NESA POLICY INSIGHTS PAPER

Employment Services Reform: Should Streams 2 and 3 be delivered together?

A policy insights paper to inform the employment services reform debate | June 2026

> ***Scope of this paper.*** *This is a policy insights paper, not a comprehensive blueprint for reform. It does not attempt to resolve every question the reform raises as it arises. Its focus is deliberately discrete: whether the support delivered across Streams 2 and 3 should be commissioned as* ***separate*** *services from different providers, delivered by a* ***consortium****, or delivered by a* ***single provider****. A secondary and more open question, whether a distinct response is needed for a cohort whose barriers may place them beyond the reach of the proposed model, is raised here for testing through consultation and the pilot, not settled.*

EXECUTIVE SUMMARY

NESA supports a future reform model for employment services that firmly places the best interests of participants at its core, a model informed by, and congruent with, the evidence on what works.

Australia's employment services system is on the cusp of significant reform. The Government's proposed three-stream model rightly recognises that participants have different needs and deserve different levels of support. This is a welcome direction.

However, one critical design question remains unresolved, and getting it wrong will undermine the reform's potential: ***should Streams 2 (participants with moderate needs) and 3 (intensive support required) be delivered by separate providers?***

On this question, the available evidence points consistently to one priority: a participant's continuity of relationship and service should be protected. That continuity can be achieved by a single provider delivering both streams, by a provider working with a related entity, or by a formally governed partnership or consortium. What the evidence does not support is an unmanaged split that forces participants to start again with an entirely new organisation. For people facing complex and fluctuating barriers, what matters most is continuity, of the relationship with a trusted provider, of the services and supports delivered, and of the connections built with employers. Splitting Streams 2 and 3 across different provider organisations puts all three at risk.

It is sometimes assumed that lead-provider arrangements, co-case management, warm referrals, shared IT systems or consortium models can lessen participant disruption. These options deserve serious consideration, and this paper considers them. But the evidence on handovers between separate services raises concerns which are amplified, not softened, in a competitive payment-by-results market such as employment services. Coordination mechanisms can mitigate the risks of separation; on the current evidence they do not eliminate them, and they work only where strong incentives, partnership requirements and a less competitive commissioning posture for the most intensive support are deliberately built in.

This raises a genuine question of policy consistency. The Government's own Inclusive Employment Australia (IEA) program already serves people with disability, a comparably complex cohort whose support needs fluctuate, through a single-provider integrated model, in which participants move between support tiers without changing organisations. Having chosen integration where it recently designed a system from first principles, the Government has not explained why a different commissioning principle should apply in mainstream employment services.

On balance, the stronger course is integrated delivery of Streams 2 and 3 as the default commissioning model, delivered by providers with demonstrated employment services expertise and the capability to support participants' complex needs, assessed through commissioning criteria rather than assumed by organisational type. This could mean integrated within one provider, or a consortium partnering together. The evidence also raises a further question worth exploring, namely whether a **distinct response, potentially a Stream 4,** is needed for those furthest from the job market, whose profound barriers may require allied health or direct community support over an extended period (that is, more than two years). The evidence indicates such a cohort exists; whether it is best served by a distinct stream or by enhanced capability within Stream 3 should be tested through the pilot and consultation. Where comparable cohorts are served effectively overseas, two design features recur: participation is **voluntary rather than compliance-based**, and support is funded **distinctly and jointly with health and social services**, not carved out of the employment services budget.

Integrated delivery is not without risk. It requires safeguards against inappropriate stream allocation, over-retention in higher-intensity services and reduced contestability. These risks are real, but manageable through commissioning design and performance settings, and do not outweigh the risks associated with participant disruption and service fragmentation.

The Problem

The Government's Discussion Paper, *Shaping the future of employment services* (released on 27 May 2026), signals that the way the streams are commissioned will differ. Traditional employment services providers are expected to continue to play a role, particularly in targeted provider services (Stream 2), while commissioning for intensive services (Stream 3) is intended to weight more heavily toward community-based organisations with strong local relationships and labour-market knowledge[1]. In effect, this points to Stream 3 being delivered by a *different provider type* than Stream 2, an intention examined in evidence to the Senate Education and Employment Legislation Committee during Budget Estimates on 3 June 2026[2].

This means that a participant who moves from Stream 2 to Stream 3, or vice versa, something the evidence suggests is likely for people with fluctuating barriers to employment, would need to leave their current provider and begin again with a new organisation. They would need to rebuild trust and rapport with a new worker, re-explain their circumstances (regardless of what assessment reports or IT systems hold), and re-establish the employer connections and service relationships that may have taken months or years to develop.

For many participants, the disruption goes deeper than inconvenience. Employment services frequently support people experiencing long-term unemployment, trauma, homelessness, mental ill-health, family violence, substance misuse or institutional distrust, and for these cohorts a trusted, consistent support relationship is often an important enabling factor in engagement, the basis on which someone will disclose the barriers most needing attention, take the risks that progress requires, and stay engaged through setbacks. Attachment theory offers one lens for understanding why. Originating in developmental psychology and therapeutic settings, it suggests that people who have experienced repeated adversity can be especially sensitive to abandonment and abrupt change, and

[1]Shaping the future of employment services: Discussion Paper, Department of Employment and Workplace Relations, Australian Government, 27 May 2026. Cited in this paper as DEWR, 2026. Available at https://www.dewr.gov.au/employment-services-reform/shaping-future-employment-services-discussion-paper
[2]Commonwealth of Australia, Senate Education and Employment Legislation Committee, 2026–27 Budget Estimates (Employment and Workplace Relations portfolio), Hansard, 3 June 2026. Available at Link to Senate Estimates transcript from 3 June hearing

that consistency and responsiveness build the sense of safety from which people are able to move forward[3]. Employment consultants are not therapists, and employment services are not clinical interventions, the analogy should not be overdrawn, but the theory helps explain a practical risk: that severing a trusted relationship for administrative reasons, rather than because the person is ready, may be experienced not as a neutral transfer but as another in a series of losses, and may trigger the withdrawal and disengagement that were barriers to progress in the first place.

Attachment theory does not stand alone here. Similar conclusions emerge from continuity-of-care research, vocational rehabilitation and supported-employment evidence, social work and case-management practice, and mental health service design, each of which identifies forced transitions and service fragmentation as high-risk points for people with complex needs[4]. The question this raises is not psychological but practical: whether the design of the stream system unnecessarily disrupts the trusted relationships, and the continuity of case management, service planning and employer engagement, on which engagement depends.

