

Response to the
Australian Senate:

Select Committee Inquiry on the Future of Work and Workers

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Contact

Sally Sinclair CEO | (03) 9624 2300 | nesa@nesa.com.au | nesa.com.au **#weR4jobs**

weR4everyone

About NESA

The National Employment Services Association (NESA) established in 1997 is the peak body of the Australian employment services sector.

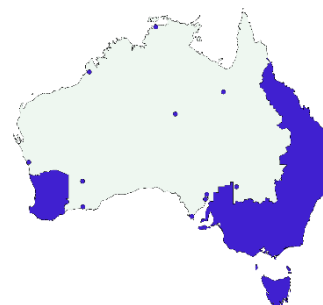
NESA is dedicated to a vision of opportunity for everyone through employment and inclusion.

Employment inclusion and participation are cornerstones of the economic and social health of society. For the individual, employment participation is more than a means to income, it provides connection, purpose and inclusion. Employment participation and productivity are key drivers of economic growth and underpin the quality of life of all Australians enabling access to such things as a well-functioning health system, quality education and strong social safety net.

The Australian employment services sector plays a critical role in preparing Australians to participate productively in the labour market and connecting them to employment opportunities.

NESA's mission is to lead a sustainable, effective and diverse employment services sector to support individual job seekers and employers and to help our nation achieve employment participation objectives. NESAs membership encompasses the breadth of Australia's diverse labour market assistance programmes including jobactive, Disability Employment Services (DES), the Community Development Programme (CDP), Transition to Work (TTW), Jobs PaTH, ParentsNext, Work for the Dole Coordinator Services and Vocational Training & Employment Centres (VTEC). A large proportion of NESAs members deliver multiple programs.

Our membership is extensive and diverse, and open to all contracted providers (for profit, not for profit and public). To illustrate, of providers of Australia's largest employment programme – jobactive – NESAs members have a collective footprint covering 100% of Employment Service Regions and operate 89% of total jobactive delivery outlets across the nation^[1].



NESA delivers intensive policy, operational and capacity building support to member organisations. NESAs works collaboratively with Government Departments, agencies and non-government stakeholders to support the effective delivery of labour market assistance and social policy. Our extensive membership, intensive member and stakeholder interaction provide unique insight into the policy and operational settings that underpin labour market assistance.

The National Employment Services Association (NESAs) is dedicated to creating opportunity for everyone through employment and inclusion. Our mission is to lead a sustainable, effective and diverse employment services sector.

Focus of this submission

NESA welcomes the opportunity to contribute to the Australian Government Senate Select Committee on the Future of Work and Workers and its inquiry into the impact of technological and other change on the future of work and workers in Australia.

This matter is of critical importance to Australia's economic and social wellbeing and one which is of global significance.

NESA particularly draws the attention of the Senate Committee to consideration of those already disadvantaged in the labour market as a core rather than a peripheral focus when considering the future world of work. Labour markets are complex and those disadvantaged in labour markets are too often inadequately considered in design of labour market policy and interventions. This oversight is a lost opportunity as at the cutting edge of labour markets this cohort can reveal what impacts are actually occurring and provide insight into what will happen in economic and social structures.

^[1] NESAs membership analysis as at January 2017

While this inquiry is focused on the future of work the impacts of technological developments are real today. Arising from technological change relevant opportunities and challenges are already impacting business, employers, workers and job seekers. Examination of early impacts and trends should inform analysis and projection of future scenarios and strategies to ensure that Australia has an agile workforce which is able to adapt as technology changes the nature of work. Within such strategies, emphasis on leaving no-one behind should be a core principle to ensure all Australians continue to have opportunity for inclusion through employment.

The many strengths of Australia's employment services sector are often underappreciated and poorly understood. Contemporary employment services are significantly more sophisticated than the fundamental labour exchange service delivered under the former Commonwealth Employment Services. Today providers deliver individually tailored services harmonising delivery of social service and labour market assistance to support job seekers, many of whom have complex circumstance, to overcome barriers, prepare for, find and keep work while also assisting employers find the skills they need.

NESA strongly believes the sector has potential to make significant contribution to forging a way forward in response to rapidly transforming economic and social structures. If harnessed in a timely and effective way the unique Australian employment services system could lead the world in helping to grow a truly inclusive economy. Enhancing local community-grounded understanding and response to the technological trends and related work innovations is key.

