national employment services association

SHAPING THE FUTURE OF EMPLOYMENT SERVICES

Submission to the Department of Employment and Workplace Relations | July 2026

INTRODUCTION

As Australia's peak body for employment services, established in 1997, NESA has worked alongside governments, providers, employers and community stakeholders through almost three decades of reform, spanning every major outsourced employment services model implemented in Australia. NESA approaches this reform as a partner in change: the recommendations in this submission are designed to build on proven capability while addressing the structural weaknesses of previous commissioning models.

Public employment services are part of Australia's public infrastructure and should be designed in the public interest. Reform design features should advance the core purpose of public employment services – to help people find and keep a job.

This submission is structured as follows:

1. Recommendations
2. Critical Success Factors
3. Responses to Discussion Paper questions
4. Implementation.

RECOMMENDATIONS

NESA's recommendations are summarised below and set out in full, with supporting evidence, in the body of the submission.

Recommendation 1. Integrate delivery of Streams 2 and 3 as the default

- Integrated delivery of Streams 2 and 3 by providers should be the default, where practical, to support market sustainability, and avoid adverse impacts on participants.
- Enable providers to bid for both streams together, or for a single stream, demonstrating through procurement how they will support participants to be connected across streams.

Recommendation 2. Commission employment service delivery outcomes for Stream 3

- Selection of providers for Stream 3 should be merit-based (not based on legal entity status) and should, as a minimum, include demonstrated ability to achieve employment or similar service delivery outcomes.

Recommendation 3. Fund the real cost of service delivery

- Fund the actual cost of delivery rather than setting fixed prices, benchmarked to comparable government services and informed by independent costing advice.
- Redesign the progression payment so providers can actually claim it: set a small number of clear, verifiable milestones; cut the evidence needed to claim each one; and widen eligibility so it reaches more participants, not a narrow group.
- Index payment rates annually against real cost movements, using a transparent published method, and stress-test the model for inflation and thin markets before going to market.
- Reintroduce an ongoing service fee as a stable funding base, reduce the outcome-payment share, and enable the at-risk share to flex with the economic cycle and caseload. Keep the Employment Fund, protect its balance, and make its rules flexible enough for individualised, place-based and culturally appropriate support.

Recommendation 4. Remove government-generated administrative burden

- Reduce administrative burden by automating claims verification in the IT system, avoiding onerous manual claims.
- Assess, validate and triage complaints centrally so that only complaints relevant to a provider's service delivery (not government settings) are escalated to them, enabling early resolution of minor complaints and filtering out vexatious and policy-based complaints.
- Constrain cyber-security certification requirements to ISO27001 plus the Essential Eight, reducing current audited practices to a reasonable, predictable, published schedule that genuinely enhances cyber security.

Recommendation 5. Getting participants into the right stream

- Define 'distance from the labour market' to inform appropriate stream placement, based on the nature and complexity of a person's barriers in the context of the local labour market.
- Design Stream 2 to cover the 'missing middle', that is, people who need more than light-touch support because of undisclosed mental health or capacity barriers but are not sufficiently complex for Stream 3.
- Target specialised skills through procurement, to serve the diversity of the cohort, rather than specialist contracts per se that limit participant choice and access to the best service.

Recommendation 6. Stream 3 funding

- Calibrate Stream 3 funding to at least 60:40 service fee to outcome fee ratio, ensuring success is measured in progress towards employment, so that people with complex barriers are properly supported.
- Progress payments should recognise movement that brings a participant closer to the labour market, not only job placements.

- Design the funding model around the support services that people with complex barriers need to address barriers to employment.
- For the small number of people who pose an immediate safety risk to staff or others, Government should fund a separate government-delivered service for those with challenging and dangerous behaviours that cannot be safely serviced by providers.

Recommendation 7. Adopt a two-stage responsive assessment process

- Adopt a two-stage assessment, commencing with a government triage that is simple, swift, and evidence-informed to identify referrals to a stream, then validated by a face-to-face assessment by the provider, so that assessment is done once, and works across all programs.
- Adopt technology and evaluative evidence supported assessment processes to support their reliability, efficiency and contribution to the evidence base.
- Within the assessment process, build an integrated multi-level and multi-dimensional assessment tool across mainstream employment services to better align Stream or program placement to individual's needs.
- Co-design the tool with experienced specialists in multi-dimensional assessment, providers and across agencies, so that it works consistently for all programs, including Workforce Australia, Inclusive Employment Australia, and the Remote Australia Employment Service.
- Fund assessment training and educative processes for providers, so that participants can better understand the purpose and intent of the tool and enable effective implementation from program commencement.

Recommendation 8. Redesign the Employment Goal Plan

- Replace the current Job Plan with a simple, living, participant-driven Employment Goal Plan (based on the Parent Pathways model), and base mutual obligations on positive engagement, rather than automated compliance.
- Ensure the plan is easy to keep current, with tiered updating requiring only material changes to be signed off, with digital submission of updates and evidence, and the person's one-time story kept separate from the plan.

Recommendation 9. Mutual obligations

- Base obligations on positive engagement that flows from the plan, calibrated to each participant's capacity, with compliance as a genuine backstop, rather than the default operating mode.
- Replace automated payment suspensions due to mutual obligation breaches with early, funded, human re-engagement, while keeping proportionate consequences (for example, a

first meeting attendance requirement), with suspension decisions the full responsibility of the Department.

- Switch funding automatically to service-fee arrangements whenever mutual obligations are paused, so providers are paid to keep engaging participants during the duration of the pause.

Recommendation 10. Build employer-facing, demand-side capability within providers

- Fund employer-facing, demand-side capability across all streams and programs, delivered through providers as work-force planning partners, not a new government or third-party broker.
- Fund the building and holding of employer relationships (including assessing an employer's suitability and safety), through a single trusted point of contact.
- Restructure rewards so that both sides of a placement are paid, that is, the provider that builds the employer relationship and the provider that supplies the best-fit candidate, based on employer satisfaction, and best fit outcomes.
- Give providers visibility of vacancies and the ability to refer the best-fit person across all streams and providers, so employers access the full candidate pool.
- Design around the employer's experience: the need for fast response, quality shortlists, help with adjustments and onboarding, and continuing support after the initial hire.

Recommendation 11. Support employers to hire and retain

- Re-frame wage subsidies as training and capability support, changing how SMEs perceive them, underlining the employer's reciprocal role, and opening up candidates who do not yet have the exact skill set sought.
- Fund practical SME support, including accessible documentation, reasonable adjustments and job carving, with providers acting as an extension of an SME's HR function.
- Restore 'try before you buy' work trials and internships.
- Make any government job-matching platform transparent, optional and built on existing skills data, complementing commercial job boards, with human oversight of any AI matching; mandating its use would repeat past failures.

Recommendation 12. Develop a national employment services Workforce Plan

- Develop a national employment services Workforce Plan for the sector with relevant peak and representative bodies.

Recommendation 13. Purposeful use of Artificial Intelligence

- Consider the appropriate, and purposeful use of Artificial Intelligence to augment effective service delivery for participants and reduce service-delivery costs and administrative and regulatory burden on both providers and Government, with appropriate human oversight at key-decision-making points.

Recommendation 14. Procurement and risk-profiling the tender

- Risk-profile the outcomes of the tender, including the cost of market disruption.
- Commission for five-year licences with 2–5-year extensions, with easier, truncated extension processes for providers with demonstrated performance.

Recommendation 15. Thin markets

- Consider whether different funding or commissioning models are needed for thin markets, and do not over-procure thin regions. This could include direct approaches; guaranteed block funding; or increasing the service-fee to outcome ratio from 60:40 (Recommendation 6) to 90:10 to sustain delivery where outcomes are limited.

Recommendation 16. Embed continuous improvement and a collaborative contracting relationship

- Embed continuous improvement through a relational contracting culture, two-way transparency and independent evaluation.
- Fund an independent evaluation of the reform and its pilots, publishing methods, costs and lessons learned (including from any Australian Public Service (APS)-delivered sites).
- Build the Department's understanding through sustained observation of frontline delivery.
- Provide live performance reporting from commencement and make the performance-framework methodology transparent.

Recommendation 17. Complementary cohort programs

- Connect complementary programs into the system through streamlined contracts (a master contract with program schedules), assessment, referral and dual servicing.

Recommendation 18. Protect training across all streams

- Protect and fund training across all streams, recognising that being in Stream 2 does not mean a participant has no non-vocational needs.

