



Reforming employment services

Strengthening access to work to build productivity

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1 Proposed reform

At a cost of \$1.5 billion per year and with poor outcomes highlighted in recent Parliamentary Inquiries and the Government's Working Future White Paper¹, Australia's employment services system is one of our least productive and most expensive human services systems. Reform can significantly advance productivity - implementing reforms proposed in the review of Workforce Australia² will grow workforce skills and capabilities and expand access to sustainable work for more job seekers. The priority changes needed are:

- **System stewardship:** Shift from government being a system and compliance manager to being a systems steward focused on building people's capabilities, developing trust-based relationships with providers, and driving a learning culture.
- **Place-based hubs:** Adopt the Regional Jobs Hub model to enhance the Local Jobs Program by shifting power to locally embedded specialists to lead employment service delivery.
- **Building capability:** Use communities of practice to build system and stakeholder capability for better service design and delivery.

Without timely action, the government may be forced to extend current contracts beyond mid-2027, including those that underperform and contribute to jobseeker churn.

The Brotherhood of St. Laurence (BSL) propose reform over three horizons:

1. **Horizon 1: July 2025 to June 2027.** Establish Employment Services Australia to lead system redesign, including adopting relational contracting, restructuring regional boundaries to address service gaps, and piloting the Regional Hubs Model in ten high-needs areas (three are already identified and two are operational). This should be informed by people with lived experience.
2. **Horizon 2: July 2027 to June 2030.** Commence the new contracts and demonstration of the Regional Hub Model in all ten regions; Employment Services Australia, in partnership with state

¹ [Working Future](#): The Australian Government's White Paper on Jobs and Opportunities, September 2023

² [Rebuilding Employment Services – Parliament of Australia](#), November 2023, Canberra

and territory departments, to co-lead the design and demonstration of a system learning function (e.g. communities of practice) initially prioritising vertical learning between employment regions and government system stewards.

3. **Horizon 3: July 2030 to June 2033.** Scale out the Regional Hub Model to all employment regions; scale-up of system learning functions to strengthen horizontal learning across employment regions.

Reforms must improve employment services for job seekers of all ages, however a youth-focus is essential. Reform should include changes to the contracting of the Transition to Work program to ensure high-quality support for young people.

2 How this will advance productivity

Strengthening labour market engagement can expand the workforce and ease skill and labour shortages that limit business growth and productivity. The Australian Government White Paper on Jobs and Opportunities³ noted that up to three million Australians want to work or increase their work hours. Yet the current system is failing – achieving fewer than 15% sustained 26-week employment outcomes⁴. Reform can improve access to secure, decent work, enhance economic security and social inclusion, and reduce reliance on social support.

3 How it will be budget neutral/positive

The current system is costly (as noted above), spending is disproportionately directed to administration and the system is “choked by administration and compliance burden” and stifles innovation⁵. Reform can:

- **Empower local leaders** with flexible service design and delivery, and adjust intensity as needed to avoid over or under-servicing.
- **Create stronger alignment between employment services and skills and training** through coordinated local workforce systems to better match people’s skills and goals with job opportunities, reducing churn and attrition.
- **Restructure employment service contract regions** to fund single regional contracts that reduce market saturation, duplication and service gaps.
- **Redistribute existing resources through regional hubs to more efficiently target support** to priority job seekers and local workforce solutions.
- **Shift to relational contracting** for employment services that replaces rigid transactional contracts with contracts that emphasise a shared governance framework and principles to guide collaboration between purchasers and providers (see complementary BSL submission on relational contracting for further detail).

³ [Working Future](#): The Australian Government’s White Paper on Jobs and Opportunities, September 2023

⁴ Department of Employment and Workplace Relations, [Portfolio Budget Statements](#) 2025-26, p25

⁵ [Rebuilding Employment Services – Parliament of Australia](#), November 2023, Canberra