Splitting Stream 2 and Stream 3 across different providers does not just create administrative friction. For the people this reform is most designed to help, it can undo months of careful work.

The proposed model also gives little recognition to the foundational psychological safety many participants need before they can seek and receive support and then move towards employment. And the Discussion Paper is largely silent on a distinct and significant cohort whose barriers are so profound that realistic employment readiness within a two-year service period is unlikely, people furthest from the job market who may require allied health or community support and an entirely different service model: potentially, suggesting the need for a discrete and separate Stream 4.

These problems are compounded in regional and remote areas, where the pool of suitable Stream 3, and particularly Stream 4, providers may be very thin, or non-existent. Designing a system that requires a separate market for Stream 3 in these community's risks provider shortages, service gaps and significant travel burdens for participants.

Re-thinking this component of the proposed design is a matter of urgency. The Government is investing $52.6 million in an early targeted pilot of intensive services from late 2026[5]. Commissioning decisions made now will shape the market structure for the national rollout, and structural design mistakes are far more costly to correct *after* procurement than before it.

[3]Bowlby, J. (1988). A Secure Base: Parent-Child Attachment and Healthy Human Development. New York: Basic Books; Cassidy, J., & Shaver, P. R. (Eds.) (2018). Handbook of Attachment (3rd ed.): Theory, Research, and Clinical Applications, New York: Guilford Press; Mikulincer, M., & Shaver, P. (2016). Attachment in Adulthood (2nd ed.). New York: Guilford Press; Norcross, J. C., & Lambert, M. J. (2018). Psychotherapy Relationships that Work III. Psychotherapy, 55(4), 303–315.

[4]Levenson, J. (2017). Trauma-informed social work practice. Social Work, 62(2), 105–113. Available at Link to the article directly. The convergence noted here also draws on the continuity-of-care literature (note 11), supported-employment and vocational-rehabilitation evidence (notes 9 and 22), and mental health service-design findings on fragmentation and the "missing middle" (notes 14–15).

[5]The Hon Amanda Rishworth MP, Minister for Employment and Workplace Relations, media release, *Ending one-size-fits-all employment services,* 27 May 2026. Available at https://ministers.dewr.gov.au/rishworth/ending-one-size-fits-all-employment-services. The Government is investing $52.6 million in an early targeted rollout of intensive services from late 2026.

What the evidence suggests

Continuity of relationship drives engagement and outcomes

Decades of research in health, mental health and social services consistently find that the quality and consistency of the worker–participant relationship is among the strongest predictors of engagement and positive outcomes. This is not surprising: people with complex barriers often carry histories of institutional distrust, and it can take a long time to build a relationship in which genuine progress is possible.

Recent UK Government research makes the point directly. A 2026 qualitative study by IFF Research for the Department for Work and Pensions examined Universal Credit claimants facing significant disadvantage, homelessness, substance dependency, care-system involvement and offending histories. It found that "frequent changes in work coaches", combined with short and transactional appointments, directly undermined trust and engagement. Participants identified repeatedly retelling their story to new workers as a barrier in itself, one that compounded existing mistrust and reduced willingness to disclose the barriers most needing attention[6]. The implication for commissioning is straightforward: where the worker relationship is the mechanism through which barriers are identified and addressed, breaking that relationship does not merely inconvenience the participant, it removes the conditions under which progress becomes possible.

Barriers to employment are not static, they fluctuate

The Australian Government's own data shows that approximately one in six people who exited Workforce Australia Services re-entered within 12 months[7]. The proportion of the caseload in services for five or more years has grown from around 8% in 2010 to over 20% today.[7] These are not signs of a system serving people who have a problem, solve it and move on; they are signs of a system serving people whose needs fluctuate, who move forward and back, who face setbacks, and whose circumstances change.

Australian longitudinal research using national household panel data found that mental health and employment exist in a two-way relationship: poor mental health makes unemployment more likely and longer, while unemployment itself worsens mental health, a cycle that can repeat across a working life, each episode potentially more entrenched than the last[8]. Orygen's Australian trials of Individual Placement and Support, the leading evidence-based employment model for people with mental health conditions, showed that when symptoms fluctuate, so does capacity to hold a job; gains made during stability can be lost when symptoms return[9]. A major review of employment barriers for young adults

[6] Department for Work and Pensions (DWP) (2026). Qualitative research with disadvantaged groups on Universal Credit: care experience, ex-offenders, homelessness and substance dependency. DWP Research Report No. 1130, first published May 2026. Available at https://www.gov.uk/government/publications/qualitative-research-with-disadvantaged-groups-on-universal-credit-covering-care-experience-ex-offenders-homelessness-and-substance-dependency/qualitative-research-with-disadvantaged-groups-on-universal-credit-covering-care-experience-ex-offenders-homelessness-and-substance-dependency

[7] Department of Employment and Workplace Relations administrative data, as cited in Shaping the future of employment services: Discussion Paper, May 2026, p15 (Figure 2 and footnotes 6 and 10). Cited as DEWR, 2026a.

[8] Butterworth, P., Leach, L. S., Pirkis, J., & Kelaher, M. (2012). Poor mental health influences risk and duration of unemployment. Social Psychiatry and Psychiatric Epidemiology, 47(7), 1013–1021. Available at https://pubmed.ncbi.nlm.nih.gov/21681454/ ; Olesen, S. C., Butterworth, P., Leach, L. S., et al. (2013). Mental health affects future employment as job loss affects mental health. BMC Psychiatry, 13, 144. Available at https://pmc.ncbi.nlm.nih.gov/articles/PMC3681556/

[9] Killackey, E., Allott, K., Jackson, H. J., et al. (2019). Individual placement and support for vocational recovery in first-episode psychosis: randomised controlled trial. British Journal of Psychiatry, 214(02), 76–82. doi:10.1192/bjp.2018.191. Available at https://www.cambridge.org/core/journals/the-british-journal-of-psychiatry/article/individual-placement-

with mental illness reached the same conclusion: barriers evolve rather than disappear, with new challenges around job retention, disclosure, managing symptoms alongside work, and rebuilding after setbacks[10].

The implication for the three-stream model is significant. A system that assesses a person once, places them in a stream, and assumes stability - will not serve this cohort well. Even with regular re-assessment, the design of Streams 2 and 3 must reflect that the same person may need different intensities of support at different times, and that the transition back and forth between them must be smooth, trusted and continuous. **In a split-provider model, each movement between streams becomes a potential provider transfer, and therefore a potential point of disengagement.**

Can coordination substitute for integration? The evidence on handovers and competitive markets

A fair challenge to the case for integration is that provider separation need not mean a lost relationship. Government could, in principle, design around the risk, through lead-provider arrangements, co-case management, warm referrals, shared IT and information systems, or consortium models. These options are real and should be considered seriously rather than dismissed. The question is not whether they exist, but how reliably they work in practice, and under what conditions.