Summary of Key Messages

- Governments cannot precisely predict the nature of the transforming world of work, the skills that will be required, nor the impact – but they can invest in systems that will enable communities to respond appropriately and flourish.
- Change will be significant and government should provide a platform that assists communities to evolve, build agility and a social fabric that protects them from falling by the wayside. This has arguably always been a key role of government social institutions.
- Australia's unique employment services framework is ahead of its time and the envy of other countries in its use of 'big-data', outcome-focused payment structures, place-based innovation and the potential for tailored services to address the circumstances and needs of businesses and job seekers.
- The Australian employment services system offers an ideal springboard for designing future fit-for purpose social and economic infrastructure. Australian employment services is a significant asset that has capability with the right program enhancements can support and drive responses to the transforming world of work. NESA notes that many employment program settings have remained relatively stable over the past two decades while the world of work has significantly evolved. Design of Australian employment services should reflect the changing nature of work and the corresponding capacity development needs of job seekers.
- NESA has led the sector throughout its twenty year history and has an in-depth understanding of which and importantly why innovations have been effective or not. NESA has a solid basis for understanding the assistance communities need to adapt to the technological revolution which is upon us.
- While it is not possible to predict every innovation and impact on economic structures that new technologies will bring, we can learn from those already impacting individuals, communities and industries at the cutting edge of labour markets. Often impacts are hidden in big data until they grow

in size and momentum. The frontline of employment services is uniquely positioned to view emergent trends and impacts, which has potential to enable early responses. For example, in the early days of the Global Financial Crisis employment services providers could identify and quantify labour market impacts such as reduction in vacancies, reduced hours of work, cessation of employment and redundancies as a result of business decline (including national and regional perspectives) long before these became evident through other sources. This work was a catalyst for the implementation of redundant worker provisions in employment services.

- Current impacts of technological advancement include both new and lost employment opportunities. There are increases in the number of sole traders with digital platforms enhancing entrepreneurial pursuits. Digital media has made employment possible for job seekers who previously could not access much of society's infrastructure and has supported new business start-ups previously unattainable due to high capital costs. However, rapidly increasing levels of insecure work, decline in many traditional career pathways and increasing skill requirements are simultaneously occurring.

NESA recommends Government invest in mechanisms that enable local/national information to be gathered from the frontline of employment services to ensure a robust understanding of the real-time impacts of technological advances on work, workers and job seekers. The information should help ensure appropriate policy changes to business and workplace regulations that enhance and protect society.

NESA recommends that Government strengthen the employment services framework so that it can test and deliver local community-driven business and job seeker assistance that addresses real opportunities and challenges with the emerging technological revolution, and assess what interventions will help communities and businesses flourish.

Specific response to the Senate Committee inquiry terms of reference

a) Future earnings, job security, employment status and working patterns of Australians

We do not know exactly how, how fast, or how much technology will change employment and industry structures and impact on earnings, job security or working patterns

We do know change is inevitable and it will be both remarkable and disruptive. Artificial intelligence, robotics, 3D printing, digital connectivity and big data are already changing many of society's productive activities and working arrangements. These changes are occurring in ways that we could not have predicted a few years ago and are likely to continue to transform the world of work in ways that we cannot imagine today.

There are numerous predictions and assessments about the probable shape of the future world of work in the next decade and beyond. Nothing is certain, but it seems clear that many current jobs – perhaps half¹ – will significantly change or cease to exist. Some predict rapid disruption over less than a decade others see more a gradual and positive evolutionary process.

Regardless of the uncertainty we can be confident that technological innovation will be faster over the next decades than in past decades further testing capacity to manage the political and social consequences of technological change, which in the recent past has been inadequate. Societies record of being able to adapt and gain from various waves of technological change through history; despite predictions of doom², provides some comfort however it should not result in complacency. History includes too many examples of negative labour market impacts on economies, communities and individuals who for various reasons did not adapt sufficiently or fast enough to change. Indeed many job seekers engaged in Australian employment services are arguably in disadvantaged positions due to failures in social and economic policies. Implementation of effective lifelong learning should be central to discussions about transformation of the world of work through supporting an agile and productive workforce.

An impact is already being felt in Australian labour markets and employment services are a rich source of information about this. The exact nature of the future world of work is hard to pin down but we can learn a lot from looking at the changes on the edges of the current labour market. Job types, job security, earnings and working patterns are already changing and the employment services sector has some of the clearest insights into what is happening.

