

# Submission to the Select Committee on Workforce Australia Employment Services



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## About NESA

The National Employment Services Association (NESA) established in 1997 is the peak body for 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. 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 a strong social safety net. For the individual, employment participation is more than a means to an income; it provides connection, purpose and inclusion.

The Australian employment services sector plays a critical role preparing Australians to participate productively in the labour market and connecting them to employment opportunities. NESA is the voice of the employment services sector with an extensive and diverse membership base which is inclusive of not-for-profit, public and for-profit provider organisations.

NESA member organisations deliver the range of Australia's labour market assistance programs including Workforce Australia Services (Generalist/Specialist), Disability Employment Services (ESS/DMS), Community Development Program, Transition to Work, ParentsNext, Time to Work, Career Transition Assistance, Employability Skills Training and Self Employment programs. In addition, many members are engaged in the delivery of Vocational Education and Training, and State employment programs as well as a range of social and health services to disadvantaged Australians.

NESA has established knowledge exchange and research partnerships with a range of local and international research bodies including University of Melbourne, University of Portsmouth, Sydney University (Brain and Mind Institute), University of Amsterdam, University of NSW and Latrobe University. NESA works collaboratively with Government Departments, agencies and non-government stakeholders to support the effective design and delivery of labour market assistance and social policy.

NESA delivers intensive policy, operational and capacity building support to the employment services sector. NESA is strongly engaged with international employment services stakeholders such as the OECD (Vice Chair Local Development Forum), World Association of Public Employment Services, European Public Employment Services Network, ILO, World Bank, Inter American Development Bank, International Council for Career Development and Public Policy (Board Member), and Asian Development Bank.

NESA is committed to the achievement of excellence in Australian Employment Services, promotion of better practice and professional development of the sectors' workforce. NESA's commitment to workforce development includes the development of a professional recognition framework for frontline staff with an objective of fully developing an Employment Services Institute to continue to build the sector's capacity and foster innovation to ensure quality support to participants and employers.

## About Australian Employment Services

Employment inclusion and participation are cornerstones of the economic and social health of our society. Employment participation and productivity are key drivers of economic growth, underpinning the quality of life of all Australians by enabling such things as a well-functioning health system, quality education and a strong social safety net. Australia's employment services sector plays a critical role in preparing Australians to participate productively in the labour market and connecting them to employment opportunities.

Citizens who find themselves unemployed for long durations are amongst the most disadvantaged people in our community. Unemployment has negative impacts and those caught in long-term unemployment are prone to experiencing issues such as poverty, physical and mental ill health, housing insecurity and social isolation.

### History of Australian Employment Services

While considered a radical experiment, the move to fully outsourced public employment services followed a long history of incorporating outsourced labour market assistance alongside the public provider.

The Whitlam Government significantly escalated active labour market policies to address unemployment resulting from the recession of the early 1970's. To support service delivery, contracted providers were engaged to deliver labour market assistance alongside the public employment service provider, the Commonwealth Employment Service (CES). A range of reviews in the 1980's to develop more effective approaches to address problematic unemployment led the Hawke Government to develop various programs of assistance including Job Start and Jobtrain, and further expanded the successful use of outsourced services to target people with multiple barriers to employment including the creation of Skillshare delivered by NGO's.

In 1993 a Committee on Employment Opportunities comprising senior civil servants, expert advisers and academics tabled a Green Paper titled Restoring Full Employment<sup>1</sup>. The Green Paper led to the formation of the Working Nation Strategy, which was presented in 1994 by the then Prime Minister, The Hon Paul Keating MP. Working Nation included a suite of policy and program measures to address unemployment and skill the workforce to bolster the nation's productive capacity, stimulate economic growth and increase our competitiveness in the global market.

A major component of Working Nation was the reform of labour market assistance and introduction of a Job Compact which increased the reciprocal obligations between the Government and the unemployed. The long term unemployed and those at risk of long-term unemployment were prioritised. The Compact offered a job to the long term unemployed (on benefits for 18 months+) which they were expected to accept in order to remain eligible for income support. Job seekers unemployed for 12 months+ or identified as at risk were provided individual case management and relevant labour market assistance to address barriers to employment.

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<sup>1</sup> Working Nation - Policies and Programs, Australian Government Publishing Service Canberra, May 1994

To support the effective implementation of the Working Nation Strategy, reform of labour market assistance was introduced including:

- Establishment of the Employment Services Regulatory Authority (ESRA). The Authority was separate from the Commonwealth Employment Service with responsibility to promote the development of community and private sector case management expertise, regulate and ensure fair competition between the CES and other agencies, and provide advice directly to the Minister for Employment, Education and Training independently of the Department of Employment, Education and Training,
- Building of a competitive market with public and private sector agencies for the provision of case management and other labour market services,
- Significantly strengthening the CES to address issues identified in the Green Paper to ensure it was responsive and effective and enabled to play a key role in the delivery of the Job Compact and Youth Training Initiative,
- Enabling greater tailoring of assistance to the needs of individual job seekers,
- Increasing the responsiveness of labour market assistance to meet local employer needs with closer integration with regional development.

During consultations on the Green Paper on Employment, a range of issues regarding perceptions of the CES from both job seekers and employers were raised including high staff turnover, lack of experience among staff and an emphasis on processing, rather than assisting, individual job seekers<sup>2</sup>.

As part of the reform of the CES, Employment Assistance Australia (EAA) was established as a division of the CES to provide individualised support to job seekers most at risk, through provision of Case Management alongside contracted providers. EAA commenced Case Management delivery prior to the commissioning of contracted providers. Once established, ESRA established a framework for Contracted Case Management (CCM) and the commissioning. ESRA launched the first tender round in January 1995 and a subsequent tender round in December 1995, awarding approximately 20% of the CCM market to outsourced providers.

Working Nation evaluation reports reviewed performance and service quality issues of both EAA and CCM providers. Early evaluation indicated that contracted providers performance rapidly converged with that of EAA<sup>3</sup>. Findings also indicated that CCM providers had a better grasp of the professional skill base for 'ideal' case management with 52% of CCMs having post-secondary qualifications perceived relevant to case management, compared with 21% of EAA case managers. EAA case managers were more confident of their experience with the CES, labour market programs and use of the Departments (DEETYA's) information technology platform than CCMs. There were also issues of excessively large caseloads, creaming and long wait lists for service by EAA, noting maximum caseloads were set for CCM.

Following a change in Government the decision was undertaken to expand the successful outsourced model. In May 1998 Job Network commenced with approximately 300 providers including Employment National, the government-owned enterprise.

<sup>2</sup> Working Nation - Policies and Programs, Australian Government Publishing Service Canberra, May 1994

<sup>3</sup> Working Nation: Evaluation of the employment, education & training elements Evaluation & Monitoring Branch, Dept of Employment, Education, Training & Youth Affairs, 1996

The subsequent employment services purchasing process undertaken in 2000 saw a third of all providers failing to win a contract and exiting the market. Employment National experienced a significant contract reduction and subsequently ceased. Thus, Australia transitioned to a fully outsourced model.

#### **Productivity Commission: Independent Review of Job Network 2002**

In May 2002, the Minister for Finance and Administration announced that the marketable parts of Employment National would be sold by October 2002 and the remainder of the company wound up on 30 June 2003. He noted that 'having needed government support of \$27 million in 2001-02, the loss-making Employment National would have required ongoing support to continue operating

Disability employment services was established under the Commonwealth Disability Services Program in 1987, (Competitive Employment, Training and Placement (CETP) service), delivered by the Commonwealth Rehabilitation Services (CRS) alongside outsourced providers. There have been various iterations and reforms of Australia's specialist disability employment services which since the cessation of the CRS in 2015 continues today as Disability Employment Services and is fully outsourced.

Australia's employment services have been a focus of interest from a range of international stakeholders including the OECD. While initially considered a radical experiment, the outsourced model has received high regard from the OECD and today two in five OECD countries have emulated the model introducing and/or expanding outsourcing.

#### **Key Policy Shifts**

Job Network 3 introduced significant reform to the program combining separate services into an integrated program with a continuum of services. The program, also known as the Active Participation Model, intensified the work first approach, activation policies, and job seeker compliance settings. In recognition of the value of early intervention, eligibility and compulsory participation requirements were introduced for job seekers from commencement of receipt of unemployment. Previously job seekers were not eligible for Job Network until 12 months unemployment. While all job seekers were engaged in services from commencement of income support, eligibility for outcome payments generally commenced at 3 months unemployment duration.

In 2009, the Labour Government reformed the mainstream employment program launching Job Services Australia designed with greater emphasis on a place-based, human capital approach to address exclusion and disadvantage via individualised wrap around services. The impact being made on long term unemployment was disrupted by the onset of the Global Financial Crisis.

The Coalition Government in 2015 reformed employment services introducing jobactive which emphasised the work first policy. With jobactive, commissioning moved from Employment Service Areas to larger Regional contracts. The number of providers in the market was reduced by approximately 50%, principally to achieve efficiencies through economies of scale. Implementation of the Targeted Compliance Framework further intensified job seeker compliance arrangements and introduced automated breach notification processes.

## Australian Employment Services today

Contemporary employment services are significantly more sophisticated than the fundamental labour exchange service delivered by the former Commonwealth Employment Service.

Within the parameters of program architecture and resource allocation, providers deliver individually tailored services and harmonise the delivery of social service and labour market assistance to support job seekers overcome barriers, prepare for, find and keep work.

### The main programs are:

Workforce Australia commenced in July 2022 following reform consultation and trials. Workforce Australia is administered by the Department of Employment and Workplace Relations (DEWR) and as at September 2022 was assisting 667,000 people. Workforce Australia includes Workforce Australia Provider Services (generalist and specialist) and Transition to Work (Youth Specialist program) delivered by contracted providers. Under the Workforce Australia umbrella are a range of complementary programs intended to address specific cohorts and/or needs such as Employability Skills Training, Career Transition Assistance and Self Employment Assistance.

A major change in Australian employment services has been the introduction of digitalised employment services and with it moving Australia from a fully outsourced to a blended model incorporating public and outsourced service delivery. Workforce Australia Online is a digital employment service delivered by the Department of Employment and Workplace Relations (DEWR) and available to “more job ready” eligible job seekers who are deemed capable of self- managing their return to work, as well as anyone in the community who is seeking to find or change employment. DEWR is now the largest provider of Australian employment services with around 78% of all new referrals in employment services being engaged in digital servicing.

Disability Employment Services (DES) is administered by the Department of Social Services (DSS) and as at September 2022 was assisting 287,607 people and helps eligible people with a disability, injury or health condition. Assistance includes career advice, employment preparation, resume development, and training with Ongoing Support in work available where and for as long as is needed. DES has access to funding for necessary workplace modifications and wage subsidies to employers.

The Community Development Program (CDP), administered by the National Indigenous Australians Agency, as at September 2022 was assisting 40,113 across remote Australia. The Community Development Program (CDP) is designed around the unique social and labour market conditions in remote Australia and it supports job seekers to build skills, address barriers and contribute to their communities through a range of flexible activities.

Other complementary programs which may be accessed individually or in conjunction with the main programs including Youth Advisory Sessions (YAS), Self Employment Assistance (previously known as NEIS), Entrepreneurship Facilitators, Career Transition Assistance (CTA), Employability Skills Training (EST), ParentsNext (pre employment), Adult Migrant English Program (AMEP), Skills for Education and Employment (SEE), National Careers Institute (NCI) 1800 CAREERS information service, and Employment Access as well as other Australian Government, state, territory and local government employment and training programs such as Apprenticeship services.



## Introduction

Employment services have potential to contribute to solutions for a range of social and economic problems. Joblessness and underemployment presents social and economic costs and threats which can limit our productive potential and growth which in turn further limits employment opportunities<sup>4</sup>.

For individuals, being engaged in quality work is health-protective, providing positive personal development, self-esteem, sense of identity and social connection<sup>5</sup>. In contrast, experiences of joblessness, underemployment, and poor-quality work, can have profound negative effects including strong impacts on physical and mental wellbeing. Research indicates unemployed people have more illness and disability than those of similar age who are employed, and they are at higher risk of death, including through self-harm<sup>6</sup>. From an economic perspective, joblessness and underemployment represents a waste of society's scarce and valuable resources and lends to a permanent loss of society's potential output (GNP) representing lost potential to the economy.

The social and economic importance of employment drives most developed economies commitment to achieve full employment. Full employment is generally accepted to refer to a situation in which people who are willing to work at existing wages are able to readily obtain or change jobs if they wish. In this regard full employment does not feature a situation with persistent involuntary unemployment, as Australia is currently experiencing, and which includes stubbornly high underemployment<sup>7</sup>.

NESA welcomes the first-principles approach that the Select Committee is undertaking with the aim to ensure that Commonwealth funded employment services are fit-for-purpose, providing advice to the Government regarding the future principles and design of employment services to ensure it does better for unemployed Australians and employers.

There have been numerous reviews and Inquiries in relation to Australian employment services since the commencement of the quasi-market in 1998. The sectors experience is that recommendations have rarely been adopted in full. Where programs have been the subject of review or Inquiry, it has generally been in the mid to late stage of the program period. Implementation of recommendations made, are often deferred for adoption in the next program model. Despite good intent and reform of the overarching program design, stated objectives have not been achieved. A review of past reviews and Inquiries will demonstrate recurring themes. It is the view of the sector that the substantive impediment to employment services realising its full potential has been the impacts of various micro-policy settings, contractual and institutional arrangements, retained from model to model.

As such, while NESA respects the first-principles and high level strategic approach, we have also highlighted the 'perennial weeds' in the system. NESA is of the strong view that if these issues remain unaddressed, they are equally likely to undermine intended improvements to Workforce Australia and any future iteration of employment services.

<sup>4</sup> Sila U. & V Dugain 2019, Income poverty in Australia: Evidence from the HILDA survey, OECD Economics Dep Working Paper, No.1539, OECD Paris,

<sup>5</sup> The psychosocial quality of work determines whether employment has benefits for mental health, Butterworth et al 2011 JO- Occupational and environmental medicine

<sup>6</sup> Health and Unemployment D Dooley, J Fielding, and, and L Levi Annual Review of Public Health 1996 17:1, 449-465

<sup>7</sup> The extent and causes of the wage growth slowdown in Australia, Geoff Giffillan Statistics and Mapping Section Parliamentary Services April 2019

NESA also highlights, that the nature of these ‘perennial weeds’ are reflective of the issues identified in various reports released during Working Nation over 25 years ago; as choking the performance of the Commonwealth Employment Service.

## Recommendations:

### Policy Objectives to Underpin Employment Services

1. Employment services should be individualised, promote and support workforce diversity and inclusion to address inequity, contribute to a reduction in poverty and support productivity through achieving outcomes for participants and employers.
2. Objectives for active labour market programs should be clear, cohesive, and complementary in all aspects of policy and enabled through program design, operational arrangements, funding and systems.
3. Objectives for Workforce Australia should be to:
  - Increase participants’ likelihood of employment by guiding, encouraging, and supporting meaningful and effective job search efforts.
  - Maintain participation and labour market attachment by establishing and implementing individual plans of support with participants, so they have direction, and recognise their progress towards goals, thereby minimising risks of social and economic disengagement.
  - Assist participants to achieve their vocational goals through individualised strategies to strengthen their job readiness, skills (technical, foundation and employability), address vocational and/or non-vocational barriers, and coordinate support by drawing on internal resources and community partnerships.
  - Develop employment opportunities by engaging with employers about their labour and skill needs, providing labour exchange services to match them with suitable candidates to meet immediate demand, and developing strategies to meet projected skill needs.
  - Improve prospects for sustainable employment and career potential via delivery of post placement support to both employers and placed participants.
4. A national employment services system is retained with improvement to the model to enable stronger localised responses.

### Optimal Design of a Quasi-market

5. Optimal Design principals:
  - Maintain provider diversity with selection based on demonstrated capacity to deliver program outcomes (Quality and Performance) for participants and employers.
  - Market share arrangements should be merit and evidenced based rather than arbitrary caps.
  - Contract duration should be of at least 5 years to enable adequate duration to build service partnerships, implement human capability strategies, and realise outcomes prior to formal performance reviews with potential for license sanctions.



- Determine most effective geographical structure through in-depth consultation with stakeholders including regarding the complexity of different market structures across programs e.g., Workforce Australia and DES.

### **Provision of Specialist Services for Disadvantaged Groups**

6. An individualised case management approach able to facilitate joined-up and wrap around supports (generalist/specialist) is the core of employment services for disadvantaged job seekers.

### **Localised and specialist supports**

7. Workforce Australia Services Quality and Performance framework is subject to independent expert review in the context of program intent to deliver a human capability approach and is amended in accordance with findings.
8. NESA recommends proposed licencing arrangements are amended to better align with a human capability model recognising the potential for better outcomes in the long term.

### **Outcome-based funding models and Alternative Funding arrangements**

9. Review of the payment model as per commitment for further financial viability analysis within 18 months should be undertaken in collaboration with the sector with findings made transparent.
10. Future payment models be designed in consultation with the sector and consideration of a robust examination of cost of delivery of employment services.
11. If payment for results model continues, review of up-front and outcome ratios, with indicatively a 60:40 setting being more conducive to service quality while still placing emphasis on outcomes for viability.
12. Examine potential alternative pay by results models such as the 'target accelerator'.

### **Integration and support for local responses**

13. As market stewards there is a strong role for government to take a leadership role in facilitating:
  - shared understanding and connections with states/territories with a view to achieve improved integration to increase complementarity between initiatives, avoid unnecessary duplication and communicate opportunities to stakeholders (providers, job seekers and employers).
  - Coordination and promotion of social procurement and other job creation opportunities across states/territories, commonwealth, and municipal levels. These initiatives have proven effective in delivering quality employment outcomes for job seekers.
14. Review the Local Jobs Program with a view to strengthening place-based coordination.
15. Implement a local initiatives fund focused on joined-up approaches for localised service partnerships to improve social and economic participation.

## Understanding workforce demand at the local level

16. Provision of granular local data to identify local imbalances, capacity gaps and opportunity with greater precision to stimulate local actors to engage and develop collaborative responses to local issues.
17. Develop a skills assessment as part of the intake or early engagement process to improve understanding of supply side characteristics and pathways.

## More collaboration with other human services

18. Improve collaboration at the operational interface and national level between Services Australia and employment services.

## Identifying and responding to the needs of jobseekers

19. Develop services options for:
  - Voluntary Participants
  - Underemployed – Low Income Earning People
  - Asylum seekers and pre-visa refugees

## Build Capacity to Benefit

20. Develop a service aimed at building capacity for job seekers with limitations to benefit from assistance through co-design undertaken with job seekers and stakeholders, including service providers and their specialist community service partners, and advocates who support the target cohort.

## Job Seeker Snapshot

21. An independent expert panel review of the JSCI providing transparent findings including the methodology and rationale used to set or change thresholds.
22. The option for a phone or face-to-face interview with Services Australia to complete the Job Seeker Snapshot is formally integrated in the model and prominently communicated.
23. Digital literacy training is made readily available and promoted to all Workforce Australia participants.
24. Independent cognitive testing and questionnaire evaluation of the Job Seeker Snapshot is undertaken immediately to identify potential improvements to strengthen clarity and encourage disclosure, and to achieve more accurate identification of job seeker barriers.
25. The option to transfer to personalised services is more clearly and transparently communicated to job seekers.
26. Steps are taken to ensure job seekers are aware of the benefits of completing a change of circumstance and how this can be done online, via Contact Centre or Centrelink.

### **Duration of Assistance in Workforce Australia Online**

27. An omnichannel approach incorporating human and digital services replaces digital only services
28. If a Workforce Australia Online only period is retained as a digital only service
  - Maximum duration is reduced to three months.
  - Participants are contacted by phone within the first month of engagement to validate appropriateness of service eligibility
  - Participants are contacted by phone at least once per month and whenever a demerit occurs to verify their continued capacity to self-manage job search and reporting requirements and confirm whether a change of circumstances is required.
29. An independent review of Workforce Australia Online with public findings is undertaken to assess
  - end to end usability and inform a development plan for the platform.
  - tools and resources available to determine their adequacy, identify gaps, and priorities from a user perspective.

### **Assessment & Disclosure**

30. The job seeker assessment framework is reviewed, and an action plan developed to trial and implement the assessment model design principles proposed in the I Want to Work Report. This process should include:
  - Examination of leading international assessment models and cost and benefit analysis be undertaken to inform evidenced based policy decisions.
  - Independent co-design for a new assessment model with diverse job seekers and stakeholders is undertaken and includes identification of their views on the most appropriate delivery agent.
  - Given the initial assessment occurs in tandem with claiming income support a supplementary process is undertaken within the first month of engagement to ensure awareness of and potential interest in Self Employment Assistance and other complementary programs, and/or support required from the Employment Fund.

### **Flexible Service Delivery and Prescription**

31. Initiate a co-production process between providers and Department to address
  - ineffective or unnecessary prescription.
  - layers of oversight and assurance which drive service standardisation, risk aversion and limits innovation.
32. Increase flexibility in relation to default requirements for job seekers activation.

### **Areas for immediate attention to support more innovation in the delivery of employment services:**

33. The Administration Burden must be addressed to free up resources to service participants and employers.
34. Quality and Performance framework and implementation practices are subject to independent expert review as to its efficacy on assessing quality and performance.

35. The Joint Charter - Workforce Australia Employment Services requires an Operational Framework to enable concrete guidance on mechanisms to achieve collaboration and progress on issues.

### **Helping jobseekers into secure jobs**

36. Trial or pilot of a Career Advancement model within employment services.
37. Trial a bonus wage subsidy to encourage employers to convert casual staff to permanent when they reach the 26 Weeks employment milestone.

### **Incentivising secure work and reducing poverty traps**

38. Amend arrangements that are a disincentive to assist job seekers to upgrade employment.
39. Removing automated cancellation of income support when a full-time position is recorded and allow participants to report their income for a period to enable confidence to take up a full time role without need to reapply if the job is not sustained in the short term. (Noting income reporting should result in zero payment if earning threshold is reached).

### **Work Experience**

40. Develop work experience options to provide practical experience for job seekers including consideration of:
- two to four week fully funded job placements.
  - funded placement in social enterprises.

### **Meeting employers' needs**

41. Reinstate a funded universal Job Placement service with employment services.
42. Reinstate resources for reverse marketing and workplace post placement support.

### **Barriers to Employer Engagement**

43. Invest in a workforce diversity and inclusion strategy to address attitudinal barriers to employer engagement, lift 'employerability' with the intent to make inclusive workplaces the norm for the benefit of all diversity groups and all workers.

### **Conditionality, Mutual Obligations and Activation**

#### **Integrated Approaches to Conditionality, Mutual Obligations and Activation**

44. Evaluation studies indicate that social security and activation policies have greater impact in integrated approaches, when designed and implemented well, than applied individually.
45. NESAs are of the view that conditionality is an important element of an integrated income support and active labour market policy framework. However, there are opportunities to strengthen design and implementation to reduce weaknesses and address settings which may have adverse outcomes for individuals, communities, and the economy.

## Activation and Mutual Obligation

46. Maintain an integrated approach to conditionality and mutual obligation

## Enforcement

47. The overarching objective of compliance and enforcement measures should be to facilitate engagement with employment and social supports that improve labour market attachment and earnings prospects.
48. Responsibility for job seeker compliance should be returned to Services Australia. This should be accompanied by the restoration of operational connections between Services Australia and the provider network to enhance service users experience and positively strengthen participant engagement and compliance.
49. Reinstate Clean Slate options for job seekers to undertake activities rather than lose income support.

## Reward and Penalty

50. Trial the effectiveness of a participation supplement as a reward for points accrued for undertaking agreed activities.

## Institutional Arrangements for Employment Services

51. 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 an alternative oversight arrangement to separate Government's stewardship function from the interests of policy, funding, regulation, and service delivery. e.g. Regulatory body, Expert Advisory Body, Independent Supervisory Board.
52. Establish a measure of the administrative burden in collaboration with the sector to provide a benchmark to monitor progress on red tape reduction.

## Industry Led Re-Professionalisation & Reinstating Professional Autonomy

53. Priority is given to reducing administration, removing red tape, and restoring professional autonomy.
54. The government support employment services professionalisation through support of the Employment Services Professional Recognition Framework.

## Research, Evaluation and Adaption

55. Establishment of an independent panel to provide expert oversight of research and evaluation of Australia's labour market assistance policies and programs, including digital services administered to drive evidence based continuous improvements and innovation. The body should bring together diverse stakeholders, including employers, civil society, academics, education and training and employment service representatives.

56. Enable independent research to contribute to the body of knowledge and strengthen employment and participation policy and strategy via establishment of a research, trials, and innovation fund.

## Policy Objectives Underpin Employment Services

### Underlying Objectives Now and into the Future

At the most fundamental level, employment services are intended to reduce unemployment and duration of unemployment to contribute to positive outcomes for individuals, families, the wider community and contribute to the productive capacity of the economy. Australian employment services potential contribution to social and economic objectives is grounded in employment policy, program design, operational settings and committed resources.

#### NESA recommends:

1. Employment services should be individualised, promote and support workforce diversity and inclusion to address inequity, contribute to a reduction in poverty and support productivity through achieving outcomes for participants and employers.
2. Objectives for active labour market programs clear, cohesive, and complementary in all aspects of policy and enabled through program design, operational arrangements, funding and systems
3. Objectives for Workforce Australia should be to:
  - Increase participants' likelihood of employment by guiding, encouraging, and supporting meaningful and effective job search efforts.
  - Maintain participation and labour market attachment by establishing and implementing individual plans of support with participants, so they have direction, and recognise their progress towards goals, thereby minimising risks of social and economic disengagement.
  - Assist participants to achieve their vocational goals through individualised strategies to strengthen their job readiness, skills (technical, foundation and employability), address vocational and/or non-vocational barriers, and coordinate support by drawing on internal resources and community partnerships.
  - Develop employment opportunities by engaging with employers about their labour and skill needs, providing labour exchange services to match them with suitable candidates to meet immediate demand, and developing strategies to meet projected skill needs.
  - Improve prospects for sustainable employment and career potential via delivery of post placement support to both employers and placed participants.

The comprehensive list of objectives outlined in the submission guide is illustrative of the expectations and challenging mix of priorities placed on employment services. For Australian employment services to contribute its full potential, the service objectives and priorities need to be clear, cohesive, and complementary in all aspects of policy and enabled through program design, operational arrangements, funding and systems. Such cohesion is yet to be achieved in Australian employment services.



## The Importance of a National Employment Services System

Employment is a key factor in both the economic and social wellbeing of a Nation with unemployment having potential to be a devastating experience for individuals and society. The International Labour Organisation (ILO) agenda for full employment and driving Sustainable Development Goal 8 Decent Work and Economic Growth is founded on the knowledge that high levels of unemployment and underemployment – where jobs are inadequate, rationed, lower-paid or under-qualified, are commonly associated with instability and demand for economic and political change<sup>8</sup>.

Addressing employment and the productive capacity of the economy requires a range of strategic macroeconomic, labour market, and social policy and program interventions. A national employment services system is a critical element of a well-functioning inclusive labour market and civil society.

The provision of universal employment services is fundamental for ensuring Australia assists its citizens realise their right to work as laid out in the International Covenant on Economic, Social and Cultural Rights (ICESCR), article 6. The right to work is recognised as being essential for realizing other human rights and forms an inseparable and inherent part of human dignity. Every individual has the right to be able to work, allowing him/her to live in dignity. The right to work contributes at the same time to the survival of the individual and to that of his/her family, and insofar as work is freely chosen or accepted, to his/her development and recognition within the community

The United Nations notes that the exercise of work in all its forms and at all levels requires the existence of interdependent and essential elements including the availability of specialized services to assist and support individuals in order to enable them to identify and find available employment<sup>9</sup>.

An integrated employment services framework provides the strongest basis on which to ensure the effectiveness of employment services and maximum impact and return from effort and investment. A national employment services system, such as that currently provided in Australia is best placed to ensure universal coverage while also enabling those most disadvantaged to be prioritised. The delivery of employment services is regarded as a responsibility of the Commonwealth with services offered at the State Government level being highly variable and more highly sporadic at the Local Government level.

