



### Reducing the APS to a sustainable level over time through natural attrition

Party: The Coalition

#### Summary of proposal:

The proposal would reduce the Australian Public Service (APS) (excluding military and reserves) by 41,000 over 5 years by implementing a hiring freeze and not proceeding with filling existing vacant positions.

The reductions would be focussed on Canberra-based roles and would be achieved through natural attrition and redeployments to maintain staffing levels in out-of-Canberra roles, frontline services and national security agencies.

#### Additional information (based on further advice provided):

Reductions in the average staffing level (ASL) would be in addition to any changes in ASL in the budget baseline as at the Pre-election Economic and Fiscal Outlook 2025.

The hiring and movement freeze would commence from 15 May 2025. Hiring would not occur for any unfilled position in 2024-25 for which a formal offer has not been made by 15 May 2025.

Frontline service delivery roles include those in the Service Delivery job family as defined by the Australian Public Service Commission (APSC).

#### National security agencies include:

- Australian Criminal Intelligence Commission
- Australian Federal Police
- Australian Geospatial-Intelligence Organisation
- Australian Secret Intelligence Service
- Australian Security Intelligence Organisation
- Australian Signals Directorate
- Australian Transaction Reports and Analysis Centre
- Defence Intelligence Organisation
- Department of Home Affairs
- Office of National Intelligence.

## Costing overview

The proposal would be expected to increase the fiscal and underlying cash balances by around \$12 billion over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects a net 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.

**Table 1: Reducing the APS to a sustainable level over time through natural attrition – Financial implications (\$m)<sup>(a)(b)</sup>**

	2025-26	2026-27	2027-28	2028-29	Total to 2028-29
Fiscal balance	1,006.0	2,331.0	3,708.0	5,106.0	<b>12,151.0</b>
Underlying cash balance	1,006.0	2,331.0	3,708.0	5,106.0	<b>12,151.0</b>

(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.

## Policy specification

The specification of this proposal reflects an assessment made by the Parliamentary Budget Office (PBO) of public statements made on this policy through the caretaker period, supplemented by additional information provided to the PBO by the party.

Staffing levels for all roles outside Canberra as well as frontline and national security roles in Canberra would be protected under this proposal. Natural attrition in these roles would be refilled through redeployment from non-protected roles in the first instance. However, redeployments are likely insufficient to cover attrition from protected roles.

## Uncertainties

The savings estimated under this policy are highly uncertain and dependent on the assumed rates of natural attrition and uptake of voluntary redeployments and redundancies.

The PBO has not made any assessment as to whether the specified reduction in the APS would affect the delivery or performance of APS agencies' program and service delivery.

## Natural attrition

The financial implications of the proposal are highly sensitive to the forecast of ASL in the budget baseline. As discussed in the PBO's *Beyond the Budget 2024-25*,<sup>1</sup> each budget includes allowances only for announced policy. As such, forecasts will usually understate future ASL outcomes as new measures are committed to, and terminating programs are extended. This means that the baseline numbers already include a decline in ASL (see Table 2 below and Box 3 in Chapter 2 of the 2025 Election Commitments Report).

For the purposes of this costing, the ability to achieve the specified reductions through natural attrition is affected by how quickly forecast ASL declines in the baseline. The baseline therefore

---

<sup>1</sup> [Beyond the budget 2024-25: Fiscal outlook and sustainability | pbo.](#)

determines the available savings. If the assumed baseline did not decline, the savings available under this policy would be higher.

**Table 2: Reducing the APS to a sustainable level over time through natural attrition – estimated baseline ASL<sup>(a)</sup>**

	2024-25	2025-26	2026-27	2027-28	2028-29
Average staffing level (ASL) - baseline	209,913	213,349	197,088	192,662	190,870

(a) 2024-25 and 2025-26 ASL are as reported in 2025-26 Budget Paper 4. 2026-27 onwards reflect PBO estimates.

There are uncertainties around rate of natural attrition (voluntary separations at no cost to the government), and that attrition would follow historical patterns. The likelihood of this is sensitive to broader labour market conditions, as well as government policy settings related to reducing the size of the APS.