Here the evidence is sobering. Across health and social care, systems that are generally *not* organised as competitive markets, handovers and referrals between separate services are a well-documented point of failure. Referrals are lost or delayed, information passed in summary form loses the detail that matters, and people with complex needs fall through the gaps between services that rarely communicate effectively. Reviews of care coordination repeatedly find that fragmentation impedes coordination and delays access to holistic care, and that misaligned incentives and short-term payment structures undermine the very continuity coordination is meant to provide[11]. If coordination is fragile even where providers share infrastructure and have no commercial reason to compete, it is unlikely to be more robust where they do.

That is the crux. Employment services in Australia are a competitive, payment-by-results quasi-market, and competition changes provider incentives in ways that work against seamless handovers. The international evidence on outsourced, outcome-funded welfare-to-work is, on balance, recognises the potential risks of "creaming" (prioritising participants closer to work) and "parking" (neglecting those furthest from it), and about the risk that some providers might be tempted to retreat to a generic, basic offer when margins are tight, with the hardest-to-help most exposed[12]. A warm referral asks a Stream 2

and-support-for-vocational-recovery-in-firstepisode-psychosis-randomised-controlled-trial/CB93C608C81C7A62642FBAAC20BB4D51

[10]Gmitroski, T., Bradley, C., Heinemann, L., et al. (2018). Barriers and facilitators to employment for young adults with mental illness: a scoping review. BMJ Open, 8:e024487. doi:10.1136/ bmjopen-2018-024487. Avaialble at https://bmjopen.bmj.com/content/bmjopen/8/12/e024487.full.pdf ; See also Productivity Commission (2020). Mental Health (Report No. 95), Canberra. Available at https://www.pc.gov.au/inquiries-and-research/mental-health/report/

[11]On the documented fragility of handovers and referrals between separate services, see, Albertson EM, Chuang E, O'Masta B, Miake-Lye I, Haley LA, Pourat N. Systematic Review of Care Coordination Interventions Linking Health and Social Services for High-Utilizing Patient Populations. *Popul Health Manag*. 2022 Feb;25(1):73-85. doi: 10.1089/pop.2021.0057. The broader literature consistently finds that fragmentation, lost or delayed referrals and misaligned short-term payment structures also undermine continuity for people with complex needs.

[12]Carter, E., & Whitworth, A. (2015). Work Activation Regimes and Well-being of Unemployed People: Rhetoric, Risk and Reality of Quasi-Marketization in the UK Work Programme. *Social Policy & Administration*, 51: 796–816. doi: 10.1111/spol.12206; Considine, M., Lewis, J. M., & O'Sullivan, S. (2011). Quasi-markets and service delivery flexibility following a decade of employment-assistance reform in Australia. Journal of Social Policy, 40(4) 811-833 DOI:10.1017/S0047279411000213; Greer, I., Schulte, L., & Symon, G. (2018). Creaming and parking in marketised employment services: an Anglo-German comparison. Human Relations, 71(11). https://doi.org/10.1177/0018726717745958

provider to hand a participant, and the funding attached to them, to a competitor, and asks a Stream 3 provider to invest in a relationship a participant may carry back to a different organisation. The Australian Parliament's own 2023 review described the current system as an inefficient, outsourced and fragmented arrangement in which providers are driven by payment and performance settings rather than by what participants need[13]. A multi-streamed model delivered by different providers and sectors, with incentives layered on top, would not only inherit these problems, but amplify them.

None of this makes coordination worthless. It makes coordination ***conditional***. Lead-provider, consortium and warm-referral models can work, but only where the commissioning design actively counteracts the competitive pressures that erode them: strong and well-targeted incentives to hand over and to collaborate, explicit partnership and information-sharing requirements with teeth, progressive pricing that rewards work with those furthest from employment, and, for the most intensive support, a deliberately less competitive commissioning posture so that providers are not asked to cooperate and compete for the same participant at the same time. Absent those conditions, integration remains the lower-risk default, because it removes the handover rather than attempting to manage it.

The "missing middle" is a known, documented risk in tiered systems

The Productivity Commission's 2020 Mental Health Inquiry explicitly identified the "missing middle" as a central failure of tiered systems: people whose needs sit at the boundary between service levels, who fall between categories, and who are inadequately served by either. Its response was to recommend formal coordination services and single care plans spanning provider boundaries[14]. Australian research on the stepped-care model in mental health, a tiered system structurally similar to the proposed three-stream model, found that moving people up and down care levels is challenging, with a grey area where many fall through the cracks, and that vulnerabilities arise at system junctions where consumers risk disengagement or deterioration[15]. Notably, these findings come from systems with shared infrastructure and integrated information. A split Stream 2/3 model would have neither advantage, and would be further complicated by occurring within a competitive market rather than a collaborative care system.

The Government's own IEA model raises a question of policy consistency

The most direct challenge to a split-provider model comes not from external research but from the Government's own recent design choices. Inclusive Employment Australia (IEA), which replaced Disability Employment Services from November 2025, operates an integrated two-tier model in which the same provider delivers both intensive and flexible support; a participant moves between tiers within their existing provider relationship, without changing organisations[16]. This is precisely the dynamic that should be built into the new model for Streams 2 and 3, and it sets up a consistency question the reform has not answered.

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[13]House of Representatives Select Committee on Workforce Australia Employment Services (2023). Rebuilding Employment Services. Parliament of Australia, Canberra. Available at https://parlinfo.aph.gov.au/parlInfo/download/committees/reportrep/RB000017/toc_pdf/RebuildingEmploymentServices.pdf

[14]Productivity Commission (2020). Mental Health (Report No. 95), Actions 15.3 and 15.4. See https://www.pc.gov.au/inquiries-and-research/mental-health/report/

[15]Mareya, S., L. Zhao, M. C. Watts, and M. Olasoji. 2025. "Working Together to Deliver Person-Centred Care Within the Stepped Care Model: An Australian Multidisciplinary Perspective." *International Journal of Mental Health Nursing*34, no. 4: e70111. https://doi.org/10.1111/inm.70111.

[16]Department of Social Services, Inclusive Employment Australia (IEA) https://www.dss.gov.au/inclusive-employment-australia (IEA replaced Disability Employment Services from November 2025).

The Government has chosen an integrated, single-provider model for IEA, serving people with disability whose support needs fluctuate. It has not explained why the same principle should not apply in mainstream employment services, serving a comparably complex cohort.