Where State and municipal level services exist, they tend to focus on complementing the national system, addressing perceived/real gaps in supports and advancing local priorities and opportunities including for citizens not fully eligible for Australian employment services. Effort and initiatives related to employment at a sub national level often include a focus on job creation and driving employment of disadvantaged citizens through Corporate Social Responsibility, use of purchasing power, and support enabling mechanisms such as local coordination and community jobs boards. Australian employment services engage with State and Local Governments as well as community driven initiatives.

International studies indicate decentralised systems, while having potential, are more susceptible to fragmentation of policy interventions and poor synergies across the various government agencies and actors<sup>10</sup>. NESA notes one of the weaknesses of localised specialist service arrangements such as that

<sup>8</sup> ILO Moving towards full employment: An interview with Aurelio Parisotto - SDG8 on Decent Work and Economic Growth Article | 22 November 2019

<sup>9</sup> UN THE RIGHT TO WORK General comment No. 18 Adopted 24 Nov 2005, Article 6 of International Covenant on Economic, Social & Cultural Rights

<sup>10</sup> ILO Assistance to strengthen the employment and training system of the National Employment Service – Independent Evaluation Albania Nov 2011

brokered by CES prior to Contracted Case Management was highly variable service quality and effectiveness. This was in part due to a lack of broader comparison or benchmarks of what was possible, and availability of local services with interest and a potential model to offer. In Contracted Case Management this was an issue to some degree such as in some thin labour markets, particularly rural and regional areas, where there were often limitations and gaps in potential service providers.

In some cases the incumbent providers appeared to be performing, however when Job Network commenced and providers diversified, outcome rates in some areas increased by 400%, in a relatively short period.

While providing a basis for an integrated and cohesive approach, without appropriate intent and attention fragmentation can still occur within a national framework. In this regard NESAs welcomes the proposed Employment White paper and the development of cohesive policy to address unemployment and underemployment, and a road map to drive a national strategy to full employment.

#### **NESAs recommends:**

4. A national employment services system is retained with improvement to the model to enable stronger localised responses.

#### **Employment Services Macro-Economic Conditions & Skills Mismatch**

Active labour market programs such as Workforce Australia have positive value and relevance under all economic conditions. It is essential that labour market programs are agile and can respond appropriately to labour market conditions, participant circumstance and employer demand. As the ILO stated in relation to encouraging Governments to maintain investment in active labour market programs during COVID, “targeted labour market interventions and broader access to public employment services are critical to maintain the employability and job-readiness of groups experiencing greater vulnerability and job instability including through supporting job seekers to stay connected and minimising discouragement”.

Over recent years Australia has faced numerous significant national disasters and globally the COVID-19 pandemic and the human tragedy of the Russian aggression on Ukraine, have resulted in significant social and economic impacts. Disruption to supply chains, immigration and temporary visas, continued technological advancement and fast-tracked implementation of automation have seen more accelerated shifts in sector trends, and occupational and workforce demands. Australia, along with the majority of OECD countries, is experiencing a strong bounce back with unemployment returning to pre-pandemic levels. However, unprecedented labour shortages, inflationary pressures and continued global uncertainty are challenging recovery and have exposed substantial skill shortages in Australia<sup>11</sup>.

While recognising these are exceptional times, it must be acknowledged that the growing demand for higher skill levels has been a feature of the Australian labour market for more than a decade. The macro-economic position Australia is now experiencing has put a spotlight on the proportion of job seekers with skills sets and/or skill levels which do not meet workforce demand requirements. In contrast to market demand the profile of job seekers assisted by employment services has not changed significantly.

<sup>11</sup> OECD Employment Outlook 2022: Building Back More Inclusive Labour Markets, OECD Publishing, Paris 2022

The Workforce Australia caseload continues to feature a high proportion of participants with low educational attainment, limited post-secondary qualifications, and low literacy (digital language)/numeracy being common<sup>12</sup>.

Breakdown of the caseload by highest level of educational attainment indicates:

- 17.2% completed secondary education
- 37.8% did not complete secondary education (with a proportion having primary or no education)
- 33.3% have a trade or TAFE qualification, however, a significant proportion provide limited leverage into the labour market as they are below labour market requirements (e.g. Cert I or II), are outdated, and/or the person no longer has capacity to undertake work in their field of study.
- 10.6% have completed university

An inadequate focus on human capability development in design and program settings of Australian labour market programs has contributed to persistent skills gaps between labour demand and supply. The emphasis on driving volume and speed of job placements and outcomes has come at the expense of opportunities to improve quality of work, potential earnings, and long-term sustainability through pre-employment and in work interventions. The issue of skills mismatch has not received adequate attention with priority given to connecting job seekers to 'any job' and off welfare. This over emphasis on work first has been an issue for some time and highlighted by the OECD in country reviews over the past decade.

Post COVID containment measures, the recruitment difficulty rate started rising in early 2021 to reach a record high in mid-2022, with 71% of recruiting employers having trouble filling their vacancies<sup>13</sup>. In contrast to pre pandemic conditions a 'lack of applicants', and a 'lack of suitable applicants' emerged as the top reasons employers reported difficulty filling vacancies in 2021 and 2022.

The change in labour market conditions and increased recruitment difficulty has arguably shifted workers bargaining position. Employers reporting a lack of candidates due to perceptions 'vacancies had undesirable working conditions or hours'; has increased from 8% in 2021 to 19% in 2022.

Australian employment services and the Survey of Employers Recruitment Experiences survey responses suggest a 'softening' of employer candidate selection criteria regarding non-technical skills. A lack of suitable applicants has declined from 44% in 2021 to 28% in 2022. Providers report increased job placement success of job seekers in roles they had previously been deemed unsuitable by employers. This indicates a positive impact of the tightening labour market regarding inclusion of diverse and disadvantaged job seekers, representing a window of opportunity to drive stronger workforce diversity and inclusion.

In the context of work first settings employment services have targeted employer engagement focused on entry level job opportunities. To illustrate, the Accommodation and Food Services, Retail, Construction, Health Care & Social Assistance, and Manufacturing sectors have traditionally accommodated a diverse workforce and provided significant entry level/low skilled job opportunities. Pre-COVID these sectors accounted for approximately 50% of all jobactive job placements.

<sup>12</sup> Workforce Australia Select Committee Inquiry: Caseload presentation, 3 November 2022

<sup>13</sup> Jobs and Skills Australia - Recruitment Insights Report – January 2023

However, these sectors were amongst the hardest hit by the pandemic. Many participants placed in these sectors returned to unemployment during COVID and while they had gained recent work experience their skill levels continue to fall short of employer requirements.

While aggregate job creation and vacancy data is strong, as with the onset of the pandemic, there is wide disparity across sectors and local labour markets in the recovery phase. In addition, the Reserve Bank of Australia has projected that the unemployment rate is expected to increase from around the middle of 2023, reaching 4½ per cent by mid-2025<sup>14</sup>.

As noted in the Jobs and Skills Summit: Issues Paper, “Addressing the barriers to participation and promoting equality of opportunity will contribute to a stronger and more inclusive economy, enable more Australians to realise their full potential, and help address current labour market challenges. This, in turn, will help to ensure that the benefits of full employment are shared fairly across our community<sup>15</sup>.”

Over the past two decades there have been overarching policy positions and a multitude of barriers within the design of various programs and micro policy settings that have inhibited the delivery of training including demand-led interventions. By way of illustration this has included imposition of onerous and lengthy approval processes to access the Employment Fund for employer required training as well as training eligibility criteria which has prevented genuinely tailored responses to employer needs. While the merit of such processes will be argued, insufficient attention was paid to mitigating the risk of such measures on reducing timely response to employer needs, employer relationships and their service experience.

NESA strongly believes the social and economic cost of inadequate action to address the skills divide is socially and economically immense. If there is a genuine commitment to leaving no-one behind it is imperative that a focus on solutions is at the forefront of discussion.

Active labour market programs have potential to deliver a significant contribution to addressing the skills divide; however, there is no quick fix, and it will require coordinated approaches across policy silos and partnerships between purchasers and providers. Improved coordination between actors such as employment services providers, Local Jobs Taskforces, Employment Facilitators, Workforce Specialists, the Australian Apprenticeship Network, and the education and training sectors are needed to develop collaborative exchanges about labour market needs, strategies, and coordinated and agile responses.

Workforce Australia needs an enabling operating environment and the capacity to deliver flexible and responsive strategies to meet participant and employer skill needs.

Despite the Budget’s significant focus on skills training (see the article in this Budget Review on skills training), the financial incentives for providers to refer job seekers to training are limited, with the focus of the NESM—like that of jobactive—being employment outcomes.

**Parliamentary Library: Employment Services Measures Budget Review 2021–22 Index Matthew Thomas**

<sup>14</sup> Reserve Bank of Australia Statement on Monetary Policy February 2023

<sup>15</sup> The Australian Government the Treasury Jobs and Skills Summit: Issues Paper August 2022

Employment services have capacity to contribute to a wide range of objectives, however it can only do so to the extent to which there is cohesive alignment with policies, program design and resources (inclusive of micro policy and IT platforms). Objectives need to be realistic and aligned to resource allocation and the performance management framework needs to be redeveloped.

While Workforce Australia retains a legacy of work first policy and settings, contribution to skills formation will continue to be limited. Provider time should be focused on service delivery rather than dominated by administration and 'red tape'. Work first settings promote a focus on the shortest path to the labour market and do not create an environment that is conducive to capability development interventions. Work first settings and measures aimed at reducing attachment or lock in effects to maintain short term income support exit rates, deter education and training interventions that demonstrate better outcomes over the longer term, and need to be addressed in order for progress to be achieved.

The submission guide states: "There is clear evidence that a 'work-first' approach does not work for less job-ready participants, but previous 'human capital' approaches did not effectively target training to meet the needs of employers." NESA is unsure on what basis this conclusion was reached.

The sector argues that no model to date has fully implemented a comprehensive and cohesive human capability model, including Workforce Australia with many settings remaining aligned to a work first approach. For clarity, NESA notes that a human capability model does not exclude work first pathways but adopts strength-based practices to co-design an individualised plan aligned to the job seeker's aspiration and circumstance, employer, and labour market demand.

Of the various iterations of employment services over the past two decades Job Services Australia (JSA) 2009-2012 was the closest to a human capability model. NESA highlights that while it was closer to a human capability approach it retained many of the drivers of work first in the model, albeit with more appropriate settings for training and skills.

JSA was substantially more effective than JNS in helping job seekers obtain skills and training. Both LTU and new entrant job seeker populations had higher education and training outcomes under JSA compared with JNS. Training was found to significantly improve the chances of job seekers getting a job, particularly for youth and mature aged. **Regression analysis showed that job seekers in Streams 2, 3 and 4 had more than double the odds of getting a job placement if they had received Employment Pathway fund (EPF)-funded vocational or non-vocational training compared with those who had not.**

**While JNS shows higher early exit rates for new entrants, JSA exit rates from income support after 37 weeks were higher.** This is probably the return on investment of increased training outcomes in JSA. Education has a recognised attachment effect, meaning that job seekers lessen or cease job search while they study. This may contribute to the lower early exit rates from both service and income support in JSA

**The Evaluation of Job Services Australia 2009 – 2012**

While education and training investment continued under JSA 2012-2015, in response to changes introduced to the program, education and training interventions became more targeted to Stream 4 but lower for the other Streams, with continued strong results<sup>16</sup>.

The JSA 2012 evaluation concluded “This result potentially reflects the difficulty in finding employment immediately for Stream 4 job seekers, transitioning them through education and training in the first instance. It could be expected that higher education outcomes would lead in the longer-term to a more responsive labour force”.

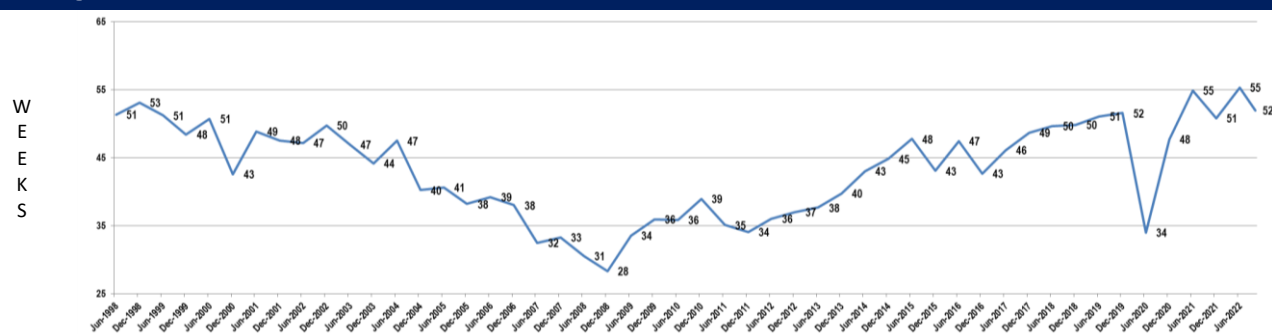
NESA notes the testimony from the Department of Jobs and Small Business to the Inquiry into Intergenerational Welfare Dependence as to the positive impact of moving towards this model.

“Job Network, Job Services Australia, jobactive and even the previous CES have all been an evolution of trying to assist people to get into employment. Primarily our target is the most disadvantaged, the ones that are longest unemployed. **When we moved from Job Network to Job Services Australia and significantly increased resources were allocated to the most disadvantaged, it resulted in increasing our outcomes threefold, I think, for that cohort. That was us moving in the right direction.** Previously, under maybe our earlier programs, it was all about those who can most likely get a job, get them a job, and sort of park the others because it's really expensive to service them and you don't get them jobs as frequently<sup>17</sup>”.

Official Committee Hansard, House of Representatives, Select Committee on Intergenerational Welfare Dependence; Welfare Dependence of Families and Outcomes for Children Page 54 Wednesday, 21 November 2018

Job Services Australia performance needs to be considered in the context that it was implemented shortly before the onset of the Global Financial Crisis. This highlights that substantial impact was made under adverse economic conditions. However, as indicated in the graph below, and you would expect following economic shock, the progress made on long term unemployment prior to the onset, was reversed<sup>18</sup>.

### Average Duration of Job Search



<sup>16</sup> Department of Skills, The Evaluation of Job Services Australia 2012 – 2015

<sup>17</sup> Official Committee Hansard, House of Representatives, Select Committee On Intergenerational Welfare Dependence; Welfare Dependence Of Families And Outcomes For Children Wednesday, 21 November 2018

<sup>18</sup> Source: Time Series Workbook 6291.0.55.001 Labour Force, Australia, Detailed, Table 14a. Unemployed persons by Duration of job search & Sex



Job seekers are diverse with differing circumstances and strengths, and each has a unique journey to employment. The manner in which objectives are embedded in arrangements makes a material difference in the service delivery environment and experience of job seekers and employers as principal service users. To enable greater contribution to skills formation the sector needs:

- Flexibility in service responses and job seeker mutual obligations without risk of micro quality assurance processes driving service standardisation
- Adequate time to allow strategies to mature to outcomes without threat to contract period, that being an acceptance that exit rates may initially decline
- Flexible use of internal and external services to achieve wrap around supports in relation to vocational (accredited and non-accredited, full qualifications or micro-credentials) and non-vocational barriers to support and enhance completion rates

## The Best Operating Structure for Employment Services

### Current Market Design and Alternatives

While commencing as a bold experiment the quasi-market for employment services has proven to be effective and efficient, notwithstanding the opportunities to further strengthen arrangements.

While Australia remains the only country to have implemented fully outsourced public employment services, the majority of OECD countries have increased their level of outsourcing. Most countries have adopted various modes of partnership and contracting to enhance public employment services delivery. Of OECD countries only 37% of have employment services which continue to be almost exclusively delivered by a public agency<sup>19</sup>.

In the context of current arrangements Australia's model is no longer considered fully outsourced. Since the national implementation of online employment services in 2019, now known as Workforce Australia Online the public provider has been responsible for the largest caseload of job seekers. NESA notes evidence to the Select Committee which indicates as at September 2022, Workforce Australia Online was responsible for service provision to approximately 21% of job seekers (excluding those eligible for specialist programs DES or CDP)<sup>20</sup>. Additionally, many countries such as the UK, consider benefit administration, assessment, and other job seeker services such as is delivered by Services Australia elements of the public delivery of employment services and operate in an integrated way with contracted services.

The OECD stated the Australian experience demonstrates that a quasi-market for employment services can operate effectively but it requires an active national management framework<sup>21</sup>. The OECD has stated that the strength of Australian employment services was demonstrated during the Global Financial Crisis and more recent events have highlighted the agility of the sector and capacity to pivot services to respond to demand. NESA also notes the overall record of achievement against KPI's for expected

<sup>19</sup> DIRECTORATE FOR EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS COMMITTEE Institutional set-up of active labour market policy provision in OECD and EU countries: Organisational set-up, regulation and capacity 2021

<sup>20</sup> Proof Committee Hansard HOUSE OF REPRESENTATIVES SELECT COMMITTEE ON WORKFORCE AUSTRALIA EMPLOYMENT SERVICES (Public) THURSDAY, 3 NOVEMBER 2022

<sup>21</sup> OECD (2013), Activating jobseekers: Lessons from seven OECD countries, OECD Employment Outlook 2013, OECD Publishing

outcomes year on year and cost per outcome as highlighted in Departmental Annual Reports across the life of outsourced employment services.

### Optimal Design of a Quasi-market

There are a number of variations on the quasi-market implemented internationally which are designed to meet local circumstance. Each model has pros and cons that vary according to the country e.g., population density, available service delivery agents and government structures, and must be considered in the context of appetite for investment and risk.

Purchaser provider models differ in relation to the mode of engagement.

- Contracting arrangements - centralised and decentralised commissioning arrangements, direct service, or prime contractor model
- Licencing models which include pre accreditation arrangements and open market
- Voucher systems – vouchers issued to job seekers which they can use with approved suppliers
- Reverse tendering – enabling bidders to propose solutions and models rather than bidding to deliver a fixed model. This approach is often used alongside universal employment services (national or decentralised)

The market should reflect the desired outcome objectives and evidence-based design principles. This includes objectively identifying policy, program design, and program implementation and delivery capacity weaknesses and strengths. Otherwise, regardless of the market structure or delivery agents, initiatives will continue to fail to reach potential.

To a large extent the failings of jobactive identified above stem from the logic that underpins the system. Australia's employment services system is based on a 'work first' approach; that is, it has a strong focus on rapid placement in work at the expense of longer term investments in employability<sup>22</sup>.

**Budget Review 2021–22 Index Employment Services Measures Matthew Thomas Research Branch May 2021**

Regardless of market design careful selection of providers is an important precondition for the successful implementation of employment services. NESA highlights good provider selection is at the heart of maintaining performance and quality of services. However, unnecessary provider turnover during the contract period or at renewal of programs is extremely disruptive with negative impact shared by service users and community stakeholders; and jeopardises the transition, implementation, and reputation of the new model.

The key features of commissioning in a quasi-market process should include a two-way exchange of information that enables self-assessment of the suitability of the opportunity by potential bidders and quality bids that address the proficiency the purchaser is seeking. This requires sufficient information to give clarity as to the model, services to be delivered, client cohorts and indicative or actual number of clients expected. There should be complete transparency as to the assessment criteria and weightings to be applied.

<sup>22</sup> Parliamentary Library, Budget Review 2021–22 Index Employment Services Measures Matthew Thomas Research Branch May 2021

The commissioning documents should provide sufficient information for prospective delivery agents to fully consider financial viability. NESA is of the view that price-based tendering is fraught with risks and should be avoided in favour of price setting based on sound econometric modelling and detailed consideration to cost of service delivery.

In the early years of Job Network NESA was provided with the assumptions underpinning the program and delivered a modelling tool for prospective bidders including potential new entrants to self-assess their financial capacity and risk appetite. This informed their decision on whether to bid or not to bid and the quality of the service model they could offer. The sector advocates for transparency and improved data sharing to support an informed commissioning process.

NESA notes that in the Workforce Australia process significant information about progress payments arrangements were not made transparent. It was not until the transition period when providers asked for confirmation about these arrangements, did the Department clarify that they had been revised following the consultation phase. While other changes to the draft were outlined in Frequently Asked Questions, this important element was not.

The commissioning process for Australian employment services has traditionally been a one stage process. An exception was in the commissioning process for Disability Employment Services in 2018, in which the Department of Social Services implemented a two-stage approach, similar to what occurs in some international markets. The two-stage process commences with an Expression of Interest to pre-qualify as a bidder. Those organisations that are successful are invited to participate in the subsequent request for proposal.

In international examples stage 1 sometimes includes more detailed proposals and demonstration of financial capacity to deliver. The contracting authority may conduct consultations with prospective tenderers to facilitate information exchange (for example, on past employment outcomes of client groups, and/or their capacity to work in a specific geographical area) as well as to clarify tender/bid procedure. In contrast, the Australian process is closely managed with strong probity measures in place which limits information exchange.

Stage 2 involves the formal bid process. Commissioning timelines have a material impact on the quality of bids and diversity of potential suppliers. In the Australian model the release of commissioning documents including Draft for Consultation (where released), final commissioning documents and the tender submission period occurs over a relatively truncated period compared to international models. Generally, potential suppliers are given close to the minimum required days prescribed in the Commonwealth procurement guides, that being 25 calendar days.

The OECD states that the objective of sound provider selection and complexity of tendering procedures is best managed over a protracted period, ideally up to a year<sup>23</sup>. Longer processes enable more diverse bidders including smaller organisations and are seen to provide more time to conceptualise models and propose effective and innovative solutions. In the Australian experience we also note that the intensity of commissioning processes can disrupt performance leading into and during the purchasing period.

<sup>23</sup> OECD DIRECTORATE FOR EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS COMMITTEE Paying for results: Contracting out employment services through outcome-based payment schemes in OECD countries 2022

Internationally, many countries adopt a negotiation process with shortlisted providers prior to final announcement of purchasing outcomes. While this has occurred in the Australian context, negotiations have been at the margins and largely focused on bidders accepting or rejecting the purchaser's proposed adjustments to the provider's bid range for market share. In addition, this phase could usefully be used to clarify the service offer to ensure there is a common understanding in relation to Service Plans.

More detailed negotiation could also strengthen arrangements to enable an efficient establishment of the market, in a cost-effective manner. For example, as providers do not have visibility of where other providers have proposed sites there is always the potential for gaps or market saturation. Providers indicate in their bid the proposed sites and status, such as full time, part time or visiting.

In the case of Workforce Australia gaps in coverage were prominent and not identified until after the program was implemented and providers were directed to extend service locations (sites/or visiting services) over and above what they had proposed. In previous examples, where such gaps have occurred, a process of negotiation was undertaken with contracted providers in the area, to fill the gap or rationalise the market.

The second round of the Private Sector Led New Deal tendering process, which occurred between December 2001 and November 2002, provides a good practice example of a viable contracting timetable as shown in the following example:

| Month | Activity  |
|-------|---|
| 1     | Advertisement for expressions of interest   |
| 2     | Briefing sessions hosted, and pre-qualification questionnaires issued (PQQs)                      |
| 3     | PQQs assessed and provisional shortlist drawn up  |
| 4     | Invitations to tender (ITT) issued to bidders   |
| 6     | Provider surgery events hosted, enabling providers to speak directly to Districts.<br>Bids due in |
| 6-8   | Bid assessment, financial viability risk assessment (FVRA) and bid assessment panel               |
| 8-9   | Final post-tender negotiations  |
| 9     | Contract award notification   |
| 9-12  | Post-contract support/development   |
| 12    | Contract commencement   |

The time elapsed between each stage in this timetable could be viewed as an absolute minimum requirement.

### Provider Diversity

Diversity of providers is seen as a positive attribute in a quasi-market. The OECD notes an important precondition for creating a competitive quasi-market is to have multiple potential providers, possibly from different backgrounds, who are willing to enter the market for the provision of employment services. Across the OECD providers of contracted-out employment services have a variety of company and organisational backgrounds, including both "for-profit" and "not-for-profit" organisations<sup>24</sup>. Countries that continue to have publicly delivered employment services are increasingly drawing on the expertise of diverse delivery partner organisations to leverage their skills, knowledge, and networks to

<sup>24</sup> OECD SOCIAL, EMPLOYMENT & MIGRATION WORKING PAPERS No. 267 Paying for results: Contracting out employment services through outcome-based payment schemes in OECD countries

improve service provision and to meet the needs of diverse groups in the labour market, as was the case in Australia prior to outsourcing. Proponents for partnership approaches agree.<sup>25</sup>

- It is no longer either efficient or practically feasible to rely exclusively on the traditional governmental actors for the creation of more and better job opportunities.
- Conducive policy and regulatory frameworks are necessary preconditions for inclusive growth and improved employment prospects, more downstream action is required to translate these into desirable outcomes – and such action can be supported by partnerships.
- Human resources and fiscal capacity constraints on public administrations necessitate collaboration with other actors.

Provider diversity promotes innovation and improvements to quality of services but an operational environment which is conducive and flexible is required to fully realise this potential. Local research indicates in Australian employment services the regulatory arrangements have reduced professional autonomy and discretion of frontline workers, and increased provider organisational risks of financial and performance sanctions, resulting in greater emphasis on administration and higher levels of service standardisation<sup>26</sup>.

Creating competition is a common feature of quasi-markets. Competition can encourage good practice and performance, when instilled in markets well. In the Australian context it is apparent that excessive competition created by blunt relative effectiveness measures, coupled with constant and high threat of contract loss, has significantly stifled cross fertilization of ideas and innovation and collaboration in service delivery for job seekers and employers.

#### NESA recommendation:

##### 5. Optimal Design principals:

- Maintain provider diversity with selection based on demonstrated capacity to deliver program outcomes (Quality and Performance) for participants and employers.
- Market share arrangements should be merit and evidenced based rather than arbitrary caps.
- Contract duration should be of at least 5 years to enable adequate duration to build service partnerships, implement human capability strategies, and realise outcomes prior to formal performance reviews with potential for license sanctions.
- Determine most effective geographical structure through in-depth consultation with stakeholders including regarding the complexity of different market structures across programs e.g., Workforce Australia and DES.

#### Selective Servicing & Prioritisation

NESA does not believe selective servicing often referred to as creaming and parking are inherent characteristics of privatised or outsourced employment services models, rather these are by products of employment policies, program design and investment. The issue of selective servicing has many dimensions and has been an area of focus for policy makers locally and internationally across a wide

<sup>25</sup> ILO Partnerships and contractors in the delivery of employment services and ALMPs: a literature review 2017

<sup>26</sup> Considine, M., McGann, M., O'Sullivan, S., Nguyen, P., and Lewis, J.M. Improving outcomes for disadvantaged jobseekers: The next generation of employment services – response to discussion paper. Melbourne: The Policy Lab, The University of Melbourne, 2018

range of government funded services delivered by both contracted providers (not for profit and for profit) as well as public institutions<sup>27</sup>.

Creaming and parking are generally understood to refer to the selective acceptance of clients to service. Parking generally refers to the scope, intensity and equity of services provided to clients. In the context of employment services, providers are required to accept all job seekers referred with measures in place to ensure they are engaged promptly and provided with mandated minimum service requirements.

There are many elements of employment policies, program design, resourcing, and performance management of service providers, and through their interaction, have consequences on the equity of access and service priority/intensity afforded to job seekers. It must be recognised that occurs by intent, with policy makers using program design and micro policy arrangements to target and prioritise particular cohorts, and rationing objectives such as streaming. In this regard it is important to note that over the history of employment services the minimum service requirements and resources available to support job seekers and their relative priority in assistance has been determined through job seeker service eligibility and reinforced through provider performance, payment, and procurement frameworks.

While specifically referencing the Australian model and use of the Jobseeker Classification Instrument (JSCI) combined with complex differential pricing systems, research on pay by results employment service models concluded, “one parking risk is that payments simply may not be high enough to realistically cover the intervention costs of the hardest to help, and recent evidence suggests that this may indeed be an important ongoing problem in the scheme”<sup>28</sup>

Employment services frameworks inadequately recognise job seekers actual service needs and varying and fluctuating readiness and capacity to undertake interventions. NESAs believes that an excessive emphasis on avoiding dead weight loss and over-servicing in Australian employment services arrangements has contributed to structural/systemic under servicing as opposed to parking which implies calculated neglect.