Our members see up close how emerging technological innovations reduce, change or enhance work opportunities for their job seeker clients. It is critical that governments start to make better use of this knowledge and ensure more real-time, up to date labour market information guides early intervention and

¹ CEDA (Committee for Economic Development of Australia) (2015) Australia's future workforce? World Bank Group, 2017, World Development Report 2016: Digital Dividends, <http://documents.worldbank.org/curated/en/896971468194972881/pdf/102725-PUB-Replacement-PUBLIC.pdf> this report suggests that that 47 percent of all jobs in the United States could be eliminated or significantly changed by computerization and intelligent digital technologies compared to 57 percent in OECD countries, 69 percent in India, 72 percent in Thailand, 77 percent in China, and 85 percent in Ethiopia.

² Masood Ahmed, 2017, Technological Revolution and the Future of Work, Centre of Global Development: <https://www.cgdev.org/blog/technological-revolution-and-future-work>

labour market policy decision making. In this way, governments can ensure that they do a better job of protecting people from disadvantage and ensure inclusive economic productivity growth.

An increasing casual or contractor-based approach to work is already very evident in many industries. This trend has a number of drivers including increasing use of digitised systems which directly match customers and workers and leave traditional employment out of the equation. Technology also provides a wide range of opportunities and productivity that was not previously available and could be positive for many historically disenfranchised groups if well-harnessed. For example, people can more easily work remotely which suits people with caring responsibilities or access constraints.

Employment services have been addressing the challenges and opportunities in insecure work arrangements with both businesses and job seekers for twenty years. Developing useful career pathways, supporting development of a portfolio of work, providing opportunities for confidence building, expanding work experience, coaching job seekers and employers, and addressing risks for both and many more often highly localised and nuanced approaches have been a critical part of work to address significant labour market disadvantage from which much can be learnt.

A nuanced and up-to-date understanding of how changing labour market options impact on job seekers and businesses is needed to ensure appropriate policy making and early interventions proactively mitigate risks associated with technology driven labour market transformation. Fortunately, Australian governments have a highly tuned asset in the extensive established employment services network, infrastructure and systems that can be used to monitor and plan for the changes in the world of work.

The 3,310 place-based labour market assistance service sites across Australia and 30,000 plus employment service practitioners provide the ideal platform to gather information about what is happening at the cutting edge of labour markets. They are also well positioned to test interventions that effectively assist local business development and job seeker matching.

Recommendation 1: Harness the knowledge present at the frontline of employment services across Australia. This requires investment in local data collection to profile how local labour markets are changing and understand what interventions have positive impacts. This will not only enhance the knowledge and decision-making of business leaders, union leaders, politicians and others with an interest in policy, it will also facilitate the kind of responsive innovation that will be needed at the interface between job seekers, employers and new business opportunities and employment services.

b) Different impact of change on Australians, particularly on regional Australians, depending on their demographic and geographic characteristics

Disadvantaged job seekers are too frequently overlooked in discussions about the future of work.

Issues related to workers and job seekers who are already impacted by emerging technological changes are often absent in the discussions about the future of work. The frequent focus on future entrepreneurial opportunities for talented and well educated people is important but the biggest challenge should be to focus attention and assistance on those people at risk of being left behind including those already struggling to flourish in a rapidly evolving labour market. The challenge for Australia is to ensure that we transform and adapt to the changing world of work and in doing so no-one is left behind.

There are many cohorts of job seekers who are already disadvantaged in the labour market whose position is likely to worsen as the gig economy continues to expand. There are mature workers who have found their skills do not meet contemporary labour market demand and find it increasingly difficult to get back into the labour market. Many are displaced workers across a very wide range of industries and not

just with large scale redundancies much publicised in the car and coal industries. For example, the communication, printing and publishing industry has new business models and skill requirements with technological advances enable global supply chains and offshore outsourcing resulting in even highly skilled professionals, once in secure jobs, finding themselves out of work. Similar trends are found in many other industries.

There are also younger people who had expectations for traditional career paths that no-longer exist. The labour market no longer provides a job for life, career paths will not be linear, and the notion of starting at the bottom and working their way up – in a factory, retail, supermarket chain or construction site is evaporating as entry level roles are increasing taken over by technology.

These emerging groups experiencing labour market challenges overlap with groups of people who have consistently been represented in negative labour market statistics. This includes new Australians, Indigenous Australians, people with disability and intersecting demographic groups such as young people, women and women in regional, rural or remote communities.

