

Question Time Brief - Employment and Workplace Relations

QB23-000057

Last Updated by Department: 08 May 2023

Last Updated by Adviser: 7 May 2023

Employment saves**HEADLINE**

- The Employment and Workplace Relations portfolio will contribute \$151.3 million to Government's priorities through streamlining existing programs and cutting small ineffective programs of the previous Government.

KEY ISSUES

- These savings include:

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- \$15.8 million by reducing funding of the Fair Work Ombudsman by 2.5 per cent.

- Savings will be redirected to fund other priorities in the Employment and Workplace Relations portfolio.

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Question Time Brief - Employment and Workplace Relations

QB23-000057

Last Updated by Department: 08 May 2023

Last Updated by Adviser: 7 May 2023

BACKGROUND

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Reducing funding for the Fair Work Ombudsman

- The Government will apply an ongoing 2.5 per cent reduction to the Fair Work Ombudsman's departmental resourcing, to ensure it is operating effectively and efficiently.
- An independent review of the Fair Work Ombudsman's resourcing will be conducted to identify efficiencies and opportunities for savings given recent changes to its role.
- The Government will save \$15.8 million over the next four years from the Fair Work Ombudsman's budget (and \$3.9 million per year ongoing). The Department of Employment and Workplace Relations will spend \$0.3 million in 2024-25 on the review.
- Further information can be found in QB23-000060 Review of the Fair Work Ombudsman.

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Question Time Brief - Employment and Workplace Relations

QB23-000060

Last Updated by Department: 04 May 2023

Last Updated by Adviser: 7 May 2023

Review of the Fair Work Ombudsman (FWO)**HEADLINE**

The 2023-24 Budget includes an independent review to identify opportunities for efficiencies in the Fair Work Ombudsman's practices, including reviewing whether resources are being allocated to the regulator's highest priority areas.

KEY ISSUES

- This measure is consistent with the Government's commitment to **budget repair and responsible spending**.
- Having a **well-resourced, effective workplace regulator** is critical to stamping out non-compliance and assisting vulnerable workers.
- This review will look to determine the most **efficient** way to deliver Fair Work Ombudsman's **core services**:
 - educating workers and businesses about their rights and obligations;
 - monitoring compliance with the Fair Work Act; and
 - taking enforcement action where necessary and assisting employees to recover entitlements.
- An independent external consultant will conduct this review – it needs to be an impartial process.
- Efficiencies identified will support the implementation of a **2.5 per cent** ongoing reduction that the Government has applied to the budget of the Office of the Fair Work Ombudsman.
- The Government will save **\$15.8 million** over the next four years from the Fair Work Ombudsman's budget (and **\$3.9 million** per year ongoing).
- The Department of Employment and Workplace Relations will spend **\$0.3 million** in 2024-25 on the review.

Question Time Brief - Employment and Workplace Relations

QB23-000060

Last Updated by Department: 04 May 2023

Last Updated by Adviser: 7 May 2023

BACKGROUND

- The Fair Work Ombudsman's activities have changed significantly as the labour market has grown, laws have changed and new issues have emerged. The Fair Work Ombudsman has also assumed some of the functions of the Australian Building and Construction Commission. The Registered Organisations Commission, which was organisationally part of the Office of the Fair Work Ombudsman, was also abolished on 6 March 2023.
- The report will be provided to the Minister, the Department of Employment and Workplace Relations and the Office of the Fair Work Ombudsman.



Review of the Office of the Fair Work Ombudsman

This initiative is a component of 2023-24 Budget measure: *Safe and Fair Workplaces*

Funding

	2022-23 (\$m)	2023-24 (\$m)	2024-25 (\$m)	2025-26 (\$m)	2026-27 (\$m)	Total FE (\$m)
DEWR	0.0	0.3	0.0	0.0	0.0	0.3
Office of the Fair Work Ombudsman	0.0	-4.1	-3.9	-3.9	-3.9	-15.8
Total	0.0	-3.8	-3.9	-3.9	-3.9	-15.6

Figures displayed as a negative (-) represent a decrease in funds and a positive (+) represent an increase in funds.

Talking points

Purpose

- An independent review to identify opportunities for efficiencies in the Fair Work Ombudsman’s practices, to ensure its resources are allocated to areas of highest priority.

