

NESA's Response to the **Next Generation** of **Employment** **Services.**

AUGUST 2018



Contents.

- 03.** Executive summary
- 04.** About NESA
- 05.** Chapter 1 - Overview of unemployment
- 11.** Chapter 2 - The goals for future employment services
- 14.** Chapter 3 - Helping disadvantaged Australians into work
- 21.** Chapter 4 - Empowering job seekers and employers through improved online services
- 32.** Chapter 5 - Better meeting the needs of employers
- 37.** Chapter 6 - Assessing job seekers to tailor support to their needs
- 40.** Chapter 7 - Incentives for job seekers to find work
- 42.** Chapter 8 - Targeted regional and local approaches
- 44.** Chapter 9 - A service culture built on completion and quality
- 50.** Chapter 10 - Transitioning to a future employment services model
- 52.** Chapter 11 - Policy and Governance

Executive summary.

The employment services sector recognises the need for continual development of labour market policies and programs to maintain effectiveness and relevance to Australia's large and dynamic labour market. This includes maintaining alignment with the growing transformation of the types and nature of work including the rise of the gig economy and the significant shift in modes of recruitment that have occurred over the last twenty years, enabled by digital and other technologies.

There is a long and rich history involved in Australian employment services that includes a world-leading move to a fully outsourced model, which international observers continue to envy and attempt to replicate. The Australian employment services sector is mature and highly expert with locally grown providers sought after and prominent in international markets.

The employment services sector recognises that today's workforce participants are more qualified and better educated. This corresponds with increasing demand for skills by contemporary workplaces. The profile of the employed labour force is in stark contrast to the profile of job seekers supported by employment services, reflecting their need for assistance to achieve employment and economic inclusion.

Transformational change requires careful design, partnership with stakeholders, strategic implementation and risk management. Redesign of employment services should be evidence-based with a strong emphasis on robust evaluation. There is a long history of reform in Australian employment services and many lessons regarding policy and program effectiveness. Enabling enhancement of strengths and avoiding weaknesses to ensure that the next generation of employment services is strong in its intent to assist job seekers to be economically included, enabling a decent standard of living and contributing to their financial resilience in retirement, is critical.

The Next Generation of Employment Services involves transformational change and will require strong stewardship, well considered policy and balanced regulation.

The National Employment Services Association (NESA) welcomes the opportunity to contribute to the discussion regarding the Next Generation of Employment Services.



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. NESA 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), Youth Jobs PaTH, ParentsNext, Work for the Dole Coordinator Services and Vocational Training & Employment Centres (VTEC). A large proportion of NESA members deliver multiple programmes.

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 – NESA members have a collective footprint covering 100% of Employment Service Regions.

NESA delivers intensive policy, operational and capacity building support to member organisations. NESA 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, and intensive member and stakeholder interaction provide unique insight into the policy and operational settings that underpin labour market assistance.



CHAPTER 1

Overview of unemployment.

Overview of unemployment.

The employment services sector recognises the need for continual development of labour market policies and programs to maintain effectiveness and relevance to Australia's large and dynamic labour market. This includes the significant shift in modes of recruitment that have occurred over the last twenty years, enabled by digital and other technologies and more broadly the growing transformation in the types and nature of work, including the rise of the gig economy.

Technological change, digitisation and globalisation have had a predominant impact on labour market dynamics and mechanisms, industries, individual workplaces, occupations and more broadly the nature of work, escalating significantly over the last decade. Australian employment services have demonstrated their capacity to adapt agilely and respond to market changes effectively, maintaining a record of performance improvements. The agility of Australian employment services also enables quick responses to market shocks such as the Global Financial Crisis (GFC). Indeed, Australian employment services felt the impact of the GFC prior to them being evident through other labour market monitoring systems. The sector provided quantitative data to government on the early impacts of the GFC on job placements and sustainability of recent placements through Australian employment services. This data evidenced the need for early intervention measures, including structural adjustment packages for retrenched workers, contributing to Australia's efforts to limit the detrimental effects of this economic shock. Ensuring that Australia maintains strong labour market support and the agility inherent in current arrangements is imperative to managing risks and assuring the capability to respond to any future shocks.

Many jobs are increasingly integrating technology to allow people to be more productive and efficient. There has been a steady rise in skills required to meet employer expectations and labour force needs over the past decade and particularly the demand and level of digital literacy skills required. As recognised by Senator the Hon Michaelia Cash, *"There are now more jobs for higher skilled workers — the majority of*

growth over the past five years has been in occupations that require post-school qualifications, and this is likely to continue". Economic and social observers alike predict the technological revolution will only increase in momentum; as such development occurs, those less skilled are likely to sustain the most significant displacement.

While the labour market has changed, the profile of disadvantage amongst job seekers has not. Australia's employment services caseload continues to feature job seekers without post-secondary qualification, and a comparatively high proportion with less than year 10 education and low levels of literacy (digital and language) compared to other OECD countries. In essence, the skills gap between the needs of the labour market and unemployed Australians has grown and with it job seekers' need for more intensive capacity development.

The employment services sector recognises that more Australians are achieving paid work than ever before, with 94% of those in the labour market working. While proud of its contribution to workforce participation and employment objectives, the sector's attention remains focused on those left behind, including those who are unemployed, underutilised, underemployed and disenfranchised from the labour market.

A puritan economist perspective may suggest, as we approach the non-accelerating inflation rate of unemployment of 5.0% as estimated by the Reserve Bank of Australia, that this could signal a break in expenditure required on employment services. As noted by economic observers however, historically the unemployment and underemployment rates tended to move in unison (both in direction and in magnitude), but in recent years, the spread between the unemployment and underemployment rates has increased. This means that changes in the unemployment rate alone are no longer a sufficient proxy for changes in labour market slack. A broader perspective of the social contract expects government to promote equity and inclusion of its citizens, underpinning the belief that stronger economic times present increased opportunity to address wicked social problems such as long-term unemployment and economic exclusion.

A closer look at unemployment

The employment rate provides a positive outlook using the definitions that conform closely to the international standard adopted by the International Conferences of Labour Statisticians. However, data shows that there is an underpinning story of the many more Australians who want work or more work but are excluded from the labour market and the unemployment count.

The Australian Bureau of Statistics (ABS) defines employed persons as all persons aged 15 years and over who met **one** of the following criteria during the reference week:

- ▶ Worked for **one hour or more** for pay, profit, commission **or payment in kind**, in a job or business or on a farm (employees and owner managers of incorporated or unincorporated enterprises)
- ▶ Worked for **one hour or more without pay in a family business** or on a farm (contributing family workers)
- ▶ Were employees who had a job but were not at work and were:
 - away from work for less than four weeks up to the end of the reference week; or
 - away from work for more than four weeks up to the end of the reference week and received pay for some or all of the four week period to the end of the reference week; or
 - away from work as a standard work or shift arrangement; or
 - on strike or locked out; or
 - on workers' compensation and expected to return to their job; or
- ▶ Were owner managers who had a job, business or farm, but were not at work.

With this definition in mind, a review of DSS demographic data March 2018ⁱⁱ indicates that of the 848,558 Newstart and Youth Allowance (other) recipients, 20% have declared earnings and would therefore be categorised as employed.

ABS Labour force data at June 2018ⁱⁱⁱ indicates that part time work makes up 31.9% of employment and continues to grow, rising from 31.6% over the last quarter. Of all working Australians, 8.8% (approximately 1.1 million workers) are

Underemployed, growing from an estimated 6.6% a decade ago. It is also notable that those considered full time include those working 35 hours or more **in all jobs** and as such, a wider subsection of Australians than those classified as part time may be engaged in a portfolio of casual, part time, commission or contractor work. This includes work which is often insecure and some that does not provide employment benefits such as superannuation. Ensuring that Australians are not working poor and have sufficient economic inclusion to support them now and into their retirement is both a social and economic imperative.

The ABS defines unemployed persons as all persons aged 15 years and over who met one of the following criteria during the reference week:

- ▶ had actively looked for full time or part time work at any time in the four weeks up to the end of the reference week and were available for work in the reference week; or
- ▶ were waiting to start a new job within four weeks from the end of the reference week and could have started in the reference week if the job had been available then.

Those Australians 18 and over considered not in the labour force do not meet the criteria for classification as employed or unemployed.

Of those not in the labour force, approximately 1 million Australians **want a job or more work**, and are available to start work according to the ABS Barriers and Incentives to Labour Force Participation, Australia, 2016-17^{iv}.

The reasons given by those classified as not in the labour market for not looking for work, (and therefore are not considered as unemployed) reflect the competitiveness of the labour market and the support and capacity development needs of job seekers as follows:

Chapter 1 – Graph 1: ABS Barriers and Incentives to Labour Force Participation, Australia, 2016-17^{iv}



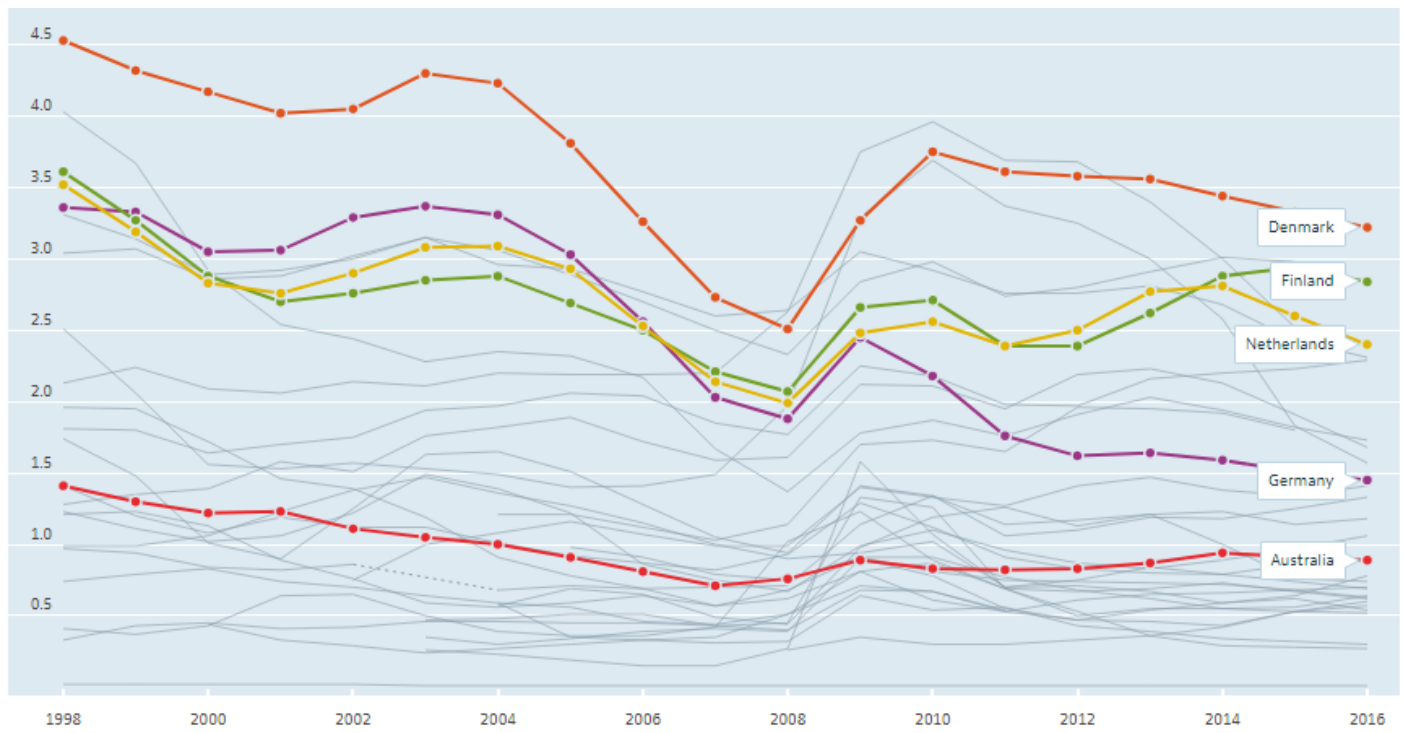
Source: ABS Barriers and Incentives to Labour Force Participation, Australia, 2016-17

The employment services sector recognises that today's workforce participants are more qualified and better educated. This corresponds with increasing demand for skills by contemporary workplaces. The profile of the employed labour force is in stark contrast to the profile of job seekers supported by employment services, reflecting their need for assistance to achieve employment and economic inclusion.

The proposal for the next generation of employment services to rationalise services providing universal access through the digital platform, reserving 'enhanced' services for those that need them is, in theory, consistent with views of stakeholders such as the OECD. However, such observers do not support achievement of cost reduction at the expense

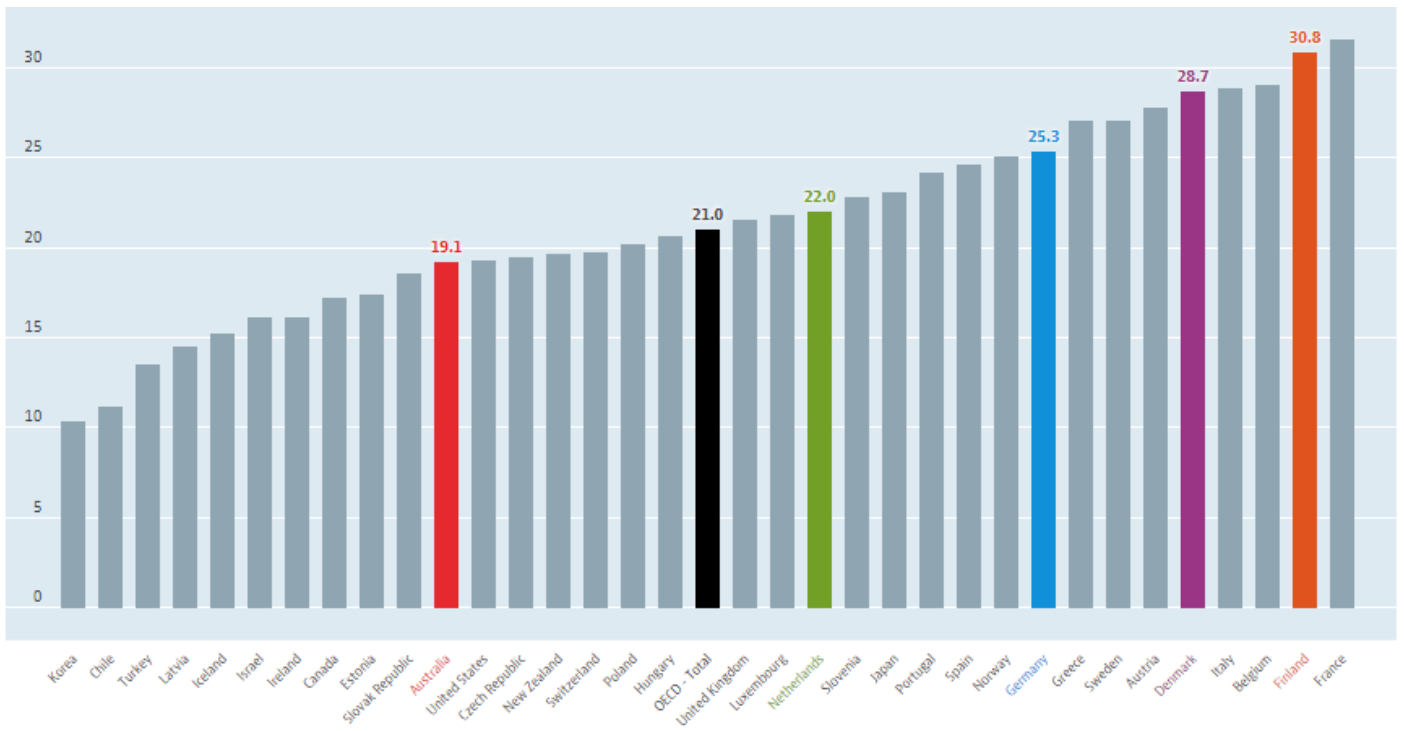
of the effectiveness of labour market programs, often citing the adverse economic and social consequences of unemployment and underemployment. Additionally, rationalisation of scarce resources, as the OECD suggests^v, should be considered in context. Australia's expenditure on labour market programs as a % of GDP has been consistently lower than most OECD countries over the last 20 years. A steady decline in expenditure on labour market programs has occurred since 1998, when contracted employment services commenced, and was only interrupted by the onset of the GFC. Given the nature of complex issues involved in barriers to employment it is also relevant to consider the wider social spend in this area: Australia ranks 25th of the 35 OECD countries.

Chapter 1 – Graph 2: Public Spending on Labour Markets^{vi}




Source: OECD (2018), Public spending on labour markets (indicator).

Chapter 1 – Graph 3: Social Spending^{vii}



Source: OECD (2018), Social spending (indicator).



