

APPENDIX 5

EMPLOYMENT SERVICES REFORM: FUNDING MODEL BLUEPRINT BY TAYLOR FRY





We find the patterns that matter

Employment services reform Funding model blueprint

Final Report



20 February 2026



This report and the associated analysis was prepared by Taylor Fry Pty Ltd (Taylor Fry). It was commissioned by the Commonwealth Department of Social Services acting as Secretariat for the Economic Inclusion Advisory Committee (EIAC) for the purpose of informing the EIAC's Report for the 2026–27 Budget. This report relies on information publicly available as at the date of publication and non-public data provided by the Department of Employment and Workplace Relations on 18 December 2025. Any opinions, forecasts or recommendations reflect our judgement and assumptions at the date of publication and may change without notice.

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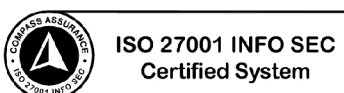


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1 Executive Summary

Employment services exist to help income support recipients into sustainable employment. An effective employment services system addresses long-term unemployment and intergenerational disadvantage, improves social inclusion, health and wellbeing, and reduces government outlays on welfare benefits.

In August 2022, the House Select Committee on Workforce Australia Employment Services was established to inquire into matters related to Workforce Australia Employment Services (the Hill Review). The Review assessed that “Australia no longer has an effective coherent national employment services system” and made 75 recommendations to rebuild the system.

Ahead of its 2026 Report to Government, the Economic Inclusion Advisory Committee (EIAC) has commissioned Taylor Fry to model the cost of a reformed employment services system operating at maturity, accounting for the key elements of the direction of the Hill Review recommendations. This work commenced on 26 November 2025, and the Interim Report was delivered on 19 January 2026. This Final Report was submitted on 20 February 2026.

This report is not a cost-benefit analysis of the Hill Review recommendations. To assess the financial feasibility of the reform, further work is required to analyse the benefits a higher-quality employment services system may bring to the income support and tax systems. For example, the size of the impact the reforms deliver on increased speed, volume and quality of employment outcomes will determine the size of the savings from reduced welfare expenditure, offsetting the cost of a reformed system. As this work focuses on the cost at maturity to allow for a like-for-like comparison with the current system, further work is also required to better understand the cost of transition and implementation beyond our brief commentary.

In performing our cost modelling, there is a need to select service delivery assumptions based on the Hill Review and literature. While the intent of each Hill Review recommendation is clear, there is room for interpretation regarding specific values to adopt for different assumptions, which introduces modelling uncertainty. For example, while the Hill Review discusses the need for lower case ratios, it does not specify a target ratio. This uncertainty is discussed further in Section 3.3. To account for a range of plausible combinations of service delivery assumptions, we have modelled a set of scenarios and presented sensitivities.

Our analysis found that a reformed system operating at maturity with caseloads equivalent to those serviced in the 2024-25 financial year, could cost in the range of \$3.16B and \$4.54B. This compares to the current cost of \$2.29B¹. The scenarios that derive this range are not exhaustive and focus on combinations of the most significant drivers of cost – caseload ratios, staff salaries, and the extent of public sector case management. For context, \$15.3B in JobSeeker payments were paid to welfare recipients in 2024-25.

To explore the possible cost components of a reformed system, this report has adopted an illustrative scenario which estimates the reformed system to cost \$3.83B, an increase of \$1.53B or 67% from the current system. Under this scenario, there is an estimated doubling of the amount of time frontline workers would be able to spend working with participants, which would likely lead to significant improvements in the quality of services and therefore flow on benefits to sustainable employment and reduced welfare expenditure.

The most material cost drivers of the reformed system under the illustrative scenario includes:

1. Funding to increase provider payments to enable a ~50% increase in the salaries of frontline staff, intended to help stabilise the workforce and improve the quality of services delivered (\$452.3M)

¹ Incorporating the Administered expenditure of both Workforce Australia and Transition to Work, and the Departmental expense to oversee the system.

2. Funding the reduction in case ratios of frontline staff, allowing more time for caseworkers to spend with participants (\$321.8M)
3. De-linking wage subsidies from the Employment Fund and return their use to the level observed prior to inclusion into the Employment Fund (\$224.2M)
4. Funding increased provider payments for target cohorts to allow more resources to be available for additional supports (\$199.3M)
5. Funding for public sector to operate a network of 109 regional hubs (\$159.8M)
6. Net funding increase to transfer 30% of high-intensity participants into case management by the public sector (\$124.3M).

The Hill Review makes several references to the need to re-focus case management services on the participants who are furthest from the labour market. In considering ways the reformed system could be delivered at a cost closer to the existing funding envelope, we have considered the possible savings associated with shifting medium intensity participants to online support by default. This costing is intended to be indicative only to facilitate discussion, and further research is required into the effectiveness of self-service for this cohort. A simple calculation shows a possible \$534.7M saving from redirecting all medium intensity participants to the online platform in the first instance. However, this assumes that medium intensity participants would be as successful as current users at finding work using the online platform. It also does not allow for any increase in cost for the online platform and Digital Services Contact Centre to handle the increased number of users or additional functionality that may be required to support them. Any shift of participants from provider services to online services should consider the potential for this to lead to service gaps.

This report details the basis of our cost estimates, including discussion about the assumptions used and the sensitivity of the results to these assumptions.

2 Introduction

2.1 Background and purpose

Employment services exist to help income support recipients into sustainable employment. An effective employment services system addresses long-term unemployment and intergenerational disadvantage, improves social inclusion, health and wellbeing, and reduces government outlays on welfare benefits.

In August 2022, the House Select Committee on Workforce Australia Employment Services was established to inquire into matters related to Workforce Australia Employment Services (the Hill Review). The final report with the findings of the Hill Review was published in November 2023.

The Australian Government agreed that reform of employment services is necessary in its response to the findings of the review. It summarised the recommendations of the review into eight key issues:

1. Poor service experience for many people using the system
2. Overemphasis on mutual obligations and compliance
3. A lack of alignment with employer and industry needs
4. Missed opportunities for place-based servicing
5. Substandard market design and delivery modes
6. A lack of responsiveness, innovation and evidence-based improvements
7. Opportunities to improve transparency and accountability in the system
8. Supporting functions need to be improved.

The Economic Inclusion Advisory Committee (the Committee) provides independent advice to government before every federal budget on economic inclusion and tackling disadvantage. In its 2023, 2024 and 2025 reports, the Committee recommended comprehensive reform of employment services consistent with the Hill Review. A summary of these recommendations in each report is included in Appendix A.

To inform the Committee's 2026 report, the Committee has engaged Taylor Fry to:

- Model the cost of delivering a high-quality service consistent with the key components of the Hill Review recommendations
- Examine how a new system could operate within the existing funding envelope of about \$1.5B per year.

This report is not a cost-benefit analysis of the Hill Review recommendations. To assess the financial feasibility of the reform, further work is required to analyse the benefits a higher-quality employment services system may bring to the income support and tax systems. For example, the size of the impact the reforms deliver on increased speed, volume and quality of employment outcomes will determine the size of the savings from reduced welfare expenditure, offsetting the cost of a reformed system.

Work commenced on 26 November 2025 with the Interim Report submitted on 19 January 2026. After review by the EIAC, the report was refined and submitted as the Final Report on 20 February 2026 for publication. This report presents the cost estimates from the Taylor Fry modelling, including discussion about assumptions used and the sensitivity of the results to these assumptions.

This Final Report is accessible according to the Australian Government Style Manual and Web Content Accessibility Guidelines (WCAG) 2.2AA standards.

2.2 The current employment services system

Under the current system, when someone applies for income support they are required by Services Australia to complete a Jobseeker Snapshot. This is a questionnaire that collects information to help understand the individual's circumstances, their strengths, their job search confidence and ability to navigate online services. It includes questions to assess the individual's Jobseeker Classification Instrument (JSCI) score, a measure of long-term unemployment risk. The Jobseeker Snapshot may identify the need for further assessment through an Employment Services Assessment (ESAt) which is completed by a health professional to determine the individual's work capacity.

Once assessed, individuals are referred to Workforce Australia (WfA) or Inclusive Employment Australia (IEA, formerly Disability Employment Services (DES)). Workforce Australia provides employment services, to about 700,000 participants at any point in time, through two main channels:

1. **Self-managed online services** – for jobseekers who are digitally literate and assessed as job-ready. Workforce Australia Online offers tools for job searching, resume building, tracking applications, and meeting mutual obligation requirements. As at 31 October 2025, there were 193,090 jobseekers supported by Workforce Australia Online (~30% of all Workforce Australia participants).
2. **Provider services** – for those identified as needing more support either through the JSCI, ESAt or from not finding employment after 12 months of using online services. Workforce Australia Services contracts a network of providers to offer tailored case management, participation and Jobs Plans support, referrals to training, work experience or support services, and help with overcoming barriers to employment. As at 31 October 2025, there were 476,770 jobseekers supported by Workforce Australia Services (about 70% of all Workforce Australia participants).

Jobseekers can access case management services in one of 41 provider organisations (169 licenses) Workforce Australia providers operating across 53 service regions. Providers are paid by the Department of Employment and Workplace Relations (DEWR) for the cases they manage under a funding model that rewards helping jobseekers achieve employment outcomes²:

- At commencement, the provider is paid either \$1,282 or half this amount (\$641) if the jobseeker is a transfer from a different provider
- In each 24 month service period, the provider is paid an additional \$801 as a progress payment when the participant's circumstances have been changed during participation in Workforce Australia Services such that they are more prepared to gain and maintain Employment
- Outcome payments between \$256 to \$5,340 are paid when employment outcomes are achieved depending on the nature (full/part time) and duration the employment is sustained, and the jobseekers JSCI
- Additional bonus outcome payments up to \$4,272 are paid for helping place those who have been unemployed for more than 24 months into work.

In 2024-25 this system cost approximately \$2.29B (incorporating the Administered expenditure of both Workforce Australia and Transition to Work, and the Departmental expense to oversee the system). In comparison, \$15.3B in JobSeeker Payments were recorded as being paid to welfare recipients in 2024-25³ (i.e. Administered expenditure only). The administered expenditure of employment services by the Department of Social Services for the Disability and Carers Program was \$1.3B in 2024-25⁴ (relating to Disability Employment Services).

² [Australian Government Workforce Australia](#)

³ Department of Social Services [PORTFOLIO BUDGET STATEMENTS 2025-26](#), Table 2.1.2, Item 1.6.1

⁴ Department of Social Services [PORTFOLIO BUDGET STATEMENTS 2025-26](#), Table 2.3.2, Item 3.1.1

2.3 Key components of the Hill Review and scope

The Hill Review made 75 recommendations to create its vision of a reformed employment services system. Table 1 details the key components of the Hill Review we have identified for cost modelling. Key to this reform is rebuilding a public sector core to lead and supervise the provision of higher-quality employment services. The sector will be re-professionalised and service delivery will be less fragmented and more efficient, with service providers working alongside government and employers in our local communities.

For this modelling, 29 recommendations were agreed with the committee as being most relevant to the core structure and cost of a reformed employment services system, with many being recommendations relevant to multiple components; these are considered in Table 1.

Table 1: Key components of the Hill Review identified for cost modelling

Key component - Governance	Description	Hill Review recommendations
Employment Services Australia (ESA)	Public sector core serving as a steward of the entire employment services system including commissioning services (shift to relational contracting), setting standards, operating regional hubs, and delivering case management services in some places and for people who are furthest from the labour market or persistently non-compliant with their obligations.	R1, R4, R8, R29, R30, R37
Commissioning framework	A simplified commissioning process and shift to relational contracting.	R65, R66
Compliance framework	Implementation of the Shared Accountability Framework and reallocation of compliance responsibilities between Services Australia and providers, leading to lower suspensions and reduced administrative burden.	R56, R57, R62
Key component – Service delivery	Description	Hill Review recommendations
Regional hubs	Local centres in an expanded number of service regions operated by the ESA serving as gateways for clients seeking employment services, managing a new system for assessment and referral of jobseekers. Also responsible for coordinating local initiatives, and employer engagement.	R1, R29, R45, R46, R66, R74
Digital platform	An upgraded IT platform that enables better job matching using analytics for jobseekers and better connects providers to government and reduces their administrative burden.	R17, R18, R26, R36, R39
Delivered by public sector	The ESA leads and directly provides support for clients furthest from the labour market and priority cohorts such as First Nations Australians, Culturally and Linguistically Diverse (CALD) individuals and ex-offenders. This role may involve complex case management, including referral	R8, R10, R62

	to other services such as mental health and homelessness services.	
Delivered by partners	<p>To replace the current competitive commissioning model, one generalist and one youth provider per region, plus specialist providers.</p> <p>Payment structure to providers is revised so that upfront payments form a larger proportion of total payments to providers (less focus on outcome payments). Additional payments are also required support delivering higher-quality services by:</p> <ul style="list-style-type: none"> ▪ Hiring more case workers to reduce case ratios ▪ Offering more competitive salaries to reduce staff turnover and re-professionalise the workforce. 	R11, R14, R70
Active Labour Market Programs	Complementary programs consolidated, with effective programs enhanced. Tailored service model includes pre-employment supports, vocational training, career progression assistance, and employer-focused services. Some current programs may cease or be adapted (e.g., Local Jobs, Employability Skills Training).	R47, R48, R52
Key component – Regulation	Description	Hill Review recommendations
Employment services Quality Commission (ESQC)	Independent regulator who will monitor and evaluate the performance of the new system.	R15, R22, R25, R70

The remaining 46 Hill Review recommendations were agreed to be considered out of scope for this modelling. Some of the more significant of these include:

- The modelling considers the cost if financial year 2024–25 caseloads and participants were serviced under the reformed system as if it were in place. How caseloads may change under a reformed system has not been modelled.
 - Recommendation 2 of the Hill Review proposes to expand the eligibility criteria to extend support to all permanent residents in need of employment services beyond the subset receiving income support. This would place upwards pressure on caseloads and costs which has not been considered.
 - No allowance has been made for the positive impact of a more effective system on caseloads, including the extent to which less participants have unsuccessful employment outcomes and re-enter the system. This would place downwards pressure on caseloads and costs which has not been considered.
- How broader service delivery by other Departments and agencies would need to change in response to and to complement the new employment services system is not included in our modelling. For example, we have not allowed for the government implementing measures to embed pre-employment and vocational supports within human services like mental health, homelessness and family violence services (Recommendation 9).
- The modelling focuses on the financial cost of a new approach to employment services. While the recommendations of the Hill Review to shift away from the focus on rapid job placement and placing

greater emphasis on secure employment are generally expansionary (with regard to the servicing effort and associated cost), the expected economic and social benefits that result could be significant. Most materially, this includes the reductions in welfare expenditure, increases in tax revenues, and social benefits from gainful employment. The quantification of these benefits was not part of the scope of this report, however further work should be done to calculate these benefits to assess the cost-benefit of a reformed system.

- The scope of this cost modelling is focused on a new system operating at maturity (given 2024-25 caseloads), with limited commentary on transitional costs.

3 Main findings

3.1 Funding model: the total estimated cost of a reformed system

Our analysis found that a reformed system operating at maturity with caseloads equivalent to those serviced in the 2024-25 financial year, could cost in the range of \$3.16B and \$4.54B. This compares to the actual cost of \$2.29B (incorporating the Administered expenditure of both Workforce Australia and Transition to Work, and the Departmental expense to oversee the system).