There are warning signs in labour market statistics with particularly negative trends for Indigenous people and people with disability³. There are also disturbing trends with long term unemployment. It is where unemployment starts to become a long-term condition that its deleterious effects begin to multiply. The proportion of long-term unemployed is hence a telling figure of labour market health. After reaching a record low of 12% in 2009, the percentage of job seekers who are long-term unemployed (12 months or more) has steadily increased, reaching a quarter (24.9%) in December of 2016⁴. This increase (which includes 36% of unemployed people aged 55-65 and a disproportionate number of Indigenous Australians and people with disability) and must be halted.

It is increasingly important in light of the evident change in industry structures, and in related arrangements for work, to build resilience and reduce potential negative impacts on individuals, businesses, communities and the economy. Positive employment participation is a core contributor to resilience for all stakeholders. In contrast poor employment outcomes, even for a relatively short period of adjustment can have devastating impacts on individuals and communities.

Underemployment has also been a persistent and growing issue over the last decade and reached a historical high of 8.7 per cent in February 2017⁵. Of the 733,000 Newstart recipients at June 2017, 20% had declared earnings in the previous fortnight with approximately 5% reporting working up to 14 hours and 5% 15 – 29 hours. A similar profile is evident amongst the 101,000 Youth Allowance (other) recipients.

³ *"The labour force participation rates for people with disability have remained stagnant for the past 20 years and are currently around 53 per cent, compared to more than 83 per cent for people without disability"* (engage.dss.gov.au - Disability-employment-services-reform-discussion-paper). At the same time the comparative rates between people with disability and the general population have worsened (Australian Productivity Commission, 2017, Report on Government Services 2017). Similarly, the employment gap for Indigenous people is widening. *"...The Indigenous employment rate fell from 53.8 per cent in 2008 to 48.4 per cent in 2014-15...The gap has not changed significantly (21.2 percentage points in 2008 and 24.2 percentage points in 2014-15).* (DPMC, 2017, closingthegap.pmc.gov.au/employment)

⁴ 6291.0.55.001 Labour Force, Australia, Detailed - Electronic Delivery www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6291.0.55.001Dec%202016?OpenDocument

⁵ ABS 6202.0 - Labour Force, Australia, Nov 2017

There is significant potential social and economic benefit to be derived from assisting these job seekers to secure increased working hours and ending their welfare dependence. Underemployment has a significant impact on the long-term financial security of citizens and increases reliance on welfare in retirement. As the gig economy continues to expand ensuring citizens have appropriate capacity to adjust such as managing portfolio work and entrepreneurial skills in line with the increasing role of contractor work is essential to maintaining productivity and inclusion.

c) Wider effects of that change on inequality, the economy, government and society

Employment is critical to equality and social and economic wellbeing. NESAs has always emphasised the importance and the value of employment for everyone. Employment not only gives people economic independence, it also provides a connection to community and a sense of self-worth. As noted above, positive employment participation is a core contributor to resilience. In contrast, poor employment outcomes, even for a relatively short period of adjustment can have devastating impacts on individuals and communities. Long-term unemployment is considered one of the most significant public health risk factors, causing, contributing to or accentuating a wide range of negative health impacts⁶.

Long term unemployment has a powerfully negative impact on mental and physical health at the individual level, with flow-on effects to families and communities, and on a macro-level, impacts the national economy in terms of lost productivity, health care costs and welfare.

Australian research has demonstrated the return on investment arising from employment to the public purse. Per Capita research undertaken in *Unlocking the Value of a Job: Market Design in Employment* found that a \$40,000 job for a single childless worker had a total value of \$45,751 of which \$20,550 was public value. An estimated \$19,400 of public value arises from avoided welfare costs and tax receipts for every \$40,000 job while the remainder are savings on health and social impacts related to unemployment and poverty shared by Australian and State governments. This equates to a net gain of \$3,813 for every month the worker remains employed and is a cumulative rather than one off value creation⁷.

The most concerning change that we can clearly predict from emerging technologies and structural changes is increased labour market disadvantage. As noted, worsening labour market figures for the most vulnerable groups herald economic and structural changes with potential for a significant impact on all aspects of Australian labour markets in future. This requires attention. It is also critical not to forget those already struggling. There are major concerns with some groups right now. We need to understand what is going on and respond in an evidence-informed manner.

During the enthusiasm for reform that governments may engage in to address the transforming world of work, they must take extra care with people who are already struggling and build up – not reduce – support for these communities. Sometimes NESAs has observed negative labour market statistics of population cohorts being overlooked in calls for reform of the employment services sector. Close analysis indicates that while headline data may indicate a declining need for assistance for many quite the contrary is called for.