*The Demonstration Pilots and their focus on Stream 4 provide further avenues to strengthen the assistance offered to people with the least opportunities. However, AASW members advise that the difficulty for many clients is their inability to be assessed as eligible for Stream 4, despite having obvious employment barriers such as homelessness, a diagnosis of mental illness, recent release from a detention centre (refugee) and the vulnerability to long-term unemployment. Social Workers’ investigations show there can be a range of reasons for unemployment, but only having eligibility for Stream 1 assistance is an important one. As a consequence, many of their clients are not adequately assisted by the employment services system*<sup>29</sup>.

International research also indicates that the sector (profit or not for profit) makes less difference than might perhaps be expected given the sharp financial pressures experienced by all providers within pay by results schemes. More broadly, it was noted that failings in meeting the support needs of harder-to-help claimants are not exclusive to outsourced provision, and, in part, reflect the reality that providers – of

<sup>27</sup> OECD, Performance Budgeting in OECD Countries, 2007

<sup>28</sup> Carter, Whitworth - Creaming & Parking in Quasi-Marketised Welfare-to-Work Schemes: J Soc Policy 2015

<sup>29</sup> Australian Association of Social Workers Submission to Department of Education, Employment and Workplace Relations: Employment Services - building on success Issues Paper - Department of Education, Employment and Workplace Relations 2013



whatever sector – simply may not have the scope or resources to affect certain characteristics of claimants<sup>30</sup>.

The intense level of scrutiny received by contracted employment services has brought the issue of creaming and parking to the fore. Creaming and parking are considered principal agent problems, and these are not exclusively associated with outsourced employment services, as they may also be present when employment services are provided by a public body, but they may not be clearly identified as a prominent factor<sup>31</sup>.

The principal agent problem has been identified<sup>32</sup> in various public delivery models<sup>33</sup>.

### Problems and perverse incentives in UK Jobcentres

Previous research has suggested that some of the common problems in PES performance management have also been present in Jobcentre Plus in the past. The rationale for the development of a new Performance Management Framework (PMF) resulted from a widespread belief within Jobcentre Plus that the old suite of targets had functioned with varying degrees of success but were no longer effective. In particular, they were thought to variously lead to perverse behaviours, were expensive to maintain and led to confused lines of accountability (Department for Work and Pensions 2011)<sup>34</sup>.

| In Jobcentres   | In Contact Centres   |
|---|--|
| <ul style="list-style-type: none"> <li>• Customer prioritisation – selecting jobseekers who can help themselves for interventions and de-selecting jobseekers who require help.</li> <li>• Sanctions – one way of producing off-flows from benefit is through sanctioning jobseekers, who subsequently count as a further on-flow.</li> <li>• Benefit shifting – another noted way of producing off-flows or reducing the claimant count for a particular benefit is through shifting claimants from one benefit to another.</li> <li>• Purchasing performance – the generation of an unnecessary intervention to ‘claim’ performance ‘points’.</li> <li>• Performance information duplication – the duplication of information at several levels of the organisation in order to monitor information.</li> </ul> | <ul style="list-style-type: none"> <li>• Call dumping to reduce call times – productivity targets might lead to CSAs ‘dropping’ calls to reduce average call times.</li> <li>• Selective data entry/corner cutting – missing particular aspects of data collection because it is difficult or time consuming.</li> <li>• Customers offered too much information – excessive time might induce CSAs to try to help customers too much by providing advice on issues beyond their capacity.</li> </ul> |

NESA notes Working Nation evaluation reports which reviewed performance and service quality issues of both public employment services delivered via CES –Employment Assistance Australia and outsourced providers, via Contracted Case Management. This was the first time that the public and outsourced providers were assessed for the same services under the same performance measures. The evaluation identified creaming and parking behaviours by EAA. This included cherry picking job seekers from waiting

<sup>30</sup> Carter, Whitworth - Creaming & Parking in Quasi-Marketised Welfare-to-Work Schemes: J Soc Policy 2015

<sup>31</sup> DIRECTORATE FOR EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS COMMITTEE Paying for results: Contracting out employment services through outcome-based payment schemes in OECD countries

<sup>32</sup> Design and Redesign of a Quasi-Market for the Reintegration of Jobseekers: Empirical Evidence from Australia and the Netherlands Ludo Struyven\*, Catholic University of Leuven, Belgium Geert Steurs, IDEA Consult, Brussels  
Article in Journal of European Social Policy · August 2005

<sup>33</sup> OECD Employment Outlook © OECD 2005 Chapter 5 PUBLIC EMPLOYMENT SERVICES: MANAGING PERFORMANCE

<sup>34</sup> Process evaluation of the Jobcentre Plus Performance Management Framework Dr Alex Nunn and Dr Dave Devins

lists with a higher likelihood of achieving employment and leaving those most disadvantaged on the waiting list or re-directing them to outsourced providers<sup>35</sup>. NESA believes that this illustrates the critical importance of performance management in driving behaviour (intended and unintended) and the need for a framework that is properly aligned to objectives regardless of market structure.

### **Provision of Specialist Services for Disadvantaged Groups**

An individualised case management approach in the delivery of employment services with the intent of facilitating joined-up and wrap around supports is the most effect way of accessing the range of specialist and generalist support relevant to individual's needs, goals, and preferences.

Attempts to incorporate specialist organisations in the provider network has had limited success to date. The primary exception has been organisations with both specialist expertise and employment services experience.

The rate of specialist providers exiting has previously been relatively high and has occurred due to viability issues and more frequently on performance grounds. NESA considers there have been a range of factors contributing to this including the comparative performance framework and the work-first policy settings. Specialist services were included in the early phase of Job Network then discontinued and reintroduced with the implementation of the Job Services Australia (JSA) 2009 – 2012 model, subsequently discontinued in jobactive, and now reinstated in Workforce Australia.

The work-first emphasis embedded in the performance framework and short-term licencing arrangements do not align with a human capability approach. While recognising the potential benefit of including progress measures, there remains inadequate recognition of the time needed to resolve more complex individual circumstances and build capability which will deliver better outcomes over the longer term. To illustrate, a large proportion of specialist providers in JSA were removed in the midterm business reallocations with their performance below that of generalist providers according to the Star Rating model. Notably, those specialist providers that remained in JSA achieved comparable outcomes to generalist providers by the end of the contract period<sup>36</sup>. An Australian country review noted the Star Rating regressions over-predicted the expected outcomes for (Job Services Australia) providers who specialised in certain disadvantaged client groups<sup>37</sup>. This experience further highlights the importance of effective performance management frameworks.

### **NESA recommendation:**

6. An individualised case management approach able to facilitate joined-up and wrap around supports (generalist/specialist) is the core of employment services for disadvantaged job seekers.

<sup>35</sup> Working Nation: Evaluation of the employment, education & training elements Evaluation & Monitoring Branch, DETYA, 1996

<sup>36</sup> Department of Skills, Employment, Small and Family Business, The Evaluation of Job Services Australia 2009 – 2012

<sup>37</sup> OECD Outlook 2013 :ACTIVATING JOBSEEKERS: LESSONS FROM SEVEN OECD COUNTRIES

## Localised and specialist supports

Local service partnerships accessible to job seekers are critical. Entity type (private, government or community) is not a reliable predictor of quality or fit of service. Good practice is to develop service partnerships based on regular monitoring of clients' experience with service partners and evaluating outcomes. Job seekers service preferences underpin sustained engagement in intervention.

Joined-up approaches feature in international Public Employment Services (PES) with the expressed aim of establishing a bridge between welfare and employment to ensure job seekers receive the necessary continuum of support. This includes cross portfolio collaboration to facilitate access to other government initiatives and working with specialist providers offering complementary services and support<sup>38</sup>. Integrated or joined up services are most common in high income countries where generally employment services are better resourced and their policy frameworks facilitate alignment of common goals with external stakeholders, enabling better adaption of services to the local context.

The Workforce Australia caseload is diverse and features high levels of disadvantage with a high proportion of job seekers facing multiple vocational and non-vocational barriers to employment including comorbid disability, physical and mental health conditions. Of the Workforce Australia caseload, 60% had confirmed mental health conditions, 58% physical health conditions, and 55% had multiple health conditions with a third of the caseload considered to have complex health conditions, in addition to vocational barriers<sup>39</sup>. Job seekers generally require a mix of services and support rather than a single specialist to obtain the full suite of vocational and non-vocational supports required. As such it is imperative that generalist and specialist employment service providers build strong linkages to support effective assistance.

A central aim of case management is to drive a person-centred approach in which the job seeker has agency in determining an appropriate plan and to facilitate the coordination of interventions and support to address job seeker circumstance. This includes assisting the person to identify and navigate and access the wider service networks they need (and want) and facilitating joined up and wrap-around delivery.

The Individual Placement and Support (IPS) model illustrates joined-up approaches are effective for clients with complex circumstance. This model was developed to deliver integrated service arrangements between acute mental health and employment services and has also been adopted in partnership with Alcohol and Drug rehabilitation services. Noting people living with disability experience a participation rate of around half that of people without disability. People experiencing acute mental health have amongst the lowest employment participation of people living with disability. While resource intensive to deliver providers engaged in these initiatives reflect that they deliver results. A review by KPMG of the model in relation to young people with mental health issues, indicated a net direct benefit of around \$9.0 million (nominal) or \$7.3 million (Net Present Value) with this benefit shared between Government (reduced welfare payments) and IPS participants (increased personal income)<sup>40</sup>.

<sup>38</sup> ILO briefs on Employment Services and ALMPs Issue No. 1 Public employment services: Joined-up services for people facing labour market disadvantage

<sup>39</sup> Hansard WORKFORCE AUSTRALIA EMPLOYMENT SERVICES SELECT COMMITTEE Thursday, 3 November 2022 House of Representatives Page 27

<sup>40</sup> KPMG Report on the value for money of the IPS Trial For the Department of Social Services 2020

The accessibility and availability of specialist services and supports with large variation in local social and health services infrastructure across Australia, is a significant challenge<sup>41</sup>.

#### Provider feedback on access and availability of services

| Access to services                    | Very easy | Easy | Neutral | Difficult | Very difficult |
|---------------------------------------|-----------|------|---------|-----------|----------------|
| <b>Housing</b>                        | 3%        | 10%  | 20%     | 38%       | 29%            |
| <b>Mental health services</b>         | 14%       | 31%  | 26%     | 22%       | 7%             |
| <b>Language and literacy services</b> | 10%       | 37%  | 31%     | 6%        | 16%            |

NESA members report significant effort is applied to building community linkages to facilitate participants' access to services in their community.

A range of service partnership strategies with diverse services are in place across the sector including visiting services (in-bound and outbound), collaborative case review with participants' consent and fee for service arrangements. To develop a mature service relationship with trust, shared understanding and collaborative protocols takes time and ongoing commitment. Impediments to creating such service partnerships to access specialist supports for participants include:

- Understanding/acceptance of employment services contractual and participant compliance framework
- The dynamic nature of guidelines, compliance and other service requirements that intersect with established arrangements, often necessitating amendments
- Expectations regarding fee arrangements which do not meet eligibility criteria for Employment Fund expenditure and/or that cannot be supported by the payment model
- Excessive administration and reporting requirements to support evidence of provider and participant compliance
- Short licencing period and regular turn over in the provider network which disrupts continuity of established relationships

#### Role of Government

As discussed, Government is the largest provider of Australian employment services and has been since the introduction of online employment services was scaled nationally in 2020. This arrangement places the Australian market in a comparable position to international models with short-term unemployed and job ready participants managed by the public employment service. In addition, the Government arguably has the largest role in relation to labour exchange with responsibility for Workforce Australia Online for business and Workforce Australia Online which is supporting approximately 21% of the current caseload and is expected to increase this share of job seekers over time, as it takes in the vast majority of new entrants.

<sup>41</sup> DEWR The evaluation of jobactive Final Report 2022

In comparison to our arrangements, in two thirds of OECD and EU countries the public employment service is established with its own executive and managed at arm's length from the Ministry with varying levels of autonomy<sup>42</sup>. Furthermore, the public employment service is subject to the same objectives and performance management expectations with accountability in a publicly transparent manner.

NESA acknowledges the issue of outsourcing in human services has been polarising. However, we are of the view evidenced-based decision making is imperative. Decisions regarding service delivery and selection of delivery agents should be merit rather than philosophically driven.

While it may be hard to develop a contract that does fully meet client preferences; the counterfactual is a government monopoly, which may meet these needs even less effectively. Although available client satisfaction measures are difficult to interpret, Job Network providers with imperfect contracts appear to have performed much better than the previous CES<sup>43</sup>.

Productivity Commission Independent Review of Job Network 2002

### NESA recommends:

7. Workforce Australia Services Quality and Performance framework is subject to independent expert review in the context of program intent to deliver a human capability approach and is amended in accordance with findings.
8. NESA recommends proposed licencing arrangements are amended to better align with a human capability model recognising the potential for better outcomes in the long term.

### Outcome-based funding models and Alternative Funding arrangements

The I Want to Work report was clear in its intent that the new model of employment services should be focused on directing more resources to those job seekers who need the most assistance through implementing smarter and more targeted investment.

### Recommendation of Employment Services Expert Advisory Panel<sup>44</sup>

#### WHAT NOT TO DO

- STOP LISTENING TO JOB SEEKERS
- STOP LISTENING TO EMPLOYERS
- CHERRY PICK RECOMMENDATIONS
- BUILD THE DIGITAL AND DATA ECOSYSTEM IN ISOLATION
- DO THINGS THE SAME WAY BY THE SAME PEOPLE
- LEAVE THE JOB TO ONE DEPARTMENT
- **POCKET SAVINGS RATHER THAN REINVESTING IN THOSE WHO NEED IT MOST**
- LOSE SUPPORT FROM EMPLOYMENT SERVICES PROVIDERS, THE COMMUNITY, THE GOVERNMENT

<sup>42</sup> DIRECTORATE FOR EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS COMMITTEE Institutional set-up of active labour market policy provision in OECD and EU countries: Organisational set-up, regulation and capacity

<sup>43</sup> Productivity Commission Independent Review of Job Network 2002

<sup>44</sup> I want to work, Employment Services 2020 Report

**The Commitment:**

“The future employment services system will ensure that funds are invested in smarter, more targeted ways. It is smarter to invest in a digital and data ecosystem which helps all job seekers look for work, with many being able to self-service. This creates cost efficiencies. It is smarter to invest in automating business processes and administration. This creates time efficiencies. It is smarter to invest in a data ecosystem which analyses what works and what doesn't for job seekers. *This creates outcome efficiencies. It is smarter to spend this time and money on job seekers who need the most help. It is the best chance we have to break cycles of welfare. It's the best chance we have to cut entrenched unemployment. This is how we will invest*”.

**The Reality:**

The 2019–20 Budget measure is anticipated to result in net efficiencies of \$59.4 million over the forward estimates as a result of reduced expenditure for face-to-face servicing that would have been paid under the *jobactive* contract. The budget papers do not provide a breakdown of the amount to be reinvested in services for disadvantaged job seekers, they only provide details of the amount that is to be realised by the Government as savings.

**Parliamentary Library: Employer use of publicly-funded employment services Posted 27/05/2021 by Matthew Thomas**

Significant savings are being realised by the Government in the employment services area, not only as a result of the low take-up of the JobMaker Hiring Credit, but also due to efficiencies associated with the NESM. The latter savings of \$1.1 billion over the forward estimates are to be redirected ‘to fund policy priorities’ (Budget Paper No. 2, p. 93).

**Parliamentary Library: Employment Services Measures Budget Review 2021–22 Matthew Thomas**

The proportion of investment in the different elements of Workforce Australia, including the share directed to Workforce Australia Online, is not transparent. NESAs considers the investment in development and ongoing costs to support the job ready caseload relative to those more disadvantaged requires examination and transparency.

The outcomes driven funding model has been a core element of Australian employment services for over two decades. Providers are accustomed to being accountable for outcomes and as a general principle accept outcome-based funding. However, the increasing reliance on outcome payments to subsidise delivery of core and prescribed services has become excessive.

This increasing emphasis on outcome revenue to support service delivery has also been accompanied by ongoing increases to requirements during program implementation (without compensation) and reductions in credits and restrictions to the use of the Employment Fund. NESAs notes the Employment Fund was initially introduced in 2003 with the implementation of the Active Participation Model through quarantining 20% of service fees to the notional bank. The concept was conceived through examination of provider led best practice within the Job Network. The stated intent was to drive more consistent investment in job seekers including those desired and effective supports delivered by providers such as reverse marketing, post placement support and tailored employability activities.

The *jobactive* payment model was intended to deliver a ratio of 30% upfront and 70% outcome revenue. The OECD assessed the outcome weighted component of funding for a Stream B client in *jobactive* at



89%<sup>45</sup>. In addition, arrangements have been eroded by ongoing transfer of responsibility and cost shifting for mandated job seeker compliance monitoring which absorbs approximately 30% of service contacts. It is reasonable to argue interventional service is wholly dependent on outcome revenue. While the intent is to drive outcome performance, the risk to service quality and effectiveness are inadequately considered.

The weight placed on outcome funding in the Australian model is among the highest in OECD countries while also having one of the highest levels of service prescription. In international models the risk reward ratio is far more balanced, and the level of prescription is often minimal in predominantly pay for results models such as ours. **(See appendix 1 for international comparison of service – outcome fee ratios).**

The OECD notes the full cost and benefits of placing job seekers into sustainable employment are seldom assessed as a “per-unit” cost. Nevertheless, this is important when contracting out such services, given its relevance to one objective of contracting out, to achieve government savings – i.e., a net benefit – in comparison to alternative delivery modes of employment services. The OECD further advocates that such cost-benefit analysis takes into account the “full” costs and benefits for the individual and society as a whole – i.e., taking into account impacts such as health, social impact, economic activity, environmental impacts and crime.

The Department of Work and Pensions in the UK has used this methodology to demonstrate the positive benefits and return on investment for its Work Programme. This evaluation indicates for an extrapolation of four years the net positive returns for participant, exchequer and society are delivered by the Programme<sup>46</sup>:

- For the participant: £1.26, with a range of £1.23 to £1.27
- For DWP benefits: £1.76, with a range of £1.21 to £2.32
- For the Exchequer: £3.21, with a range of £2.17 to £4.25
- For society: £3.51, with a range of £2.42 to £4.51

The total lifetime cost of working age welfare recipients in Australia, as at 30 June 2020 was estimated at \$724 billion and \$352,000 on a per recipient basis<sup>47</sup>.

In the implementation of Workforce Australia an up-front, one-off payment engagement fee of \$1,200.00 to support more intensive intervention in the early phase of service has replaced six monthly Administration fees. This represents a significant reduction in up-front investment over the life of the licencing period, and is more substantial for providers in Regional areas with the removal of regional loadings.

Arrangements for Workforce Australia were informed by financial modelling undertaken at the Departments request by KPMG. The sector was provided a summary of findings during the commissioning process which included a commitment to commission a further financial viability analysis within the first 18 months of program implementation.

<sup>45</sup> OECD SOCIAL, EMPLOYMENT & MIGRATION WORKING PAPERS No. 267 Paying for results: Contracting out employment services through outcome-based payment schemes in OECD countries

<sup>46</sup> Department of Work and Pensions, The Work Programme: A quantitative impact assessment November 2020

<sup>47</sup> The Australian Government Actuary Australian Priority Investment Approach to Welfare 30 June 2020 Valuation Report

Key findings of the analysis in the summary based on replicating performance under jobactive:

- The provider payment model being implemented for the new model would be viable for each year and in aggregate over a 10 year contract period at the baseline model of caseload to staff ratios of 80:1 and provider fixed costs of \$2.4 million.
- At the end of a three-year contract the single most important factor is caseload to staff ratios followed by new commencements, the rate of Progress Payments achieved, and the rate of Employment Outcomes achieved; these three latter variables were found to be of broadly equal importance.
- Monthly expenses exceed revenue for the first nine months, Engagement Payments paid for transition job seekers and the increasing number of Employment Outcomes achieved from month 12 onward increase revenue and result in positive monthly results from month 13 until the end of the ten-year period
- With High Employment Outcome rates (peak of 5.5%) and fully utilising the Progress Payments (60% of caseload) and the VLTU Bonus Payments (30% of Employment Outcomes), providers have the potential to earn significantly more revenue, enabling them to invest more in their staff.
- The analyses examined the importance of indexation over the 10-year period. KPMG modelled indexation at 6.8% every three years (starting in 2025) with cost inflation rates of 1%, 2.5%, 1.85% and 4%. Providers would maintain viability at all inflation rates except 4% where a loss would be recorded over a 10-year contract period.

The sector does not have visibility of the broader assumptions used in the analysis and continue to be concerned that robust cost of delivery analysis remains absent in program design. While using jobactive as the basis of analyses, the findings also stated 'providers should review and adjust their operating and business models if they want to succeed under the new model. This is to be expected given the shift to more intensive and personalised servicing for job seekers suffering disadvantage in the labour market'.

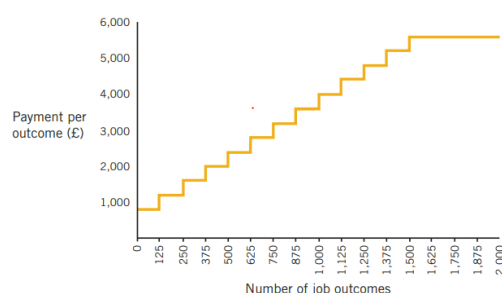
There is no transparency as to the impact of changes to the payment model made post KPMG modelling including to one of the key variables being Progress Payments and how that is likely to impact the model. Clearly, the analysis gives rise to concern about the model given inflationary pressures and the annual rise to 7.4% in January 2023, far exceeding the payment model limitations to viability in conditions over 4%. Early indications are that financial liability is growing and ability for providers to achieve a positive position from 13 months of implementation is unlikely to be achieved, and is a concern.

The Workforce Australia model has maintained requirements to undertake regular job seeker compliance monitoring including additional requirements related to the introduction of the Points Based Activation System (PBAS). Arranging PBAS specified Activities, the Quality and Performance Framework and Right Fit for Risk have increased the administration burden and DEED compliance costs in Workforce Australia. The Department apply assumptions regarding administrative costs based on transactions in the employment services system however there are significant concerns and doubt that these are close to representing actual costs.

In addition, the functionality committed to in Workforce Australia for the providers' system has not been delivered. The system now has reduced functionality including loss of access to job seekers resumes, career profiles and job matching tools which are foundational elements to delivery of employment services. This has necessitated an increased need for providers to invest in 3<sup>rd</sup> party products.

Outcome driven models shift risk from the government to the provider and drive their objectives. The payment model should reasonably reward providers for the outcomes achieved commensurate with the level of risk involved. Providers undertake a significant investment to establish the mandatory human and capital infrastructure to enable the delivery of employment services. Enabling a return on investment is critical to the underpinning quality of service and adequate resources to maintain and develop an effective employment services workforce, facilities and the capacity to fund trials and new approaches.

Figure 2: Target accelerator model - payment scale, year one



#### Potential alternative models such as the ‘target accelerator’ a funding model that is designed to:

- Incentivise the provider to support as many people as possible into sustainable employment.
- Build on the effect of outcome-linked funding to accelerate performance further beyond the current levels of successful programs
- Mitigate against both deadweight and creaming while driving services to reach deeper into target populations
- Pass risk from the procurer to the provider for investment and cost of delivery, whilst financially rewarding high performance
- Has potential to be adapted for characteristics of cohorts and places such as depressed and thin markets in regional and rural labour markets.

#### NESA recommends:

9. Review of the payment model as per commitment for further financial viability analysis within 18 months should be undertaken in collaboration with the sector with findings made transparent.
10. Future payment models be designed in consultation with the sector and consideration of a robust examination of cost of delivery of employment services.
11. If payment for results model continues, review of up-front and outcome ratios, with indicatively a 60:40 setting being more conducive to service quality while still placing emphasis on outcomes for viability.
12. Examine potential alternative pay by results models such as the ‘target accelerator’.

#### International Operational Best Practice

Australia has been considered a world leader in employment services with the views, experiences and expertise of the sector highly sought after to inform international models. There are a number of examples where our international counterparts have examined the Australian model and addressed weaknesses to produce more effective structures and arrangements. There is no one operational

structure that would serve as a standalone model, however there is much to gain from examination of strengths, enablers and practices that may be adopted to improve the Australian model.

NESA notes that such an examination in the first could focus on key persistent issues:

- Formalisation of stakeholder consultation processes
- Purchaser – Provider Relationship
- Fostering Performance, Collaboration and Best Practice
- Contract quality and compliance mechanisms

## Integration and support for local responses

Australia is a vast country with highly diverse local economies and social infrastructure. Our national average data often conceals large variation in local labour market conditions and disadvantage. The resilience of local labour markets and communities is also highly variable and the OECD observe, often disadvantaged communities experience an inequitable share of negative impact from economic shocks such as that arising from the COVID-19 pandemic.

The OECD advocates that national policies and initiatives enable tailored, local actions to help the disadvantaged, support firms, facilitate job creation and mobilise the social economy<sup>48</sup>. There is a strong body of evidence that attests that localised, place-based solutions, if well informed and coordinated, enhance national policy objectives with the potential to increase return on investment.

### Vertical Governance: Injecting Local Flexibility to Achieve Better Labor Market Outcomes

“Local labor markets vary significantly in terms of their business base, the skill level of the workforce, and the particular barriers that people face in accessing employment. Therefore, staff of local public employment services face very different opportunities and challenges in helping their clients achieve labor market success. Strategies that work in one area, may not work well in another, and even in a context of overall macroeconomic improvements, some local areas may be left behind because of their industrial and skill composition. With sufficient local flexibility, local actors are able to tailor their strategies and approaches to be relevant to the specific economic and labor market contexts in which they are working”<sup>49</sup>.

### Integration of state/territory or local level services into the employment services system.

Australian employment services engage with state/territory and local service networks, however while relationships are forged the overarching employment services framework does not facilitate or foster integration. It should be noted that providers are often engaged in delivery of both the national and state/territory initiatives. Often this enables providers to respond to identified local needs and service gaps.

The degree to which state/territory programs are considered complementary is largely established through authorities’ determining if programs and program elements are the same or similar to those in contracted arrangements. There is an inevitable overlap of employment service program elements given

<sup>48</sup> OECD Policy Responses to Coronavirus (COVID-19) From pandemic to recovery: Local employment and economic development, Updated 27 April 2020

<sup>49</sup> The World of Public Employment Services, Inter-American Development Bank (IDB); World Association of Public Employment Services (WAPES); and Organization for Economic Co-operation and Development (OECD) 2015.

they are designed for a wider target cohort who may not have access to these service elements and they fundamentally all seek similar objectives to improve employability and increase the likelihood of employment. In these situations where there is overlap and complementary status is not recognised generally, only one program can claim an outcome payment. Therefore, the employment services performance framework does not recognise the outcome, irrespective of other services delivered by the provider. State initiatives with a focus on skills formation tend to align better with employment services arrangements.

Similarly, difficulty is encountered in funding participation in local initiatives from the Employment Fund which include same or similar elements as well as complexity as to how such interventions intersect with the participant compliance framework and mutual obligation requirements.

As market stewards there is a strong role for government to take a leadership role in facilitating shared understanding and connections with states/territories with a view to achieve improved integration. This can inform improved design of initiatives to be more complementary, avoid unnecessary duplication and be promoted to providers, job seekers and employers as relevant.

An area of particular focus requiring greater integration and coordination is related to social procurement initiatives across states/territories, commonwealth, and municipal levels. These initiatives have proven effective in delivering quality employment outcomes for job seekers.

Providers note missed opportunities responding to demand for skills associated with job creation projects and social procurement. There is often insufficient time to initiate participant skills development in order to meet project timelines due to late engagement with employment services. Inability to fill roles or presentation of insufficiently prepared candidates creates employer dissatisfaction and ultimately disadvantaged participants are left behind. Early intervention achieved through increased coordination would better enable Australian employment service providers to design tailored training incorporating both soft and vocational skills, and engage the employer in relation to workplace supports to improve both placement and job retention.

A potential strategy could include a central portal and/or forward communication about Commonwealth, State and Territories job creation and social procurement initiatives.

Local co-ordination that brings together stakeholders and supports collaboration to fill opportunities would be beneficial. Local co-ordination that brings together stakeholders and supports collaboration to fill opportunities would be beneficial. By way of example, NESA notes the success of well-coordinated initiatives undertaken in NSW which involved a lead provider model for Sydney Metro projects and Northwest Rail Link. These projects involved demand led tailored vocational training, and non-vocational support and mentoring which resulted in quality outcomes for very disadvantaged and marginalised cohorts.

