

**National Employment
Services Association**

Pre-Budget Submission 2018 - 2019

Opportunity for all through inclusive employment services

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Contents

About NESAs	3
About this submission – A statement of NESAs position	4
Summary of priority actions for better employment outcomes	4
About Australias world-leading employment services system	5
Imperative for investment in Australian Employment Services	5
Performance of Employment Services	6
Introduction to Recommendations	7
1. Future of Employment Services	7
2. Digitalisation	8
3. Connecting job seekers to appropriate services	9
4. Underemployment	10
5. Greater support for small to medium enterprise to engage diversity	11
6. Indigenous School to Work Transition Program	11
7. Widen employment support options for refugees	11
8. Access to Resources	12
9. Sector Capacity Building	13



About NESAs

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

NESAs 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.

NESAs mission is to lead a sustainable, effective and diverse employment services sector to support individual job seekers, employers and 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; open to all contracted providers (for profit, not for profit and public). To illustrate, of providers of Australia largest employment programme is jobactive NESAs members have a collective footprint covering 100% of Employment Service Regions and operate 89% of total jobactive delivery outlets across the nation¹.



NESAs 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 provides unique insight into the policy and operational settings that underpin labour market assistance.

¹ NESAs membership analysis as at January 2017

About this submission – A statement of NESAs' position

NESA calls on the Federal Government to better recognise the unique value of our employment services system and the expertise and commitment of contracted providers. Australian employment services are nimble and responsive providing tailored, place-based strategies to achieve individual and national employment participation objectives. This submission proposes nine priority areas to realise the potential of employment services – including short-term actions for 2018 and longer-term sustained improvements.

Employment services address the productivity-inclusiveness nexus and are a win-win Budget investment with a demonstrated capacity to increase tax receipts and reduce future social welfare expenditure. NESAs proposals span three Budget Portfolios (Prime Minister and Cabinet; Employment and Social Services). While employment services would benefit from new funding NESA recommendations, will achieve value and improve effectiveness by refocusing and improving access to existing investment.

Summary of priority actions for better employment outcomes

1. Future of Employment Services
2. Digitalisation
3. Connecting job seekers to appropriate services
4. Underemployment
5. Greater support for small to medium enterprise to engage diversity
6. Indigenous School to Work Transition Program
7. Widen employment support options for refugees
8. Access to Resources
9. Sector Capacity Building

About Australia's world-leading employment services system

The Australian model of publicly funded employment services is dynamic with ever evolving programme, policy, technology; contract management and compliance frameworks. The 'quasi-market' is a constantly adapting forum bringing together stakeholders – Government, employers and service providers, mediated by peak bodies (NESAs) with a common goal to deliver efficient services that effectively deliver employment outcomes for employers, job seekers and the economic and social good of the nation.

Australian employment services has been the subject of local and international attention attracting praise from notable experts on labour market assistance such as the OECD¹, and continues to incite the interest of government organisations the world over.



Australian employment services are complex and providers support job seekers who are amongst the most disadvantaged citizens in our nation. The breadth and complexity of barriers to employment faced by many job seekers is regularly underestimated. Equally the role employment services providers is not well understood with the contemporary model 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.

Australian employment services are a leading example of a competitively outsourced model of human services. Technology facilitated 'big data' has been a hallmark of Employment Services and underpins comparative performance and outcome driven core of the framework. The pressure on providers to deliver good outcomes is high; the administrative burden considerable and rewards hard earned.

Imperative for investment in Australian Employment Services

The Intergeneration Report 2015 clearly identifies the imperatives of achieving higher productivity and greater workforce participation as key drivers of Australia's economic growth.

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 creation².

Significant costs to individuals, families and society arises from unemployment. Considered one of the most significant public health risk factors long-term unemployment causes, contributes to or accentuates a wide range of negative health impacts³.

² Hetherington, D (2008) *Unlocking the value of a job: market design in employment services*, Per Capita: Australia.

³ *Journal of Insurance Medicine* (2007) 'Work & Common Health Problems' Waddell G, Burton K & Aylward M, Vol 39, 2, pp 109, Ottawa, Canada

Long term Welfare Dependency

A review of trends in Newstart Allowance and Youth Allowance provide insight into the imperative for investment in job creation, early intervention to prevent long-term unemployment and boosting support for those already long-term unemployed to break the cycle of disadvantage through employment and reduce welfare expenditure.