- These estimates are based on modifying key service delivery assumptions to be consistent with our interpretation of the key recommendations of the Hill Review. There is uncertainty around what exact combination of service delivery assumptions is most reasonable, as discussed in Section 3.3. For example, while the Hill Review discusses the need for lower case ratios, it does not specify a target ratio. The range of scenarios considered is presented in Section 3.4.
- Employment services exist to help income support recipients into long-term, paid work. However, quantifying the financial, economic and social benefits that a more effective employment services system would provide is out of the scope of this work. Section 3.2.3 discusses the importance of considering the size of these benefits when assessing the new system's feasibility.

For facilitating further discussion and to highlight cost drivers, we adopt an illustrative scenario which estimates the reformed system to cost \$3.83B, an increase of \$1.53B or a 67% from the current system. This scenario results in a doubling of the amount of time frontline workers would be able to spend working with participants, which would likely lead to significant improvements in the quality of services and therefore the flow on benefits to sustainable employment and reduced welfare expenditure.

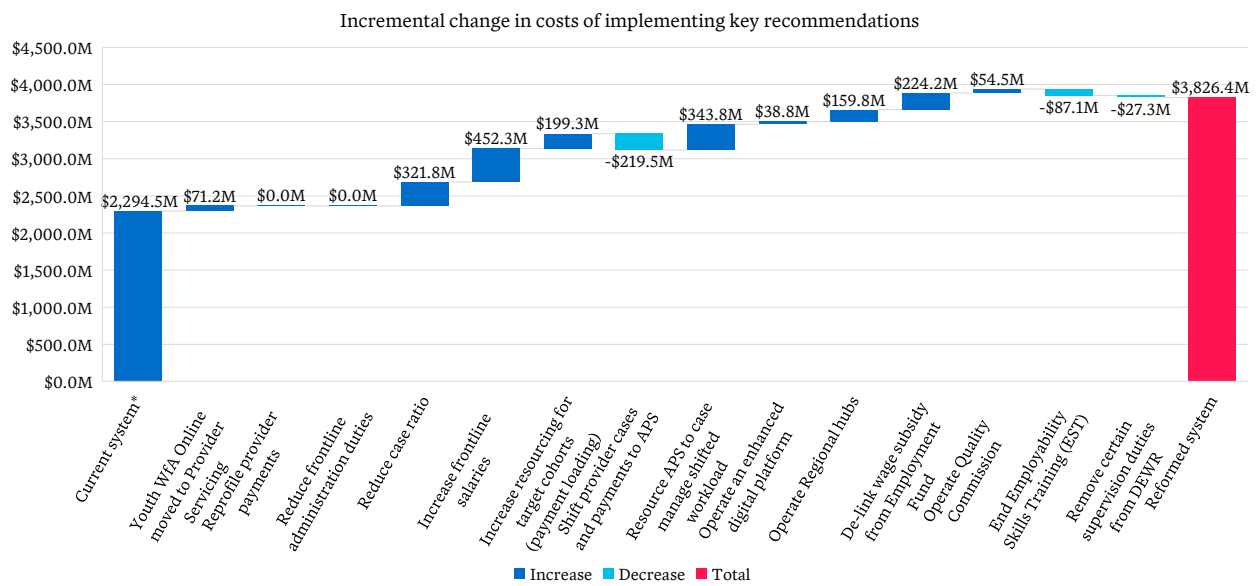
Figure 1 and Table 2 summarise the incremental costs of each of the key Hill Review components and the associated impacts on service delivery and system capability under the illustrative costing scenario.

Our modelling involves a bottom-up reconstruction of the costs of the system based on component parts and relying on the 2024-25 caseloads, following a modelling discipline that enables us to re-produce the cost of the current system and derive cost estimates for the implementation of each recommendation step-wise. The cost composition of the reformed system is substantially different to the current system, and this change is detailed in Section 3.1.1.

While the costs have been identified separately to provide an indication of impact on the recommendations, it is important to recognise these cost estimates are dependent on each other. For example, the estimated cost of increasing frontline salaries is derived using the higher staffing levels from reducing the case ratio.

We have included results from sensitivity testing throughout the report.

Figure 1: Incremental change⁵ in costs of key recommendations – illustrative scenario



* Note: The modelling recalculates the total system cost at each modelling increment, with the bars in Figure 1 illustrating the change in cost derived by the bottom-up calculation at each modelling increment. This differs from an approach which starts with current system cost and adds cost for changes.

Table 2: Incremental change⁶ in costs of key recommendations – illustrative scenario

Recommendation	Reformed cost	Impact
Provider case management the default for jobseekers under age 25	+\$71.2M	35,895 young jobseekers who previously self-managed online receive specialist youth employment services from providers.
Reprofile provider payments	\$0M	Reduces reliance on outcome payments, with outcome-based funding set at 44% across cohorts, improving alignment with service delivery costs – modelled to be cost neutral.
Reduce frontline administrative duties	\$0M	Investments in improving the digital platform, changing compliance duties of frontline caseworkers, and changing provider commissioning reduces administrative duties and increases average direct caseworker contact time per case by 40% .
Reduce case ratio	+\$321.8M	Funding to increase the number of frontline caseworkers, further increasing average caseworker contact time per case by around 80% .

⁵ While the costs have been identified separately to provide an indication of impact on the recommendations, it is important to recognise these cost estimates are dependent on each other, and on the order they are presented.

⁶ As above

Increase frontline salaries	+\$452.3M	Funding to raise average frontline annual salary by 40%, from \$61,600 to \$92,125 , (incl. superannuation), supporting workforce retention and professionalisation.
Increase resourcing for target cohorts	+\$199.3M	Funding to increase staff costs of specialist providers delivering services to youth and jobseekers in target cohorts by 20% . Providers can use the additional loading to contract specialist services, such as interpreters, or to recruit additional frontline staff to further reduce case ratios. It can also enable more intense, wrap-around services.
Shift some provider cases to APS	-\$219.5M	Transfers 95,861 high-intensity cases from partner providers to the APS.
Resource APS to directly manage some cases	+\$343.8M	Funds 1,917 APS frontline staff to provide high-intensity support to transferred cases, including managerial and corporate overheads.
Operate an enhanced digital platform	+\$38.8M	Maintains an upgraded digital platform that alleviates the administrative burden, freeing up frontline staff time for direct jobseeker support; estimated efficiency benefit is equivalent to 2x the operating cost.
Operate Regional hubs	+\$159.8M	Operates a network of 109 regional hubs to deliver assessment, service coordination and referral functions.
De-link wage subsidy from Employment Fund	+\$224.2M	Increases utilisation of wage subsidies by 200% , returning to pre-2019 level prior to integration into the Employment Fund.
Employment Services Quality Commission (ESQC)	+\$54.5M	Operates an independent quality regulator to oversee licensing, performance and system integrity.
Employability Skills Training (EST)	-\$87.1M	The Hill Review recommended ending EST, due to the increased support provided through a combination of more intense case management and regional hubs.
Departmental expense offsets	-\$27.3M	Some of the Department's responsibilities and corresponding costs transferred to the ESQC.
Total	+\$1.53B	

3.1.1 The changed composition of a reformed system

The Hill Review envisages a wide range of changes to the employment services system, and the result of this is observable through the changed composition of the expected cost of a reformed system. The key elements of these costs are:

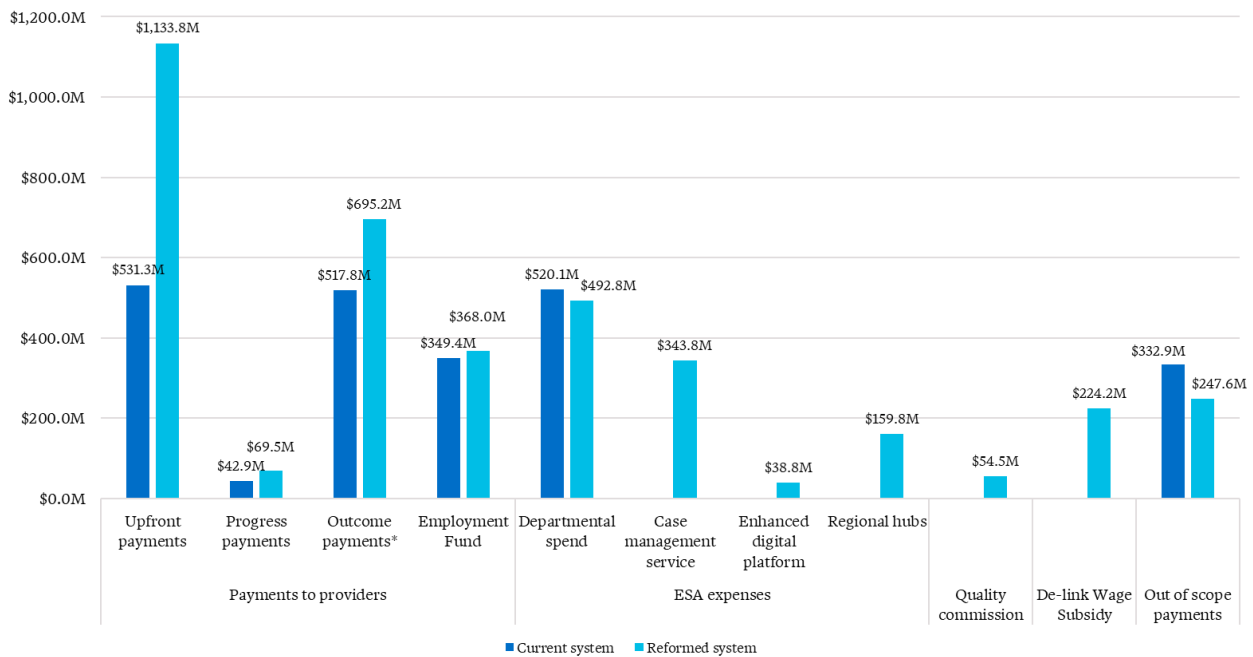
1. Administered Expenditure

- a. Up-front payments, including engagement payments and transition/transfer payments. These represent provider payments which are tied to the workload of a provider and activities conducted. Under a reformed system, the implementation of these up-front payments may take the form of block funding, or activity funding, or some other construct (the design of which is not within the scope of this costing).
- b. Progress payments. These payments are claimable once every 24-month and recognise the investments providers made to support participants becoming job-ready.
- c. Outcome payments, including payments to providers when participants achieve 4, 12, and 26 week employment outcomes, and a Verly Long Term Unemployment (VLTU) Bonus. These represent provider payments which are tied to the employment outcomes achieved by participants with the support of providers.
- d. Employment Fund and Wage Subsidies. Workforce Australia Services participants attract an Employment Fund credit on commencement which is pooled providers can use the credits in a tailored and flexible way to provide support to eligible participants on their caseload. Providers are also able to offer wage subsidies through the Employment Fund to employers who recruit participants. An additional Youth Bonus is available for Youth participants.
- e. Other payments. This includes the Work for the Dole Program, Self Employment Assistance, Small Programs and Expenditures, and Activities (Employability Skills Training and Career Transition Assistance)

2. **Departmental Expenses:** This captures the cost of the day-to-day operations and program support activities of DEWR, including the salaries of public servants and technology systems relied upon by the program

Figure 2 illustrates the changes in the composition of the cost structure of the reformed system as it has been modelled under the illustrative scenario. Payments to providers increases from \$1.4B to \$2.3B to allow for reduced case ratios, higher frontline salaries and loadings for specialist cohorts. Besides provider payments, there is about \$515M of additional Departmental Expenses to fund the new functions of the ESA (existing DEWR functions, case management services, regional hubs, and funding to improve the digital platform).

Figure 2: Changed composition of costs as a result of reform – illustrative scenario



*The modelling estimates the total amount of provider payments required under the reformed system. The allocation between upfront and outcome-based payments remains subject to further discussion and is a decision for implementation. For illustrative purposes, an assumed proportion of 44% has been allocated to outcome payments for services provided to adult participants, consistent with the Hill Review’s recommendation that outcome payments comprise a lower share of total provider funding.

Table 3 provides further detail on key aspects of the structure of the reformed system and how this differs to the current system.

Table 3: Comparison of service provided in the existing system and the reformed system

Metrics	Cohort	Existing system	Reformed system (service provided by partners)	Reformed system (service provided by the public sector)
Outcome payments as percentage of total payments (excl. EF)*	Adults not in target cohorts	50%	44%	
	Adults in target cohorts	60%	44%	
	Youth participants	34%	34%	
	Overall	47%	39%	
Caseload-to-staff ratio	Adults not in target cohorts	105	67	50
	Adults in target cohorts	107	61	50
	Youth participants	63	50	50
	Overall	90	59	50
Time per case per year	Adults not in target cohorts	9	19	25
	Adults in target cohorts	8	21	25
	Youth participants	14	25	25
	Overall	10	22	25

Staff salary (incl. superannuation)	\$61,600	\$92,125	\$92,125
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* The modelling estimates the total amount of provider payments required under the reformed system. The allocation between upfront and outcome-based payments remains subject to further discussion and is a decision for implementation. For illustrative purposes, an assumed proportion of 44% has been allocated to outcome payments for services provided to adult participants, consistent with the Hill Review's recommendation that outcome payments comprise a lower share of total provider funding.

3.2 Potential offsets to repurpose the existing funding envelope

The recommendations of the Hill Review to improve service delivery will predominately increase cost (e.g. higher salaries and lower case ratios). This section outlines the estimated value of two offsets identified by the Hill Review that have been incorporated into our cost scenarios. In addition, we discuss an option of shifting medium intensity participants to online support to explore the intent of prioritising funding to those most in need. To reform the Employment Services system while maintaining the existing funding envelope, decisions would need to be made by government regarding which components of reform to prioritise, and to what extent, as well as recognising the offsetting benefit of reduced welfare expenditure and high taxation in a more effective system (the quantification of which was not within the scope of this work).

3.2.1 Hill Review savings recommendations

The Hill Review refers to the following possible savings:

Recommendation 47

The Committee recommends that the Australian Government consolidate and reduce the number of complementary programs and implement measures to enhance the programs which are retained. Over time, this should include the following changes:

- Ceasing Employability Skills Training, with the support provided via Block 1 courses incorporated into quality case management services and the support provided via Block 2 courses incorporated into the services delivered by Employment Services Australia's regional hubs.
- Retaining Career Transition Assistance and trialling remote participation in the program to improve accessibility especially in thin markets.
- Retaining Self-Employment Assistance while reviewing the program with consideration to the enhancements recommended in evidence to this inquiry. This should include broadening eligibility criteria for the program.
- Ceasing facilitation programs for employers and rolling these services into a consolidated employer-focused service delivered via Employment Services Australia's Regional Hubs. This consolidation would include the Local Jobs Program, Workforce Specialists, and Employer Liaison Officers.
- Continuing foundation skills programs with an enhanced focus on digital literacy and digital skills.

Recommendation 48

The Committee recommends that Work for the Dole (WfD) be retained primarily as a last resort activity for people who fail to meaningfully engage or comply with their Participation and Jobs Plan over the long term. People who choose to participate in or are referred to WfD should receive a supplement that at least realistically covers their costs of transport and participation.

