

# Shaping the future of employment services

Submission by Centre for Policy Development, Brotherhood of St Laurence and University of Melbourne



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Working for an Australia free of poverty



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# An Employment Services System Fit for Future

The Centre for Policy Development, Brotherhood of St. Laurence and the Australian Welfare and Work Lab at the University of Melbourne have a history of jointly developing proposals for reforming Australia's employment services system. Our [submission](#) and [supplementary submission](#) to the 2023 Select Committee on Workforce Australia Employment Services were well-referenced in the [Rebuilding Employment Services report](#) and reflected in Minister Rishworth's [National Press Club address](#).

Along with this joint submission, our organisations have submitted independent submissions. This submission outlines three shared priorities that we agree are critical to the reform effort and worth particular emphasis.

## Introduction

If implemented well, employment services reforms are a chance to grow Australia's productivity, strengthen budget sustainability and enable the wellbeing of millions of people through secure, meaningful work. With global conflict, trade disruptions and the growing use of AI fuelling job insecurity, these reforms are needed now more than ever.

The goal of the reformed system must be to help people navigate challenges, get the support they need and enable access to decent, secure work. Employment services should support people through and beyond the disruptions of industry transitions, economic shocks and monetary policy. The system must support people into their first jobs, and enable re-entry into the workforce for people with caring responsibilities. People need different types of supports depending on their experience and their local environment.

We agree with the government's assessment – a one-size-fits-all system does not get the outcomes we need. It does not work for communities, employers or our economy. Most importantly, it does not help people along the pathway to meaningful work. Current arrangements prioritise standardisation, compliance and transactional interactions, limiting the system's ability to respond to diverse participant needs and aspirations or to varying local conditions. The result is a fragmented experience for participants and a system that is insufficiently connected to broader workforce, economic and community development efforts.

**Getting better outcomes requires a system that is different to what we have now, one that is flexible, connected and collaborative.** This system must be:

- Flexible in its service and funding models, responding to local conditions and individual aspiration.
- Connected in how it links people with the right supports, jobseekers to employers, and skills and training to industry needs.
- Collaborative in the way that government works with providers, providers work with communities, and front-line staff work with jobseekers.

The [2023 Select Committee on Workforce Australia Employment Services](#) called for a fundamental rethink of the system. Minister Rishworth outlined the opportunity for a

once-in-a-generation reform. The three priorities for government outlined here are essential for these reforms to deliver on that ambition.

## Priority 1 - Actively Steward the Employment Services System

In an effective employment services system, the government is an active system leader and partner. The Department of Employment and Workplace Relations (DEWR) is currently an arms-length purchaser that controls service provision through outcomes payments and compliance mechanisms. If these reforms are to be successful, it must become a co-producer that stewards the system in collaboration with providers, communities and employers.

Stewardship is an Australian Public Service (APS) principle, and is defined by the [APS Commission](#) as:

a practice of caring for something that we have been trusted to look after. Being a good steward means accepting responsibility for that care, and working to ensure the long-term integrity and sustainability of what has been entrusted to us.

In the context of employment services, stewardship involves establishing secure, meaningful work that enables people to thrive as the purpose of the system; promoting collaboration between providers, communities, employers and government entities; and creating a culture and mechanisms for shared, continuous learning. It means focusing not on the performance of individual providers but the outcomes of the entire system, and it means understanding what service provision looks like in different places to be able to support integrated and community-led service delivery.

Stewardship does not mean the government must be the main service provider in the system. Rather, there are many pathways through which the department might grow its role as an active system partner. South Australia's Department of Human Services stewards their [Child and Family Support System](#) through direct government service delivery alongside non-government partners, strong research infrastructure that provides practical insights to providers, relational contract management that promotes mutual learning, and active workforce development. Several recommendations from the [2023 Workforce Australia inquiry](#) demonstrate effective stewardship, including establishing an Employment Services Quality Commission to oversee learning and operating regional hubs that assess and refer clients to local services. A particularly promising means of enabling stewardship is a shift to more relational commissioning and contracting, where the relationship between government and provider is an evolving partnership rather than a mere transaction.

## Priority 2 - Build the Capability for Formal Relational Contracts in the Commissioning of Intensive Services

If Australia's future employment services system is to realise the ambition of 'once in a generation reform', it needs to be anchored in a fundamentally different and far more relational commissioning model. This is especially true for the proposed Intensive Services

stream, which will merely replicate existing issues if commissioned through hard quasi-market procurement.

The quasi-market model is structurally unfit for intensive services for several key reasons:

- It depends on continuous market disruption, which undermines provider investments in workforce capability and long-term relationships with local employers, training organisations, and flanking services. Market disruption supposedly incentivises innovation via the competitive pressure of insecure contracts and frequent recommissioning. However, this creates enormous costs for government, providers and jobseekers, and [the evidence](#) suggests that this has stifled rather than promoted innovation.
- Providers have a very short window before being at risk of losing market share due to recommissioning. This incentivises providers to focus their resources on clients closest to employment and ignore those most in need of support.
- The model hinders workforce capability due to the poor job security and frequent turnover of operational staff. The effects of this endemic issue ripple through to relationships with local employers, flanking services and especially program participants.