For example, the majority of working age people with disability who are not in work do not participate in the employment services system. The population eligible for DES - about 180,000 – is just 8% of the estimated 2.2 million working age Australians with disability, or about 17% of the 1.034 million in that

⁶ Journal of Insurance Medicine (2007) 'Work and Common Health Problems' Waddell G, Burton K & Aylward M, Vol 39, 2, pp. 109-120, Ottawa, Canada

⁷ Hetherington, D (2008) *Unlocking the value of a job: market design in employment services*, Per Capita: Australia.

cohort who are not in work⁸. Therefore, the poor statistics for people with disability cannot be due to DES programme itself. Indeed these figures suggest that widening access to employment services should be a core element in a strategy to improve the outcomes for this population cohort.

NESA would also argue that the system is not appropriately calibrated for people who experience complex cross-sector barriers to entering the workforce. NESA recommends that government ensure effective support systems for the current cohort of underemployed communities as this will prepare the ground for effective systems as the world of work continues to transform.

Reform is required, through building on what works, not by abandoning effective structures and systems. The focus needs to be on addressing barriers through increased coherence and collaboration at the community level between different systems. It would be judicious for Government to commit to the necessary change and investment that can turn the negative trends around as soon as possible. This will contribute to the creation of more resilient communities, improving both social and economic well-being, reduced costs and job growth at a population level.

Invest in responding to the changing world of work through employment services. Employment services are an ideal frontline response to industry restructuring and related labour market disadvantage. They are designed to adjust to emerging trends. Indeed, employment services are an investment approach that should reduce life-time costs for crisis services such as welfare, health and justice. Employment services are well placed to provide the capacity building necessary to support adaptation and ensure that vulnerable citizens are not left behind as a result of the digital divide.

Investment in employment services should reflect the importance of employment participation on the health of the economy and the immediate and longer-term returns arising from reduced expenditure on welfare and social assistance.

Recommendation 2: Enhance the capacity of existing employment services and the overall welfare system to assist people who are underemployed, have insecure employment and /or experience significant labour market disadvantage, for example:

- review current programme arrangements in consultation with the sector to remove barriers and disincentives to assisting job seekers with pre-existing employment to increase hours of employment participation
- fund trials of new approaches to address underemployment of mature age workers including those not in receipt of income support
- develop and trial simple ways of including appropriate new work arrangements as legitimate outcomes
- provide more support for micro-business creation and appropriate sole trader coaching
- support employment practitioner capacity and employer options for re-skilling people respectfully and for engaging early enough to create effective motivating pathways
- adopt effective technological developments to enhance connectivity between and with job seekers and businesses
- support access to lifelong learning and 're-training' including of digital literacy, adaptability skills and whatever arises in emerging technological business requirements
- build on the rich evidence acquired over twenty years about what works. Especially, invest in the service models and infrastructure that allow innovation at the ground level where tailored interventions respond to individual needs and place-based labour market opportunities. These service types and related systems are ideal for developing effective responses to emerging labour market challenges and opportunities (such as person centred support that builds on strengths and

⁸ ABS Disability and Labour Force Participation, 2012

recognises unique local conditions and the importance of ‘employability’ skills and experience in addition to vocation specific training)

d) Adequacy of Australia’s laws, including industrial relations laws and regulations, policies and institutions to prepare Australians for that change

The potential pace and scope of change calls for a carefully calibrated strategic response. Rapid business innovation and adoption of robotics, digitisation, and other technology-based efficiencies may increase individual business productivity but there is a significant risk that institutions responsible for regulation, resource distribution and safety nets will not respond fast enough to prevent the disruption reducing overall economic productivity.⁹ There may be more jobs at risk than gained and job seekers may not know how best to participate in rapidly evolving labour markets.

Future structural change, technology and demographic trends need to be considered as both opportunities and challenges for employment when government develops its overarching policy strategies. NESAs are concerned by what appears to be scant regard for the critical role that the employment services sector should play as part of the solution. Any robust strategic response must pay attention to the stakeholders at the frontline of labour market change.

Improving stakeholder engagement with and general knowledge of the strengths in the employment services sector will help governments prepare for change. The employment services sector should be lead informants for government about what is happening, what is causing problems and what should be done in labour markets. For this reason the employment services sector needs to have a core place in the discussions about the adequacy of current policy and institutions. To be most effective there needs to be a culture of trust and cooperation where the knowledge and experience of stakeholders in the employment services sector is recognised and sought.

