Submission to the Select Committee on Workforce Australia Employment Services

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1. Policy objectives

What should the underlying objectives be now and into the future?

I believe the four objectives listed in the guidelines which, if realised, will generate desired outcomes should be the underlying objectives for Australia's employment services system. That is:

Policy objectives						Desired outcomes
Increase job readiness	+	Maintain attachment to the labour market	+	Meet labour needs of employers	→	Reduced reliance on welfare
		Encourage workforce participation of those who are under-represented in the labour market			→	Reduced inequality

2. The best operating structure

What are the world's best employment service systems? Why do they work?

The European Network of Public Employment Services consider Austria exemplifies best practice when it comes to public employment services. The Austrian Public Employment Service (AMS), became an autonomous public body in 1994. In 2001, the AMS began to implement systematic quality improvement processes. The first step in this process was the introduction of external and internal performance assessments based on the European Foundation for Quality Management (EFQM) model. The primary objective of

the EFQM assessment process is to promote a culture of structural learning and improvement within the whole organisation. It does this by focusing on five areas:

- **quality policy** - the definition of quality objectives;
- **quality planning** - the systematic process of translating quality policy objectives into measurable targets together with a sequence of steps for realising the target within a specified timeframe;
- **quality steering** - identifying what is needed to achieve quality targets;
- **quality assurance** - a regular and systematic review of information related to quality; and
- **quality improvement** using information related to quality to introduce corrective actions aimed at improving performance (EC 2016a).

Austria is a federation of nine states with a population approaching nine million. The AMS is divided into nine regional offices and over 100 local offices. Evaluations of the nine regional offices are carried out by external assessors every four years. The external assessor assesses performance against nine criteria which are divided into 'enablers', which focus on internal management factors such as leadership or employee involvement, and 'results', which include customer-oriented results, awarding points for each of the nine criteria and highlighting areas where improvement is needed.

Internal assessments of performance at the nine regional offices are carried out every three years. The aim of these internal assessments is to support the implementation of quality policy, planning, steering and quality improvement. Because these internal assessments are carried out by AMS staff who are trained in Austrian Foundation for Quality Management (AFQM) processes, assessors are able to identify concrete actions that will improve performance in the areas identified by the external assessment process. The actions needed to improve performance are set out in management agreements drawn up by the internal assessors and the nine regional offices. The AMS has developed a range of tools to support performance improvement efforts such as a 'lessons learnt' form and a project database which allows sharing of good practice.

The insights gained from this combination of external and internal assessments which focus on understanding the reasons for success and failure have led to structural changes across the AMS. For example, early on in the process, the now more than 100 local offices

were divided into six clusters according to their social and economic conditions. This clustering of local offices has made it possible to compare performance within each cluster (EC 2016b).

Local level comparisons began in 2005 with the introduction of the Balanced Scorecard (BSC) approach. The nine regional offices use the BSC to monitor the performance of all local offices within their region. The BSC has 25 indicators covering outputs, quality and impacts which are reviewed each year and re-defined if necessary (EC 2016c).

One of the strengths of the AMS operating structures is the use of different types of performance measures. For example, the Balanced Scorecard approach has 25 indicators relating to outputs, quality and impacts. BSC indicators provide information on the implementation of agreed strategies and/or targets and are used to monitor the progress of individual regional and local level offices. The results of the four yearly external evaluations include factors relating to customer oriented results as well as internal management factors.

The literature on performance management emphasises the importance of using performance management and measurement to better understand causal chains and linkages (Nunn et al. 2009:15). For this reason, both quantitative and qualitative measures are needed. Quantitative data such as formal customer surveys, benchmarking based on outcome indicators and control group analysis based on administrative data provide evidence of what works, and qualitative data is needed to identify the reasons behind observed levels of performance (EC 2013:10).

The AMS uses incentives, such as higher budgets being made available for offices that set more ambitious targets, and rewards, such as annual bonuses based on BSC results to drive quality improvements.

What could Australia learn from other jurisdictions and what changes could we make to move closer to best practice systems?

