non-wage expenses – Financial implications

**Table A1: Further reducing spending on consultants, contractors and labour hire, and non-wage expenses – Fiscal and underlying cash balances (\$m)<sup>(a)</sup>**

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
<b>Expenses</b>													
<b>Total – departmental</b>	<b>800.0</b>	<b>1,600.0</b>	<b>2,000.0</b>	<b>2,000.0</b>	<b>2,120.0</b>	<b>2,230.0</b>	<b>2,350.0</b>	<b>2,480.0</b>	<b>2,600.0</b>	<b>2,720.0</b>	<b>2,840.0</b>	<b>6,400.0</b>	<b>23,740.0</b>
<b>Total (excluding PDI)</b>	<b>800.0</b>	<b>1,600.0</b>	<b>2,000.0</b>	<b>2,000.0</b>	<b>2,120.0</b>	<b>2,230.0</b>	<b>2,350.0</b>	<b>2,480.0</b>	<b>2,600.0</b>	<b>2,720.0</b>	<b>2,840.0</b>	<b>6,400.0</b>	<b>23,740.0</b>

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

**Table A2: Further reducing spending on consultants, contractors and labour hire, and non-wage expenses – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)<sup>(a)(b)(c)</sup>**

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
<b>Fiscal balance</b>	<b>20.0</b>	<b>70.0</b>	<b>150.0</b>	<b>250.0</b>	<b>350.0</b>	<b>470.0</b>	<b>590.0</b>	<b>720.0</b>	<b>870.0</b>	<b>1,030.0</b>	<b>1,210.0</b>	<b>490.0</b>	<b>5,730.0</b>
<b>Underlying cash balance</b>	<b>10.0</b>	<b>60.0</b>	<b>130.0</b>	<b>230.0</b>	<b>330.0</b>	<b>440.0</b>	<b>560.0</b>	<b>690.0</b>	<b>840.0</b>	<b>990.0</b>	<b>1,160.0</b>	<b>430.0</b>	<b>5,440.0</b>

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary<sup>2</sup>.

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

<sup>2</sup> [Online budget glossary – Parliamentary Budget Office \(pbo.gov.au\)](https://pbo.gov.au/online-budget-glossary)