Recommendation 19. Pilot properly and stage the reform

- Make pilot design, funding, assumptions and evaluation methods transparent, let existing providers take part, and compare government-run and provider-delivered pilots on the same basis.
- Given the short time frame of the pilot prior to procurement, test ideas, and any learnings early with operational focus groups, including those with lived experience, before the model for procurement is settled.
- Protect competitive neutrality so that taking part in the pilot gives no participant an advantage in the later procurement, for example, by sharing the pilot's design and findings with all potential tenderers, keeping any tools and data in government ownership, and considering whether participants should be excluded from tendering for the contracts the pilot informs or be subject to a probity firewall.
- Stage the reform, pilot before national commitment, prove assessment and IT before procurement locks in provider footprints, and allow realistic mobilisation and transition, because a slip in one system, usually IT, cascades through all.

- Do not redesign assessment, funding, procurement, IT, performance frameworks and commissioning all at once.

PART 1: CRITICAL SUCCESS FACTORS

WHAT THE REFORMS SHOULD DO

1. Adopt integrated delivery of Streams 2 and 3 as the default commissioning model to:
    a. uphold the best interests of participants (relational and service continuity, trust), frontline staff (balanced caseloads to avoid burnout) and employers (consistent and trusted relationships); and
    b. Support market and provider viability (avoiding non-sustainable caseload reduction and acknowledging 'thin market' realities).
2. Commission Stream 3 on demonstrated employment-services capability, not legal entity status.
3. Fund the actual costs of delivering a quality service aligned to Government's policy goals, benchmarked to similar services delivered by government agencies.
4. Build on existing provider capability and workforce given it is public infrastructure, ensuring competitive neutrality in procurement for Streams 2 and 3.
5. Design out government-generated administrative burden, such as claims processing, duplicated audit and unvetted complaints, rather than requiring providers to absorb it, and
6. Test the model's assumptions through transparent pilots, with existing providers able to take part, before any national rollout.

1.1 STREAMS 2 AND 3 SHOULD BE DELIVERED IN AN INTEGRATED WAY

NESA's position: Integrated delivery of Streams 2 and 3 should be the default commissioning model, accommodating market flexibility in how this could be provided (ie., by a single provider, related entities, joint venture, or a consortium responsible for a participant's service journey across both streams). On the available evidence, separating the streams across different organisations is difficult to justify, and no evidence has been published that separation would improve participant outcomes. The model should also let providers bid for both streams together in an integrated bid, or for a single stream where they can show how they will keep participants who move between streams connected to a continuous service.

The problem. The Discussion Paper signals that the streams will be commissioned differently: 'traditional' providers continuing in Stream 2, with Stream 3 weighted toward 'community-based' organisations. A participant who moves between streams would therefore have to leave their provider and begin again with a new organisation, rebuilding trust, re-telling their story, and re-establishing employer connections that may have taken years to develop. This matters because barriers to employment fluctuate, with approximately one in six people who exit Workforce Australia Services re-entering within twelve months, while the share of the caseload in services for five or more years has grown from around 8% in 2010 to over 20% today. In a split-provider model, each movement between streams becomes a potential provider transfer, and therefore a potential point of disengagement.

Continuity is how progress happens. Research in health, mental health and social services consistently finds the quality and consistency of the worker–participant relationship among the strongest predictors of engagement and outcomes. People with complex barriers requiring intensive support often carry histories of trauma or institutional distrust; a trusted, consistent relationship is frequently what enables disclosure and persistence through setbacks. Recent UK Government research with disadvantaged Universal Credit claimants reached the same conclusion, recommending integrated services so that people are not passed between workers and made to retell their story.[1] Where the worker relationship is how barriers are addressed, breaking it removes the conditions that make progress possible.

Coordination can mitigate the risk of separation, but it cannot eliminate it. Lead-provider arrangements, co-case management, warm referrals, shared IT and consortium models all deserve consideration. But handovers between separate services are a well-documented point of failure even in health and social care, systems not organised as competitive markets. The Productivity Commission's 'missing middle' findings show vulnerabilities concentrating at exactly these junctions. Coordination is unlikely to be more robust in a payment-by-results market that asks a Stream 2 provider to hand a participant, and the funding attached to them, to a competitor. Integration remains the lower-risk default because it removes the handover rather than attempting to manage it.

Australia has tested versions of this design before. The New Employment Services Trial (NEST) (2019–2022) allowed providers to allocate participants to 'tiers' within provider services; the evaluation found the tiers added complexity, misread non-linear progress, and amounted to "streams by another name", while the removal of rigid streams was welcomed. The Personal Support Programme (2002–2009) placed people with serious non-vocational barriers in a separate program; its evaluators found the support was not integrated with employment assistance, so employment drifted from goal to add-on.[2] Job Services Australia (2009–2015) kept a single provider accountable across four streams, yet an outcome-weighted funding model still left the most disadvantaged at

[1] Department for Work and Pensions (UK), *Qualitative research with disadvantaged groups on Universal Credit: care experience, ex-offenders, homelessness and substance dependency*, DWP Research Report No. 1130 (research by IFF Research), May 2026. The study found that frequent changes of work coach, and repeatedly retelling one's story to new workers, directly undermined trust, engagement and willingness to disclose barriers.

[2] On the Personal Support Programme's design and evaluation, see Department of Education, Employment and Workplace Relations, *Request for Tender for Employment Services 2009–2012* (Canberra, 2008); Senate Education, Employment and Workplace Relations References Committee, *Inquiry into the DEEWR tender process to award employment services contracts* (2009); Considine, M., Nguyen, P. & O'Sullivan, S., *Job Services Australia: Design and Implementation Lessons for the British Context* (UK Department for Work and Pensions Research Report No. 752).

risk of being parked[3], the funding risk Parts 1.3 and 2.7 address. Structural separation risks people falling through the disconnect; outcome-dominant funding risks parking. The reform should avoid both, drawing on the substantial body of data the system already holds rather than re-running settled experiments.

The Select Committee and the Government's own recent model point the same way. The House Select Committee on Workforce Australia Employment Services found the current system characterised by policy silos and service fragmentation, and its preferred model was a connected regional ecosystem in which people *move across supports within one system*. A structural split between Streams 2 and 3 is the kind of fragmentation the Committee identified as the problem to be rebuilt away from. Inclusive Employment Australia, which replaced Disability Employment Services in November 2025, operates an integrated model: the same provider delivers both intensive and flexible support, and participants move between tiers without changing organisations. Having chosen integration where it recently designed a system from first principles for a comparably complex cohort, the Government should explain any departure from that approach in mainstream services.

This is not an argument against rigorous capability assessment, or against change. It is an argument against using organisational type as a proxy for capability, and for testing the reform's structural assumptions before locking them in nationally. Separation also carries a direct financial risk: because caseload size drives provider viability, splitting Streams 2 and 3 across different organisations could reduce individual caseloads sharply and make some providers unviable, raising the risk of market and provider collapse in already thin markets. Part 1.2 sets out how commissioning should test capability on equal terms.

Recommendation 1. Integrate delivery of Streams 2 and 3 as the default

- Integrated delivery of Streams 2 and 3 by providers should be the default, where practical, to support market sustainability, and avoid adverse impacts on participants.
- Enable providers to bid for both streams together, or for a single stream, demonstrating through procurement how they will support participants to be connected across streams.

1.2 COMMISSIONING OF STREAM 3 MUST RECOGNISE EMPLOYMENT-SERVICES CAPABILITY AND ENABLE TENDERING BASED ON COMPETITIVE NEUTRALITY

NESA's position: National employment-services are part of Australia's public infrastructure, and in creating a national services system and pseudo-market, the Australian Government should take active stewardship of its ongoing viability and workforce capability. Demonstrated employment-services capability must be a central premise of Stream 3 commissioning, with

[3] Department of Education, Employment and Workplace Relations, *The Evaluation of Job Services Australia 2009–2012: Key Findings*, Australian Government. Employment Pathway Fund expenditure fell as disadvantage rose; around a third of Stream 3 and a quarter of Stream 4 jobseekers received no Employment Pathway Fund assistance at all.

external providers of different types tendering on competitively neutral terms. Community capability should complement employment-services capability, not substitute for it. Stream 3 needs both.

Employment-services capability is itself a specialist capability, and it must stay at the centre. The case for commissioning Stream 3 principally from community organisations assumes that once housing, health and mental health are stabilised, a person will naturally find work. On balance, the available evidence does not support that assumption. *Employment is a specialist intervention in its own right*, labour-market knowledge, vocational assessment, employer engagement, job carving, workplace adjustment and retention support, distinct from, and complementary to, community-services skills. Equally, employment providers are generally not, on their own, experts in trauma, housing or mental health. A genuine Stream 3 provider therefore requires integrated capability across both, with employment specialists working alongside community practitioners from commencement rather than being added after stabilisation, by which time momentum and employer relationships have been lost. A clear lead organisation should remain accountable for the participant's progression throughout. Commissioning that treats employment as an automatic by-product of stabilisation will produce a service that stabilises people without connecting them to a job.