Newstart Allowance is the principal working age payment for people seeking employment. Youth Allowance (other) is the primary income support payment for young people under 22 years who are looking for paid work, undertaking other activities to improve their employment prospects (such as study or training) or temporarily incapacitated for work or study. Department of Social Services Newstart Allowance and Youth Allowance (other) – Payment Trends and Profile Reports for 2015-16 states expenditure on Newstart Allowance was \$ 9,910,000 expenditure on Youth Allowance was 1,040,000; with combined expenditure of 10,950,000 representing 0.12% of Gross Domestic Product.

Of the 732,100 Newstart recipients at June 2016: 72.9% of recipients classified as long-term (in receipt of this payment for more than a year). In addition, 33% (65,814) of 198,444 short-term recipients (in receipt for less than 1 year) transferred to Newstart from another form of income support payment.

In the period June 2012 to June 2016 the number of long-term recipients grew by 57% (193,205) with the corresponding rise in the proportion of long-term recipients rising from 66.01% to 72.89%.

The Department of Social Services Demographics Report indicates the proportion of long-term recipients of Newstart has grown to 74.1% as at June 2017. The average duration of receipt of Newstart is 268 weeks and the proportion very long-term (2yrs +) recipients being 60.2%.

In relation to Youth Allowance (other), the report indicates as at June 2017 54.1% of recipients have been in receipt of this payment for more than a year and 30.2% for over 2 years with average duration of 80 weeks. Following departure from Youth Allowance, 39.3% generally transfer to another working age payment including 17.8% to Newstart.

Performance of Employment Services

The Australian Employment Services Framework includes a range of programs designed to assist various job seeker cohorts with core programs being jobactive and Disability Employment Services. Other programs such as PaTH, VTEC, Transition to Work; ParentsNext and NEIS also significantly contribute to employment participation and have strong interaction with jobactive and Disability Employment Services. Additionally in remote Australia, the Community Development Program is the core employment service. For the purpose of this submission, the following focuses on jobactive and Disability Employment Services, which collectively support the majority of Australians seeking employment.

The Department of Employment 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 programs that assist job seekers into work, meet employer needs and increase Australia's workforce participation. Ambitious targets are set based of 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 program
- jobactive providers assisted 42.1 per cent of job seekers move off income support or significantly reduced their reliance on income support six months after participation exceeding the target of 40 per cent
- 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 as at end June 2017 were assisting more than 187,000 participants and had delivered 52,219 job placements achieved compared to 49,757 over the previous year. The Disability Employment Services Outcome Report Jan – Dec 2016 indicates:

- 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 per cent of DES EA/PPS participants employed three months following assistance driven by increase in both full and part-time employment outcomes
- DES Disability Management Service employment outcome rate rose by 3.6 percentage points from the year ending December 2015 to finish at 34.4 per cent for the year ending 31 December 2016.
- DES Employment Support Service employment outcome rate increased by 0.6 percentage points to 29.8 per cent for the year ending 31 December 2016
- The education and training outcome rate for DES EA/PPS has increased 0.3 percentage points to 15.2 per cent for the year ending 31 December 2016

Introduction to Recommendations

In contrast to uniformed 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.

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.

NESA urges the Government to consider the following matters in its budget considerations to strengthen employment services capacity to meet employment participation objectives:

1. Future of Employment Services

Australian Employment Services have been subject of continual development since the commencement of the outsourced market in 1998. At this time, Disability Employment Services is undergoing radical reform with a new model to commence in July 2018. The Community Development Program, which supports isolated and vulnerable communities across remote Australia, is subject to a further cycle of program reform with consultation recently commenced. Australia's largest employment program jobactive, contract cease in June 2020 with commissioning anticipated in 2019.

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

On May 1 2017, Australian employment services celebrate 19 years of contracted employment services. 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 have or 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 urges 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 best standard. It is the view of the sector that flaws in employment services programme design have consistently reflected poor understanding of the operating environment (business operations and service delivery).