For decades, the government has tried to achieve more personalised employment services through incremental adjustments to the quasi-market model. However, [the evidence](#) provides little confidence that further tweaks to the quasi-market model will succeed where previous recalibrations have failed.

For these reasons, intensive services should be commissioned through [Formal Relational Contracts \(FRC\)](#), building on the work already being done by the Department of Social Services in its [Child and Family Support Program](#):

- FRCs are legal agreements between the department and service providers setting out shared goals, governance rules and processes for promoting performance, information sharing and flexibility. The goal of an FRC is to achieve the best outcomes for government, providers and jobseekers.
- The key difference with conventional, transactional contracts is that an FRC assumes parties are involved in an *ongoing partnership* and that service goals and the methods (and costs) for achieving these can seldom be fully known from the outset.
- In complex human services, unpredicted circumstances are highly likely and the methods best suited to achieving service goals and client outcomes will need to evolve over time. An FRC [plans for this uncertainty](#): establishing guiding principles and governance mechanisms for dealing with uncontracted events and adapting performance frameworks and payment models to *justified and mutually agreed* changes in costs, service models, or goals.
- Adaptability is anchored in processes for open communication and continuous information sharing between parties, including on servicing costs and practice methodologies for system improvement. In this way, contracts become frameworks for setting out the terms of a *sustained collaboration* where parties commit to working closely together long into the '[shadow of the future](#)'.

Successfully moving to using FRCs will require capability building within DEWR and partners, and a willingness to *de-centralise* aspects of how intensive services are commissioned:

- An FRC adapts over time to local conditions that are difficult to predict and even harder to specify in contractual clauses. This locally contextualised approach is more likely to succeed where there is local capacity to adapt contract goals, performance indicators and payment structures to region-specific conditions.
- [Some local communities and service users](#) may also participate in local governance processes that better align service models with local needs and hold providers accountable for community outcomes (see the next section of this submission for more). Any model of an FRC that includes communities within contract governance frameworks will inherently require a more place-focused approach to commissioning.

## Priority 3 - Design People-Centred and Place-Based Employment Services

A reformed employment services system should be grounded in the mutually reinforcing principles of people-centred service delivery and place-based system design and commissioning. It should recognise that sustainable employment outcomes are shaped by individual circumstances *and* the strength of local labour markets, services, and community networks.

A people-centred approach would ensure that employment services are designed around an individual's strengths, goals and support needs, recognising that pathways to employment are often non-linear and that meaningful progress can take many forms. This requires a shift towards the following design elements:

- **Holistic and relational assessment** combining participant voice, practitioner judgement and local labour market context to determine support needs and service intensity. Assessment is relational work and should be undertaken by qualified and skilled professionals, be independent of income support administration, and operate as an ongoing function through regular reviews and participant-initiated reassessments.
- **Employment plans built on shared agreement and joint commitment** replacing compliance-focused Employment Goal Plans. Participant-owned, co-designed Employment, Learning and Participation Plans would establish a shared commitment between the participant and practitioner. Plans should be strengths-based; regularly reviewed; and focused on employment, learning and participation goals. They should clearly outline agreed actions, supports and milestones for both parties.
- **Tailored activities and progress indicators** that recognise that sustainable employment is achieved through incremental progress. Participant success should be measured through broader indicators of progression, including skills development, training participation, improved wellbeing, housing stability, increased confidence and movement towards employment, alongside job outcomes.

A place-based approach recognises that employment outcomes are influenced by factors that extend beyond the individual, including labour market demand, transport, housing,

training opportunities, health services and employer practices. Employment services cannot address these challenges in isolation. Strong employment outcomes depend on effective local coordination between employers, service providers, training organisations, community services and all three levels of government.

The next generation of employment services should therefore be supported by:

- **Regional hubs or gateways** as the backbone for employment services in each place. They would provide a single access point for ongoing participant assessment, workforce development, service coordination and employer engagement. Operating within a nationally consistent framework, hubs would bring together local partners to identify barriers, coordinate responses and strengthen pathways to employment aligned with regional opportunities.
- **Co-located services and holistic support** where employment services are embedded within local service systems. This approach enables strong referral pathways between employment, education, training, health, housing and community services.
- **Employer engagement and demand-side opportunities** as an equal focus of the employment services system alongside participant support. Providers should be funded and enabled to build long-term industry partnerships that support inclusive recruitment practices, develop local employment pathways, address workforce shortages and create sustainable job opportunities.
- **Local governance** with a single regional mechanism in each employment region, such as a [Community Investment Committee](#) (CIC) or [Regional Advisory Board](#), to bring together employers, providers, training organisations, community services and government stakeholders. These structures support local priority setting, coordinated action, shared accountability and stronger alignment between employment services, workforce needs, and regional economic development.

## Conclusion

Taken together, people-centred and place-based service models relationally commissioned by a government steward would create an employment services system that responds to the whole person while leveraging local strengths, partnerships and opportunities. The outcome would be a more flexible, connected and collaborative system capable of delivering sustainable employment outcomes for individuals, employers and communities. It would lay the foundation for a dynamic and productive economy and thriving society where people are connected to community through employment.