In recent years many conduits for sharing information between government and the sector and even across the sector have been hampered with tighter resources for providers and reduced funding for capacity-building or sector networking opportunities alongside the removal of funding for representative activities. While the employment services sector operates as a market, unlike other industries it is a monopsony. This means that the stewardship role of government is critical and it can only be properly performed with highly effective consultative engagement as well as fair and sufficiently stable contracting practices. There is a complexity and sophistication to the Australian employment services sector that needs well-informed stakeholder engagement. Otherwise there is a risk of inefficiencies, the loss of infrastructure and skills and most importantly a major risk of opportunity loss. In particular the opportunity to respond most effectively to emerging labour market challenges.

Recommendation 3: Develop an effective network and framework to enable employment services to contribute to labour market policy deliberations that address the future world of work

e) International efforts to address that change;

The international discussion and response to the new era of technological revolution is as much political as it is economic. It is well recognised by academics, politicians and institutions such as the World Bank and International Labour Organization that the potential winners and losers arising out of automation will require redistribution and a reorganisation of many social structures and a failure to do so could have enormous political consequences. It is argued right now that in the United States and Europe, a failure

⁹ <http://www.pc.gov.au/research/completed/digital-disruption>

to adequately compensate the losers of globalisation and technological change is leading to a rise of populism which is changing the political landscape.

Within this context, NESAs contends that with proper adjustments to our employment service policy settings and well-targeted investment, Australia can lead the world to build win-win solutions for productivity, jobs and inclusion in the face of industry restructuring. The idea that community-based labour market assistance could be part of a solution to the challenges technology is creating is something that the OECD has been exploring.

OECD work on the Productivity-Inclusiveness Nexus¹⁰ suggests that labour market disadvantage (and related inequalities in education, access to jobs, income and access to innovation) impedes productivity growth, while poor productivity catch-up increases inequality. A broad and evidenced approach is called for in an effort to boost productivity, jobs and inclusion. The response requires employment and skills policies and programmes that are responsive to local circumstances and practice. Australia has well-established tools to do this.

OECD economies have been experiencing a slow-down in labour productivity growth for two decades, a trend which has now spread to emerging economies. *“It is driven by a range of structural problems including a breakdown of innovation diffusion from leading to lagging firms and regions, barriers to entrepreneurship and business dynamics, skills mismatches and limited skills formation. At the same time, OECD economies are facing rising inequality.”* The OECD calls for policy makers to *“adopt a broader, more inclusive, approach to productivity growth that considers how to expand the productive assets of an economy by investing in skills, entrepreneurship, employment opportunities, and innovation diffusion to lagging firms and regions”*¹¹.

f) Related matters.

Due to the general lack of knowledge about the Australian Employment Services, we have taken this opportunity to outline the recent history, performance and proposals for improving the unique Australian model.

The Australian model of publicly funded employment services is a rich and evolving marriage of technology, continuous government monitoring and the dynamics of non-government enterprise. The ‘quasi-market’ is a constantly adapting forum bringing together stakeholders – Government, employers and service providers, mediated by the sector’s peak body, NESAs – with a common goal to deliver the most efficient services that achieve the most positive outcomes for employers and job seekers. It is an integral and effective bridge across social services and labour markets.

No other country in the world has managed to build a public employment services sector in which the frontline work is entirely carried out by non-government organisations – contracted by government to offer place-based labour market assistance to job seekers and employers. Australia’s system has attracted praise from the OECD¹² and continues to incite the interest of government organisations the world over.

You could say Australian employment services were ahead of its time. Many recent policy reviews on social services recommend the use of market drivers, the separation of funding from direct delivery, outcome monitoring and outcome-based payments. Australia did all this in the late 1990s with its unique

¹⁰ OECD.2016. *The Productivity-Inclusiveness Nexus: Preliminary version*, OECD Publishing, Paris.
<http://dx.doi.org/10.1787/9789264258303-en>

¹¹ OECD (2017) *Connecting People With Jobs: Key Issues For Raising Labour Market Participation*

¹² OECD (2012), *Activating job seekers: How Australia Does It*, OECD Publishing, Paris.
<http://dx.doi.org/10.1787/9789264185920-en>

managed market design. Employment services were also an early adopter of computer facilitated 'big data' monitoring. For 16 years now many thousands of complex data calculations regularly go into determining the 'star ratings' for providers. This rigorous and relative performance monitoring determines the continuance of an individual provider's contract. Remuneration for the provider also mostly depends upon successfully placing job seekers into work. The pressure on providers to deliver good outcomes is high, the administrative burden is considerable, and the rewards are hard-earned.