Providers have a unique perspective about operationalising programmes and the human interactions occurring in service delivery (supporting job seekers and employers) not captured in qualitative evaluation. Providers have been the source of many innovations adopted in employment services reform over the past two decades. However, the adoption of observed good practices into programme design has occurred often without consultation and the nuanced operational underpinnings, limiting the potential effectiveness of these strategies.

A significant proportion of the employment services workforce has been engaged in the sector since the commencement of outsourcing. In addition to the current programs providers expertise encompass predecessor programmes such as Contracted Case Management and the Commonwealth Employment Service as well as State and international employment programmes. To date, providers have been engaged to respond to reform proposals rather than engaged to inform development of 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 simply put is wasteful.

Recommendations:

1. Develop a robust consultation framework to enable providers to contribute their considerable expertise to the continuous development of Australia's employment services.
2. Work with the sector to properly assess cost of delivery to underpin arrangements for future employment services
3. Review the employment services framework to create a more efficient architecture to support streamlined interaction between multiple programs and services, reducing barriers to collaboration and improving outcomes
4. Adopt principles of equitable access in the development of employment services programs to ensure job seekers with the same characteristics are not disadvantaged by postcode of residence e.g. ParentsNext Intensive services should be available to all parents meeting eligibility requirements across all locations

2. Digitalisation

Digitalisation and technology more broadly is rapidly changing our society and the world of work. There has been a steady increase in digitalisation within the employment services framework. Job seekers are gaining greater access to technology to enable them to self-manage their interaction with system and support their search for work and NESA commends the Government on the quality of the tools produced.

The effectiveness and potential efficiencies of these tools will only be realised if job seekers have the capacity to utilise them. The sector recognises digital tools assist those job seekers with digital literacy and foundational skills to be more self-reliant. Many job seekers however, have no or limited access to technology and/or lack the foundational skills to use technology effectively disadvantaging them in search for work and potentially how they interact with employment services and the income support system into the future. Providers note support provided by employment services behind the scene to enable use of existing tools should not be underestimated when reviewing current usage and considering future digitalised services and broader program design.

Recommendations:

1. In recognition that digital literacy is essential to employability in the contemporary labour market additional investment to build job seeker capacity in this area should accompany the increased use of digitalised services and support.
2. Efficiencies gained from digitalisation be redirected to strengthen employment services assistance to disadvantage job seekers

3. Connecting job seekers to appropriate services

There is consensus that employment participation is critical to the alleviation of poverty, reduced reliance on welfare and social inclusion. Current programme arrangements encompass strong activation policies and programme settings, performance drivers and monitoring arrangements; and employment services are delivering performance. Yet we are seeing continued growth in the number of long and very long-term Newstart and Youth Allowance recipients.

Long-term job seekers increased by 2.7 % in the period October 2016 – October 2017⁴. Employment Service providers performance and revenue is significantly dependent on engaging and assisting job seekers assessed as most disadvantaged. The employment services sector believes that improved early intervention will help stem the growth in long and very long-term unemployment. Department of Human Services assesses barriers to employment using the Job Seeker Classification Instrument (JSCI). This instrument provides a score reflecting comparative disadvantage and used to stream job seekers into employment services programs and service level. Threshold scores are set to ration access to service levels according to programme architecture and Government may alter thresholds at any time affecting job seeker access to appropriate service level.



The proportion of job seekers in jobactive Streams A B and C as of March 2017.

Effective early intervention requires service provision commensurate with need. The JSCI uses 18 factors and a number of sub-factors identified as having a significant relationship with a job seeker’s likelihood of remaining unemployed for another year. According to DSS demographic data (2015-2016), 64.1% of all new Newstart recipients remain on benefit for less than one year. Given the growth in long-term job seekers one must reflect on how cohesively the JSCI and associated streaming mechanisms are working to predict likelihood of remaining unemployed for another year and enabling access to appropriate levels of assistance.

jobactive Stream A caseload designed to support those most job ready includes a high proportion of job seekers with significant barriers to employment (including Stream A – Self Service which is non-outcome eligible). Examples include prisoners on release following a lengthy period of incarceration, homeless and humanitarian arrivals

Ben 38 was at risk of homelessness at release following a 5 year prison term requiring hostel accommodation to be arranged. He disclosed drug and alcohol issues, has low education attainment, various other personal issues including mental health issues, limited resources such as transport or phone to support job search.