There are clear structural differences between the way in which Austria delivers employment services and how this is done in Australia. However, I would argue that the Austrian model which contains internal and external assessments which focus on

understanding the reasons why particular practices are successful and others less so, and incentives for improved performance is preferable to the competitive quasi-market model which has been used in Australia for the last 24 years.

As noted in the Committee's guidelines, empirical evidence about the benefits of competitive models is, at best, mixed (Andersson et al. 2019:360; Stephan 2016:8; EC 2012:16), and its use in Australia over many years has facilitated a survival mentality amongst service providers who have clear financial incentives to engage in risk selection (creaming and parking), rather than focusing on providing good quality services to all their clients, both job seekers and employers (Nevile 2013a:67).

I would also argue that the removal of competitive structures within Workforce Australia Employment Services is compatible with the current hybrid model where the Commonwealth Government provides services to the most job-ready individuals through Workforce Australia Online, and a mix of not-for-profit and for-profit organisations provide personalised assistance to individuals who face greater barriers in terms of securing employment.

For example, the role of departmental regional offices could be expanded and, if necessary, the number of regional offices, and their staffing levels, increased. Dialogue between higher level entities and lower level entities in setting individual targets is a feature of AMS performance management processes. The use of flexible, or negotiated targets used in AMS performance assessments is highly dependent on a certain level of trust existing between higher and lower level entities. For this reason, one of the main responsibilities of regional offices would be to develop and maintain productive working relationships with service providers in their region. Other roles could include:

- co-producing targets, or priority actions, with each service provider for the coming year against which service provider performance would be assessed;
- developing employer engagement strategies together with local service providers that reflect the nature of local labour markets;
- developing and maintaining a repository of good practice and 'lessons learnt' which can be accessed by all service providers within their region and across Australia;

- provide information on other employment programs operating within their region as well as supporting agencies that wish to work collaboratively with these programs.

5. Enabling choice in the types of assistance

Should there be more variety in the types of assistance available to jobseekers?

Absolutely! Achieving the long-held, but as yet unrealised, goal of providing flexible, individualised assistance requires government to step away from mandating (or even suggesting) the types of assistance that will be funded under the employment services program and give job seekers and service providers the freedom to develop a real Job Plan (as opposed to a list of compliance requirements) that sets out:

- the most significant barriers the job seeker faces in gaining employment;
- the actions the service provider will undertake to assist the job seeker overcome (or minimise) these barriers;
- the actions the job seeker will undertake.

What would be the ideal mix of services offered and who would be targeted by each assistance type?

I do not believe it is possible to specify a mix of services that would be 'ideal' for large groupings (cohorts) of job seekers. To try and do so would undermine the principle of enabling choice.

How should government conceptualise, measure and assess the effectiveness of jobseeker agency and choice?

If jobseeker agency and choice is manifested in a real Job Plan as discussed above, the effectiveness of the Job Plan could be monitored through existing methodologies, such as 'Work Star', one of 15 different types of Outcomes Stars, which are particularly useful in demonstrating progress toward outcomes.

7. Meeting employers' needs

What does successful outreach to employers and business and industry peaks look like? What are the best ways to develop lasting partnerships with employers?

Public employment services in other OECD countries believe their most important role is job-brokering and filling vacancies, and are looking to more effectively fulfill this role by

focusing on the demand side of the labour market through a combination of on-line and face-to-face channels. On-line job matching can be an effective recruitment strategy for large companies that have digitally literate staff within their HR departments and more regular, and larger, recruitment needs. Some public employment services offer direct on-line job matching where job seekers are able to contact an employer on-line after viewing a vacancy that the employer has posted on the public employment services digital platform. Generally employers are also able to use the digital platform to search for suitable candidates or have their vacancy automatically matched with candidates who meet their listed competence or qualification requirements (EC 2014:16). However, staff working in public employment services believe face-to-face communication is particularly important when they first meet with a new employer to discuss their recruitment needs (EC 2014:14-15).