While the basic structure and principles of this system have been sustained for 20 years the system has not been static. Review and reform processes occur with each new tender process and contract cycles are short (mostly three years). Underperforming providers lose the right to re-tender in addition to losing market share during a contract period. The market share is awarded to providers with good results. The advantage of this system design is that it focuses efforts at a local level on achieving successful employment outcomes. This means providers must be responsive to changing labour market conditions. The effectiveness of the system is dependent on information conduits between Government and providers as well as sophisticated data and analysis of labour markets. The Government's IT System (ESS Web) and its allied web and mobile services represent a rich and evolving platform simultaneously serving the needs of Government, providers, job seekers and employers alike.

The Employment Services Framework is broad. It is funded across three Budget Portfolios (Jobs and Innovation, Social Services and the Prime Minister and Cabinet) and includes a range of programmes designed to assist various job seeker cohorts with core programmes being jobactive and Disability Employment Services (DES). Other programmes such as PaTH, Transition to Work and the New Enterprise Incentive Scheme (NEIS) also significantly contribute to employment participation and have strong interaction with jobactive and DES. Additionally in remote Australia, the Community Development Programme (CDP) is the core employment service. For the purpose of this submission, the following focuses on jobactive and DES, which collectively support the majority of Australians seeking employment.

The performance of Employment Services has continued to be impressive. The former Department of Employment (now Jobs and Small Business) Annual Report indicates that in 2016–17, the Department met or exceeded 17 of the 19 targets for Outcome 1—MORE JOBS. Outcome 1 aims to foster a productive and competitive labour market through employment policies and programmes that assist job seekers into work, meet employer needs and increase Australia's workforce participation. Ambitious targets are set based on robust analysis with key achievements noted:

- jobactive providers recorded over 370,000 job placements, nearly 24,000 more than recorded for 2015–16 despite a subdued labour market limiting opportunities through much of the year
- jobactive achieved all six targets relating to the proportion of placements sustained to four, 12 and 26 weeks for all job seekers and Indigenous Australians compared to three of six targets met in 2015 – 2016 the first year of the programme
- jobactive providers assisted 42.1% of job seekers move off income support or significantly reduced their reliance on income support six months after participation exceeding the target of 40%
- Cost per outcome target of \$2,500 exceeded by 58% with a result of \$1,453

The Department of Social Services Annual Report for 2016 – 2017 indicates Disability Employment Services, at the end June 2017, were assisting more than 187,000 participants and had delivered 52,219 job placements, compared to 49,757 over the previous year. The Disability Employment Services Outcome Report Jan – Dec 2016 indicates (for the year ending 31 December 2016):

- The employment outcome rate for participants in DES Employment Assistance/Post Placement Support (EA/PPS) rose by 1.9 percentage points during the period compared to the previous year, with 31.9% of DES EA/PPS participants employed three months following assistance, driven by increases in both full and part-time employment outcomes
- The DES Disability Management Service employment outcome rate rose by 3.6 percentage points from the year ending December 2015 to finish at 34.4%
- The DES Employment Support Service employment outcome rate increased by 0.6 percentage points to 29.8%
- The education and training outcome rate for DES EA/PPS increased 0.3 percentage points to 15.2%

In contrast to uninformed criticisms often directed at Australia's employment services by social commentators, the system is delivering performance and efficiency contributing to participation and inclusion beyond target expectations. In saying this, NESAs and the sector are clear that the Australian employment service framework has greater potential to contribute to employment participation and productivity than is being realised through existing arrangements.

NESA continues to urge governments to strengthen employment services' capacity to meet employment participation objectives as outlined below.

There is room for improvement in future employment services. Employment services have been subject to continual development since the commencement of the outsourced market in 1998. At this time, DES is undergoing radical reform with a new model to commence in July 2018. CDP, which supports isolated and vulnerable communities across remote Australia, is subject to a further cycle of programme reform with consultation recently commenced. Australia's largest employment programme jobactive's current contract ceases in June 2020 with commissioning anticipated in 2019.

Throughout the history of the Australian employment services, there has been a continuing cycle of complementary programme development and rationalisation. At present, we are in a cycle of development with a range of new programme initiatives introduced such as ParentsNext, Time to Work, Career Transition Assistance and Launch into Work programmes alongside more established programmes including NEIS, VTEC, Youth Jobs PaTH and Transition to Work.