While the case studies in the paper provide a basic understanding of potential service users, the sector considers that deeper insight into the demographic profile of the employment services caseload is necessary. In discussion with many stakeholders participating in the consultation regarding transformation of employment services, NESAs identify there is a general level of misunderstanding regarding job seekers' diverse and complex set of circumstances. For example, many stakeholders are surprised to learn that within Stream A, job seekers who are often referred to as 'job ready' include approximately 40% who are long term unemployed and of those, 25% are very long term unemployed (administrative data DJSB Dec 2017). Furthermore, these stakeholders are more alarmed to learn that job seekers with complex issues such as (but not limited to) homelessness, mental health, refugee status and recently released prisoners, are also in Stream A and afforded only a basic level of assistance. The Department of Jobs and Small Business hold a rich data set. To ensure this vital ongoing discussion regarding transformation of employment services is informed and meaningful we recommend that a full picture of the job seeker caseload currently engaged in jobactive by Stream (in scope) is published to enable better consideration of issues such as service eligibility.

While the employment services sector agrees that people can access online help to prepare for jobs and other career and employment advice that will help them find work, many of these services are of variable quality and can be difficult to navigate, and job seekers often need assistance to interpret the results and take meaningful action. At a fundamental level, all these tools involve costs related to data use and are only as useful as users' access and literacy (digital and language) enables.

The sector is committed to delivering effective assistance to achieve a vision of employment for all through inclusive employment services. The design of transformational reform of employment services has potential to have significant positive impact on the lives of vulnerable Australians. The sector is committed to work in collaboration with Government to co-produce a program of best design within the available resources. The sector has vast and unique experience gained from over two decades of operational experience that spans various iterations of employment services to contribute to this vital work.



CHAPTER 2

The goals for future employment services.

The goals for future employment services.

Transformational change requires careful design, partnership with stakeholders, strategic implementation and risk management. Redesign of employment services should be evidence-based with a strong emphasis on robust evaluation. There is a long history of reform in Australian employment services and many lessons regarding policy and program effectiveness. Enabling enhancement of strengths and avoiding weaknesses is essential to ensure that the next generation of employment services is strong in its intent to assist job seekers to be economically included. Enabling job seekers to achieve a decent standard of living and capacity to contribute to their financial resilience in retirement is critical. The sector's comments on the proposed goals of transformed employment services are as follows:

Maximise job seeker outcomes

Help as many job seekers as possible to find and stay in work.

The paper does not elaborate on the definitions of outcome for the next generation of employment services. Measures of placement volume and sustainability should apply across all elements of the transformed service e.g. digital and enhanced services. While provision of services such as a public job board may deliver outcomes by supporting greater workforce mobility of employed persons between jobs, the intent, the focus of investment and the measure of success of transformed services should remain that of maximising outcomes for those without work, or without sufficient work.

Be responsive to a changing labour market

Job seekers are assisted to improve their job readiness, particularly for industries and occupations with strong growth prospects. Businesses of all shapes and sizes receive appropriate help to find people that are a good fit.

The sector considers that this goal should refer to job seekers' skills to ensure that design of employment services reflects the need to build vocational skills as well as readiness in line with demand and opportunity within the labour market.

Strengthen engagement of employers and job seekers

Users are provided with a tailored service that drives greater employer participation and buy-in from businesses and job seekers, delivered by high quality and appropriately skilled employment service consultants.

The sector considers revised wording of this goal to: *Users are provided with tailored services that attract greater employer participation, buy-in from business and stronger engagement of job seekers through quality services (online and face-to-face).*

Deliver efficiency and value for money

Users are provided timely and relevant information to assist their decision-making. The future model allocates additional resources to those who need them.

The sector considers this goal vague and insufficient to guide design of transformed services. For example, while stating "additional resources to those who need them", it does not refer to additional to 'what' e.g. access to universal employment services. Efficiency and value for money is also reflective of architecture with is unencumbered by unnecessary administration and requirements. The sector recommends revision of the goal to reflect:

- The provision of employment services for all Australians with additional resources allocated to those who need them.
- A service focused on job seeker and employer assistance with reduced administrative burdens absorbing investment (financial and time).

The provision of timely information to assist decision-making is better alignment to the goal of Promote the fairness and equity, which refers to choice.

Enable effective activation

Job seekers are looking for work or undertaking activities that improve their job prospects. The assistance a job seeker receives and the activities they undertake are tailored to their individual circumstances.

The sector supports this goal but it will require legislative, policy and program design that enables increased flexibility and discretion in relation to activation requirements that the paper states will remain at the heart of the new framework.

Promote fairness and equity

All job seekers and employers are treated fairly and provided with an appropriate level of assistance. Service users can exercise choice and all job seekers are supported on their pathway to employment. This will help to reduce the gap in employment outcomes between men and women, and Indigenous and non-Indigenous Australians.

The sector considers an “appropriate level of assistance” to be vague, and the goal should refer to a level of assistance appropriate to need. While the cohorts particularly mentioned are understandable, omitting others such as the long term unemployed, youth, people with disability and the mature aged may lead to inadequate emphasis in the design of the new framework.

Encourage self-sufficiency and personal responsibility

Users are supported to help themselves where appropriate. Job seekers meet community expectations around what is required in return for them to continue to receive income support.

The planned reforms to employment services are aimed at creating the right conditions to enable all Australians to work and support themselves. A transformed employment service will empower job seekers to find work, providers to prosper and businesses to grow.

The sector considers this goal should be reviewed to: *users are empowered to help themselves with support provided as needed.*

This goal appears to be in tension with enabling effective activation, which focuses on individual circumstance as the measure of activation rather than community expectation.

The sector considers that the inclusion of “providers to prosper” communicates the wrong message. There is no argument the design of transformed employment services should enable providers to receive a return on the considerable investment they make in infrastructure and effective service delivery. However, the focus of design is not ensuring the prosperity of providers but rather creating a framework that enables providers to be effective. While recognising the intrinsic link between prosperity and effectiveness, which has been a long-standing feature of employment services, this may be lost in the public domain. A more appropriate inclusion may be along the lines of *empower job seekers to find work, enable provider effectiveness and support businesses to grow.*

The sector recommends inclusion of the following goal:

Employment Services focused on best practice

Job seekers and employers will have access to employment services that are supported by a continuous improvement framework that enables wide contribution to research and evaluation to develop better practices and policies

The sector is of the view that reformed employment services will benefit from greater collaboration with the research sector. Employment services assist amongst Australia’s most vulnerable citizens. Independent research promotes understanding and fosters collaboration and partnerships with stakeholders in the community. Increasing partnerships with independent researchers also creates increased trust from community and stakeholders regarding the use of public resources.



CHAPTER 3

Helping disadvantaged Australians into work.

Helping disadvantaged Australians into work.

The sector agrees with the central premise of the Next Generation of Employment Services paper that we must do more to support job seekers who face complex barriers to find and retain work. Contemporary employment services are significantly more sophisticated than the fundamental labour exchange service delivered under the former Commonwealth Employment Service. Today providers deliver individually tailored services harmonising delivery of labour market assistance and social services to support job seekers to overcome barriers with many having complex circumstances to prepare for, find and keep work, whilst also assisting employers to find the skills they need.

The paper states that enhanced employment services will maintain the objective of assisting job seekers into employment as quickly as possible. While there is no argument with this premise, it is important to recognise that complex issues often require longer-term strategies and interventions to progress job seekers to a position of job readiness that offers a basis for sustained employment. The OECD Employment Outlook (2005)^{viii} noted that while work-first strategies have a short-term impact on employment, mixed strategies have potential to parallel or exceed expected employment or total earnings. As such, it will take a degree of time for enhanced services to achieve job seeker progression and build outcome momentum, particularly if there is significant movement of job seekers between providers resulting from transition to new arrangements.

With the implementation of enhanced employment services, the paper states that the role of providers may become more challenging, requiring different strategies to help these job seekers into employment. For clarity, employment services providers already service the needs of highly disadvantaged job seekers. The sector has over two decades of experience and a record of accomplishment of delivering results for disadvantaged job seekers. As indicated in the More Jobs. Great Workplaces: Department of Employment Annual Report 2016 – 2017^{ix}, jobactive has

exceeded the target for sustained job placements across all indicators and streams, falling 1% short on the target for overall placements.

The sector's concern is that truncating the caseload will result in further disadvantage resulting from perceptions that the sector exclusively supports the hardest to help and the least employable. As the paper indicates this may increase employers' perceived risks of hiring disadvantaged job seekers using enhanced services. Reform to Australian employment services in 2003 and the introduction of the Active Participation Model (APM) reflected this issue. The APM connected all job seekers to employment support for the first time and resulted in improved performance. Hence, the sector views the challenge as not so much assisting the cohort of eligible job seekers as retaining and growing employer partnerships. At present, the diversity of the caseload provides greater opportunity to meet employer needs as well as brokering placements for disadvantaged job seekers requiring some concessions for skill or experience deficits. The challenge intensifies with an online employment service that will potentially divert employers from building relationships with providers.

The Service Offer

There is no question that the proposed enhanced services will offer more assistance than the proposed digital only offer. However, while it is clear that potentially significantly fewer job seekers will have access to face-to-face services it is difficult to discern how the proposed services are an enhanced offer. To illustrate, the paper states that "more intensive face-to-face services" could provide job seekers with four main types of assistance:

- ▶ pre-employment interventions such as job readiness training
- ▶ vocational training, including training to provide skills needed for specific jobs
- ▶ employment and work experience placements, including offering wage subsidies to employers and other forms of assistance
- ▶ post-placement support to help job seekers to keep a job

Current jobactive arrangements include all of the proposed services and there appears to be no increase in the suite of services proposed. The proposed expansion of the existing National Work Experience Programme which enables job seekers to gain work experience in short term unpaid placements could be adopted without the significant investment required to transform the system. Without indicative estimates of the resources potentially redirected under transformed arrangements, it is difficult to understand what “more intensive face-to-face services” will actually mean.

To assist disadvantaged job seekers to overcome complex barriers requires assistance that is more intensive and caseloads lower than current arrangements enable. Caseload size is significantly determined by program funding and service model, with investment in human resources the most significant ongoing cost.

The sector welcomes the paper’s emphasis on the need for tailored service provision to assist disadvantaged job seekers in gaining and maintaining employment. The OECD Employment Outlook (2005)^x found labour market programs that provide intensive employment services, individual case management and mixed strategies with selective referrals to long-term labour market programs tend to have the largest impacts. To achieve tailored service provision the architecture of services must be enabling, minimise prescription and support holistic interventions.

The sector’s experience is consistent with international best practice that indicates the most effective labour market programs offer job seekers a level of individualised assistance that reflects their needs. Enhanced employment services should encompass the suggested service mix enabled by the funding model and streamlined access to an Employment Fund. This should include delivery of services such as training in employability skills, digital literacy, job search techniques, personal development (e.g. anger management, managing wellbeing, life skills for work) employer required and/or vocational skills training and job brokerage/reverse marketing as approved Employment Fund

services without the need to make an application to the Department.

Case management and coordination of support will be required to support job seekers in accessing and remaining engaged with the services they need from relevant services available in the community or purchased for them. Given the level of disadvantage of the target cohort, and their length of economic exclusion, a capacity to fund or subsidise assistance such as clothing and transport to enable participation in employment and/or interventions will support job seeker progression.

In order to achieve higher rates of retention in employment the sector recommends that post placement support and career advancement services are formally incorporated into the service and funding model. Current funding arrangements for post placement support from the Employment Fund are on a transactional basis and the associated documentary evidence requirements are not conducive to effective delivery. Given the targeted nature of eligible job seekers and the demonstrated need to improve retention of this cohort and prevent churning back into the program, there is low risk of over-funding. Reflective of the circumstance and length of disengagement from the labour market, a high proportion of this cohort is likely to re-enter the labour market via part time work. Outcome definitions and guidelines should recognise place and training strategies. In these strategies, post placement support focuses on building job seekers’ capacity, independence in work and seeking opportunities to increase the quality of employment, hours and earnings over time. Guidelines that limit outcome recognition such as those related to existing employment and upgrades do not support advancement strategies.

Target Group

The paper states that “enhanced services would be targeted at job seekers who are highly disadvantaged” and are assessed as requiring considerable assistance to enable them to enter employment. To help disadvantaged Australians into work the proposed tiers of enhanced

services and associated streaming mechanisms must better account for actual rather than relative disadvantage.

The sector contends that current streaming arrangements that primarily allocate service eligibility based on assessment of relative disadvantage through the Job Seeker Classification Instrument perpetuate under servicing. As unemployment falls, there is a narrowing of the relative difference in disadvantage across the job seeker caseload. Stream A is designed for the more 'job ready', with service levels suited to those recently disengaged from the labour market with foundational employability skills and vocational competencies. The number of job seekers experiencing complex issues such as mental health, drug and alcohol addiction, recently released prisoners and homelessness that are engaged in Stream A is increasing. Better assistance to disadvantaged job seekers requires greater attention to the nature of barriers and need for coordinated and holistic interventions, rather than a composite score reflecting probability of achieving employment relative to other job seekers on the caseload. Unless job seekers choose a digital only service, enhanced services should be available to:

- ▶ All long-term unemployed job seekers
- ▶ All job seekers with complex barriers including mental health issues, homelessness, refugee status, substance use, recently released prisoners, reduced work capacity, Indigenous Australians, people with disability and those from jobless households
- ▶ All job seekers with inadequate literacy (digital and language)
- ▶ All job seekers entering the warning phase of the Targeted Compliance Framework

The sector contends that the base tier of enhanced services should be at least equivalent to current Stream B.

The sector welcomes the prospect of technology to reduce compliance and administration, enabling more time spent assisting job seekers and employers. The sector cautiously

welcomes additional digital tools to strengthen service delivery including those that suggest the types of assistance that are likely to enable job seekers to be successful based on their needs, strengths and employment goals. However, providers and job seekers should not be obliged to follow suggestions or justify reasons for seeking other pathways. Providers are responsible for their performance and quality of services and are aware of the consequences of failing to deliver. In a person-centred environment, service strategies should reflect individual aspiration, usefully informed by such information rather than be directed by it.

Hub and Spoke or a Unified Model

The sector has mixed views as to the preferred model with the majority indicating a unified approach enables the most effective use of resources. The exception for most was the need for a youth program such as Transition to Work (TTW) to continue. The benefits of a unified approach are:

- ▶ Lower contract management costs for both providers and Government
- ▶ Stronger engagement with less need to move between programs, or to repeat registration and intake processes
- ▶ Better potential for viable caseloads
- ▶ Working with more and diverse job seekers, with better service innovations and strategies
- ▶ Less resources consumed on duplication of processes, reporting requirements and corporate supports such as quality, compliance and professional development
- ▶ Rationalising the number of providers approaching local employers
- ▶ Opportunity to offer a more diverse candidate pool to employers, increasing likelihood of engagement and a good match
- ▶ Job seekers often have multiple barriers and may align to more than one program e.g. a parent may be Indigenous and a youth or of mature age
- ▶ Enabling greater research and evaluation as investment is not dispersed across a number of programs

Incentives

Incentives could be both job seeker- and employer-focused.

While most job seekers want work, working credit arrangements may offset fears of inability to sustain employment or taking a part-time role that may not improve their financial position.

Improving Quality of Service

The opportunity to improve the quality of the job seeker service experience is significant in a model that focuses on tailored service provision with minimal prescription, reduced administrative burdens and adequate resources to meet job seekers' actual need and reduce caseload sizes. More quality time with a forward-facing strengths focus has potential to create additional momentum. This would be assisted by visibility of the job seekers compliance activity through the digital platform to enable less time to be spent reviewing past job search activity and more time on next steps.

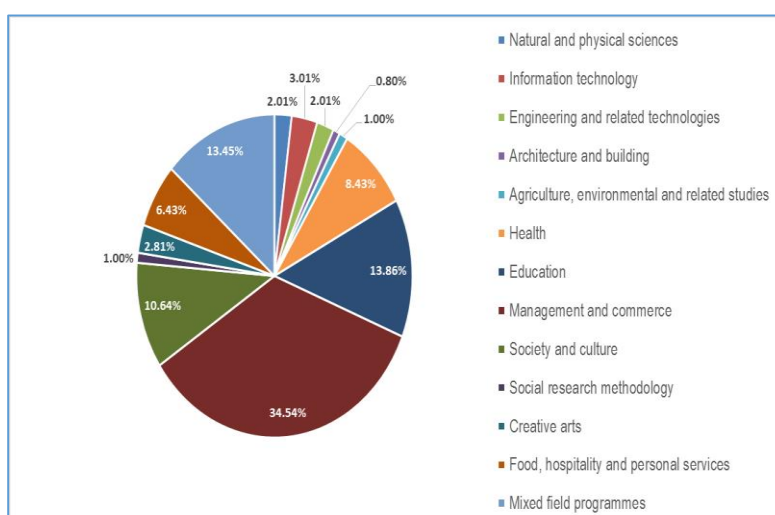
Minimising disruption to the employment services network would significantly increase stability on the workforce and deliver improved service continuity to job seekers enabling stronger relationships and trust to be established. The paper notes turnover rates for 2015 reported in the NESA Remuneration and Workforce Development Survey^{xi} with a

turnover rate 3 times the national average. While this is true, the Department will be aware that in 2015, Job Services Australia ceased and was replaced, after a full market competitive tender, by jobactive with provider numbers almost halved. As such it is not surprising that turnover in that year was excessive. Increases in turnover also occur with each Business Reallocation process.