Overview

- An independent review of the Fair Work Ombudsman’s resourcing will be conducted to identify efficiencies and opportunities for savings given recent changes to its role.
- The Fair Work Ombudsman’s activities have changed significantly as the labour market has grown, laws have changed, and new issues have emerged. The Fair Work Ombudsman has also assumed some of the functions of the Australian Building and Construction Commission. The Registered Organisations Commission, which was organisationally part of the Office of the Fair Work Ombudsman, was also abolished on 6 March 2023.
- The review will seek to identify further efficiencies without negatively impacting the Fair Work Ombudsman’s core service delivery; including educating workers and businesses about their rights and obligations, monitoring compliance with the *Fair Work Act 2009 (Cth)* (Fair Work Act), taking enforcement action where necessary and assisting employees to recover entitlements.
- An independent external consultant will conduct this review. The Terms of Reference and methodology for the review are currently under consideration.
- Efficiencies identified by the review will support the implementation of a 2.5 per cent ongoing reduction that the Government has applied to the budget of the Office of the Fair Work Ombudsman, to ensure it is operating effectively and efficiently.
- The government will save \$15.8 million over the next four years from the Fair Work Ombudsman’s budget (and \$3.9 million per year ongoing). The Department of Employment and Workplace Relations will spend \$0.3 million in 2023-24 on the review.
- This measure is consistent with the government’s commitment to budget repair and responsible spending.



Q&A

Why has the amount of the saving been decided in advance of the review's findings?

- The government will ensure the Fair Work Ombudsman is operating effectively and efficiently by applying a 2.5 per cent ongoing reduction to its annual budget. The amount has been determined at a level that will not affect the Fair Work Ombudsman's core service delivery, while ensuring the agency's resources are allocated to areas of the highest priority.
- Given the recent significant changes to the role of the Fair Work Ombudsman, with the abolition of the Australian Building and Construction Commission and the Registered Organisations Commission, it is appropriate that its Budget be reviewed for efficiencies. This aligns with the government's broader commitment to budget repair and responsible spending.
- If the review identifies further savings that can be made in the Fair Work Ombudsman's operations, this will be considered by government in a future Budget.

Why has the agency's budget been reduced when numerous reports and inquiries have previously called for the FWO to receive more funding?

- The Review will identify areas where the Fair Work Ombudsman can operate more effectively and efficiently, ensuring that core service delivery is unaffected.
- The agency's budget will be considered alongside future workplace relations reform in the usual manner.

How will the review be conducted?

- The terms of reference and methodology for the review are currently under consideration.
- An independent external consultant will be selected to conduct the review.
- The report will be provided to the Minister, the Department of Employment and Workplace Relations and the Office of the Fair Work Ombudsman.

Why is a consultant being engaged to conduct the review, instead of the Department of Employment and Workplace Relations?

- A consultant with experience in senior public administration will provide an independent and objective assessment of the Fair Work Ombudsman's funding and operations, identifying efficiencies and ensuring that recommended changes to the Fair Work Ombudsman's operations minimise impacts on the Fair Work Ombudsman's service delivery.
- The department does not have the capacity to conduct a whole-of-organisation review of the Fair Work Ombudsman's funding and operations, given the significant workplace relations reform agenda to deliver this year.
- The department will retain oversight of the conduct of the review, while upholding its independence.



Could this restrict the ability of the Fair Work Ombudsman's ability to recover the entitlements of workers?

- The review will seek to identify efficiencies that will not negatively impact the Fair Work Ombudsman's core service delivery, such as educating workers and businesses about their rights and obligations, monitoring compliance with the Fair Work Act, taking enforcement action where necessary and assisting employees to recover entitlements.
- Its focus will be on finding opportunities to allocate resources to areas of the highest priority in delivering its functions.
- Last year, the Fair Work Ombudsman (FWO) received additional agency funding of \$75.2 million and 86 average staffing level over four years in the October 2022-23 Budget, to support the FWO to implement the measures in the *Fair Work Legislation Amendment (Secure Jobs, Better Pay) Act 2022*. This funding comprises \$69.9 million to more comprehensively regulate the Fair Work Act in the commercial building and construction industry, \$3.1 million to implement the express prohibition on workplace sexual harassment in the Fair Work Act, and \$2.2 million to support small businesses understand and implement the newly legislated entitlement to 10 days of paid family and domestic violence leave.