Provider performance reflects system design, not sector incapacity

As at 31 March 2026, 85.8% of assessed Workforce Australia Services licences met or exceeded the Moderate performance threshold[17]. The Discussion Paper specifically attributes below-average outcomes for complex cohorts to structural labour-market mismatch and caseload composition, *not* to provider-capability failure[18]. The Workforce Australia system was built on government-mandated features, a points-based mutual obligation model, standardised service requirements, and outcome payments structured to reward rapid placement over sustained engagement, within which providers operated. The proposed reforms (differentiated service intensity, reformed mutual obligations, and Employment Goal Plans) address precisely these design failures. The logical response is to allow the sector to demonstrate what it can do under a better design, rather than seek to exclude it from the most complex stream it is already servicing, by looking for a 'different type of provider'.

On participant satisfaction, a direct measure of service quality, provider-delivered Workforce Australia Services achieved 78.0% against a government target of 66%, and Transition to Work achieved 83.7% against a 75% target, while the government-delivered online arm achieved 64.5%[19], with a notably lower target of 60%. These are the Government's own audited results.

These figures combined do not support an inference that employment services providers are less capable than other organisational types of delivering quality services to people with complex needs, but they are achieving results and gaining the trust of participants, *despite* the heavily compliance driven, and one-size-fits all design of the current system.

An open question: what happens to the cohort that may not be employment-ready within two years?

The three-stream model assumes that all participants can, in time, move toward employment. For many, that is true. But it is worth asking whether there is a distinct and significant cohort for whom the assumption may not hold, people whose barriers are so profound (severe mental illness, drug and alcohol dependence, complex trauma, or significant cognitive or behavioural challenges) that realistic employment readiness within a two-year service period is unlikely. If such participants were routed into Stream 3, providers could be measured against outcomes that are genuinely unachievable within the service period, and participants could face mutual-obligation requirements ill-suited to their circumstances and potentially harmful to their recovery. The question worth testing is whether Stream 3, as proposed, can adequately serve this group, or whether a distinct response, potentially a Stream 4, would be better suited.

[17]Department of Employment and Workplace Relations (2026). Workforce Australia Services Provider Performance Ratings (data as at 31 March 2026) https://www.dewr.gov.au/workforce-australia/workforce-australia-information-providers/workforce-australia-services-provider-performance-ratings Note that Moderate means 'performance meets expectations'; See also Australian National Audit Office (2025). Audit Report of the 2024–25 Annual Performance Statements: DEWR for audited data for the 2024-25 financial year available at Link to the ANAO DEWR Audit report for 2024-25 financial year..

[18]DEWR (2026). See Workforce Australia Services Provider Performance Ratings (data as at 31 March 2026), and attribution of complex-cohort outcomes from Shaping the future of employment services: Discussion Paper (DEWR, 2026).

[19]Ibid., Australian National Audit Office (2025).

The existence of such a cohort is strongly suggested by the available evidence, although its size, composition and precise characteristics remain unknown pending the design of the new assessment process, pilot findings and departmental modelling. Understanding the scale of this cohort is itself an important question for the pilot and consultation process.

The scale of the question is significant. ABS data in the June quarter 2025, showed that close to 1.9 million Australians without a job had a long-term health condition, with more than 700,000 of them wanting to work[20]. People with severe mental illness face unemployment rates far above the general population, international evidence suggests they are between five and seven times less likely to be employed than working-age adults without mental illness[21]. Even the most rigorously evaluated vocational approach in the world, Individual Placement and Support (IPS), achieves competitive employment for roughly 40–60% of participants under optimal conditions[22], indicating that a meaningful proportion may not be employment-ready within a standard service period no matter how good the support. The barriers for this cohort are rarely singular: the 2026 UK study of Universal Credit claimants with experience of care, offending, homelessness and substance dependency found these disadvantages rarely occurred in isolation but accumulated and reinforced one another, with non-linear pathways toward work marked by setback and regression, leading the authors to conclude that holistic, integrated and time-unlimited support was essential[23].

Clinical evidence is instructive about what may need to come first. For people presenting with complex trauma, addiction or self-destructive behaviour, stabilisation often needs to precede vocational engagement, not as a detour from employment, but as the foundation that makes it possible. Clinical trauma treatment has long followed a phased model (established safety and stabilisation, then processing, then reintegration), most influentially described by Judith Herman and endorsed by bodies including the International Society for Traumatic Stress Studies. A British pilot working with people experiencing homelessness, mental illness, substance dependence and offending found that assertive outreach and trauma stabilisation enabled people to reach treatment, housing and ultimately employment pathways they could not otherwise access[24].

For participants presenting with violent or challenging behaviour, there is also a very real question about whether standard employment-services settings can respond safely or effectively without specialist clinical support, and whether requiring engagement with a Stream 3 employment provider continues to risk harm to workers, other participants and the individuals themselves.[25]

Where comparable cohorts are served effectively, two design features recur. The first is that participation is **voluntary and removed from compliance**, rather than conditional on mutual-

[20]Australian Bureau of Statistics (2025). Barriers and Incentives to Labour Force Participation, Australia, 2024–25. ABS, Canberra. Released 5 November 2025. Available at https://www.abs.gov.au/statistics/labour/employment-and-unemployment/barriers-and-incentives-labour-force-participation-australia/2024-25

[21]Brouwers, E. P. M. (2020). Social stigma is an underestimated contributing factor to unemployment in people with mental illness or mental health issues. BMC Psychology, 8, 36. https://doi.org/10.1186/s40359-020-00399-0

[22]Frederick, D. E., & VanderWeele, T. J. (2019). Supported employment: meta-analysis and review of randomized controlled trials of individual placement and support. PLoS One, 14(2), e0212208. doi: 10.1371/journal.pone.0212208. PMID: 30785954; PMCID: PMC6382127.

[23]Ibid., Department for Work and Pensions (2026), DWP Research Report No. 1130 (full citation at note 6).

[24]Garrett, D., Rieley, R., Cooke, C., & Dowding, K. (2022). The Trauma Stabilisation Pilot: A Review of Trauma Intervention for People with Multiple and Complex Needs. Fulfilling Lives South East Partnership / BHT Sussex, Brighton. On phased trauma treatment, see Herman, J. (1992), and the International Society for Traumatic Stress Studies' complex-PTSD treatment guidance.