The Local Jobs Program provides a foundation on which to strengthen place-based coordination. The Local Jobs Program, initially announced in the 2020–21 Budget and implemented in 25 Employment Regions, was expanded and now operates in all 51 Employment Regions across non remote Australia and has been extended to 30 June 2025. The Local Jobs Program is stated to be a collaborative initiative aimed at improving the function of local labour markets. Its focus is bringing together expertise and resources to improve the local delivery of employment services, achieved by leveraging existing programs

and resources, reducing duplication, and supporting local initiatives that help job seekers into work or training opportunities aligned with local needs.

Early evaluation of the Local Jobs Program indicates some promise of the initiative. However local stakeholders emphasise the need for greater local ownership, partnership, and collaboration. This includes the need for transparency of arrangements including the notional financial commitments from providers noted in the terms of agreements, which they are not privy to. Providers are expected to support local projects and their engagement is measured in the performance framework however they are not systemically consulted prior to projects being finalised and are responsible for Employment Funds invested into these projects. Providers note that the level to which Employment Facilitators engage them is variable as are the connections facilitated with employers.

Improving the exchange of better practices across regions may also deliver greater consistency of engagement, process and delivery of outcomes. There is benefit in considering review of the Area Consultative Committees (ACC's) approach established under the Working Nation initiative in 1995 to identify elements of the role, functions and structures of the ACCs including linkages to Regional Development, which have potential to strengthen local coordination and outcomes delivery of the Local Jobs Program. ACC's actively engaged providers and employers as well as facilitating stronger solutions focused linkages with other actors such as Centrelink, TaFE, Local Government and local social services.

Opportunities to strengthen collaboration can be strengthened through enabling local pilot projects to address local needs. There have been a number of initiatives such as Demonstration Pilots under JSA that indicated promising practice for addressing wicked problems such as intergenerational unemployment through family focused models and Empowering Youth under jobactive to bring social partners together. However, there has been minimal transparency of evaluations to promote better practices or incorporation of findings into the mainstream models.

NESA considers a local initiatives fund focused for joined-up approaches has potential to enhance local networks and shared focus on development of localised service partnerships to improve social and economic participation.

#### **NESA recommends:**

13. As market stewards there is a strong role for government to take a leadership role in facilitating:
  - shared understanding and connections with states/territories with a view to achieve improved integration to increase complementarity between initiatives, avoid unnecessary duplication and communicate opportunities to stakeholders (providers, job seekers and employers).
  - Coordination and promotion of social procurement and other job creation opportunities across states/territories, commonwealth, and municipal levels. These initiatives have proven effective in delivering quality employment outcomes for job seekers.
14. Review the Local Jobs Program with a view to strengthening place-based coordination.
15. Implement a local initiatives fund focused on joined-up approaches for localised service partnerships to improve social and economic participation.

## Engagement of smaller, local organisations in the national employment services system

In each round of commissioning for Australian employment services, local community linkages and the broader internal specialist service capability has been included in tender criterion. Employment services providers highly value the social capital and utilise services available in the community, where available. However, social service and health systems are under increasing stress from demand for services which often results in referral bottle necks with significant waiting times, and more tightly enforced eligibility criteria. The effort and investment required to join up local services is an impost on the limited resources of the social services sector and is not reflected in the employment service payment model.

Frequently, services and programs are purchased from specialist services where they meet value for money and other Employment Fund guidelines or via direct investment by the provider.

An examination of good practices in Job Services Australia recognised that the higher performing services had access to specialist resources such as counsellors, Occupational Health and Safety specialists and youth workers, whether through in-house resources or linkages with external organisations<sup>50</sup>. In-house services have demonstrated effectiveness in improving access and engagement with support. Many participants are initially hesitant to accept referrals to external services and interim supports in-house help to build insight and readiness to accept referrals to external services particularly for (but not limited to) clients with mental health concerns (diagnosed/undiagnosed), substance use issues and those experiencing family violence.

Integrated strengths-based approaches build a shared understanding of the individual, their needs and circumstance, resulting in stronger engagement in the respective services. On site servicing and co-location models enable participants to receive services in a familiar environment with integrated support resulting in greater impact than provided in silos. This model extends to onsite training (internal/external Registered Training Organisation (RTO) where providers are able to work in tandem with the RTO providing learning and personal support which improves engagement in training and completion rates. This model is particularly effective with participants who due to poor educational experiences and low confidence are hesitant about training pathways.

Internationally there have been various attempts to design universal employment services that have capacity to include specialist services in the mainstream employment services architecture. A notable international example is the prime contractor model adopted in the UK. Locally, in the implementation of Job Services Australia there was a vision for subcontract and joint ventures with specialist services including providers of previous programs such as the Personal Support Program integrated into the new model. Learnings from both models reflect time needed to support effective formalised partnerships with clear expectations regarding the business model including indicative client flow, service requirements and compliance which is not always clear pre commissioning and subject to fluctuation post implementation. Critically, program design and payment models need to support a formalised partnership approach, particularly as it relates to all parties meeting accreditation standards (e.g. quality and right fit for risk) and compliance.

<sup>50</sup> Department of Education, Employment and Workplace Relations, 2012, *Good practice in Job Services Australia*, DEEWR, Canberra.



## Understanding workforce demand at the local level

The Australian employment services sector welcomes the establishment of Jobs and Skills Australia as a statutory body to provide independent advice on current, emerging, and future workforce, skills, and training needs. Workforce forecasting, workforce skills requirements and cross industry workforce analysis will assist employment services provision of career guidance including identification of transferable skills and targeted development of participants, particularly if information is provided at regional levels.

Good local data can act as a catalyst for coordinated action by enabling identification of local imbalances, capacity gaps and opportunity with greater precision, stimulating local actors to come together to build concrete engagement and collaboration to target responses to critical local issues<sup>51</sup>.

While providers maintain local intelligence, there has not been regular dissemination of granular data at the regional level. Regular and improved forecasting and workforce analysis can all drive more targeted and proactive early intervention to generate skills needed for industry or sectoral growth, and emerging opportunities such as clean energy. In addition, it can foster improved support to sectors and workers in decline or transformation. Early intervention strategies to encourage improvement of workers' labour market prospects and mobility to avoid breaks in attachment has the potential to support improved transfer of skills to new industry and growth sectors.

Having visibility of the local skills divide is the first step to achieving coordinated and effective responses. As highlighted by the OECD, it is considered good practice in Statistical Area Analysis exercises to combine the use of qualitative and quantitative data sources to improve the robustness of results. The accuracy and reliability of information can be improved by a combination of "top-down" and "bottom-up" approaches, where top-down evidence comes from national-level sources and bottom-up evidence comes from information from employers, industry groups, researchers, and educators<sup>52</sup>. Local Job Taskforces are to a limited degree having a role in this regard, but there is substantial room to strengthen the model.

In addition to understanding the demand side of labour market dynamics there is a need to gain more in-depth understanding of supply side characteristics.

While the Job Seeker Classification Instrument (JSCI) collects data on education and training levels it does not capture skills or competencies. International models of employment service assessment generally have much stronger skills data about the participant caseload. The German and Belgium models have a particularly strong focus on skills assessment, and credit the effectiveness of their digital vacancy matching systems together with human judgement for achieving quality candidate referrals to employers.

## NESA recommends

16. Provision of granular local data to identify local imbalances, capacity gaps and opportunity with greater precision to stimulate local actors to engage and collaboration responses to local issues.

<sup>51</sup> OECD, Effective local strategies to boost quality job creation, employment, and participation 15 August 2014

<sup>52</sup> OECD (2018), Getting Skills Right: Australia, OECD Publishing, Paris

17. Develop a skills assessment as part of the intake or early engagement process to improve understanding of supply side characteristics and pathways.

### **More collaboration with other human services**

A significant area needing improved collaboration is in the operational interface between Services Australia and employment services. There has been an increasing decline in engagement between Services Australia and employment services at all levels. In the past, there has been a stronger tripartite approach to building shared understanding, improve practices and develop solutions (NESA/Sector, DEWR and Services Australia). Some of the initiatives included (but were not limited to):

- The Partnership Programme in which the representatives of the three partners explored issues through field visits and job shadowing over 2-3 days. The group would make observations and recommend strategies to strengthen or rectify issues identified as causing problems such as different information visible through shared systems or communicated in relation to shared areas of responsibility. Feedback regarding improvements was provided in workshop format in Canberra to the heads of Department/Agencies
- Joined-up Service Pilot involving employment services providers and other local community service agencies offering visiting services on site at Centrelink. The pilot was received positively with good service outcomes for participants and connections between services; but a lack of resources for coordination reduced effectiveness over time and the initiative was discontinued.
- Dedicated help line to address immediate participant issues
- Joined up compliance interviews with job seekers
- Opportunities to promote service options to new claimant groups and via pamphlets to promote informed choice (offered to all providers) and regular local level meetings

Services Australia and employment services have many common experiences in frontline delivery. Services Australia has been generous in their preparedness to share insights and strategies. Having more regular consultative processes, at the National level as well as frontline and local, would strengthen arrangements and enable participant issues to be more promptly resolved.

### **NESA recommends:**

18. Improve collaboration at the operational interface and national level between Services Australia and employment services.

## **Identifying and responding to the needs of jobseekers**

### **Understanding the Job Seeker Caseload**

The population of people who are unemployed is highly diverse in characteristics, circumstance and service needs, and this diversity is not adequately reflected in Australian employment services arrangements.

The description of job seekers as 'job ready' (which implies capacity to readily alter their employment status, that they may not in actuality have) and the social narrative around welfare dependency and job

search efforts reinforces negative stereotypes in the community. This dialogue in itself increases social and economic exclusion, particularly as it increases employers' reluctance to engage the unemployed.

International research and evaluation studies have regularly concluded that active labour market programs have different outcomes for different cohorts and need to be well targeted to achieve potential impact.

Designing categories that enables meaningful understanding of caseload, is complex. Categorisation generally adopted includes broad groups such as: youth, mature aged, women, cultural background, income support group, caring responsibilities, reduced work capacity, health, and disability, for example. However, people do not fit into single categories. There is also significant diversity within cohorts and sub-categories for cohorts, such as job seekers living with disability or a health condition, which could be extensive.

Broad categorisation results in over servicing which subsequently results in unnecessary short term program expenditure. Whereas under servicing contributes to poor outcomes for individuals, reduced program effectiveness, greater inefficiency, and higher long-term costs. People's circumstance should be considered in context, to understand how their circumstance and interaction of barriers and strengths impact their employment prospects, required interventions and intensity of support.

National caseload data sets with ability to drill down to State and Regional levels would offer great benefits to understanding job seekers' circumstance and needs. This would be highly valuable to informing localised responses, harnessing social networks in community responses, and enabling early intervention and service innovation to respond to growing, changing or newly emerging issues.

### **Eligibility for Employment Assistance**

While all Australians have access to Workforce Australia Online there are cohorts who would benefit from more intensive support but are ineligible for face-to-face services.

Areas of possible examination include:

#### **Voluntary Participants**

While data is not public, we note from previous experience that a high proportion of job seekers volunteering to participate have significant needs. This group, previously only eligible for Stream A for six months, were transitioned to Workforce Australia Online.

Our experience was that many job seekers had been disengaged for some time prior to voluntarily participating as many were unaware of the opportunity to participate. A significant proportion of these volunteers subsequently became fully eligible for higher level services.

This may be reflective of volunteer participants' assets diminishing over time and then becoming eligible for income support. It also points to the need for more assistance to prevent long-term unemployment and labour market disengagement. In light of current inflationary pressures and the economic and social objectives of increasing workforce participation, we note many volunteers were self-funded retirees whose circumstances had changed.

## Underemployed – Low Income Earning People

Australia has the highest rate of casualisation in the OECD, and as of October 2022, the part-time share of employment was 30.2%; underemployment at 6% (846,450 underemployed workers) and underutilisation at 9.4%. Flexible employment options are an important component of the labour market for people who do not want or are unable to work full time, however approximately half of all underemployed part time workers want full-time hours<sup>53</sup>. Many of Australia's underemployed workers are caught in working poverty. Often underemployed workers' income is only marginally better than income support, particularly when lost concessions and the cost associated with working, are taken into account. During the 2015 to 2019 period (pre-COVID), part-time workers sought around 15 hours (or 2 days) of extra work per week<sup>54</sup>. It has become more common for people to develop a portfolio of part-time work, but it is highly complex to balance the needs of respective employers as well as navigating the tax and transfer systems. The ACTU highlighted in July 2021 a record 867,900 Australians were working more than one job, with approximately 24% of those people, working three or more jobs and despite this, average earnings were still less than the average full-time wage<sup>55</sup>.

Of underemployed workers:

- 44% had insufficient hours for a year or more,
- 45% of underemployed part-time workers took active steps to gain additional hours
- Commonly reported barriers to more or alternative work were insufficient experience, lack of skills or education, no vacancies in line of work or too many applications for jobs.<sup>56</sup>

NESA is of the view that examining employment services options for underemployed workers would contribute to social and economic policy objectives through improving productivity, reducing underutilised skills and alleviating working poverty.

## Asylum seekers and pre-visa refugees

Asylum seekers and pre-visa refugees require more intensive assistance. While some State funded programs and community organisations offer support, there is not universal access to personal employment services assistance. Missing the opportunity for early intervention has downstream impacts for the social and economic inclusion of this cohort.

### NESA recommends

19. Develop services options for:

- Voluntary Participants
- Underemployed – Low Income Earning People
- Asylum seekers and pre-visa refugees

## Building Capacity to Benefit

There are no absolute cohorts in employment services who are not able to benefit from service provision. However, there are individuals whose capacity to participate and achieve employment outcomes as

<sup>53</sup> ABS Underemployed Workers May 2022

<sup>54</sup> Underemployment in the Australian Labour Market Mark Chambers, Blair Chapman and Eleanor Rogerson RBA Bulletin, June 2021

<sup>55</sup> Breaking point: The rise of working more than one job

<sup>56</sup> ABS Underemployed workers, May 2022

defined in program settings, which focuses on moving off or significantly reducing benefit, is unlikely. Many of these individuals want to work and be economically and socially included. There are many job placements achieved which are non-claimable but represent the maximum that the person is able to undertake, which the sector considers to be positive outcomes, despite there being no performance recognition.

Currently, formal capacity to work arrangements, are largely based on either an evidence based medical model or care responsibilities. It is important to recognise that people's circumstances are not static, and progress is not always linear.

Consideration must be given to not only the person but the level and nature of support available to increase their capacity to benefit, and the degree to which program settings are flexible, so individuals are not put under undue pressure. NESA therefore believes that the focus should not be on excluding people from assistance if they wish to participate but developing the right responses.

The Community Support Program was introduced alongside the implementation of Job Network as a response to those job seekers determined to have limited capacity to benefit from employment services. This model was replaced by the Personal Support Program (PSP). Both programs had limited funding arrangements. Initially capacity building was the prime objective but a focus on employment and education outcomes increased over time. NESA is of the view that PSP was effective in building capacity to benefit from assistance and achieved good job outcome rates for the cohort participating. NESA also notes PSP was a capped program and there were significant waiting lists for commencement.

In 2009 the Personal Support Program was integrated into the Job Services Australia model. Stream 4 was designed for highly disadvantaged job seekers with multiple complex barriers and only accessible to participants deemed eligible via an Employment Services Assessment (ESAt) conducted by Services Australia. Over the life of the program Stream 4 accounted for 20% of the Job Services Australia caseload.

Under Stream 4 arrangements employment services providers were given greater autonomy in determining interventions and optional use of default activities such as Work for the Dole (without being subject to excessive scrutiny). Notable outcomes of the Stream 4 model<sup>57</sup>:

- Job seekers commenced in Stream 4 and engaged in service at a faster rate compared to Job Network, where all other job seekers' commencements took longer.
- Job seeker engagement measured by attendance at provider interviews was higher under JSA for Stream 4 than in Job Network.
- Stream 4 job seekers who had several short-term job placements had a higher likelihood of achieving ongoing employment in the longer-term.
- Of Stream 4 job seekers 68% reported that their Employment Pathway Plan suited their needs compared to the average of 63% across Streams.
- Stream 4 job seekers received proportionally more EPF in the professional services category – mental health counselling, vocational rehabilitation, and drug and alcohol counselling and rehabilitation – than the other streams.

<sup>57</sup> DEWR jobactive Evaluation Report 2022

- Stream 4 achieved higher exit rates from income support after 18 months. While all cohort exit rates were improved under JSA compared to Job Network (JNS) the difference was most marked for Stream 4, which indicates the model produced a higher exit rate of 10.6 percentage points than was predicted.
- Stream 4 Job placement and 13-week outcome rates were significantly higher than the JNS model, (noting claimable outcomes for Stream 4 were consistent with conditions for other cohorts).

| Outcome   | JNS  | JSA  |
|---|------|------|
| Proportion who achieved a job placement within 18 months              | 17.0 | 37.6 |
| Proportion who achieved a 13-week employment outcome within 18 months | 6.9  | 21.5 |

- The evaluation used regression modelling to control differences in the job seeker cohorts and macroeconomic circumstances between the models and found much stronger performance of JSA for Stream 4 than for the comparison group in Job Network overall.

Many providers are engaged in integrated care initiatives that deliver good outcomes for people with significant barriers such as the Individual Placement and Support program that works in tandem with acute mental health, and similar models with drug and alcohol rehabilitation services. The aim of such programs is to capitalise on early intervention via building capacity and engagement while the person is in treatment, in order to assist them to achieve employment outcomes as quickly as possible, when they complete intervention and are most stable. This early intervention model is voluntary and strengthens recovery and economic inclusion and reduces relapse. However, such strategies are resource intensive.

In considering appropriate employment services arrangements there is an opportunity to improve services for job seekers with complex barriers and support them within program settings. The findings of the Stream 4 model were not evident in the design of jobactive and while Workforce Australia has a stronger human capability approach many of the arrangements that made Stream 4 effective are still not present.

Of the caseload at any given time, up to 40% of the job seeker caseload (approx. 70,000 people at any one time nationally) have an exemption and are suspended in service. Within this group, there are a proportion of people who are granted consecutive periods of suspension spanning a lengthy duration as a result of health and/or personal circumstance (sometimes with very short breaks between suspension periods). This group warrant further investigation with the view to developing alternative assistance measures and/or amending compulsory participation requirements.

NESA is of the view a potential option could include replication of the Stream 4 approach with an additional service category within Workforce Australia focused on participants with complex circumstance. The benefit of integration in the model is maintaining a strengths-based approach with continuity of support which should make transitions between capacity building and activation easier for the job seeker, as was the case in Stream 4. A holistic client centred case management model would allow tailored intensive support to be joined-up and wrapped around job seekers to address their individual need. This component like Stream 4 should see participants as meeting requirements while they engage. An ESA performed by Services Australia could determine eligibility.

**NESA recommends:**

20. Develop a service aimed at building capacity for job seekers with limitations to benefit from assistance through co-design undertaken with job seekers and stakeholders, including service providers and their specialist community service partners and advocates who support the target cohort.

**Streaming Model**

In consultations about New Employment Services, stakeholders expressed the view that one of the most important components that the new model needed to 'get right' was the assessment and the subsequent classification of job seekers. Further, all stakeholders recognised the importance of building a comprehensive understanding of job seekers to determine the required intensity of support and personalisation of individuals' pathways to work. There was widespread agreement that the Job Seeker Classification Instrument (JSCI) was not sufficient to serve as the prime assessment tool<sup>58</sup>. The Job Seeker Snapshot (JSS) is the online version of the JSCI, noting the assessment process implemented in Workforce Australia falls short on the detailed design objectives and commitments recommended in the I Want to Work Report.

**Job Seeker Snapshot Methodology**

The JSCI, as the name indicates is a classification rather than an assessment tool. The accuracy of the JSCI is highly dependent on job seekers' insight and willingness to disclose. In the online context this requires job seekers to feel secure recording personal and sensitive information in a government system.

A central concern with the JSS (JSCI) methodology is that service eligibility outcomes are determined on the basis of relative rather than actual need. The JSS is a regression-based profiling instrument that is used to predict job seekers' relative level of difficulty in getting a job and their probability of becoming or remaining long-term unemployed. Job seekers with the lowest scores are referred to as 'more job ready' however the tool does not measure actual job readiness.

The JSCI methodology, while sophisticated in some aspects, is too simplistic in others. To illustrate, recency of employment is a dominant factor influencing a person's assessed probability of labour market reengagement. The JSCI also includes factors on education attainment and qualification, but it does not measure the extent to which these correspond to current labour market demand or if the job seeker still has capacity to undertake the work they are qualified to perform. The OECD reflected that in relation to skills, the approach in the Australian JSCI model is simple but highly subjective and would be enhanced by using skills assessment and anticipation data to ensure job seekers with skills, qualifications, or work experience in low demand areas receive more intensive services<sup>59</sup>.

The JSS triggers an Employment Services Assessment (ESAt), which is delivered by Services Australia, when job seekers disclose information such as homelessness, mental health, or addictions in their JSS. Confirmation of circumstance through ESAt alone does not change the JSCI weighting applied to the factor or the job seeker's end score. However, if additional circumstances are identified during the ESAt

<sup>58</sup> Nous Group | Employment Services 2020: Consultation report | 10 August 2018

<sup>59</sup> OECD (2018), *Getting Skills Right: Australia*, OECD Publishing, Paris. <https://doi.org/10.1787/9789264303539-en>



then the score will change and potentially result in more intensive services. For example, if a job seeker discloses that they have a disability in the JSC and a subsequent ESAt and Job Capacity Assessment finds they also have reduced capacity to work the JSC score will change.

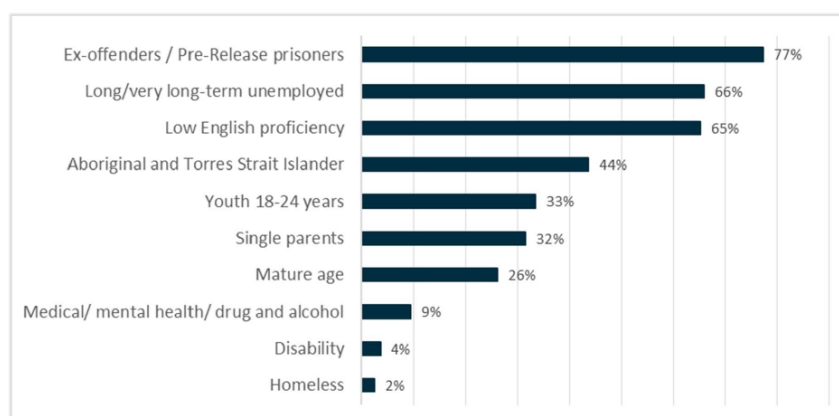
While data on participant characteristics in jobactive by Stream were not public, providers of employment services and various researchers have noted the propensity of participants experiencing significant barriers being classified as 'job ready' Stream A. The fact that newly released prisoners, people experiencing homelessness and/or mental health issues, or a newly arrived refugee subject to trauma and torture were 'correctly' allocated to Stream A demonstrates inadequacies in identifying actual disadvantage consistent with civil society expectations.

While the JSC includes 18 factors, each contributing to the score, the JSC fails to adequately account for the compounding impact of risk factors on individual employment prospects and service need.

This short coming is further compounded by use of 'average data' to calculate weightings and probability of long-term unemployment.

The sector's concerns about Star Ratings is evidenced in the recently released evaluation of jobactive<sup>60</sup> which validate concerns raised by providers and stakeholders including Services Australia during the life of the program, concluding the 'fit' of the JSC regression was not working as expected.

### Participant Groups with Unexpected Streaming Results



### Service Eligibility & Streaming

JSC score thresholds are established to determine service eligibility e.g. the score at which a job seeker is streamed into face-to-face rather than online. There is no transparency into the methodology used to determine or to change thresholds including how it aligns to participant service needs. NESA notes adjustment of thresholds has occurred post implementation of Workforce Australia, however we are not aware of the reason for the change.

The Department of Work and Pensions in the UK examined the potential use of a JSC within their streaming model and highlighted the importance of threshold settings. They concluded it is less useful to consider accuracy only as a single value for the proportion of correct predictions. How operationally accurate and what is sufficient accuracy, depends upon what decisions are based on the segmentation.

<sup>60</sup> Department of Employment and Workforce Relations The evaluation of jobactive final report Nov 2022

Their analysis found the level at which the cut-off point is set influences the accuracy of streaming as well as actual outcomes achieved<sup>61</sup>.

This position is supported by findings in the jobactive evaluation report which highlighted that a modest increase in service levels can make a difference to outcomes. This is particularly relevant to those job seekers close to the threshold score for Workforce Australia Online or Workforce Australia Services.

*“A participant’s stream allocation is designed to affect their service intensity –participants in Stream A are more job ready whereas Stream C participants require the highest level of assistance. The effect of stream servicing on outcomes is found to be effective for Stream B participants relative to Stream A participants, as a result of more intensive servicing.”<sup>62</sup>*

The UK analysis also indicated if there is a policy need to target interventions at a certain percentage of claimants, by ranking claimants in order of their JSCI score, resources can be targeted using a risk-based metric. The UK argued that targeting the top 20 per cent of claimants according to their JSCI score, we would reach nearly 55 per cent of those who go on to become long-term unemployed whereas random targeting would reach 20 per cent. Targeting the top 40 per cent of claimants based on JSCI score would reach 82 per cent of those who become long-term unemployed whereas random targeting or allocation would reach 40 per cent.

In the context of a classification instrument based on relative disadvantage, it must be recognised that as the number of participants remaining in unemployment falls, concentration of disadvantage increases. As such in a relative model such as that in Australian employment services the process may be operating as intended but still produce referral of people who need face-to-face assistance to online services.

The JSS is integrated in the new income support claimant process. In the context of increasing digitalisation of services and reduced accessibility of human support, it is important to consider if the online delivery of the JSS and safeguards in place are sufficient and appropriate. The Online JSCI Trial found approximately 10% of trial participants had barriers to completing the JSS online.<sup>63</sup> The main barrier was digital literacy with other major barriers reported by JSS completers and attempters including:

- difficulties in logging into the JSS via myGov/jobactive
- encountering technical glitches
- low awareness and/or understanding of the purpose, benefits, and process of completing the JSS
- limited access to assistance from Services Australia frontline staff
- being asked to provide duplicate information
- low levels of English proficiency
- severe sickness associated with having a disability or medical condition

The Trial found of those who completed the JSS process, 9% took 30 minutes or more and 5% indicated they completed it with assistance from others. JSS completers had a lower incidence of potential barriers to employment, such as an unstable living situation, limited English proficiency, no post-school education,

<sup>61</sup> Department for Work and Pensions Working paper No 116 Predicting likelihood of long-term unemployment: the development of a UK jobseekers’ classification instrument Simon Matty

<sup>62</sup> DEWR jobactive Evaluation Report 2022

<sup>63</sup> DEWR Online Job Seeker Classification Instrument Trial Evaluation Report

caring roles or medical conditions impacting capacity to work and were less likely to be Indigenous, from a non-English speaking background, be living with a disability or had an unstable living situation.

NESA understands that the assessment of digital literacy is quite rudimentary and further examination of whether it is effectively detecting people without capacity to self-manage their job search is needed. This should include identifying the extent to which participants in online services are relying on others for assistance to report activities.

NESA considers the evidence suggests online completion of JSS is not optimum for all cohorts. The extent to which new claimants are aware, have access to, and utilise the Contact Centre or Services Australia for assistance completing the JSS and any broader impacts on job seeker engagement are occurring, is unclear.

### **JSS - During Period of Service**

The JSCI is a highly cost-effective tool that enables short term control of program expenditure. However, short term efficiencies may be offset by longer term opportunity costs to job seekers, and downstream program efficiency and broader social and economic costs related to unemployment and long-term unemployment.

The system includes a process for the JSCI to be updated if the job seeker wishes to reveal more information or to record a change in their circumstances during their period of service. Ensuring that job seekers understand why and how to report change in circumstances is important to maintain appropriate service eligibility, mutual obligation requirements and avoid unwarranted compliance measures.

Workforce Australia Online participants can record change of circumstance online independently or through the Contact Centre and Services Australia. NESA understands approximately 10,050 participants had chosen to transfer from online to provider services by the end of December 2022<sup>64</sup>. We understand that approximately 82% of job seekers arranged the transfer through the Contact Centre whereas only 18% self-managed the transfer through Workforce Online.