Background

Portfolio Budget Statement excerpt

- Consistent with the Government's commitment to budget repair and responsible spending, opportunities have been identified to review programs to ensure quality spending. The savings achieved will be redirected to fund other employment, skills and training, and workplace relations programs. This includes \$15.8 million over four years from 2023–24 by reducing the Office of the Fair Work Ombudsman's departmental resourcing by 2.5 per cent.

Does this feature in the Regional Ministerial Budget Statement

- No

Risks, issues and sensitivities (for internal use only)

- The Fair Work Ombudsman is an efficient agency: in 2021-22 it recovered over \$532 million in unpaid entitlements for more than 384,000 employees – this is more than three times the Fair Work Ombudsman's annual funding. A reduction in the Fair Work Ombudsman's resourcing could risk the upward trend in the Fair Work Ombudsman's recoveries being reversed.
- The review can mitigate this risk by focusing on finding efficiencies in the Fair Work Ombudsman's operations, rather than reducing service delivery, where possible.
- The outcomes of the review will be put before the Minister for consideration. The Minister will write to the Prime Minister and Minister for Finance to finalise outcomes by 30 November 2023.



Stakeholder engagement

- This review could be criticised by stakeholders as a ‘budget cut’ to the Fair Work Ombudsman or ‘de-funding’ the Fair Work Ombudsman at a time when the Fair Work Ombudsman is providing support to employers managing their obligations under new workplace relations laws, particularly support for small businesses, alongside the support it provides to workers.
- This action could also be criticised as contradictory to the decision to provide the Fair Work Ombudsman with significant additional resourcing in the October 2022 Budget to take on new functions associated with the abolition of the Australian Building and Construction Commission.
- To mitigate this risk, we can clearly communicate that we are ensuring that our significant workplace relations reforms are delivered efficiently and in a fiscally responsible way. We can also emphasise our election commitment to budget repair and responsible spending.

Stakeholders (for internal use only)

- Key stakeholders for this measure include:

Stakeholder	Sentiment
Employer groups	Neutral/support. Employer groups may argue the FWO should be more focused on providing education and assistance to help employers meet their obligations, and less on compliance and enforcement (particularly litigation).
Unions	Support. Unions are likely to support a review with the aim of ensuring the FWO is efficient and effective at supporting employees to recover their entitlements.

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Contacts

Key contact	Clearance officer
s 22(1) [redacted]	s 22(1) [redacted] A/g First Assistant Secretary, Entitlements Safeguards
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s 22(1) [redacted]	