While universal provision is the norm within public employment services, a number of public employment services informally target or offer services to certain types of employers. This informal targeting can be in response to employer needs or the composition of job seekers within their local area.

Another type of sectoral approach occurs when public employment services identify the potential for job creation in a specific sector and direct more resources to job matching in that sector. For example, in an attempt to improve the quality of its job matching service, the Belgium-Brussels public employment service has taken the sectoral approach a step further by dividing employers into six groups:

1. Retail, food , hotel industry and tourism;
2. Corporate services;
3. Manufacturing, construction, eco-construction, energy, transport and logistics;
4. Public institutions and education;
5. Social sectors such as health and social care, entertaining and culture; and
6. Research and development.

Public employment services staff identify the competencies required by employers operating in each sector, as well as selection and follow-up processes that best meet employer needs. These sector specific teams also provide a single point of contact for employers (EC 2014:6-7).

The 2017 Thematic Paper, *Engaging with and improving services to employers* (EC 2017a), noted that dedicated employer counselors and personal contact with employers had the potential to improve the quality of job matching, but for this strategy to be effective, staff who work with employers and staff who work with job seekers need to work together collaboratively (EC 2017:16).

Collaboration between local service provider agencies and local businesses, employer associations and non-government organisations is another important strategy in maintaining high levels of employer satisfaction (EC 2014:4). This sort of local level collaboration can be informal or the result of programs specifically designed to develop more formal links. For example, a program which aimed to establish formal partnerships between employment service providers, businesses and local institutions such as municipalities, unions, employer associations and non-government organisations was introduced by the regional government in Lombardy in 2012. An review of this program concluded that the creation of partnerships through this program had the potential to facilitate the sort of information sharing "that is critical to effective matching, as long as clear and explicit incentive systems are put in place to promote such information sharing and collaboration" (Martini et al. 2017:596).

The Lombardy case is an example of a collaborative arrangement between the local public employment service and other local actors. In countries where public employment services have been wholly, or largely, contracted out, the issue of collaboration between different employment service providers operating in the same local area arises.

Collaboration between local employment service providers can provide a single point of contact and reduce the amount of time employers spend educating multiple providers about their recruitment needs (Cortis et al. 2013:377; EC 2017:15). However, competition between providers can lead to providers brokering exclusive access to employers.

> If you open the door to an employer you don't just want one job, you want every single job they ever advertise, that what we're after (Subcontractor cited in Ingold & Stuart 2015:457).

Nevertheless, despite these anti-competitive practices, collaboration is possible within competitive quasi-markets if competing providers can identify the benefits of collaboration for their organisation and are satisfied with the distribution of benefits. For example, licensing arrangements have the potential to create incentives for the development of collaborative practices at the local level. As part of an initial registration process all agencies could be required to describe:

- any collaborative activities that are part of on-going agency practice;
- how these practices contribute to higher quality outcomes for employers and/or job keepers.

The incentive for all agencies to initiate or engage in collaborative activities would come from an assurance that low performing agencies which score highly in terms of local level collaboration will be given extra time to improve their overall performance before being considered "in scope" for their licence to be discontinued at the end of the licensing period.

Staff working in public employment services know that employers are looking for the "best" match and provide a number of financial incentives which they offer to employers when they are unable to provide an employer with a suitable candidate. By offering grants for training or wage subsidies, public employment services hope to satisfy employers and, at the same time, achieve employment outcomes for disadvantaged job seekers. However, employers prefer funding for on-the-job training rather then wage subsidies because on-the-job training can improve the match between employer requirements and the skills of the new employee. Overall, the European Commission believes that financial incentives need to be well defined and targeted at specific employers and the labour markets within which they operate (EC 2014:5-6).

However, even well defined and targeted incentives may not be sufficient to ensure employer satisfaction in active labour market programs with specific compliance requirements. For example, in an article examining employer perspectives and experiences in the United Kingdom and Denmark, Ingold (2019:242) noted that the majority of employers were positive about recruiting candidates who were currently unemployed, but were critical of programs that made job seekers "jump through hoops" rather than offering flexible, individualised support. As in Australia, UK and Danish employers were unhappy when provided with unsuitable candidates ill-prepared for

interviews, or when candidates did not turn up for interviews, believing that bad job matching or unmotivated candidates was the result of job seekers applying for positions simply because they were under pressure to do so.