NESA conducted a Workforce Capability and Diversity Survey in August 2018. This survey was responded to by 2251 frontline workers (Regional Managers and below). When asked about their previous experience in employment services it was revealed that 56.34% had been employed by more than one provider with the predominant reason for changing jobs (63.3%) being employment services provider contract ended. 9% of the sector had worked for 3 providers and 1% had worked for 10 providers or more. Other reasons for changing providers reflected job opportunities, different program opportunity, health and salary. Respondents were asked for 3 factors that they found most dissatisfying about their work, administration and compliance activity was overwhelmingly the top response with comments such as *"I do this work to help people but spend all day filling in forms for the Government"*.

In contrast to the urban myths about the skills of employment services frontline staff, 87% possess post-secondary qualification with 43% having 2 to 3 qualifications. The following graph shows the field of study by workers' highest qualification.

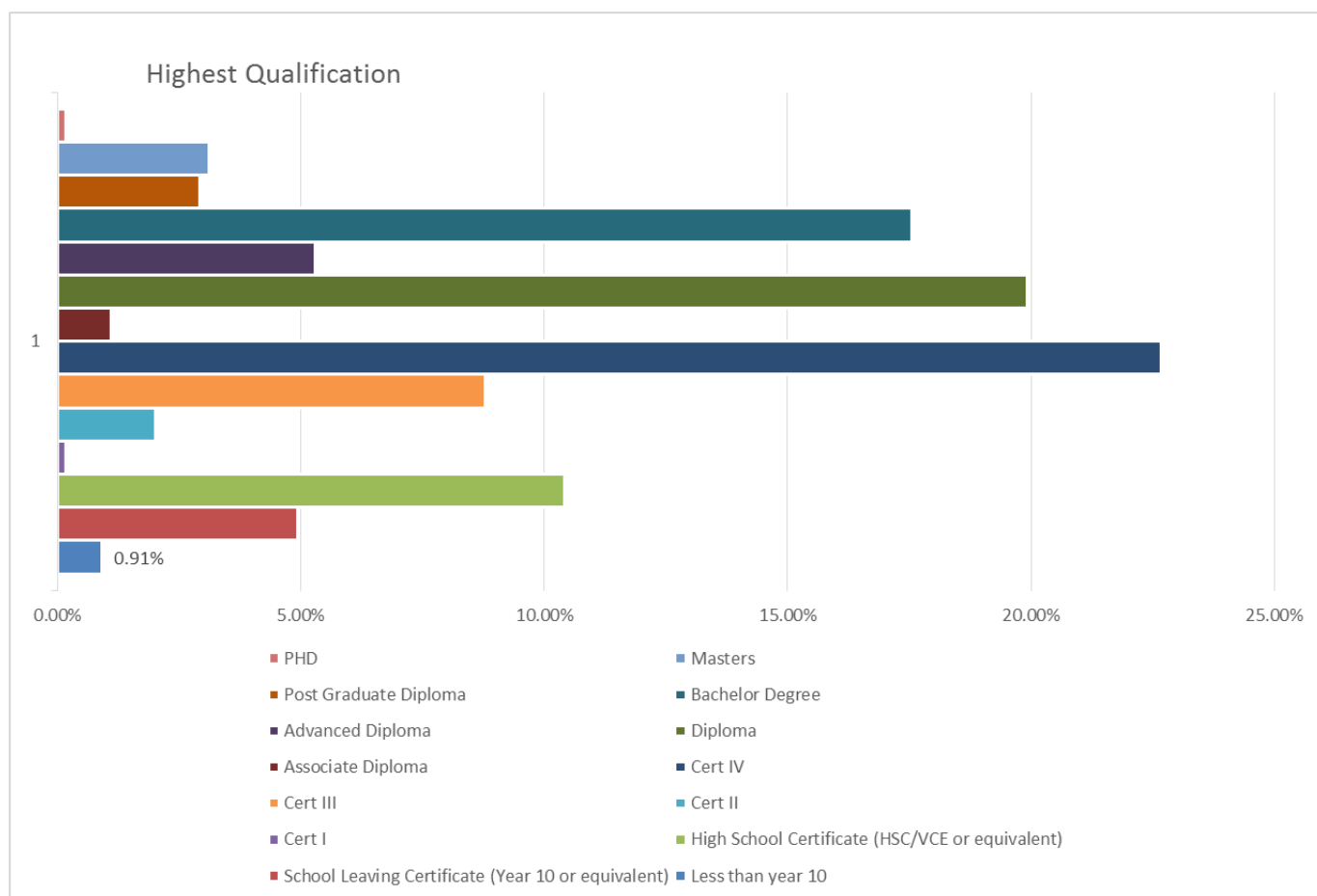
Chapter 3 – Graph 1: Field of Study of Highest Qualification



Source: Australian Employment Services Workforce Capability and Diversity Survey (2018)

The following shows the highest qualification of frontline workers. The 13% of the frontline workforce without post-secondary qualifications were typically administration trainees or mature workers with considerable sector experience including up to 40 years in employment services commencing with the CES.

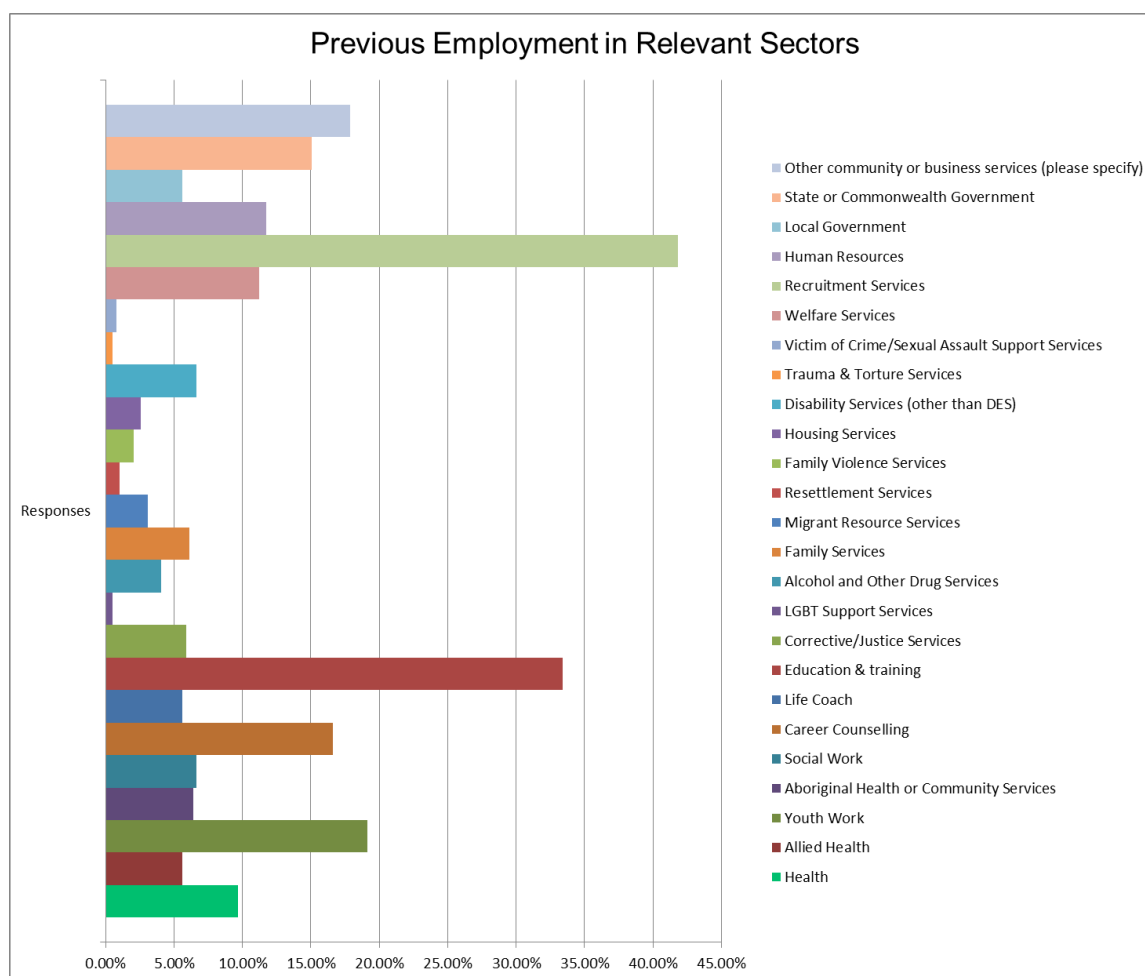
Chapter 3 – Graph 2: Highest Level of Qualification^{xi}



Source: Australian Employment Services Workforce Capability and Diversity Survey (2018)

Of the survey respondents 49% had previous paid employment in a sector relevant to the delivery of employment services.

Chapter 3 – Graph 3: Previous Employment in Relevant Sectors^{xi}



Source: Australian Employment Services Workforce Capability and Diversity Survey (2018)

Employment services workforce diversity facts

78%	Female	26%	Speak 2 languages
40%	have caring responsibilities	9%	Identify as having a disability
6%	Identify as Indigenous	36 – 40	The median age
20%	Identify as Culturally and Linguistically Diverse		

Employment services have a unique operating environment and all new staff require industry/program/Deed specific training. NESA, in collaboration with providers, has developed a Professional Recognition Framework for the sector. The disruption to the market as a result of the 2015 tender process and significant drop in provider numbers has resulted in this initiative being put to one side. However NESA is active in capacity development and delivers an extensive professional development program, a Practitioner Toolkit and is soon to launch communities of practice.

The greatest threat to our workforce is provider instability as a result of commissioning and the administrative burden. While we retain staff within the sector who become displaced at contract end, those that leave due to the administrative burden exit the sector. The sector considers that diversity of staff experience is a strength which may be compromised by the introduction of minimum standards.



CHAPTER 4

Empowering job seekers and employers through improved online services.

Empowering job seekers and employers through improved online services.

Technology is changing and employment services need to change with it

The employment services sector understands that technological advancement is changing existing skills and industries and creating new ones. Furthermore, we recognise that more Australians are likely to change jobs and careers more often, and the nature of work itself is changing. Successful labour market transitions require whole-of-Government strategies to ensure Australia has an agile workforce that is able to adapt as technology continues to change the nature of work. The sector considers that early intervention strategies to facilitate and encourage lifelong learning, re-training and up-skilling before displacement from the labour market occurs are advantageous. Within such strategies, platforms and service design with emphasis on leaving no-one behind should be a core principle to ensure all Australians continue to have opportunity for inclusion through employment and support workforce participation to enable a vibrant economy.

Smarter use of technology

The employment services sector recognises the way in which technology is assisting employers to manage their human resource needs more efficiently, and concur that recruitment is increasingly online. More employers use a range of online platforms such as SEEK and Indeed to fill jobs as well as businesses, particularly large employers, having dedicated recruitment platforms.

Employment services recognise that increased and smarter use of technology within employment services can have many potential benefits. However, it must be recognised that technology in employment services is not a new phenomenon, with a range of online services and apps having been integrated into the framework since 2003 including online job boards with job aggregation, matching systems and profiling tools. Job aggregation from other job boards accounts for a significant proportion of vacancies currently displayed on JobSearch (e.g. when filtered by 'exclude other job boards', the 25,000 Victorian jobs displayed reduced to 1050 (August 2018)).

Learning from the history of technology in the employment services landscape is essential.

Chapter 4 - Box 1: Job Network 2003 -2006 Job Placement and Matching Services^{xiii}

The first introduction of auto job matching and job aggregation on the JobSearch site occurred in 2003 as part of the Job Network 3 reforms. These reforms were transformational and included implementation of the Active Participation Model enabling all job seekers to connect and remain engaged on a continuum of individualised services for the first time. The ANAO examined Job Network 2003 -2006 Job Placement and Matching Services with the report (2006) indicating the following:

DEWR has been successful in increasing the number of vacancies listed on its online national vacancy database, JobSearch. Over 2.2 million vacancies were created on JobSearch in 2004–05, a substantial increase over previous years. This increase was largely the consequence of the inclusion of vacancies from commercial online job boards, MyCareer and CareerOne.

DEWR has not assessed the impact that increasing vacancy lodgement on JobSearch has had on improving the employment prospects of registered job seekers. The ANAO found that increasing the number of vacancies on JobSearch does not appear to have translated into a commensurate increase in eligible placements. This is because many vacancies are not appropriate to job seekers' occupational preferences (there is, for example, a misalignment between job seekers with a preference for factory or cleaning work and the number of listed vacancies sourced from the commercial online job boards in these areas), and job seekers do not compete for vacancies on an equal footing.

The ANAO considers that DEWR should assess the impact of increasing the number of vacancies in JobSearch in achieving job seeker employment outcomes, as this would enable DEWR to ascertain the return on its investment in increasing the number of vacancies lodged on JobSearch.

*To enable electronic matching, Job Network Members are required to conduct new referral interviews with job seekers, part of which involves entering job seekers' vocational profiles' onto JobSearch. This has been a time consuming and costly undertaking, that has to date, resulted in few job placements. A small proportion of job seekers benefit from electronic matching. **Placements attributable to electronic matching accounted for around 1.3 percent of eligible placements in 2004–05.***

Experience demonstrates there is high risk of reputational damage with both job seekers and employers, if technology driven job matches are poor and job postings are inadequately vetted.

Chapter 4 - Box 2: Job Network, the 3rd Contract E-Brief Online^{xii}

E-Brief: Online Only issued 11 August 2003; updated 26 September 2003

Steve O'Neill, Analysis and Policy Economics, Commerce and Industrial Relations Group

"Job seekers had alleged in the early weeks of July that they had been wrongly matched to jobs, some of the allegations were:

- ▶ a middle aged female accounts clerk being matched with a position of a chain-saw operator in the timber industry and later offered a position as a prostitute: *Job agency logs an imperfect match, The Australian, 25 July 2003; A jobs choice joke shocks, Mercury 25 July 2003*
- ▶ a male being offered work as an escort: Abbott on defensive over jobs scheme, *The Australian* 17 July 2003
- ▶ and another male being matched with an offer by a potential employer to access the jobseeker's bank account for the purposes, it appeared, of laundering money. *Why Job Network won't work for Tom, The Age* 16 July 2003"

Protection of online users

In a digital only service environment, adequate protections in place for vulnerable job seekers are essential. The sector notes vacancies currently advertised on JobSearch often lack detail such as rates of pay/confirmation of award conditions and include vacancies posted as employment but with detail suggesting these are in actuality contractor opportunities e.g. ABN required. This is in stark contrast to the rigour required of employment services providers to record and verify minimum standards of employment and appropriateness of vacancies according to the Department's guidelines. The sector notes it has raised concerns regarding the veracity of PaTH internship positions posted, with some employers recording high volumes of positions that appear to be targeting reduced labour costs rather than offering a pathway to employment. While an effective online job board is highly desirable, free services are likely to attract predators, and job seekers are more likely to trust vacancies posted on a government website. Ensuring that online services have the highest security will be paramount if job seekers are to disclose the personal information required to receive assistance.

Chapter 4 – Box 3: Fraudulent Activity Shut Down on jobactive Friday 3 August 2018 (DJSB Website)^{xiv}

"The Department of Jobs and Small Business has identified and resolved fraudulent activity related to employer advertisements on the jobactive website. Scammers obtained the usernames and passwords to 15 employers' accounts and used them to post fake job adverts. This activity was picked up by internal security systems and immediately investigated. The department closed the relevant accounts and removed the job vacancies within 48 hours. The department has this morning begun the process of notifying all affected employers and job seekers. No complaints of personal information being maliciously misused have been reported."

We note no notice of fraudulent activity posted on the JobSearch site to inform users.

In reviewing vacancies on JobSearch in preparation of this submission, we identified vacancies that contained a link to an external online application process. When investigated, the application required candidates to answer spurious mandatory questions such as ethnicity, hair colour, marital status and household income. In addition, as per the extract below from the online application site, it required job seekers to upload personal information sufficient to commit identity fraud. Other employers offering similar roles did not request this type of information or documentation.

"IDENTIFICATION FOR YOUR APPLICATION

There is a document upload button available at the bottom of the 'MORE' section when you scroll down.

The accepted forms of ID to allow us to verify your identity, which is a mandatory employment requirement, are drivers licence, proof of age card, passport or any other approved photo ID. (Just a photo of you will not be acceptable.)

If ID is not attached to your completed application, then you will not receive any assignments going forward."

The role of data analytics

Employment services providers utilise a range of strategies to source suitable vacancies matched to their job seekers' needs, including online recruitment. These online recruitment services are increasingly using sophisticated tools to filter and shortlist candidates matched to their business needs. While efficient for employers and truly job-ready job seekers, the focus of these systems is to exclude potential candidates to identify the best available talent, generally resulting in lower success rates for disadvantaged job seekers.