In the evaluation of the Online Job Seeker Snapshot, it was reported that of the JSS completers, 51% later reported changes that led to a Change of Circumstances Reassessment (CoCR) and a JSCI score change compared to only 29.9% of non-completers. This result indicates non-completer cohorts, as outlined in the evaluation, potentially experience less awareness and/or more difficulty in recording a change in circumstance online. While non-completers reported a CoCR less often, a higher percentage resulted in a service eligibility change.

Where job seekers are in face-to-face services, providers can record a CoCR but are subject to higher evidentiary requirements and scrutiny. Where the initial JSCI leads to inadequate service eligibility, to achieve reclassification considerable resources are absorbed, resulting in inefficiencies within and across programs and portfolios<sup>65</sup>.

<sup>64</sup> Proof Committee Hansard SENATE EDUCATION AND EMPLOYMENT LEGISLATION COMMITTEE Estimates (Public), 15/2/2023 CANBERRA

<sup>65</sup> Siobhan O'Sullivan & Michael McGann & Mark Considine Buying and Selling the Poor, December 2021

### Evidence of job seekers who need face-to-face help being referred to online services

Given the lack of transparency of Workforce Australia Online operations or caseload, it is hard to assess if any or what proportion of job seekers, who need face-to-face assistance are being referred to online. However, our experience would indicate the rate is potentially high.

NESA notes that the Regulatory Impact Statement (RIS) for New Employment Services Model estimated 78% of all new entrants to employment services would be referred to digital services<sup>66</sup>. The RIS states most job seekers in the NEST had been allocated to the correct service. However, it does not elaborate on assessment methodology, or the actual rate of inaccurate streaming identified. Noting as discussed earlier, the JSCI can operate as intended, but still result in inadequate service eligibility.

Exit rates from jobactive over a selected period indicate that approximately 29% of job seekers remain in service for 12 months or more<sup>67</sup>. A further 10% of total exits occurred after initial streaming into jobactive with reassessment resulting in a move to other employment programs. This suggests the estimation of new entrants streamed appropriately into online services at 78% may be based on service eligibility thresholds that do not adequately dig deep enough into the pool of job seekers at risk of long-term unemployment without adequate early intervention.

While dated, Stream Service Review data during the operation of Job Services Australia (JSA) also points to the potential of the JSCI to result in underservicing<sup>68</sup>. ESATs and Stream Service Reviews were principally conducted by the Department of Human Services (DHS). Stream Service Reviews were conducted when job seekers approached 12 months service in JSA. We note that significant changes regarding documented medical evidence required by job seekers to support an ESAT and change of program decisions were introduced in February 2011. We also note that Stream Service Reviews ceased during the JSA 2012-2015 contract period.

The tables below give indication of the numbers of Stream Service Review study populations and the proportion of Stream Service Reviews that resulted in upstreaming. NESA highlights the proportion of Stream Service Reviews conducted by Human Services for Stream 1 as most relevant to the Workforce Australia Online target group. In reviewing the tables, it should be noted that the data represents only 25% of the total assessments recommending a change to a higher stream or Disability Employment Services (DES) with 75% occurring prior to 12 months in service.

**Job seekers in the 2009 and 2012 SSR study populations by commencement by stream (number and per cent)**

| Stream   | JSA 2009<br>(Number) | JSA 2009<br>(%) | JSA 2012<br>(Number) | JSA 2012<br>(%) |
|----------|----------------------|-----------------|----------------------|-----------------|
| Stream 1 | 128,574              | 74.2            | 151,917              | 71.6            |
| Stream 2 | 33,186               | 19.2            | 43,261               | 20.4            |
| Stream 3 | 7,551                | 4.4             | 9,767                | 4.6             |
| Stream 4 | 3,947                | 2.3             | 7,120                | 3.4             |
| Total    | 173,258              | 100.0           | 212,065              | 100.0           |

### **Proportion of jobs seekers upstreamed, for those in service at least 365 days (per cent)**

<sup>66</sup> Department of Education Skills and Employment New Employment Services Model Regulation Impact Statement – Second Pass 18/5/2021

<sup>67</sup> Proof Committee Hansard SENATE EDUCATION AND EMPLOYMENT LEGISLATION COMMITTEE Estimates (Public), 15/2/2023 CANBERRA

<sup>68</sup> Department of Skills, Small and Family Business, The Evaluation of Job Services Australia 2012 – 2015

| Commencement Stream | Same Stream JSA 2009 | Upstreamed JSA 2009 | Same Stream JSA 2012 | Upstreamed JSA 2012 |
|---------------------|----------------------|---------------------|----------------------|---------------------|
| Stream 1            | 43.7                 | 56.3                | 64.4                 | 35.6                |
| Stream 2            | 68.9                 | 31.1                | 83.4                 | 16.6                |
| Stream 3            | 87.9                 | 12.1                | 94.8                 | 5.2                 |
| <b>Total</b>        | <b>54.5</b>          | <b>45.5</b>         | <b>71.9</b>          | <b>28.1</b>         |

**Note:** This table only considers job seekers who remained in JSA for at least 365 days.

**Source:** Department of Employment administrative data.

### Data Underpinning JSCI

To the extent that local employment services influence the local unemployment rate, regressions that use the latter as an explanatory variable understate the impact of good employment service performance. The issues are complex, and doubts expressed by employment service providers about the accuracy of their ratings can be partly justified.

### OECD: 2013 Outlook

10,050 participants chose to transfer from online services to provider services by the end of December 2022, however we do not have precise data on the reasons those participants decided to transfer. In many cases this may reflect a simple preference for face-to-face services. While anecdotal, feedback from members regarding transferred participants is that they reported difficulties self-managing job search and PBAS requirements online and/or reflected on usability and inadequacy of tools and support, within the platform.

It is unclear what proportion of online participants are aware of their option to opt for face-to-face services. Findings from the Online Employment Services trial indicated that only around 30% of participants were aware of opt-out provisions, and most had little knowledge about the face-to-face services available to them<sup>69</sup>. In relation to the opt-out process member feedback also indicates Workforce Australia Online participants are approaching service providers for information and assistance on a range of issues. It is reported that some of these participants stated the process to opt out is too difficult, and some noted the need to justify their choice. NESA acknowledges collecting user feedback on customer experiences, including why they choose to opt out, is critical. However, care needs to be taken to prevent such processes becoming a deterrent or barrier to participants exercising user choice.

### NESA recommends:

21. An independent expert panel review of the JSCI providing transparent findings including the methodology and rationale used to set or change thresholds.
22. The option for a phone or face-to-face interview with Services Australia to complete the Job Seeker Snapshot is formally integrated in the model and prominently communicated.
23. Digital literacy training is made readily available and promoted to all Workforce Australia participants.

<sup>69</sup> Online Employment Services Trial Evaluation Report

24. Independent cognitive testing and questionnaire evaluation of the Job Seeker Snapshot is undertaken immediately to identify potential improvements to strengthen clarity and encourage disclosure, and to achieve more accurate identification of job seeker barriers.
25. The option to transfer to personalised services is more clearly and transparently communicated to job seekers.
26. Steps are taken to ensure job seekers are aware of the benefits of completing a change of circumstance and how this can be done online, via Contact Centre or Centrelink.

### Duration of Assistance in Workforce Australia Online

There is longstanding recognition that the longer a person is out of work the less likely it is that they will exit unemployment.<sup>70</sup> The effects of joblessness are compounding, increase with duration and create further barriers to employment, including through the erosion of social, employability and vocational skills<sup>71</sup>. The Reserve Bank of Australia found the chance of someone leaving unemployment tends to be quite low after a year and these long-term unemployed are more than twice as likely to leave the labour market as find employment in any given month<sup>72</sup>. People becoming long term unemployed are more likely to experience future episodes of unemployment and international evidence indicates impacts on earnings persist for some time following return to employment<sup>73</sup>.

Job search is emotionally challenging, often involving a series of setbacks, rejections, and other negative experiences including poor attitudes about the unemployed and discrimination in relation to characteristics such as race, gender, age, orientation, and disability, which can be discouraging and demoralising<sup>74</sup>. There is a plethora of research that has found a negative relationship between joblessness and physical, mental, social, and financial wellbeing.

NESA agrees some participants can self-manage their job search successfully and digital services offer great potential. However, given the scarring effects of long-term unemployment and its downstream social and economic costs it is difficult to find rationale for maintaining participants in a digital only employment service until they reach long term unemployment at 12 months.

Workforce Australia Online is still in its infancy compared to digital services operating internationally, with some models in operation for over a decade, well tested and established such as leading examples in the Belgium, German, and Dutch public employment services. While there have been forays into digital only services most countries have established omnichannel approaches providing mature digital services alongside personalised case management. The focus of successful employment services internationally tends to be blended 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. International experience also indicates that augmented services bringing together human and ICT strengths deliver the best result for

<sup>70</sup> McLachlan, R., Gilfillan, G. and Gordon, J (2013) Deep and Persistent Disadvantage in Australia, rev., Productivity Commission Staff Working Paper

<sup>71</sup> Boyce, C.J., Wood, A.M., Daly, M. & Sedikides, C. Personality Change Following Unemployment, Journal of Applied Psychology 2015, Vol. 100 No. 4

<sup>72</sup> RBA Bulletin Long-term Unemployment in Australia Natasha Cassidy, Iris Chan, Amelia Gao and Gabrielle Penrose, December 2020

<sup>73</sup> Schmieder JF, T von Wachter and S Bender 'The Causal Effect of Unemployment Duration on Wages: American Economic Review 2014

<sup>74</sup> National Inquiry into Employment Discrimination Against Older Australians and Australians with Disability © Australian Human Rights Commission 2016

participants and employers. These digital services models include rigorous holistic assessment and streaming processes focused on identifying competencies, actual support needs and fit to service interventions.

The Belgium employment service VDAB's digital-by-default approach is mature. The model was developed in an environment where the community has a high affinity with and accessibility to ICT and their model includes companion training by VDAB to improve the digital skills of their clients. In this model personal servicing commences at three months. Similarly, the German public employment service has significantly redeveloped digital services over the last few years to further improve usability. The Dutch and German models have both also maintained a multi-channelling approach with integrated components of face-to-face services.

How long job seekers should remain in digital only has to be considered in the context of the level of support and functionality available to participants. Workforce Australia Online functionality is not clearly visible to stakeholders, but NESA understands at present, functionality outside those which support income and activity reporting and basic labour exchange are limited. A further issue of consideration is the extent to which job seekers who may be able to gain employment still require support to sustain their employment. As noted in jobactive for the Stream A 0-3 month cohort for whom outcomes were not recognised did not sustain employment at the same level. This indicates both the effectiveness of employment support, and the risk that Workforce Online participants may have a higher degree of churn in and out of the labour market.

The Regulatory Impact Statement (RIS) for New Employment Services acknowledges that Workforce Australia Online participants may be at a greater risk of missing out on early interventions that may assist them to move into employment sooner<sup>75</sup>. The status of the proposed digital safeguards for participants in Workforce Australia Online is not evident. The proposed assessment framework was to play a key role in ensuring participants were referred to the most appropriate service, including ensuring they had the right skills and access to use digital services effectively.

There was disruption to the New Employment Services Trial as a result of COVID-19 and a greater diversity of new claimants with a wider skill base than traditionally seen in employment services were engaged in Workforce Australia Online. NESA is concerned that the experience of more disadvantaged participants in online services may not be as evident. We also note that the New Employment Services Trial included digital-plus options as proposed in I Want to Work enabling some individual service. Digital plus was not adopted in the final model. NESA is also aware from feedback that participants are experiencing difficulty accessing complementary services and overall functionality appears limited.

Workforce Australia Online participants are those 'most job ready' and have capacity to self-manage their job search. In the current climate of skills demand, if participants in Workforce Online have not found employment in the first three months, there is reasonable probability that they are not job ready and have unidentified barriers, development and/or support needs.

Given the potential for scarring effects and the decline in exit rates generally experienced in jobactive Stream A in the three to six month period of service, there is a social and economic cost benefit argument to increase early intervention. The provision of active personalised support should occur prior to

<sup>75</sup> New Employment Services Model—Regulatory Impact Statement



participants becoming long-term unemployed. Gains from employment outcomes and associated efficiencies are likely to outweigh additional investment in services.

#### **NESA recommends:**

27. An omnichannel approach incorporating human and digital services replaces digital only services.
28. If a Workforce Australia Online only period is retained as a digital only service
  - Maximum duration is reduced to three months.
  - Participants are contacted by phone within the first month of engagement to validate appropriateness of service eligibility.
  - Participants are contacted by phone at least once per month and whenever a demerit occurs to verify their continued capacity to self-manage job search and reporting requirements and confirm whether a change of circumstances is required.
29. An independent review of Workforce Australia Online with public findings is undertaken to assess:
  - end to end usability and inform a development plan for the platform.
  - tools and resources available to determine their adequacy, identify gaps, and priorities from a user perspective.

#### **Assessment & Disclosure**

Well-developed assessment processes can identify circumstances quickly, however often issues become evident in layers with insight gained as circumstances are clarified or as they change over time. In most human services settings assessment is considered an ongoing process.

The importance of accurate assessment to service users was stressed as one of the key features that the new model needed to get right during stakeholder consultations and user-centred design research in the development of Workforce Australia<sup>76</sup>. Improved assessment models would support improved service quality and potentially richer data on which to develop more effective and innovative interventions. Strong assessment models are in place in international models.

Belgium employment service (VDAB's) assessment combines self-assessment, particularly in relation to verifiable competencies and skills, with service need assessment conducted through human delivery and repeated at regular intervals and incorporating specialist assessment as required. The German model also incorporates a holistic assessment which includes allied health assessment for people living with a disability. A further example is the Canadian model which includes use of the Employment Readiness Scale, an online tool which has been validated for local use using Australian norms. The tool is intended to assist clients identify their strengths and challenges in becoming employment ready, measures their changes over time, and provides organisations with roll-up reports across clients for use in program planning and evaluation.

The context in which assessment is undertaken makes a material difference and people engaging with Services Australia do so primarily to obtain income support and may be experiencing distress in relation to their changed situation. Within Australian employment services a range of assessment models are in

<sup>76</sup> I want to work, Employment Services 2020 Report

place. Workforce Australia providers report initial assessments may take up to 90 minutes and participants' circumstances are regularly reviewed.

**Core factors that influence disclosure include:**

**Trust** – is the cornerstone for disclosure. People need to establish a rapport with the assessor, feel safe from judgement and be reassured the information they provide will not be used negatively or deny them opportunity. Maintaining trust and balancing the role of 'helper and police' grows more difficult as the proportion of service time is absorbed by monitoring activity and related administrative process grows. Building trust takes time and requires focus on the person, holistically. Non-disclosure about issues such as drug and alcohol problems, offending background, physical conditions, and literacy are frequently withheld initially, with participants concerned the information will adversely impact job referrals. Information/data storage and sharing arrangements can influence trust. High levels of distrust exist about government systems among some cohorts making them more reticent to disclose information that they consider personal/sensitive e.g. First Nations participants may not want their cultural background recorded.

**The manner in which questions are asked** – A question's wording impacts clarity of the information sought and influences disclosure. For example, direct questions can sometimes heighten concerns and reduce disclosure. Indirect questions using motivational interviewing techniques can facilitate discussion and disclosure e.g. Do you have an offending history compared to, would referring you to a job requiring a police check or requiring pre-employment drug screening be suitable? Do you have a disability compared to; Are there any activities or tasks that you require assistance with?

**Understanding the relevance of the information to service provision** – most often people do not understand disclosure of personal circumstance such as family violence, trauma etc is relevant to finding a suitable job or a tailored employment service and as such do not disclose these matters. To the extent it is perceived or there is genuine flexibility to respond to disclosure on an individual basis is highly influential.

NESA notes that this issue was raised in the Online JSCI Evaluation Report with Services Australia reporting the extent to which people understood the purpose of the JSCI influenced its completion. Understanding of the purpose can have an impact not only on whether someone completes it but also the accuracy of the information they disclose. Services Australia staff noted there was a lack of understanding among job seekers as to what the JSCI was used for. There was agreement among senior staff that the purpose of the JSCI was not well understood — in some cases even by Services Australia staff.

**Insight** – In many cases the individual may not have full insight into the barriers they face, the skills that they possess, or their limitations. It is common for issues to only become apparent through reflection on progress as activities and interventions are undertaken. Within the Workforce Australia caseload there is evidence of a significant cohort of people with undiagnosed mental health conditions. Providers often use in-house services as an engagement tool to build insight and preparedness to engage with services in the community for longer term intervention and support.

**Job Seeker Compliance** - Often job seekers experiencing barriers to participation do not disclose information until they engage in a Capability Assessment (provider and Services Australia) and are at risk of financial penalties. Information about new disclosure at this point is inconsistently shared with service

providers. We believe increasing communication between Services Australia, employment services providers and participants assists with service planning, tailored responses and the integrity of the job seeker compliance system.

NESA is of the view that there should be a cascading assessment process aligned to the design principles outlined in I Want to Work. NESA believes a better balance of controls in the gateway to employment services (assessment and streaming mechanisms) is needed to reduce emphasis on constraining expenditure and increase the investment placed on participants' actual needs. NESA is of the view that an examination of the cost benefit of this approach will show that short term cost savings will be more than offset by the longer term economic and social costs associated with long-term unemployment.

#### **NESA recommends:**

30. The job seeker assessment framework is reviewed, and an action plan developed to trial and implement the assessment model design principles proposed in the I Want to Work Report. This process should include:

- Examination of leading international assessment models and cost and benefit analysis be undertaken to inform evidenced based policy decisions.
- Independent co-design for a new assessment model with diverse job seekers and stakeholders is undertaken and includes identification of their views on the most appropriate delivery agent.
- Given the initial assessment occurs in tandem with claiming income support a supplementary process is undertaken within the first month of engagement to ensure awareness of and potential interest in Self Employment Assistance and other complementary programs, and/or support required from the Employment Fund.

#### **Flexible Service Delivery and Prescription**

- Too much prescription remains in Workforce Australia
- Flexibility to tailor services within arrangements is not effective due to the layers of oversight and assurance which continues to drive service standardisation and risk aversion which limits innovation
- Quality and Performance framework are not aligned to intent, administratively excessive, assessment methods are subjective and to date there has been a lack of information that supports continuous improvement. For example, assessment information indicating proportion of records that need to be addressed within a specified period without any unit data or explanation of why the records were assessed to be unacceptable.
- Default requirements for job seekers activation remain too rigid in relation to time and guidelines for participation.

#### **NESA recommends:**

31. Initiate a co-production process between providers and the Department to address:

- ineffective or unnecessary prescription.
- layers of oversight and assurance which drive service standardisation, risk aversion and limits innovation.

32. Increase flexibility in relation to default requirement for job seekers activation.

Areas that require immediate attention to support more innovation in the delivery of employment services:

**The Administration Burden must be addressed to free up resources to service participants and employers.**

The administration burden in employment services is excessive and continues to grow. NESA is of the view that the process to estimate red tape through measurement of transactions in the employment services system are likely to grossly underestimated the actual burden. There have been a number of efforts to address the red tape issue with little progress and continued administrative creep.

The major response to red tape has been attribution of much of the burden on providers' choice to maintain shadow systems. However, this choice is related to factors in the programs administration which makes it a necessity to have shadow systems.

By way of examples, this includes assurance programs that may relate to claims which are some years old, with a number of assurance activities having focused on claims four years old, well after records are no longer accessible in the Department system.

One area of claimed red tape reduction is the online validation of outcome claims with Service Australia records which do not require evidence at the point of claim. However, if the Department subsequently request validation evidence, as they often do, it must be produced or recovery action and potential risk of financial or contract sanctions. As such, most providers collect and store claim evidence as a risk mitigation measure.

Analysis of time devoted to administrative requirements shows a continued increase in time spent on administration over the JSA contract to the commencement of jobactive, with providers indicating they spent, on average, 64.4% of their time on administration.

**jobactive Evaluation Report 2022**

Annual estimates of red tape costs were produced by the Department for both JSA contracts as part of the Department's Regulatory Impact Statement.

Overall red tape estimates declined significantly between JSA 2009 and JSA 2012, from \$321.9 million to \$259.3 million per annum (19.5 per cent). Red tape costs were around the same or dropped in JSA 2012 by most measures, most noticeably Stream Services Operations (by 59.6 per cent). The most significant rise in red tape between the two models was in Job Seeker Compliance and Participation (by 39.6 per cent).

Over three-quarters (84.5 per cent) of all red tape costs were incurred by providers. Despite estimated reductions in red tape over the JSA contract period, the level of red tape in employment services remains significant. Under JSA 2012, annual red tape cost estimates were equivalent to approximately 20.9 per cent of programme funding.

**DEWR jobactive evaluation report 2022**

**The Joint Charter - Workforce Australia Employment Services Requires an Operational Framework**

The Joint Charter - Workforce Australia Employment Services sets the approach to collaborative relationship management between the department and employment services providers. It outlines the principles and joint expectations in how the department and providers will work together in the delivery of employment and related services. However, there is no operational framework to enable resolution of issues to ensure mutual accountability. Given the respective power imbalance between providers and

purchaser, the principles based Joint Charter is in isolation not effective in achieving intent and contributes to risk aversion, service standardisation and stifles innovation.

#### NESA recommendations:

33. The Administration Burden must be addressed to free up resources to service participants and employers.
34. Quality and Performance framework and implementation practices are subject to independent expert review as to its efficacy on assessing quality and performance.
35. The Joint Charter - Workforce Australia Employment Services requires an Operational Framework to enable concrete guidance on mechanisms to achieve collaboration and progress on issues.

### Helping jobseekers into secure jobs

**How should the system balance supporting jobseekers into secure employment with getting jobseekers into any job as fast as possible?**

“Beyond enabling financial independence for individuals, fair pay and job security strengthen communities, promote attractive careers and contribute to broad-based prosperity”<sup>77</sup>. NESA welcomes the inclusion of job security as one of the considerations in the Employment White Paper. Maintaining flexibility with increased security across the Australian economy will require government intervention and wide collaboration with stakeholders.

The sector is of the view that rather than seeking to balance employment security with work first objectives, that being reducing reliance on income support by placing people as fast as possible into ‘suitable jobs’, the question should be, “how do we transition to a system that gives more priority to quality and secure employment”?

#### The Australian Labour Market

Australia has the highest rate of casualisation in the OECD, and as of October 2022, part-time share of employment was 30.2%.<sup>78</sup> Labour hire, casual, rolling fixed term and gig economy work arrangements are having an ever-increasing impact on the nature of work, stability of earnings and job security. This prevalence of insecure work in the Australian labour market poses the most significant challenge to Australian employment services assisting participants into secure and sustainable employment.

Industries offering the most opportunities for new entrants (first employment and re-entry workers), particularly for participants with lower skill levels, also have a high prevalence of casual employment. For example, the top three industries for new entrants which account for approximately 45% of all new entrants in 2022, as is reflected in Australian employment service outcomes; were<sup>79</sup>:

- Accommodation and food services - 236,000
- Health care and social assistance - 230,000
- Retail trade - 216,000

<sup>77</sup> Treasury, Jobs and Skills Summit: Issues Paper 2022

<sup>78</sup> ABS Underemployed Workers May 2022

<sup>79</sup> ABS Job mobility and job search of employed people February 2022

## The role of alternative forms of employment (specifically casual, independent contracting, labour hire, and on-demand work) be appropriate?

Regardless of the form of employment, terms and conditions must meet National Employment Standards, minimum wage and other accepted aspects of decent work.

Job seekers have unique preferences about the type of work they wish to undertake and the terms of engagement that suit their circumstance and aspirations. For example, roles through labour hire are often wanted by participants as a legitimate means of gaining a foothold into a particular sector, such as construction or warehousing and logistics; or engagement with a particular employer whose primary recruitment is via labour hire. In some labour markets, labour hire is the predominant recruitment method used, offering reduced options.

Australian employment services support a high proportion of activity tested participants who have an assessed Partial Capacity to Work (PCW) (additional to Disability Support Pension recipients).

| Activity tested payment by work capacity, December 2022 <sup>80</sup> |   |                          |                                  |     |
|---|---|--------------------------|----------------------------------|-----|
| Payment Type  | Work capacity of 30 hours plus per week | Partial capacity to work | Total activity tested recipients |     |
| JobSeeker Payment   | 485,215                                 | 363,575                  | 848,790                          | 43% |
| Parenting Payment Single  | 42,820                                  | 4,780                    | 47,600                           | 10% |
| Youth Allowance (Other)   | 64,075                                  | 10,665                   | 74,740                           | 14% |

Flexible and partial employment options are an important component of the labour market for people who do not want or are unable to work full time, and for those needing to build experience to enable them to more successfully compete for secure employment. The availability of casual and/or flexible hours significantly impacts achievement of employment for participants, with partial work capacity, as well as other participants without recent work experience or in demand skills, particularly the very long term unemployed. However, flexibility can sometimes be in the favour of the employer and variability of hours and income can be problematic, making part time secure employment, the preferred option.

Areas of skills demand and shortages often also feature casual employment. For example, there has been much effort placed on encouraging employment services to respond to demand in the Health and Social Assistance sector, particularly as it relates to disability and aged care. While this sector offers rewarding career prospects, entry level roles often lack consistency of hours or security, and little opportunity for advancement without further qualification or skills development.

Alternative forms of employment such as casual, independent contracting, labour hire, and on-demand work are often attractive to participants to address immediate needs, rather than being their long-term employment goal.

<sup>80</sup> DSS Benefit and Payment Recipient Demographics - quarterly data December 2022

## Work First and Skills Development

One rationale promoted by advocates of a 'work first' approach is that low-paid, part-time or temporary jobs can serve as 'stepping-stones' to better jobs; as such it is better to place participants rapidly, in whatever work is available. The 'stepping-stone' effect is highly contested with evidence suggesting it works for some groups, it does not work for others, and workers can become trapped in the 'secondary' labour market (of low-paid, part-time or temporary jobs).

Evidence, both local and international, indicates that the capacity of disadvantaged participants to navigate pathways out of entry level and insecure work, without assistance, is limited. Work first approaches assume that once in work participants will have access to training and development that assists their progression. However, the evidence is clear that investment in training and development of workers with higher level skills is generally more predominant, than for entry level roles. While employers have a role, it is unreasonable to expect that they assume responsibility for systematic weakness of education and training systems in meeting the skills needs of disadvantaged cohorts.

Despite the evidence regarding the intersection of skills and employment the overarching policy, program design and micro policy work first settings in Australian employment services over the past two decades have posed a multitude of barriers that have inhibited the scope of education and training interventions.

Providers undertake investment in education and training, with this consistently being the highest area of expenditure from the Employment Fund. However, as highlighted by the OECD in various country reviews over the past decade work first policy settings have had a detrimental impact on skill development.

Australia spends very little on training for the unemployed within employment services compared with other OECD countries. Furthermore, employment service providers face disincentives to offer training, including substantial "red tape." To encourage employment service providers to offer training in high-demand areas, upfront costs to providers could be removed for assigning training in high-demand modules or qualifications. For a list of in-demand skills, the requirement to request approval for non-accredited training could also be removed.

**OECD (2018), *Getting Skills Right: Australia*, OECD Publishing, Paris.**

Work first program settings have sought to reduce attachment or lock in effects. That is, reducing engagement in activities that may prolong participants' period in service and receipt of income support. These settings, some of which continue in Workforce Australia, limit and discourage substantive activities such as vocational education and training. In response to these settings the focus has been on courses of shorter duration aligned to labour market demand. However, these courses often lead to employment in highly casualised sectors such as retail and hospitality. While these sectors offer potential for secure work there is insufficient program responses post placement to assist participants navigate career pathways and achieve progression out of insecure entry level roles. Additionally, policy settings prioritising accredited training at Cert III level courses while reflective of labour market demand do not adequately reflect the learning and development needs of more disadvantaged job seekers, and have negatively impacted their engagement in skills development.



According to Jobs and Small Business' records, of job seekers who received accredited training through jobactive. Most received training at Certificate 3 (46.9%), or else they undertook accredited skills or units at an unspecified level (46.5%). **The long-term unemployed, who stand to benefit the most from training, are less educated and may not have the necessary pre-requisites to enter into a Certificate 3 or 4 programme.** By focusing on skilled occupations, the skill shortage research may not be suitable for informing active labour market policies, despite covering the appropriate time span.