8. Mutual obligations and activation

How might mutual obligations be redesigned so that they are truly mutual? What should the obligations be for government, providers and job seekers?

As previously discussed in the section on 'Enabling choice in the types of assistance', the major structural change necessary for obligations to be truly mutual is to require service providers and job seekers to develop, and commit to, real Job Plans. Under such a system, obligations for job seekers and service providers would be to work towards completing the actions set out in the Job Plan. Obligations for government would be to ensure that performance management frameworks and funding mechanisms create an enabling environment which supports the development and successful completion of real Job Plans.

Does there need to be 'default' activation activities? Should Work for the Dole be retained as part of the employment services system?

In my submission to the Committee's inquiry into ParentsNext, I argued that service users are happy to participate in program activities if they can see the value of participation (Nevile 2013b:151-152; Nevile 2009:87; Nevile 2008:9; Nevile & Nevile 2003:138). For this reason, I do not believe there is the need for 'default' activation activities if job seekers are able to work with service providers in developing a real Job Plan and carrying out the activities set out in that Job Plan. This means the Work for the Dole program should not be retained as part of the employment service system.

9. Compliance and enforcement

What actions, if any, should be taken when a job seeker does not meet their obligations?

If a program is designed to deliver outcomes valued by participants, repeated failure on the part of participants to meet their obligations should raise questions about why the participant is not meeting their obligations. In other words, repeated failure should be taken as a signal that the Job Plan may need to be revised, or more support is required, or a different mix of supports are needed.

10. Oversight, quality and assurance

Is there a role for an independent regulator for employment services? If so, what should be its powers and functions?

I would argue that an independent regulator could play a useful role in the employment services context by carrying out regular evaluations of the performance of the departmental regional offices, co-ordinating evaluations of the whole program, and carrying out initial registration/licensing checks.

The benefits of having an independent body responsible for external evaluation of regional offices comes from the separation of policy development and evaluation roles. That is, it is easier for an independent actor to monitor structures and processes rather than the organisation which developed the processes in the first place. In addition, the existence of an independent regulator may increase the transparency and availability of evaluation data and findings. Having an independent regulator carry out initial licensing checks would allow regional offices to focus on their key roles as outlined on pages 4 and 5 of this submission.

How should the government measure the quality and effectiveness of services offered?

This question, combined with how the government decides to fund the provision of employment services, will be crucial in determining the success of any reform measures. In the employment services context, outcomes are co-produced. That is, achieving policy goals is dependent on the combined actions of service providers, service users and the funding department. For this reason, definitions of 'quality' must take into account what employers, job seekers, and service providers value (Nevile 2013a:74).

Employers, in Australia and overseas, primarily define quality in terms of outcomes securing the "right" candidate, the "best" match, but also express preferences about process one point of contact, a low level of form filling or 'red tape', being provided with a pool of potential candidates all of which meet fundamental job requirements.

Like employers, **job seekers** define quality service provision in terms of outcomes finding and maintaining employment and process: how outcomes are generated. Job

seekers want to have a choice about the sort of work that they do and value feeling in control of how they find work (Employment Services Expert Advisory Panel 2018:12). While job seekers value useful activities that help them get ready for work (Employment Services Expert Advisory Panel 2018:12), their interest in how outcomes are generated is stronger than that of employers. Behavioural economists recognise that "outcomes are not the only source of utility and not the only driving force behind behaviour" (Frey & Stutzer 2005:92), and identify three types of procedural or process utility, one of which is the procedural utility involved in interactions between people. In other words, individuals may value interactions where they are treated a certain way regardless of the outcome of the interaction. It is this type of procedural utility that is most relevant to employment services where job seekers frequently identify how much they value being treated "as a person, not a number" (Nevile 2013b:151).