Evaluation evidence indicates that the integrated, provider-delivered approach works. Under the New Employment Services Trial, which directly informed Workforce Australia, provider-delivered services carried a markedly more disadvantaged caseload than the comparator yet achieved better, more sustainable outcomes: off-income-support rates after six months were 10.3 percentage points higher for participants with high levels of disadvantage, around a 26% increase in exits. [4] The evaluation attributed this to a human-capital, relationship-based servicing model. That is the approach Stream 3 requires, and the approach the existing sector already practises with this cohort.

Protect the public infrastructure the Government has already paid to build. The available evidence does not support an inference that providers are less capable of serving complex cohorts. Current providers already service Streams 2 and 3. Their client-base doesn't change with the introduction of a new model. As at 31 March 2026, 85.8% of assessed Workforce Australia Services licences met or exceeded the Moderate performance threshold, and provider-delivered services outperformed the government-delivered online arm on participant satisfaction by a wide margin.[5] The Discussion Paper itself attributes below-average outcomes for complex cohorts to labour-market mismatch and caseload composition, not provider failure; existing evaluations indicate the weaker results reflect system design, a points-based compliance regime and outcome payments rewarding speed over sustained engagement. Commissioning can protect this capability or disperse it. When a provider loses a region, experienced staff rarely follow the contract; they leave the sector,

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[4]Department of Employment and Workplace Relations, *New Employment Services Trial Evaluation, Phase 1 report (July 2019 – June 2021)*, November 2022. Provider-delivered Enhanced Services carried a 70.4% high-disadvantage caseload against 47.7% in comparison regions still operating the previous work-first model, and the higher off-income-support exits converted more strongly into 12-week and 26-week employment outcomes.

[5]Workforce Australia performance data as at 31 March 2026: provider-delivered Workforce Australia Services achieved a participant satisfaction rating of 78.0% against a 66% target, and Transition to Work 83.7% against a 75% target, compared with 64.5% recorded by the government-delivered Workforce Australia Online service.

taking employer relationships and community trust with them. The Select Committee found a highly competitive, high-turnover contracting culture in which 22% of regions lost every incumbent in the last round and devoted a chapter to the resulting workforce attrition. The reform should build on this proven capability while fixing the structural weaknesses of past commissioning, instability, churn and type-based presumptions, rather than dismantling in one tender round what no reconfigured market could quickly rebuild.

Ensure competitive neutrality in the commissioning process. Capability should be assessed through criteria applied equally to all organisations: a record of employment outcomes and performance, employer relationships, complex-needs capability, cultural competence and financial viability. Competitive neutrality can be secured by publishing these criteria and their weightings in advance, applying them identically regardless of organisation type, and having tender decisions independently assured. The best interests of participants, and the overarching objective of employment services, should be paramount; that is, to enable people to gain and sustain employment by the best provider most likely, on the evidence, to achieve that outcome for them.

Recommendation 2. Commission employment service delivery outcomes for Stream 3

- Selection of providers for Stream 3 should be merit-based (not based on legal entity status) and should, as a minimum, include demonstrated ability to achieve employment or similar service delivery outcomes.

1.3 FUND A GENUINELY OUTSOURCED MODEL, NOT A SUB-CONTRACTED ONE

NESA's position: Government must be clear about what it is buying, a prescribed service (output or deliverable) or an outcome to enable people to gain and sustain employment? Once decided, the actual cost of delivering it should be ascertained, benchmarked to similar programs and caseloads provided by governments (usually state and territory service delivery agencies). The reformed model should be a genuinely outsourced service in which providers are trusted as the experts and resourced to deliver, not a sub-contracted arrangement in which government prescribes the method, pays only for the outcome, and shifts the unfunded cost and risk onto providers. Government 'stewardship' of a national system should not be outsourced.

The central design choice. *Sub-contracting* prescribes how a service is delivered and pays for those activities at their true cost. *Outsourcing* specifies the outcomes and trusts providers to determine the method. The current system does neither cleanly: government sets the rules tightly but pays only on outcomes, and providers are then held responsible for the results of settings they were contractually bound to follow. That incoherence is the source of much of the system's problems. Either model, coherently funded, would be an improvement; NESA's clear preference is a *genuinely outsourced service that purchases outcomes*.

Fund the cost of delivery, not a budget envelope. The current model prices a funding envelope without reference to what delivery actually costs, and the Department's own analysis shows why that fails. The independent viability modelling conducted for the Department for Workforce Australia and the Australian National Audit Office review found that in every scenario examined providers ran net monthly losses through the first year, that up to twelve employment regions were unlikely to support even a single provider, and that the model became loss-making across the ten-year contract once cost inflation reached 4%.[6] Inflation then ran at up to nearly double that loss-making rate through the contract's opening period, on indexation of just 6.8% every three years.[7] Providers have carried the gap; financial distress is now widespread, with provider boards actively modelling exit from programs. A functional model needs indexation applied at least annually against real cost movements, through a transparent published methodology, and stress-testing for inflation and thin markets *before* procurement commences. The Select Committee's proposed independent pricing body responds directly to this lesson.

Fund the whole participant journey. The heavily outcome-weighted model under-funds the work that makes outcomes possible: engagement and re-engagement, stabilisation, employer development and crisis response. Automated compliance magnifies this, with around two million payment suspensions in a single year[8], with providers absorbing the cost of re-engaging participants whose pathways to payable outcomes are interrupted. To the extent 'creaming' occurs at all, the evidence suggests it is a symptom of viability pressure rather than bad faith. The strain shows in the results: the audited 26-week outcome rate fell to 11.7% in the year to 30 June 2025 and has never met its 15% target. A target that was never met, on funding that never matched the task, shows that the model and the price were misaligned, not that providers cannot do the work they were contracted to do, but were not sufficiently funded to do.

Four funding mechanisms follow:

- **Restore ongoing service fees** as a stable base that funds the journey and cushions the economic cycle, with the at-risk outcome share flexing with the cycle and caseload.
- **Use block or upfront funding for Stream 3 and thin markets**, a precondition of viability given the modelled first-year losses, with the Transition to Work upfront model as evidence.

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[6] Department of Employment and Workplace Relations, *New Employment Services Model Financial Viability Analyses: Summary of Findings*; Australian National Audit Office, *Establishment of the Workforce Australia Services Panel*, Auditor-General Report No. 7 of 2023–24. KPMG's modelling found viability conditional on replicating historical jobactive outcomes with a deliberately more disadvantaged caseload; net monthly losses in every first-year scenario; between two and twelve employment regions unlikely to support a single provider; and a ten-year loss once cost inflation reached 4%.
[7] Payment rates under DEWR contracts have been indexed at 6.8% every three years. ABS Consumer Price Index: 6.1% in the year to the June 2022 quarter as Workforce Australia commenced; a peak of 7.8% in December 2022; above 4% until the March 2024 quarter; below 3% only from the September 2024 quarter.
[8] Noted as 'suspension events' prior to the Targeted Compliance Framework's current pause. Senate Education and Employment Legislation Committee, *Supplementary Budget Estimates 2023–24* (Employment and Workplace Relations portfolio), *Official Committee Hansard*, October 2023 (almost two million suspensions over the first ~16 months of operation; approximately 70% of participants affected). See also 'Almost 2 million Workforce Australia payments have been suspended in the past year', *The Conversation*, 5 February 2025.

- **Make progress payments simple enough to use.** The progression payment was the right idea, defeated by administrative load; keep it, with fewer, simpler, verifiable triggers.
- **Fund crisis response** through a discretionary and truly flexible fund, so service intensity can lift immediately when a participant's circumstances deteriorate.

Design out the unfunded administrative burden and fix mobilisation. A great deal of provider cost is government-generated and should be designed out rather than absorbed: claims-processing functions estimated at 10–20% of delivery costs that intelligent IT could remove, audit costs up 20–40%, unvetted complaints churned back to providers, and unfunded cyber, infrastructure and Award wage costs. Whether the provider or the department pays, it is all a cost to the taxpayer. Procurement and mobilisation need the same discipline. Under Inclusive Employment Australia's managed market, providers reported operating at only 40–50% of guaranteed market share eight months in, having committed to leases and staff; some were required to repay advances based on caseloads that never arrived, on a thirteen-week set-up period that was never realistic. The reformed procurement ***must complete financial viability and caseload modelling before going to market***, honour caseload commitments, and provide a staged mobilisation lead-in. The Employment Fund or equivalent should be retained, its balance defended, and its rules made flexible enough for genuinely individualised, place-based and culturally appropriate support, trusting the discretion of providers.

Recommendation 3. Fund the real cost of service delivery

- Fund the actual cost of delivery rather than setting fixed prices, benchmarked to comparable government services and informed by independent costing advice.
- Redesign the progression payment so providers can actually claim it: set a small number of clear, verifiable milestones; cut the evidence needed to claim each one; and widen eligibility so it reaches more participants, not a narrow group.
- Index payment rates annually against real cost movements, using a transparent published method, and stress-test the model for inflation and thin markets before going to market.
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- Keep the Employment Fund, protect its balance, and make its rules flexible enough for individualised, place-based and culturally appropriate support.

