

National Employment Services Association (NESA)

Pre-Budget Submission 2025-26

January 2025

Executive Summary

NESA's submission makes the following recommendations for consideration in the 2025-26 Budget to ensure Australia's employment services system is sustainable, equitable, and effective in connecting job seekers with opportunities in 2025-26 and beyond.

Fairer Funding:

- **Request the Fair Work Commission to review the Labour Market Assistance Industry Award** and review its pay rates to ensure Award levels for staff working at the frontline of Australia's public employment services' system reflect the real value of their work.
- **Provide fairer funding agreements** by providing equivalent funding in service agreements for public employment services providers that match what Government pays its own workforce for the same work. Inflation should also be factored in annually and align with CPI.
- **Conduct and release independent financial modelling of employment services programs** by publicly releasing independent financial modelling and viability analyses for programs prior to opening a tender. Financial modelling should be informed by public employment services providers and industry.

Reduce Red Tape:

- **Reduce administrative burden for public employment services providers by 20% in 2025-26** and set measurable targets to monitor and report on progress. This should be supported by a time and motion study to track progress against this target.
- **Fund and build essential IT functionality specifically for public employment services providers** so that the IT system is fit for purpose.
- **Assurance processes should be streamlined** to reduce overburdensome manual compliance and evidence gathering activities that are of little or no value.
- **Grant longer licences.** Stop the costly burden on government, providers, community and taxpayers by having only short term 3-year contracts. Grant longer licences for 5 years or more that automatically roll-over unless providers are underperforming.

Good Government Stewardship:

- **Establish an Employment Services Act** in 2025-26 legislating the Australian Government's role, governance and accountabilities in relation to Australia's employment services system. The Act should include principles guiding government

decision-making; with public reporting obligations placed on its various responsibilities and performance.

- **Measure system performance** by delivering an overarching system performance framework within 2025-26 to measure government's performance in stewarding the system. This should include performance measures, service standards, as well as regional operational performance reviews.
- **Measure leaders' performance** by instituting performance agreements (with KPIs) in 2025-26 for government senior executives and their staff, that include measures relating to their stewardship of national programs and
- **Trial new employment services performance frameworks** for at least six months prior to publication, to help identify flaws, and enable providers time to adequately understand requirements, embed new processes, and train staff.

A Safe and Supported Workforce:

- **Fund safety and security measures** for frontline employment services staff on the same basis as Government funds Services Australia staff for safety and security.
 - **Implement changes to the challenging behaviour policy** governing employment services staff to ensure that all employment program policies regarding managing challenging behaviour:
 - are aligned
 - enable providers to immediately transfer a job seeker to a digital service where there is immediate risk of harm or injury to a worker or other clients, and
 - enable providers to immediately transfer the job seeker with challenging behaviour to Services Australia for urgent assessment of their needs, so that they can be referred to appropriate medical, mental health or other support as required to support them.
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Introduction

1. Fairer Funding

NESA is calling on the Australian Government to invest in fairer funding models for external providers of public employment services to reflect the real cost of delivering employment services, ensuring the sector can continue to deliver high quality employment services in 2025-26.

The cost of supporting job seekers to find work has surged over the last few years. Most external providers self-fund well above the Award to attract and retain frontline staff.¹ Yet, Government funding to external providers remains static. Agreements are based on abysmally low Award rates, such as the Labour Market Assistance Industry Award, with a substantive review by the Fair Work Commission of the wage rates under this Award being long overdue.

There is a significant gap between the wages paid to government-employed staff and those funded for external providers. Government employees can receive up to 25% more for equivalent roles.² The Government also generously funds itself for extra staff for administration, whereas administration is a burden borne by front-line workers in employment services, taking them away from their primary role of helping job seekers get jobs. This disparity creates significant challenges for outsourced providers to attract and retain skilled staff, leading to ongoing high staff turnover and service disruption.

Outsourced services also represent far greater value for money than services delivered directly by government. Yet, external providers of public employment services face significant and systemic funding inequities with current funding agreements not reflecting the real cost of supporting job seekers into work.

