

2026-27 Pre-Budget Submission

January 2026



Executive Summary

The National Employment Services Association (NESA) is the peak body for Australia's public employment and related services sector.

Australia's public employment services system is operating under sustained structural pressure, with rising costs, escalating administrative burden, workforce safety risks and frequent disruptive procurement cycles that undermine sector capability, market productivity and the viability of charities and businesses. While recent program reforms have brought cautious optimism, underlying policy, funding and procurement settings have not kept pace with economic conditions or frontline delivery realities, creating growing fiscal and sustainability risks to the sector.

The 2026-27 Budget is a critical opportunity to stabilise public employment services and other markets reliant on government funding for their survival and prevent market failure. This can be achieved by embedding settings that prevent major market disruption, support performance, talent retention, and productivity ahead of any further employment services reforms.

NESA is calling on the Australian Government to focus on five priority areas in Budget 2026-27:

- **Targeted procurement changes** to the Commonwealth Procurement Rules to enhance national productivity and efficiency of public expenditure, and better service the public interest and the Government's productivity agenda
- **Fairer and sustainable funding**, for employment service providers including annual indexation of funding aligned to inflation, parity with Government-funded roles, and recognition of the real and escalating cost of government compliance requirements and service delivery
- **Meaningful reduction in red tape**, including a 20 per cent reduction in government-created administrative and regulatory burden within employment services, fit for purpose IT systems, and longer contract terms with expedited contractual processes for high-performing providers
- **Stronger government stewardship**, underpinned by transparency, accountability, legislated governance arrangements and performance frameworks that apply to Government as system steward, and

- **Investment in a safe and supported workforce**, recognising heightened frontline risks and ensuring employment services staff are afforded safety standards and funding comparable to those provided to Government workers supporting the same cohorts.

Submission

Australia's public employment services system continues to operate in an environment of ongoing reform, uncertainty and cumulative system pressure. While the commencement of new programs, such as Inclusive Employment Australia and the Remote Australia Employment Service in 2025-26, has brought cautious optimism, these changes are occurring against a backdrop of significant structural fragility across the broader system.

Employment services providers continue to face rising costs, and administrative and regulatory burden, workforce shortages and talent drain, safety risks, and frequent procurement cycles that destabilise services and the market, disrupt communities and undermine long-term outcomes for job seekers and employers. These pressures are not isolated to individual programs, but are systemic in nature, and driven by government policy, funding and procurement settings.

NESA is calling on the Australian Government to invest in:

- procurement frameworks that promote performance, and market capability, productivity and stability
- fair and sustainable funding for the sector
- meaningful reduction in administrative and regulatory burden
- stronger government system stewardship that enables achievement of outcomes for participants, and
- a sustainable, safe and supported employment services workforce.

1. Procurement Reform

Recent major employment services tenders have demonstrated that procurement processes are not sufficiently focused on past performance, and preventing adverse market impacts. National tenders for Workforce Australia, Inclusive Employment Australia, and Transition to Work programs have caused large-scale market disruption, workforce loss, and the displacement of high-performing providers, often without regard to the adverse consequences for job seekers, employers, charities, and communities.

The Commonwealth Procurement Rules as they currently operate are:

- not sufficiently focused on performance
- enabling government agencies to inadvertently cause major market disruption without regard to adverse consequences for people, charities, businesses and communities, and
- not expressly requiring Government agencies to conduct procurements with optimal efficiency, effectiveness, and in an economical manner.

Consistently high performing providers can be displaced by lower performing providers based on what has essentially become an essay writing competition. Further, AI-assisted tender writing is increasingly common, undermining a genuine assessment of capability and outcomes. Nor do they require consistent use of performance data already held by Government when assessing tenders. Government also currently has the option to selectively and inconsistently use data at its disposal adding to greater subjectivity in procurement assessments.

NESA advocates for targeted, practical reforms to the Commonwealth Procurement Rules to better align procurement with performance, efficiency and the public interest.