The Promise of the Sharing Economy among Disadvantaged Communities (2015)^{xv} research indicates *that disadvantaged job seekers (e.g. unemployed job seekers who are low income and live in low-SES areas) are being 'left behind' and will continue to be 'left behind', as the Internet takes on a more significant role in the employment process.*

The sector acknowledges the advancements in technology achieved since the time of the ANAO report cited earlier. However, some things have not changed, including the diverse characteristics and depth of disadvantage amongst job seekers and employer service expectations. With the falling levels of unemployment, the concentration of disadvantage in the Australian employment service caseload has effectively grown.

The manner in which algorithms within e-recruitment systems identify candidates is increasingly under scrutiny. The Human Rights and Technology Issues Paper (July 2018)^{xvi} provides examples of potentially unjust consequences from AI-informed decision making noting the use of algorithms to target job opportunities on the basis of age, gender or some other characteristic; and job-screening algorithms that exclude applicants with mental illness. There has also been broader discussion internationally regarding the use of algorithms to detect and exclude candidates based on duration of unemployment.

Chapter 4 - Box 4: The Human Rights and Technology Issues Paper (July 2018)^{xvi}

In relation to fairness and non-discrimination the paper states:

The challenge of balancing the convenience of AI-informed decision making and machine-learning technologies with various risks – such as entrenching gender bias and stereotyping – has only recently been identified. When considering bias, it is not only the operation of the algorithm that needs to be considered. Rather, choices made at every stage of development – for example, by software developers in designing and modelling their technology – will be embedded in any AI-informed decision making system.

Without humans to detect or correct these problems in autonomous systems, the impacts may go unnoticed and unaddressed, and result in harm. This can entrench social injustice in AI-informed decision-making systems. This injustice can reflect unintended or unconscious bias derived from the actions or values of people creating the technology, and in the limitations of the data used to train it.

The employment services sector notes that the paper proposes to improve candidate-filtering tools to provide recommendations of suitable job seekers to potential employers, including by matching skills, enthusiasm and experience of the job seeker. Deriving factors such as enthusiasm from online interactions appears highly questionable and leads to concern of misinterpreting those issues influencing levels of job search activity and engagement such as depression, ill health, bereavement, internet access and other personal circumstances, as a lack of enthusiasm to find employment.

Technology-based job matching systems will only be as strong as the data entered. Ensuring job seekers have the capacity to identify and record their skills and experience as well as use systems effectively will be critical to online employment services. The support currently provided behind the scenes to job seekers, enabling their use of existing tools should not be underestimated. Many job seekers require significant support to navigate sites, identify suitable vacancies and complete online applications. While placements of job seekers achieved through online recruitment is classified by the Department as Found Own Employment, (FOE: as the provider is not managing the vacancy on behalf of the employer), it is erroneous to assume outcomes would have occurred without individual assistance from employment services.

Employers are diverse and the needs and preferred recruitment methods of SME and large enterprises differ. Designing a system, which SME and large enterprises equally embrace will be challenging. Job aggregation results in duplication of vacancies that can be misleading to job seekers and distort vacancy monitoring. Additionally, ensuring job seeker profiles and vacancies are updated regularly will require significant resources to ensure efficiency for users and minimise effort responding to closed vacancies or matches of candidates not available for work such as during periods of exemption. The paper does not elaborate on the investment required to build online employment services and while job boards and aggregation strategies centralise and make vacancies more visible, they do not create employment or address the misalignment between employers' needs and the skills of job seekers. ^{xvii}

Chapter 4 – Box 5: The Australian Chamber of Commerce and Industry (ACCI) Comments on the Exposure Draft for Employment Services 2015 – 2020: ^{xvii}

“For those operating in the employment policy area, the single biggest source of frustration is that although it is known that there are jobs available in Australia, at all levels of skills, we seem to have systemic issues that prevent the large number of job seekers from taking them up. We know some of these barriers include: job readiness, personal circumstances including health and family responsibilities, lack of labour mobility, skills mismatch and the like”.

As suggested in the ANAO report previously noted, a cost benefit analysis with particular emphasis on the placement rates of disadvantaged job seekers through the job board function is highly recommended. The sector considers that an analysis of placements achieved through public employer lodged vacancies, job board aggregation and employment services providers on the current JobSearch site would be a valued starting position. This could include factors such as fill rates and proportion filled by income support recipients compared to the wider population which will include those already in employment seeking change.

Online user considerations

The effectiveness and potential efficiencies of online tools will only be realised if job seekers have access and the capacity to utilise them. The sector recognises that 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 which disadvantages them in their search for work and potentially how they interact with employment services and the income support system into the future.

As the paper states, Australians are embracing digital technology: 88% own a smartphone and 86% are on a 4G internet network. While The Australian Household Use of Information Technology 2016-17 (ABS)^{xviii} report says our homes are more connected, we are doing more online, and we are using an increasing number of connected devices, there is little argument that the digital divide continues.

Measuring Australia's Digital Divide – The Digital Inclusion Index 2017^{xix} reports in general, Australians with low levels of income, education, and employment are significantly less digitally included. The Australian Household Use of Information Technology indicates the number of people using the internet is not growing. The basic parameters of digital inequality in Australia are age, geography, education and income and these continue to define access to and uses of online resources with almost 2.6 million Australians not using the internet and nearly 1.3 million households remaining unconnected according to ABS figures.

Most people with jobs (95.1%) are online, compared to just 72.5% of those not employed. Migrants from non-English speaking countries are less connected (81.6%) than those Australian born (87.6%). Australians with higher incomes are substantially more likely to have internet access at home, than those with lower incomes. 96.9% of the highest quintile income households have internet access at home compared to only 67.4% of the lowest quintile and 75.3% of the second quintile. Earlier Australian Household Use of Information Technology surveys explored reasons for not being connected, revealing cost was a factor keeping households offline, consistent with information that these households were from the two lowest income quintiles. In addition to cost, the two lowest income quintile households reported lack of knowledge and/or confidence to use the internet.

Measuring Australia's Digital Divide 2017 report^{xix} dives deeper to identify that more than 4 million, or 1 in 5, Australians access the internet solely through a mobile device with no fixed connection. Sociodemographic groups that are Australia's most digitally excluded in 2017, with scores well below the national average (56.5) in ascending order are: people in low income households (41.1), people aged 65+ (42.9), people with disability (47.0), people who did not complete secondary school (47.4), Indigenous Australians (49.5), and people not in paid employment (50.2). The report states that despite the benefits of mobile internet, this group have limited access to more advanced online activities, are characterised by a relatively high degree of digital exclusion, and possess a wider digital ability gap. As such, access to the internet and digital literacy are not mutually inclusive and need separate assessment. We note that providers assisting Culturally and Linguistically Diverse job seekers report high ownership of smart phones as these are often available in plans with international calling features, however many report struggling to use them for purposes other than phone calls.

Design of an online employment services platform must also consider the disparity between major cities and the bush, which have not narrowed over time. The Australian Household Use of Information Technology 2016-17 (ABS)^{xviii}

states that 87.9% of those living in major cities have internet access at home, compared to 82.7% in inner regional areas, and 80.7% in outer regional areas who additionally have fewer public internet access options. Design should also consider locational disadvantage related to bandwidth and connection quality required to enjoy full use of online resources such as online education, video streaming and the like.

Building Skills for All in Australia: Policy Insights from the Survey of Adult Skills Report, (OECD 2017)^{xx} reviewed basic literacy, numeracy and problem solving in technology-rich environments (PSTRE), surveying a cross section of the community. The report highlights that around three million Australians of working age have either low numeracy or literacy skills, or both, and such skills gaps contribute to disadvantage and weaken innovation and economic growth compared to countries more successfully investing in the skills of their people. Australians who performed in the PSTRE computer-based assessment did well. However, 4% of prospective participants had insufficient skills to complete the assessment and 14% opted for a paper-based assessment that may indicate a wider lack of familiarity with computers. Typically, countries with strong PSTRE had an 'opt out' rate approximately 29% lower than Australia. This outcome may be further indicative of the digital divide in Australia. Robust investigation of job seekers' literacy (language and digital) is required and strategies developed to address literacy are required prior to implementation of a digital only employment service.

Robust strategies to assess and address digital literacy, access to technology and the cost of data must accompany consideration of a digital-only platform to service some job seekers. Additionally, design of the platform to enable effective mobile-only use is imperative. The paper comments that job seekers may be able to have public access to the internet such as libraries or enhanced services facilities. The sector notes that the level of investment in site resources including size of offices, number of training rooms etc., is a function of caseload size. Providers are experienced in hosting facilities and note the high level of staff

resources deployed in supporting job seekers to use self-help facilities and their considerable maintenance costs. Adequate financial arrangements would be required to support open access to such facilities under revised arrangements, if offer of their facilities is included. Offer of a digital-only service should include a comprehensive help function that incorporates responsive phone support for those unable to navigate the digital environment. Repeated phone support requests should serve as a trigger for review of the need for face-to-face assistance.

A closer look at international online employment services experiences

Employment services recognise the importance of moving forward with technology. However, how technology is implemented and integrated within the wider employment services framework to ensure it delivers, as the paper contends, a better employment service, is critical. The employment services sector understands that there is increasing use of technology in public employment services (PES) internationally^{xxi}. The international examples of the Flemish, German and Dutch public employment service given in the discussion paper are valid in so far as they have pronounced use of digital components in their employment service offer, but consideration of their national and regional contexts is required.

The Inclusive Internet Index, produced by The Economists Intelligence Unit^{xxii}, seeks to measure the extent to which the Internet is not only accessible and affordable, but also “relevant to all, allowing usage that enables positive social and economic outcomes at individual and group level.” Australia ranks 25 out of 86 countries, well behind those countries cited in the paper based on the scores for Availability, Affordability, Relevance and Readiness.

The success of the Flemish employment service VDAB's digital-by-default approach comes from a relative high affinity of Flemings to ICT and the companion training by VDAB to improve the digital skills of their clients.

While the philosophy of the digital first approach is to empower the job seeker and rely on his/her sense of

responsibility, VDAB invests in capacity to monitor, enforce client behaviour and build capacity and we note digital first does not necessarily mean digital-only. Digital skills, including navigation and online information management skills are assessed regularly and improved where necessary. For running the shift to digital channels, VDAB offers an open source system, which makes data and online services freely available and allows clients a low threshold access to digital employment services, for example through mobile apps, as opposed to lengthy registration procedures on centralized job banks. The job profile which clients set up and maintain online collects AI-based metadata about the client's job browsing behaviour and transversal skills development. For this, VDAB has programmed and implemented skills assessment software that uses competence-based and matching small agile job banks.

VDAB has a strong emphasis on digital first, with job seekers commencing by registering online with the “registration wizard” which poses targeted, AI-driven questions in order to discover how the job seeker views his/her search for work and what his/her personal situation is. Where a job seeker does not manage to navigate or run his/her file online without help of the phone hotline, face-to-face contact is offered. This preparatory work is stored in the personal digital dashboard and the information collected is available to an employment officer to improve the efficiency of face-to-face interactions with job seekers, conducted from 3 months. Vulnerable groups, especially clients with disabilities, are assisted face-to-face, while still encouraged to use digital first in tandem.

The IT and online affinity of Dutch people is among the highest in the world. As such, the Netherlands have been an early adopter and have a mature system of online employment services reflective of their job seeker base, however face-to-face service is still available on demand. The Netherlands have service innovations like ‘CV Quality Card’ which allows job seekers to look beyond their obvious occupation weekly in a digital-only format and it shows individual jobs that people with a similar profession are looking for.

The delivery of employment services in Spain depends largely on the regional and local municipalities (autonomas), which all have different digital implementation strategies. The reference to the high customer satisfaction with digital employment services in Spain is difficult to identify since the digital coverage of public employment services there remains at an intermediate level. We note that in Spain, online services are available for those in receipt of unemployment benefits and functions akin to those delivered by Centrelink. In 2013, Spanish citizens recorded their satisfaction with these online services at 78%, better than face-to-face services at 72%.

The cited German 4-phase model for assessing clients' skills is a crosscutting service model determining all subsequent steps of profiling, matching; skilling and enforcing. The complex system relies on a large group of qualified case workers and psychologists, who in face-to-face contact, identify opportunities and obstacles to integration differing between personal obstacles, such as attitude issues, and environmental obstacles, such as weak infrastructure to get to the workplace. Following assessment, clients are classified into one of the following groups corresponding to their need for support including needs in dealing with any digital offer:

- ▶ **'Market profiles'** have no need for support as they usually have a solid skills portfolio, are self-motivated and show the probability of integration into the labour market within the next six months.
- ▶ **'Activation profiles'** show the need for support in the key group "motivation" and have a probability of integration into the labour market in the next six months. These profiles primarily require activation, their qualifications are in principle demanded in the labour market, but the clients may have been seeking in a regional and/or professional environment that was unfavourable to their background or situation (and had low digital coverage). If necessary, a career alternative or the willingness to increase mobility and flexibility must be developed.
- ▶ **'Support profiles'** need help in one of the three key groups "qualification", "performance" or "framework conditions" and have a general integration perspective.

- ▶ **'Development profiles'** are more intense support profiles with additional issues such as a difficult family situation or a medical condition and a low to non-existent chance for integration within the next twelve months (in general either not connected to the internet or with low digital literacy).
- ▶ **'Stabilization profiles'** are already in work but need help to remain in the labour market for the next 12 months.

The PES in Germany has significantly redeveloped digital services over the last few years to improve usability. A multi-channelling approach that would put digital first, however, is not yet an integrative component of the services. Some (digital) channels are indeed targeted more decisively to young clients, but the different service channels are still parallel, i.e. positioned next to each other letting the client chose which one to use. While the German PES aspires to put a digital channel at the heart of its services, it is likely to continue to provide classical channels as many people in remote areas of Germany, akin to Australian regional areas, do not have good internet connection and a rather high proportion of people in Germany have insufficient digital literacy skills to navigate the resources.

In countries with a traditionally low outreach of PES to employers, like in Latin America and the Caribbean, where public services struggle to connect to more remote areas, digital services have a potential to increase coverage, but in reality have not done so yet. The necessary trust building will require a mixed channel approach at best with an emphasis on face-to-face and customized contact.

While many of the more developed employment services strive to offer a holistic career transition service to all job seekers, the largest client group remains those further away from the labour market, and, in a correlation of socio-economic and digital divide, the less digitally skilled. According to a recent consultation of the European Network of PES to a European Council recommendation on job integration, vulnerable groups in the labour market will benefit most from accessibility of services, coordinated inclusion actions and an emphasis on the mutual obligations

of the employability process. The most effective methods for inclusion of long-term unemployed clients over 55 and those with lower digital literacy were workshops and regular face-to-face contact with employment services. Young long term unemployed clients have the best results with on-the-job mentoring. While all of these approaches can be included in digital service components, they are not primarily delivered in a digital environment.

It is fair to say that despite the overall increase in the usage of the electronic channels in the EU, especially in Southern and South-Eastern European countries, job seekers are more inclined to use face-to-face and other traditional channels. This is because fewer citizens in those EU regions have access to the Internet, and those who have access are less inclined to use online services offered by the government.

Omni-channelling: The digital channel is evolving into the backbone of service delivery in developed countries but traditional channels are not disappearing, just shifting their function. For example, the telephone becomes more and more a support channel for online services and the richness of face-to-face interaction for building capacity, training and relationships remains valuable to solve complex and ambiguous situations.

The focus of successful employment services seems to be blending the channels in a client-oriented way rather than suppressing or replacing non-digital channels. Clients are demanding a seamless experience when switching between channels, requiring the employment service to reduce mistakes and ease administrative burdens, for example by not requiring the job seeker to enter the same information multiple times.

Employer services: Public employment services, which devote a significant part of their capacity to serving employers, such as the German or Flemish one, do not necessarily emphasize that an increased use of digital services has improved, or will improve the quality in

communication with employers. On the other hand, employers, as mentioned in the discussion paper, say that they need an overview of services available and an individualised approach. Small and medium-sized enterprises which might not have time or financial resources to run their own human resources department, especially need help with all the steps of skills recruitment and integration into the company, both of which can be done digitally only to a certain extent.

While good in theory, offering online services to enable employers easy access to skills often reportedly ends up in poor matches and lack of updated vacancy information when not properly supported by employment service staff or sufficiently intelligent and sophisticated matching systems. It is worth noting that even public employment services with elaborate employer service and digital channel options, like Germany, have limits to their outreach and filling rate. To illustrate, the German BA received approximately 731,000 vacancy lodgements from the 1.2 million new job vacancies in 2017 and BA reported vacancy fill speeds at an average of 102 days, unacceptable in the Australian context.

Investment into ICT: There is so far no targeted examination of government investment in systems responding to the new world of work, especially digital ones. In 2017, Germany invested approximately 90 million EUR in their ICT and reported helping approximately 2 million people into jobs and off benefits. VDAB invested approximately 30 million EUR, and reported moving 150,000 clients off benefit. However, given the coexistence of traditional channels of assistance it is difficult to attribute the actual outcomes produced from investment into digital services.