An independent financial analysis by KPMG of the Workforce Australia model identified that ‘there remained at least two and up to 12 employment regions that were unlikely to be able to support a single provider under the final policy settings for the new model’.³ The KPMG financial viability analyses also warned that providers would not maintain viability under the new employment services model at inflation rates of 4% or above.⁴ Ongoing financial

¹ See Select Committee on Workforce Australia Employment Services, *Rebuilding Employment Services*, November 2023, Chapter 6, [Chapter 6 - Workforce and service capability – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au/parliamentary_business/committees/select_committees/workforce_australia/employment_services)

² See Comparison of Australian Public Service, Employment Services and Labour Market Assistance Industry Award wages, at <https://nesa.com.au/wp-content/uploads/2024/10/Fair-Go-Funding-Policy-Platform.pdf> page 4.

³ Australian National Audit Office, *Establishment of the Workforce Australia Services Panel*, Report, 27 November 2023, paragraph 14, accessed at <https://www.anao.gov.au/work/performance-audit/establishment-the-workforce-australia-services-panel>

⁴ KPMG financial viability analyses of the new employment services model ‘examined the importance of indexation over the 10-year period and identified that relative differences between revenue and cost indexation would amplify the longer the contract period, however, adjustments could be required overtime depending on cost inflation changes. KPMG modelled indexation at 6.8% every three years (starting in 2025) with cost inflation rates of 1%, 2.5%, 1.85% and 4%.’ KPMG found that ‘providers would maintain viability at all inflation rates except 4% where a loss would be recorded over a 10 year contract period’.

viability is a significant issue for many employment service providers, compounded by sustained inflationary pressures well above 4% for the first two years of the contract.

In a cost-of-living crisis, the cost of doing business has also soared. Providers bear the cost of critical investment in business infrastructure, including cybersecurity, IT systems, and professional development. In regional and remote Australia, the wellbeing of workers is under pressure as they struggle to attract and retain staff, with more work to do and less resources. Regional and remote employment services are battling the additional burdens of distance and time, given the high cost of transport and delivering regional services, lack of infrastructure, accommodation needs, and challenges in recruiting and retaining staff. All employment service provider's businesses face contract uncertainty that impacts staff wellbeing and retention and de-stabilises the sector. In addition to this, the costs of exiting contracts can be exorbitant, with businesses citing in excess of \$2 million to close down contracts when programs cease including paying out staff, closing down premises, and breaking leases. These factors can be significant deterrents to entering the short-term employment contracts offered by the Government.

None of these expenses are sufficiently accounted for in existing funding models.

The true cost of delivering essential services on behalf of the Australian Government must be recognised and fairly funded, and the financial stability of the sector assured.

NESA calls on the Australian Government to:

- **Request the Fair Work Commission to review the Labour Market Assistance Industry Award** and review its pay rates and ensure Award levels for staff working at the frontline of Australia's public employment services' system reflect the real value of their work.
- **Provide fairer funding agreements** by providing equivalent funding in service agreements for public employment services providers that match what Government pays its own workforce for the same work. Inflation should also be factored in annually and align with CPI.
- **Conduct and release independent financial modelling of employment services programs** by publicly releasing independent financial modelling and viability analyses for programs prior to opening a tender. Financial modelling should be informed by public employment services providers and industry.

2. Reduce Red Tape

NESA is calling on the Australian Government to cut the administrative burden on frontline workers by 20% in 2025-26, freeing them up so that they can get back to their real jobs of focusing on supporting job seekers to get jobs.

Employment services front line workers are overloaded by government driven 'administrivia'. This diverts them from their primary role of helping job seekers get jobs, overburdens and burns them out, and drives workforce instability as workers quit the sector altogether.

Administrative burden has spiked across all employment service programs over the last few years. In Workforce Australia alone, front line workers spend more than 53% of their time on administrative and compliance tasks set by Government. This burden has increased more than 20% since the implementation of Workforce Australia. This is in addition to other regulatory burdens imposed by Government. Front line workers can easily spend up to 60% of their time dealing with government driven administration that serves little to no purpose.