Cost implications: The consolidation of programs is expected to reduce the complexity of the range of similar services offered. However, the Hill Review does not indicate that the level or intensity of servicing should be reduced. As such it is expected that the consolidation would be cost neutral. In our costings we have generally accounted for the marginal cost of the expanded service offering only. The exceptions to this are:

- The Hill Review recommended ending Employability Skills Training (EST), due to the increased support provided through a combination of more intense case management (Section 4.1) and regional hubs (Section 4.4). This would provide an offset of \$87.1M⁷ per year.
- We have costed the Employment Services Quality Commission (ESQC) as a new function but some of its responsibilities already exist with the Department. It is likely that some of these teams would be transferred to the commission, but also likely that the Department would need to maintain parallel capability in-house leading to some duplication of resourcing within the public sector. In the absence of a detailed review of the Department's functions and teams, we have assumed that 50% of the cost of the ESQC may be offset from DEWR departmental expenses, providing an offset of \$27.3M per year.

Other Hill Review recommendations relating to savings are largely not about doing less, rather they aim to reduce frictions that currently affect the quality of services:

- Cut red tape that adds administrative load to frontline staff – considered in Section 4.1
- Consolidate programs – addressed above
- Fix the commissioning model which leads to unnecessary competition between providers – efficiencies would be a benefit to providers unless provider payments were changed to facilitate the Commonwealth recouping some of the anticipated benefits.

As such, we have not made any further cost offset allowance for these.

3.2.2 Shifting medium intensity participants online by default

In considering ways the reformed system could be delivered at a cost closer to the existing funding envelope, we have considered the possible savings associated with shifting medium intensity participants to online support by default. This costing is intended to be indicative only to facilitate discussion, further research is required into the effectiveness of self-service for this cohort.

The Hill Review make several references to the need to re-focus case management services on the participants who are furthest from the labour market. In keeping with this principle, an option for cost saving is to redirect medium-intensity participants to the online platform in the first instance. Jobseekers who are unsuccessful at finding work through this self-service platform would then move into case management at the 12-month mark (or earlier if they elect to). From this point, the usual provider payments would apply and therefore this would represent a delay in payments (and importantly employment outcomes) rather than a cost saving. This means the real savings is dependent on the proportion of participants who would be successful at finding work using the online platform.

The Legislated Review of Workforce Australia in June 2024 found that 72% of all jobseekers in WfA Online had found employment after 11 months⁸. Importantly, these jobseekers have been assessed as the most job-ready and able to self-serve. If the same proportion of medium-intensity jobseekers were able to find work through self-serve, then of the 336,715 medium intensity cases who had been in employment services for 12 months or less in 2024-25 who are redirected to the online channel, 242,435 would self-manage finding work. The avoided 2024-25 provider payments associated with this group is \$534.7M. If this group is less proficient at finding work than the 72% observed in WfA Online participants, this estimate would

⁷ Submission 254 (DEWR) to the Hill Review, page 152, 2024-25 value for EST

⁸ Legislated Review of Workforce Australia, Department of Employment and Workplace Relations, 21 June 2024, Figure 16, p.33

proportionately reduce. This estimate also does not consider any increase in cost for the online platform and Digital Services Contact Centre to handle the increased number of users or additional functionality that may be required to support them.

The second order effect of the 28% of participants who are not able to self-serve has not been considered, however it should be noted that there is significant risk to their employment outcomes arising from the delay of up to 12 months in transitioning to a provider and receiving case management services. This may be mitigated by the existing ability for participants to self-select to transition from online to provider services. Any shift of participants from provider services to online services should consider the potential for this to lead to service gaps. Investment in the improved identification of participants who are best able to self-serve using the online platform will mean better targeting of the digital service offer, alleviating resourcing demands on the provider network.

3.2.3 Income support payment reductions arising from higher quality employment services

As discussed to Section 2.3, the scope of this modelling focuses on the cost of a new approach to employment services. While the reform aims to shift away from the focus of rapid job placement and place greater emphasis on secure employment, the quantification of the expected economic and social benefits that come with this is out of scope. Consideration of the benefits of the reformed system would provide a more complete assessment of the cost-benefit of reform.

The Hill Review recommendations are expected to improve the quality of employment services delivered to participants, which should lead to more participants finding sustainable employment. The result of this is shorter periods of time unemployed and fewer re-entries into the system. This would lead to lower amounts of unemployment benefits paid by the welfare system. We encourage the committee to conduct further work to quantify the potential impact on the income support system a higher quality employment services system could deliver.

3.3 Costing uncertainties

In developing the costing model for a reformed system, we have referenced research and referred to findings of the Hill Review in deriving assumptions. We have also tested these assumptions with the committee for their insights on reasonableness. We believe these sources constitute a defensible basis for assumptions but recognise there is inherent uncertainty in all assumptions. For example, while the Hill Review discusses the need for lower case ratios, it does not specify a target ratio. As such, there is a range of acceptable values to consider as inputs to the cost modelling.

Some elements of the cost model are tightly interconnected, for example the assumed case ratios drives an estimation of the size of the workforce the cost of which is affected by the assumed salaries of these workers, and the assumed salary for private sector staff creates a differential to public sector salaries which affects the incremental cost of publicly provided case management. To demonstrate the range of costs under differing sets of assumptions (for these most material assumptions) we have presented a series of scenarios in Section 3.4.

There are many other elements of the cost model, such that presenting scenarios of every combination of different assumptions would be impractical. Instead, we have demonstrated the sensitivity of the modelled cost of a reformed system to each selected assumption (given all else being equal). This sensitivity testing is presented within Section 4.

3.4 Costing scenarios

In performing our cost modelling, there is a need to select service delivery assumptions based on the Hill Review and literature. While the intent of each Hill Review recommendation is clear, there is room for

interpretation regarding specific values to adopt for parameters, which introduces modelling uncertainty. To account for a range of plausible combinations of service delivery assumptions, we have modelled a set of scenarios (see Table 4) and present results of sensitivity testing (see Section 4).

The scenarios demonstrate the cost impact of adopting different key assumption sets on the 2024-25 caseloads, which could reflect different decisions regarding the extent of change in a reformed system. These scenarios are not intended to be comprehensive but rather to inform further discussion with stakeholders about the design and implementation of the new system.

Table 4: Costing scenarios

Key Assumption	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Illustrative Costing	Scenario 5
Target Case ratio for high-intensity participants ⁹	1:70	1:70	1:60	1:60	1:50	1:40
Salaries of frontline case workers	\$68k (current frontline salaries + 10%)	\$77k (midpoint of current frontline salaries and APS)	\$77k (midpoint of current frontline salaries and APS)	\$92k	\$92k	\$92k
Proportion of high-intensity participants serviced by the public sector	10%	20%	20%	20%	30%	100%
Proportion of WfA Online participants under 25 years old to instead elect to take up offer of provider servicing	30%	30%	30%	30%	50%	50%
<i>All other assumptions are aligned to the Illustrative Costing</i>						
Reformed system cost (including EST and DEWR offsets in Section 3.2.1)	\$3.16B	\$3.33B	\$3.40B	\$3.62B	\$3.83B	\$4.54B
Difference to the Illustrative costing scenario	-\$0.67B	-\$0.50B	-\$0.43B	-\$0.21B		+\$0.71B

⁹ Scenario 1-4 vary the target case ratio for high-intensity adult participants only. Scenario 5 also applies the target case ratio to youth participants.

Scenarios 1-4 show that more moderate selections of the extent of reform (such as higher case ratios, partial salary increases, and limited transfer of high-intensity cases to the public sector) can lead to a lower cost of a reformed system. This demonstrates that the proposed reform package is scalable, allowing the government to calibrate the depth and pace of change to fit within a constrained funding envelope.

3.5 Rollout and timing considerations

This analysis has been completed as if the Hill Review recommendations were in force for the 2024-25 financial year. This is to ensure there is a like-for-like comparison against the cost of the current system. In practice, the implementation of these recommendations would not be instantaneous. There is significant planning and preparation required to implement reform and make decisions which will affect the timing, cost, and staged delivery of a reformed employment services system. For comparison, in the 2024-25 Budget \$57M in Departmental expenses was announced for the Department of Social Services to reform Disability Employment Services¹⁰, with \$34M of this funding provisioned for the year leading up to the implementation of the new specialist disability employment program (from 1 July 2025).

The existing National Panel for Workforce Australia Services expires on 30 June 2028¹¹. This provides the opportunity to reshape many of the payment levers modelled in this report through contract terms. We note the Hill Review's ambition to avoid re-tendering in the short to medium term. We also note the intention to consolidate the number of generalist providers in each region. We anticipate there will be initial frictions in the transfer of caseload from the current provider network as caseworkers hand over management. We also note that DEWR will be required to simultaneously operate the existing system while the planning and building of reformed system occurs (including any new IT system), necessitating additional resourcing.

The sequencing of implementation decisions matters to their incremental cost. For example, in our step-wise analysis we have costed the required increase to provider payments to fund the increase in salaries paid to front-line staff employed by providers, and then costed the marginal impact of in-sourcing (by the APS) the case management of some of the high-intensity participants. If the in-sourcing were to occur prior to salary adjustment, the apparent increase in cost arising from shifting workload to the APS will be greater than costed as this move also incorporates the movement of work from lower paid provider case managers to higher paid government case managers.

It is important to note that with the passage of time the cost pressures of the current system will continue to mount and so too will the cost of reform. As an example, the cost to fund the one-off realignment of frontline staff salaries to the public service will be 8% higher in 2026-27 than this 2024-25 analysis because of the future salaries set in DEWR's enterprise agreement¹². Delays to the progress of reform are likely to make the cost of reform appear more expensive.

¹⁰ [Portfolio Budget Statements 2024-25](#), Table 1.2, page 26

¹¹ [Standing Offer Notice View - SON3869436: AusTender](#)

¹² Page 72: [pdf](#)

4 Key components: Service delivery

This section sets out the costing components related to the category of service delivery. It first examines the cost implications of the Hill Review recommendation for an enhanced service delivery by partners, then considers the costs associated with transitioning the case management of jobseekers furthest from employment into the public service. This section also covers the cost implications of the digital platform, regional hubs and Active Labour Market programs.

For each component, we identify the relevant recommendations in the Hill Review, outline the costing approach, and present the modelled costs. We also discuss key sensitivities in the assumptions and parameters, and include validation checks against comparable costs where available.

4.1 Enhanced service delivery

Under the reformed system:

1. Provider funding is restructured so that upfront payments make up a larger share of total funding, with less focus on outcome payments
2. Additional funding is required to support higher-quality service delivery by partners, including employing more case workers to reduce case ratios and offering more competitive salaries to reduce turnover and re-professionalise the workforce.

4.1.1 Hill Review recommendations

Recommendation 11

The Committee recommends that the Commonwealth Employment Services System include a youth-specific service, open to all people under the age of 25 years. The Youth Employment Service should retain the existing Transition to Work program as a more intensive option while also providing less intensive support options that vary according to individual circumstances and Participation and Jobs Plans. Commissioning and procurement should preference youth specialist providers with proven track records in delivering services to young people, as well as providers which are co-located with other youth services in youth hubs where possible.

Other related references:

5.196 The Committee also considers that a youth-specific service stream should be created within the new Commonwealth Employment Services System for all people aged under 25 years. This service should incorporate and build on the existing TtW program and draw on lessons of the successful Youth Connections program.

5.197 As part of the reformed assessment process, the youth specialist service should be presented as the 'default' service for jobseekers under 25 years, unless they are clearly job ready and would be better served by self-managing online or by referral to a cohort-specific service (for example, young First Nations peoples). Consistent with a service which offers greater choice and control to jobseekers, younger jobseekers would not be forced into the youth-specific service but would be presented with options and information to enable an informed decision.

Cost implications: The proposed Youth Employment Service would integrate Transition to Work as its intensive option while simultaneously offering lower-intensity support options that vary based on the individual's Participation and Jobs Plan. This integrated youth specialist service should be presented as the default service for jobseekers under 25 years, unless they are clearly job-ready and explicitly choose to self-manage via the digital-hybrid platform. Under the reform, young people who are currently directed to

firstly use the online platform would instead be directed to case management services. As at 30-Jun-2024, there were 40,120 jobseekers under 25 years old on Workforce Australia Online,

As a result, the reform expands provider service coverage to a larger youth cohort, with associated increase in cost.

Recommendation 14

The Committee recommends that the Australian Government take account of the findings of this report in relation to pay and conditions, support appropriate short-term actions to help stabilise the workforce, and link medium- and longer-term arrangements for pay and conditions in a rebuilt system focused on quality to a coherent plan to re-professionalise the sector's workforce. Such a plan should also include measures to ensure that the ratio of clients to staff is sufficiently low that staff are able to deliver effective, person-centred services to clients.

Cost implications: Recommendation 14 would result in higher ongoing costs, primarily driven by increased salaries and improved remuneration for frontline staff. The Hill Review found that current pay and conditions are not commensurate with the complexity, risk, and intensity of frontline roles, contributing to turnover rates of around 40% and undermining service quality. Re-professionalising the workforce would therefore require sustained investment in higher wages, improved conditions, and retention measures.

A further cost driver arises from the need to reduce excessive caseloads—particularly for staff managing jobseekers with high and complex needs—which would necessitate additional frontline staff and associated workforce investment. While reductions in administrative burden may improve efficiency, the Hill Review is clear that these measures will not offset the additional costs required to deliver a higher-quality service.

Recommendation 70

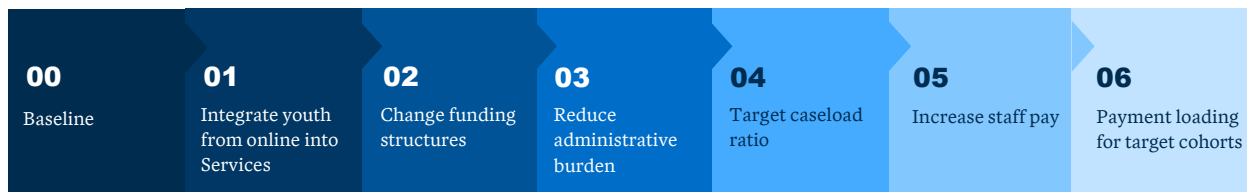
The Committee recommends that funding arrangements for a rebuilt Commonwealth Employment Services System be the subject of co-design based on a more relational contracting model and include the following key elements:

- Additional upfront funding based on a block- or activity-based funding model
- Payments for employment outcomes, with the proportion of payments claimable against outcomes substantially reduced relative to the current system
- Payments for other appropriate outcomes that help a person progress towards employment
- Bespoke grant and other flexible funding arrangements for specialised services such as work experience and engagement with social enterprises
- Additional loading to enable higher intensity supports for jobseekers in target cohorts, including migrant and refugee jobseekers and jobseekers with disability
- The Employment Services Quality Commission be responsible for:
 - Advising government on funding models and recommended pricing for quality services
 - Preferred approaches to funding service partners; and o monitoring and reporting periodically on the system's overall operating costs (including transactional and other costs relating to a quasi market) so there is greater transparency for government and the public
- The system should allow for experimentation with different potential funding models to evaluate and learn what works most effectively and efficiently.