The global discussion on reforming employment services to improve assessment of employers and job seekers needs to focus more and more on the use of digital services to reflect what is happening in the new labour market with emphasis on reducing delivery costs. A discussion of the 'PES to PES Dialogue', a benchmarking initiative of public employment services in the EU, recognized that the introduction of digitalised services for job seekers requires time, planning

and well-functioning technology with suitable back-up systems in place. The employment services sector finds the claim that tailored online experiences could be more efficient and effective in helping most job seekers to find work than traditional face-to-face servicing highly questionable. A review of literature, while supporting efficiency and cost reduction, lacks substantiating evidence that suggests digital services are more effective forms of assistance or that they are likely to result in a reduction of unemployment duration. The 'PES to PES Dialogue' highlighted that ***there is a risk that the focus on efficiency when digitalizing to reduce the operating costs can unintentionally lead to a reduction in effectiveness.***

The following aspects of the current implementation of a more digital employment service agenda set some pointers to further discuss aspects of employment service transformation.

- ▶ When international employment services talk about digitization of their services they often mean widening their online offer without addressing or considering new possibilities of open and shared job banks, AI-matching of skills and vacancies, and contact management by social robots.
- ▶ While many employment services refer to managing transitions in work life as the main driver of their service, the rising trend of finding work on platforms and through gigs as well as the high number of transitions needed in portfolio careers is not sufficiently targeted yet.
- ▶ The digital coverage of published vacancies, for example of 60% in Australia, is not high, especially given the fact that most vacancies are not published but are filled through network contacts. Thus, a push towards digital employment services might not cover a relevant enough share of actual job openings yet.
- ▶ A significant number of employers serviced by employment services are SME and in several countries experience, do not necessarily have a great appetite or capacity to switch to a more digital human resource service, especially if they lack sufficient digital skills themselves. Again, too early a push towards digitization might disconnect employers from the service.

In summary

Moving to a digital-only platform is a significant and untested change in the local context. The sector acknowledges that an online trial was due to commence on the 2 July (with some minor delay due to technical issues) and will run for two years until July 2020 involving up to 10,000 job seekers. The sector is concerned that the timeframe does not allow for sufficient evaluation. Additionally, the selection criterion for the trial group is not random and only involves newly registered job seekers. Participation in the trial is optional with those lacking internet access or digital literacy excluded, or opting out. The trial does not reflect the implementation of the proposed digital-only online employment services, which we understand intends to allocate new job seekers and move the majority of existing job seekers from face-to-face services to online-only assistance based on classification measures rather than choice or assessment of actual, rather than comparative, disadvantage.

A number of Australian employment services providers have invested in online servicing initiatives, co-designed with job seekers and employers. Their experiences have consistently shown that, despite delivering face-to-face training in use of the online service, job seekers have significant ongoing support requirements in its use that limits its effectiveness and negates potential efficiency gains. Employers have also demonstrated a preference for personal service, with an expectation that their employment services will absorb administrative requirements involved in recruitment such as developing and posting vacancies, matching and screening as well as providing commentary on candidates.

The sector considers careful consideration and targeting of a digital-only service to those recently unemployed, at low risk of long term unemployment and the digitally literate

Recommendations:

1. Robust investigation of the level of digital literacy and internet access amongst the job seeker population to inform framework design, final recommendation of target users and transition considerations.
2. An Omni Channel approach is preferred, with provision of online services alongside limited face-to-face services increasing intensity of contact from three months unemployment duration. There is ample evidence that duration of unemployment is a significant indicator of probability of finding future employment. While recently unemployed job seekers may be skilled vocationally, many lack effective job search skills. A lack of guidance and training in such areas may result in increases to duration of unemployment and negate the benefits of early intervention currently achieved through early access to face-to-face employment services that assists speedy and efficient re-engagement with the labour market for many.
3. In line with the recommendations of the Australian Government Competition Policy Review^{xxiii} cited in the paper is that “in many instances, users (rather than governments or providers) are best placed to make appropriate choices about the human services they need.” User choice provisions to opt in to a digital-only service should be adopted with capacity to transition to face-to-face where difficulty is experienced, e.g. automatic offer of face-to-face assistance to job seekers requesting support to complete registration/commencement of digital-only services and where a pattern of repeat requests for support are logged.
4. Job seekers entering the warning phase of the Targeted Compliance Framework are offered face-to-face assistance to ensure they have adequate support to review appropriateness of activity requirements and their capacity to meet them.
5. The sector contends that no long term unemployed job seeker (12 months+) should be transitioned to or remain in online only services, unless by choice. DSS demographic data March 2018ⁱⁱ indicates that of the 750,412 Newstart recipients only 24% have been on income support for less than one year and approximately 40% of Stream A (the implied target group) are either long term or very long term unemployed.
6. Increase digitalisation of administrative functions to enable resources to be directed to face-to-face service provision.
7. Develop and invest in digital literacy strategies to enable users to effectively use available tools.
8. Provide digital-only users with financial support to access and offset the cost of participation in online services (data and connectivity).
9. A digital-only service must provide all the foundational employment service elements currently available. Tools within the digital platform should enable identification of strengths and barriers, change of circumstance, connection to appropriate services/supports to address issues and skill development needs, as well as job search training and support. Post placement assistance is required to ensure that sustainable outcomes are achieved and that online services do not increase job seekers experiencing cyclical spells of unemployment.
10. It is essential that the platform is engaging and provides tools that support the optimism and motivation of job seekers to minimise the significant decline in mental and physical health often accompanying unemployment and to ensure that more Australians do not move out of the labour force.
11. A robust monitoring and independent evaluation strategy should accompany implementation to provide confidence to the Australian public that the next generation of employment services remains committed to full employment and to breaking the economic and social scourge of unemployment.



CHAPTER 5

Better meeting the needs of employers.

Better meeting the needs of employers.

Employment services recognise the central role of employer engagement to the successful delivery of employment outcomes. Their capacity to place more than one million job seekers since the commencement of jobactive demonstrates their ability to prepare job seekers for and find work using diverse strategies. This includes direct employer engagement, working with other labour market intermediaries, assisting job seekers to navigate employers' individual recruitment processes and developing job seekers' independent job search skills.

Employers would appreciate a sophisticated online job board that enables them to more easily access candidates that meet their needs. To be attractive the job board must be easy to use and deliver good quality matches. As the sector has experienced, a system that produces poor matches can result in reputational risk with both job seekers and employers. Given the established market position of commercial job boards such as Seek, which include sophisticated filtering tools, the online service would need to offer broader services to attract direct use rather than rely on job aggregation to support the majority of advertised vacancies. Promoting financial incentives, and including information about other resources such as enhanced services, apprenticeships, internships and work experience host opportunities may be a point of difference.

However, the sector considers that it is prudent to exercise caution investing in tools that replicate those commercially available in the marketplace. The central question is whether employer online services have a primary objective of servicing employers or of engaging them for the purpose of gathering vacancies to assist more unemployed and underemployed people to secure work. As stated elsewhere in this response, research indicates that disadvantaged job seekers are being 'left behind' and will continue to be 'left behind', as the Internet takes on a more significant role in the recruitment process. Filtering tools are attractive to employers as they help to reduce potential candidates to secure the best talent, often favouring those with existing

employment or recent work. If a job board does not attract employers to lodge vacancies directly, promote disadvantaged job seekers into work or act as an engagement tool for enhanced services then it is of low value to the objectives of employment services and emphasis should transfer to using resources for other strategies that may include a central digital information board.

Australian employment services have a unique role in the labour market. Australian employment services are distinctly different to private sector recruitment services. Both Australian employment services and private sector recruitment services seek to support employers to find the right people for their business. Unlike the recruitment sector, Australian employment services also have dual responsibility for employer and job seeker. With job seekers, the prime focus is on assisting their preparation for, finding, and keeping work. The recruitment sector operates using pull strategies to source potential candidates including those already in employment that best match their employer clients' labour needs. The private recruitment sector is a valued element of the labour market intermediary landscape. However, it is important to understand that even in labour markets well serviced by the private sector, there is a strong need for services focused on job seeker capacity building to achieve employment inclusion for disadvantaged job seekers.

To illustrate, in 2003 the Department at that time initiated a Job Placement Only Licence program enabling the recruitment sector to claim payments for employment placement of eligible job seekers. At this time there were 110 Job Placement Licences held by contracted employment service providers and around 375 Job Placement Licence Only (JPLO) organisations. The Australia National Audit Office Job Placement and Matching Services Report (2006)^{xxiv} indicates that by 2006 despite JPLO outnumbering contracted providers by 340% they accounted for 37% of all placements of eligible job seekers, with the proportion of those placed being disadvantaged (FJNE) significantly lower than contracted providers.

As the job placement information about the largest employers of job seekers from jobactive in the appendices attest, the sector works in a complementary manner with recruitment firms such as Chandler McLeod, Skilled and Tailored Workforce. This includes Australian employment services purchasing employer-led training to prepare job seekers for specific roles that they have available. Providers work to employers' preferred recruitment processes and actively assist job seekers to prepare online applications with employers such as Coles, Woolworths and Bunnings. These placements are classified as Found Own Employment as the provider did not manage the vacancy, but it is erroneous to assume they would have occurred without the assistance provided. Providers have also assisted these employers directly by delivering demand-led initiatives with focus on employment of general and targeted diversity groups.

Throughout the history of contracted employment services, and the CES before it, there has been recognition of Found Own Employment outcomes and acknowledgement of the efforts underpinning their achievement. Employers have diverse preferences for how they recruit and employment services seek to exploit all possible avenues to drive job seekers' employment opportunities. This includes empowering job seekers through development of their independent job search skills to assist them to tap into the hidden job market, use networks and self-canvass opportunities. There are fewer vacancies than job seekers and capacity to positively activate independent job search should be seen as a strength not a weakness.

Providers develop local intelligence regarding employer recruitment practices and coach job seekers accordingly. For example, a large regional meat processing business only recruits job seekers that demonstrate sufficient eagerness to cold-calling for work at the commencement of the morning shift at 6 am 3 days in a row. Providers coach job seekers in cold-calling skills, transport and mentor them to approach employers directly in areas containing work suitable to their experience such as local industrial parks. Many providers have established recruitment arms to complement the objectives of employment services and increase their service offer to employers.

A number of providers have analysed the level of contacts to support job seekers who have Found Own Employment compared to where the provider has brokered the placement and all report there is little difference in the level of assistance provided.

Failure to recognise the multi-dimensional strategies that are required to achieve high performance demonstrates poor insight into the day-to-day activity at the frontline of employment services. It is true, a minority of job seekers find work with minimal assistance but often, in the case of both job seekers and providers sourcing opportunities it is about being in the right place at the right time. This is why employment services have dedicated staff focused on employer engagement. Given the design rationale for Stream A - more job-ready job seekers requiring minimal assistance - Found Own Employment should be an expected outcome for this cohort. Both the recruitment sector and employment services are sensitive to the slackness and tightness of the job market with employers more receptive to engage when skills are difficult to source. The complaint of employers that they receive too many approaches is testimony to the sector's efforts to make connections. In addition, a number of providers report that ESS defaults vacancies to FOE and once entered, requires a request for override as it makes no material difference to the outcome for providers if they have not changed it.

The sector notes that the Department is considering offering employers end-to-end recruitment services from enhanced employment services. End-to-end recruitment services involve a wide range of activities that funding levels have not typically supported. This includes activities such as psychometric testing, head-hunting, advertising, preliminary screening interviews and providing replacement guarantees. While providers could perform these functions, they come at considerable cost and may involve placement of non-eligible outcome candidates to meet employer requirements. The Australian Recruitment Industry: A comparison of service delivery report^{xxv} prepared by KPMG for the Department of Jobs and Small Business (August 2016) highlights that the cost differential between recruitment services and jobactive are significant.

Chapter 5 – Table 1: Commercial Recruitment Fees^{xxv}

Commercial Recruitment fee analysis

Scenario	Annual wage	Agency fee: 10%	Agency fee: 20%	Agency fee: 30%
Minimum wage	\$34,980	\$3,498	\$6,996	\$10,494
Average wage - accommodation and food services industry	\$55,931	\$5,593	\$11,186	\$16,779
Average wage – all industries	\$81,146	\$8,114	\$16,229	\$24,343

Source: *The Australian Recruitment Industry: A comparison of service delivery report prepared by KPMG for the DJSB (August 2016).*

An offer of fully subsidised end-to-end recruitment services is likely to generate concern from the recruitment sector. Providers receive funding for employer services indirectly through job seeker outcomes and only receive funding for placements of eligible job seekers on the organisation's caseload. Providers assist employers to fill all vacancies presented even where they will not receive any compensation. However, to manage operations within the terms of the Deed, providers target employers and industry based on the profile of job seekers on their caseload to minimise driving demand for vacancies that they reasonably anticipate that they and other providers in the local area will be unable to fill. Delivering on expectation is a key element of employer engagement and retention. If the intention is not to provide an elaborate service or if resources are insufficient to fully fund such an activity, then NESA recommends an amendment of the definition of "end-to-end recruitment service" accordingly.

Raising awareness

The sector has long advocated for a marketing campaign designed in collaboration with the Department. This can include use of a range of media, industry and employer peak bodies. Such a campaign should not raise expectations beyond what is deliverable. The sector has also been planning to hold a National Day of Employment with a focus on the value of work through various events held by our members across the country.

Adding value to employers' recruitment processes

Providers of employment services can and do add value to employers' recruitment processes. Employers have varying needs and personalised services are generally appreciated. Employers want providers to deliver a seamless and streamlined service, are intolerant of excessive paperwork, and prefer the provider to complete vacancy descriptions and forms on their behalf for signing. Similarly, they desire providers to make connections required to support placements such as with apprenticeship services or Job Access.

Large employers tend to have resources (human and digital) and preferred recruitment processes that they want providers to follow. This may include direct assistance managing vacancies as well as a low intrusion response with providers directing candidates through the employers' preferred channel: digital or an intermediary such as a labour hire company. Large-scale recruitment offers particular opportunities although it is likely to result in a proportion of uncompensated effort through ineligible placements. For example, a provider managed a new store opening for a large retailer involving 100 positions. The provider sourced funding from the State for training, coordinated pre-screening, delivered training and pre-employment orientation, required police and medical checks and was able to claim outcomes for only approximately 30% of the vacancies filled. Engagement of large providers in demand-led initiatives of scale can be well-supported by provider collaboration with a lead primary contact. Job seekers engage more strongly when they have line of sight to a job and demand-led strategies assist to break the skills divide and deliver on employers' expectations. However these strategies require sufficient forward planning.

Employment services' direct engagement and support of SME business is more intensive as these employers often do not have recruitment resources. Support of these employers includes assisting them with information related to wage assistance and employment obligations, task analysis to develop a vacancy and job description, pre-screening and joint interviewing, coaching on onboarding and supervision strategies, dealing with workplace issues and post placement support for both the employee and employer that may include skills training. A number of providers work in culturally diverse communities and assist employers with low literacy and language skills, often assisting them to engage with local business support services.

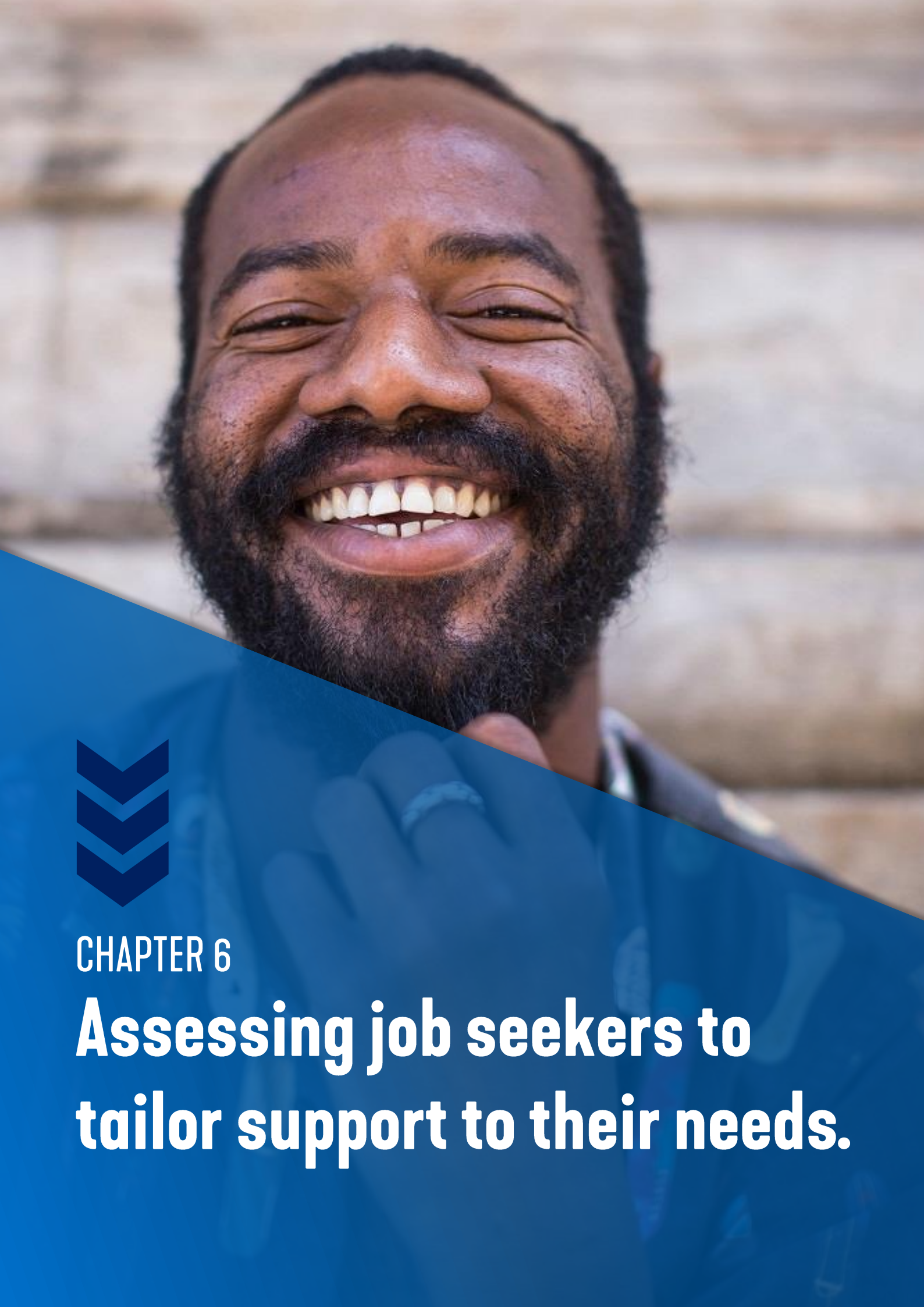
Functionality

An online employment service should represent a one-stop shop for information with links to other business services and supports. The sector considers there is merit in enabling employers to manage their wage subsidies and other claims for incentives online.