A significant increase in administrative burden in the employment services sector is due to the failure of the Australian Government to provide employment service providers with an IT system that is fit for purpose. This is deeply concerning given other employment programs such as the new specialist disability employment program, and the new remote employment service program will be transferring to this system in 2025-26. Most providers have had to self-fund their own systems to capture basic information or create work arounds, such as the ability to upload a resume (a function that was only added to the IT system in December 2024).

Yet there is a gaping difference between what the Australian Government funds for itself, and what it funds for providers. Government provided \$10.9 million over four years under Budget 2024-25 to address the shortfalls in the IT system; however, the bulk of funding was earmarked to meet Government's internal needs, not that of external providers.

Government required administration must be driven by an understanding of the wholistic impact of regulation. 'Busy work' must be cut so that the only administration required is that which adds value for job seekers, and frontline work is supported by an IT system that is fit for purpose.

NESA calls on the Australian Government to:

- **Reduce administrative burden for public employment services providers by 20% in 2025-26** and set measurable targets to monitor and report on progress. This should be supported by a time and motion study to track progress against this target.
- **Fund and build essential IT functionality specifically for public employment services providers** so that the IT system is fit for purpose.
- **Assurance processes should be streamlined** to reduce overburdensome manual compliance and evidence gathering activities that are of little or no value.
- **Grant longer licences.** Stop the costly burden on government, providers, community and taxpayers by having only short term 3 year contracts. Grant longer licences for 5 years or more that automatically roll-over unless providers are underperforming.

3. Good Government Stewardship

NESA is calling on the Australian Government to lead by example, and implement public accountability mechanisms in 2025-26 regarding its own stewardship of, and performance within the Australian employment services system.

Good government stewards consider the consequences of their actions, the quality of their systems and supports, and the impact of Government decision-making, policy and tools on others.

The Australian public and the employment services sector needs accountable leaders in Government, with Government held responsible for how effective and efficient they are in operating the system. Leaders should have clear principles that guide their actions and accord with public expectations, guide stewardship of, and decision-making within the employment services system. The primary principle should be ‘the best interests of job seekers are paramount in the design and delivery of employment services.’

The Australian public should have access to information on how the Government is performing in its role as steward of the employment services system, with the Government held publicly accountable for its performance, and the taxpayer money that it spends.

Government’s current ‘punitive and transactional’ mindset has devastating consequences for the charities and businesses that operate employment services, and Australia’s job seekers. For government to effectively and efficiently run the employment services system, it must give public account, and be held responsible for how diligently, and carefully, it is stewarding the employment services system.

Good government stewardship of Australia’s employment services system is vital to ensure the system ‘does no harm’ to job seekers, providers, employers and the community. Yet, this did not happen with recent government errors in the disability employment services performance rating fiasco, where 52 contracts were cancelled based on erroneous performance ratings.

Government should ‘do no harm’ to the sector. Therefore, NESA is calling on the Australian Government to allow sufficient time to independently test, work with the sector, and publicise financial modelling for proposed programs which demonstrate programs are financially viable prior to tendering processes opening.

Government must also allow sufficient time to test performance ratings prior to publication. NESA is calling on the Government to institute a ‘try, test and learn’ philosophy with performance measures within the employment services system prior to public roll-out, allowing at least 6 months for errors, flaws, or implementation issues to be identified and fixed.

Government must also be transparent as to how well it is performing. In the employment services system, the Government is currently both steward, and service provider. Yet there is no transparency on its performance as either steward or service provider. The Government has completely different rules for itself than for external contracted providers. For example, there is no public reporting on government service performance in of Workforce Australia in Broome, or transparency in relation to how much the Broome project has cost Government. Further, in establishing the Parent Pathways program in Playford, South Australia, the Government allocated itself funding for staff at rates well in excess of 25% more than the Award rates upon which external providers funding agreements are based. There is also no transparency in relation Workforce Australia online delivered by the Government and whether it has performed better, worse, or the same as under the previous program (Jobactive), and there is no substantive data publicly available on its performance.

