A new specialist disability employment program

Information Paper – Market Structure

The Department of Social Services is seeking feedback from interested parties on program settings as part of the implementation and transition process.

This paper outlines the proposed market structure that will underpin the new specialist disability employment program.

## About the new program

From 1 July 2025, the Australian Government will introduce a new specialist disability employment program. Under the new program, providers will deliver high-quality, effective employment services to improve employment outcomes for people with disability. Providers will place participants and employers at the centre of their service design and build meaningful relationships with both participants and employers. The new market settings will encourage a diversity of quality providers, viability, and emphasise participant choice.

## Key market design features

The new market structure is seeking to build a diverse network of providers with flexible service offers that meet participant and employer needs, while avoiding market concentration and over-supply that may limit viability and risk investment in service quality.

It is well recognised that the market settings introduced in the 2018 DES reforms produced an oversaturation in some locations and a small number of large providers that service a large and increasing proportion of DES participants through generalist services. Stakeholder feedback has further highlighted that smaller community organisations, including cohort specialists, find it difficult to engage and compete in a complex and highly competitive market. In practice, this is evidenced by the fact that there are now 40% fewer organisations that provide cohort specialist-only business compared to the start of the current DES program in 2018, with many of these organisations citing viability constraints as a key factor in their decision to close.

Building off this information, the new specialist disability employment program includes the following key design features:

* Retaining 111 Employment Service Areas or ESAs.
* Providers may offer disability employment services within an ESA or be a cohort specialist provider who can operate across a cluster of ESAs.
* Cohort specialist providers will be selected where they are able to demonstrate a deep and historical expertise in working with their nominated cohorts, which is embedded in their organisation’s mission and purpose.
* General disability employment providers will have market shares allocated in an ESA and be required to support market coverage for an entire ESA.
* Individual participant choice of a service provider will not be subject to market shares.
* Cohort specialist providers would not be subject to market share arrangements and their services will be recommended to new participants who match their specialisation at the point of referral.

These changes to the market parameters of the new disability employment program have been designed to prioritise diversification and support participant choice, as well as build a more viable and attractive market to a wider range of small and cohort specialist providers.

## Details on the new market parameters

### Service Regions

DES is currently delivered across 111 Employment Service Areas or ESAs, and these will remain the same under the new program. In retaining ESAs for the new program, the department has considered stakeholder feedback that ESAs represent a good balance between being too large or small for service delivery. The approach also reflects commentary in the Select Committee on Workforce Australia Employment Services report, which suggested that delivering the program within smaller geographic areas would support better connections with the local community and employers.

### Eligibility for Cohort Specialist or General Disability Employment Services

The new specialist disability employment program will be open to for-profit, and not-for-profit, organisations as cohort specialist and general disability employment providers.

Under the new program, organisations may only apply or nominate as a cohort specialist or general disability employment provider (not both) at a national and ESA level. They must choose to deliver one type of service. For the sake of clarity, this will mean that each organisation will be required to choose between making an application for either cohort specialist services or for general disability employment services, and they will not be able to apply for different services within an ESA or across different ESAs.

Questions for consideration:

* Should organisations be able to apply for multiple specialisations under the one national ‘cohort specialist bid’?
* Does a cohort specialist provider and a general disability employment provider appropriately describe the two provider types? Are there other suggestions?
* How can exceptions be managed, such as sub-contractor arrangements?

### Cohort Specialist Providers

Cohort specialist providers will need to demonstrate historical experience and deep expertise working with a specialist cohort. Deep expertise will be demonstrated through offering a range of other services to the identified cohort such as health, advocacy, etc. and be embedded in the organisation's mission and purpose.

Specialists may be for a particular disability type (e.g. hearing impaired or intellectual disability) or for specific participant characteristics (e.g. First Nations people, CALD, and youth). Specialist categories will be provided as a guide — providers can still opt to bid for their own defined category if not covered by the list provided by the department. The department may refine descriptions to achieve common cohort descriptions across the program.

A ‘hub and spoke model’ will be available to providers of specialist services across multiple ESAs through one application and one contract. This will reduce the impact of tender processes for smaller providers, reduce administrative overheads for contract and performance management and improve viability through lower site establishment costs for the specialist provider.

Specialist business may be delivered from a “specialist hub” or “home ESA” where the primary physical site is located to support servicing of participants and employers. Applicants can apply for a single ‘home ESA’, or a ‘home ESA’ with ESA ‘spokes’ (i.e. reach) that the hub/home ESA will service. The ‘spoke ESAs’ may have outreach sites that are supported through flexible servicing arrangements. This will reduce infrastructure overheads for cohort specialist providers and enable a more sustainable caseload in their area of expertise.

Providers will need to demonstrate how their servicing model will meet the service needs of participants and employers, including through in-person support in ‘spoke ESAs’. Full ESA coverage is also not a requirement for cohort specialist providers, in hub or spoke ESAs, in line with current DES arrangements.

The offer of a cohort specialist service will be prioritised to participants, before general disability employment service business (where the participant’s disability / circumstance aligns with the specialisation). The participant will have the choice to accept the recommended specialist or to select a general disability employment services provider.

Cohort specialist business will not be subject to market share arrangements within the ‘home ESA’ and within the spokes. Safeguards will be implemented to prevent a specialist provider from receiving more participant referrals than it can manage. This may be managed via a limit on referrals.

Questions for consideration:

* Should organisations be able to apply for broad categories of specialisation such as ‘mental health’ or ‘physical disability’?
* What safeguards could be implemented to prevent a specialist provider from receiving more participant referrals than it can manage?
* Is there the potential for unintended consequences in the proposed specialist parameters that should be considered?

### General Disability Employment Providers

Whilst called a ‘general’ disability employment provider, all providers will need to have ‘specialised’ expertise in providing services to people with a disability. Specialists will have deep expertise in a specific cohort.

Additional market controls will be applied to general disability employment providers.

Market share limits will be re-introduced for general disability employment providers to address the issues of market concentration and oversupply, while seeking to support provider viability and encourage investment in service quality and diversity. This will limit the number of providers selected to service an ESA. Market share limits will be based on the expected caseloads.

Participants will be able to exercise choice of provider at the point of referral, or at any time a participant wants to move providers, even if the provider of choice is operating at its market share limit.

General disability employment providers will be required to support entire market coverage for an ESA and demonstrate strong local relationships, including with employers, health services and other community support services.

Questions for consideration:

* Should a market share limit be introduced for metropolitan ESAs, such as 25 per cent, to balance diversity, participant choice and viability of services?
* Is there a minimum caseload or number of commencements required for providers to be able to provide quality services and to be financially viable?

## Submitting feedback

This information paper has been released to provide additional information about the proposed changes to the market structure ahead of the Exposure Draft. It is not a formal consultation paper with an open and close date.

The department always welcomes feedback. Feedback can be provided to the department either directly via DESconsultations@dss.gov.au or through industry peak organisations and Disability Representative Organisations.

A formal consultation process will occur through the Exposure Draft version of the Request for Tender. Further details will be provided in relation to this shortly.

Any information collected will be handled in accordance with the [Privacy Notice](https://engage.dss.gov.au/a-new-specialist-employment-disability-program-consultation/privacy-notice/).

## Further information

For more information about the new specialist disability employment program and related consultation, visit the [Department of Social Services](https://www.dss.gov.au/new-specialist-disability-employment-program) or [DSS Engage](https://engage.dss.gov.au/a-new-specialist-employment-disability-program-consultation/privacy-notice/) websites.

You can also contact the Department via DESConsultations@dss.gov.au.