- ▶ A job board with functionality, ease of use and filter capability on par with, or better than Seek or Indeed
- ▶ Simple vacancy management with templates to construct a vacancy and job description
- ▶ Responsive help desk support by phone or enhanced services workplace visit
- ▶ Support tools such as guide to interviewing,
- ▶ Information about the benefits of diverse workforce
- ▶ Information about managing employee wellbeing
- ▶ Vacancy management alerts e.g. have you filled your vacancy
- ▶ Regular workforce statistics
- ▶ Information about local labour market initiatives

Incentives

Employers continue to seek financial support through wage subsidies to create opportunities for job seekers, particularly those who may present as a risk due to lack of or poor work history and likely to require greater supervision and support to become productive. Wage subsidies enable negotiation of role requirements with employers where accommodations, adjustments or role-carving enables a job seeker to achieve a better match. The capacity to tailor incentives and support to individual employers and their workplace needs would strengthen the service offer. Workplace support such as mental health awareness, cultural awareness and mentoring is also attractive to some employers.



CHAPTER 6

Assessing job seekers to tailor support to their needs.

Assessing job seekers to tailor support to their needs.

The sector agrees that accurate assessment and streaming is essential to ensure the efficient and effective implementation of transformed arrangements.

The sector believes that policies that perpetuate underservicing hamper performance and user satisfaction. The employment services sector has long argued that the Job Seeker Classification Instrument (JSCI), its method of administration and change of circumstance arrangements are problematic. While recognising the various reviews of the JSCI, this tool is primarily a rationing instrument which assigns job seekers to a level of service based on their relative disadvantage to other job seekers thereby ensuring program budgetary estimates are maintained. As the proportion of job seekers remaining on the caseload falls and concentration of disadvantage increases more job seekers are engaged in inadequate levels of service.

The paper rightly emphasises that disclosure is critical to job seekers receiving adequate support. However, the JSCI is conducted on first contact with Centrelink, most often by phone in a conversation lasting approximately 5 minutes. It is well understood that trust and confidence are significant factors in choice to disclose. It is not surprising that many job seekers do not disclose barriers until they have entered services and formed trust with their consultant. The challenges and restriction imposed on completing a change of circumstance including the onus on providers to work with job seekers to obtain documentary evidence results in job seekers stagnating on the caseload. The fact that a newly released prisoner, a person experiencing homelessness or mental health issues, or a newly arrived refugee subject to trauma and torture can be 'correctly' allocated to Stream A should demonstrate that the tool and/or its settings are not identifying disadvantage in the manner in which the community would expect. For some job seekers, fear about having details of their disadvantage recorded in a government system is overwhelming. If enhanced services is to make an impact on the wicked problem of long and very

long term unemployment an appropriate alternative needs to be identified.

Assessment of barriers

Rather than a relative assessment or probability of being unemployed for more than a year, access to enhanced employment services should focus on actual barriers and the nature of intervention required to address those barriers.

A tool which is used for streaming in Canadian programs and which some Australian employment services have used to support intervention planning is the Employment Readiness Scale, which has been validated using Australian norms.

The Employment Readiness Scale™ (ERS)^{xxvi} is an online assessment tool that helps clients identify their strengths and challenges in becoming employment ready, measures their changes over time, and provides organizations with roll-up reports across clients for use in program planning and evaluation. So the ERS offers a unique combination of benefits to individuals, agencies providing career and employment services, and sponsors who fund the provision of such services.

Assessment of digital literacy

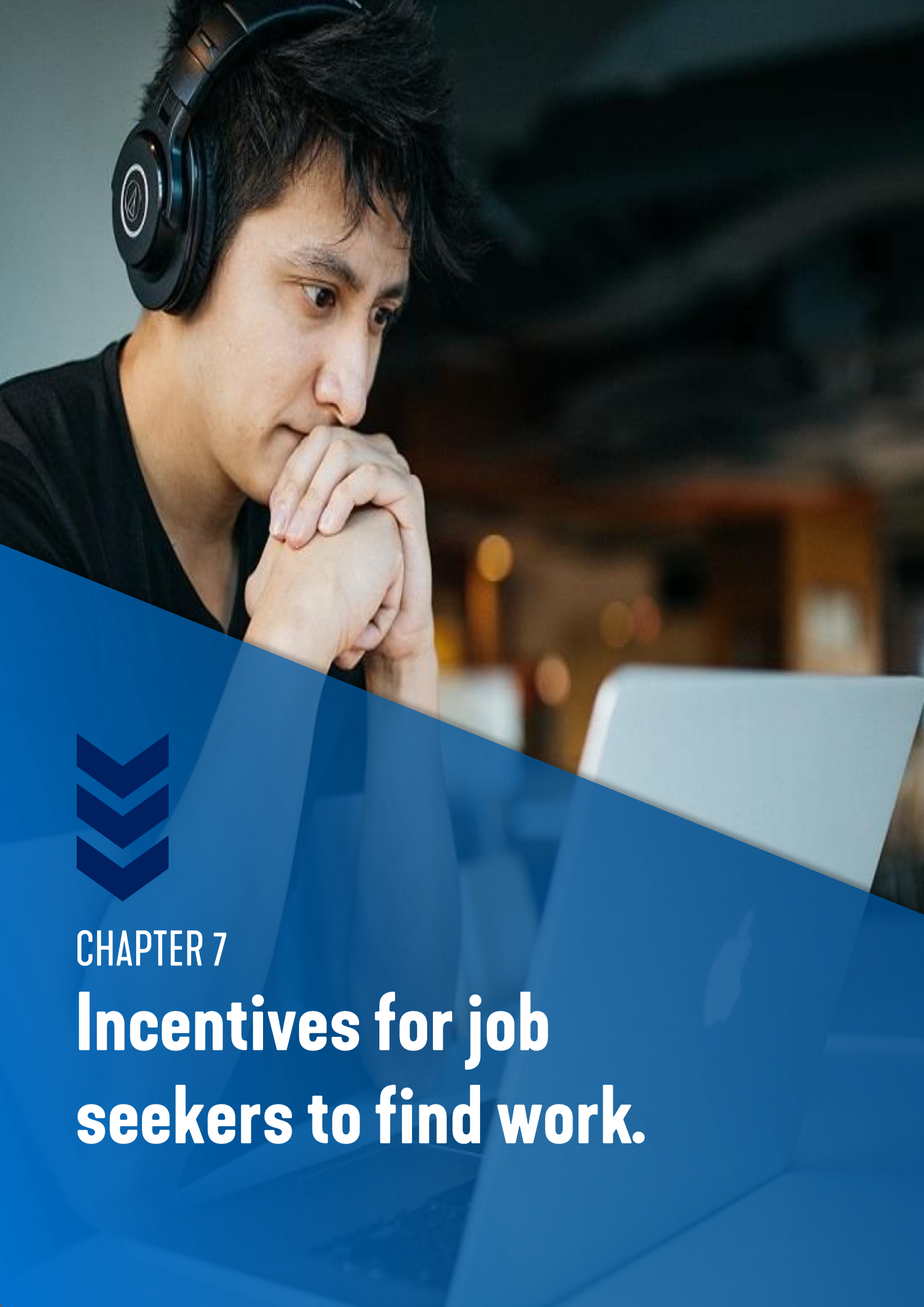
Literacy (digital and language) assessment should be included in the assessment given the prospect of a digital-only service. There are a number of online digital assessment tools which provide a summary of the skills needed by the user. Northstar Digital Literacy Assessment^{xxvii} provides open access (free) and a certified assessment (sponsor organisation pays fee) with these tools designed to be accessible for those with limited literacy providing audio and simple language options. This organisation is in the United States however there are Australian sponsor agencies that make the tool available to their clients and have provided very positive feedback. A fundamental element of assessing literacy (digital and language) is to ensure that the assessment involves a practical demonstration of ability rather than asking for a self-assessment, as illustrated in one of the case studies in the paper.

Collecting information

Job seekers' self-declaration of circumstance should be adequate at initial intake with DHS as it is currently.

Enhanced services should include streamlined arrangements for providers to request a review of circumstance. At present there is a significant waste of resources assisting job seekers to get the evidence needed to be reassessed. It should be noted that streaming does not only dictate the level of service that a job seeker receives, it also influences the level of activation, the degree of discretion that may be afforded to a job seekers' situation and explanations of non-compliance.





CHAPTER 7

Incentives for job seekers to find work.

Incentives for job seekers to find work.

The sector recognises that the vast majority of job seekers want to work and some need support to realise economic inclusion goals. The employment services sector agrees that well-designed activation policies can help job seekers find work. As the reference by the OECD, research highlights activation can be very effective. However, for some job seekers with complex needs experience indicates that a work-first approach may not deliver the intended results and sets some up for failure when they are clearly not ready for employment. Job seekers who become overwhelmed by activation may also opt out through applying for a suspension of requirements. Suspensions are a major issue on the Stream C caseload and are highly disruptive to job seekers' preparation for employment. Enabling discretion on the part of the consultant enables a genuine tailored service and job seeker choice in planning is empowering.

Activation – Digital and Enhanced

The preferred option is points. The sector notes that its experience is that job seekers find it difficult to keep track of hours, however a points-based system is more manageable.

Time Limit on Self Service

The sector considers that job seekers should not self-service without a face-to-face service for more than 3 months. The sector is well aware that some job-ready job seekers are unaware that they have poor job search skills. The longer they remain unemployed the more their chances reduce. A face-to-face session will enable fine tuning of any minor issues and identify those who are perhaps struggling or with changed circumstances.

Positive Incentive

Many countries have a balance of carrots and sticks within their activation strategies. The sector considers that those who consistently meet or exceed requirements should be rewarded, with items such as Employment Fund

Credit to purchase work related items, working credit, free online training course, or data allowance.

Planning

Person-centred planning has a motivating impact on people and will be welcomed in new arrangements. Ensuring that job seekers are given genuine agency in their employment pathway will be essential to success. As such if mandatory requirements and obligations are excessive choice becomes ineffective.

Social enterprises and non-traditional forms of work

Social enterprises are supportive workplaces that may be an excellent first step back into the labour market for short or long term work. Job seekers are generally happy to be referred to social enterprises however social enterprises often have little capacity to take on more staff. Entrepreneurial skills could potentially be fostered through NEIS or local business incubators and mentoring services. Sometimes self-employment offers the most successful pathway to economic independence. For those job seekers without strong language skills such as CALD clients, mentoring and engagement with local business support services can help to shape business ideas. There are also opportunities growing within the sharing community and support can include ensuring job seekers have the business basics.



CHAPTER 8

Targeted regional and local approaches.

Targeted regional and local approaches.

The diversity of Australian labour markets, local economic and social infrastructure require place-based local solutions.

There are a number of place-based initiatives currently in operation which have significantly mobilised local stakeholders to address entrenched disadvantage and unemployment. The G21 Regional Opportunities For Work - GROW project in Geelong Victoria has engaged civic leaders, the business community and community services in coordinated strategies focussed on pockets of multigenerational disadvantage. Stakeholders have committed to a compact and each makes a contribution through social procurement, increasing the proportion of their local spend and targeted employment opportunities. This ten year program has been running for 2 years and is making headway where considerable amounts of previous effort had not had an impact.

This model is now being replicated in Gippsland, Bendigo and proposed for Logan in QLD. Employment service providers have been engaged in the program since commencement.

Initiatives such as GROW would benefit from local governance support, local brokers or coordinators with an understanding of employment services and employer incentives as well as access to the funds.

Helping job seekers to adapt to regional economic and labour market variations

Fostering social enterprise in depressed local economies provides opportunities for job seekers to develop or maintain their skills and community connections. Social isolation is a large issue in regional and rural areas.

How could local stakeholders be encouraged to identify priorities to engage with providers and implement local solutions?

The effectiveness of the GROW model was founded in community consultation. Initially the problem outlined was the cost to community in economic and social terms. The initiative was then co-designed by local stakeholders ensuring there was buy-in and commitment to the proposed strategy. This has resulted in strong participation throughout the term of the initiative thus far. A strong community communication plan also supports the initiative ensuring those delivering on commitments are recognised. Identifying key local players who are well-respected to champion initiatives is also highly effective in regional areas.

Labour Market Mobility

Labour market mobility is a complex issue with attachment to family and community a significant disincentive to move. Where friends and families move together, improved engagement in new locations is achieved.

The technological revolution provides new opportunities for connected communities to work remotely with the right skills. Opportunities to build the sharing economy in regional areas may contribute to new pathways to financial independence.



CHAPTER 9

A service culture built on competition and quality.

A service culture built on competition and quality.

Competition

Australian employment services have operated in a competitive environment since contracting of services commenced in 1998. The sector supports competition in the provision of employment services, however, as stated by the Productivity Commission in the Introducing Informed User Choice into Human Services Inquiry Report (2017), choice empowers users of human services to have greater control over their lives and generates incentives for providers to be more responsive to their needs. Competition and contestability are a means to this end and should only be pursued when they improve the effectiveness of service provision.

The Commission considered five attributes of effective service delivery in its assessment of the potential costs and benefits of competition reform options:

- ▶ **Quality:** whether the reform option would lead to incentives for providers to offer high-quality services to users
- ▶ **Equity:** who would be affected by the reform option and how?
- ▶ **Efficiency:** whether the reform option would lead to incentives for providers to reduce the costs of providing services while still maintaining quality, and for users to select the services that best meet their needs
- ▶ **Responsiveness:** whether the reform option would result in service providers being more responsive to the needs of service users
- ▶ **Accountability:** whether the reform option would result in service providers being more accountable to those who fund the services (taxpayers and users)

An increase in the level of competition within Australian employment services is unlikely to achieve all 5 of these attributes. The extent to which some of these attributes have potential for enhancement will be interdependent on the

broader architecture, funding and governance arrangements established. Over-stimulating competition poses risks of negative impact that might arise from provider failure resulting in disruption to service continuity for job seekers and employers.

Providing Choice

As noted, delivering improved choice is a key driver for increasing contestability and client sustainability in human services. Under current arrangements, job seekers and employers have choice regarding which providers they work with. The existing framework enables job seekers to transfer to another provider if they are not satisfied with services or feel they can receive better services from another provider. As the Competition Policy Review stated, choice does not mean an endless number of options.

At the commencement of contracted employment services, there were approximately 300 providers delivering Job Network. A steady reduction in the number of providers has occurred with market reforms for the implementation of jobactive in 2015 including a move from small employment service areas (ESA) to larger Regions and with a cap on the maximum number of providers contracted for each Region. This reform by intent resulted in provider numbers reducing to 44. During consultations on jobactive reform, the sector received advice that the reduction in provider numbers was to increase the economies of scale to deliver efficiencies as well as address issues related to overcrowded and thin markets. As such, consideration of the funding model will need to take into account whether increasing competition will undermine objectives to allocate more resources to assist disadvantaged job seekers, as higher base funding will be required to ensure viability of arrangements associated with lower economies of scale together with increased service expectations. Additionally, implications on resource requirements to undertake functions associated with responsive program monitoring, performance and Deed management with significantly higher levels of competition, also require consideration.