Recommendation 4. Remove government-generated administrative burden

- Reduce administrative burden by automating claims verification in the IT system, avoiding onerous manual claims.
- Assess, validate and triage complaints centrally so that only complaints relevant to a provider's service delivery (not government settings) are escalated to them, enabling early resolution of minor complaints and filtering out vexatious and policy-based complaints.
- Constrain cyber-security certification requirements to ISO27001 plus the Essential Eight, reducing current audited practices to a reasonable, predictable, published schedule that genuinely enhances cyber security.

PART 2: RESPONSES TO THE DISCUSSION PAPER'S QUESTIONS

This Part responds to the questions posed in Chapter 5 of the Discussion Paper. Throughout, the foundational positions in Part 1 remain the lens through which each question is answered.

WHAT THE REFORMS SHOULD DO

1. Fund Stream 2 on a realistic view of its caseload, including its undisclosed and complex barriers, and design Stream 3 explicitly for people with complex barriers requiring intensive support.
2. Adopt a two-stage assessment, government triage, then provider-led in-stream assessment, with a strict time limit on Stream 1.
3. Make the Employment Goal Plan a living document and reframe mutual obligations around positive engagement with credible backstops.
4. Invest in a business-fluent, demand-side employer engagement capability.
5. Design the performance framework to reward progress, quality, employer engagement and sustained employment, not speed of placement.
6. Provide commissioning stability, structural thin-market funding, a sector Workforce Plan, and responsible adoption of AI.
7. Preserve the complementary programs as distinct specialist services, connected into the system.

2.1 THREE SERVICE STREAMS TO RESPOND TO DIFFERENT NEEDS

The Department asks: What are the key factors that should place a person in online and brief intervention services versus targeted provider services versus intensive services? What types of support should be offered under each of the streams?

NESA supports differentiated service intensity. The right factors for stream placement combine distance from the labour market with the nature and complexity of barriers, not a single numerical score. In this submission, 'distance from the labour market' is taken to mean the combined effect of a person's barriers, skills and circumstances and the conditions of their local labour market on how readily they can obtain and hold work, given the Discussion Paper uses the term as its organising metric without defining it (Part 2.2).

Do not assume an 'easy' Stream 2 cohort. Stream 2 will be drawn from the people providers serve today, and the caseload evidence does not support an assumption of a lightly funded cohort built on quick wins. Participants frequently do not disclose mental-health or capacity issues, so the model risks underestimating the support required, and risks pushing providers back into unfunded servicing. Most participants will need non-vocational and barrier-management support alongside any training. There is also a real risk of a 'missing middle', people not disadvantaged enough for Stream 3 but needing more than a light-touch Stream 2, which complexity loadings or steppedup/stepped-down options should address. Further, an assessment of complex needs must never be treated as automatically meaning 'not work-ready': many people live with disability and complex conditions and simply need workplace support suited to their circumstances.

Connect assessment to specialist capability and keep that capability viable within the mainstream. Two specialist programs already anchor the system, Inclusive Employment Australia (IEA) and Transition to Work (TtW), yet the proposed assessment process is largely silent on how it connects participants to either, even though around 1.6 times as many under-25s sit on the mainstream caseload as in TtW.[9] Where assessment identifies that an eligible person needs that level of support, they should be offered an opt-in automatic referral, retaining choice. Other cohorts also require genuine specialist depth, First Nations participants, culturally and linguistically diverse (CALD), migrant and refugee communities, and ex-offenders, but as standalone programs these are small, financially fragile caseloads, often without the underpinning business infrastructure needed to build employer relationships and employment-services capability. The answer is not more single-barrier licences, but specialisation embedded within the mainstream through consortia and partnership models, with referral pathways built explicitly into assessment and cohort performance measured on terms appropriate to distance from the labour market.

Recommendation 5. Getting participants into the right stream

- Define 'distance from the labour market' to inform appropriate stream placement, based on the nature and complexity of a person's barriers in the context of the local labour market.
- Design Stream 2 to cover the 'missing middle', that is, people who need more than light-touch support because of undisclosed mental health or capacity barriers but are not sufficiently complex for Stream 3.
- Target specialised skills through procurement, to serve the diversity of the cohort, rather than specialist contracts per se that limit participant choice and access to the best service.

STREAM 3 SERVES PEOPLE WITH COMPLEX BARRIERS REQUIRING INTENSIVE SUPPORT, A COHORT THE SECTOR KNOWS WELL

This is the cohort providers support now, and the reform is the opportunity to serve them better. The participants who will be served in Stream 3 are a significant proportion of the people experienced providers already work with: people facing mental ill-health, long-term unemployment, homelessness, justice involvement, substance dependency, family violence, disability and social

[9] DEWR caseload data as at 31 May 2026.

isolation, often several at once, and already a disproportionate share of the current caseload.[10] The sector has decades of experience building trust, stabilising crises, coordinating health, housing and social supports, and helping people move into work while their needs are still being addressed. That is the strongest reason to keep Stream 3 connected to providers with that track record and existing capability (Parts 1.1 and 1.2), within a redesigned model that finally adequately funds the work. The complexity is real, close to 1.9 million Australians without a job have a long-term health condition, more than 700,000 of them wanting to work[11], and progress is often incremental, and non-linear. Even the most rigorously evaluated vocational model internationally, Individual Placement and Support, achieves competitive employment for roughly 40–60% of participants under optimal conditions. The right response is to design and fund Stream 3 for that reality, not to change who delivers it.

Stream 3 demands a distinct, blended workforce. Stream 3 practitioners should operate less like traditional employment consultants and more like case managers and barrier-reduction specialists: complex case management, trauma-informed practice, mental-health awareness, deep community-services knowledge, and, because employment remains the objective, full employment-services capability. These capabilities cannot be parcelled out between disconnected services by referral; they must be held together in a single blended workforce organised around the participant, with any consortium presenting as one team under a single case-managed relationship. Deeper cohort expertise, cultural capability, settlement knowledge, ex-offender practice, should be woven in, as concurrent wrap-around input, not reached by referring the person out to start again elsewhere. *Funding must recognise the higher cost of these blended skill sets, and caseloads must be significantly smaller*: the trial evidence confirms smaller caseloads enabled more intensive servicing and stronger relationships. Professional and allied-health services, counselling, occupational rehabilitation, should be an explicit, funded component, because integrating clinical and vocational support improves employment outcomes: Individual Placement and Support roughly doubles competitive-employment rates compared with traditional approaches,[12] return-to-work reviews find coordinated interventions significantly reduce time out of work,[13] and provider program data shows participants with mental-health barriers who accessed such services were markedly more likely to achieve a progress or employment outcome.

Keep open employment the goal and measure incremental steps towards that goal. Many participants need an intermediate step, supported work experience, work trials, staged placements, and engagement in them should count as genuine progression. But no single model is the answer: social enterprise is one option, not the solution, and structured settings should operate as time-

[10] DEWR administrative data, 30 April 2026, cited in DEWR, *Shaping the Future of Employment Services* Discussion Paper, May 2026: people with disability 24.7% of the caseload, First Nations people 16.0%, ex-offenders 12.7%, and people experiencing homelessness 11.0%.

[11] Australian Bureau of Statistics, *Barriers and Incentives to Labour Force Participation, Australia, 2024–25 financial year* (June quarter 2025; released 5 November 2025).

[12] Modini, M., et al. (2016), *British Journal of Psychiatry*, 209(1), 14–22; Brinchmann, B., et al. (2020), *Acta Psychiatrica Scandinavica*, 141(3), 206–220.

[13] Cullen, K. L., et al. (2018), *Journal of Occupational Rehabilitation*, 28(1), 1–15.

aware bridges whose success is measured by transition into open employment. Further, success in Stream 3 cannot be measured by placements alone: stable and safe accommodation, engagement with treatment, and improved confidence and work-readiness are critical steps. Funding models, and the performance framework should recognise this (Part 2.7).

A very small group presents a safety risk the sector is not equipped to manage. A small number of participants exhibit challenging behaviour posing an immediate risk of foreseeable harm to frontline staff or other participants. Under current service settings, providers cannot readily transfer service to these participants, so they remain on caseloads that cannot safely support them, nor effectively enable providers to uphold legislated workplace health and safety obligations. Consistent with NESA's *Safe and Supported Workforce* policy position, providers should be able to immediately transfer such a person to an appropriate government-managed pathway, connecting them through Services Australia to urgent assessment and the specialist support they need, matched by funding for frontline safety and de-escalation measures on the same basis as government funds its own staff.