2023-24 May Budget Scorecard - Employment and Workplace Relations

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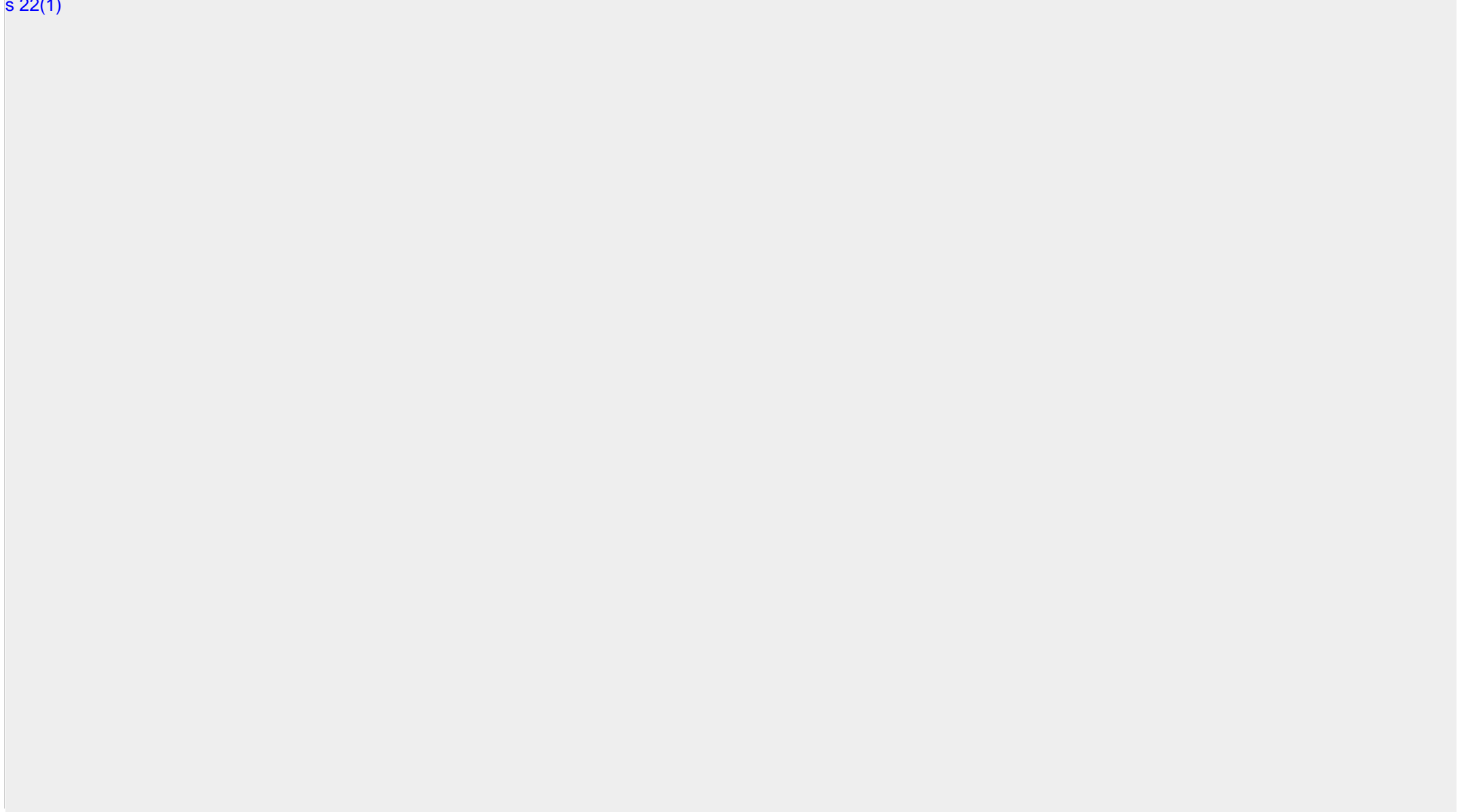
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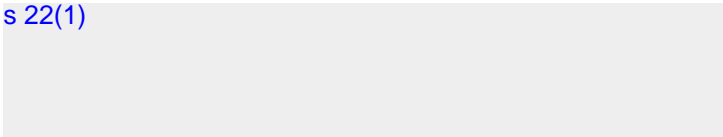
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Workplace Relations - standalone submission	0.0	-31.6	-34.7	-35.2	-28.0	73.9	Comments
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Review of the Office of the Fair Work Ombudsman

This proposal seeks to conduct a Review of the Office of the Fair Work Ombudsman and achieve a 2.5 per cent ongoing efficiency savings

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Possible offset under consideration. Optionality to scale as needed - currently proposed a 2.5% efficiency savings