Disability Employment Services (DES) have some unique characteristics more aligned to transition to a more competitive market than the programs in scope within the current discussion. DES has transitioned to Panel arrangements (akin to a licence model) and removal of market share arrangements. This transition has resulted in a significant growth in the number of providers overall and in the vast majority of ESA's. While still in the early days, these new arrangements have significantly increased the level of competition in thin markets and over 40 providers in a number of metropolitan ESA's are of particular concern. This level of competition poses real issues for provider viability that directly affects quality of services and risks to employer engagement if they are overwhelmed by provider approaches. A major difference of DES is that approximately 50% of the caseload is potentially comprised of voluntary job seekers. The Department of Social Services (DSS) has indicated a long-standing desire to attract more job seekers with disability, injury and health conditions to participate in the program. DSS identified a population of approximately 240,000 people on the Disability Support Pension (DSP) with an existing work capacity assessment of 8 hours or more who are eligible to volunteer for DES and opportunities to better integrate with the National Disability Insurance Scheme providers to achieve referrals. While competition in this regard may drive improved job seeker attraction, the impact on quality of services is not yet known and some service disruption due to provider failure, resulting from viability challenges, is expected.

Job seeker choice of activities and interventions is reflective of the degree to which the framework is enabling and provides adequate resources and discretion to allow genuine tailoring of services to individual's circumstances. In relation to equity as a factor of consideration to increase competition, it is clear that the two groups affected are eligible job seekers and employers. Given the consistent feedback from employer bodies that they consider fewer providers are preferable, significantly increasing the number of providers would not meet their preference. NESA notes that employer representatives were critical of the level of increased competition in DES.

The removal of market share will necessitate a higher degree of scrutiny of the independence of the gateway function and adequate provision of impartial information to support informed choice. The sector notes there have been a range of concerns regarding current arrangements in support of reformed DES.

Recommendations:

The sector encourages an evidence-based assessment of the implications of increasing competition through a cost benefit analysis to explore potentiality perverse outcomes in relation to service quality, stability and efficient allocation of resources.

The sector supports a moderately flexible market that would include continuing to cap the number of providers in each employment region (with the cap set at a level that encourages competition, varying between employment regions based on local labour market conditions).

The department should limit market intervention and only do so in the interests of job seekers and in consultation with providers, providing adequate forward notice of intent to increase market diversity to enable providers to adjust their business models.

Purchasing arrangements for enhanced services

The sector is supportive of Panel arrangements in a moderately flexible market that includes a cap on the number of providers in each Region. In the first instance, the sector suggests that rather than remove market share arrangements, each provider is allocated a nominal market share (less than 100% of the market) to support transition to new arrangements. This may provide some security to generate interest from providers to service thin markets that often are not independently viable, and under more competitive arrangements, may be less so.

The sector notes that DES Panel arrangements did not result in a streamlined commissioning process. The sector reports while they had less to write, the exercise was comparable to a competitive tender, albeit with greater confidence in the outcome on the part of higher performing providers.

The experience of the DES commissioning provides insights into opportunities to strengthen and streamline the process including challenges associated with specialist bids. It is the sector's view that an invitation to treat should be extended to existing providers with adequate performance and quality rather than requiring them to participate in a commissioning process.

Licencing options are not preferable, with the sector considering that Panel arrangements allow sufficient opportunity for new entrants and are consistent with the views previously expressed on an overly fluid market where terms of entry and exit are not conducive to stability or to objectives of supporting disadvantaged job seekers or sustaining employer engagement. As experienced in the early days of contracting, attracting new providers without limited comparable demonstrated capacity can contribute to market destabilisation and wider provider and program impacts. As such, if licencing arrangements are pursued, careful attention to the minimum standards is required.

The sector is not opposed to specialist or geographically focused services, however notes the substantial history of such arrangements and experiences in relation to the application of the performance framework that were not adequately resolved as well as sustainability challenges. Ultimately, job seekers possess a range of characteristics and circumstance and providers have been required to be able to service all job seekers.

Balancing contestability with quality control

The sector recognises the important responsibilities of stewardship to establish regulatory and institutional arrangements to underpin equitable, efficient and high quality services. It is important to establish effective quality measures to protect the interests of vulnerable and disadvantaged job seekers who often are disempowered and lacking wider social support as well as providing reassurance to the community about public resources. As the

Competition Policy Review stated "Human services reform must focus not just on users but also on providers, whose ability to respond positively to policy change will be an important factor in ensuring that Australians continue to enjoy access to high-quality human services."

The sector agrees that a performance framework should balance the benefits of flexible service provision with the need to make sure job seekers receive quality services. The paper states transformed employment services need to include core quality standards and service guarantees that must be met as well as incentives to encourage further high performance. The sector is not opposed to such arrangements but contends that they must be fit for purpose and must balance the degree to which they absorb resources and support the core intent of tailored service provision. As the Productivity Commission recommended in its Independent Review of Job Network (2002)^{xxviii}, monitoring and compliance activity is the minimum necessary to ensure accountability in the expenditure of public funds and the achievement of clearly specified objective outputs and outcomes.

The sector is not opposed to core quality standards, however considers that the existing Quality Assurance Framework heavily focuses on matters more aligned to compliance than quality, is expensive and its implementation is time consuming. The sector would welcome an opportunity to revise this framework to align with program architecture and objectives of reformed employment services, including the cultural competence of staff, in collaboration with the Department. Most providers have experienced quality assurance and compliance teams that can provide insight into areas of duplication as well as clarity of expectations.

Service Guarantees have been included in employment services since 2003, providing a basis to communicate expectations to job seekers and employers.

The sector recommends that the level of monitoring and scrutiny a provider receives should be reflective of their risk assessment. An enhancement on current arrangements would include sharing information on risk assessments with providers to enable them to address perceived gaps and continuously improve their management and operational arrangements. While recognising that some information may be inappropriate to share, increasing transparency will support clarity of expectations, better practice and build trust regarding the objectivity of such measures.

Performance monitoring

While the Competition Policy Review recommendations include “that commissioned services are contestable and service providers face credible threats of replacement for poor performance” it is arguable that too many points of threat may result in poorer service outcomes. As has been noted by a number of observers, current arrangements encompassing competition in purchasing, performance management and funding arrangements can drive providers to focus on those closest to the labour market. While transformed employment services will have a truncated caseload of those requiring the most assistance to overcome disadvantage, the proposal includes maintenance of tiers. If continued pressure is on providers to maintain performance in the short term, job seekers with complex issues that require holistic longer-term interventions may not receive equitable attention. This situation arises not due to a propensity for sharp practice, but more accurately responding to the framework in which relative performance can result in significant sanctions at various points throughout a contract period. The sector has noted that it believes there is value in a transparent examination of the degree to which business reallocation and maximum time in service transfers result in sustained performance improvement.

What factors could be included in the framework?

A performance framework for enhanced services providers could include the following criteria:¹

- ▶ *Measures of providers’ success in achieving outcomes for job seekers, with a focus on comparing providers’ performance to the outcomes that would otherwise be expected, given local labour market conditions, for the job seekers they are supporting.*
- ▶ *A measure of the degree of improvement in work readiness for all job seekers being serviced by providers. Recognising that the most disadvantaged job seekers may require support over an extended period, such a measure would reward providers that make sure all job seekers receive appropriate support.*
- ▶ *Performance in achieving outcomes and improving work readiness for priority demographic groups of job seekers, including Indigenous Australians.*
- ▶ *Measures of job seekers’ satisfaction with providers and possibly the satisfaction of local employers and other community stakeholders (subject to reliable and meaningful measures being developed). This could include feedback from Indigenous communities.*

The sector considers all of these factors could potentially be considered in enhanced employment services. Ensuring there is alignment between the program’s evaluation framework, KPI’s, outcome definitions, operating guidelines, funding model and service levels is imperative. A cohesive framework will eliminate tensions that otherwise may distract from performance.

In assessing work readiness it is important to note that people do not always progress in a positive, linear direction. Often as we learn, we become more aware of other weaknesses. As such, while a distance-travelled model is supported, it requires careful management.

The sector cautions against frequent sanctions that result in disruption to service as this will have a more pronounced impact on the progress of vulnerable job seekers.

In developing the performance model for enhanced services it may be of value to have a measure of social infrastructure as a factor to consider in the expected outcomes. With a complex caseload, inability to access services will have a major influence on the speed and success of interventions.

What level of Contestability?

Markets should be managed with a cap on the maximum number of providers in each region according to local conditions.

Care not to overcrowd markets will be crucial to creating an environment where providers have reasonable opportunity to be viable if they deliver effective services. Overcrowding markets will weaken all providers and reduce quality and service innovation.

Government intervention should be minimal unless the interests of job seekers, employers or the program stability are at risk.

The appropriateness of the benchmark model is largely dependent on the methodology for assessing the expected performance levels. NESA notes the UK experience where all providers failed to reach their overly ambitious KPI's.

Reward for achieving or exceeding performance should not come at the expense of other fees. The ratio of up front and outcome fees for enhanced services needs to reflect potentially lower caseloads of all complex job seekers who will require intensive assistance.

The sector considers that Panel arrangements are preferable in the first instance with periodic rounds to allow new entrants according to the market needs and stability of the program.



CHAPTER 10

Transitioning to a future employment services model.

Transitioning to a future employment services model.

The Competition Policy Review (CPR)^{xxix} stated that “like any changes to public policy, implementing changes to human services needs to be well considered. Human services have a lasting impact on people’s lives and wellbeing, increasing the importance of ‘getting it right’ when designing and implementing policy changes.”

The sector is strongly of the view that the trials and pilots that are currently underway should be completed and evaluated prior to implementing reform.

A digital service offer must be substantially developed and robustly tested prior to engaging job seekers in a digital only offer.

The sector also believes there is considerable opportunity to collaborate with the Department to co-design some of the elements of the operating model. This has potential to strengthen arrangements and ensure that the provider perspective is heard.

An Iterative Approach

The sector supports an iterative approach with a developed work plan and testing regime.

First Priority

To enable sound design and a well-functioning program there is opportunity to explore aspects of the proposed arrangements within the current employment services framework. A critical function for success of enhanced services will be the assessment framework. Prioritising an effective assessment framework enabling it to be robustly tested will also foster greater optimism about the proposed reform.



CHAPTER 11

Policy and Governance.

Policy and Governance.

The Next Generation of Employment Services paper focuses on program design, providing only brief references to policy, with no discussion regarding administration and governance of the proposed transformed employment services. The Productivity Commission's Introducing Informed user Choice into Human Services Inquiry Report (2017)^{xxx} states "stewardship involves a range of functions that help to ensure service provision is effective at meeting its objectives, and users are protected. Unlocking the potential benefits of competition or contestability relies on careful stewardship by governments. Stewardship arrangements are difficult to get right, and it can be harmful when they fail".

Australian employment services have been subject to both domestic and international review. Many of these reports have included reference to, and recommendations regarding the complexity and extent of provider compliance requirements. The OECD report *Activating Jobseekers: How Australia Does It* (2012)^{xxxi} noted that contracting arrangements in other OECD countries were successfully governed with much lower levels of documentation, monitoring or reporting processes than Australia has in place, and provided greater scope for frontline decision making to support tailored service provision.

When developing the employment services market, the original preference of Government was to establish an independent regulatory authority. The Government introduced a package of legislation to Parliament in December 1996 that comprised two bills, the Reform of Employment Services Bill 1996^{xxxii} and the Reform of Employment Services (Consequential Provisions) Bill 1996.^{xxxiii} After consideration, the Senate proposed a number of amendments that the Government viewed as inconsistent with new policy objectives and consequently did not proceed with the legislative package. Instead, reforms were implemented using existing legislation and administrative authority and these arrangements remain in place today.

At the commencement of the Job Network an Industry Reference Group comprised of industry representatives was

formed and reported directly to the Hon Minister Vanstone. While this arrangement was highly constructive it was not sustained when the Minister left the portfolio.

The Competition Policy Review^{xxix} states that "independent regulation can encourage market entry since it provides a level of certainty about the regulatory environment. Similarly, separating the interests of providers from those of funders and regulators encourages accountability, innovation and a level playing field between public and other providers." The CPR also states that competition requires flexible and adaptable regulatory interventions, enabling and requiring new providers to operate within appropriate legal frameworks. Amongst the recommendations arising from the CPR and supported by Government, are the two following which address the issue of governance.

Chapter 1: Competition principles

The model for Government provision or procurement of goods and services should separate the interests of policy (including funding), regulation and service provision, and should encourage a diversity of providers.

Chapter 2: Human services

Governments should retain a stewardship function, separating the interests of policy (including funding), regulation and service delivery. (Vest rule-making and regulation with a body independent of government's policy (including funding) role).

The sector notes that throughout the twenty years of contracted employment services there has been a continued tension in the provider – purchaser relationship. The strength of the relationship has fluctuated over the years and varying attempts to strengthen arrangements have not resulted in sustained improvement. These attempts included the formation of a Tripartite Partnership Program between the Department of Employment and Workplace Relations, Centrelink and NESA as the peak body for the sector; launched in August 2003. The Partnership Program provided opportunities for the Department (as the purchaser),

Centrelink (as a key agency) and Job Network members (the providers) to work in partnership to identify ways to improve and streamline operational practices, ultimately providing a better service to job seekers and employers, and better outcomes for government. The program operated through structured fieldwork studies conducted by teams comprised of Job Network, Centrelink and DEWR officers focusing on particular business improvement issues. The specific aims of the program were to:

- ▶ strengthen the partnership between DEWR and Centrelink staff and contracted service providers (primarily Job Network members) through improved awareness and understanding of one another's operating environment and the issues faced in that environment; and
- ▶ identify opportunities to improve the operating environment in areas such as communication, work processes and systems, staff /contractor attitudes and behaviours and job seeker experiences.

The Partnership Program ran for approximately 3 years. While the program commenced with enthusiasm, a steady decline in frequency of fieldwork arose due to a lack of human resources available from within the Department to enable their participation. An issue of frustration shared by participants was that while noting recommendations from joint fieldwork investigations for consideration, few recommendations were implemented and no feedback on further analysis of the issues identified was provided.

More recent attempts to strengthen the relationship have been through the implementation of an Employment Services Charter of Contract Management in 2009 and the Employment Services Joint Charter of Deed Management introduced in 2015. However, these tools have primarily focused on relationships with individual providers rather than the sector. Therefore, there is a continuing lack of focus on collaborative development of the framework, operating arrangements, capacity building and better practice.

In the sector's view the absence of a stable partnership between the Department of Jobs and Small Business and the network of contracted providers has compromised the potential effectiveness of employment services. A number of reviews and evaluations have noted the imbalance of power between purchaser and provider, and the resultant barriers to collaboration on continuous improvement.

Independent Review of the Job Network Productivity Commission Inquiry Report 2002^{xxviii}

On the subject of an independent authority for Job Network: "From one perspective, there should be little rationale for such a body. Given the budget constraints imposed by the Government, it could be presumed that DEWR would want to obtain the best possible outcomes for job seekers from the Job Network. This would involve keeping administrative and compliance costs as low as possible to enable maximum funding to be spent on the job seekers themselves. Indeed, this is one of the very rationales underlying the purchaser-provider Job Network arrangements. Yet, as discussed in chapters 5 and 12 and below, there appears to have been some lack of transparency and accountability in aspects of the Job Network; and there has been a steady escalation of the administrative and compliance burdens. For example, many contract variations have been forced on providers and largely unanticipated IT costs have been imposed, only some of which have been compensated by DEWR.

"Job seekers and providers alike have expressed concern about the seemingly unquestionable 'power' of DEWR and expressed some degree of distrust. Indeed, some providers were reluctant to provide submissions to this inquiry because they feared the consequences for them in forthcoming contract rounds. These fears may be baseless, but they underline the atmosphere of distrust. It is in this context that the question of the value of a Job Network agency independent of DEWR arises".

Recommendation 14.1 The Commission recommends that if significant problems of transparency, accountability and power imbalance between DEWR and providers continue into Employment Services Contract 3, the Government give consideration to the establishment of an independent Job Network agency.

Desirably, it should be completely independent of DEWR and report directly to the responsible Minister, as well as publicly.

The issues identified by the Productivity Commission have continued into the present. While recognising that employment services must be flexible and responsive to implementing change there is lack of robust consultation regarding revision of arrangements.

The Department of Finance website provides guidance on the Public Governance, Performance and Accountability Act 2013.^{xxxiv} The website states, “In an environment of increasingly complex public policy issues, ongoing fiscal constraint and changing public and government expectations, a Commonwealth public sector that works together effectively, and cooperates readily with other levels of government, and with the private and not-for-profit sectors, provides the opportunity for streamlining and minimising duplication. It offers potential economies to the wider community and improved services to citizens. Cooperation can involve anyone who has a stake in the outcomes of the government policy, or can help develop and or implement the policy in the most effective, economical and efficient manner”. Further guidance material states:

As an accountable authority, you are required to:

- ▶ make resource management decisions in the context of government acting as a coherent whole
- ▶ cooperate with others to achieve common objectives, where practicable
- ▶ have regard to the burdens you impose on others

“These requirements are broader than simply making decisions in the best interests of your entity. Rather, you are required to actively engage with others where appropriate in a manner that does not impose excessive burden or stifle the innovative capabilities of those you are cooperating with”.