Recommendation 6. Stream 3 funding

- Calibrate Stream 3 funding to at least 60:40 service fee to outcome fee ratio, ensuring success is measured in progress towards employment, so that people with complex barriers are properly supported.
- Progress payments should recognise movement that brings a participant closer to the labour market, not only job placements.
- Design the funding model around the support services that people with complex barriers need to address barriers to employment.
- For the small number of people who pose an immediate safety risk to staff or others, Government should fund a separate government-delivered service for those with challenging and dangerous behaviours that cannot be safely serviced by providers.

2.2 QUALITY INITIAL ASSESSMENTS AND TRIAGING

The Department asks: What factors should support development of a new, high-quality assessment and triaging process? What information should be collected to better identify barriers and triage to the right service? What factors or circumstances should result in a participant moving between streams?

The assessment is the gateway to ensuring participants receive the right service, on time, at the right time. NESA agrees the current Job Seeker Classification Instrument (JSCI) is not fit for purpose: it is a risk-stratification scoring tool rather than a needs assessment, frequently wrong on non-visible barriers, and an assessment can appear recent while being an auto-populated rollover from up to two years earlier.

A two-stage model: triage, then a proper assessment. NESA proposes a quick government triage to allocate a stream, followed by a more comprehensive, individualised, ideally face-to-face assessment conducted within the stream by the provider. Trust and rapport are the preconditions for honest disclosure: vulnerable participants will not disclose domestic or family violence, homelessness, substance misuse or mental illness up front, particularly to government. The assessment should capture strengths and goals as well as barriers, be informed by local labour-market context, and rest with experienced practitioners who use it to build a trusted relationship, with reassessment built in, because more emerges over time.

Who conducts the substantive assessment, and the conflict-of-interest question answered directly. Government-delivered assessment has a long track record through the JSCI, and it is not a strong one. Providers re-do the assessment anyway when a participant lands on the caseload, so a *government-run substantive assessment duplicates work* rather than saving it. The information that matters surfaces over time through a trusted relationship, and that relationship sits with providers. The obvious objection is conflict of interest: that a provider assessing its own participants might classify them to maximise funding. The two-stage design answers this structurally. Government triage sets the stream, so the provider is not the gatekeeper of its own funding at entry. Where the incentive could resurface, reassessment and stream transition, every decision should record clear, auditable reasoning subject to proportionate, sample-based audit, with independent reassessment triggers and participant-initiated review rights as backstops (Part 2.7). And the accountability should run both ways: the government triage function should be held to the standard expected of providers, with the Department accountable for the quality of its own triage. The incentive risk is managed by architecture and audit, trust with a paper trail, not by removing assessment from the practitioners best placed to conduct it.

One tool, three very different systems, and an undefined organising metric. The new approach is intended to apply across mainstream services, IEA and the Remote Australia Employment Service (RAES). A tool designed around the mainstream caseload will not automatically be fit for purpose for people with disability or for remote and First Nations communities; getting this wrong would mis-stream the very cohorts the reform is most meant to help, across three programs at once. The way through is a common, consistent spine, so information follows the person under a 'tell it once' principle, captured once and moving with them across providers and programs, combined with context-specific content, delivered by practitioners who understand the program and the people in front of them. The same discipline applies to the reform's organising metric: the Discussion Paper never defines 'distance from the labour market', and the term means different things by vantage point, a qualifications-recognition problem in one place, an employer's licence requirement in another, and in many remote communities there is little local labour market to be distant from. The Department should define the concept or replace it with a clearer, multi-dimensional measure of need, and the assessment must flex what 'distance' means by program, place, individual, and market.

Move between streams on circumstance, and strictly time-limit Stream 1. Reassessment triggers should include time, disengagement, job cycling and lack of progress, as well as non-vocational life events: housing changes, family breakdown, deteriorating mental health, redundancy. On the Department's own evidence, thousands of people have been in Workforce Australia Online for two years or more, some for five, despite settings allowing only 12 months.[14] A maximum of three months online should apply for young people up to 25 years, and six months for remaining online participants.

Stream 1 and 2 participants should have the right to trigger a reassessment request for greater support at any time, or an earlier human assessment. These should be included as system safeguards against parking in digital services. Digital literacy must not be equated with work-readiness: mature-age workers take more than twice as long to re-enter work after losing a job,[15] and the NEST evaluation found digital eligibility did not reliably reflect suitability, identifying multiple groups less likely to manage online.[16] Nor was time on income support alone a good indicator of the need for intensive help, which is why reassessment must respond to circumstance, not just elapsed time.

Quality, multi-dimensional, evidence-based tools. Assessment tools should be co-designed with a multi-disciplinary team inclusive of assessment specialists from the allied health, disability, occupational health, and include experienced employment services provider representatives.

Technology, accessibility and governance. The assessment tools should be supported by conversational, trauma-informed assessment technology that can flag literacy issues and categorise risk to decide who needs a deeper, human-led assessment; the sector is willing to embrace this with genuine human-in-the-loop oversight (Part 2.6 sets out NESA's broader AI position). Whatever replaces the JSCI must use plain, accessible language, support interpretation and translation, and avoid legal-style consent that is meaningless to those signing it[17]. Because the assessment reshapes IEA (administered through the Department of Social Services) and RAES (through the National Indigenous Australians Agency), it should be co-designed across the relevant agencies and with providers from all three systems along with relevant multi-disciplinary

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[14] Ms Fiona Dewar, Department of Employment and Workplace Relations, evidence to the Senate Education and Employment Legislation Committee, Budget Estimates 2026–27, *Proof Committee Hansard*, 3 June 2026, p. 18: as at 31 March 2026, 14,045 people had been in Workforce Australia Online for two years or more, and 4,285 for five years or more.

[15] Jobs and Skills Australia, *Mature Age Workers and the Labour Market*, Recruitment Experiences and Outlook Survey special report, August 2024: an average of 86 weeks to re-enter work, against 37 weeks for those under 55.

[16] Department of Employment and Workplace Relations, *New Employment Services Trial Evaluation, Phase 1 report (July 2019 – June 2021)*, November 2022. Groups identified as less likely to manage online included older participants, those with lower education or English proficiency, First Nations participants, people with disability, people in outer-regional areas, those long out of the labour market, people who are homeless or socially isolated, and people with dyslexia or learning difficulties.

[17] A provider reported a First Nations RAES participant with errors in their JSCI conducted by Services Australia because when asked as to whether they had 'left the country' they said 'yes' because they had left their cultural homeland, not understanding this meant 'Australia'. RAES participants do not find the language or style of the JSCI accessible.

assessment experts, before it is built. Its data should be used, feeding the Employment Goal Plan and the performance framework rather than being collected and discarded.

Recommendation 7. Adopt a two-stage responsive assessment process

- Adopt a two-stage assessment, commencing with a government triage that is simple, swift, and evidence-informed to identify referrals to a stream, then validated by a face-to-face assessment by the provider, so that assessment is done once, and works across all programs.
- Adopt technology and evaluative evidence supported assessment processes to support their reliability, efficiency and contribution to the evidence base.
- Within the assessment process, build an integrated multi-level and multi-dimensional assessment tool across mainstream employment services to better align Stream or program placement to individual's needs.
- Co-design the tool with experienced specialists in multi-dimensional assessment, providers and across agencies, so that it works consistently for all programs, including Workforce Australia, Inclusive Employment Australia, and the Remote Australia Employment Service.
- Fund assessment training and educative processes for providers, so that participants can better understand the purpose and intent of the tool and enable effective implementation from program commencement.

2.3 INTRODUCING AN EMPLOYMENT GOAL PLAN

The Department asks: What elements will be important to capture in the Employment Goal Plan? How can the system encourage effective use of the Employment Goal Plan by participants and providers to ensure it is meaningful, timely and relevant?

NESA supports replacing the current Job Plan, which is generic, created once, rarely updated, and, because mutual obligations have little practical force under current settings, failing as the compliance instrument it has been reduced to. The Employment Goal Plan should instead be a living, participant-driven working document based on the Parent Pathways model: fluid, connected to the assessment, capturing strengths, preferences and labour-market context as well as agreed activities and any obligations, evolving through post-placement support, and genuinely agreed between provider and participant. The critical design risk is administrative burden. The workable answer, again from Parent Pathways, is tiered updating: minor updates agreed with the participant without re-signing, sign-off reserved for material changes. The person's one-time narrative, following them under the 'tell it once' principle (Part 2.2), should be separated from the living plan, with capable IT letting participants submit updates and evidence digitally. Because the plan's weight depends on the engagement framework, NESA's recommendation for the plan sits with the mutual-obligations framework at Part 2.4: the two stand or fall together.

Recommendation 8. Redesign the Employment Goal Plan

- Replace the current Job Plan with a simple, living, participant-driven Employment Goal Plan (based on the Parent Pathways model), and base mutual obligations on positive engagement, rather than automated compliance.
- Ensure the plan is easy to keep current, with tiered updating requiring only material changes to be signed off, with digital submission of updates and evidence, and the person's one-time story kept separate from the plan.