**OECD, Getting Skills Right: Australia, OECD Publishing, Paris (2018)**

Internationally, the issue of job security and quality work is attracting increasing attention from policy makers. The Department of Work and Pensions in the UK has been examining progression out of low pay roles and trialling various models and evaluating elements contributing to successful implementation since 2011. Their work includes establishing an In-work Progression Commission in order to increase research to deliver evidence based policy responses into assisting progress in work. Their efforts have culminated in a call to action to support progression out of low pay work roles taking a comprehensive approach to all actors that have a role to play and which includes a human capital model of support from employment services for people in low pay work and highlights emerging and best practices<sup>81</sup>.

**Breaking the low-pay, no-pay cycle: Department of Work and Pensions UK<sup>82</sup>**

Recurring unemployment and a lack of advancement are common among disadvantaged and low-paid workers. Many become entrenched in a 'low-pay, no-pay' cycle, in which they shift repeatedly between low-wage work and unemployment. Often these individuals seek Government benefits to supplement their incomes. Importantly, the 'low-pay, no-pay' cycle may persist even during periods of high employment levels; it is not simply a consequence of weak labour demand.

Much research has demonstrated that many individuals who struggle to retain employment and advance in work face a multitude of barriers to finding and keeping well-paid jobs, including low education levels, difficulties accessing transport, and poor health. Some studies suggest that moving frequently between work and benefits may have a 'scarring' effect, because individuals who spend more than a few weeks unemployed have been shown to experience chronic difficulty in re-establishing themselves in the labour market. Some research also suggests that the experience of low-wage employment may have almost as large an effect as unemployment on future prospects.

Low-wage workers tend to leave jobs for a variety of reasons. For example, some have short-term contracts, which they often accept reluctantly because they have difficulty finding more permanent employment. Some, of course, cannot meet employers' performance expectations. Others leave work by choice, because the jobs are not the kind of work they want to do, they are unhappy with the pay or work conditions, or they experience situational problems that undermine their performance, such as transport, health, or family difficulties. Lone parents, in particular, often encounter unexpected difficulties with the cost and reliability of childcare and transport, balancing work and childcare responsibilities, and employers who are unwilling to accommodate their employees' family responsibilities.

<sup>81</sup> In-Work Progression Commission: Supporting progression out of low pay: a call to action 2021

<sup>82</sup> Department for Work and Pensions Research Report No 765 Breaking the low-pay, no-pay cycle: Final evidence from the UK Employment Retention and Advancement (ERA) demonstration 2011

Advancing within work is also increasingly difficult for low-wage workers. In fact, wage mobility in the UK has declined since the 1980s, while wage inequality has grown. Instead of moving into better jobs over time, many low-wage workers remain stuck in low-level positions that require few higher skills, are often part time or temporary, and offer few opportunities for training. Such conditions make it difficult to climb a career ladder. Some research also suggests that employees who earn the lowest wages and whose working conditions are poor are generally less able to negotiate better working conditions for themselves and are actually more likely to return to benefits than to improve their earnings. Lone parents who do work face the added challenge of balancing family and work responsibilities, which may make it more difficult to pursue advancement opportunities, including working longer hours.

### Making a difference through a human capital approach

A human capability approach offers the strongest opportunity to improve participants' quality of work, potential earnings and long-term sustainability while simultaneously better aligning strategies to employer and labour market demand.

A human capability model adopts strengths-based practices to co-design an individualised plan aligned to the job seekers aspiration and circumstance. This provides a strong basis to design training and development strategies which are meaningful to participants and consequently gain greater engagement. This offers opportunity to consider the balance between pre-employment and in work development with alignment of full qualifications, micro credentialing, vocational licencing and tickets to the participants short-, medium- and long-term goals and learning preferences.

A key feature of a human capability approach is that while it may reduce exit rates from welfare initially exit rates are subsequently restored and often improved. In addition, the short-term decline in exit rates is compensated for by greater returns to the individual through improved quality of work and to Government expenditure via reduced return of job seekers to social security, decreased use of employment services, health and other social service costs associated with the impacts of unemployment while also contributing added tax receipts.

Outcomes of the Job Services Australia (2009 -2012) model, while retaining elements of a Work First approach, indicate the potential effectiveness of the human capability approach and demonstrate potential return on investment achieved with acceptance that an initial decline in exit rates may occur.

Job Services Australia (JSA) was substantially more effective than Job Network (JNS) in helping job seekers obtain skills and training. Both LTU and new entrant job seeker populations had higher education and training outcomes under JSA compared with JNS. **Training was found to significantly improve the chances of job seekers getting a job, particularly for youth and mature aged. Regression analysis showed that job seekers in Streams 2, 3 and 4 had more than double the odds of getting a job placement if they had received Employment Pathway fund (EPF)-funded vocational or non-vocational training compared with those who had not.**

While JNS shows higher early exit rates for new entrants, **JSA exit rates from income support after 37 weeks were higher. This is probably the return on investment of increased training outcomes in JSA.** Education has a recognised attachment effect, meaning that job seekers lessen or cease job search while they study. This may contribute to the lower early exit rates from both service and income support in JSA.

**LTU job seekers who exited JSA had more sustainable outcomes than similar job seekers exiting JNS, with higher off-income support rates (39.6 per cent compared with 31.4 per cent) and lower average reliance on income support (47.3 per cent compared with 55.1 per cent) 12 months after exit.** This result holds for job seekers across all Assessed Streams and all age groups.

***The Evaluation of Job Services Australia 2009 – 2012.***

NESA is of the view that amending the work first settings, particularly those in the Workforce Australia Quality and Performance Framework would be a substantial catalyst in moving towards a stronger human capability approach, under current arrangements. In addition to addressing various areas within the pillars of the Framework, the timing of performance reviews needs to be adjusted to allow providers time to confidently implement strategies with some assurance that licence review processes will be conducted when there is reasonable time for outcomes to be realised.

### A Career Advancement Approach

A human capital approach does not exclude work first pathways. For some job seekers, the preferred strategy is 'any job' to meet their immediate needs and goals. For other job seekers, particularly those with poor educational experiences there is a reluctance to undertake substantive education or training. Qualifications are more influential in recruitment decisions when candidates also have work experience as such opportunities to engage participants in a 'place and train' model of support is beneficial. A balance of training and practical work experience to suit individual learner need is effective in building engagement and developing skills.

While many participants may initially transition into casual roles, their capacity and desire to advance either in hours, position and earning potential grows, whereas their access to employment services support ceases.

Providers deliver Post Placement Support (PPS) to job seekers and employers for up to six months. In the early iterations of Job Network funding levels provided adequate resources for delivery of quality PPS. In the transition to the Active Participation Model and establishment of the Employment Fund from service fees, PPS became a reimbursable activity. However, the administrative arrangements and evidentiary requirements to claim PPS were excessive.

Changes to provider services in the JSA 2012 contract made it more challenging for providers to claim for employer-related services, such as post-placement support and reverse marketing. Significantly less was claimed for these services in the JSA 2012 contract than the JSA 2009 contract. However, survey evidence from providers suggests that the reduction in EPF expenditure had limited impact on providers engaging in reverse marketing and post-placement support.<sup>83</sup>

**The type, intensity and effectiveness of services provided may have declined under JSA 2012, though this cannot be determined from the data items in the Survey of Employers.**

More recently, PPS has been considered a core service expected funded by the outcome-based payment model (in which overall investment has also reduced).

NESA has long advocated for a more intensive PPS model aimed at achieving career advancement. The OECD also made recommendations that policy settings for Australian employment services be strengthened to enable better emphasis on delivery of pre-placement training and post-placement supports to achieve greater promotion of employment retention and advancement<sup>84</sup>. The OECD argued policies to increase labour force participation of groups either prevalent in unemployment and/or

<sup>83</sup> Job Services Australia 2012 – 2015 Evaluation Report

<sup>84</sup> OECD (2017), Connecting People with Jobs: Key Issues for Raising Labour Market Participation in Australia, OECD Publishing, Paris.

underemployment groups would have multiple effects, increasing the wellbeing of individuals and contributing to higher and more inclusive economic growth.

The OECD cited the United Kingdom's Work Programme as reasonable comparison to jobactive. The Work Programme, which ran from 2011 to 2017 targeted the long-term unemployed, had 26-week employment retention at 37.8% of job seekers compared to 22.1% achieved by the Australian model. The OECD noted an important difference is that the UK Work Programme continued to offer outcome payments to providers for one year, whereas the Australian system stops outcome payments at 26 weeks. NESA also notes that the UK model was less prescriptive and investment was significantly greater than in jobactive.

There are various models of assistance adopted internationally that could inform an Australian approach to career advancement. International models of career advancement, also termed career laddering and career development; are delivered via various mechanisms including through government and non-government organisations, existing labour market assistance programs, and via voucher systems, generally aligned or embedded in public employment services.

In essence they include guided support to participants in employment to achieve advancement in their current role or job mobility into more secure or quality work. These models are typically targeted to underemployed and low-income workers, particularly those with a continued reliance on income support, to facilitate their pathways to improved quality, quantity and sustainability of employment.

Participants receive regular case management support to build capacity, higher level employability skills, address risks to work retention, advocacy support and crucially assistance to continue skills development (employability, technical and vocational) targeted at the next steps to achieve career goals. Support to identify skills pathways and coordinate access to appropriate training to meet learner needs is a central function. Development plans reflect skills demand of the target sector. Where participants are engaged in entry level roles in their field of choice plans will often be informed by their employer's skill needs, adding value to the workplace while facilitating opportunities for promotion with potential for more regular and higher income, as well as greater employment security.

A Career Advancement approach offers a range of demonstrated benefits to the individual, local labour markets and the economy. This strategy is particularly relevant to sectors such as Health and Social Assistance which offer a range of opportunities and greater likelihood of security with attainment of higher skill levels; and which are in demand and continue to grow. An individualised approach ensures pathways are relevant to the local labour market but may also include relocation if that is appropriate to the individual goals. There are also the potential opportunities to partner with employers who have regular recruitment needs pre and post-employment to create employment quality and security focused demand led initiatives. Engagement of participants and employers helps to promote the benefits of training and development helping to instil a lifelong learning culture. The UK model and the long running US model, delivered via the US Workforce Boards since the mid 1990's, have all found strong results on improved employment security and earnings for disadvantaged diversity groups engaged in these strategies.

**NESA recommends:**

- 36. Trial or pilot of a Career Advancement model within employment services.
- 37. Trial a bonus wage subsidy to encourage employers to convert casual staff to permanent when they reach 26 Weeks employment milestone.

**Incentivising secure work and reducing poverty traps**

Current arrangements do not appropriately reflect that some job seekers will have a graduated return to employment with hours building up over time. These arrangements act as a disincentive to assist job seekers to upgrade employment with the same employer. Job seekers with a supportive employer understandably do not want to risk changing jobs, even for more security and taking a second job for more hours can be complex.

Job seekers, particularly the long term unemployed and parents, can be very apprehensive about accepting full time permanent roles. Not because they don't want to work, but lack of confidence and fear of having to reapply for benefits if they do not sustain the job. Removing automated cancellation of income support when a full-time position is recorded and allowing participants to report their income for a period would enable security. This should maintain social security integrity as placement information is still recorded in the system and income reporting should result in zero payment if the earning threshold is reached.

Loss of concessions and health care card are of particular concern to many job seekers. Given the reduced financial circumstances that many job seekers are in this is understandable. People often experience financial stress returning to work given additional costs such as transport and need a period to re-establish financial security prior to losing concessions. Ensuring stronger communication about working credits and increasing the amount able to be accrued would be a good incentive.

**NESA recommendations:**

- 38. Amend arrangements that are a disincentive to assist job seekers to upgrade employment.
- 39. Removing automated cancellation of income support when a full-time position is recorded and allow participants to report their income for a period to enable confidence to take up a full-time role without needing to reapply if the job is not sustained in the short term. (Noting income reporting should result in zero payment if the earning threshold is reached).

**Suitable Work**

Suitable work is defined under social security legislation. To satisfy mutual obligation requirements, a job seeker in receipt of any participation payment must be actively seeking and willing to accept any offer of suitable paid work in a variety of fields<sup>85</sup>.

The guide to assessing whether work is considered suitable indicates a wide range of factors should be considered, such as the individual's age, mobility, qualifications, language proficiency, work history, and geographical location as well as conditions that may make work unsuitable for a job seeker.

<sup>85</sup> Guides to Social Policy Law Social Security Guide Version 1.3 5 - Released 20 March 2023 accessed online

While these are reasonable considerations, they are not always interpreted in the same manner under the provider performance frameworks requirements to ensure quality job search which is focused on any suitable job the person can do. In effect this puts pressure on providers and job seekers to undertake job search in a wide range of jobs rather than focus on main areas of aspiration and qualification. More skilled roles often entail a longer recruitment process and better practice would enable job seekers to focus on areas related to their qualifications for a period to test their competitiveness, before requiring them to seek less skilled roles.

## Work Experience

With the cessation of the New Work Experience Program (NWEPP) two options available for work experience are volunteering in a community setting or vocational placement through an education institution. Both options have a number of shortcomings. Volunteering is a commitment and community sector resources being used for short term experience with candidates who often need support is contentious. Work for Dole (while the name and nature of the program is problematic) offers hosts at least some financial compensation. Vocational placements occur when participants are already enrolled, work experience can verify interest and fit of occupational areas before enrolment and galvanises engagement in training and job search.

The absence of a work experience program that allows job seekers the opportunity to work in a commercial enterprise has left a gap in strategies for disadvantaged job seekers, particularly low skilled and long term unemployed. Work experience could be leveraged to give employers a risk reduced opportunity to give a candidate the opportunity to demonstrate their value with the view to employment, if both the job seeker and employer voluntarily agreed.

Options that may be considered are two to four week fully funded job placements. Another area of exploration could be the role of social enterprises, which often exist to provide employment opportunities to disadvantaged cohorts however generally have capacity restraints that may be addressed through funding arrangements.

## NESA recommendation:

40. Develop work experience options to provide practical experience for job seekers including consideration of:
  - two to four week fully funded job placements.
  - funded placement in social enterprises.

## Meeting employers' needs

It is the core objective of Australian employment services to assist as many job seekers as possible into work, with particular emphasis on those most disadvantaged. Engaging employers and providing labour exchange services to them is a foundational element of employment services.

There has been much emphasis placed on the Employer Recruitment Experiences Survey result over recent years emphasising the proportion of employers' using government funded employment services. There are a range of issues impacting the soundness of using this survey as a basis for making conclusions about the engagement of employers by employment services.



It is the sector's view that this survey gauges program brand recognition rather than engagement. To illustrate, the impact of branding was evident in the transition from Job Network to Job Services Australia

#### **Employers' awareness and use of Job Services Australia**

There was a significant difference in employers' reported levels of awareness and use of government-funded employment services between the Job Network Services (JNS) and the JSA model. In 2012, 65 per cent of employers were aware of government-funded employment services, however awareness of JSA, specifically, was significantly lower (28 per cent)<sup>86</sup>.

The sector also notes employers are not engaged by employment services programs', they are engaged by providers. The sector argues that awareness of local employment services providers' brand and use is higher than that indicated by the survey. This position was supported by the jobactive evaluation which concluded a 2017 employer qualitative project found that while some employers were aware of the jobactive program by name, most were aware of their local providers' own branding – for example, they were aware of jobactive providers in their locality by the provider's name rather than as a jobactive provider.

**"Awareness of JSA was low at the beginning of the 2009 contract and actually decreased over time, whereas usage increased"<sup>87</sup>.**

#### **Evolution of Employer Services – Pull to Push Model**

At the commencement of the outsourced market CES labour exchange services were transitioned into Job Matching Services. Job Matching Services offered employers and job seekers a universal approach via small but discrete funding (approx. \$250 per job placement) to providers for managing employer vacancies and placing any eligible job seeker into work. This fee level did not fully cover cost of delivery however it was complementary to other services and enabled providers to leverage relationships with diverse employers. Each of the three service elements of Job Network - Job Matching, Job Search Training and Case Management - were assessed through dedicated KPI's. Under this arrangement which was also maintained in Job Network 2 providers actively sought to pull in demand and attract a wide variety of vacancies and there were high levels of cross referrals to vacancies between providers.

Job Network was used by 38 per cent of employers to lodge vacancies and recruit staff, compared to 32 per cent of employers using the CES in 1997<sup>88</sup>

Job Network placement activity compared to total placement activity by employment placement businesses, as measured by the ABS (at 30 June 1999, Job Network comprised only 16% of employment placement businesses, but placed 64% of permanent employment placements and 10% of all placements in the year to end June 1999)<sup>89</sup>.

Job Matching services significantly changed with the introduction of the Active Participation Model (APM) in 2003. From this point providers could only claim a Job Matching outcome for eligible job seekers on

<sup>86</sup> JSA Evaluation Report 2009 -2012

<sup>87</sup> JSA Evaluation Report 2012 -2015

<sup>88</sup> The Auditor-General Audit Report No.44 1999–2000: Performance Audit Management of Job Network Contracts Department of Employment, Workplace Relations and Small Business

<sup>89</sup> The Auditor-General Audit Report No.44 1999–2000: Performance Audit Management of Job Network Contracts Department of Employment, Workplace Relations and Small Business

their own caseload. Additionally, under APM all service performance measures were integrated into star ratings. This change had two significant impacts the first being the need to better target employers specifically relevant to the caseload in order to minimise unfillable vacancies, associated costs and reputational risks. The second was to reduce vacancy sharing to avoid the adverse impact on relative performance assessment by minimising placement of other providers' job seekers.

Under all models providers were also undertaking reverse marketing to promote disadvantaged job seekers to prospective employers. From 2003 with the establishment of the Employment Fund and reduction in service fees, reverse marketing became a reimbursable expenditure. Effective reverse marketing is an important part of providing job seekers with access to vacancies that may not necessarily be created otherwise and to advocate for flexible and tailored work arrangements. The Good Practice in Job Services Australia Report indicated that high-performing sites used a higher proportion of their EPF transactions on reverse marketing than other sites.

During the JSA 2012 – 2015 contract period changes to the Employment Fund were introduced requiring significantly higher evidence for reverse marketing with providers required to estimate the duration of the service down to the nearest minute and record full details of all employers visited. While providers continued to deliver reverse marketing, in response to the onerous requirements and perceived assurance risks, many ceased to claim reimbursement.

With the introduction of jobactive all employer servicing has been seen as a core service funding through the pay by results model. While there was an attempt to promote sharing of vacancies through assigning a small collaboration bonus in performance framework (no payment) for placing other providers' job seekers, it was ineffective and abandoned.

While providers have moved to a greater emphasis on supply push e.g. reverse marketing strategies they are still gathering general vacancies and servicing employers. Providers have modified their employer services strategies in line with resources and performance expectations. Putting employers first vacancies are shared, but not at an optimal level.

#### **NESA recommendations:**

41. Reinstate a funded universal Job Placement service with employment services.
42. Reinstate resources for reverse marketing and workplace post placement support.

#### **Outreach to employers and business and industry peaks**

It is common for all providers to have employer engagement resources that actively outreach to employers in the local community on a daily basis. Providers are engaged in local chambers of commerce, trader's associations and industry associations.

This activity of directly engaging with employers and the other strategies that connect job seekers to employment have resulted in outcome KPI's established by the Department to be met year on year.

jobactive has achieved over 1.1 million job placements since its commencement on 1 July 2015. This equates to almost 1,000 job placements per calendar day<sup>90</sup>.

Annual Report Over the six years of the programme, Job Services Australia recorded 2,281,734 job placements, of which nearly 970,000 achieved the 13-week employment and education outcome and more than 600,000 the 26-week outcome.

#### **Job Services Australia Evaluation 2012 -2015**

### **Employer Satisfaction**

Employers were positive about the quality of recruitment support they received from providers. According to the 2017 Employer Survey, more than three-quarters (78%) of employers who reported having contact with providers rated the provider good (66%) or very good (12%) at interviewing potential employees. Just under three-quarters (73%) of employers reported that providers were good (55%) or very good (18%) at screening and shortlisting applicants, and over two-thirds (69%) reported that providers were good (43%) or very good (25%) at advertising a vacancy for them.

#### **jobactive Evaluation Report 2022**

Levels of employer satisfaction with providers (as reported in employer surveys) were higher under JSA than under JNS. Almost 9 out of 10 employers (89 per cent) who had used a JSA provider for their last vacancy were satisfied or very satisfied with that agency compared with 77 per cent of employers who had used a JNS provider for the same purpose in 2007.<sup>91</sup>

#### **Job Services Australia 2009-2012 Evaluation Report**

Employers positively rated the services delivered by providers. Specifically, employers rated the following services as either good or very good:

|  |             |
|--|-------------|
| Advertising a vacancy for an employer  | 88 per cent |
| Providing support and follow-up to an employer after someone started working | 84 per cent |
| Training people before they are employed                                     | 79 per cent |
| Referring potential employees to an employer                                 | 78 per cent |
| Keeping employers informed   | 76 per cent |
| Understanding employer needs   | 76 per cent |
| Screening and shortlisting job applicants                                    | 75 per cent |
| Training people after they are employed                                      | 75 per cent |

#### **Job Services Australia 2012 – 2015 Evaluation Report**

### **Barriers to Employer Engagement**

As discussed, there is low awareness of the employment services program brand and this exists in the community as well as employers with many people still referring to Job Network. Program awareness dropped sharply in the transition from Job Network to Job Services Australia and has not recovered to former levels. While the jobactive brand received more attention, it was not a constructive portrayal of the program or the caseload.

<sup>90</sup> The appropriateness and effectiveness of the objectives, design, implementation and evaluation of jobactive Submission 55

<sup>91</sup> DEWR, 2007, 2010. Survey of Employers

In contrast to the majority of employers who actually use employment services, a critical barrier to employer engagement besides not being aware of employment services, is their perception of the potential candidate pool. Employment services evaluation reports indicate negative views regarding recruitment of some disadvantaged diversity cohorts and consistently identified common employer perceptions of job seekers that deter them from engaging including:

1. lack suitable work-related skills
2. lack suitable personal traits
3. not want to work
4. be unproductive

While there are many structural and social factors contributing to barriers to participation, there is little argument that it is necessary to address intentional and unintentional recruitment and workplace practices that discriminate or exclude people, and/or fail to adhere to workplace minimum standards. In the context of Workforce Australia where disadvantaged job seekers are now separated from those 'most job ready', attitudinal barriers by employers have the potential to significantly impact achievement of employment outcomes.

The Willing to Work report from the National Inquiry into Employment Discrimination against Older Australians and Australians with Disability found discrimination in recruitment and employment ongoing and systemic and is damaging to those experiencing it. The Inquiry found employers may lack knowledge, awareness, and skills to develop inclusive workplaces, implement recruitment and retention strategies to support older people and people with disability<sup>92</sup>.

The OECD noted anti-discrimination legislation is probably more developed in Australia and the United States than in any other OECD country but observed that it has not reduced the employment gap. Research shows that regulatory settings contribute positively, particularly in relation to stimulating action by larger organisations. However, regulatory mechanisms in isolation are insufficient to create meaningful transformative cultural change to workplaces that enable genuine flexibility and responsiveness to the needs of workers<sup>93</sup>.

It is recognised that achieving strong workplace diversity and inclusion is influenced by the diversity and inclusion in an organisation's leadership<sup>94</sup>. When leaders and workers are surveyed those organisations with less inclusive leadership have propensity to over-estimate inclusion compared to their workers. In these organisations leadership underestimate the obstacles reported by women, people from racial or ethnic groups and LGBTQIA+ people by 10–15%.

In a 2021 survey, inclusive leadership emerged as the key issue across organisations where inclusion was least common. Only 31% of Australian workers reported their immediate manager was inclusive, compared to 49% reporting their team was inclusive, and 40% reporting their organisation was inclusive. Workplaces that create a genuinely diverse and inclusive environment for all workers record higher rates of retention.

<sup>92</sup> Willing to Work National Inquiry into Employment Discrimination Against Older Australians and Australians with Disability, © Australian Human Rights Commission 2016

<sup>93</sup> Transforming enterprises through diversity and inclusion International Labour Office – Geneva: ILO, 2022

<sup>94</sup> McKinsey & Company Diversity Wins: How Inclusion Matters, May 2020

There have been a number of good initiatives in Australia focused on inclusion of particular cohorts such as EmployAbility, Employer Champions, AccessAbility Day, the EmployMyAbility campaign and other lapsed initiatives focussed on Parents and Mature Aged cohorts. Very often people belong to and have needs spanning more than one cohort. There may be added value in the broader effectiveness of these initiatives to drive systemic change by contextualising and supporting a range of cohort focused initiatives under an umbrella of diversity and inclusion. There is commonality in the fundamentals of diversity and inclusion relevant and valued by all cohorts and all workers. These foundations can establish an openness and insights that encourage organisations to take additional actions to strengthen inclusion in relation to specific cohorts.

The employment services sector advocates for greater investment in development of diverse and inclusive workplaces. While larger firms have resources often small to medium enterprises do not. The sector's experience engaging with small and medium organisations is that there is a high level of openness to provide opportunities to disadvantaged participants, where employers have commitment of support. An 'EmployerAbility' initiative has potential to improve the diversity and inclusion confidence of employers that can be a catalyst for grass roots change. As the Human Rights Commission noted, stemming the flow of people out of the labour force is imperative to lifting participation rates and requires both supply and demand driven strategies. In essence as we develop people's employability we should concurrently be lifting 'employerability' with the intent to make inclusive workplaces the norm (rather than open to accommodating individuals) for the benefit of all diversity groups and all workers.

#### **NESA recommends:**

43. Invest in a workforce diversity and inclusion strategy to address attitudinal barriers to employer engagement, lift 'employerability' with the intent to make inclusive workplaces the norm for the benefit of all diversity groups and all workers.

#### **Should the employment services system be competing with other job boards or with other specialist recruitment and job matching services?**

The degree to which Workforce Australia for Business is 'competing' with other job boards is questionable. A review of vacancies on the website would suggest that the platform, at this time, is primarily offering a centralisation of vacancies from a range of other job boards. The degree to which it is attracting employer use to directly lodge vacancies and is connecting participants in online services with jobs is a question of more concern.

In contrast to Australia, in many international markets the public employment services job board is the principal platform used by employers with commercial job boards being of secondary consideration. To the extent that Workforce Australia Online achieves employer engagement and gathers unique job opportunities for participants should be a central measure of success and return on investment.

There are many labour market intermediaries engaging with employers including a number within the employment ecosystem. The employment services sector has had a largely cooperative relationship with the recruitment sector over the past twenty-five years. Employment services work with employers in their preferred fashion. For many employers, recruitment services are their chosen intermediary, and

employment services is part of their supply chain. Similarly, providers often work with Diversity Recruitment Specialists on CSR based assignments.

**Are there any examples of demand-driven initiatives that deliver positive employment outcomes to disadvantaged jobseekers? Are they scalable and/or transferrable to the national employment services system?**

NESA argues there is a plethora of good practice examples across the sector demonstrating effective demand-led initiatives producing outcomes for employers and job seekers as part of the national employment services.

Central to demand led strategies is the relationship with employers to design a bespoke pre-employment training and post-employment support solution for their recruitment needs. As the focus of these initiatives are, from an employment service perspective, an opportunity to develop disadvantaged job seekers capability to enable them into work, training and wrap around supports are intensive and groups generally capped at no more than 20, to enable good learning outcomes. The framework for developing and delivering demand led initiatives can be applied in any labour market. However, while successful they are resource intensive and most effective where employers play an active role throughout, e.g. information sessions, pre-screening candidates, involvement in training delivery, hosting workplace visits. A significant success factor associated with demand led strategies is participants' line of sight to an actual job they view as attractive.

A key challenge is employers tend to use employment services transactionally when they have demand with small and medium employers often not having sufficient demand to warrant a group. However, we note a number of providers have engaged with a cluster of small to medium employers in the sector to enable a demand led approach e.g. Social Services and Health. A benefit of this approach is the diversity of employers and workplaces that participants are exposed to enabling better understanding of various roles and career opportunities.

By way of example, NESA notes the success of well-coordinated initiatives undertaken in NSW which involved a lead provider model for Sydney Metro and Northwest Rail Link projects. A number of demand-led projects were conducted and resulted in quality outcomes for very disadvantaged and marginalised cohorts. The provider involved in this example, received an award from the NSW government for their contribution.