While recognising the Competition & Consumer Act does not apply to employment services, it reflects the expectations that Government places on business to enter into fair contracting arrangements in situations of a power imbalance (contracting with small business). The Australian Competition and Consumer Commission website states that the law sets out examples of terms that may be unfair, including:

- ▶ terms that enable one party (but not another) to avoid or limit their obligations under the contract
- ▶ terms that enable one party (but not another) to terminate the contract
- ▶ terms that penalise one party (but not another) for breaching or terminating the contract
- ▶ terms that enable one party (but not another) to vary the terms of the contract
- ▶ a term that allows one party (but not another party) to unilaterally vary the terms of the contract

The Employment Services Deed is a standard contracting arrangement offered to providers on a take it or leave it basis. A draft Deed is available to prospective tenderers and its terms are transparent. However, the purchasers right to unilaterally vary Deed terms and alter requirements that foreseeably result in significant shift to the agreed terms of trade without consultation or compensation, appear to be in tension with the Public Governance, Performance and Accountability Act and the principles underpinning the Competition and Consumer Act.

There is ongoing change to requirements within employment services and while the sector recognises the need to be agile and respond accordingly, there seems to be little regard for additional burden on providers. This has been a long-standing issue, with the Productivity Commission Independent Review of Job Network (2002)^{xxviii}, stating: “Consistent with the development of a market based model, contract variations should not be imposed ‘unilaterally’ by DEWR. Proposed variations should be negotiated with the relevant providers, with advice from their industry associations. Significant additional burdens placed on providers by DEWR should be financially compensated”.

To illustrate, the sector has recently been required to prepare for and implement the Targeted Compliance Framework. This has involved a significant investment of human and financial resources to manage change, train the entire workforce, rewrite process and procedures, and establish monitoring and review procedures. While the responsible branch within the Department has worked in a

highly collaborative manner with the sector to achieve a smooth implementation, there was no discussion regarding the cost of implementation. In a unilateral manner, NESA was advised that the Department assessed that there would be efficiencies for providers in the new approach to delivery of job seeker compliance arrangements. The factors considered by the Department in assessing the potential efficiency gains or figures used to estimate cost of delivery have not been made transparent to the sector.

NESA is conducting a survey of its jobactive membership to estimate the cost of implementation thus far the lowest received is \$160,000. This includes costs associated with staff having to repeat learning centre modules as IT issues prevented proper recording of module completion in the system. Recognition that significant costs such as these go beyond what is reasonably expected and due consideration of the effect on providers' viability and service delivery arrangements should be explored in partnership.

Another wicked problem that has plagued employment services is the administrative burden. Guidelines are a moving feast of requirements and can have significant impact in the service delivery environment and even minor changes have cost implications related to staff training, process and monitoring. Increasingly providers are investing in compliance management teams to mitigate risks. NESA notes the Productivity Commission's Independent Review recommendation in relation to this matter:

Greater transparency is needed in the administrative and compliance burden associated with the Job Network. DEWR should collect and publish relevant data about its nature, extent and cost, as well as information about provider compliance with contract conditions. NESA could contribute to this greater transparency by developing and publishing estimates of the compliance costs placed on providers by the Job Network arrangements.

While NESA commissioned independent assessment of the compliance costs placed on providers that indicated that the

administrative burden consumed 50% of the frontline workforce time and required significant investment in compliance-focused teams, the Department has yet to disseminate relevant data as recommended by the Productivity Commission.

An Advisory Panel on Employment Services Administration and Accountability was asked in 2011 to review the ongoing matter of administration requirements. The Panel's final report in 2012 found that the Department had demonstrated a commitment to reducing regulatory burden in the Programs, but:

"Nevertheless, the Panel found that the Programs are complex and red tape can be further reduced without jeopardising the Program outcomes and appropriate accountability. Most of the excessive red tape arises from the design and administration of the Programs, but some of the providers' own systems are another source of unnecessary red tape. The complexity of the Programs is likely to have weakened accountability for performance and outcomes, and to have constricted innovation."

The Panel recommended:

1.1. That a new Industry Consultation Forum be established, comprising representatives of jobseekers, employers, providers and the Government. The role of the new forum would be to identify administrative improvements and other opportunities to simplify, streamline and enhance the Programs. The forum would facilitate cooperation and information sharing.

The Government's response indicates agreement with the recommendation stating; "The Government has established the 2015 Expert Reference Group which will provide advice on the 2015 contract and will then form the basis of the new Industry Consultation Forum. It will have an ongoing mandate of improving the balance between appropriate administration and accountability versus administration which is unnecessary".

It is understandable that, given it took until 2015 to establish the Expert Reference Group (more than 2 years after the recommendation was tabled), the absence of an ongoing Industry Consultation Forum and continued excessive administrative burden, that the sector does not view there is a strong enough commitment or sense of urgency in regard to balancing administrative requirements.

1.2. That DEEWR review each of the administrative controls in the Programs by applying the Panel's review framework, outlined in Appendix 1. The framework involves a fine-grained review to identify and address those administrative controls that are redundant or poorly designed.

Appendix 1 does not appear in the public version of the report and there has been no communication to the sector about advancements on this recommendation. The sector acknowledges review of all guidelines occurred in the transition from JSA to jobactive, however complexity and volume of requirements continue to absorb a significant proportion of investment. A streamlined environment is essential to ensuring transformed services are better able to assist disadvantaged Australians and best achieved in collaboration with the sector on an ongoing basis.

1.3. That providers apply the same framework to review their own 'shadow' systems for data management, to ensure that the systems do not unnecessarily duplicate those of DEEWR, and to identify and remove unnecessary administration and red tape.

The sector accepts that it contributes to the administrative burden and that providers' risk aversion as well as that of the Department contribute to red tape. The culture of risk aversion is reflective of the relationship between purchaser and provider and the growing intolerance of any administration errors. In addition to mitigation of risk, providers often invest in 3rd party systems tailored to their

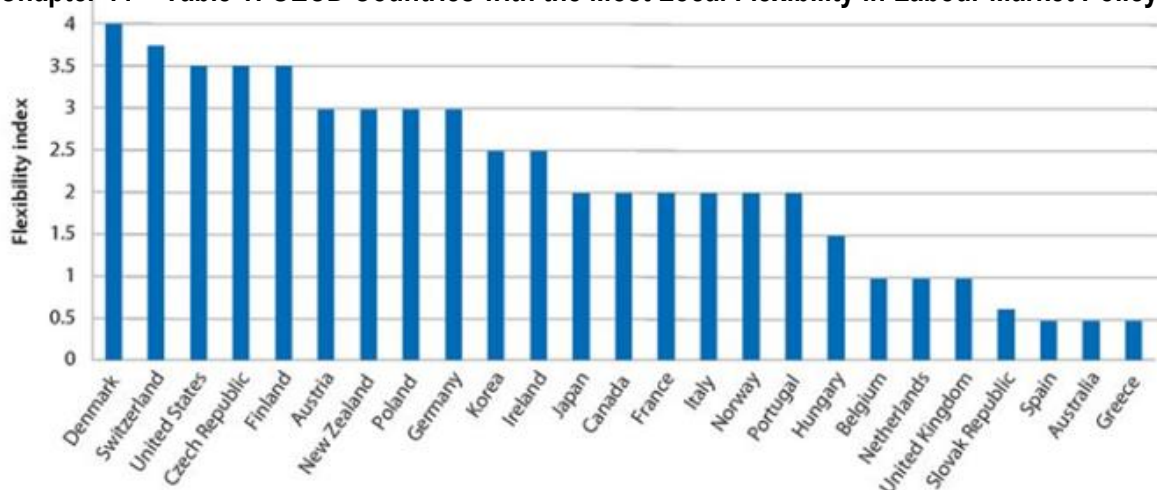
needs to support their service delivery models. These systems support organisations' individual workflow, service delivery models and reporting requirements as well as providing functionality not available in the Department's Employment Services System (ESS). The sector notes that 3rd party systems enable them to adapt to changes and make enhancements more readily than the ESS is able. These 3rd party systems also support evidence of compliance and data to support better practice and performance improvement (e.g. evaluation of strategies, local partnerships etc.) as well as securing documents and information providers are required to maintain. As such, while there is some duplication, many providers feel there is value maintaining shadow systems and accept responsibility for the administration they involve.

6.1. The Programs' high-level architecture is designed to encourage innovation, leading to improved outcomes and better value for money. In practice, however, providers' scope to innovate in the provision of services is significantly constrained by the Programs' administrative and compliance arrangements. Benefits would be expected to flow from encouraging a more innovative approach to practice.

The architecture of the system with the various layers of compliance requirements, Quality Assurance Framework, financial penalties for errors including administration mistakes (including those resulting from default settings in ESS) and performance management drive providers to deliver a standardised offer. While there is some discretion afforded to providers to tailor services to job seekers' circumstances, the experience of the sector is that use of discretion comes with increased risk of failing desktop monitoring on Job Plans, negatively affecting quality scores. Establishment of a stronger trust relationship is essential to transformed employment services if job seekers' needs are to be central.

The OECD examined labour market program governance and in its report 'Breaking Out of Policy Silos: Doing More with Less' (2010)^{xxxv} noted that the ability of labour market actors to effectively deliver interventions to address entrenched difficulties such as multi-generational unemployment, social exclusion and at the same time harness economic opportunities are best delivered through joined-up approaches. Such approaches require central agencies' stewardship and flexibility to influence program delivery in partnership to meet objectives. The OECD found that flexibility in the management of government policies is the most important factor affecting policy integration at the local level. As illustrated in the graph below, Australia ranked 25 of 26 participating countries.

Chapter 11 – Table 1: OECD Countries with the Most Local Flexibility in Labour Market Policy^{xxxv}



Note: This analysis was carried out using a flexibility index which ranked flexibility according to a number of different factors including (1) input into the design of policy, (2) budget management, (3) eligibility criteria, (4) performance management, (5) outsourcing, and (6) collaboration with other actors. The research drew on the results of the Questionnaire to the Employment, Labour and Social Affairs Committee (ELSAC) on Activation of Labour Market Policy in 2007. The findings were supplemented by further research in March and April 2008.

Source: *Breaking Out of Policy the Silo's: Doing More with Less* (2010)

The Harper Competition Review^{xxxix} stated that “In fostering a diverse range of service models that meet the needs of individuals and the broader community, governments can benefit from working collaboratively with non-government human services providers to effectively ‘co-design’ the market, incorporating the services that users are demanding and how they might be best delivered.” The report also says: “Human services reform must focus not just on users but also on providers, whose ability to respond positively to policy change will be an important factor in ensuring that Australians continue to enjoy access to high-quality human services.”

A function of strong stewardship is collaboration with key

stakeholders. Despite peak body representation on the Expert Panel, members of the sector have strongly expressed a view that direct engagement of providers in the formation of concepts prior to the release of the discussion paper would have signalled greater respect for their collective experience. This experience in individual cases spans four decades of continuous engagement in public, community and contracted employment services and policy with a considerable proportion of current providers having been in employment services since contracting began. The sector is mature and understands that services must be operating dynamically, however feel their potential to contribute to development could have delivered far greater value than a response paper.

Recommendations:

- ▶ Consistent with the recommendation of the Competition Policy Review, consider the most suitable arrangements for governance of the framework including examining the potential of establishing a regulatory body to separate Government's stewardship function from the interests of policy (including funding), regulation and service delivery.
- ▶ Address the state of the provider-purchaser relationship in order to ensure a stronger partnership is in place to support preparation and smooth transition to new arrangements
- ▶ Review Deed management arrangements to ensure the Department on behalf of Government role models the principles of fair practice in its commercial dealings and fosters stronger collaboration with provider stakeholders
- ▶ Establish an ongoing Consultative Working Group with terms of reference to identify opportunities for streamlining of administration and reducing red tape
- ▶ Establish a measure of the administrative burden in collaboration with the sector to provide a benchmark to monitor progress

Bibliography

- ⁱ <https://ministers.jobs.gov.au/cash/jobs-report-identifies-opportunities-all-australians>
- ⁱⁱ DSS Demographics March 2018 - <https://data.gov.au/dataset/cff2ae8a-55e4-47db-a66d-e177fe0ac6a0/resource/c9bcd6ed-b6bd-423b-abc5-86b54bd7a591/download/dss-demographics-march-2018.xlsx>
- ⁱⁱⁱ Australian Bureau of Statistics, 2018, *Labour Force, Australia*, cat. No. 6202.0, viewed 1 August 2018
<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6202.0>
- ^{iv} ABS Barriers and Incentives to Labour Force Participation, Australia, July 2016 to June 2017
Date Published: 19 Dec 2017 <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6239.0>
- ^v OECD (2017), *Building Skills for All in Australia: Policy Insights from the Survey of Adult Skills*, OECD Skills Studies, OECD Publishing, Paris
- ^{vi} OECD (2018), *Public spending on labour markets* (indicator). doi: 10.1787/911b8753-en (Accessed on 07 August 2018)
- ^{vii} OECD (2018), *Social spending* (indicator). doi: 10.1787/7497563b-en (Accessed on 07 August 2018)
- ^{viii} OECD (2005), *Employment Outlook* - http://dx.doi.org/10.1787/empl_outlook-2005-en
- ^{ix} *More Jobs. Great Workplaces: Department of Employment Annual Report 2016 - 2017* <https://www.jobs.gov.au/annualreport2017>
- ^x OECD (2005), *Employment Outlook* - http://dx.doi.org/10.1787/empl_outlook-2005-en
- ^{xi} Australian Employment Services Workforce Survey Report (2016)
- ^{xii} Job Network 2003 -2006 Job Placement and Matching Services, ANAO 2006
- ^{xiii} E-Brief: Online Only issued 11 August 2003; updated 26 September 2003, Steve O'Neill, Analysis and Policy Economics, Commerce and Industrial Relations Group
- ^{xiv} Department of Jobs and Small Business (2018) - <https://www.jobs.gov.au/news/fraudulent-activity-shut-down-jobactive>
- ^{xv} *The Promise of the Sharing Economy among Disadvantaged Communities* Tawanna R. Dillahunt, School of Information, University of Michigan, Amelia R. Malone, Department of Computer Science University of Maryland (2015)
- ^{xvi} Human Rights and Technology Issues Paper 2018, Australian Human Rights Commission 2018. ISBN: 978-1-921449-91-8
- ^{xvii} The Australian Chamber of Commerce and Industry (ACCI) comments on the exposure draft for employment services 2015 – 2020 (25 August 2014).
- ^{xviii} Australian Bureau of Statistics, 2016 -17, *Household Use of Information Technology, Australia*, cat. No. 8146.0
- ^{xix} Thomas, J, Barraket, J, Wilson, C, Ewing, S, MacDonald, T, Tucker, J & Rennie, E, 2017, *Measuring Australia's Digital Divide: The Australian Digital Inclusion Index 2017*, RMIT University, Melbourne, for Telstra.
- ^{xx} OECD (2017), *Building Skills for All in Australia: Policy Insights from the Survey of Adult Skills*, OECD Skills Studies, OECD Publishing, Paris
- ^{xxi} *Modernising PES Through Supportive Data and IT Strategies*, Dr. Willem Pieterse, the Center for e-Government Studies, October 2016
- ^{xxii} <https://theinclusiveinternet.eiu.com/>
- ^{xxiii} The Australian Government Competition Policy Review 2015 Professor (Harper, Anderson, McCluskey & O'Bryan QC)
- ^{xxiv} <https://www.anao.gov.au/work/performance-audit/job-placement-and-matching-services>
- ^{xxv} The Australian Recruitment Industry: A comparison of service delivery report prepared by KPMG for the DJSB (August 2016)
- ^{xxvi} <https://www.employmentreadiness.org/au/>
- ^{xxvii} <https://www.digitalliteracyassessment.org/>
- ^{xxviii} Productivity Commission 2002, *Independent Review of the Job Network*, Report No. 21, AusInfo, Canberra
- ^{xxix} Competition Policy Review Final Report, March 2015 - http://competitionpolicyreview.gov.au/files/2015/03/Competition-policy-review-report_online.pdf
- ^{xxx} Productivity Commission 2017, *Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services*, Report No. 85, Canberra.
- ^{xxxi} OECD (2012), *Activating Jobseekers: How Australia Does It*, OECD Publishing. <http://dx.doi.org/10.1787/9789264185920-en>
- ^{xxxii} Reform of Employment Services Bill 1996. - <https://www.legislation.gov.au/Details/C2004B00115>
- ^{xxxiii} Reform of Employment Services (Consequential Provisions) Bill 1996 [1998] - <https://www.legislation.gov.au/Details/C2004B00116/Explanatory%20Memorandum/Text>
- ^{xxxiv} *Public Governance, Performance and Accountability Act 2013* – available at: <https://www.legislation.gov.au/Details/C2017C00269>
- ^{xxxv} OECD (2010), *Breaking Out of Policy Silos: Doing More with Less*, Local Economic and Employment Development (LEED), OECD Publishing. <http://dx.doi.org/10.1787/9789264094987-en>



SALLY SINCLAIR
NESA CEO

PHONE +61 3 9624 2300

EMAIL ceo@nesa.com.au

MELBOURNE OFFICE

Level 8, 20-22 Albert Road
South Melbourne VIC 3205 Australia

PHONE +61 3 9624 2300

EMAIL nesa@nesa.com.au

WEBSITE nesa.com.au

SYDNEY OFFICE

Level 1, 33-35 Belmont Street
Sutherland NSW 2232 Australia

PHONE +61 2 9119 3090