2.4 A NEW APPROACH TO MUTUAL OBLIGATIONS

The Department asks: How do we change the way providers and participants engage with mutual obligations to focus on positive engagement that helps people move towards employment?

NESA supports a decisive shift from reactive, compliance-driven mutual obligations toward positive engagement calibrated to distance from the labour market. The current settings are both too harsh and too weak: with around two million payment suspensions in a single year (when the Targeted Compliance Framework is not paused (Part 1.3)), there is enormous effort spent interrupting servicing, yet automated compliance rolls through the 28-day cycle, payments switch back on, and where a participant simply will not engage there is little a provider can do. Reform must address both issues. The evidence supports the shift: under the New Employment Services Trial, greater flexibility and participant agency measurably reduced non-compliance, as the conversation moved from 'this is what you need to do' to 'how can we help you'[18], while the same evaluation was explicit that a balance with compulsion must be retained. This aligns with the Government's proposal to maintain an element of mutual obligations.

Obligations should be set out in, and flow from, the Employment Goal Plan, change as employability improves, and draw on the voluntary, engagement-led design of Parent Pathways and the tiered approach of IEA compliance as a genuine backstop, not the default operating mode. For people with complex barriers requiring intensive support, obligations should be light and meaningful, calibrated to participant capacity. The focus should move from automated suspension toward early, human re-engagement, and that re-engagement work must be funded (Part 1.3). Positive engagement is not the same as no consequences: there should be credible, proportionate requirements, a first-meeting attendance condition, suspensions that cannot be lifted by provider-hopping, and sensible consequences for leaving work without good reason. And whenever obligations are paused, the

[18] Ibid.

funding model should automatically shift to a service-fee basis, as operated in RAES, so providers are paid to keep engaging participants rather than carrying the cost of a policy decision they did not make.

Recommendation 9. Mutual obligations

- Base obligations on positive engagement that flows from the plan, calibrated to each participant's capacity, with compliance as a genuine backstop, rather than the default operating mode.
- Replace automated payment suspensions due to mutual obligation breaches with early, funded, human re-engagement, while keeping proportionate consequences (for example, a first meeting attendance requirement), with suspension decisions the full responsibility of the Department.
- Switch funding automatically to service-fee arrangements whenever mutual obligations are paused, so providers are paid to keep engaging participants during the duration of the pause.

2.5 A NEW APPROACH TO EMPLOYER ENGAGEMENT

The Department asks: How can employment services best partner with industry and large employers? How can they best support small and medium enterprises? What is the value of a government job-matching platform, and how can we increase it? What supports do employers need to recruit and retain people?

For nearly three decades the system has invested heavily in supply, getting job seekers 'job ready', and comparatively little in understanding demand: what employers want, why they under-use employment services, and how to meet and shape that demand. Employer engagement has remained low not because the candidate pool is poor, but because no part of the system is directly funded to do that discovery work and speak the language of business. A structural flaw exists in the proposed model: the reform fragments participants into three streams, but employers hire across all three and want a single, consistent relationship with a local provider, which is a further argument for integrated Streams 2 and 3 delivery (Part 1.1).

What should employers experience? The design test is simple: one trusted relationship rather than competing approaches from multiple providers; a partner that understands their business; fast response and quality-assured, best-fit shortlists drawn from the full candidate pool; practical help with adjustments, onboarding and job design; and post-placement support that continues after the hire. Every employer-facing setting should be tested against that experience.

Build the capability into providers, not a new broker, and fix the incentive that works against matching. An inserted government or third-party intermediary cannot run the discovery process and lacks the insight providers hold into whether an employer can be served well and safely. Capability should be built into the system: providers funded as workforce-planning partners, and employer-led, place-based enabling structures that put employers and local business chambers at the table, is the demand-led model with the strongest international evidence.[19] The single change that would most lift engagement is to stop rewarding providers only for placing their own caseload, and instead reward both halves of the outcome: the provider that builds the employer relationship, and the provider that supplies the best-fit candidate. Employer-engagement work should be funded explicitly, including a payment to assess an employer's suitability and safety, with relationship ownership resolved through funding and vacancy-visibility rules and account management.

Help employers hire and retain, the under-built half of the system. The sector is not funded to make employers 'job-seeker ready'. Providers should be funded to build employer capability, accessible documentation, reasonable adjustments, job carving, with 'try before you buy' work trials and internships restored. Reframing 'wage subsidy' as training or capability support changes SME perceptions and emphasises the employer's reciprocal obligation to support the person in the role. SMEs, facing hundreds of applicants per role with few staff to run recruitment, need providers acting as an extension of their HR function, and the model should fund this. Any government job-matching platform should be transparent and open, built on existing skills data, complementary to commercial job boards, AI-augmented with human oversight, and strictly optional. Mandating use would repeat the failure of past government platforms.

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[19] See in particular the Workforce Development Board Model in the United States [Workforce Development Board Advocates | NAWB](). See also Pathways for Advancing Careers and Education (PACE) Evaluation, Abt Associates for OPRE (83% of Year Up graduates employed within four months of graduation); Fein, D. & Dastrup, S., *Benefits that Last: Long-Term Impact and Cost-Benefit Findings for Year Up*, OPRE Report No. 2022-77 (2022): approximately 30% ($8,251) higher annual earnings in the seventh year after random assignment.

Recommendation 10. Build employer-facing, demand-side capability within providers

- Fund employer-facing, demand-side capability across all streams and programs, delivered through providers as work-force planning partners, not a new government or third-party broker.
- Fund the building and holding of employer relationships (including assessing an employer's suitability and safety), through a single trusted point of contact.
- Restructure rewards so that both sides of a placement are paid, that is, the provider that builds the employer relationship and the provider that supplies the best-fit candidate, based on employer satisfaction, and best fit outcomes.
- Give providers visibility of vacancies and the ability to refer the best-fit person across all streams and providers, so employers access the full candidate pool.
- Design around the employer's experience: the need for fast response, quality shortlists, help with adjustments and onboarding, and continuing support after the initial hire.

Recommendation 11. Support employers to hire and retain

- Re-frame wage subsidies as training and capability support, changing how SMEs perceive them, underlining the employer's reciprocal role, and opening up candidates who do not yet have the exact skill set sought.
- Fund practical SME support, including accessible documentation, reasonable adjustments and job carving, with providers acting as an extension of an SME's HR function.
- Restore 'try before you buy' work trials and internships.
- Make any government job-matching platform transparent, optional and built on existing skills data, complementing commercial job boards, with human oversight of any AI matching; mandating its use would repeat past failures.

2.6 DELIVERY OF HIGH-QUALITY SERVICES

The Department asks: What qualifications and experience should be expected of frontline staff within each stream? How could the future service accommodate the needs of diverse cohorts, including better linkages to other services? How can a nationally consistent service respond to local circumstances?

Frontline capability: competence, not just credentials, backed by a Workforce Plan. NESA supports capability expectations that scale with service intensity across all streams, including those delivered by the APS, with the *emphasis on demonstrated competence* rather than formal qualifications alone. NESA is not aware of evidence linking higher formal qualifications among frontline staff to better outcomes, and cautions against importing a degree-based expectation, particularly given the low pay rates in the Labour Market Assistance Industry Award 2000. The better model is a *sector-wide, capability-based framework* delivered primarily through micro-credentials, practical, verifiable, stackable and portable, recognising lived experience and relevant sector experience alongside formal study; recent evidence indicates partial completion of training, not only full qualification, improves employment and income outcomes.[20] But capability settings alone cannot solve the sector's deepest workforce problems: Award wages too low to attract and retain staff; provider funding calibrated to the Award average creating structural downward pressure on pay; and high turnover driven by contract uncertainty that destroys community knowledge with every transition.

NESA urges the creation of a sector-wide Workforce Plan covering attraction, retention, capability, professional development, workplace health and safety, and wage settings, underpinned by a funding model that can pay for stable, skilled teams.

To be explicit, a qualification per se does not automatically deliver competence or suitability for the role. Competence is demonstrated through practical, applied skills, communication, assessment, problem-solving and analytical capability, not conferred by a credential alone. This reinforces the case for a capability framework built on micro-credentials and competency skill sets rather than formal qualification pathways.

The Workforce Plan should be understood as broader than capability and development. It should address workforce safety, including both physical and psychosocial safety; capability and development; and remuneration and conditions. NESA's forthcoming workforce remuneration and conditions survey will provide a solid and contemporaneous evidence base to inform government's consideration of the Workforce Plan. The Labour Market Assistance Industry Award must also be reviewed so that remuneration properly reflects the work. Sustained low pay leaves this predominantly female workforce facing not only a gender pay gap, but the high risk of inadequate superannuation and a heightened risk of future dependence on the Age Pension.

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[20] Jobs and Skills Australia, *Jobs and Skills Report 2025, Connecting for Impact: Aligning Productivity, Participation and Skills*, 4 November 2025.