[25] The 2023 attack on a Services Australia worker at Airport West, prompting both the Ashton Review and a Comcare prosecution, shows what is at stake when non-clinical frontline staff are left holding people whose presentation, whatever its cause, exceeds what a frontline service can safely manage. See https://www.servicesaustralia.gov.au/security-risk-management-review-key-findings-and-recommendations

obligation activity. The UK's WorkWell programme is entirely voluntary and explicitly disconnected from benefit conditionality; the UK Work and Health Programme deliberately makes its "Early Access" group, homeless people, care leavers, refugees and other priority groups, voluntary, while only the long-term-unemployed group is mandatory; and voluntary participation is a core fidelity principle of IPS itself[26]. The same design principle holds beyond employment services: in the USA's Housing First model, the international evidence suggests that low-barrier, voluntary, person-centred support produces better stability for people with the most complex needs than high-barrier "treatment-first" models that make support conditional on meeting health or behavioural prerequisites[27]. For a Stream 4 cohort, attaching job-search obligations and payment suspensions to people who are not yet able to act on them risks precisely the disengagement the design is meant to prevent.

The second feature is that support should be **funded distinctly, and jointly with health and social services**, not carved out of an employment-services budget designed around job placement. The reason is structural: this cohort's needs straddle portfolios, and no single portfolio's funding model is built to meet them. Colorado's IPS program is jointly funded by Medicaid (health), behavioural health and vocational rehabilitation.[28] Greater Manchester's "Working Well" programme was jointly commissioned and jointly funded across the UK Department for Work and Pensions, the housing and communities department, the European Social Fund and Greater Manchester itself.[29] The current WorkWell programme is funded jointly by the employment and health departments and delivered through local health system partnerships.[30] International reviews of intersectoral financing find that pooled and joint budgets reduce fragmentation, [31]widen the area of responsibility and overcome narrow single-portfolio interests, and that a single, rather than separate, accountability structure helps such funding work[32]. A distinct response for the most complex cohort therefore needs distinct money: a separately identified funding stream, ideally co-contributed by health and social services, rather than a reallocation within employment-services funding that would set this cohort in competition with job-ready caseload for the same dollars.

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[26]On WorkWell's voluntary, non-conditional design, see Department of Health and Social Care, *WorkWell prospectus: guidance for Local System Partnerships* available at https://www.gov.uk/government/publications/workwell/workwell-prospectus-guidance-for-local-system-partnerships. On the Work and Health Programme's voluntary "Early Access" group for priority disadvantaged cohorts, see DWP, *Work and Health Programme statistics: background information and methodology* available at https://www.gov.uk/government/publications/work-and-health-programme-statistics-background-information-and-methodology/work-and-health-progamme-statistics-background-information-and-methodology. On voluntary participation as a core IPS fidelity principle, see, Ibid, Frederick et al (2019) (note 22).

[27]On low-barrier, voluntary support outperforming high-barrier "treatment-first" models for people with the most complex needs, see National Low Income Housing Coalition, Housing First research and issues at https://nlihc.org/; and Urban Institute at https://housingmatters.urban.org/ including a review of randomised controlled trials of permanent supportive housing. Note while some commentators contest Housing First's system-wide cost-savings claims; the point drawn on here is the conditionality finding, which is well supported.

[28] Colorado Behavioural Health Administration page at https://bha.colorado.gov/behavioral-health/ips

[29] Department for Work and Pensions / GMCA, *Working Well: an approach to work and health* (case study), GOV.UK, https://www.gov.uk/government/case-studies/working-well-an-approach-to-work-and-health

[30] Department for Work and Pensions (DWP) & Department of Health and Social Care (DHSC), *WorkWell prospectus: guidance for Local System Partnerships*, GOV.UK (updated 12 March 2026), https://www.gov.uk/government/publications/workwell/workwell-prospectus-guidance-for-local-system-partnerships; see also DWP/DHSC, *WorkWell Pilots Evaluation – Early Implementation Findings*, GOV.UK (2026)

[31] McDaid D & Park A-L, *Evidence on Financing and Budgeting Mechanisms to Support Intersectoral Actions Between Health, Education, Social Welfare and Labour Sectors* (Health Evidence Network Synthesis Report 48), WHO Regional Office for Europe, 2016.

[32] McGuire F, Vijayasingham L, Vassall A, et al. "Financing intersectoral action for health: a systematic review of co-financing models." *Globalization and Health* 15:86 (2019). It frames co-financing as a way to overcome the fragmentation and inefficiencies of silo budgeting.

If a distinct response were pursued, its delivery in regional and remote areas would require care. By the Australian Government's own account, allied-health workforce shortages in regional, rural and remote Australia are severe and longstanding[33], and the National Rural Health Commissioner documented both maldistribution and thin or failed markets in smaller communities[34]. Requiring delivery exclusively by allied-health providers in these areas would risk service unavailability and failure, which points to community services organisations with relevant expertise in complex needs, Aboriginal Community Controlled Organisations, drug and alcohol services, mental health community support organisations, and homelessness services, as a more realistic delivery base, provided they operate within appropriate clinical governance.

> *The evidence indicates a cohort exists whose needs may not fit Stream 3 as proposed. Whether that requires a distinct Stream 4 or enhanced capability within Stream 3 should be tested through the pilot and consultation. But if a distinct response is pursued, the evidence points more consistently to two design features than to the structure itself: participation should be voluntary and free of mutual-obligation compliance, and it should be funded distinctly and jointly with health and social services.*

Connecting assessment to specialist programs: a gap in the current design

The proposed reforms rely heavily on a new holistic assessment and triage process to identify barriers and determine which stream a participant enters[35]. Two features of the current caseload make the design of that process important: a substantial proportion of participants are people with disability, and a substantial proportion are young people.[36] Dedicated specialist programs already exist for both, Inclusive Employment Australia (IEA) and Transition to Work (TtW), yet the proposed design is largely silent on how assessment should connect participants to them.

Where assessment identifies that a person with disability, or a young person, needs Stream 3-level support and is eligible for the relevant specialist program, they should be offered the option of an automatic referral into it, IEA for people with disability, TtW for young people, while retaining the choice of whether to take it up. Connecting assessment directly to these programs would draw on specialist expertise, deliver more tailored servicing, reduce duplication of assessment and effort, and give participants a clearer pathway to the most appropriate support at the earliest opportunity.

Why this matters for participants

The test for any commissioning design is straightforward: which model gives participants the best chance of finding and keeping sustainable employment. For participants with complex and fluctuating

[33]Department of Health, Disability and Ageing (2025). National Allied Health Workforce Strategy, Link to the Department of health, Disability Ageing webpage regarding the National Allied Health Workforce Strategy

[34]Worley, P. (2020). Final Report from the National Rural Health Commissioner: November 2017 to June 2020. Australian Government Department of Health, Canberra. Available at Link to the Australian Government Department of Health Final report of the National Rural health Commissioner

[35]The Government has committed $27.5 million to introduce a new holistic assessment and triage process: The Hon Amanda Rishworth MP, media release, 27 May 2026 (full citation at note 5).