Prior to exit from prison Department of Human Services (DHS) conducted a JSCI and referred Ben to jobactive Stream A – self-service.

⁴ The Department of Social Services Labour Market and Related Payments: a monthly profile, October 2017

Job seekers move between Streams as circumstance change and their JSCI makes them eligible for a higher level of service. Providers are able to perform a review of the JSCI where they are able to obtain sufficient documentary evidence to support change to job seeker circumstance. Access to Stream C post commencement requires an Employment Services Assessment (ESAt) conducted by DHS to identify job seekers with additional barriers to employment who may benefit from intensive support.

There are continued issues with timely access to Employment Service Assessments across Australia and most acutely experienced in regional and remote areas. These delays undermine early intervention, appropriate servicing and ability to engage voluntary participants such as those on DSP wishing to access Disability Employment Services. DSS indicate that there are approximately 250,000 people with a disability with an assessed work capacity eligible for DES and currently not participating. Reform of Disability Employment Services places new emphasis on encouraging these citizens to engage in service as a pathway to employment participation. As such, the sector expects there to be increased demand for assessments and continued barriers to timely access jeopardises program and workforce participation objectives.

The use of outsourced assessments within the employment services framework alongside public provider has proven effective. Currently the National Panel of Assessors conducts Ongoing Support, Supported Wage System and Workplace Modification Assessments for Disability Employment Services. Under former arrangements Job Capacity Assessments were conducted by public (Human Services and former CRS) as well as outsourced providers. This arrangement delivered timely access to assessments and outsourced providers performance on all KPI's (timeliness, effectiveness and quality) exceeded that of the public providers.

Recommendations:

1. Government review streaming mechanisms (JSCI and score thresholds for service eligibility) to ensure that job seekers are receiving services appropriate to their circumstance.

In relation to the particular needs of Indigenous job seekers, NESAs considers that a minimum of Stream B access is appropriate to ensure employment service providers are able to deliver an adequate package of support. This will assist better response to the Employer Parity Initiative (EPI) in terms of targeted placements and interaction with other programs such as VTEC.

2. Government trial early access to higher level services for cohorts with a demonstrated need for early intervention to assess potential for improved employment participation outcomes (speed to placement, placement & outcome sustainability) and reduction in welfare dependency.
3. Government review arrangements for access to higher services for job seekers in Stream A who become long-term unemployed
4. The Government reviews capacity of the Department of Human Services to deliver Employment Services Assessments in a timely manner (appointment within 10 working days) to enable appropriate servicing arrangements to be implemented promptly, including through outsourced assessment arrangements.
5. The Government ensure that people living in remote Australia have equal access to quality assessments and significantly improved availability of face-face assessments.

4. Underemployment

Underemployment has 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 with a similar profile is evident amongst the 101,000 Youth Allowance (other) recipients. There is potential significant social and economic benefit derived assisting these job seekers to secure increased working hours and ending their welfare dependence.

⁵ ABS 6202.0 - Labour Force, Australia, Nov 2017

Underemployment has significant impact on the long-term financial security of citizens. Particularly for mature age workers the erosion of resources often associated with underemployment increases reliance on welfare in retirement.

Recommendation:

1. The Government review current program arrangements to remove barriers and disincentives to assisting job seekers with pre-existing employment to increase hours of employment participation in consultation with the sector.
2. The Government fund trial of new approaches to address underemployment of mature age workers including those, not in receipt of income support.

5. Greater support for small to medium enterprise to engage diversity

Over 70 percent of employment in Australia comes from small to medium enterprise. Despite efforts the gap between Indigenous employment participation and that of non-Indigenous persists. Small and medium enterprise while often providing supportive workplaces, generally have lower capacity to accommodate additional costs in recruitment and onboarding processes.

Recommendations:

1. Expand the Employer Parity Initiative to SME
2. Fund a capacity-building program for SME to support workforce diversity with a focus on employment of Indigenous Australians and people with a disability.