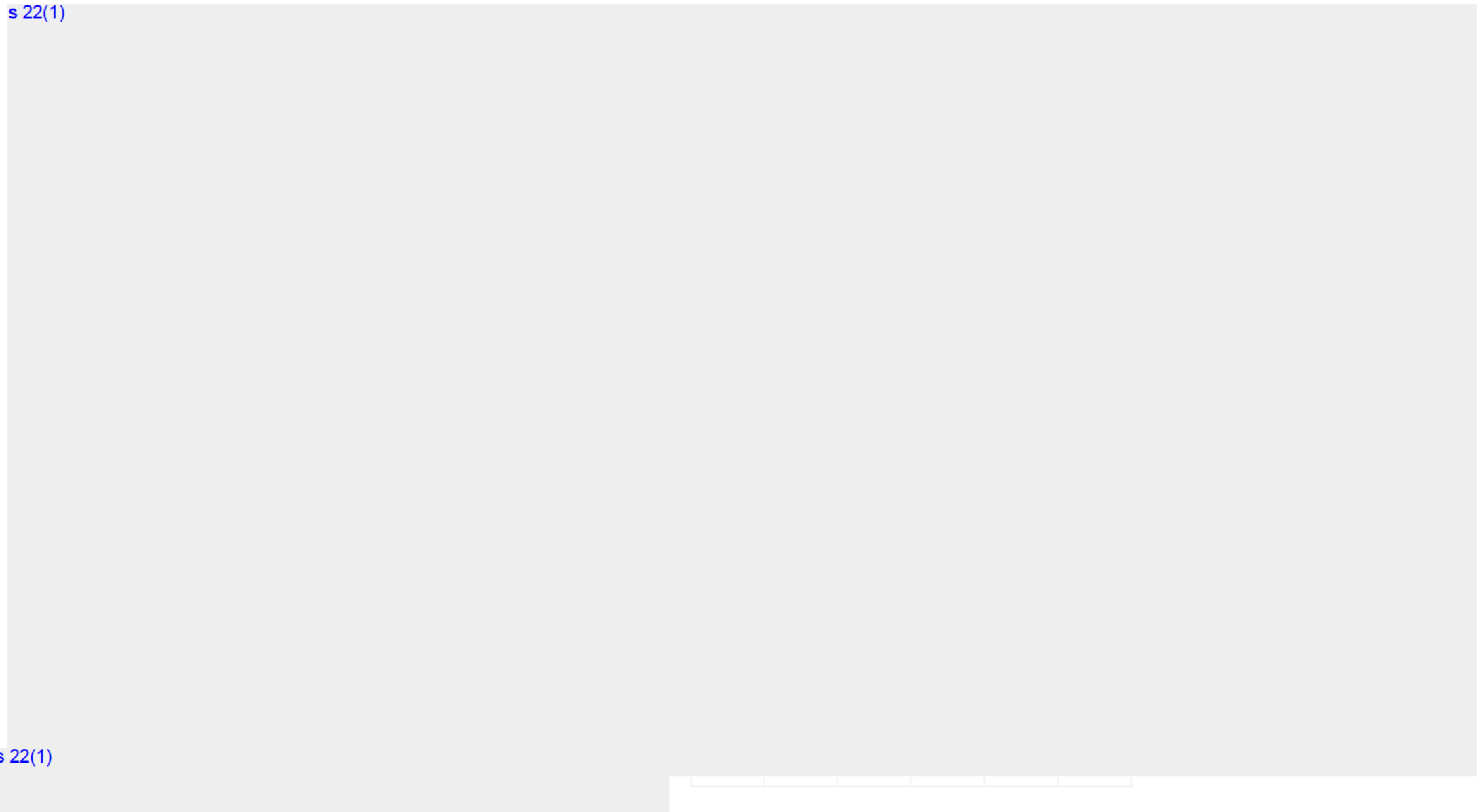
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Note: Indicative UCB impacts shown.

Payments: increases have negative (-) impacts; decreases have positive (+) impacts.

Receipts: increases have positive (+) impacts; decreases have negative (-) impacts.

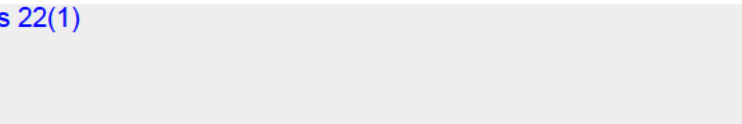
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2023-24 Budget Key Figures – as of 20 February

NOTE: The figures in the following table are indicative and are likely to change as costings are agreed with the Department of Finance.

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[Redacted Table Content]					
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Savings					
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18. FWO efficiency savings (2.5% per year)	s 34(3)				

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[Redacted Table Content]					
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[Redacted Table Content]					
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Document 8, pages 37 to 38 (inclusive) exempt in full under section 34(1)(d) of the FOI Act

Document 10, pages 200 to 218 (inclusive) exempt in full under sections 34(2), 47C(1), 47E(d) of the FOI Act with irrelevant information deleted under section 22 of the FOI Act.

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s 47E(d)

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The recommendation around the FWO offsets proposal ^{s 34(2)} should make it clear that the offset would be achieved through a 2.5 per cent efficiency saving for the FWO budget. ^{s 47E(d)}

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Document 10, pages 222 to 260 (inclusive) exempt in full under sections 34(2) and 47E(d) of the FOI Act with irrelevant information deleted under section 22 of the FOI Act