[36] See DEWR, 2026, page 13 which cites that the Workforce Australia caseload includes a disproportionate representation of disadvantaged groups who experience employment outcomes below the national average, including people with disability (24.7%), First Nations people (16%); ex-offenders (12.7%); and people experiencing homelessness (11%). As at 31 May 2026, around 1.6 times as many under-25s were on the mainstream Workforce Australia Services caseload as in the youth-specialist Transition to Work program (77,040 against 48,265). See https://www.dewr.gov.au/employment-services-data/resources/workforce-australia-caseload-selected-cohorts-31-may-2026

barriers, the evidence above points to integrated delivery. The reason is concrete, and best seen through a single person's experience of provider separation:

- A participant whose circumstances worsen, a health episode, a family crisis, a period of homelessness, and who steps up from Stream 2 to Stream 3 must leave their provider. The trust, shared understanding, employer connections and service referrals built with that provider do not automatically transfer.
- They must re-engage with a new organisation, re-tell their story and re-establish trust. For many, particularly those with trauma histories or strong institutional distrust, this is the point at which they disengage entirely.
- If they recover and step back down to Stream 2, they face the same disruption in reverse, potentially a third provider, or a place in their original provider's caseload that has since been filled.
- In regional and remote communities, the Stream 3 provider may be in a different town, or may not exist at all.

The impact falls hardest on the people the system is most meant to help: people with disability, disengaged youth, First Nations people, and people experiencing homelessness, domestic violence, substance misuse or mental health conditions, and those who have been in and out of services for years. An integrated model, one provider delivering both streams or consortia, and a model that is both trauma-informed and trauma-responsive, means that when a participant's circumstances change, their relationship does not. Their provider knows them, the services they are connected to continue, and their goal plan and employer relationships carry forward. They do not start again, they keep going.

Observations on broader impacts

Employers

Employer engagement with Workforce Australia has been persistently low, with employers reporting high administrative burden, poor candidate matching and limited post-placement support. A split-provider model makes this worse: an employer who has built a relationship with a Stream 2 provider suddenly finds their candidate has moved to a Stream 3 provider they have never met. Most employers, particularly small businesses, will not invest the time to build a new relationship; risking post-placement support break down, failed placements, and disengaged employers. An integrated provider design maintains a single employer-facing function, so employer relationships are not disrupted by a participant's stream movement, and post-placement support continues with the provider who made the placement.

Providers

Employment services providers have built, over years of delivery, substantial infrastructure: employer networks, community partnerships, IT systems, compliance capability and experienced frontline workforces. For community organisations new to employment services contracting, the compliance and administrative requirements of an employment services Deed represent a significant entry cost; without significant support and transition funding (particularly to meet Right Fit for Risk requirements), many risk financial strain and service-quality problems. This is not hypothetical. The NDIS experience in regional and remote Australia showed clearly that assuming a new provider market will self-organise carries real costs, and many new IEA providers are already experiencing financial strain amid poor caseload flow and disproportionate infrastructure, administrative, compliance and assurance costs.

Communities

In regional and remote communities, provider separation creates real risks of service unavailability and failure. Stream 3 caseloads in many employment regions will be too small to sustain a separate standalone provider at likely funding rates. The NDIS experience of provider shortages and high participant travel costs in thin markets is the directly relevant precedent. An integrated provider design, serving both streams from a single community presence or consortia, has a chance of being financially sustainable, ensuring the full range of service intensity is available locally without participants needing to travel long distances for higher-intensity support.

Drawing the evidence together

Pulling the analysis together against a single primary test, what would be in the best interests of participants, and what model gives them the best chance of moving towards sustained employment, the evidence points in a consistent direction:

- **The Government's three-stream reform is a positive and necessary step.** Differentiated service intensity is the right direction.
- **Relationship continuity matters most for participants with complex and fluctuating barriers,** continuity of provider, of the relationship with frontline workers, and of the services and employer connections being built. Ideally this is achieved by a single provider delivering Streams 2 and 3, or by a provider working with a related entity, or by a genuine partnership or consortium working under a coordinated case-management model.
- **On balance, integrated delivery of Streams 2 and 3 emerges as the lower-risk default model when assessed against the evidence on continuity, engagement and service fragmentation.** One provider or consortia should be responsible for a participant's journey across both streams, so movement reflects a change in intensity of support, not a disruption to the service relationship.
- **Coordination mechanisms can mitigate, but do not eliminate, the risks of separation.** Lead-provider, warm-referral and consortium models can help, but the evidence on handovers, and the incentives of a competitive payment-by-results market, means they work only where strong collaboration incentives, partnership requirements and a less competitive posture for intensive support are deliberately designed in.
- **Providers with demonstrated employment-services expertise must be central to any integrated model.** The infrastructure, employer relationships, capability in supporting people with complex needs into employment, and community networks built over years of delivery are assets developed for the benefit of participants and should not be commissioned out of the equation.
- **A default model that separates Streams 2 and 3 across different organisations is not supported by the evidence,** particularly in the absence of published evidence that such separation would produce better participant outcomes, particularly in regional and thin labour markets.
- **The burden of proof should rest with structural separation, not integration**. Integrated delivery is already the model adopted by the Government in Inclusive Employment Australia, and the broader evidence consistently identifies service fragmentation as a risk for people with complex and fluctuating barriers. In that context, the policy question is not whether integrated delivery can be justified, but whether sufficient evidence exists to demonstrate that structural separation would improve participant outcomes. To date, that evidence has not been presented.

- **Capability should be assessed through commissioning criteria applied equally to ALL provider types,** including the capability to deliver smooth transitions between streams, employment-services expertise, employer relationships, community partnerships, cultural competence, trauma-informed and trauma-responsive practice, and financial viability. Organisational type should not be a proxy for capability.
- **Assessment should connect people with disability and young people to existing specialist programs** (IEA and TtW respectively) through an opt-in automatic referral, preserving participant choice while reducing duplication.
- **A distinct response, potentially a Stream 4, warrants serious exploration** for participants whose barriers may make employment readiness within two years unrealistic. The evidence indicates the cohort exists; whether the answer is a distinct stream or enhanced Stream 3 capability should be tested through the pilot and consultation. If pursued, two design features are evidence-based: participation should be voluntary and free of mutual-obligation compliance, and it should be funded distinctly and jointly with health and social services.