6. Indigenous School to Work Transition Program

NESAs are encouraged by the Commonwealths investment in various school to post school projects conducted around the country. However, there is the opportunity to extend coverage across Australia, providing greater equity of access to Indigenous students.

Recommendations:

1. Establish a National school to work transition program for all Indigenous students
2. Enable Indigenous students to access employment services to undertake pathway planning while in the final stages of education modelled on the eligible school leavers provisions in Disability Employment Services

7. Widen employment support options for refugees

“There is overwhelming evidence that employment provides the bedrock for successful settlement. The best way to help humanitarian migrants to build flourishing lives is to help them find work”¹. The time of profound change in the economy means many of the job opportunities secured by refugees in the past are becoming scarcer.

Australia accepts 13,750 refugees annually. As a nation built from a rich blend of cultural traditions and signatory to both the 1951 United Nations Refugee Convention and 1967 Refugee Protocol, Australia must provide incoming refugees with the means to overcome the considerable barriers that they often face in integrating into their new community.

Many refugees are professional adults who have experienced brutal disruption to their lives through war or social upheaval and find themselves suddenly projected into a context where language, cultural values and professional expectations are unfamiliar. Others may not have a history of work and most refugees require capacity building to successfully enter and be productive in the Australian labour market.

Programmes such as the Adult Migrant English Program (AMEP) and Skills for Education and Employment (SEE) are well established. The importance of adequately funding such programmes cannot be overstated. Refugees want nothing more than to integrate into their new home, to find work and to rebuild their disrupted lives. But if inadequately supported

they will inevitably join the ranks of the long term unemployed, remain in the welfare system, and experience the social and health consequences that regularly accompany long term unemployment. Refugees are regularly engaged in jobactive Stream A (limited and non-limited). Early intervention is essential to laying foundations for a new life and improving sustainable employment outcomes for refugees.

Recommendation:

1. Refugee job seekers should have access to a minimum of jobactive Stream B

8. Access to Resources

Efficiency is valued and beneficial when it does not compromise higher objectives. Continued efficiency measures are limiting the potential of employment services to deliver greater employment participation outcomes. Upfront fees are minimal and do not cover the cost of mandatory service requirements. Without achievement of job placements and sustained employment outcomes, by design, contracts are not viable. Given the lead-time required to generate outcome revenue with a payment structure that emphasises 12 and 26 week sustained employment, providers routinely operate at significant loss for the first year of a contract with those operating in thin labour markets often challenged to achieve viability for longer durations.

While the aggregate funding envelope for Employment Services is considerable over recent years actual expenditure has been less than estimated despite achievement of targets. Expectations of employment service providers to invest in job seeker and employer support to achieve outcomes and their related payments continues to increase. However, job seekers regularly have service needs requiring investment beyond the potential financial return from outcomes. NESAs notes at \$1,453 jobactive has exceeded the target cost per outcome of \$2,500 by 58%. Calculation of cost per outcome includes outcomes for which providers have not received an outcome payment as such revenue per outcome received by providers is less than \$1453. The financial pressure of the model is further indicated by the jobactive Outcome Report (Dec 2016) which notes that of the job seekers placed 78.8% were employed three months after, but only 54.6% of these job placements led to a paid 12 week outcome.

Given the tight financial structure of jobactive, it is concerning program settings create barriers/disincentives to access resources intended to support service delivery such as the Employment Fund. jobactive providers are required to deliver individualised services to job seekers based on their unique circumstance. Encumbered by numerous restrictions and administration the Employment Fund (EF) designed to support individualised services is underutilised. Providers absorb the cost of required EF administration processes. While administrative streamlining has occurred, transaction costs still often exceed the value of the reimbursement. A number of areas of investment such as employer required and employability skills training require application and approval of the Department prior to implementation adding further to transaction cost and reducing program responsiveness. The increased performance and financial sanctions for non-compliance often involving simple administrative human error continue to drive overly cautious use of resources. Downstream impacts on provision of service, such as Post Placement Support funded through the EF arise from barriers to access.