NESA calls on the Australian Government to:

- strengthen the ‘Value for Money’ principle to make past performance and capability to deliver outcomes a paramount consideration in procurement decisions
- require agencies to consider relevant performance data held by Government when assessing tenders
- introduce safeguards to mitigate adverse economic impacts and market disruption arising from major national procurements
- require procurement processes to be conducted in a manner that is demonstrably efficient, effective and economical, including adopting streamlined approaches for high-performing providers such as automatic contract extensions, and simplified invitation to treat processes, and
- support longer contract terms and rollover mechanisms to reduce unnecessary market churn and protect workforce capability.

2. Fairer Funding

NESA continues to call on the Australian Government to invest in fairer funding models for external providers of public employment services that reflect the real cost of delivering high-quality services.

The cost of supporting job seekers to find work has continued to rise. Most providers self-fund wages well above Award rates to attract and retain frontline staff, yet Government funding to external providers remains static and anchored to outdated assumptions about workforce and business costs. Funding agreements continue to rely on the Labour Market Assistance Industry Award 2020, despite the increasingly complex, high-risk and professional nature of frontline employment services work.

There remains a significant and persistent gap between what Government funds for its own workforce and what it funds for contracted providers performing equivalent roles. Government employees can receive up to 25 per cent more for the same work, with additional funding provided for administration and internal support functions that providers must absorb within frontline delivery.

In addition, payment rates for professional services delivered through providers’ own or related entities, such as allied health or suitably qualified psychologist supports, has not been indexed since 2022, despite significant cost growth in these professions, including increases in Award rates of pay. The absence of indexation has rendered these services increasingly unviable to deliver over the life of the contract, limiting access to critical supports for participants and compounding financial pressure on

providers. At the same time, the Government is increasingly calling for professionalisation of the employment services workforce, without factoring in the cost of higher wages into program funding assumptions.

The cost of delivering employment services has increased materially beyond what is recognised in current funding models. Providers face escalating regulatory, assurance and compliance obligations, including Right Fit for Risk requirements and growing cyber security expectations that demand ongoing investment in secure systems, data protection and specialist expertise. Under the new Inclusive Employment Australia program, accreditation costs under the National Standards for Disability Services have increased, eating into the small margins under which providers operate. These pressures sit alongside sharply rising core business costs. At the same time, independent modelling undertaken prior to Workforce Australia being released for tender identified at least 2, and up to 12 regions that would unlikely be able to support a single provider even under low-inflation assumptions. These assumptions were quickly overtaken by worsening macroeconomic conditions, with inflation rising sharply well above worst case scenario estimates of 4 per cent as the program was rolled out in 2022. Inflation has continued to remain elevated (3.8 per cent in October and 3.4 per cent in November 2025) leading to significantly increased labour, property, technology and compliance costs for providers across the life of the contract.

None of these pressures have been sufficiently recognised in existing funding models, underscoring the need for fairer funding arrangements with regular indexation that reflects actual inflation, the real cost of doing business, and delivering employment services.

NESA calls on the Australian Government to:

- Review current funding arrangements for employment service providers to provide annual indexation on all payments and fees aligned to CPI
- Request the Fair Work Commission to review the Labour Market Assistance Industry Award 2020 and ensure Award levels reflect the real value and complexity of frontline employment services work
- Provide fairer funding agreements by funding external providers at levels equivalent to what Government pays its own workforce for the same work, and
- Conduct and publicly release independent financial modelling and viability analyses prior to opening any major employment services tender, informed by providers and industry expertise.

3. Reduce Administrative and Regulatory Burden

Employment services frontline workers continue to be overwhelmed by government-driven administration and regulatory burden that diverts them from their core role of supporting job seekers into employment.

This burden across all employment services programs remains unacceptably high, with frontline staff spending more than half of their time on compliance, reporting and evidence-gathering tasks that add little or no value for jobseekers. This burden has increased significantly since the introduction of Workforce Australia and has not been meaningfully reduced despite repeated commitments to do so.

Short-term contracts, lack of critical IT functionality, and frequent procurement processes further compound this burden, forcing providers to constantly re-transition staff, systems and services rather than investing in service quality and workforce capability.

NESA calls on the Australian Government to:

- Reduce administrative and regulatory burden for public employment services providers by 20 per cent in 2026-27, supported by a time and motion study to measure and report on progress
- Streamline assurance and compliance processes to reduce over-burdensome manual compliance activities that do not improve outcomes, and
- Grant longer licences of five years or more with automatic rollover for providers that are performing well.