What the pilot should test

The direction the evidence points is clear: continuity should be protected, and integrated delivery is the lower-risk default. Several of the parameters that should shape the final commissioning model, however, cannot yet be known. The new holistic assessment and triage process is still being developed, the model for the intensive-services pilot has not been designed or run, and the Department has not published its caseload, cost or market modelling. Until it does, the size of the cohort that will be assessed into Stream 3, how often participants will move between streams, and whether separate Stream 3 markets are commercially viable remain open empirical questions. That uncertainty is itself a reason for caution: a structural separation between Streams 2 and 3 should not be locked in across the national rollout before the questions it depends on have been tested. The pilot is the right place to test them.

There are a range of design questions that the new pilot should address. Given the significant structural change that is proposed by having separate providers for Streams 2 and 3, a key purpose of the pilot should be to test the assumptions on which competing models rest and not merely validate a predetermined commissioning model. If the pilot demonstrates that participants can move between providers without measurable loss of engagement, that outcomes are maintained or improved under separated delivery, and that separate Stream 3 markets are viable across diverse regions, the case for separation would be materially strengthened.

However, pilot results must also be interpreted cautiously. Pilots typically operate under conditions that are difficult to replicate at scale, including heightened government oversight, intensive provider engagement, dedicated implementation support, additional training and resources, and a shared commitment among participants, providers and government to make the model succeed. The critical question is therefore not simply whether a separated model can function under pilot conditions, but **whether it can continue to deliver comparable outcomes when implemented nationally, operating under ordinary commissioning arrangements, commercial incentives, workforce turnover and the realities of day-to-day service delivery.**

The pilot should therefore be designed not only to test whether separation can work, but whether it can work **reliably, sustainably and at scale** without relying on exceptional levels of intervention, coordination or support. These are among the most important questions the pilot should be designed to answer.

Before final commissioning decisions are taken, the pilot should be designed and resourced to test: the volume of participants assessed into each stream; how often, and in which directions, participants move between Streams 2 and 3; how frequently reassessment occurs; the rate at which a change of stream triggers a change of provider, and its effect on engagement; participant outcomes under integrated versus separated delivery; and whether separate Stream 3 markets are commercially viable, particularly in thin regional markets.

Recommendations

The following recommendations are offered to inform the design of the reform and to assist stakeholders in framing their consultation submissions.

Recommendation 1

Recommendation

Adopt integrated delivery of Streams 2 and 3 as the default commissioning model, with a single provider, related entities, or a formally governed consortium responsible for a participant's service journey across both streams.

Rationale

The evidence from health, mental health, disability employment and Productivity Commission inquiries consistently identifies provider separation in tiered systems as a driver of disengagement, information loss and poor outcomes for people with complex needs. Coordination mechanisms can mitigate but not eliminate these risks, and are further weakened by the competitive incentives of a payment-by-results market. The Government's own IEA model shows that differentiated intensity does not require provider separation.

Expected benefit

Participants with complex and fluctuating barriers receive continuous, uninterrupted support: their relationship, goal plan, employer and service connections, and the trust built over time all carry forward when circumstances change. The risk of disengagement at stream boundaries is substantially reduced.

Recommendation 2

Recommendation

Require that all providers tendering for Stream 2 and 3 delivery demonstrate, irrespective of organisational type, specific employment-services expertise, including employer-engagement capability, compliance infrastructure and labour-market knowledge, as well as the ability to support people with complex needs.

Rationale

The case for integrated or coordinated delivery is not an argument against rigorous capability assessment. Employment-services delivery requires specific skills and infrastructure that must be present for any provider of any type. Commissioning criteria must assess this capability, not assume it from organisational type.

Expected benefit

Recommendation 2

Commissioning selects providers genuinely capable across both streams. The sector's investment in infrastructure, employer relationships and delivery capability is preserved and put to work for participants, and community organisations with genuine capability can compete on equal terms.

Recommendation 3

Recommendation

Publish employment-region-level market viability analysis before national procurement, identifying where separate Stream 3 provision is commercially sustainable and where integrated delivery is necessary.

Rationale

The NDIS and IEA experiences demonstrate the serious costs of assuming a new provider market will self-organise in all geographies. Many regions may have Stream 3 caseloads too small to sustain a separate standalone provider at viable funding rates. The analysis should identify minimum viable caseload thresholds, commercial viability by region, and the approach proposed for thin markets.

Expected benefit

Commissioning decisions are made on evidence rather than assumption. Thin-market failures and service gaps, particularly in regional and remote communities, are identified and addressed before procurement rather than after.

Recommendation 4

Recommendation

In employment regions where pilot evidence and market-viability analysis demonstrate that separate Stream 3 provision is not commercially viable, adopt integrated or consortium delivery as the commissioning approach.

Rationale

Where the market cannot sustain a separate Stream 3 provider, the choice is not between separation and integration, it is between integrated delivery and a service gap. This ensures the commissioning model reflects market reality and that participants in regional and remote communities are not left without intensive support.

Expected benefit

Participants in regional and remote communities have access to the full range of service intensity from a single, locally present provider. Service gaps and provider shortages in thin markets are prevented, and Government avoids the cost of market failure after procurement.

Recommendation 5

Recommendation

Build explicit safeguards against perverse incentives, including misclassification, over-retention in higher-funded streams, and under-referral of complex participants, into all commissioning models, including integrated delivery.

Recommendation 5

Rationale

Integration carries its own risks. Where Stream 3 attracts higher per-participant funding, an integrated provider may retain participants at Stream 3 intensity when they could step down, or under-refer to higher-intensity support to avoid transferring funding. These incentives are real and must be addressed through independent reassessment triggers, participant-initiated review rights, and performance measures that reward appropriate stream allocation, not just placement rates.

Expected benefit

The integrity of the integrated model is maintained. Participants receive the intensity of support appropriate to their needs, and Government retains oversight and can identify misallocation through transparent performance reporting.

Recommendation 6

Recommendation

Commission independent economic modelling of the full cost implications of split versus integrated Stream 2/3 delivery before national procurement decisions are made.

Rationale

No robust cost-comparison has been published. Split-provider models are likely to generate higher costs across several categories, duplicate assessment at stream boundaries, additional contract management, duplicated infrastructure in thin markets, and higher participant transfer and re-engagement costs, all currently unquantified. Modelling should draw on actual caseload data, proposed stream-allocation criteria and realistic fixed-cost assumptions before procurement design is locked in.