On May 1, 2017, Australian employment services celebrate 20 years of operation. The Government was a world leader in implementing this approach to the delivery of public employment services, considered at the time a radical experiment. From day one, the model has delivered significant efficiencies and improved performance contributing to economic and social outcomes compared to its predecessor. Today many other nations across the globe are working towards emulating the success of the Australian model.

There is a wealth of experience and expertise within the provider network, which has been consistently underutilised in programme development. NESAs urge the Government to capitalise on providers' expertise and knowledge regarding programme effectiveness accumulated across two decades of service delivery to ensure Australia's public employment services remain world-standard. It is the view of the sector that flaws in employment services programme design have consistently reflected poor understanding of operating, business and service environments. Providers have a unique perspective about operationalising programmes and the human interaction in service delivery supporting job seekers and employers, not captured in qualitative evaluation. Strategies developed by providers have been the source of many innovations in employment services reform over the past two decades. However, adoption of good practices in programme design has occurred without the nuanced operational underpinnings, limiting their potential effectiveness.

A significant proportion of the employment services workforce have been engaged in the sector since the commencement of outsourcing with many also involved in predecessor programmes such as Contracted Case Management and the Commonwealth Employment Service. Providers also bring expertise related to State and international employment programme implementation. To date, providers have been engaged to respond to reform proposals rather than engaged to inform programme reform concepts in a meaningful way.

NESA acknowledges that providers have self-interest but while some may see this as an impediment, we see it as strength. Providers understand the intrinsic link between the sustainability of the sector and programme efficiency and effectiveness. Providers have a heavy investment in ensuring we have an effective employment services framework, a unique understanding of what gets in the way of performance and service quality, and first-hand experience of strategies and interventions that work. Failure to leverage this expertise alongside other social policy and programme evaluation expertise is simply wasteful.

Recommendation 4: Review the employment services framework to prepare for future opportunities and challenges with the emerging technological revolution and ensure effective assistance for current businesses and job seekers. This should include:

- Development of a robust consultation framework to enable providers to contribute their expertise to the continuous development of Australia's employment services
- Supporting a streamlined interaction between multiple programmes and services, reducing barriers to collaboration and improving outcomes
- Working with the sector to properly assess cost of delivery to underpin arrangements for future employment services
- Adopting equity of access principles in the development of employment services programmes to ensure job seekers with the same characteristics are not disadvantaged by postcode of residence, e.g. ParentsNext Intensive services should be available to people meeting eligibility requirements across all locations

Summary of recommendations

Recommendation 1:

Harness the knowledge present at the frontline of employment services across Australia. This requires investment in active local data collection to profile how local labour markets are changing and understand what interventions have positive impacts. This will not only enhance the knowledge and decision-making of business leaders, union leaders, politicians and others with an interest in policy, it will also facilitate the kind of responsive innovation that will be needed at the interface between job seekers, employers and new business opportunities and employment services.

Recommendation 2:

Enhance the capacity of existing employment services and the overall welfare system to assist people who are underemployed, have insecure employment and /or experience significant labour market disadvantage, for example:

- review current programme arrangements in consultation with the sector to remove barriers and disincentives to assisting job seekers with pre-existing employment to increase hours of employment participation
- fund trials of new approaches to address underemployment of mature age workers including those not in receipt of income support
- develop and trial simple ways of including appropriate new work arrangements as legitimate outcomes
- provide more support for micro-business creation and appropriate sole trader coaching
- support employment practitioner capacity and employer options for re-skilling people respectfully and for engaging early enough to create effective motivating pathways
- adopt effective technological developments to enhance connectivity between and with job seekers and businesses
- support access to lifelong learning and 're-training' including of digital literacy, adaptability skills and whatever arises in emerging technological business requirements
- build on the rich evidence acquired over twenty years about what works. Especially, invest in the service models and infrastructure that allow innovation at the ground level where tailored interventions respond to individual needs and place-based labour market opportunities. These service types and related systems are ideal for developing effective responses to emerging labour market challenges and opportunities (such as person centred support that builds on strengths and recognises unique local conditions and the importance of 'employability' skills and experience in addition to vocation specific training)

Recommendation 3:

Develop an effective network and feedback loop between employment services and labour market policy deliberations that address the future world of work

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- Supporting a streamlined interaction between multiple programmes and services, reducing barriers to collaboration and improving outcomes.
- Working with the sector to properly assess cost of delivery to underpin arrangements for future employment services
- Adopting equity of access principles in the development of employment services programmes to ensure job seekers with the same characteristics are not disadvantaged by postcode of residence, e.g. ParentsNext Intensive services should be available to people meeting eligibility requirements across all locations.