Cost implications: Recommendation 70 has significant cost implications, as it proposes a fundamental redesign of employment services funding away from heavy reliance on outcome payments toward a more blended, relational model. This would require a reweighting of upfront (quasi-activity funding) and

outcome payments to achieve a target proportion, better reflecting the cost of delivering quality, capacity-building services upfront. Depending on the specific approach chosen to recalibrate the weights, the overall quantum of funding may be held constant or increased.

The recommendation also introduces additional loadings to support higher intensity assistance for target cohorts, including migrant and refugee jobseekers and jobseekers with disability, which would act as a direct cost driver.



4.1.2 Costing

To estimate a cost for enhanced service delivery by partners, we developed an incremental modelling approach to assess the impact of adopting each recommendation sub-component with reference to the current system and prior modelling steps.

4.1.2.1 Baseline

Across financial year 2024-25, there were 814,755 cases¹³ in Workforce Australia Services and the Transition to Work program. We have divided these cases into three segments:

1. Youth: 26% of cases, defined as participants aged under 25 years' old
2. Adult Any Cohort: 43% of cases, defined as participants aged 25 years' old and over, and being reported as one of the target cohorts identified in the Hill Review¹⁴
3. Adult No Cohort: 31% of cases, defined as participants not in the above two segments.

Based on evidence gathered by the Hill Review indicating an average annual caseload (equivalent to our definition of cases) ratio of 90¹⁵, we estimate a frontline workforce of 9,053 full-time equivalent (FTE) case workers across both Workforce Australia Services and Transition to Work. Based on further evidence from the Hill Review that 50% of staff time is spent on administrative tasks¹⁶, this implies an average of 10 hours of direct service time per case per year. The frontline time spent for each case will vary markedly depending upon the proportion of the year the participant is receiving services from the provider.

¹³ We define the concept of cases as the sum of the caseload at the start of the year and the number of referrals made during the year. This definition reflects the volume of cases managed by service providers across a year, noting that a portion of these cases will only be managed for a short period within the year prior to exiting and another portion will be managed for the full year.

Detailed data on caseload, referrals, and exits over time and split based on employment region and target cohorts was provided by DEWR for the purpose of the segmentation require for this analysis.

¹⁴ Recommendation 70 identifies migrant and refugee jobseekers, and jobseekers with disability; other references throughout the Hill Review identify First Nations people, Culturally and Linguistically Diverse (CALD) people, people with a Disability, and ex-offenders as target cohorts and cohorts of interest. For the purpose of this modelling, we have therefore defined target cohorts as a person who is 25 years old and over and who is identifiable in the data collected by DEWR as one of these cohorts with the exception of ex-offenders. As DEWR does not currently release data identifying the number of ex-offenders in the system.

¹⁵ Rebuilding Employment Services, p.200. We have interpreted this ratio as the number of cases throughout the year rather than at a point in time.

¹⁶ Rebuilding Employment Services, p.xii.

In Administered expenditure across financial year 2024-25, \$1,092.0M was paid to providers for both Workforce Australia and Transition to Work and \$349.4M was committed into the Employment Fund and paid as Youth Bonus Wage Subsidies. Approximately \$332.9M¹⁷ would have also been paid for a range of other DEWR administered programs which have not been considered in the below analysis. This totals \$1,774.4M in administered expenditure for the 2024-25 financial year.

In Departmental expenses across financial year 2024-25, DEWR expended \$419.0M¹⁸ against Outcome 1 - Employment Services. This cost relates to the administration of a range of programs including but not restricted to Workforce Australia¹⁹ which were not able to be separately identified. As these costs are not adjusted in our analysis, their inclusion does not affect the result but does inflate the base cost beyond a pure assessment of the Workforce Australia and Transition to Work programs. In addition, key corporate functions related to operation of the entity that supports the administration of the system (e.g. property, ICT, human resources, parliamentary support and processes, legal services, audit and risk management, finance, security, corporate reporting, communications, etc.) are not included in these figures. To account for this, we have grossed up the DEWR Departmental expenses by an additional \$101.1M (24%²⁰).

In total, we have assessed the cost of the Employment Services system in financial year 2024-25 as \$2,294.5M. This excludes any costs borne by Services Australia for services provided (such as referrals or compliance) or costs from any other agency.

4.1.2.2 Integrate youth from online into services

To cost the impact of Recommendation 11, we have estimated the additional up-front and outcome payments payable to service providers as if 50% of the participants under 25 years old who currently are directed to use WfA Online initially instead elect to uptake the recommended default offer of provider servicing.

As at 30 June 2024, there were 40,120 youth participants using WfA Online. We estimate a further 59,588 over the subsequent 12 months would have been referred to use WfA Online²¹.

In considering the cost associated with these participants receiving services, it is only the portion of this group who would have successfully self-served in the online system to find employment of their own accord who represent a genuine increase in cost. The cost associated with the portion of youth participants who would have transitioned from online into the services system (after being unable to secure employment in their first 12 months) represents a speeding up of payments that would have been made anyway. The Legislated Review of Workforce Australia in June 2024 found that 72% of the youth cohort in WfA Online had found employment after 11 months²². Therefore 28% of the payments identified above represent a speeding up, while 72% would be incurred as new cost arising from these 'job-ready' participants who would have successfully self-served online.

¹⁷ Based on DEWR's 2025-26 Budget allowance for line items not provided at a detailed level. This includes the cost of Work for the Dole (~\$15.4M), Self Employment Assistance (~\$193.8M), Small Programs and Expenditure (~\$44.8M), and Employability Skills Training and Career Transition Assistance ('Activities', ~\$79.7M).

¹⁸ DEWR's 2024-25 Annual Report (P.168, Table A.2)

¹⁹ Such as the administration of the Pacific Australia Labour Mobility Scheme, Parent Pathways program, Reconnection, Employment and Learning Program, and structural adjustment activities.

²⁰ The 24% gross up for corporate function costs is based on the observed cost of Services Australia's Program 1.1: Strategy and Corporate Enabling outcome relative to Program 1.2: Customer Service Delivery, contained in the Services Australia 2024-25 Annual Report (p. 208, Table 50).

²¹ Referrals to WfA Online were not available at the time of this analysis. Our estimate is based on the observed referral-to-caseload ratio observed for young people in WfA Services in financial year 2024-25.

²² Legislated Review of Workforce Australia, Department of Employment and Workplace Relations, 21 June 2024, Figure 16, p.33

Under the assumption that 50% of the ‘job-ready’ Youth participants (in 2024-25) elected to take up the recommended default offer of provider servicing, this would result in an additional 35,895 cases receiving provider servicing at some point than in the current system (as these participants would have otherwise found work in the online system). This represents an increase of 17% in the number of cases serviced by providers and provider payments related to the youth cohort by \$71.2M (13% increase). This would fund an extra 447 front-line caseworkers to service the expanded caseload.

In the absence of being able to accurately target the 28% who would not have achieved a self-service outcome, the 50% assumption allows for a wider target group. If it were possible to identify the sub-group of the youth online cohort who were unlikely to gain employment through the online system, the cost of directing them to service providers would be neutral as they would end up utilising provider services regardless of whether they used the online system first or not.

We have not considered the second order impact of the benefits to the 28% of participants who would now be serviced by providers up to 12 months faster, leading to the possibility of an earlier employment outcome and therefore less time receiving income support payment.

4.1.2.3 Change funding structure

To cost the impact of Recommendation 70 relating to reducing the proportion of payments claimable against outcomes, we have retained the total value of provider payments and adjusted only the composition of payments. Therefore, this adjustment does not influence the dollar value of funding for providers, just the timing and conditions which affects their incentives.

The modelling reweights upfront and outcome payments by cohort and JSCI score to achieve a target outcome payment share of 44%. The allocation between upfront and outcome-based payments remains subject to further discussion and is a decision for implementation. For illustrative purposes, an assumed proportion of 44% has been allocated to outcome payments for services provided to adult participants, consistent with the Hill Review’s recommendation that outcome payments comprise a lower share of total provider funding.

We have not considered the second order impact of this shift in the potential for higher investment leading to quicker outcomes, or the risk that a reduced incentive to deliver employment outcomes leads to longer periods of unemployment.

4.1.2.4 Reduce administrative burden

As detailed in Section 4.3 and Section 5.3, the Hill Review recommends an improved digital platform and compliance framework which will contribute to alleviating the significant proportion of front-line case worker time being spent completing administrative and compliance duties under WfA.

The Hill Review identifies “staff now spend 50 per cent or more of their time on administration rather than working with clients and employers” and also notes that stakeholders reported that up to “60% of staff time is spent on administration, and that many providers are recruiting additional staff to focus largely if not entirely on administrative and compliance matters rather than using resources to improve the quality of services they deliver to clients”²³

The Hill Review does not indicate the extent of reduction targeted by these proposed changes, however notes that stakeholders have indicated that the time spent on administration under WfA is “materially worse than the situation that existed in previous systems”. In lieu of a target reduction, we have modelled the impact of a 20% reduction in time spent conducting administration tasks arising from a smoother digital experience (following the investments covered in Section 4.3) and changes to the compliance requirements (following the changes covered in Section 5.3). This reduction aligns the time spent on

²³ Rebuilding Employment Services, p.208

administrative tasks with the example provided by the Hill Review of Sweden’s system (where administration tasks account for 20% to 30% of staff time).

In modelling this 20% reduction in time spent doing administrative work, we have allowed the resulting savings to flow into an increase in time spent per case by frontline staff from 10 to 15 hours per case per year. We have not accounted for any second order impacts on the achievement of employment outcomes arising from this greater time with participants, but note that there would be savings on income support payments arising from this higher quality service.

We have not allowed for any change in the volume of staffing or change in caseload, and as a result there is no direct cost impact on the system.

4.1.2.5 Target case ratio

To cost the impact of Recommendation 14 relating to ensuring the ratio of clients to staff is sufficiently low that staff can deliver effective, person-centred services to clients, we have modelled the impact of reducing case ratios to:

- 50:1 for all youth clients, across all JSCI and durations – aligned with the Hill Review’s reference to stakeholder feedback that specialist and intensive servicing should be done at a lower ratio and Parent Pathways targeting a ratio of 50:1
- 50:1 for adults needing high-intensity support based on JSCI and duration – as above
- 80:1 for adult clients needing medium-intensity support – aligned with the Hill Review’s reference to DEWR’s submission to the review indicating that “the majority of providers committed to ratios of 80:1 or below in their tender responses”²⁴.

To deliver this level of service, an additional 5,318 FTE frontline staff would be required leading to total frontline employee costs increasing to \$0.91B. If provider payments were left unchanged, this additional resourcing would lead to employee costs accounting for 81% of current provider payments. As it is likely that government would need to fund such an increase in servicing, we have assumed that payments to providers will increase to fund the lower case ratios.

Currently, we estimate that frontline employee costs account for approximately 51% of the payments received by providers²⁵. We have modelled an increase to provider payments of \$321.8M which is sufficient to fund the increase in frontline staff costs only (i.e. no additional contribution to other overheads or profit). This results in the ratio of frontline employee costs to the payments received by providers increasing to 63% - maintaining a constant dollar value of operating margin for providers (defined as total payments less frontline staff costs).

4.1.2.6 Increase staff pay

To cost the impact of Recommendation 14 relating to the pay and conditions of frontline staff, we have modelled the impact of increasing the salary of frontline staff from the current average of \$61,600 to an average salary of \$92,125.

²⁴ Rebuilding Employment Services, p.199, s6.28

²⁵ Based on the estimated number of employees in the Baseline, and an estimated average annual employee salary cost of \$61,600. The Hill Review referenced annual salaries of frontline staff being in the “range of \$51,000-\$65,000” (p.201, s6.32). We have accounted for superannuation of 12% payable on base pay of \$55,000. We note that this figure appears lower than salaries advertised in comparable roles in current online job listings.

This assumed salary is based on the weighted average salary of service delivery staff in Services Australia in 2024-25²⁶ and is comparable to the midpoint of APS Level 4 pay in Services Australia in 2024-25. The change represents an increase in salary for frontline staff of approximately 50%.

As with the reduction in case ratios, we have modelled an increase in provider payments of \$452.3M to fund the increase in salary costs only. The preservation of the dollar value of operating margin maintains provider financial viability and leads to frontline employee costs as a proportion of total payments to providers rising to 72%.

The Hill Review identifies that low pay contributes to high turnover and difficulties in attracting and retaining qualified staff. We have not attempted to model the second order impact of improved productivity arising from lower turnover, increased job satisfaction, and increased professionalism. However, we note that the impact of this is likely an increase in the amount of time that staff could spend with participants. If this additional time led to higher quality servicing and employment outcomes, there would be a reduction in time participants spent out of work, and therefore receiving income support payments.

While this recommendation identifies the need to fund increases in conditions for frontline workers, it is important to note that ongoing mechanisms are required to avoid this issue reemerging with the passage of time. As an example, DEWR's enterprise agreement has set salaries to be approximately 8% higher in 2026-27 compared to the value used in this analysis.

Further, it should be noted that the Hill Review envisages the increased pay for these workers will reflect paying for a higher level of professionalism and skill, not just paying more for the existing capability. There is a risk that implementation of increased pay will attract staff away from other employment services (such as disability), leading to resourcing issues and cost pressures in these systems. Finally, there is a risk that if pay conditions for frontline staff working with providers are not lifted and the public service commences case management (see Section 4.2), then the most talented individuals working with providers may look to move to the APS in search of higher pay.

4.1.2.7 Payment for staff cost loading for target cohorts

To cost the impact of Recommendation 70 relating to an additional payment loading to enable higher intensity supports for jobseekers in target cohorts, we have applied a 20% loading to staff costs who provide services to youth segments and adult target cohorts. We assume providers can use the additional loading to contract specialist services, such as interpreters, or to recruit additional frontline staff to further reduce case ratios. It can also enable more intense, wrap-around services. This loading results in an estimated additional cost of \$199.3M in provider payments.

The Hill Review does not specify the level of loading for these cohorts and therefore the adopted loading is provided as an illustrative example of cost. The impact of different loadings is explored in the sensitivities captured in Section 4.1.3.

4.1.2.8 Total cost

Figure 4 summarises the estimated cost of implementing the recommended changes to enhance service delivery by partners. The proposed reforms are expected to increase ongoing costs by approximately \$1.04B, driven primarily by improved frontline staff remuneration (\$452.3M) and increased staffing to lower the case ratio (\$321.8M).

²⁶ Derived from the midpoint of salaries paid by classification level with a superannuation loading of 15.4% for Services Australia staff as reported in the Services Australia Annual Report (p.237, Table 78), weighted based on the number of Services Australia service delivery staff by classification as derived from the APS Employment Release Tables (30 June 2025) released by the Australian Public Service Commission.

At this stage, the estimate does not incorporate the recommendation to transition part of the caseload to the APS and therefore reflects the required funding increase prior to any such changes.