The importance of including process indicators which reflect job seeker definitions of quality comes from the connection between the ability of job seekers to exercise choice and agency and feel confident about their abilities and their chances of finding and sustaining employment. The negative effects of unemployment occur at the onset of unemployment and during extended periods of unemployment (Courts et al. 2014:469). While participation in active labour market programs can mitigate the negative effects of unemployment (Courts et al. 2014:473), the longer an individual is unemployed, the higher the psychological costs of job search activities (Krueger & Mueller 2011:46).

Therefore individuals who are less job ready or have multiple complex barriers and experience long periods of unemployment need interventions which keep them engaged in job search activities despite the high psychological costs. Job seekers who are less job ready or have multiple complex barriers value service providers who help them feel confident about their own abilities and motivated to continue job search activities. Research evaluating labour market interventions demonstrates that job seekers who have confidence in their ability to search for jobs are more likely to be successful in gaining employment than job seekers with lower levels of self-efficacy (Duffy et al. 2013: 55).

Like clients, **service providers** value non-material rewards (autonomy and recognition of their professional competence) as well as material rewards necessary for

organisational survival or growth. Tensions between the government's responsibility to account for the expenditure of taxpayers' money, and service providers' desire for some level of autonomy in how organisational objectives are to be achieved, are likely to diminish if service providers are involved in the design of meaningful performance indicators. The AMS experience suggests that greater levels of autonomy can be used as a reward for good performance without adversely affecting service quality.

Indicators of quality and effectiveness should be developed in collaboration with service providers and take into account what employers and job seekers value. A number of indicators are put forward as a possible starting point for discussion (see page 13). These indicators are divided into three categories: structural, process and outcome indicators. Outcome indicators are self-evident. Structural indicators provide information on the setting in which assistance is provided and process indicators generate information on actions taken by service providers with the aim of producing desired outcomes.

11. Research, evaluation and adaption

What needs to be included, structurally, within the employment services system to support the flexibility and adaptability required to test new approaches?

Innovation is most likely to be driven by service providers who reflect on current practices and have the ability to imagine alternative ways of doing things. The major structural change which would support this type of 'bottom-up' innovation is for government to ensure that failure is not punished. If services providers do implement innovative changes which do not deliver expected outcomes, funding should not be cut. Instead, information describing the change in practice, the expected benefits and the reasons why these benefits were not fully realized should be made publicly available so that others have the chance to learn from their experience.

Some service provider agencies may have the capacity to evaluate innovative changes in practice, others may not. A register of individuals with relevant experience who are interested in working with agencies in evaluating innovative changes could be established by the independent regulator and the information made available to all Workforce Australia service providers.

	Structure	Process	Outcomes
Employer focus	No. of staff whose primary responsibility is employer engagement Does the service provider have an employer engagement strategy? Does the employer engagement strategy contain: • measurable targets for the next 12 months? • the sequence of steps your organisation will take to realise these targets • a quarterly review process which identifies emerging constraints and additional actions and/or any other necessary adjustments?	Results of employer satisfaction surveys which would include: • level of understanding of employer requirements • suitability of applicants referred by Workforce Australia service provider • level of 'red tape' associated with use of Workforce Australia service provider	Evidence of repeat business – ie employers returning to service provider after initial use Evidence of new business generated as a result of the organisation's employer engagement strategy
Job seeker focus	No. of staff whose primary responsibility is working with job seekers. What co-ordination mechanisms are in pace to align activities of employer engagement staff and staff who work with job seekers?	Results of job seeker satisfaction survey which could include: • the percentage of job seekers who feel confident about their abilities in relation to seeking, gaining and maintaining work • percentage of job seekers who have completed all the short-term goals in their job plan • percentage of job seekers who have completed all the long-term goals in their job plan	The number of job seekers who have been placed in a job over the last 6 months The number of job seekers who have sustained their employment for: • 12 weeks • 26 weeks • 52 weeks The percentage of jobseekers who thought their Workforce Australia provider was helpful in securing employment

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