**Redundancies**

Incentives to facilitate the reduction in ASL, either through redundancies or redeployment, are incorporated into this costing to achieve the proposed overall ASL reduction of 41,000 in Canberra while maintaining positions outside Canberra, and in service delivery and national security roles (see *Key assumptions* below).

The impact of redundancies on APS separations behaviour is unclear. Historically, an increase in redundancies has been correlated with a decrease in other separations, such as during 2013-14 and 2014-15.<sup>2</sup> The PBO has made no assessment of these impacts and assumed that attrition would be around the 10-year average. The PBO has not assessed the nature of incentives required (that is, voluntary or involuntary redundancies or redeployment payments), as there is insufficient data available.

**Redeployments**

Redeployments (either geographic or to protected frontline or national security roles) are specified to achieve the target ASL reduction. There is uncertainty over the degree of mobility of staff and the costing is sensitive to the assumption that staff would have the appropriate experience and skills to transfer to the protected roles.

The costing is also sensitive to the assumption that there would be sufficient capacity within Canberra based roles to support the required redeployments to achieve the proposed ASL reduction. Table 3 shows the location of APS roles excluding military and reserves. Just over a third of the APS workforce is Canberra based.

**Table 3: Reducing the APS to a sustainable level over time through natural attrition – 2024-25 estimated ASL location breakdown<sup>(a)</sup>**

ACT	VIC	NSW	QLD	SA	WA	TAS	NT	Overseas	Total
75,327	36,982	35,387	27,742	14,770	10,414	5,195	2,429	1,667	209,913
36%	18%	17%	13%	7%	5%	2%	1%	1%	100%

(a) Location breakdown is a PBO estimate based on estimated ASL for 2024-25 and the location profile of APS employee headcount as reported in the [Australian Public Service Employment Database](#) as at December 2024.

<sup>2</sup> APSC APS Employment Data 31 December 2024, table 65. Available [here](#).

## Key assumptions

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

### Attrition

- Not proceeding with planned hiring activities for unfilled positions in 2025-26 would contribute approximately 3,400 ASL to achieve the 41,000 reduction target.
- Natural attrition, comprising resignations and retirements, would be approximately 6% of ASL each year (around the 10-year average) and would not be affected (reduced) by the potential availability of redundancy payments.
- 10% of any natural attrition in protected roles would be able to be filled through incentivised redeployment of staff from non-protected roles, equivalent to around 4,300 redeployments over 5 years. Redeployment would not be expected to cover the remaining 90% of attrition.
  - Baseline transfers are informed by APSC data on transfer rates between APS agencies and from Canberra to other jurisdictions.<sup>3</sup> There is limited data to draw on for this other than the recent example of the relocation of the Australian Pesticides and Veterinary Medicines Authority to Armidale with a 10% redeployment rate.<sup>4</sup>
  - Where redeployment does not cover the remaining 90% of attrition, protected roles would be refilled through ordinary hiring activities, offset through additional redundancies in non-protected roles in Canberra.
- Natural attrition and redeployments are expected to occur evenly through the year, and evenly across classifications.
- There would be a reduction in ASL of around 8,200 in each year above the existing baseline decline, made up of not proceeding with recruitment, natural attrition, redeployments, and redundancies.
  - If there was a different profile of redundancies, savings may change under the policy.
- The cost of an incentivised redeployment would be equal to the cost of a redundancy for the staff being redeployed.
- There would be an adequate number of staff with the appropriate skills and experience at each classification in non-protected roles such that all redeployments to protected roles could occur at level.
- From the end of the forward estimates period, baseline ASL would otherwise grow by the annualised average APS growth rate (1.11%) between 1966 to 2024. ASL in Canberra under the policy would also grow by this rate from 2030-31 onwards, after the end of the 5-year hiring freeze. These assumptions provide the baseline against which savings in this proposal are determined.

---

<sup>3</sup> APSC APS Employment Data 31 December 2024, tables 63 and 64. Available [here](#).

<sup>4</sup> Final report: Future structure and governance arrangements for the APVMA. Available [here](#).