Figure 3: Incremental costs of recommendations to enhance services delivered by partners

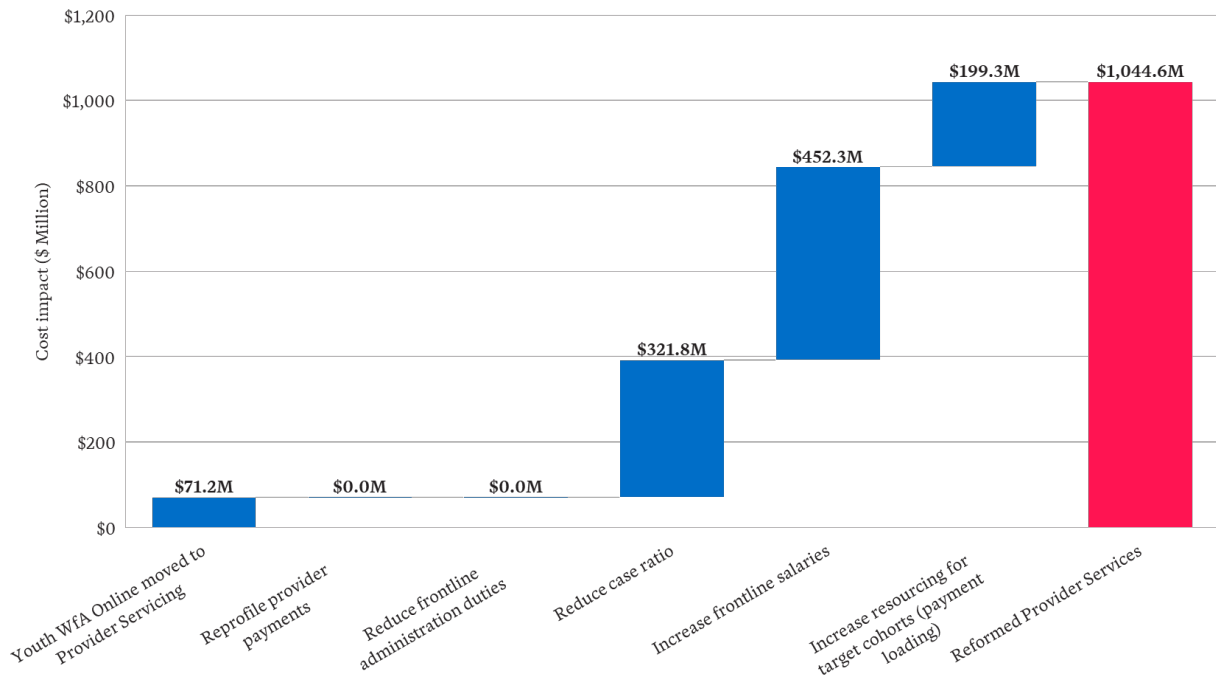
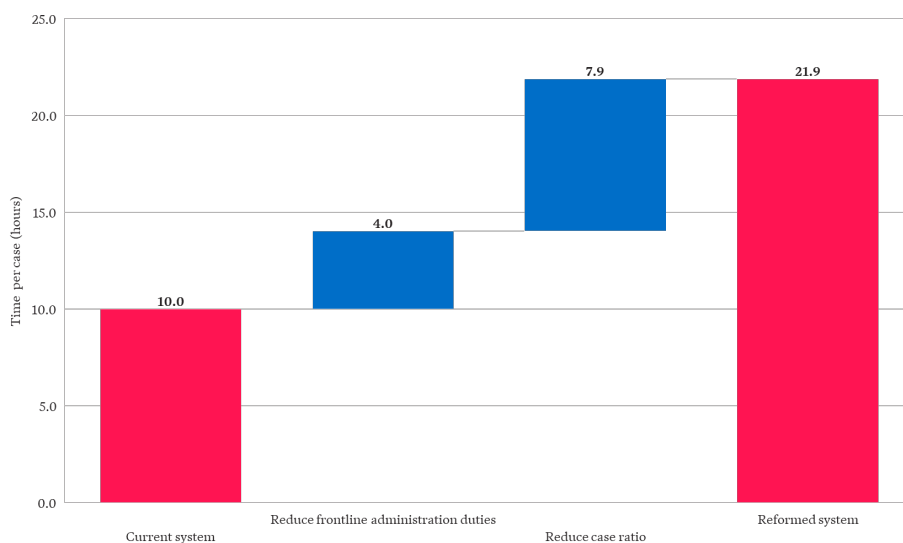


Figure 5 summarises the impact of the proposed reforms on average through-year time spent per case. The estimated reduction in administration is estimated to increase direct service time by 4.0 hours per case on average, without any direct increase in provider payments. Lower case ratios are expected to add a further 7.9 hours per case on average. Together, these measures increase total direct service time to 21.9 hours per case per year post reform.

Figure 4: Impact on time spent per case (hours per annum)



The proposed increase to staff remuneration would likely reduce turnover from the currently reported rate of over 40% per year²⁷, allowing more staff time to be used effectively for case management. Improved professionalisation and staff qualifications are likely to further enhance service quality. These benefits are not captured in the 2.2x increase in direct service time, suggesting that the overall improvement in service quality is likely to be greater than implied by time increases alone.

4.1.3 Sensitivities

Table 5 outlines the impact on the total cost of measures to enhance service delivery by partners if each of the key assumptions were changed in isolation. All other assumptions are held constant during this analysis.

Table 5: Sensitivity analysis of the cost of enhanced service delivery by partners

Key Assumption	Low scenario	High scenario
50% of 'job-ready' Youth participants in Online transition to Services	30% of job-ready Youth transition to Services -\$46.9M	100% of job-ready Youth transition to Services +\$117.2M
Target case ratio of 50:1 for high-intensity segments and Youth	Target case ratio 60 -\$199.1M	Target case ratio 40 +\$298.6M
Target case ratio of 50 for Adult Any Cohort medium-intensity segment	Target case ratio 60 -\$128.7M	Target case ratio 40 +\$193.0M
Target case ratio of 50 for Youth segment	Target case ratio 60 -\$94.3M	Target case ratio 40 +\$141.5M
Increase staff annual salary to \$92,125 (incl. superannuation)	Increase by 10% from current -\$413.8M	Increase 10% from \$92,125 +\$156.4M
Payment for Staff Cost loading of 20% to specialist providers	Payment loading of 10% -\$99.6M	Payment loading of 30% +\$99.6M

4.2 Delivered by public sector

Under the current Employment Services system, the APS operates primarily as an “arm’s length” purchaser and contract manager rather than an active provider of services. DEWR is responsible for policy design, procurement and the administrative oversight of approximately 40 contracted providers. Other agencies, such as the DSS and the National Indigenous Australians Agency (NIAA), manage separate programs such as Inclusive Employment Australia (IEA, formerly Disability Employment Services (DES)) and the Community Development Program (CDP). The Hill Review identified the Digital Services Contact Centre (DSCC) as the only employment service currently delivered by the APS. However, it noted that the

²⁷ Rebuilding Employment Services, p.xii

DSCC does not operate as a proactive provider and is funded largely on a block basis rather than being resourced in line with demand. As a result, its capacity has not scaled with growth in the digital caseload, limiting its ability to provide more active support.

Under the reforms proposed by the Hill Review, the employment services system would have a stronger public sector core. Through ESA, the APS would transition to an active steward and direct provider of services. ESA would directly manage specific groups of cases including those needing high-intensity support, in thin market, and persistently non-compliant with obligations. This role may involve complex case management, including referral to other services such as mental health and homelessness services.

4.2.1 Hill Review recommendations

Recommendation 8

The Committee recommends that the core service model for the new Commonwealth Employment Services System provide far more tailored and flexible support, with tailored Participation and Jobs Plans that recognise more diverse pathways to employment. The model should include the following key elements:

- A digital-hybrid employment service delivered by Employment Service Australia for those jobseekers identified as being able to effectively self manage online
- Case management services informed by more tailored assessment and Participation and Jobs Plans, differentiated by an individual's needs and proximity to the labour market, with:
 - A 'low intensity' advisory and support service focused on preparing for and finding work and addressing minor vocational barriers to employment, generally provided by contracted service partners
 - A 'medium intensity' case management service focused on setting goals and overcoming vocational and non-vocational barriers, generally provided by contracted service partners
 - A 'high intensity' service for people who are furthest from the labour market, including in-depth and wrap-around support, likely case managed through a public sector-led program
- Referral and access to other human services that address substantial non vocational barriers to employment as required
- Cohort-specific specialist support delivered by organisations with relevant expertise and competency, with priority cohorts including First Nations peoples, people from culturally and linguistically diverse backgrounds and people with significant disabilities
- Social and community participation goals for people who are unlikely to benefit from other assistance for whom employment is simply not a realistic outcome at least in the short term.

Recommendation 10

The Committee recommends that in designing a high intensity case management service for people furthest from the labour market, most likely delivered by the public sector or community based not-for-profit service partners, the Australian Government consider the lessons of the former Personal Support Programme and the French 'remobilisation' package for long-term and very-long-term unemployed people.

Recommendation 62

The Committee recommends that the Australian Government implement a new Shared Accountability Framework. This should replace the current Targeted Compliance Framework and should include the following key elements:

- ...

- People who accrue the maximum number of warnings by persistently failing to meet mutual obligation requirements are referred to Employment Services Australia for a capability assessment.
- ...

Cost implications: Under the proposed system reforms, the public sector would be involved in the direct management of:

- Jobseekers requiring high-intensity servicing, including those furthest from the labour market who are not ready for or have not succeeded in provider services.
- Those in thin markets where the ESA would act as a provider of last resort.
- Jobseekers with persistent non-compliance with mutual obligations (Recommendation 62).
- The public sector taking on this role would result in a transfer of the associated caseload from contracted providers to the public sector. The shift of this caseload would lead to a reduction in upfront and outcome payments paid to providers. The public sector would then be responsible for resourcing case managers to manage this caseload, with the appropriate managerial oversight and corporate support. The net cost implications would be dependent on the cost differentials of delivering these services through the public sector compared to through providers.

4.2.2 Costing approach

The cost of moving some cases from contracted providers to the ESA is built upon the enhanced partner service delivery model described in Section 4.1. Under Recommendation 10, a subset of jobseekers who are furthest from the labour market, would be case managed by the public service or community-based not-for-profit providers. The caseload and associated payments would therefore be removed from providers and shifted to management by the public sector with costs paid as Departmental Expenses.

The key cost driver for public service delivery is salary, which is determined by several factors:

- Amount of caseload transferred from partners to the public sector
- Target case ratio
- Staff salary.

Once frontline staffing cost is established, associated managerial and corporate overhead, and leasing costs are applied.

4.2.3 Costing

The position of the Employment Services Sub-Committee of the EIAC is that the illustrative scenario for modelling should adopt an assumption that 30% of the current high-intensity caseload would be case managed by the public sector.

This includes 30% of:

- Cases where participants have been in the system for more than two years
- High-JSCI adult not in a target cohort who have been in the system for less than two years.

In total, 95,861 cases are modelled to transition to case management by the public sector and community-based organisations. This represents around 10% of the total caseload in Services.

We assume a target case ratio of 50:1, consistent with the ratio applied to the same case segments under the enhanced partner-delivered model. As a result, for these segments, the case ratio is assumed to be the same regardless of whether cases are managed by providers or the public sector.

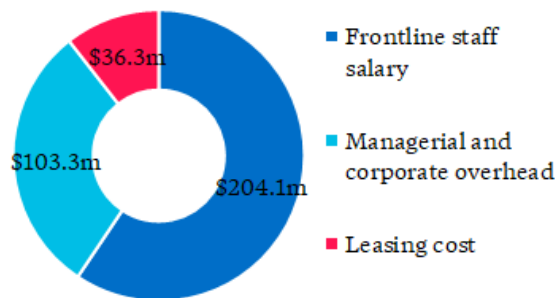
Under these assumptions, 1,917 FTE of APS frontline staff are required. We apply a base annual salary of \$92,125 (including superannuation), consistent with the target remuneration for partner staff in the reformed system and Services Australia service delivery staff cost. Additional cost assumptions include a 2% on-cost (covering long service leave and Comcare premiums), managerial overheads of 21% and corporate overheads of 24%, based on the expenses of Services Australia in 2024-25²⁸.

Consistent with the approach taken for specialist providers, we apply an additional loading of 20% to the salaries of specialist caseworkers supporting target cohorts and young people, reflecting the higher cost of delivering specialised services. On this basis, total APS staffing costs are estimated at \$383.8M.

Property and leasing costs are estimated using Services Australia benchmarks²⁹, with leasing assumed as 11.8% relative to total employee salary costs. This reflects the need for a geographically dispersed network of smaller offices to support service delivery in remote and thin markets, comparable to the footprint of Services Australia offices. This results in an additional cost of \$36.3M.

Figure 6 summarises the cost associated with case management services directly delivered by the public sector.

Figure 5: Cost of service delivered by the public sector

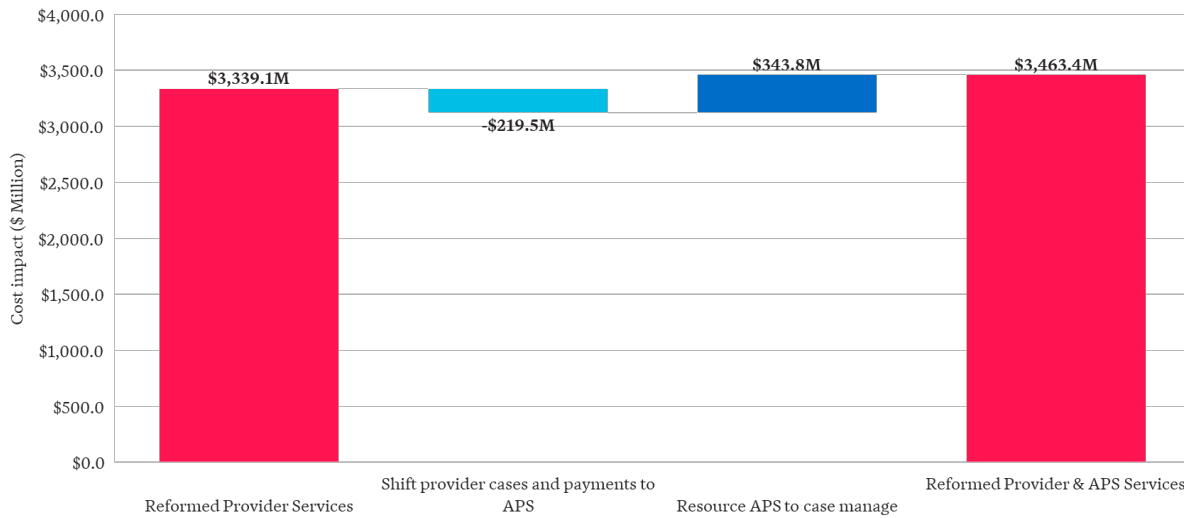


At the same time, removing this caseload from contracted providers reduces provider payments by an estimated \$219.5M (including Employment Fund). The difference between this reduction and the cost of public delivery reflects differences in operating margins between private providers and the public sector. Figure 7 shows the net cost impact of \$124.3M after transitioning caseloads from partners to the public sector.

²⁸ [Services Australia Annual Report 2024-25](#), p. 208, p.237.

²⁹ [Department of Employment and Workplace Relations Annual Report 2024-25](#)

Figure 6: Total cost after transitioning caseload to the public sector



We have not considered the potential second order impact arising from the risk that re-nationalising some of the employment services delivered for Workforce Australia will likely crowd out talent from current providers, with the APS being able to offer higher pay and better conditions (even if the funding is provided to realign private sector salaries). This will not only affect WfA but also adjacent employment services such as IEA.