## Conditionality, Mutual Obligations and Activation

### Integrated Approaches to Conditionality, Mutual Obligations and Activation

Australia is a party to seven, core international human rights treaties with the right to social security contained in article 9 of the International Covenant on Economic, Social and Cultural Rights (ICESCR) being most central to this discussion. As a signatory to these treaties our obligations include the requirement that Australia, within its maximum available resources, ensures access to a social security scheme that provides a minimum essential level of benefits to all individuals and families which will enable them to acquire at least essential health care, basic shelter and housing, water and sanitation, foodstuffs, and the most basic forms of education.

Countries are obliged to demonstrate that every effort has been made to use all resources that are at their disposal in an effort to satisfy these minimum obligations. The UN Committee has stated that social security schemes should be sustainable, including those concerning provision of pensions, in order to ensure that the right can be realised for present and future generations<sup>95</sup>.

Qualifying conditions or conditionality refers to the eligibility criteria that claimants need to meet to successfully claim income support and rules about what they must do to continue receiving them.

With the need for Governments to ensure sustainable social protection is in place for citizens conditionality is a common feature of social security systems globally. Most OECD and EU countries benefit systems feature conditionality with rules defining claimant eligibility, the suitability of job offers, requirements to report outcomes of independent job-search efforts, the obligation to participate in Active Labour Market Programs (ALMPs), as well as sanctions for non-compliance with these rules<sup>96</sup>.

The UN Committee has stated that qualifying conditions for benefits must be reasonable, proportionate, and transparent.

The rationale for applying participation in Active Labour Market Programs as a condition for receipt of social security is founded on the recognition that income support alone does not improve skills, employment prospects or potential future earnings. Benefits of integrated social security and Active Labour Market Policies (ALMPs) have been recognized in international labour standards and ILO instruments since 1988. Local and international evidence indicates labour market conditions disproportionately affect the most vulnerable. It is also recognised, that those who have the most potential benefit from ALMPs are also those who are most often reticent to participate voluntarily and the objectives of active measures about the alleviation of poverty, inequity and inequality can remain unrealised<sup>97</sup>.

#### **NESA recommends:**

44. Evaluation studies indicate that social security and activation policies have greater impact in integrated approaches, when designed and implemented well, then applied individually.
45. NESA is of the view that conditionality is an important element of an integrated income support and active labour market policy framework. However, there are opportunities to strengthen design and implementation to reduce weakness and address settings which may have adverse outcomes for individuals, communities, and the economy.

#### **Adequacy of Income Support & Participation**

Managing the risks associated with provision of social security to avoid potential disincentives for recipients to participate in employment is an area of concern to policy makers globally. While acknowledging that a review of Australian social security is not a core focus of the Inquiry and appreciating the work of the Economic Inclusion Advisory Committee is underway it is relevant to discuss the adequacy of social security as a factor in considering the appropriateness of conditionality and activation settings.

<sup>95</sup> Australian Government Attorneys General public sector guidance sheets – Right to Social Security accessed online 21/2/2023

<sup>96</sup> ILO WORKING PAPER NO. 37 Better together: Active and passive labour market policies in developed and developing economies, 2018

<sup>97</sup> ILO Working Paper 72 Why should we integrate income and employment support? A conceptual and empirical investigation; Asenjo, Escudero, Liepmann, H. 2022. (Geneva)



As detailed in the Inquiry into Adequacy of Newstart and related payments financial stress impacts job seekers physical and mental wellbeing and can have detrimental impacts on their employment prospects and capacity to work<sup>98</sup>. Inadequate financial support drives short term urgency to find immediate employment which may reduce the number of welfare recipients however undermines broader objectives. This includes improving quality and sustainability of employment to achieve long term alleviation of poverty, and increasing quality of matching and utilisation of skills to fully realise productivity potential. Noting research indicates that (prior to COVID) Australia had higher rates of workers in jobs below their skills level and mismatched to their field of study than the OECD average<sup>99</sup>.

Importantly, the short-term gains from driving people to 'any job' should be considered in the context of the social and economic costs of doing so. This includes the diminished efficiency of the income support and ALMPs systems when people become caught in insecure work and underemployment and churn in and out of the labour market as well as their increased need for other social and health support.

Financial stress contributes to job seekers failing to meet conditionality requirements and these stressors are amplified under current economic conditions. There are a range of costs associated with meeting conditionality and Activity requirements. At the most basic level, with most interaction occurring digitally, this includes data and phone costs to enable income reporting, job search, management of the Points Based Activation System (PBAS), timely access to notifications, and meeting regular reporting requirements with engagement in other activation measures bearing a wider range of costs. Further NESAs highlights that the Liquid Assets test means that from the onset of support job seekers have limited reserves with the test applying when job seekers have funds equal to or more than either:

\$5,500 for single claimants with no dependants

\$11,000 for partnered claimants with dependants

International comparisons of social security is challenging given the diversity of schemes with contributory and non-contributory frameworks in place. However, it is generally accepted that Australia has among the lowest unemployment benefits in OECD countries<sup>100</sup>.

NESAs is of the view that conditionality is an important element of an integrated income support and active labour market policy framework. However, there are opportunities to strengthen design and implementation to reduce weaknesses and address settings which may have adverse outcomes for individuals, communities, and the economy.

### Activation and Mutual Obligation

NESAs acknowledges there is considerable empirical evidence that more generous benefits are associated with longer unemployment duration and higher aggregate levels of unemployment. However, international research indicates activation policies appear most effective when implemented

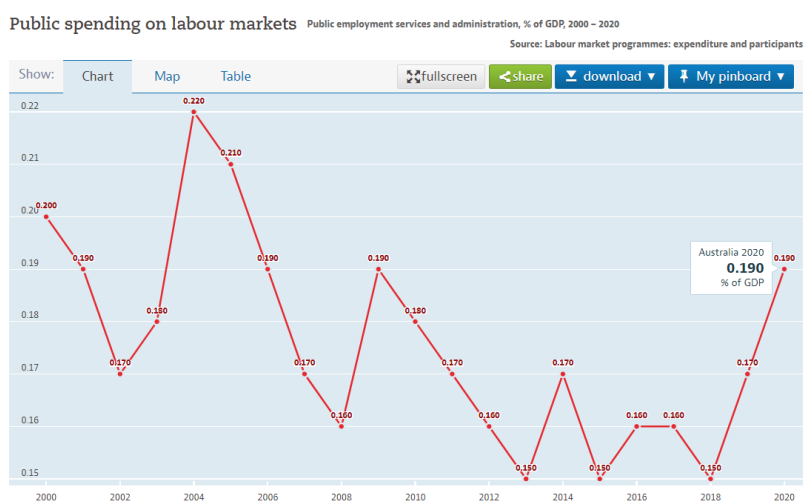
<sup>98</sup> Senate Community Affairs References Committee Adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia April 2020

<sup>99</sup> OECD (2018), Getting Skills Right: Australia, OECD Publishing, Paris. <https://doi.org/10.1787/9789264303539-en>

<sup>100</sup> Senate Community Affairs References Committee Adequacy of Newstart and related payments and alternative mechanisms to determine the level of income support payments in Australia April 2020 (and various submissions)

with more generous unemployment income support and potential disincentive effects are either offset or reduced in those countries with a higher average level of spending on ALMPs<sup>101</sup>.

Australian investment in ALMPs has declined significantly over time and is less than half the average of other comparable high income OECD countries<sup>102</sup>. In contrast, to declining investment in job seeker support and services, activation requirements have increased significantly over time. NESAs also notes that an increasing proportion of ALMPs funded service has been shifted from individualised service to compliance effect activity e.g. intensive job seeker compliance monitoring, default activity management and reporting activity. From this one must conclude a growing imbalance in the reciprocal obligations of Government and job seekers including that derived from shifting compliance and enforcement cost at the expense of individualised service provision.



There is a plethora of evidence that activation and mutual obligation, if targeted effectively and applied well, have positive impacts (compliance effects) on engagement and outcomes. The literature is equally as clear that compliance effects are only achieved when they are well targeted, monitored and enforced. When these setting are not done well, adverse impacts are significant.

**It is clear from other analysis in this report that changes made to the JSA model such as the changes to Stream 1 servicing and the introduction of CAP contributed to a negative impact on outcome rates.**

One of the likely effects of the CAP is a 'threat effect'. This generally occurs when job seekers faced with onerous obligations either declare previously undeclared work or increase job search in order to leave income support. Other possible effects of the CAP include the 'lock-in effect' and 'attachment effect'. The 'lock-in effect' occurs when job seekers participating in CAP-type programmes do not have time, energy or motivation for job search and therefore tend to remain in the programme. The 'attachment effect' occurs when job seekers are participating in activities which are developing skills that they value and so they lessen their job search effort while attaining these skills (particularly while undertaking training).

<sup>101</sup> ILO Working Paper 72 Why should we integrate income and employment support? A conceptual and empirical investigation; Asenjo, Escudero, Liepmann, H. 2022. (Geneva)

<sup>102</sup> Surviving, not living: the (in)adequacy of Newstart and related payments Submission to Senate Community Affairs References Committee, 2019

It is apparent that the threat effect for the Compulsory Activity Phase was negligible (less than 1 percentage point). The assumption underlying the operation of the threat effect is that job seekers are in a position to leave income support by finding employment. Arguably, this assumption is less likely to hold for job seekers who have been unemployed for long periods of time (those subject to the CAP). **The threat, even of quite onerous obligations, will produce a very small effect on those who cannot leave income support and this appears to be the case for CAP.**

The combination of lock-in and attachment effect for job seekers in CAP is up to six percentage points at 18 months. While attachment is often associated with training courses, where job search is to all intents temporarily suspended until the course is completed, it is also common in other activity types.

Whether or how this affected job seekers' longer-term employment prospects is not part of this analysis. The main finding of this analysis is that the identified lock-in/attachment effect of the CAP outweighed any negligible threat effect. Job Services Australia 2012 – 2015 evaluation report

Compliance effects are intended to influence job seeker behaviour so they make full effort to prepare for and find employment. Targeting efficiently ensures that activation and mutual obligations measures are tailored to recipients' service needs, disadvantage in the labour market and capacity to achieve self-sufficiency.

In terms of beneficiaries' responsibilities, the notion that public support ought to be linked to behavioural requirements is more controversial when applied to individuals who are faced with multiple, or particularly serious, challenges to finding paid work or becoming self-sufficient. Concerns about those potentially 'falling through the cracks' become more acute, if people fail to live up to their responsibilities, not because they are unwilling but because they are unable to comply. Sanctioning these groups does reduce benefit expenditures, but it makes little sense from a redistribution point of view, and may compromise their capacity to prepare for and access future earnings opportunities. Policymakers would likely be concerned if sanctions for failing to comply with work requirements are frequently applied to individuals who are in fact not ready for work.

**Activation Strategies for Stronger and More Inclusive Labour Markets in G20 Countries: Key Policy Challenges and Good Practices Report prepared by the OECD for the G20 Task Force on Employment co-chaired by Mr. Aleksey Vovchenko (Russian Federation) and Ms. Margaret Kidd (Australia) 2013**

In the Australian model, overarching activation and mutual obligation policy settings are primarily tailored to benefit recipient cohorts and sub groupings e.g. Partial Work Capacity, and in how they are applied to participants attached to various ALMP programs. Services Australia has responsibility for approving exemptions, and suspensions of activation and mutual obligations requirements to account for individual circumstance.

At the service level, employment services providers have responsibility to tailor activation and mutual obligation requirements to account for individual circumstance, within the scope detailed in contracts and guidelines.

#### **NESA recommendation:**

46. Maintain an integrated approach to conditionality and mutual obligation.

## Summary of Process

The Targeted Compliance Framework (TCF) is the primary mechanism by which participants' participation is administratively monitored and through which income support payments may be suspended or cancelled for participants in Workforce Australia and ParentsNext. The Targeted Compliance Framework is automated in relation to demerit points accrued and payment suspension with providers conducting a Capability Assessment when financial penalties are a potential. Those participants deemed capable of meeting their requirements receive a further Capability Assessment by Services Australia to confirm the finding before financial sanctions are imposed.

A participant's commitment to participate in return for receiving an Income Support Payment is agreed through a Job Plan. The Job Plan outlines what the participant must do during their participation in employment services, which includes compulsory activities to be undertaken as part of the Points Based Activation System (PBAS). Job Plans are completed in a template form in the employment services system - Workforce Australia Online for Providers.

Job Plans include compulsory and voluntary requirements. Providers must discuss the contents of the Job Plan with the participant to ensure they understand what they are agreeing to do and the potential consequences of not agreeing to enter into the Job Plan or failing to meet their Mutual Obligation Requirements as outlined in the Job Plan.

## **Key Points**

- The vast majority of participants self-report their completion of requirements and activities via Workforce Australia online or app. Where they don't have capacity to do so their provider manages reporting on their behalf.
- Providers are contractually required to undertake participant compliance monitoring in relation to attendance, PBAS and the 'quality' of job search.
- When a participant does not meet a requirement, providers have responsibility to attempt to contact them to identify the reason, and then decide and record whether the participant has a Valid Reason for this, or not, in accordance with guidelines (indicating if they were able to contact the participant or not).
- Valid Reason is broadly defined as - a reason an employer would reasonably accept.
- Providers and participants must report completion of activities by the end of the business day on which the activity was scheduled to avoid demerits.
- Where a failure occurs, notice will be sent to the participants who self-manage reporting via their homepage and text message, if they have a mobile phone recorded in the system, advising that a payment suspension will occur in two days, unless they reengage to rectify the failure.
- If a participant is not self-managing their reporting and do not have a phone recorded, the provider sends a letter advising of the failure.
- Once PBAS activities are entered into the Job Plan NESAs understand providers have no visibility of the activities, and only become aware that a failure has occurred after the event. In this regard the system does not enable proactive good practice e.g., reminders, offers of assistance to meet requirements.
- Notice of demerit by text or homepage assumes the person has data, notice by mail is unreliable in regard to delivery time.

- Reporting on the day of a schedule appointment is good practice, but the process does not provide any space for error, or delay.
- There is regular monitoring of provider requirements to monitor and report on participant compliance. Failure to set activities at a level deemed appropriate according to administrative data, will be reflected in the provider Quality and Performance Assessment, as such providers are cautious about the level of tailoring they can achieve.
- Conducting Capability Assessments prior to financial penalties is good practice and an effective safeguard however it misses the opportunity to facilitate early disclosure and intervention on issues impacting participation.

### **Enforcement**

While the threat of benefit sanctions in the case of non-compliance is an important design element, it is critical that financial sanctions are not unfair, do not create undue hardship or reinforce and exacerbate disadvantage. Suspending 100% of payment at two days' notice increases the risk of negative outcomes being realised.

The individual and social impacts arising from Australia's sanction policies have been a known issue for some time, and policies continue to evolve. While the policy intent underpinning the TCF and PBAS appear sound in that they should promote work like expectations and offer job seekers choice of activity, the impact of granular settings makes a difference.

#### **Effect of Micro Policy Setting<sup>103</sup>**

The introduction of the Targeted Compliance Framework increased the number of payment suspensions by 79 per cent. Although only around 14 per cent of payment suspensions actually result in any delay in payment, stakeholders raised concerns about the impact on vulnerable job seekers and a number of changes to payment suspension arrangements were introduced:

-From 28 September 2020, payment suspensions could be ended where a person provided a valid reason for not meeting a requirement (previously they were required to re-engage with their requirements before their suspension ended); and

**-From 7 December 2020, payment suspensions were delayed by two business days after a failure,** allowing job seekers opportunity to contact their provider to discuss and, if required, address the failure to avoid having their payment suspended.

**-Over the period 1 July 2021 to 30 June 2022, this has led to a 34.4 per cent reduction in suspensions (801,178 fewer) in jobactive, however 1,530,954 payment suspensions still occurred over this period.**

Capability Assessments have demonstrated good results in terms of identifying additional barriers and reducing unwarranted financial penalty on participants. However, it equally points to the lack of investment in initial assessment at the gateway and to support in program assessment and service focused on participant needs.

NESA also notes that good practice for reengagement in past models included mechanisms for providers to flag participants they had not been able to contact. Subject to resources, Services Australia would then discuss this with the participant when they presented at the office to report, encouraging participation. With the digitalisation of Government services these joined-up opportunities have been lost.

<sup>103</sup> DEWR The evaluation of jobactive Report 2022

The introduction of the TCF represented a significant reduction in the administration requirements to submit a breach to Services Australia. However, they were replaced (and increased) with a range of other requirements related to conditionality, activation, and mutual obligation. This substantially shifted the administrative burden of job seeker compliance management and enforcement from Government to providers.

NESA notes that provider feedback indicatively estimates that participant compliance monitoring related activity sufficient to satisfy assurance settings can consume 30% – 40% of their service time (variation with local caseload participant profile). The investment of resources by all parties in this area would deliver improved return on investment if directed to individual service assistance.

Importantly, the volume of sanctions automatically triggered by the TCF, has a detrimental impact on positive engagement and the service relationship and quality of individual service delivery. While acknowledging providers responsibility to tailor interventions, the emphasis placed on quality assurance to verify providers are enforcing activation requirements makes flexibility notional.

#### **NESA recommends:**

47. The overarching objective of compliance and enforcement measures should be to facilitate engagement with employment and social supports that improve labour market attachment and earnings prospects.
48. Responsibility for job seeker compliance should be returned to Services Australia. This should be accompanied by the restoration of operational connections between Services Australia and the provider network to enhance service users experience and positively strengthen participant engagement and compliance.
49. Reinstate Clean Slate options for job seekers to undertake activities rather than lose income support.

The plethora of research on activation show the further requirements are from a person's actual capacity to benefit, the less effective they are in all respects to good employment outcomes.

Workforce Australia has been developed to deliver a new way of responding to those job seekers most disadvantaged, however the contractual and assurance driven focus on work first compliance effect policy settings have been retained. While this may be appropriate for the intended Workforce Australia Online cohort, the same settings are not appropriate for job seekers that have been identified as disadvantaged. Administrative data does not compare to actually interacting with the person to make informed decisions about activity requirements. If a provider is not designing interventions effectively, this will be apparent in their performance (which should also be viewed through human capability measures, not work first).

The TCF and PBAS for disadvantaged participants would be more a more valuable tool and strengthened by:

- Determining the points target based on activation measures agreed between the participant and provider, rather than the participant and provider needing to agree on activities to meet point targets.
- Shifting the emphasis to supportive automated activity reminders and warning systems.

- Providing Services Australia with a means to readily confirm if requirements are met.

### Persistently or deliberately failing to meet obligations

Responding to persistent or deliberate failure to meet their obligations is a complex issue. In some cases the answer is straight forward, the person has capacity, they understood the obligations and failure was an informed choice, and as such should face a consequence. However, for a person to argue their case they need to have insight and capacity to advocate for themselves. A person can have complex circumstance, with no one reason.

There are many issues that need to be considered on a case-by-case basis as well as in the context of broader policy impacts. This includes community and employer perceptions of 'the unemployed' and their support of the social protection and services provided to them. From an employment services perspective some of the behaviours involved in these failures have consequences that impact other participants' employment prospects. For example, the few participants that deliberately sabotage an interview have resulted in the disengagement of employers and changed recruitment perspectives in regards to unemployed candidates.

100% non-payment periods can have significant consequences, often shared by family and community. However, it should be noted, compared to settings internationally regarding deliberate repeated failures, Australian requirements are regarded as mild with other countries imposing exclusion for up to a year<sup>104</sup>.

In previous models participants could accept a non-payment period or agree to Clean Slate through participating in more intensive activity – Work for the Dole at 50 hours per fortnight. This is a preferred type of approach as it promotes engagement rather than further exclusion, and maintains a compliance effect, while also providing participant options and some agency.

Department of Education, Employment and Workplace Relations survey data on the impacts of breaching on job seekers indicate that fifteen percent of job seekers serving an eight week non-payment period lost their accommodation and fifty per cent of job seekers without payment for eight weeks experienced difficulty in paying their rent and were put at risk of homelessness<sup>105</sup>.

Senate Standing Committee on Education, Employment and Workplace Relations Inquiry into the Social Security Legislation Amendment (Employment Services Reform) Bill 2008, [2008], p. 2.

### **Reward and Penalty**

It is clear that payment suspension has had a positive effect on reengagement. However, what is not captured in data on reengagement and participation, are longer term effects on service relationships between participants and their providers, brand and reputation of labour market programs and the downstream effects on labour market attachment.

Research indicates that actual rates of financial sanctions across OECD countries is relatively low. Furthermore, the threat of sanctions together with a well-developed warning system have demonstrated

<sup>104</sup> <https://www.oecd.org/social/strictness-benefit-eligibility.htm>

<sup>105</sup> Department of Education, Employment and Workplace Relations, Submission to Senate Standing Committee on Education, Employment and Workplace Relations Inquiry into the Social Security Legislation Amendment (Employment Services Reform) Bill 2008, [2008], p. 2.



capacity to deliver higher desired effects on participant behaviour and exit rates than actual penalties<sup>106</sup>. While the TCF includes a warning system, it is not as well developed as some international models.

Australia's model while emphasising threat effects, omits opportunity to improve motivation effects such as reward measures which positively promote capacity building and participation.

Little regard has been given to the cost of participation. In the case of Workforce Australia, the Employment Fund offers support to participants in terms of permitted items such as travel or clothing, but it is not intended to cover the universal costs of participant participation. A supplementary payment may be assigned to recipients of approved programs such as Work for the Dole. However, the rate of such payments does not necessarily reflect the cost of participation. To illustrate, supplementary payment to Work for the Dole was introduced at \$20.00 around 20 years ago and is now \$20.80 per fortnight (GST adjustment) and hours of participation have increased. Universally, participants are incurring increasing IT and data costs associated with participation and reporting. (Noting counter arguments that digital servicing improves the ease of connection, it is cheaper and more convenient than presenting in person, do not take into account very long periods on hold, data usage and lack of an absolute toll-free number). While digitalisation has resulted in significant reduction in expenditure for Government, the costs have shifted to participants and providers.

There is an opportunity to investigate how rewards could be integrated in sanction policies to balance incentives and penalties. The US adopted such an approach in 1996 maintaining basic welfare protection and adding other incentives such as food vouchers and work credits and benefits which is reported to have worked well. Australia has used working credits as an incentive. However, the reward effect is too far from people's immediate circumstance. If a participant does not feel positive about their prospects they will see a working credit as something they are unlikely to realise. In contrast, a reward that assists them in the present is more likely to influence motivation and capacity to participate.

Conceptually, for example, a base participation supplement may be paid, with further points accrued for undertaking agreed activities. Notices of accrued credits and accumulated balances provide immediate reinforcement. However, some people respond more to threat of loss than reward. This could be addressed with an accrued total only being claimable, if requirements are met consistently, without reasonable excuse, over a certain period. If well designed a balanced model has potential to strengthen engagement, reinforce desired behaviours, improve participants capacity to participate and reduce risks associated with a sanctions only focused model, while maintaining a compliance effect for those who respond to such measures over rewards.

One consequence of complementarities between activation and social protection measures is that policy adjustments in one area often signal a need for reviewing provisions in the other. For instance, to maintain a balance between rights and responsibilities, extensions of unemployment benefit durations may need to be accompanied by measures to maintain the activation approach for a growing number of benefit recipients (e.g. by increasing funds for public employment services and other institutions providing services for this group). Maintaining a balance between rights and responsibilities can be a major challenge<sup>107</sup>.

<sup>106</sup> OECD Social, Employment and Migration Working Papers No. 131 Eligibility Criteria For Unemployment Benefits: Quantitative Indicators For OECD and EU Countries 2012

<sup>107</sup> OECD Social, Employment and Migration Working Papers No. 131 Eligibility Criteria For Unemployment Benefits: Quantitative Indicators For OECD and EU Countries 2012

**NESA recommends:**

50. Trial the effectiveness of a participation supplement as a reward for points accrued for undertaking agreed activities.

**How demanding are Australia's Activation and Mutual Obligations on Job Seekers**

As stated, the role of conditionality and integration with activation measures such as participation in Active Labour Market Programs such as Workforce Australia are critical to a well-functioning system. However, ensuring that activation requirements are reasonable is equally as critical.

NESA refers the Committee to the research and OECD data base of countries strictness of social protection and activation policies. <https://www.oecd.org/social/strictness-benefit-eligibility.htm>

This research indicates that Australia has amongst the most demanding activation requirements of OECD countries. Further, review by country provides activation measures reported by each country to the survey, with the most recent conducted in 2022 (As the 2022 reflects transition period, the 2017 and 2020 reports provide more useful insight in NESA's view).

NESA notes Australia has scored 5 (strictest) on many of the measures despite the country report, in some cases, omitting implementation of measures within programs. For example, job search monitoring and reporting referred to job seekers only reporting to Services Australia fortnightly, omitting in program arrangements which also require the participant to provide sufficient details about the volume and quality of their job search.

**What avenues of appeal should be available to a job seeker who is subject to compliance action?**

In a quasi-market system, an integrated system implies that although providers need to be able to initiate benefit sanctions when a participant does not meet conditions (e.g., fails to attend an interview, or refuses suitable work), government needs to manage an independent system of tribunals and higher-level appeal courts that protect the rights of job seekers who appeal<sup>108</sup>.

**Oversight, quality and assurance****Institutional Arrangements for Employment Services**

The issues related to oversight, quality, and assurance are considerable and complex. Since the implementation of the outsourced model most aspects of the Australian employment services have been the responsibility of a single agency, currently the Department of Employment and Workplace Relations (DEWR).

The implementation of Workforce Australia sees DEWR's role expanded with responsibilities for service provision to job seekers engaged in Workforce Australia Online, estimated to average of 25% – 33% of the program caseload.<sup>109</sup> This new role raises issues of transparency and real or potential conflict of interest. The Competition Policy Review (CPR) recognised instances where government had a role as provider; recommending separation of interests of both the regulator and policy-maker (including funding) from interests as a provider helps to ensure decisions are made in the best interests of users.

<sup>108</sup> OECD Outlook PUBLIC EMPLOYMENT SERVICES: MANAGING PERFORMANCE 2005

<sup>109</sup> Proof Committee Hansard HOUSE OF REPRESENTATIVES SELECT COMMITTEE ON WORKFORCE AUSTRALIA EMPLOYMENT SERVICES, 3 NOVEMBER 2022

Regulation and policy decisions that are independent of government provision can encourage a more certain and stable environment, encourages accountability, innovation and a level playing field between public and other providers'<sup>110</sup>. The CPR recommended that in outsourcing human services Governments should retain a stewardship function.

This approach to separation of responsibility for policy and service is consistent with common international institutional arrangements for employment services, even where wholly or substantially publicly delivered. Two thirds of OECD and EU countries have established the public employment service with its own executive, managed at arm's length from the Ministry with varying levels of autonomy.

In the initial establishment of the outsourced model of employment services the government also identified the need to separate interest of policy and service provision<sup>111</sup>.

### Establishing competitive neutrality in the outsourcing of employment services

Incorporating the competitive neutrality principles into the labour market assistance reforms implied the need to ensure a clear separation of the Department's role as the purchaser of services in the market from its responsibilities for service delivery. The separation would have a number of advantages. In addition to **removing any perceived or potential conflict of interest**, it would allow the **Department to concentrate on policy development** rather than day-to-day management issues and it would enable the public provider to focus 'single-mindedly' on its role as a high quality and competitive provider of assistance (Vanstone 1996)<sup>112</sup>.

In current arrangements, DEWR may not be technically in competition with providers however the interconnectedness of the program ecosystem increases the potential for real or perceived conflict of interest to arise. By way of example, allocation of resources to systems development is likely to involve competing priorities to support policy, regulation, online service delivery and provider required functionality.

A function of strong stewardship is collaboration with key stakeholders. In this regard The Competition Review 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; they 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 CPR identified that competition requires flexible and adaptable regulatory interventions. This is consistent with findings of the OECD in relation to labour market program governance, which identified flexibility in the management of government policies is the most important factor affecting policy integration at the local level. The OECD noted 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

<sup>110</sup> The Australian Government Competition Policy Review 2015

<sup>111</sup> Reforming Employment Assistance (Vanstone 1996). The Commonwealth Competitive Neutrality Policy Statement (Treasury Department 1996)

<sup>112</sup> Submission to the Independent Review of Job Network Department of Employment and Workplace Relations 2002

approaches. Such approaches require central agencies stewardship and flexibility to influence program delivery in partnership to achieve objectives<sup>113</sup>.