## Redundancies

- Any shortfall on the 41,000 ASL target would be made up with redundancies. The PBO has made no assessment of whether these would be voluntary or involuntary.
- The proportion of each APS classification accepting redundancy payments would reflect the classification profile of the APS in 2024 and the years of service of those accepting incentive payments would be similar to the median length of service by base classification reported in the 2024 APS employment data release.
- The budget impact of redundancies and redeployment payments would be equal to 2 weeks of salary per year of service, capped between 4 and 48 weeks. This is informed by the Australian Public Service Enterprise Award 2015 and the National Employment Standards.
- Departmental savings are returned to the budget, reducing the pool of departmental expenditure against which an efficiency dividend would be paid. This results in a reduction in departmental savings attributable to the efficiency dividend across the forward estimates and medium term.
  - The efficiency dividend is assumed to remain at 1% each year across the costing period for those agencies that are not fully or partially exempt.

## Methodology

The financial impact of reduced ASL was estimated by subtracting the estimated employee costs under the proposal from the PBO estimated baseline.

- The PBO estimates that approximately 155,000 roles are protected and 55,000 roles are non-protected, on the basis of APSC data regarding the Service Delivery job family and the location of roles, as well as the specification of national security roles.
- The PBO has included provision for incentives to achieve the specified 41,000 reduction in overall ASL over 5 years, as it is unlikely to be achieved through natural attrition alone, given the specified exclusions.
- Total employee costs were derived from average employee salary and superannuation costs per ASL, multiplied by the number of ASL as per *Key assumptions* above, using the PBO's departmental cost calculator.
- A compilation of estimated baseline employee costs and departmental appropriations across agencies over the forward estimates period was provided by the Department of Finance.
- Total incentive payment costs were calculated as the number of employees receiving a redundancy payment or redeployment incentive multiplied by their respective expected payment amount.
- The PBO's efficiency dividend model was used to calculate both the baseline efficiency dividend and the dividend after the proposed ASL reduction was applied.
  - For this costing, a decrease in the efficiency dividend partially offsets the savings from the ASL reduction, as the efficiency dividend would be calculated on a lower base appropriation.

Financial implications were rounded consistent with the PBO's rounding rules.<sup>5</sup>

---

<sup>5</sup> <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

## Data sources

Australian Public Service Commission (2025) [\*APS Employment Release Tables\*](#).

Australian Public Service Commission (2016) [\*Fifty years of APS employment data\*](#).

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

The Department of Finance provided employee remuneration expenses and departmental appropriation data over the forward estimates as at the 2025-26 Budget.

## Attachment A – Reducing the APS to a sustainable level over time through natural attrition – Financial implications

**Table A1: Reducing the APS to a sustainable level over time through natural attrition – 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>Departmental</b>													
<i>ASL reduction</i>	1,090.0	2,770.0	4,190.0	5,680.0	7,300.0	7,670.0	7,850.0	8,040.0	8,240.0	8,430.0	8,640.0	13,730.0	69,900.0
<i>Efficiency dividend</i>	-11.0	-53.0	-120.0	-216.0	-346.0	-434.0	-516.0	-601.0	-689.0	-780.0	-874.0	-400.0	-4,640.0
<i>Incentive payments</i>	-73.0	-386.0	-362.0	-358.0	-364.0	-21.0	-	-	-	-	-	-1,179.0	-1,564.0
<b>Total (excluding PDI)</b>	<b>1,006.0</b>	<b>2,331.0</b>	<b>3,708.0</b>	<b>5,106.0</b>	<b>6,590.0</b>	<b>7,215.0</b>	<b>7,334.0</b>	<b>7,439.0</b>	<b>7,551.0</b>	<b>7,650.0</b>	<b>7,766.0</b>	<b>12,151.0</b>	<b>63,696.0</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.

- Indicates nil.

**Table A2: Reducing the APS to a sustainable level over time through natural attrition – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)<sup>(a)(b)</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>	20.0	100.0	240.0	440.0	720.0	1,060.0	1,430.0	1,830.0	2,250.0	2,700.0	3,180.0	800.0	13,970.0
<b>Underlying cash balance</b>	20.0	80.0	200.0	390.0	650.0	980.0	1,340.0	1,730.0	2,150.0	2,590.0	3,060.0	690.0	13,190.0

(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>6</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>6</sup> [Online budget glossary – Parliamentary Budget Office \(pbo.gov.au\)](https://pbo.gov.au)