Recognising Employment Consultants (ABS classification OSCA 411431) as a priority occupation would restore the status the role held on the 2025 Australian Apprenticeships Priority List, which flags occupations facing skills shortages. Priority status lets government open traineeship pathways, making training incentives available where the individual and employer meet eligibility criteria, rather than as automatic funding. Notably, the qualifications nominated for the role were drawn from human resources, community services and individual support, not the sector's own Certificate IV in Employment Services, reinforcing the need for broad, multidisciplinary skills.

Practical, sector-designed training to build these competencies already exists. NESA Academy[21] was established in 2024 in response to provider feedback on frontline needs and to issues identified through departmental monitoring and compliance. It delivers on-demand micro-credentials training aligned to Deed requirements, compliance standards and performance goals. Its most popular courses are the practical skills courses for servicing participants, including assessment, customer service, case notes, and resume and interview preparation, precisely the competencies the sector is now calling for.

Diverse cohorts, better linkages, and local responsiveness. Providers should be resourced, not merely to refer participants to health, housing, justice and skills services but to actively coordinate that engagement; this work is substantial and currently unfunded. First Nations, CALD and refugee participants, mature-aged workers and young people each need tailored, culturally safe responses, with the role of Aboriginal Community Controlled Organisations strengthened within consortium models assessed on capability. A nationally consistent service should set a high baseline with genuine local flexibility, drawing on the Local Jobs Program's lessons, and guarantee equity of access for participants facing transport, regional or digital barriers, noting that local flexibility depends on viable local providers (Parts 1.3 and 2.8).

Adopt AI deliberately, with the sector. The reform is being designed at exactly the moment AI is reshaping service delivery, and the Discussion Paper is largely silent on it. NESA supports deliberate, governed adoption on four fronts:

- administrative automation (claims verification, documentation, compliance recording) to release frontline time, the most immediate gain, given the burden documented at Part 1.3;
- AI-enabled servicing supports, such as real time language translation and conversational assessment and case management aids (Part 2.2), matching and digital coaching between appointments, as augmentation of the practitioner relationship rather than substitution;
- clear guardrails, including human oversight of any decision affecting a participant's stream, payments or obligations, transparency about when AI is in use, and informed consent; and
- co-designed sector standards, so adoption lifts quality consistently. The aged-care assessment experience shows the cost of under-governed automation; done well, technology absorbs the administration and people deliver the service.

[21] https://nesaacademy.com.au/

Recommendation 12. Develop a national employment services Workforce Plan

Develop a national employment services Workforce Plan for the sector with relevant peak and representative bodies

Recommendation 13. Purposeful use of Artificial Intelligence

- Consider the appropriate, and purposeful use of Artificial Intelligence to augment effective service delivery for participants and reduce service-delivery costs and administrative and regulatory burden on both providers and Government, with appropriate human oversight at key-decision-making points.

2.7 REDESIGNED SYSTEM INCENTIVES FOR SERVICE PROVIDERS

The Department asks: How should providers be incentivised to support participants into suitable, sustainable jobs, not just any job, across both provider-led streams? How should employment outcomes and progress towards employment be measured, and how should this differ between targeted provider services and intensive services?

The organising principle for the future performance framework should be: **performance should reward progress, quality of servicing, employer engagement and sustained employment, not simply speed of placement.** To that end, the model should reduce the dominance of short-term outcome payments and weight outcomes toward sustained employment. The two provider-led streams need different incentive logics: Stream 2 can carry a higher, though moderated, outcome share; Stream 3 requires a substantial viability-anchored service fee base with only a small supplementary outcome share, because progress is incremental and non-linear. A blended, differentiated model, base funding, reduced outcome share, explicit progress and engagement payments, needs-based loadings, is where the Australian and international evidence converges, with IEA, Transition to Work and Parent Pathways as worked examples.

Measurement should recognise intermediate progress without weakening the focus on sustainable outcomes, and progress measures must be simple enough to actually be claimed. NEST providers cautioned strongly against 'time to' indicators, which sacrificed appropriateness for speed; the better foundation captures employment outcomes together with quality indicators, engagement, appropriateness of referrals, participant progress, and participant, employer and staff satisfaction. Safeguards against perverse incentives, misclassification, over-retention in higher-funded streams, under-referral, should be built into all commissioning models through independent reassessment triggers and participant-initiated review rights, and the at-risk share should flex with the economic cycle (Part 1.3). The international evidence cautions against a return to pure payment-by-results: the

UK Work Programme delivered a small fraction of its target into secure work, with creaming and parking systematically embedded,[22] while social impact bonds carry high transaction costs with little proven advantage over direct public funding.

Recommendation 14. Procurement and risk-profiling the tender

- Risk-profile the outcomes of the tender, including the cost of market disruption.
- Commission for five-year licences with 2–5-year extensions, with easier, truncated extension processes for providers with demonstrated performance.

2.8 IMPROVED COMMISSIONING AND CONTRACTING

The Department asks: What commissioning approaches will best support increased provider diversity?

NESA supports lifting provider diversity, capability and local connection, and considers the surest route is commissioning on demonstrated capability applied equally to all organisations. Experienced providers are not an obstacle to diversity: many already partner with community and First Nations organisations, and simplified tenders should lower the barriers to bidding as consortia, joint ventures or community partnerships or with related entities.

Commissioning stability is a precondition of quality. The Select Committee's finding that 22% of regions lost every incumbent provider in the last round describes a rate of provider turnover that would not be accepted in any other human service.[23]

The remedy:

- five-year licences with staggered re-tendering, on the model the Committee endorsed;
- recommissioning that weights verified past performance, drawing on the Department's own data as part of its assessment due diligence, rather than tender-writing quality;
- an 'invitation to treat' pathway for well-performing providers rather than a full competitive re-assessment at significant cost to business and taxpayers; and
- commencement scheduled to avoid the electoral cycle, so procurement is not compressed or left in limbo around an election.

Thin markets are a structural funding problem, and procurement must run on evidence. Thin markets carry high fixed costs against low volume, outcome scarcity, and regional monopoly

[22] House of Commons Committee of Public Accounts, *The Work Programme*, United Kingdom, 2013 (drawing on the National Audit Office): 3.6% of participants moved into secure work in the Programme's first fourteen months, against an 11.9% target; the successor program cost more per person while helping fewer people than planned .
[23] House of Representatives Select Committee on Workforce Australia Employment Services, *Rebuilding Employment Services*, 2023. Page 30.

conditions where the viable number of providers is often only one. The Department's own viability modelling for Workforce Australia found up to twelve regions unlikely to support a single provider (Part 1.3), a warning already borne out in Broome, where the sole provider exited on viability grounds.[24] A model implying more providers, in separate Stream 2 and Stream 3 organisations, is hard to reconcile with that reality and is likely to lead to foreseeable market collapse.

The answer is *structural*: a block or guaranteed-base floor sized to a minimum viable presence, loadings by remoteness, explicit travel and outreach funding, and government step-in where markets cannot sustain provision. Over-procuring a region, several providers each running a rarely staffed part-time site, does not reduce risk; it increases it. Before national procurement, the Department should publish employment-region-level market-viability and participant-flow modelling and clarify the intended geography of the streams. Its advice to Senate Estimates on 3 June 2026 that the number of participants that would fall into each of the three streams has not yet been modelled, is a serious concern for a reform of this scale.[25] Financial and market sustainability assessment, modelling and post-implementation rectification, is a core part of system stewardship.

Recommendation 15. Thin markets

- Consider whether different funding or commissioning models are needed for thin markets, and do not over-procure thin regions. This could include direct approaches; guaranteed block funding; or increasing the service-fee to outcome ratio from 60:40 (Recommendation 6) to 90:10 to sustain delivery where outcomes are limited.

2.9 DRIVING CONTINUOUS IMPROVEMENT

The Department asks: How can employment services foster continuous improvement, for example, what strategies would improve the sharing of best practice?

Continuous improvement requires transparency from both government and providers and a collaborative contracting relationship. The Department's understanding of frontline delivery should be built through sustained observation, not brief monitoring visits, and transparency should flow back to the sector: the costs and lessons of APS direct-delivery sites and pilots should be shared openly, rather than emerging through Senate Estimates. The culture of administration is equally central. NESA considers it currently too oriented toward compliance and enforcement, with formal action at times initiated before facts are established and numerous errors originating in government systems attributed to providers. A more effective model would prioritise collaborative problem-solving ahead of formal action; provide live performance reporting from commencement; make the performance-framework methodology transparent at least at a high level; and establish monitored

[24] Australian National Audit Office, *Establishment of the Workforce Australia Services Panel*, Auditor-General Report No. 7 of 2023–24, tabled 27 November 2023.
[25] Senate Education and Employment Legislation Committee, Estimates Hearing, 3 June 2026, p 18, Education and Employment Legislation Committee_2026_06_03.pdf;fileType=application/pdf

service-level agreements for Services Australia referrals. The New Employment Services Trial showed what a collaborative government–provider relationship achieves, and the reform should carry that approach forward through responsive contract variation, vetted and proportionate complaints handling, and structured sharing of best practice and de-identified data. To support transparent, evidence-based pricing and design, NESA and its members are willing to contribute de-identified financial and delivery data.