4. Good Government Stewardship

Good government stewardship requires accountability, transparency and an understanding of the consequences of policy and procurement decisions on people, markets and communities.

In the employment services system, Government acts as steward, funder, regulator, and in some cases, service provider, yet it is not subject to equivalent performance, transparency or accountability requirements as contracted providers. There is limited public reporting on Government-delivered services, pilot programs, or system-level performance, and no overarching framework that measures Government's effectiveness as steward of the system.

Previous errors in performance assessment, contract management and the targeted compliance framework in employment services, have demonstrated the real harm that poor stewardship can cause to providers, workers and job seekers.

NESA calls on the Australian Government to:

- introduce an Employment Services Act legislating Government's purpose, role, governance and accountability in relation to Australia's employment services system, with the best interests of jobseekers as the paramount principle for the administration of employment services
- deliver an overarching system performance framework that measures and reports on Government's stewardship of the system, including service standards and regional performance and align relevant individual senior executive performance agreements to this framework, and
- trial new performance frameworks for at least six months prior to public release to identify flaws and implementation risks.

5. A Safe and Supported Workforce

Charges laid by the Commonwealth Director of Public Prosecutions against Services Australia in May 2025 following a Comcare investigation into a violent assault at a Centrelink service centre in Melbourne in 2023 has underscored the seriousness of workforce safety risks faced by frontline staff in employment services. The charges alleged failure to implement reasonably practicable safety measures, including security officers, amongst other issues. These charges, brought under the *Work Health and Safety Act*

2011 highlight the legal and moral obligations on employers to proactively manage foreseeable risks of violence in frontline service environments.

The developments under law also have direct implications for employment services providers, with their staff supporting the same cohort, working with people experiencing acute distress, mental ill-health, substance misuse, or heightened behavioural risk. This raises serious questions about whether evolving safety expectations and standards applied to government service centres will flow through to contracted providers, and if so, how providers are expected to comply without dedicated funding.

In response to this incident and subsequent investigations, the Australian Government made significant investments in the safety and security for its Services Australia staff, investing \$314 million in Budget 2024-25 to strengthen safety and security at Services Australia centres around Australia. Yet this is the same cohort that employment services providers support, with over 12,000 frontline staff employed across not-for-profit, charities, Aboriginal and Torres Strait Islander corporations, local councils and for-profit employment services.

Despite the investment by the Australian Government in Services Australia safety and security, outsourced employment services are not funded to meet comparable safety standards, nor are they equipped with equivalent security infrastructure, despite facing similar, or in some cases heightened risks. Without equitable investment in safety and security measures, providers are forced to absorb significant risk and cost, placing frontline workers in untenable positions and exposing organisations to legal, financial, and workforce sustainability pressures.

Ensuring a safe and supported workforce requires **consistent, system-wide standards and funding** that recognise the reality of frontline service delivery and the Government's **duty of care to all workers** delivering services on its behalf under policy and service setting set out in Commonwealth contracts and Deeds.

NESA calls on the Australian Government to:

- fund safety and security measures for frontline employment services staff on the same basis as Government funds Services Australia
- align and strengthen challenging behaviour policies across all employment programs to prioritise the safety of staff and other participants
- enable providers to immediately transfer job seekers to digital services or Services Australia where there is an immediate risk of harm or injury to another person, and
- fund employment services training in de-escalation, trauma-informed practice and culturally safe service delivery that is appropriate to the place and context of the individual service.

Conclusion

The challenges facing Australia's employment services system are well known and increasingly urgent. Without reform to procurement settings, funding, administrative and regulatory burden, government stewardship and workforce safety, the system will continue to experience instability that ultimately harms job seekers, employers and communities.

The 2026-27 Budget is an opportunity to reset system foundations, restore confidence and embed policy settings that support continuity, productivity and public value. NESA and its members stand ready to work collaboratively with the Australian Government to deliver a more stable, effective and sustainable employment services system for the years ahead that enables employment services providers to delivery high quality employment outcomes for participants.

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