NESA calls on the Australian Government to be transparent in how it leads and performs by:

- **Establish an Employment Services Act** in 2025-26 legislating the Australian Government's role, governance and accountabilities in relation to Australia's employment services system. The Act should include principles guiding government decision-making; with public reporting obligations placed on its various responsibilities and performance.
- **Measure system performance** by delivering an overarching system performance framework within 2025-26 to measure government's performance in stewarding the system. This should include performance measures, service standards, as well as regional operational performance reviews.
- **Measure leaders' performance** by instituting performance agreements (with KPIs) in 2025-26 for government senior executives and their staff, that include measures relating to their stewardship of national programs and
- **Trial new employment services performance frameworks** for at least six months prior to publication, to help identify flaws, and enable providers time to adequately understand requirements, embed new processes, and train staff.

4. A Safe and Supported Workforce

NESA is calling on the Australian Government to provide equitable funding for the safety of frontline workers. NESA is seeking funding under Budget 2025-26 for employment service providers for safety and security measures for front-line staff on the same basis as they fund their own Services Australia centres.

Frontline public employment services staff often put their lives on the line. 72% of the workforce identifies as female, yet every day they walk into the service to help people and face the possibility of having to work with a job seeker that will either physically or verbally abuse them. The psychological harm inflicted has a long-term impact, not only on them, but

also their families. Yet, they have little or sometimes no ability to immediately refuse service to someone who has hurt or threatened them. Providers self-fund security measures for staff to ensure they are safe; however, staff are still leaving the sector in droves with 46% leaving the sector in 2023.

In contrast, the government does not expect its workforce of 6,200 plus staff around Australia to work in dangerous conditions without safety measures in place. Government responded to the high-risk of harm these workers face and invested \$314 million under Budget 2024-25 to strengthen safety and security at Services Australia centres around Australia.⁵ This is the same cohort that employment service providers support with over 12,000 frontline staff employed across not-for-profit, charities, and for-profit employment services. Not one of these is funded for additional security or safety measures by the Government. The safety of non-government workers should be seen as just as important as that of government workers.

To compound this concern, under Workforce Australia there is no ability for a provider to immediately transfer a job seeker to a government-run digital service and/or Services Australia (particularly if they need assessment to obtain urgent medical or mental health support), even if they have harmed or threatened staff, or another job seeker. It is only once a provider has gone through multiple layers of bureaucratic administration that someone who poses a threat can be transferred.

Providers should be appropriately funded to invest in place-based appropriate measures to support the safety and security of their staff, and other clients. This could include quality training in managing and de-escalating challenging behaviour, conflict resolution, as well as other safety measures such as duress alarms and site-specific safety measures. Many regional and remote workers also travel very long distances alone into regional and remote communities where there may be no police or other immediate support available if something goes wrong. Funding should be available to enable providers to implement solutions that meet the discrete safety and security needs of the communities they work in, ensuring safety measures are appropriate to the local context and needs.

NESA calls on the Australian Government to fund and support safety for employment services workers by:

- **Funding safety and security measures** for frontline employment services staff on the same basis as Government funds Services Australia staff for safety and security.
- **Implement changes to the challenging behaviour policy** governing employment services staff to ensure that all employment programs policies regarding managing challenging behaviour:

⁵ The Albanese Government invested \$314 million in response to 9,000 incidents of aggression in service centres in 2022-23 and a review of safety in 2023. See also Australian Government: Services Australia Security Risk Management Review Report, by Graham Ashton, July 202. See <https://www.servicesaustralia.gov.au/security-risk-management-review-key-findings-and-recommendations?context=22>

- are aligned
 - enable providers to immediately transfer a job seeker to a digital service where there is immediate risk of harm or injury to a worker or other clients, and
 - enable providers to immediately transfer the job seeker with challenging behaviour to Services Australia for urgent assessment of their needs, so that they can be referred to appropriate medical, mental health or other support as required to support them.
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Conclusion

NESA urges the government to address these critical issues under the 2025-26 Budget.

By investing in fair funding, reducing administrative burdens, enhancing stewardship, and prioritising workforce safety, Australia can achieve a more effective and equitable and stable employment services system.

For further information, contact:

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