Recommendation 16. Embed continuous improvement and a collaborative contracting relationship

- Embed continuous improvement through a relational contracting culture, two-way transparency and independent evaluation.
- Fund an independent evaluation of the reform and its pilots, publishing methods, costs and lessons learned (including from any APS-delivered sites).
- Build the Department's understanding through sustained observation of frontline delivery.
- Provide live performance reporting from commencement and make the performance-framework methodology transparent.

2.10 PROTECTING THE COMPLEMENTARY PROGRAMS

Distinct specialist programs should not be consolidated into a single generalist stream. The principle from Part 1 applies: distinct cohorts need distinct service models, connected and aligned with the broader system through streamlined contractual arrangements (ie a Master Contract with Schedules for each program setting out additional specifications), assessment, referral and (where appropriate) dual-servicing rather than being diminished as small, isolated contracts.

Transition to Work (TtW) should be retained as a standalone specialist youth program connected to the mainstream employment services system through triage and assessment, operating just as IEA is an independent program administered through the Department of Social Services, and RAES through the National Indigenous Australians Agency. TtW achieves engagement of around 80% without recourse to payment suspension, around 40% of some caseloads are not on income support (indicating genuine community demand). Its upfront, individualised funding model is the principal reason it works, a template for the mainstream reform. Its cap should be removed, its reach expanded, and an opt-in referral pathway from the mainstream program built in at initial assessment.

Parent Pathways should also remain standalone and voluntary: its relationship-based, goal-centric design is what makes it effective.

The smaller specialist programs face the opposite risk, isolation as sub-scale contracts struggling for referrals and viability:

- Self-Employment Assistance is a vital mentoring-based program which cannot effectively be digitised, requiring specialised business support and training, and should be preserved and connected;
- Employability Skills Training should be retained under specialist external delivery with outcome payments restored; and
- Career Transition Assistance addresses a real retrenched-worker need but is structurally under-funded and without geography-appropriate funding and restored outcome payments, providers will stop delivering it.

Across all of these, 'distinct but connected' is the operating principle: separate where the service logic differs, connected in delivery, referral and data, and resting on the same foundations as the mainstream reform, better assessment, faster circumstance-based reassessment, and consistent Services Australia referral.

Recommendation 17. Complementary cohort programs

- Connect complementary programs into the system through streamlined contracts (a master contract with program schedules), assessment, referral and dual servicing.

2.11 TRAINING, SKILLS AND CONTINUITY

Training should not be a Stream 2 feature alone: a person with complex barriers requiring intensive support may be highly capable and need accredited training as much as anyone else, and Stream 3 should include an explicit employability-skills component. Splitting the streams across separate providers (Part 1.1) also creates a continuity problem: if a participant's training sits with a third party and they change streams, the training pathway is at risk. Integrated delivery protects the training journey, and portable, stackable micro-credentials reinforce that continuity. The reform should maintain a commitment to training across the full range, short courses, micro-credentials and qualifications, funded flexibly across all streams. NESA cautions specifically against splitting the Employment Fund into a 'vocational' pool for Stream 2 and a 'non-vocational' pool for Stream 3: many participants need both, and the split would prevent a Stream 2 provider arranging crisis support and a Stream 3 provider arranging skills training.

Recommendation 18. Protect training across all streams

- Protect and fund training across all streams, recognising that being in Stream 2 does not mean a participant has no non-vocational needs.

PART 3: IMPLEMENTATION, PILOTS, SEQUENCING AND TRANSPARENCY

WHAT THE REFORMS SHOULD DO

1. Build the intensive-services pilot and the financial model informed by the learnings from the New Employment Services Trial.
2. Protect competitive neutrality in the pilot so that participation gives no advantage in the procurement that follows.
3. Make pilot design, funding and evaluation transparent, with existing providers able to participate.
4. Stage implementation. Do not attempt to redesign assessment, funding, procurement, IT systems, performance frameworks and commissioning simultaneously.

NESA supports using pilots to test approaches, but a pilot's value depends on transparency and genuine comparability. To date there has been limited visibility of pilot design, funding arrangements, operating assumptions and evaluation methods. For pilot evidence to inform policy fairly, resourcing and operating conditions must be transparent, government-run and provider-delivered pilots compared like for like, and existing providers able to participate, a point that applies directly to the intensive-services pilot on which the Stream 2/3 commissioning decision will rest.

There is already a body of pilot evidence, and it should shape both the pilot and the financial modelling: the New Employment Services Trial found that provider-delivered services achieved better outcomes for the most disadvantaged under a relationship-based model, that artificial caseload sub-division failed, that smaller caseloads were essential, that 'time to' measures drove speed-over-fit referrals, and that a collaborative department–provider relationship was the central enabler. Those findings, on caseloads, servicing costs and Employment Fund usage, should feed directly into the financial model rather than repeating the under-costing that experience has exposed.

Protect competitive neutrality in the pilot. The process for selecting pilot participants has not been made public. Because a pilot involves only a limited number of providers, it is important that taking part does not give any participant an advantage in the procurement that follows. A pilot is a way to test the model and gather evidence, not a way to allocate ongoing work. A closed pilot can still be consistent with a fair national procurement, if participation in the pilot is kept separate from that procurement.

To protect competitive neutrality, the Government could consider:

- publishing the basis on which pilot participants are selected
- including a representative range of provider types in the pilot
- making the pilot's design, assumptions, data and findings available to all potential tenderers, so that no participant holds information that others do not

- keeping any tools, data and intellectual property developed in the pilot in government ownership
- providing that taking part in the pilot is neither a selection criterion nor an advantage in the later tender, and
- considering whether pilot participants should be excluded from tendering for the contracts the pilot informs, or be subject to a probity firewall, consistent with standard procurement practice.

Stage the implementation. Assessment, funding, procurement, IT systems, performance frameworks and commissioning should not be designed simultaneously. Each of these systems depends on the others, and a slip in one, *most often IT*, cascades through all, as the compressed Workforce Australia and IEA transitions demonstrated.

Implementation should be explicitly staged: settings tested through the pilot before national commitment; assessment and IT proven before procurement locks in provider footprints; realistic mobilisation lead-ins once contracts are awarded; and transition arrangements that keep participants connected to their current services while each stage lands. A staged path is not slower reform, rather the difference between a reform that works from the outset and one that must be repaired over its first two years.

Recommendation 19. Pilot properly and stage the reform

- Make pilot design, funding, assumptions and evaluation methods transparent, let existing providers take part, and compare government-run and provider-delivered pilots on the same basis.
- Given the short time frame of the pilot prior to procurement, test ideas, and any learnings early with operational focus groups, including those with lived experience, before the model for procurement is settled.
- Protect competitive neutrality so that taking part in the pilot gives no participant an advantage in the later procurement, for example, by: sharing the pilot's design and findings with all potential tenderers, keeping any tools and data in government ownership, and considering whether participants should be excluded from tendering for the contracts the pilot informs or be subject to a probity firewall.
- Stage the reform, pilot before national commitment, prove assessment and IT before procurement locks in provider footprints, and allow realistic mobilisation and transition, because a slip in one system, usually IT, cascades through all.
- Do not redesign assessment, funding, procurement, IT, performance frameworks and commissioning all at once.

CONCLUSION

The reform of Australia's employment services is a genuine opportunity to build a system that gives people with complex barriers requiring intensive support a real pathway toward sustainable employment. NESA welcomes the three-stream direction and wants this reform to succeed.

Whether it succeeds will turn on the three choices in Part 1: whether Streams 2 and 3 are delivered in a way that protects the continuity of relationship on which progress depends; whether Stream 3 is commissioned on demonstrated employment-services capability, with community capability complementing it and providers of every type tendering on equal terms; and whether the new service is funded as a genuinely outsourced partnership, costed against the real work of delivery.

Beneath those choices sits the idea that runs through this submission: ***employment-services capability is public infrastructure,*** built through decades of public investment, and the reform's central commissioning task is to build on it while fixing the structural weaknesses of past rounds, not to disperse it.

Providers stand ready to deliver, and ready to change. The sector is not asking for the current system to be preserved, but for the new one to be built on evidence, on capability and on a funding model that matches the task. On balance, the evidence supports a straightforward course: *build on the organisations that do this work, hold them to high standards through meaningful performance and funding frameworks, and design the system around the participant's journey*. NESA looks forward to continuing to work with the Department to make *that* the system Australia builds.

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