In the OECD international comparison of flexibility in labour market policy in 2010, Australia ranked 25 of 26 OECD countries<sup>114</sup>. In the 2015 examination of the local flexibility and responsiveness of Public Employment Service arrangements in G20 countries, the OECD ranked Australia last categorising our current arrangements as low flexibility and high centralization, resulting in service standardisation.

Discussion regarding independent regulation of Australian employment services has been ongoing.

#### **Independent review of the job network Productivity Commission Inquiry Report 2002**

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 expected evolution from contract management to partnership

The relationship between Job Network members and the Department would initially be a contractual one, but as the market developed it would move towards a partnership, encouraging continuous improvement and promoting best practice in servicing job seekers and employers. Similarly, the relationship between Job Network members and Centrelink would evolve as both Centrelink and the members established their services.<sup>115</sup>

Australian employment services have been the subject of both domestic and international review. Many of these reports have included reference and recommendations regarding the complexity and extent of provider compliance requirements. The OECD report *Activating Jobseekers: How Australia Does It* (2012) noted that contracting arrangements in other OECD countries were successfully governed with much lower levels of documentation, monitoring or reporting process than Australia has in place and provided greater scope for frontline decision making to support tailored service provision. A number of reviews and evaluations have also noted the imbalance of power between purchaser and provider, and the resultant barriers to collaboration on continuous improvement.

<sup>113</sup> OECD *Breaking Down the Silos: Doing More with Less* (2010)

<sup>114</sup> OECD *Breaking Down the Silos: Doing More with Less* (2010)

<sup>115</sup> Submission to the Independent Review of Job Network Department of Employment and Workplace Relations 2002

An Advisory Panel on Employment Services Administration and Accountability was in 2011 asked to review the ongoing matter of administration requirements. The Panel's final report<sup>116</sup> in 2012 found: **Programs are complex and red tape can be further reduced without jeopardising the Program outcomes and appropriate accountability. 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.**

In its examination of labour market program governance across member countries, the OECD stated that flexibility in the management of government policies is the most important factor affecting policy integration at the local level. The ability of labour market actors to effectively deliver interventions to address entrenched difficulties, such as multi-generational unemployment and social exclusion, and at the same time harness economic opportunities, are best delivered through joined-up approaches<sup>117</sup>.

Policy flexibility takes into consideration the various measures that interact and influence how policies are implemented at the coal face and address local presenting issues, for example, performance management frameworks, funding arrangements, and legal frameworks.

The OECD contends the achievement of joined-up approaches requires adaptable policy management frameworks which require central agencies' stewardship and flexibility to meet objectives, through partnership.

#### **Lack of Partnership Impacts Effective Service Delivery**

Countries need to continuously adjust their ALMPs, delivery models and strategies to keep the ALMP provision up to date and well aligned labour market needs. Introducing changes to ALMPs and their regulations needs to involve stakeholders from both the policy design (e.g. relevant Ministries) and implementation (such as PES) functions to ensure that the changes take into account the challenges and requirements regarding data, IT solutions and policy administration. Furthermore, expertise of the social partners, service providers, researchers and beyond can be essential to design effective ALMPs that meet the labour market needs<sup>118</sup>.

Effective partnership between the purchaser and provider are critical to ensuring sound policy. Establishing core arrangements that enable localised strategies and individualised services to meet objectives should be a central policy design objective. Such partnership facilitates exchange that supports evidence-based policy providing a deep understanding of the delivery environment, impact of program design and regulation including context such as market segments e.g. regional and rural variation and service stakeholders, participants and employers. In addition, a partnership approach should inform iterative improvements to employment policy and regulation.

The Harper Competition Review 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

<sup>116</sup> Advisory Panel on Employment Services Administration and Accountability – Final Report Feedback 2012

<sup>117</sup> OECD Breaking Out of Policy Silos: Doing More with Less, Local Economic and Employment Development (LEED), OECD Publishing, Paris

<sup>118</sup> DIRECTORATE FOR EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS COMMITTEE Institutional set-up of active labour market policy provision in OECD and EU countries: Organisational set-up, regulation and capacity, 2021

services that users are demanding and how they might be best delivered<sup>119</sup>.” Further, “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.”

Internationally, partnership arrangements are more likely to be formalised to ensure regular and structured approaches to exchange of expertise to support continuous improvement and service quality.

- In the majority of ALMP systems (76% of countries responding to the OECD-EC questionnaire), the social partners have an official or quasi-official role in the organisational set-up of ALMP provision, through their participation in either advisory or supervisory bodies.
- In 33% of countries, the social partners supervise the PES, e.g. in countries where they are part of the tripartite supervisory board of the PES.
- The social partners advise the PES in 40% of countries, sometimes in addition to their supervisory role (e.g. supervisory role on the national level and advisory role on the sub-national level).
- The share of countries in which the social partners advise the ministry (sometimes in addition to advising the PES) amounts to 45%<sup>120</sup>.

### Barriers to True Partnership - International Experiences

There may still be a certain amount of rhetoric and hype in the promotion of “partnerships” in public services. It may also be that their potential has not been fulfilled. But this may be because governments have not gone far enough in embracing this approach to the design and delivery of services. Partnerships are hard work – especially “true partnerships” that rely on skills in persuasion and consensus-building – and may not sit well with agencies and individuals accustomed to using their situational authority to “command and control”. Working through partnerships requires new leadership styles based on facilitation. Success will be judged by the extent to which cross-sector working can be fully exploited for public benefit<sup>121</sup>.

Effective market stewardship and contract management must involve partnerships based on mutual transparency and openness, responsiveness and accountability of all stakeholders.

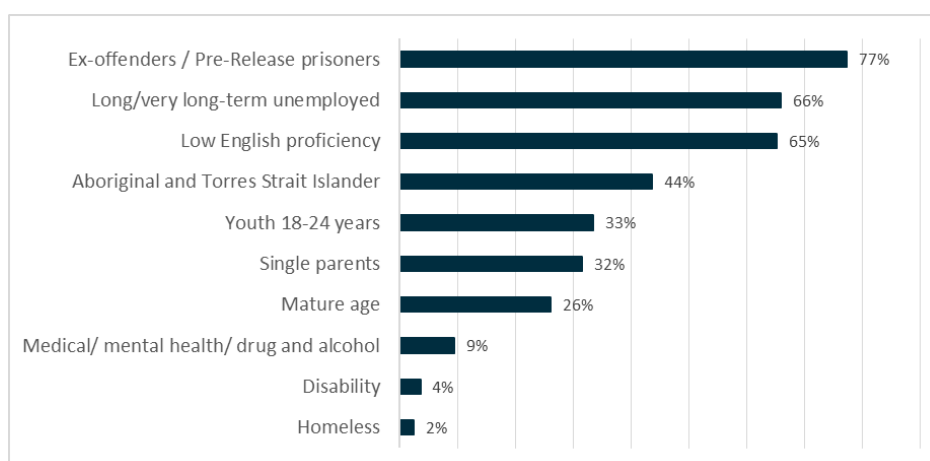
Current arrangements have lacked agile responsiveness to providers concerns. To illustrate, during the jobactive program NESA repeatedly raised concerns regarding suspected JSCI scoring anomalies. We were repeatedly advised the JSCI was working as intended. The jobactive Evaluation Report released in December 2022, noted that Job Services Australia had also raised concerns and that anomalies did exist. The cohorts for which there were anomalous JSCI outcomes, represent the significant share of the jobactive and now Workforce Australia caseload.

<sup>119</sup> The Australian Government Competition Policy Review 2015 Professor (Harper, Anderson, McCluskey & O'Bryan QC)

<sup>120</sup> DIRECTORATE FOR EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS COMMITTEE Institutional set-up of active labour market policy provision in OECD and EU countries: Organisational set-up, regulation and capacity, 2021

<sup>121</sup> ILO Partnerships and contractors in the delivery of employment services and ALMPs: a literature review, 2017





Similar issues were recently experienced within the Department of Social Services (DSS) portfolio in relation to Disability Employment Services. DSS undertook a proactive, timely and transparent communication process with peak bodies and the provider network, acknowledging errors in performance and contract sanctions had been made and outlining the steps for rectification.

### OECD: Paying For Results

Another important responsibility of the contracting authority is to facilitate the work of the providers. Despite its considerable power as both the ultimate purchaser of services and the rule-setting authority, the contracting authority should recognise that the success of any contracting model hinges crucially on establishing conditions in which contractors can conduct their business successfully. The contracting authority should thus engage in constructive dialogue with the providers about any concerns they may have about e.g. anticipated client volumes or information exchange, consult with them about possible future changes to the parameters of the programmes, and generally facilitate their work by minimising unnecessary transaction costs<sup>122</sup>.

**Cost of red tape – JSA evaluation** - Over three-quarters (84.5 per cent) of all red tape costs were incurred by providers. Despite estimated reductions in red tape over the JSA contract period, the level of red tape in employment services remains significant. Under JSA 2012, annual red tape cost estimates were equivalent to approximately 20.9 per cent of programme funding.

**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."**

<sup>122</sup> DIRECTORATE FOR EMPLOYMENT, Paying for results: Contracting out employment services through outcome-based payment schemes in OECD countries  
OECD SOCIAL, EMPLOYMENT AND MIGRATION WORKING PAPERS No. 267



The New Employment Services Model Regulation Impact Statement (RIS) is an example where improved partnership could have enhanced policy. The RIS rated as adequate by the Office of Best Practice Regulation stated “To be consistent with good practice, the RIS would have provided further depth of analysis of the broader impacts of the options on businesses and individuals, including jobseekers, providers and employers<sup>123</sup>”. NESA is of the view that as a result of relying on estimates based on administrative transactions rather than consultation through partnership, the estimated regulatory burden on Workforce Australia providers is substantially inaccurate. Given the persistence of feedback about the administration burden and its impact on service delivery there has been inadequate engagement on this matter.

Critically, a separation of responsibilities has the potential to entwine quality and contractual compliance which have become inherently indistinguishable under current arrangements, at the cost of continuous improvement to service delivery.

#### **NESA recommends:**

51. 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 an alternative oversight arrangement to separate Government’s stewardship function from the interests of policy, funding, regulation, and service delivery. e.g. Regulatory body, Expert Advisory Body, Independent Supervisory Board.
52. Establish a measure of the administrative burden in collaboration with the sector to provide a benchmark to monitor progress on red tape reduction.

#### **Industry Led Re-Professionalisation & Reinstating Professional Autonomy**

##### **The Australian employment services sector has a skilled and diverse workforce.**

(See Attachment 1 Employment Services Workforce Report)

NESA invests significantly in leading a sector driven approach to the provision of better practice and developing the professional standing of the Australian employment services workforce. NESA has had an extensive professional development (PD) program to deliver the bespoke skills, knowledge and expertise required to successfully work in this sector since NESA’s inception in 1997. We have been active advocates for education and training for the sector and have been key stakeholders and participants in the development of employment services qualifications.

NESA has actively sought a partnership approach on workforce development for more than a decade. There was limited initial success for delivery of practice focused training to support policy implementation. For example, in partnership with the Department NESA delivered highly successful Parenting Servicing Strategies workshops nationally, to support introduction of new policies in relation to this cohort. The Department has continued to provide policy and process focused training via webinars, the online learning centre and conference presentations. However, practice development has been seen as a matter for the sector.

<sup>123</sup> DESE New Employment Services Model Regulation Impact Statement

NESA has developed and implemented a professional recognition framework encompassing a code of ethics, skills matrix and continuing professional development framework with Special Interest Groups and Communities of Practice for professional networks and knowledge exchange. NESA ensures that our efforts in best practice leverage both local and international expertise.

NESA has established knowledge exchange and partnerships with a range of local and international research bodies including with the University of Melbourne, University of Portsmouth, Sydney University (Brain & Mind Institute), University of Amsterdam, University of NSW and Latrobe University. NESA maintains currency with international best practice through strong engagement with key stakeholders such as the OECD (NESA CEO is Vice Chair of the Local Development Forum), International Labour Organisation, World Association of Public Employment Services, European Public Employment Services Network, International Council for Career Development and Public Policy (NESA CEO is a Board Member), World Bank, InterAmerican Development Bank, and the Asian Development Bank.

To bring all of these elements together and further advance the sector NESA has established the Employment Services Institute. Our sector is one that needs and draws on a broad skill base. There is no single qualification that is universally applicable. Diversity of background and lived experience offers greater innovation, tailored approaches and responsiveness to needs. Each organisation establishes roles uniquely with a variety of specialised services and internal structures to support staff.

NESA's substantial PD framework and free resources such as the Family Violence Tool Kit provides a comprehensive approach to workforce development of management and frontline staff. This includes contractually required training in areas such as Cultural Awareness (CALD & First Nations), Disability Awareness and Privacy Training. Our model draws on a panel of independent subject matter experts with whom we have developed industry partnerships.

NESA was heavily engaged in the development of employment services qualifications (Cert 3 – Advanced Diploma). NESA also notes that the evolution of training packages has been an issue for the sector with qualification now blended into other packages. NESA is not aware of any training institutions that offers relevant employment services modules as part of public training delivery. As employment services has such a unique operating environment qualifications are delivered alongside sector experience, most frequently funded by providers for their staff.

NESA is of the strong view that the perceived de-professionalisation of the sector is the loss of professional autonomy in the tightly regulated and compliance heavy framework. The administrative workload on frontline workers poses a continual challenge to retaining a diverse and skilled workforce. Our workforce survey consistently finds the balance between individual service and administration the key job satisfaction issue – “I took this job to help – not be a data entry clerk”.

Australian employment services are committed to and invest in their staff development. Instability of contracts, the administrative burden and imbalance in the helping and job seeker compliance roles are ongoing factors in the retention of staff. Dynamic and constantly evolving guidelines and new service requirements persistently hijack the professional development agenda, given the excessive emphasis on micro procedural compliance requirements embedded in operations and the quality and performance

framework. The sector's workforce has valuable skills and experience that the framework restricts them from using.

#### **NESA recommends:**

53. Priority is given to reducing administration, removing red tape, and restoring professional autonomy.

54. The government supports employment services professionalisation through support of the Employment Services Professional Recognition Framework.

### **Research, evaluation and adaption**

#### **Independent Research Agenda to inform Stronger Evidence Based Policy and Program Design**

In order to reduce barriers to employment, policy needs to be broad, dig deep and crucially be developed with understanding of the combination of barriers individuals are facing to target and tailor activation policies successfully<sup>124</sup>. Efficient and effective public policy must be informed by solid evidence about what actually works, for whom, under what circumstances, and at what cost<sup>125</sup>.

Evidenced based approaches are essential to understanding causal factors to ensure interventions are appropriately designed and targeted to deliver intended solutions. Employment services and other active labour market programmes (ALMPs) represent substantial expenditure for governments.

NESA holds the view that a stronger, evidence-based approach to the development of employment related policies, labour market assistance and initiatives should be at the forefront of ensuring that Australia delivers effective strategies to lift participation and systemically address barriers to employment. Sound evidence about what works can help the government's achievement of strategic objectives, while also informing and shaping labour market strategies and coal face service delivery.

Evaluation of labour market programs are undertaken in Australia however our framework falls short of gold standard impact evaluation advocated by the OECD and ILO. The OECD also made the observation that in Australia there is a lack of continuity of funding, even where programmes have shown good results. Formalised and ongoing consultative process focused on evidence-based improvement has potential to facilitate responsive quality programs and services to support better outcomes for participants and employers<sup>126</sup>.

While noting the use of evaluations to inform new policy proposals, the OECD observed Australia's efforts in evaluation and research could be strengthened through providing more timely, extensive public release of reports and outcomes in a systematic manner<sup>127</sup>. Australian arrangements continue to leverage evaluation to inform the 'next model' failing to use such information to full effect to address current issues or to engage in information exchange to support development of better practices. To illustrate the evaluation of jobactive was released in December 2022, 5 months after the program ceased.

<sup>124</sup> OECD, Connecting People with Jobs: Key Issues for Raising Labour Market Participation in Australia, OECD Publishing, Paris, 2017

<sup>125</sup> Productivity Commission 2013, Better Indigenous Policies: The Role of Evaluation, Roundtable Proceedings, Productivity Commission, Canberra

<sup>126</sup> ANAO Report No.4 2017–18 jobactive: Design and Monitoring

<sup>127</sup> OECD, Connecting People with Jobs: Key Issues for Raising Labour Market Participation in Australia, OECD Publishing, Paris, 2017

Evaluation should support pursuit of best practice and informing iterative development within programs' life cycles. NESA continues to advocate for a formal ongoing continuous improvement framework for employment services that includes key stakeholders to inform and promote evidence-based better practice, policy, program design and evaluation. As noted by a number of observers over the years, including the ANAO and Productivity Commission, change often occurs without consultation of key stakeholders. While programs are dynamic, implementation of identified opportunities for immediate improvement are slow in coming to fruition, and often are rolled into the design of the next program.

There are various models used internationally to identify, promote, and disseminate better practice and expand the body of knowledge to support improved service delivery. For example, the European Union has established a benchlearning model to drive better practice that includes a detailed framework for structured self-assessment and peer-review with mutual knowledge exchange being central. The Innovation Lab in the Belgium VDAB (Flemish Public Employment Service) explores issues, strategies and concepts with a critical perspective to identify potential causes and solutions to labour market problems and drive innovative responses through technology.

The OECD considered Australia could deepen the research agenda by delving deeper into understanding cohorts and their barriers, beyond broad categories such as youth, mature aged or parents and initiating more pilots and trials, as well as increasing accessibility of data. There are numerous benefits to be gained from pilots and trials to test approaches and scale up with proven models particularly in response to stubborn issues such as attracting workers to the care sector and women in non-traditional trades. However, where such pilots and trials have been conducted such as Demonstration pilots under Job Services Australia, Empowering Youth under jobactive findings are often not used to inform practice and any impact on policy is not transparent.

As the central objective of government is to design and implement policies in the public interest, targeted and tailored strategies to engage key stakeholders (citizens, civil society, unions, private sector etc.) is essential. Open and inclusive policy making as promoted by the OECD, is a culture of governance in which policy-making processes are open to stakeholders to achieve better policy design by broadening the evidence base and recognising that public administration does not hold the monopoly of expertise<sup>128</sup>.

While Australian employment services have an extremely rich data base, stakeholder's access to data is limited. Comprehensive and regular data, on the employment services caseload has many potential benefits to service planning and development, harnessing social capital and importantly enables researchers outside of government to contribute expertise and perspectives to the bank of knowledge.

Rigorous evaluation and research provide a platform for transparency and accountability. Canada has implemented a comprehensive evaluation agenda as a central component of its labour market policy. It is delivered in partnership with delivery agents, subject to external peer review and includes full cost benefit analysis providing security on return on investment to government and taxpayers<sup>129</sup>. The OECD has suggested Australia could strengthen evidence-based policy making via undertaking similar cost benefit analysis to achieve broader understanding of the potential returns on investment<sup>130</sup>. As discussed

<sup>128</sup> [www.oecd.org/regulatory-policy/public-consultation-best-practice-principles-on-stakeholder-engagement.htm](https://www.oecd.org/regulatory-policy/public-consultation-best-practice-principles-on-stakeholder-engagement.htm)

<sup>129</sup> OECD (2022), Assessing Canada's System of Impact Evaluation of Active Labour Market Policies, Connecting People with Jobs, OECD Publishing, Paris 2022

<sup>130</sup> OECD, Connecting People with Jobs: Key Issues for Raising Labour Market Participation in Australia, OECD Publishing, Paris, 2017

earlier The Department of Work and Pensions in the UK have used this methodology to demonstrate the positive returns on investment in unemployment.

Supporting evidence-based policy and program design should be at the centre of the research and evaluation agenda. A body of evidence provides documented accumulated wisdom to retain corporate memory, enabling continuous improvement and avoiding reinvention of the wheel and repeat of past mistakes.

The Competition Review highlighted evaluating outcomes to identify effective practices and making ongoing improvements to policies and programs to disseminate innovations and improve service outcomes is an important dimension of Stewardship, albeit challenging<sup>131</sup>.

Independence provides fresh and unbiased perceptions while also increasing defensibility via separation of actual or perceived conflicts of interest consistent with the Productivity Commission's recommendation to separate the interests of policy, regulation, and service delivery<sup>132</sup>. The sector considers that enabling independent research has synergy with and will complement the efforts of Jobs and Skills Australia to improve outcomes for cohorts of individuals that have historically experienced labour market disadvantage and exclusion.

In the absence of evidence observers are prone to make assumptions. While assumptions continue, rather than robust examination of policy and program design, and the intersection of policies and program in implementation, policy efforts will address symptoms rather than causes; strengths, and failures will go unrecognised, and issues will persist. To illustrate, NESA notes criticisms of the CES and Employment Assistance Australia in various reports and evaluations including the Employment Green Paper that mirror those levelled at contemporary employment services. In the current context, conclusions are reached on the basis of presumption that these same issues, such as churn and creaming, are result of an outsourced system.

Employment Services Program evaluation reports contain many assumptions and potential explanations about impacts of policy and program design. However, there is no evidence that such assumptions are tested or verified. In addition to the sector, a number of reports into Australian employment services have recommended a stronger role for external and independent research.

#### **Productivity Commission Independent Review of Job Network 2002**

Improved data and improved methods are required to facilitate better understanding of the programs' effects and to allow for the discipline of external scrutiny by independent researchers.

Disputes about evaluation methodologies are best resolved by allowing independent research and free exchange of ideas. But the difficulties that researchers face in obtaining data can limit this.

In the Commission's view, any empirical conclusion or methodology by DEWR should be capable of replication by outside researchers. To this end, there needs to be far greater openness of data sets to independent scrutiny.

The Commission recommends that consideration be given to establishing an independent panel of researchers to advise on the data needed to evaluate the Job Network programs. The views and recommendations of such a panel should be made public.

<sup>131</sup> The Australian Government Competition Policy Review 2015

<sup>132</sup> Productivity Commission 2017, Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services, Report No. 85

## OECD Country Review

Many evaluations are undertaken by public sector agencies. While there are good reasons for this, it does give rise to concerns about the independence of the findings. Therefore, where evaluations are undertaken by public sector agencies, it is important to check whether there has been any external validation of the evaluation results in question (Martin 1998, p. 287).

### NESA recommends:

55. Establishment of an independent panel to provide expert oversight of research and evaluation of Australia's labour market assistance policies and programs, including digital services administered, to drive evidence based continuous improvements and innovation. The body should bring together diverse stakeholders, including employers, civil society, academics, education and training and employment service representatives.
56. Enable independent research to contribute to the body of knowledge and strengthen employment and participation policy and strategy via the establishment of a research, trials, and innovation fund.



Appendix 1: International comparison of service – outcome fee ratios<sup>133</sup>

## Types of service and outcome-based fees and maximum potential per-client fees

| Country, programme name and duration   | Service fees (details)   | Outcome-based fees (details)   | Outcome-based fees (weight) | Maximum possible per-client payment      |
|--|--|--|-----------------------------|--|
| Australia: Jobactive – Stream B <sup>a</sup> (Fees as of August 2021)        | AUD 539 administration fee in year 1 (paid six monthly, i.e. AUD 269.50*2)   | Payable after 4 weeks (AUD 808.50), 12 weeks (AUD 1 617) and 26 weeks (AUD 2 048.20)   | 89%                         | AUD 5 012.70                             |
| Canada (Ontario): Employment Services Transformation (2021-present)          | Providers receive monthly, lump sum attachment fee payments.   | For the least employable group, the maximum potential payments are higher and the distribution of the payments is more front-loaded. For the most readily-employable group, the share of payments for employment at months one and 12 are 0% and 47.1%, respectively; for the least employable group, the respective shares are 9.8% and 37.9% | 40-60%                      | CAD 344 to CAD 3 230                     |
| France: Private Placement Operators scheme (2007-2008)                       | Attachment fee paid upon referral of individual to provider.   | 35% of maximum contract value paid upon entering employment, 35% if client remains employed for 6 months   | 70%                         | EUR 3 000 to EUR 3 947                   |
| Ireland: JobPath (2015-2021)   | Registration fee (amount determined through provider bid)  | Outcome fees payable at 13, 26, 39 and 52 weeks (amount determined through provider bid)   | 65% or more                 | Not publicly available                   |
| Italy: Reintegration vouchers (2017-ongoing)                                 | Up to EUR 106 for each new client so as to compile a new individual action plan  | Payments vary according to client characteristics and type of employment contract, with different payments for permanent contracts, fixed-term contracts of 6 months or more, placements into fixed-term contracts of 3 to 6 months  | over 90%                    | EUR 250 to EUR 5 000                     |
| Korea: National Employment Support Programme (2018-ongoing)                  | Upon completing an individual action plan with participants the providers receive between KRW 400 000 and KRW 650 000 per participant                                    | Outcome fees vary depending on the i) employment competency of the participant, ii) the participant's income in the new job, and iii) the speed of finding employment  | 58-73%                      | KRW 300 000 to KRW 1.8 million           |
| New Zealand  | NZD 1 040 to NZD 2 704   | Vary across three client segments, with payments triggered after 0, 3, 6, 9 and 12 months of employment  | 73-78%                      | NZD 2 964 to NZD 9 360                   |
| Sweden: KROM (2020-ongoing)  | SEK 7 260 to SEK 11 880 for 6 months   | Paid for either entry into employment or into (longer-term) education/training programmes. 6-month attachment fee is converted into a "speed premium" if client becomes employed before 6-month attachment period  | 70-80%                      | SEK 34 820 to SEK 61 760                 |
| Sweden: STOM (2014-2021)   | SEK 6 500 to SEK 18 200 for 90 days  | Performance fees were paid for employment outcomes of at least 4 months or education and training outcomes of at least 20 weeks  | 50-65%                      | SEK 18 500 to SEK 36 200                 |
| United Kingdom: Work Programme <sup>b</sup> (2011-2018)                      | Attachment fees (GBP 300-600 in Year 1 dropping to GBP 0 in Year 4)  | Job outcome payments (GBP 1 000-3500) paid after 26 weeks (some groups after 13 weeks); afterwards 13-26 sustainment payments (GBP 115-370) for every additional 4 weeks in employment depending on payment group (i.e. last payment after 1-2 years)  | 89-100%                     | 13 720 (depending on payment group)      |
| United Kingdom: Restart (2021-ongoing)                                       | Attachment fees decrease with duration of attachment. In month 48, the monthly attachment fee is 1/16 the value from month 1.  | Outcome-based fees are paid when client after client has earned 6 monthly of cumulated earnings at 16hrs times national minimum wage within 18 months of starting the programme  | Approximately 70-80%        | Not publicly available                   |
| United States (New York City): CareerCompass and CareerAdvance, 2016-present | In the first contract year 100% of the payments were fixed.  | For CareerAdvance, outcomes-based payments were triggered based on sustained employment after 1, 6 and 12 months. During the COVID-19 pandemic, payments were converted to 100% fixed fees   | 30-40%                      | (only aggregated payments are specified) |
| United States (Wisconsin): Wisconsin Works (2013-present)                    | For each referred client, providers receive attachment fees ranging from USD 132 in the urban Milwaukee region up to USD 245 in the less-densely populated rural regions | Separate payments for: job placements after (i) 31 days and (ii) 93 days of sustained employment, respectively; (iii) job placements of individuals who have received at least 2 years of social assistance benefits; and (iv) job placements into high-wage jobs  | Approximately 60%           | USD 5 000                                |

## Notes:

a. Stream B clients are jobseekers with a moderate to high risk of long-term unemployment. The fees refer to a situation when the jobseekers lives in a non-regional area, is 30 years or older and finds employment within the first year of being unemployed. Different fees apply to those under 30 years, those living in regional areas and placed into employment after a longer duration of unemployment. The "maximum possible per-client payment" figure shown in this Australian example is applicable to the particular circumstances outlined in this note.

b. Range provided across nine different payment groups and reflecting the changing fee structure over the first four years. Not reflected is the reduction in job-outcome payments from Year 3 and "incentive payments". Incentive payments (GBP 1 000 for every additional job outcome) were paid from Year 4 to high-performing providers delivering jobs outcomes 30% above the non-intervention outcome level.

Source: Authors' compilation based on [Online Annex](#).

<sup>133</sup> OECD (2012), *Activating Jobseekers: How Australia Does It*, OECD Publishing. <http://dx.doi.org/10.1787/9789264185920-en>