Expected benefit

Commissioning decisions are assessed on genuine value for money across the full cost of service delivery, not just per-participant payment rates. Government and taxpayers have confidence that the chosen model represents the most efficient use of public resources.

Recommendation 7

Recommendation

Explore whether a distinct Stream 4 or enhanced Stream 3 capability is the most appropriate response, through targeted consultation and evidence-gathering, for participants whose barriers may make employment readiness within a two-year service period unrealistic. Test whether a distinct stream or enhanced Stream 3 capability is the better vehicle. If a distinct response is pursued, it should (a) be voluntary and free of mutual-obligation compliance; (b) be funded distinctly and jointly with health and social services, rather than from within the employment-services funding model; and (c) focus on stabilisation, wellbeing and long-term pathway building, serving people with severe mental health conditions, drug and alcohol dependence, significant cognitive or behavioural challenges, or complex trauma, including those presenting with violent or challenging behaviour. In regional and remote areas it should be deliverable by community services organisations with demonstrated expertise, operating within appropriate clinical governance.

Rationale

Recommendation 7

A substantial cohort may present with barriers so profound that the current Stream 2/3 model would not adequately serve them. International clinical evidence (including phased trauma-treatment models and trauma-stabilisation pilots) and supported-employment research suggest stabilisation can be a necessary precursor to vocational engagement; IPS achieves competitive employment for around 40–60% even under optimal conditions. Internationally, comparable cohorts are served through voluntary, non-compliance-based models (for example WorkWell, the Work and Health Programme Early Access group, IPS and Housing First) and through distinct, jointly health- and welfare-funded arrangements (for example Colorado's IPS and Greater Manchester's Working Well). Placing these participants in Stream 3 without a distinct design risks perverse provider incentives, inappropriate obligations and disengagement; funding such support from within the employment-services budget would set the most complex cohort in competition with job-ready caseload for the same dollars.

Expected benefit

If pursued, participants with the most complex barriers receive services matched to their actual needs rather than being measured against unachievable short-term outcomes. The risk of disengagement and mutual-obligation harm is substantially reduced. Employment remains an explicit long-term goal, preserved through a pathway-building approach rather than foreclosed by inappropriate short-term pressure, and distinct, jointly funded delivery protects service availability, including in regional and remote communities, without cannibalising mainstream employment-services funding.

Recommendation 8

Recommendation

Where the new assessment and triage process identifies that a person with disability, or a young person, requires Stream 3-level support and is eligible for a relevant specialist program, offer them the option of automatic referral into that program, Inclusive Employment Australia for people with disability, and Transition to Work for young people, with the participant retaining the choice of whether to accept.

Rationale

People with disability and young people make up a substantial share of the mainstream caseload, and dedicated specialist programs already exist to serve them. The proposed assessment process is largely silent on how it should connect participants to these programs. Building opt-in automatic-referral pathways into assessment would harness specialist expertise, reduce duplicate assessment, and connect participants to the most appropriate support sooner, while preserving choice.

Expected benefit

Participants with disability and young people identified as needing intensive support are connected to specialist services designed for them rather than defaulting into a generalist stream. Duplication is reduced, pathways are clearer, public resources are used more efficiently, and participant choice is preserved.

Recommendation 9
Recommendation Use the early intensive-services pilot as the testbed for the operational assumptions on which the commissioning model depends, and do not finalise the national Stream 2/3 commissioning architecture until the pilot has reported. The pilot should be designed and resourced to generate evidence on stream volumes, movement between streams, reassessment frequency, provider-transfer effects, comparative participant outcomes under integrated and separated delivery, and the commercial viability of separate Stream 3 markets, including in thin regional markets.
Rationale Several parameters central to the separation question cannot yet be known: the new holistic assessment and triage process is still being developed, the pilot has not run, and the Department has not published caseload, cost or market modelling. Committing the national rollout to a structural separation between Streams 2 and 3 before these are tested would lock in a market design whose key assumptions remain unverified, at the point where mistakes are most costly to correct. Sequencing the structural decision to follow the pilot, rather than pre-empt it, keeps the commissioning model anchored in evidence from Australian delivery.
Expected benefit Final commissioning decisions rest on tested evidence rather than assumption. If the pilot shows separate Stream 3 provision is viable and outcomes hold, that case can be made on the evidence; if it confirms the risks identified in this paper, they are caught before national procurement rather than after, when correction is far more disruptive and expensive.

Conclusion

The reform of Australia's employment services system is a genuine opportunity to build something better: a system that serves the people it is meant to help, and that gives participants with complex needs a real pathway towards sustainable employment.

The three-stream reform is welcome. But the design of how Streams 2 and 3 are commissioned will determine whether it succeeds or fails for the people who need it most. **On the evidence, relationship continuity is what most protects progress for people with complex and fluctuating barriers**, continuity of provider, of service, and of the trust, psychological safety and employer connections built over time. Splitting Streams 2 and 3 across different organisations puts that continuity at risk, creates high-risk handover points, generates a "missing middle" at stream boundaries, risks service gaps in regional communities, and risks failing to recognise the very providers with the expertise, infrastructure and employer relationships participants need who have years of experience of helping people with complex needs into employment.

It is acknowledged that separate providers could make the new model easier for the Department to administer, and that there are legitimate concerns about providers retaining participants in a presumed higher-paying Stream 3. But these concerns can be managed through meaningful performance and funding frameworks that measure and reward individual participant progress towards employment, and an integrated model could also track participants longitudinally on their journey, building a rich evidence base on what works.

The course the evidence supports is straightforward: one provider, or a genuine consortium, accountable for a participant's journey across Streams 2 and 3, chosen for demonstrated capability, employment-services expertise, employer relationships, community connections and cultural competence, not for organisational type, whose accountability to the participant does not change when the participant's circumstances do. It is also, notably, the course the Government has already chosen for Inclusive Employment Australia. The reform should explain any departure from that approach, not simply assume one. Alongside this, the evidence invites genuine exploration of a distinct response for participants whose barriers may make employment readiness within two years unrealistic, and of stronger referral pathways connecting people with disability and young people to the specialist programs designed for them.

> *For further information on this paper, please contact policy@nesa.com.au.*

About NESA

The National Employment Services Association (NESA) is the peak body for the employment and related services sector in Australia. It represents organisations that deliver the full range of employment services, skills, and related human services programs across Australia. NESA's members deliver services to participants and work with employers and communities through a range of programs including Workforce Australia, Inclusive Employment Australia, Transition to Work, Self-Employment Australia, apprenticeship programs and other government-contracted programs.

Our vision is opportunity for everyone through employment and economic inclusion, and this vision sits at the heart of everything we do.