4.2.4 Sensitivities

Table 6 outlines the impact on the net cost of transitioning caseloads to the public sector when each of the key assumptions were varied in isolation. Net cost reflects both the reduction in payments to providers and the resources required for service delivery by the public sector. All other assumptions are held constant during this analysis.

Table 6: Sensitivity analysis of the net cost of service delivered by the public sector

Key Assumption	Low scenario	High scenario
30% of caseload in the high-intensity segments are transferred to be managed by the public sector	10% caseload -\$82.9M	50% caseload +\$82.9M
Target case ratio of 50:1 for high-intensity segments and Youth	Target case ratio 60 -\$23.9M	Target case ratio 40 +\$35.9M
Average base salary of \$92,125 (incl. superannuation)	Base salary - 10% -\$34.4M	Base salary +10% +\$34.4M
Managerial and corporate overhead of 51%	Overhead of 17% aligning with partner-delivered service -\$76.7M	Overhead of 60% +\$21.4M

Key Assumption	Low scenario	High scenario
Sub-leasing gross-up of 11.9% of staff cost	Leasing cost of 6.2% at DEWR benchmark ³⁰ -\$17.3M	Leasing cost of 20.0% reflecting high number of sites required +\$25.2M

4.3 Digital platform

The existing digital platform that supports both providers and jobseekers was identified by the Hill Review to be inadequate and inefficient. Providers using the platform are spending excessive amounts of time on administration and having difficulty in extracting reliable information from the platform. For jobseekers, the online tools lack support in multiple languages limiting their accessibility. An upgraded digital platform was recommended to:

- Better connect providers to government and reduce their administrative burden
- Enable better job matching using data analytics for jobseekers and provide support in multiple languages.

4.3.1 Hill Review recommendations

Recommendation 17

The Committee recommends that the Australian Government address issues impacting the functionality of employment services IT systems as a matter of urgency. A continuous improvement fund and program should be implemented for IT systems, with priorities determined collaboratively with providers having regard to evidence provided to this inquiry. The fund and program should include implementing measures to:

- Streamline reporting and other information requirements, with a view to significantly reducing the number of times a provider is required to report the same information
- Improve accuracy, reliability, and consistency in the information available to providers, and to other key stakeholders as appropriate
- Ensure that providers have access to up-to-date information on participants on their caseloads, including information on resumes and job searches
- Allow providers to make changes to the information in the system regarding participants on their caseloads
- Ensure significant changes to IT systems are rigorously tested with providers and other key stakeholders before they are rolled out
- Provide ongoing funding to DEWR to enable it to undertake minor and periodic changes to IT systems to avoid the current situation arising again.

Cost implications: Providers and other stakeholders should be consulted to help identify the opportunities and priorities for upgrading the digital platform.

Recommendation 18

³⁰ [Department of Employment and Workplace Relations Annual Report 2024-25](#)

The Committee recommends that the Australian Government adopt a clear ‘tell government once’ principle for employment service clients, whereby critical information relevant to a client’s employment potential and service history is available to relevant public sector agencies and service partners contracted to support an individual.

Cost implications: The upgraded platform should facilitate the sharing of information between agencies and providers.

Recommendation 26

The Committee recommends that the Australian Government ensure all service partners can access information they enter into the department’s IT systems unless there are clear, defensible reasons for not making that data available.

Cost implications: Providers should be able to easily access their own data to be used to support their work in helping jobseekers.

Recommendation 36

The Committee recommends that the Australian Government:

- Ensure that the digital tools for employment services and the primary government websites for employment services are available in, at a minimum, the languages in which reporting is available via the Centrelink Express Plus app, as well as in those languages most commonly used by jobseekers on the employment services caseload
- Develop and implement a strategy for increasing the number of languages in which online information and reporting tools are available, including in response to changes to the makeup of the employment services caseload
- Ensure major updates to digital tools and user interfaces for employment services are fully tested with target cohorts before being implemented. This should include testing with older people, people from culturally and linguistically diverse backgrounds, First Nations peoples, and people with disability
- Develop a Digital Protections Framework to provide robust safeguards for clients and other stakeholders against the adverse impacts of increasing digitalisation and automation of services.

Cost implications: The tools offered to jobseekers should be accessible and appropriate for people with different backgrounds, cultures, and speaking different languages.

Recommendation 39

The Committee recommends that the Australian Government seriously consider the implementation of a policy framework to integrate commercial digital jobs marketplaces into the employment services system taking account of the conclusions of this report, including the following key elements:

- Competitive neutrality and open access to all providers subject to meeting robust cybersecurity, privacy, and service standards
- Safeguards and transparency relating to the use of artificial intelligence, including to prevent algorithmic discrimination against disadvantaged jobseekers
- Jobseekers being able to automatically report activities through commercial marketplace partners to the employment services system
- Regular sharing of data on jobseeker activity with the employment services system, to enable program-level accountability and inform future policy direction

- Relevant content is promoted on behalf of businesses and industries using in-flow and adjacent marketing channels
- Clients have regular access to a wide range of job opportunities and recommendations based on their candidate profile and/or job preferences
- Eventual retirement of the online jobs board in Workforce Australia once commercial partnerships are established and working well.

Cost implications: Integration of commercial digital jobs marketplaces to provide a more comprehensive view of job listings for jobseekers.

4.3.2 Costing approach

A bottom-up costing approach for an enhanced digital platform would require:

1. Engaging stakeholders, including providers and jobseekers, to help identify the additional features and tools of the new platform
2. Engaging IT professionals to help estimate development, implementation, infrastructure and maintenance costs based on expected user loads.

This detailed costing exercise was not feasible in the timeframes available for this costing.

Alternatively, we considered the potential cost savings an enhanced digital platform may deliver. This represents a reasonable upper bound for the amount Government may be willing to invest into a new platform (spending less than the estimated annual cost savings the platform would result in a net return on the investment).

4.3.3 Costing

In Section 4.1.2 we discussed our assumption that an upgraded digital platform means that case workers spend 10% less of their time on administrative tasks. Our modelling assumes this saved time results in more time with participants. The value of this time is equivalent to 1,482 caseworkers, and at an average assumed salary of \$92,125 (inclusive of superannuation), this translates to a value of \$136.5M per year.

If Government was to spend half this amount each year (\$68.3M) to achieve the 10% reduction in administrative time, there would be a 100% return on investment.

Current spend on the existing platform is \$29.5M per year, so increasing this to \$68.3M per year represents more than a doubling of spend (an extra \$38.8M). While the actual reduction in administrative burden that will be achieved is uncertain, these results highlight how even a significant increase in spend on the digital platform can be reasonable and a feasible investment if directed towards reducing provider administration.

4.3.4 Validation checks

Table 7 shows the cost of several government platforms we were able to find using public sources (e.g. government audit reports). Comparison is difficult since:

- There is no breakdown of total cost by development, implementation, infrastructure and maintenance
- The platforms vary in functionality and number of users.

The cost of these government platforms varies from close to the cost of the existing employment services platform to approaching \$300M per year.

Table 7: Cost of other government digital platforms

Platform	Function	Cost
MyGov Digital Services	Online portal for accessing Australian Government services	\$22M per year for 4 years
My Health Record	Secure environment for storing and accessing individual health information	\$288M per year for 4 years
ATO IT managed services	IT infrastructure supporting ATO staff and clients	\$250M per year for 10 years
Welfare Payments Infrastructure Transformation	Replaced legacy Centrelink IT systems including a new payment system to improve staff efficiency and customer experience	\$214M per year for 7 years
NDIA IT uplift for fraud	Fraud detection capabilities	\$62M per year for 8 years
Service Victoria	Online portal for accessing Victorian Government services	\$30M per year for 4 years

4.4 Regional hubs

4.4.1 Hill Review recommendations

Recommendation 4

4.169 The Committee recommends that the Australian Government implement the following measures to enhance its role in stewarding the employment service system and increase the direct delivery of services by government:

- Establish Employment Services Australia (ESA)...
- Establish a network of regional hubs and service gateways delivered by ESA. The regional hubs should be co-located where possible with existing services and include the following core-enabling functions:
 - Local service system coordination and mapping
 - Jobseeker assessment and referrals to services
 - Industry and employer engagement and support
 - Administration of government support for social enterprise and local projects
 - Delivery of industry transition and place-based projects for Commonwealth and State Governments.

Other related references:

- Establishing a new entity—Employment Services Australia (ESA)—within DEWR as a large digital-hybrid provider for jobseekers with fewer barriers to work, to actively managing the caseload; **to provide core enabling functions in every region**; and to provide case management services in

some places and for people who are furthest from the labour market or persistently non-compliant with their obligations.

- Enabling services provided by ESA’s network of regional hubs would include local system coordination and mapping (available to clients and service partners); client assessment and referrals; industry and employer engagement; administration of support for social enterprises and local projects; and delivery of industry transition and place-based projects for Commonwealth and State and Territory Governments. Direct case management would occur in thin markets and a few other places to rebuild public sector capability and understanding of the efficient cost of a quality service.

Cost implications: The establishment of Regional Hubs, co-located in existing sites around Australia, and operating a range of services.

Recommendation 29

9.114 The Committee recommends that the Australian Government co-design a new jobseeker assessment service, including the following key elements:

- The Jobseeker Snapshot (JSS) is retained, subject to amendments to ensure it accurately identifies jobseekers who are best suited to online-hybrid services. The amendments should be trialled ahead of national rollout and should be subject to robust monitoring and evaluation.
- All jobseekers, except those determined via the JSS to be suited to online services, are rapidly referred to Employment Services Australia for comprehensive assessment of the jobseekers’ aspirations and barriers.
- Following assessment, Employment Services Australia (via Regional Hubs):
 - Provides details of the services and providers in the area
 - Recommends service(s) that would be most beneficial for the jobseeker
 - Identifies people who have little to no short-term prospects of securing employment, who have other barriers that should be addressed before referral to a provider or who would be better supported by a non-provider service, and prepares a Participation and Jobs Plan for those clients that underpins their mutual obligations
 - Identifies people who should be referred to a provider for case management and support with job search, providing the jobseeker up to a week to select their provider and supports a handover.
- A client who shows commitment and meaningfully engages with Employment Services Australia during the assessment process fully meets their mutual accountability requirements for that period.
- Performance measures for Employment Services Australia focus on the appropriateness of services to which jobseekers are allocated.

Cost implications: A key service of the Regional Hubs is an assessment by ESA (after the JSS and ESAt).

Recommendation 45

12.100 The Committee recommends that the rebuilt Commonwealth Employment Services System include a dedicated employer-focused service, as a one-stop-shop to ‘hide the wiring’ for businesses. This service should be delivered by Employment Services Australia’s Regional Hubs, and should have the following key functions:

- A greater focus on matching jobseekers to vacancies, including brokering placements for jobseekers with specific needs

- Working with employers to deliver recruitment and workforce development support, including job design and job carving, new human resources practices and adapting work environments to welcome new and diverse employees and support them to stay
- Working with employers to encourage and support them to deliver training, and to encourage employers to see themselves as not just a destination but as a key contributor to skills development
- Delivering or providing referrals to industry-specific training
- Partnering with providers, employers, and other key stakeholders to deliver targeted demand-driven employment projects focused on meeting the workforce needs of an individual employer or local community or region
- Providing in-employment support, including career development
- Collecting and sharing local labour market data to inform insights about vacancies and local skills needs.

Cost implications: Another key service of the Regional Hubs is regional management of the relationship with employers.

Recommendation 46

12.101 The Committee recommends that the rebuilt Commonwealth Employment Services System make greater and more targeted use of intermediaries and bridging services such as not-for-profit labour hire firms, social enterprises, and sector and industry bodies, particularly as a means of reducing actual and perceived risks for employers associated with engaging disadvantaged jobseekers and in supporting social procurement initiatives. This should include:

- Making facilitating and coordinating engagement between contracted partners, intermediaries, and employers a key function of Employment Services Australia’s regional hubs
- Ensuring that intermediaries and bridging services are captured by the Commonwealth Social Procurement Framework contemplated by Recommendation 5.

Cost implications: Related to Recommendation 45, a component of employer engagement by Regional Hubs is the coordination of contracted partners, intermediaries, and employers.

Recommendation 66

15.127 The Committee recommends that the commissioning model for a rebuilt Commonwealth Employment Services System includes the following elements:

- A review of employment regional boundaries leading to a substantial increase the number of regions to better reflect natural labour markets and communities of interest, aligned as much as possible with Disability Employment Services and the Community Development Program. This should include mechanisms for periodic review.
- ...

Other related references:

- 4.163 As outlined in Chapter 15, it is proposed that employment regions be reduced in size to reflect labour markets and communities of interest (likely doubling the number of regions) while maintaining viable mainstream caseloads for efficient provider servicing by dialling back unnecessary competition and fragmentation in each area. Enabling functions and mainstream case management would be complemented by a richer ecosystem of organisations with specialist expertise or functions and local community services.
- Complementing a more relational contracting model, other changes should include:

- A substantial increase to the number of employment regions to reflect natural labour markets and communities of interest, rather than ease of Commonwealth procurement.

Cost implications: The number of employment regions in which these Hubs have a presence in will be approximately double the current number of regions (~51) and align with Inclusive Employment Australia (formerly Disability Employment Services).

Other references:

- 4.162 ESA Regional Hubs should be able to support registered jobseekers and should also have capacity to support people on a ‘walk in’ basis. The hubs should be an enduring physical presence in the community, with their footprint determined according to local and community need. Where appropriate hubs should offer digital and outreach services to thin markets and rural and regional areas.
- 4.162 The Committee is attracted to co-locating ESA Regional Hubs with Services Australia offices or sites where human services or other government services are delivered.
- 4.165 Some functions currently performed for DEWR by Services Australia, some functions undertaken via the Local Jobs Program, and some of the functions of DEWR’s State and Territory offices could also be rolled into the ESA Regional Hubs. ESA’s gateway services may also undertake Employment Services Assessments (ESAs) for DSS. The Committee is not proposing to design in detail the split of responsibilities and staffing between ESA, Services Australia, and DSS, and acknowledges this needs further refinement.

Cost implications: The Regional Hubs require a physical presence and outreach to thin markets. The locations should be largely co-located with Services Australia, which will attract a sub-leasing cost. Some functions from related programs may be rolled into Regional Hubs. The modelling will consider new functions only so as to not duplicate the costing of functions already conducted by DEWR, such as mapping the local service system³¹.

4.4.2 Differences from the current system

The establishment of Commonwealth Regional Hubs would be a new feature of the Employment Services system. Several State and Territory based employment hubs have been established such as the Jobs Tasmania Regional Jobs Hub Network, or the Western Australian Jobs and Skills Centres.

The proposed services of the Regional Hubs are activities completed by service providers under Workforce Australia. Providers may conduct additional assessments after the initial JSS and ESA to determine the most appropriate approach to case management, and each service provider is also responsible for connecting with local employers. The establishment of Regional Hubs may reduce pressure on providers in delivering these services.