Similarly, guidelines, administrative or evidentiary requirements that hinder providers' ability to claim legitimate outcomes restrict access to resources and impacts employment participation outcomes. NESAs notes that the labour market has undergone rapid change over the last two decades yet outcome definitions and guidelines have remained relatively stable. Casualisation of the workforce often result in employment hours increasing over time rather than commencing full time and fluctuating hours. In some cases, a graduated return to work is best suited to the job seeker circumstance such as disability, and provides the strongest foundation for long-term sustainable outcomes. Existing guidelines and outcome definitions are out of step with current labour market dynamics heavily weighted on full time employment in the short term restricting claims for outcomes achieved over a longer period. Additionally as amendments to the social safety net such as adjustment of taper rates make full outcome achievement becomes more difficult.

Providers tender to deliver programs proposing service models based on arrangements at the time of commissioning. However, in the dynamic world of employment services arrangements regularly change negatively affecting the terms of trade. Providers are accountable to deliver tender commitments despite unforeseen changes made to programme/contractual arrangements. Providers are in an ever-changing contractual landscape and expected to absorb costs associated with changed arrangements/requirements. Cost of change management is considerable with expenses incurred in amending operating procedures and training staff for even minor changes. For example, no financial arrangements discussed to support providers meet the considerable costs to prepare and implement the Targeted Compliance Framework. There are continued increases in demand on providers' resources to interact with other programs, which are growing in number. These interactions occur at a cost to providers for which they are uncompensated and are unlikely to receive equivalent tail revenue from the investment.

Recommendations:

1. Review barriers and disincentives within employment service arrangements that prevent or deter providers from claiming legitimate eligible outcomes. This should include exploring alternative approaches and documentary evidence requirements
2. Review barriers and disincentives within employment service arrangements for further opportunities to reduce administrative requirements and identify barriers that prevent or deter providers from utilising the Employment Fund to achieve improved workforce participation outcomes
3. Establish a formal change management framework in which providers are represented to review amendment to program arrangements and properly consider change implementation costs and provider compensation

9. Sector Capacity Building

The cost of staff turnover is significant for all stakeholders. While providers bear the direct human resource cost, Government and service users also share the indirect costs associated with service quality, continuity and performance arising from the impact of excessive staff turnover.

Staff turnover is troubling, with the average annual turnover in the sector as indicated by research commissioned by NESAs⁶ rising from 28.3% in 2010 to 41.9% in 2016². Reasons given for staff voluntary departures varied with 70% indicating dissatisfaction with aspects of the role including the level of administration activity and high caseloads. Further, a Melbourne University survey of employment services staff found that frontline staff regarded the level of red tape and administrative tasks as increasing significantly and detracting from both job satisfaction and results. This is a persistent issue with the OECD Activating Jobseekers Report (2012), which while acknowledging many strengths of the Australian model, recognised deficiencies and put forward several suggestions for lightening the administrative load. While improved in some areas the administrative burden undoubtedly contributes to continuing workforce instability within the sector and reduced effectiveness.

Recognising that numerous efforts to streamline administration have not yielded a significant or sustainable result, it is imperative that new approaches to build the stability and capacity of the employment workforce are undertaken. While employers are responsible for professional development, increased efficiency measures over the years and the related shift of costs from government to the sector has slowly eroded capacity needs recognition. For example, recurrent funding for peak body led capacity-building work ceased in 2013. This reduction in resources for frontline capacity is also evident in higher caseloads and lower pay. Front line employment service practitioners' salaries have shown an average increase of just 8.5% over the last decade. Additionally as previously discussed, costs related to government driven program change are a drain on provider investment and resources for professional development. Government

⁶ NESAs (2016), Australian Employment Services Workforce Survey of Remuneration & Human Resource Management Performance.

stewardship should include support for the sector to adapt and implement change for example the paradigm shift that is occurring in Disability Employment Services as is done for initiatives such as the National Disability Insurance Scheme.

NESA therefore urges the government to:

1. Provide funding for a sector-wide capacity building strategy for the employment services workforce (\$10m)
 2. Invest in independent research of better practice in employment services to build capacity for improved service strategies and delivery of employment participation objectives
 3. Increase access to the rich data held by the Department of employment so it can more easily be accessed to support performance of the sector
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