The two primary functions of the regional hubs which are in addition to the role government already plays are to:

1. Conduct a “revamped comprehensive assessment and referral...following the initial digital assessment. This aims to put the human back in human service, to fully understand clients’ aspirations, goals, and personal circumstances, and to maximise choice and control over referrals to appropriate services and supports”
2. Provide industry and employer engagement and support.

³¹ Such as the generation of publications of this nature: [Industry Profile New South Wales.pdf](#)

4.4.3 Costing approach

To estimate a cost for operating Regional Hubs as envisaged by the Hill Review, we have decomposed the calculation into 5 steps, being:

1. Determine the number of regional hubs
2. Determine the fixed staffing to administer each hub, and the variable staffing to conduct the assessment service, and the variable staffing to conduct the local engagement service
3. Quantify the employee cost of service staff relying on staff costs of service delivery staff in Services Australia
4. Gross up the service staff cost to allow for managerial oversight, and corporate overheads
5. Gross up the total employee costs to allow for the cost of sub-leasing sites from Services Australia.

4.4.4 Costing

Determine the number of regional hubs

The Hill Review has indicated an expectation that there should be a doubling of the 53 current employment regions which were defined in 2014, to align more closely with the 110 Employment Services Areas under the Inclusive Employment Australia Program.

We have interpreted the concept of Regional Hubs as a ‘hub for a region’, rather than a ‘hub of regions’. For an existing Workforce Australia region to be assumed to have a physical hub, we have adopted a minimum caseload³² of 500. This results in four current regions being assumed to not have a physical presence and instead be serviced by outreach from neighbouring regions.

Our modelling has taken the approach to subdivide existing Workforce Australia regions with larger caseloads (in lieu of any guidance from the Hill Review on the size of regions or how to define the perimeter of regions). This ensured that no region would manage a caseload more than 6,500, resulting in 109 regions, comparable to that of IEA (and aligned with Recommendation 66). The 109 regions have an average caseload per region of 4,813 compared to an average of 9,898 under Workforce Australia.

Determine the fixed staffing to administer each hub, and the variable staffing to conduct the assessment service and local engagement service

It is assumed that each region with a hub (i.e. with caseload over 500) will be resourced with two fixed staff plus one staff member for every 504 referrals to conduct assessments and one staff member for every 5000 caseload to conduct region management (including local industry engagement). The referral case ratio assumes that one staff member would be able to spend 70% of their working week conducting assessments which take 1.5 hours each, and they would spend 48 weeks of the year doing these assessments. The sub-committee noted that a substantial number of appointments are missed which would affect the efficiency of this service, as such we have reduced the productivity by 40%. The region management case ratio has been selected to resource approximately 1 additional staff member per region.

For those Workforce Australia regions which do not have a hub, the fixed staff assumption is not applied while the variable staff assumption is applied under the expectation that the variable workload in that region would be serviced by a neighbouring regional hub.

Quantify the employee cost of service staff

The annual cost of regional hub service staff has been estimated as \$93,968 (including on-costs) based on the observed cost of service delivery for Services Australia and an additional loading of 2% to account for other on-costs associated with staff such as workers compensation insurance (Comcare premium rate for

³² Caseload for this purpose was defined as the 31 October 2025 Workforce Australia Services caseload, plus the current Online Youth caseload, and the current Transition to Work caseload

Services Australia 0.66%, compared to DEWR 0.27%³³), and long service leave accrual (ACT 1.67%). For comparison, the private sector on-cost is approximately 12.78% (arising from payroll tax of 6.85% in the ACT (not payable by the Commonwealth Government), and workers compensation insurance premiums for 'Other Social Assistance Services' in the ACT being 4.26%³⁴).

The observed Services Australia Service Delivery cost accounts for the profile of seniority of 'Service Delivery' job family staff (as reported in the 'APS Employment Release Tables - 30 June 2025' released by the Australian Public Service Commission), the midpoint of reported salary by grade in the Services Australia annual report 2024-25³⁵, and the publicly available superannuation rate for Australian Public Servants of 15.4%. DEWR's enterprise agreement salaries by grade are comparable to these values in 2024-25. As a reconciliation check, this approach was used to calculate the full Services Australia reported Employee Benefits for 2024-25 with a deviance of 1.7% against the value reported in the annual report.

For consistency with the other components of this work, this employee cost is based on 2024-25 salaries. It is important to note that DEWR's enterprise agreement has set salaries to be approximately 8% higher than this value in 2026-27.

Gross up the service staff cost to allow for managerial oversight, and corporate overheads

To estimate the cost of managerial oversight of service delivery staff, the relativity of staffing cost of Services Australia's management was compared to the staffing cost of grades used to deliver services.

The total cost of Services Australia's Executive Level 1 and above staff equates to 21% of the total cost of APS6 and below staff. As such we have grossed up the cost of regional hubs service delivery staff by 21% to account for the required managerial oversight for this function. We expect that this management team will reside in the offices of the Department of Employment and Workplace Relations as part of Employment Services Australia.

We have further allowed for the cost of corporate overheads associated with the service delivery and managerial staff. The cost of the Services Australia Strategy and Corporate Enabling Program represents 24%³⁶ of the Customer Service Delivery Program

Gross up the total employee costs to allow for the cost of sub-leasing sites from Services Australia

We have allowed for the cost of sub-leasing physical space from Services Australia based on an expectation of cost pass through. Of Services Australia's total funding, 11.9% is used on Property and Leases and Property and Equipment Capital; while 75.2% is used on staff, software, communications and IT (i.e. costs already accounted for above). As such, we have grossed up the regional hub staffing and corporate costs by 15.8% to allow for the cost of sub-leasing.

For completeness, the remaining 12.9% of Services Australia total funding costs not considered in the above relate to the use of Consultants and Contractors and Other.

Total costing

The resulting cost for the Regional Hubs is estimated at \$159.8M (approximately \$1.5M per hub).

4.4.5 Sensitivities

Table 8 outlines the impact on the total cost of the Regional Hubs if each of the key assumptions were changed in isolation. All other assumptions are held constant during this analysis.

³³ [Premium performance of employers in the scheme | Comcare](#)

³⁴ [ACT-Workers-Compensation-Suggested-Reasonable-Premium-Rates-2025-26.pdf](#)

³⁵ <https://www.servicesaustralia.gov.au/sites/default/files/2025-10/annual-report-2024-25.pdf>, pg237

³⁶ [Services Australia annual report 2024-25, pg208](#)

Table 8: Sensitivity analysis of the cost of Regional Hubs

Key Assumption	Low scenario	High scenario
Number of hubs: all employment regions serviced by Hubs	50% of regions serviced by Hubs - \$80M	n/a
Number of hubs: splitting regions with >6,500 caseload	Split regions with >8,000 caseload (96 regions) -\$4.1M	Split regions with >5,000 caseload (138 regions) +\$9.2M
Fixed staffing: 2 staff per hub	n/a	3 staff per hub +\$17M
Variable staffing: each assessment takes 1.5 hours of staff time	Each assessment takes 0.5 hours of staff time -\$71.6M	Each assessment takes 2.5 hours of staff time +\$71.6M
Variable staffing: one staff member for every 5,000 caseload to conduct region management	one staff member for every 7,000 caseload -\$5.1M	one staff member for every 3,000 caseload +\$12.0M
Regional hub service staff annual cost: \$93,968	Annual salary 10% lower -\$16.0M	Annual salary 10% higher +\$16.0M
Managerial and corporate gross-up: 51%	Overhead of 17% aligning with partner-delivered service -\$35.7M	Overhead of 60% +\$10.0M
Sub-leasing gross-up of 11.9% of staff cost	Leasing cost of 6.2% at DEWR benchmark ³⁷ -\$8.1M	Leasing cost of 20.0% reflecting high number of sites required +\$11.7M

4.4.6 Validation checks

We understand the cost of each Jobs Tasmania Regional Jobs Hub Network site to cost ~\$1M per year. While the functions of these hubs will likely differ to the Regional Hubs services proposed by the Hill Review, the similarity of costs between these delivery models provides validation as to the reasonableness of the result.

³⁷ [Department of Employment and Workplace Relations Annual Report 2024-25](#)

4.5 Wage subsidies

The Hill Review recognised that while the use of wage subsidies is contested by economists and their impact varies depending on the state of the labour market, they provide a strong incentive for an employer to take a chance on hiring someone on employment services.

4.5.1 Hill Review recommendations

Recommendation 52

The Committee recommends that as a fundamental system design principle, wage subsidy programs (and other Active Labour Market Programs including paid work experience) should be centrally and transparently administered by the Department of Employment and Workplace Relations with funding de-linked from the Employment Fund.

Cost implications: Being part of the Employment Fund means providers must consider whether wage subsidies are a higher priority than funding other work-related needs, creating a disincentive for their use. We would expect greater use of wage subsidies if it were de-linked from the Employment Fund.

4.5.2 Costing approach

Wage subsidies became part of the Employment Fund in January 2019. In the years leading up to this, the number of wage subsidy placements was on an increasing trend. If funding becomes de-linked from the Employment Fund, we could expect placement numbers to return to previous levels. Multiplying by the average subsidy amount would give an estimate of increase in cost.

4.5.3 Costing

We estimate payments to increase by \$224.2M if wage subsidy placements return to their levels observed prior to becoming part of the Employment Fund:

- The number of wage subsidy placements in 2017-18 was about 58,000³⁸, compared to 19,775 in 2024-25. This means the number of placements has fallen by two thirds, or about 38,000 placements, since the subsidies became part of the Employment Fund.
- The average subsidy paid in 2024-25 was \$5,900.

4.5.4 Sensitivities

The increase in placements after de-linking from the Employment Fund is uncertain:

- If the number of wage subsidy placements only increase by half the assumed amount, to reach a level halfway between current and the highs observed prior to becoming part of the Employment Fund, the increase in cost is halved to \$112M.
- If the number of wage subsidy placements increases by 50% more than the assumed amount, to reach a level greater than the highs observed prior to becoming part of the Employment Fund, the increase in cost is \$336M.

³⁸ [Use and Administration of Wage Subsidies](#)

5 Key components: Governance

5.1 Employment Services Australia (ESA)

A central theme of the Hill Review is to rebuild a strong public sector core within the Employment Services System. A key element of this reform is the establishment of Employment Services Australia (ESA) within the Department of Employment and Workplace Relations (DEWR).

ESA is envisaged to undertake a defined set of system stewardship and service delivery functions. These include core enabling activities at the regional level, delivery of a large-scale digital-hybrid service for jobseekers closer to the labour market, targeted case management functions (Section 4.2), and operation of a network of regional hubs and service gateways (Section 4.4)

Recommendation 4

The Committee recommends that the Australian Government implement the following measures to enhance its role in stewarding the employment service system and increase the direct delivery of services by government:

- Establish Employment Services Australia (ESA) as a new entity within the Department of Employment and Workplace Relations to undertake specified activities including core enabling functions in regions, be a large hybrid provider for those closest to the labour market, and some case management activities as outlined in this report.
- Establish a network of regional hubs and service gateways delivered by ESA. The regional hubs should be co-located where possible with existing services and include the following core-enabling functions: ...

Roles of ESA: ESA will establish and oversee a network of regional hubs responsible for local system coordination and mapping for jobseekers and service partners; jobseeker assessment and referrals; industry and employer engagement; administration of support for social enterprises and local projects; and delivery of industry transition and place-based projects for Commonwealth and State and Territory Governments. The associated costs are modelled in Section 4.4.

Recommendation 8

The Committee recommends that the core service model for the new Commonwealth Employment Services System provide far more tailored and flexible support, with tailored Participation and Jobs Plans that recognise more diverse pathways to employment. The model should include the following key elements:

- A digital-hybrid employment service delivered by Employment Service Australia for those jobseekers identified as being able to effectively self manage online.

...

Roles of ESA: ESA is proposed to deliver a digital-hybrid service combining online self-management with additional supports, through an enhanced digital platform, for Australians who need less help to get a job. This hybrid service expected to absorb the Digital Services Contract Centre's function. The costs associated with an enhanced digital platform is modelled in Section 4.3.

Recommendation 29

The Committee recommends that the Australian Government co-design a new jobseeker assessment service, including the following key elements:

- The Job Seeker Snapshot (JSS) is retained, subject to amendments to ensure it accurately identifies jobseekers who are best suited to online hybrid services. The amendments should be trialled ahead of national rollout and should be subject to robust monitoring and evaluation.
- All jobseekers, except those determined via the JSS to be suited to online services, are rapidly referred to Employment Services Australia for comprehensive assessment of the jobseekers' aspirations and barriers.
- Following assessment, Employment Services Australia (via Regional Hubs):
 - Provides details of the services and providers in the area
 - Recommends service(s) that would be most beneficial for the jobseeker
 - Identifies people who have little to no short-term prospects of securing employment, who have other barriers that should be addressed before referral to a provider or who would be better supported by a non provider service, and prepares a Participation and Jobs Plan for those clients that underpins their mutual obligations
 - Identifies people who should be referred to a provider for case management and support with job search, providing the jobseeker up to a week to select their provider and supports a handover.
- A client who shows commitment and meaningfully engages with Employment Services Australia during the assessment process fully meets their mutual accountability requirements for that period.
- Performance measures for Employment Services Australia focus on the appropriateness of services to which jobseekers are allocated.

Roles of ESA: Under the reformed system, ESA will be the primary authority responsible for comprehensive assessment of jobseekers' aspiration and barriers. Following this, ESA will recommend appropriate services and prepare Participation and Job Plans for those not suited for immediate provider referrals.

Recommendation 30

The Committee recommends that the Australian Government develop and implement measures to:

- Enable providers to refer jobseekers back to Employment Services Australia for re-assessment
- Enable jobseekers to self-initiate transfers between providers and services with minimal administrative burden, subject to the provider or service having been identified as appropriate during their assessment
- Allow jobseekers to seek re-assessment by Employment Services Australia
- Require re-assessment by Employment Services Australia of jobseekers being supported by a provider who have not secured work within a defined period.

Roles of ESA: ESA will enable partners and jobseekers to initiate reassessment, support self-initiated transfers, and request mandatory reassessments after a defined period with a provider.

Recommendation 37

The Committee recommends that the Australian Government should properly resource the Department of Employment and Workplace Relations (DEWR) to support its transformation into a hybrid provider with a spectrum of online services and more intensive supports, with a robust evidence base established via use of data analytics and randomised control trials including proactive outreach, for example:

- General periodic welfare checks

- Coaching discussion of the client’s progress in terms of building capacity and moving towards employment
- Proactive provision of information about skills development and training opportunities and other support services in a client’s local community and region (supported by Employment Services Australia’s mapping of the human services eco-system in each region)
- Trialling an occasional video or face-to-face engagement, given the success this has had in overseas hybrid public providers
- Information about transferring to provider-led services to people identified through engagement or data analytics as not faring well in online services or identified as being at higher risk of long-term unemployment.

Roles of ESA: ESA will be properly resourced to deliver a hybrid service model, which includes proactive outreach, periodic welfare checks, coaching discussions, and occasional face-to-face or video engagements.

Removal and shifting of duties

Under the reformed system, several functions are removed from the public sector core (ESA and broadly DEWR) and reassign to other entities to address conflicts of interest and reduce administrative burden. These considerations are important for costing purposes, as associated activities and costs should not be double counted across agencies.

1. To the Employment Services Quality Commission (ESQC): An independent ESQC will be established, transferring regulatory functions, such as licensing, accreditation, and quality assurance from DEWR. The costs associated with establishing and operating the ESQC are considered separately in the next section.
2. To Services Australia: Responsibility for compliance and enforcement decisions that affect income support payments will be separated from service delivery. Decisions such as payment suspensions and cancellations will be made by human decision-makers within Services Australia, rather than being automatically triggered through DEWR’s IT systems.

5.1.1 Differences from the current system

As at December 2025, DEWR operates three Divisions relating to Workforce Australia³⁹; Workforce Australia for Individuals, Workforce Australia Provider Support, and Workforce Australia for Business. In 2024-25, \$419M in Departmental expenses was associated with DEWR’s Outcome 1 relating to Employment Services⁴⁰. This Outcome contains Workforce Australia, and some other smaller Programs (such as the Pacific Australia Labour Mobility Scheme, Parent Pathways pre-employment program, Reconnection, Employment and Learning Program, structural adjustment activities for people facing retrenchment by closure of large employers or regions affected by significant shifts in local industry operations). These Departmental expenses cover the cost of an average staffing level of 2,053 Australian Public Sector employees, and some corporate functions (e.g., IT, legal, communications, and overheads). Some related corporate functions that support Workforce Australia are not captured within this funding envelope, such as approximately \$29.5M per annum associated with ongoing maintenance of the Workforce Australia Online system. To account for this, we have grossed up the Departmental Expenses incurred by DEWR by 24%⁴¹ (\$101.1M) to allow for key corporate functions related to operation of the function (e.g. property, ICT, human resources, parliamentary support and processes, legal services, audit

³⁹ <https://www.dewr.gov.au/about-department/resources/organisation-chart-dewr>

⁴⁰ <https://www.dewr.gov.au/download/17273/departement-employment-and-workplace-relations-annual-report-2024-25/41762/departement-employment-and-workplace-relations-annual-report-2024-25/pdf>

⁴¹ Based on the observed cost of enabling functions in Services Australia. See Section 4.4.4.

and risk management, finance, security, corporate reporting, communications, etc.). This is detailed in Section 4.1.2.

Included is the Digital Services Contact Centre (DSCC) which provides dedicated contact centre support for Workforce Australia Online participants for⁴²:

1. Information and technical support in using the online system, such as assisting jobseekers to opt out of online services and to select a provider
2. Assistance for online participants with mutual obligation requirements
3. Assistance to connect to complementary programs, activities and other support
4. Processing Employment Fund (EF) requests for online participants
3. Engagement with participants to confirm continued suitability of online services.

5.2 Commissioning framework

The current commissioning model for WfA utilises an open tender process where organisations bid for 3-year licenses based on performance. This ‘Hunger Games’ style contracting model and regulatory culture drives very high turnover in providers during contract and licensing rounds, leading to service disruption and devastating impacts on relationship of trust which have been built up between jobseeker and providers, and with employers.

Furthermore, current commissioning arrangements presents significant barriers to entry for smaller, community-based, and not-for-profit organisations due to high capital requirements and excessive administration complexity.

The system is also marked by high levels of service saturation, fragmentation and duplication, where numerous providers often operate in the same location offering identical services without adequate specialisation. There are several recommendations made to address these issues.

Recommendation 65

The Committee recommends that the Australian Government develop over the next nine to 12 months a new model for regulatory culture and relational contracting for a rebuilt Commonwealth Employment Services System and articulate this before new approaches to commissioning are trialled or determined. This should occur as a collaboration between departments, central agencies and expert academics supported by insights from the Australian National Audit Office and practices in other jurisdictions and the private sector.

Recommendation 66

15.127 The Committee recommends that the commissioning model for a rebuilt Commonwealth Employment Services System includes the following elements:

- ...
- Service partners engaged as follows:
 - For the generalist case management service, one partner per location, acknowledging that this may mean more than one partner per region
 - For the youth specialist service, one partner per location, acknowledging that this may mean more than one partner per region
 - Specialists commissioned to support target cohorts with priority on people from culturally and linguistically diverse backgrounds, people with disability, ex-offenders, and First Nations

⁴² [Chapter 10 - Service provision and program design: Digital or hybrid services – Parliament of Australia](#)

peoples, some of which may operate across more than one region utilising flexible servicing models.

- Procurement for generalist and youth case management services and specialist service partners continue to be undertaken centrally but adjusted to include:
 - A simplified tender process, to reduce barriers to entry for smaller and community-based organisations
 - A requirement for providers to demonstrate capacity to deliver targeted services to participants in their employment region
 - Priority for service partners which are able to demonstrate strong local and community connections and a proven track record in place.
- Consider longer license terms for all providers, using Belgium’s approach which involves nine-year contracts with three-year renewals, with staggered re-tendering so that only one third of the provider market is subject to review at any one time.

Cost implications: Recommendations 65 and 66 propose a shift from a highly competitive commissioning model to a more relational approach, with fewer providers per region and longer, more stable contracts. While these changes do not directly change the level of government funding, they are expected to reduce administrative burden for providers. Simpler tender process, lower barriers to entry and longer licence terms reduce the time and resources spent on repeated procurement and re-tendering.

Although frontline caseworkers are not typically involved in tender preparation, frequent re-tendering absorbs management and corporate capacity from operational support, slowing issue resolution and increasing internal overhead. More stable, longer-term commissioning is therefore expected improve the support environment for frontline staff, allowing more of their time to directed to case management.

The impact of reduced administrative burden is modelled in Section 4.1 as part of the enhanced partner-delivered service reforms.

5.3 Compliance framework

The current compliance framework is defined by the Targeted Compliance Framework (TCF) and the Points Based Activation System (PBAS), which prioritise automated enforcement and standardised obligations over personalised support. The TCF has several issues:

- Excessive and automated suspensions and cancellations triggered by IT systems (“RoboPenalty”)
- Conflicting roles of frontline staff of supporting participants and enforcing compliance
- Disproportionately affecting vulnerable jobseekers, for example, First Nations peoples
- Administrative and compliance take up to 60% of staff time.

The Hill Review proposed recommendations around replacing the punitive TCF with a Shared Accountability Framework (SAF).

Recommendation 56

The Committee recommends that in a rebuilt Commonwealth Employment Services System, the range of mutual obligation requirements be broadened and be much better tailored to individuals. Reforms should focus on cutting red tape, addressing employers’ concerns, and ensuring that mutual obligations are effective in supporting people into work, and should be founded on the following key principles:

- For clients who are assessed as close to the labour market and largely self managing in online-hybrid services: the Points Based Activity System (PBAS) be retained to underpin reporting against a person’s Participation and Jobs Plan. Changes to the PBAS should be made to provide more

flexibility in activities; better tailor the points to the individual; and monitor progress and intervene earlier where a person is experiencing challenges in navigating the system.

- For clients who are managed directly by Employment Services Australia or referred to service partners for case management, the core requirement be to meaningfully participate by attending appointments and undertaking activities as agreed via the Participation and Jobs Plan.
- For clients who persistently fail to meaningfully engage or to comply with their Participation and Jobs Plan, the PBAS be used as the default reporting and compliance tool.

Over time, the Australian Government should also broadly harmonise mutual obligation requirements across the ‘mainstream’ employment service program and the Community Development Program.

Recommendation 57

The Committee recommends that the Australian Government urgently implement changes to the compliance framework for employment services, proposed to include:

- Providing case managers with frontline discretion to counsel clients regarding their obligations for the first two or three times that a person misses an appointment or commits another minor compliance breach within one year—rather than being forced to trigger demerit points and compliance action
- Adjusting the period within which a person must reconnect with the system after committing a breach from 48 hours to no more than four or five business days
- Amending the Points-Based Activation System (PBAS) such that:
 - 100 points is seen as the maximum and not the default points target across all services; o the Digital Services Contact Centre (DSSC) review and consider adjustments to the points targets for clients in Workforce Australia Online who have experienced repeated suspensions or other penalties
 - For clients in Workforce Australia Services, the default points target be set at 50 points, with discretion afforded case managers to vary the points target up or down based on their professional judgement exercised in consultation with clients and that all points targets be reviewed as soon as possible after this report is tabled
- Case managers and the DSSC are given additional discretionary points (e.g., up to 40 points) that can be allocated each month to people who fail to meet their points target but who are showing commitment and are deemed to be meaningfully participating.

Recommendation 62

The Committee recommends that the Australian Government implement a new Shared Accountability Framework. This should replace the current Targeted Compliance Framework and should include the following key elements:

- Frontline discretion is restored so that case managers can educate and counsel people regarding their obligations for a limited number of minor or initial compliance breaches each year.
- After counselling options are exhausted, a number of warnings be recorded which could result in a partial payment withholding (holdback) until the non-compliance is remedied.
- People who accrue the maximum number of warnings by persistently failing to meet mutual obligation requirements are be referred to Employment Services Australia for a capability assessment.
- Should there be barriers to participation or engagement, the client is referred back to their provider or offered the option to transfer to a different provider or service.
- If there are no barriers to participation, the client may elect to be referred back to their provider and made aware of the risk of more serious compliance measures including payment suspensions,

penalties, or cancellations. Alternatively, the client would be transferred to intensive case management by Employment Services Australia.

- All decisions that affect income support payments must be made by a public servant in Services Australia, and not automatically by the IT system. Guidelines and training for staff should be developed in consultation with stakeholders and subject to periodic review by the new Client Councils and the Employment Services Coordinating Council.

Cost implications: These recommendations simplify the compliance framework by moving away from the TCF, enabling frontline caseworker discretion and reducing automated compliance actions. While these proposed reforms do not directly affect provider funding, they are expected to significantly reduce administrative workload associated with monitoring points, processing minor breaches and reviewing automated sanctions. By shifting compliance response towards counselling and clearer pathways, staff time can be redirected from compliance administering to direct case management.

This reduction in administrative burden contributes to the improved service quality and is reflected in the increased direct service time modelled in Section 4.1.

6 Key components: Regulation

6.1 Employment Services Quality Commission (ESQC)

The Hill Review proposed establishing an independent regulator, the Employment Services Quality Commission (ESQC), to introduce and enforce professional standards, advise on commissioning and funding models, handle complaints, and conduct research.

6.1.1 Hill Review recommendations

Recommendation 15

The Committee recommends that the Australian Government work with the sector and key stakeholders to co-design a professional framework of skills, capabilities, and qualifications for frontline staff consistent with this report. Development of the framework should be led by the new Employment Services Quality Commission.

Recommendation 22

The Committee recommends that the Australian Government establish an Employment Services Quality Commission as an independent regulator for the sector. The Employment Services Quality Commission should have functions in accordance with the findings of this report including:

- Establishing a quality framework and licensing standards
- Workforce standards and sector professional development
- Provider licensing and accreditation
- Advising on pricing for high quality services, commissioning and payment models
- Complaints management, including the development of a complaints procedure that is user-friendly and readily accessible to participants
- Data collection, analysis, release, and championing transparency
- Research, evaluation, continuous learning, and quality improvement.

Recommendation 25

The Committee recommends that the Australian Government establish a unit within the new Employment Services Quality Commission responsible for continuous research and learning regarding service delivery and quality improvement and sharing of good practice.

Recommendation 70

The Employment Services Quality Commission be responsible for:

- Advising government on funding models and recommended pricing for quality services
- Preferred approaches to funding service partners
- Monitoring and reporting periodically on the system's overall operating costs (including transactional and other costs relating to a quasi-market) so there is greater transparency for government and the public.

6.1.2 Costing and validation

An initial estimate of the cost of the ESQC is \$54.5M per year, based on the cost of the Australian Skills Quality Authority in 2024-25. The ASQA is the national regulator for vocational education and training, and shares a lot of the equivalent responsibilities to the proposed ESQC including ensuring education providers are delivering high-quality qualifications and handling complaints. We also considered the cost (in 2024-25) of other national regulators:

- National Disability Insurance Scheme Quality and Safeguards Commission (NDISQSC) – \$207.9M
- Age Care Quality and Safety Commission (ACQSC) – \$338.4M
- Australian Commission for Safety and Quality in Health Care (ACSQHC) – \$35.2M

Both the NDISQSC and ACQSC are relatively expensive to operate but also deal with much larger workforces and administered expenditure. On the other hand, the ACSQHC has a relatively small operating cost but it is not responsible for handling complaints which is expected to be a large component of cost for the ESQC. Overall, the ASQA was deemed to be the most comparable to the proposed ESQC.

Appendix A

Table 9: Summary of recommendations from 2023, 2024 and 2025 EIAC reports

EIAC Report	Key issues and recommendations
2025	<ul style="list-style-type: none"> ▪ The Committee’s consultations have uncovered much evidence that the current system actually hinders people from moving into employment ▪ More than 385,000 people have been in the employment services (Workforce Australia) system for over 12 months, and 125,000 people have been in the system for more than 5 years ▪ The Government’s Working Future White Paper found there are around 3 million people who either want work or want to work more hours ▪ There is currently no legislative framework specifically focused on employment services. Rather, the Social Security Act 1991 authorises expenditure relating to employment services ▪ The absence of a unifying legislative framework for employment services means that the core purpose of the system remains confused; is it about helping people into sustainable employment, or policing social security payments? ▪ This transactional contracting approach relies on a compliance-driven regulatory model which is “unhelpfully costly and defensive”.
2024	<ul style="list-style-type: none"> ▪ The privatisation of employment services that began around a quarter of a century ago has failed to improve the prospects of Australians looking for work. ▪ Reforms must be built around a new and positive culture and set of objectives that suit our contemporary economic needs. This will require a fundamental shift away from the “deficit and punishment paradigm” that animates so much of the current system and is responsible for so many of its failures. ▪ Different categories of jobseekers respond to different forms of assistance: job search programs work best for those who are relatively job ready; wage subsidy programs help jobseekers who benefit from demonstrating their capabilities to employers; and public sector job creation programs only benefit jobseekers if they allow them to acquire job-relevant skills and provide a pathway to longer-term employment. ▪ People who experience the most disadvantage and long-term unemployment often do not need help writing resumes or sending in job applications. ▪ For people who face significant barriers to employment, the employment services system must become the front door to a broader human services system that is better equipped to provide a range of necessary supports. This is a shift from the ‘work first’ models that have formed the basis of employment services over the past 25 years, towards a system based on genuinely meeting the needs of a person where they are. ▪ With the right approach, a new employment services system can have a major modernising effect on our economy, now undergoing major transitions in industries like energy and health and human services.
2023	<ul style="list-style-type: none"> ▪ Recommendation 4: The Government consider any increase in income support be accompanied by, but not contingent upon, major reform of employment services to

support people who have been on payments for an extended period, including exploring demand-led and place based approaches

- We recommend that there be a shared commitment to reduce long-term unemployment through investment in programs that make a difference, including demand-led approaches in which people are trained based on the needs of a business and the demand it has for labour, as well as supporting people who are long-term unemployed and want to get paid work
- There also needs to be reform of employment services to provide wrap around support and continuity of programs for people experiencing disadvantage
- It must also be recognised that over a quarter of the Australian population are digitally excluded. There are significant benefits from digital service delivery, but we must ensure this does not exclude or disadvantage people with limited digital access or capabilities.