

# Senate Inquiry into the appropriateness and effectiveness of the objectives, design, implementation and evaluation of jobactive



Jobs Australia

| POLICY | INFLUENCE | SUPPORT |

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## 1. Note on the terms of reference of the inquiry

Jobs Australia notes and supports the scope of the objectives of this Senate Inquiry which relate to activation requirements and the forms of welfare conditionality associated with the receipt of social security payments. These aspects of employment services are significant matters relevant to the design of employment services and effectiveness of labour market programs going forward. However, given the recent consultation by the Department of Jobs and Small Business on Future Employment Services for 2020, we are unable to provide extended commentary on the matters identified in the terms of reference. While some of these matters are covered within the terms of the 2020 Review we have been unable to comment on them as substantially as would be desirable in a complete review of employment services and the models of activation that underpin the services they provide.

We therefore submit to the Inquiry our submission to the 2020 review of employment services in the hope that some elements of the recommendations we have made therein are of benefit to this Senate Inquiry. We do note that the recommendations contained within this submission are relevant to the Terms of Reference. To this end we include a table with our mapping of our 2020 Review submission to the appropriate topic from the Terms of Reference.

**Table 1 – Mapping of this submission to the Terms of Reference of the Senate Inquiry**

Senate Inquiry Terms of reference	Mapping to 2020 responses
the nature and underlying causes of joblessness in Australia;	5.2 THE CHANGING LABOUR MARKET AND EMPLOYMENT OUTCOMES 5.2.1 Rise of Part-Time, Casual or Self Employment 5.2.2 Non-Standard Work and Employment Outcomes 5.2.3 Challenges for Independent Contractors 5.2.4 Maximising Outcomes for Disadvantaged Job Seekers 5.8 REGIONAL AND LOCAL APPROACHES 5.8.1 Engaging Local Stakeholders 5.8.2 Local Funding Arrangements 5.8.3 Coverage
the ability of jobactive to provide long-term solutions to joblessness, and to achieve social, economic and cultural outcomes that meet the needs and aspirations	5.6 ASSESSING JOB SEEKERS 5.6.1 Job Seeker Classification Instrument (JSCI) 5.6.2 Employment Services Assessments (ESAts) 5.7 ACTIVATION AND MUTUAL OBLIGATION 5.7.1 Supporting Self-Employment 5.7.2 Participation Non-traditional Forms of Work



of unemployed workers;	
the fairness of mutual obligation requirements, the jobactive Job Plan negotiation process and expenditure of the Employment Fund;	<p>5.3 SERVICES TO JOB SEEKERS</p> <p>5.3.1 Enhanced services</p> <p>5.3.2 Flexibility</p> <p>5.3.3 Unified Service</p> <p>5.3.4 Linkages with Other Complementary Programs</p> <p>5.3.5 Improving Quality of Services from Employment Consultants</p>
the adequacy and appropriateness of activities undertaken within the Annual Activity Requirement phase, including Work for the Dole, training, studying and volunteering programs and their effect on employment outcomes;	<p>5.3 SERVICES TO JOB SEEKERS</p> <p>5.3.1 Enhanced services</p> <p>5.3.2 Flexibility</p> <p>5.3.3 Unified Service</p> <p>5.3.4 Linkages with Other Complementary Programs</p> <p>5.3.5 Improving Quality of Services from Employment Consultants</p>
the funding of jobactive, including the adequacy of the 'outcome driven' funding model, and the adequacy of this funding model to address barriers to employment;	<p>5.9 COMPETITION AND QUALITY</p> <p>5.9.1 Benchmark Framework</p> <p>5.9.2 Measuring Outcomes</p> <p>5.9.3 Payments to Providers</p> <p>5.9.4 Licensed Market</p> <p>5.9.5 Transition to a Future Employment Services Model</p>

## 2. Jobs Australia's submission to the Next Generation of Employment Services consultation

### 2.1 Executive Summary

The next generation of employment services provides an opportunity to build on all that has been learned and achieved from the current and previous models. It is important to acknowledge the skills, experience and depth of understanding that current providers have, both in jobactive and in the broader human services sector.

Jobs Australia recognises that the future model will operate within funding limitations, will utilise a digital platform in a way that provides optimal levels of support to job seekers and employers, and will continue to provide face-to-face support to individuals as required.

Our challenge is to simplify the model to allow providers to focus on individuals, to provide the right supports as job seekers progress towards, and then gain, meaningful employment. A simplified model would reduce the administrative and compliance burden, allowing providers to reallocate resources to focus more on consulting with employers to meet their short, medium and longer-term needs.

Jobs Australia supports a licencing model with a capped number of providers per region. The number needs to reflect local labour market needs. While we envisage multiple providers in each employment region, providers will not necessarily be expected to provide full region coverage. This means some local government areas (LGAs) may only have one provider.

The real advantage of the licencing model is its tenure. If providers are licenced in perpetuity they have incentive to further invest in their service offering and importantly their employees. If providers are ISO accredited, achieve benchmarks and are subject to audits then the Department should have confidence in their ability to deliver the model and should trust providers to achieve the longer-term objectives of an employment service.

The removal of star ratings and implementation of benchmarking will allow providers to take a longer-term approach to meeting individual and employer needs and strategically planning for changes in the labour market.

The key aspects of a flexible model are as follows:

**Assessment:** Ensuring individuals receive the right level of support is key to any model, especially where the use of technology is increasing. As one of the first points of engagement, an assessment is an opportunity to build trust, so that the information being shared will positively help the individual overcome challenges and progress towards employment. We propose a version of the JSCI that is strengths based and incorporates work readiness and broader motivational factors.

Assessments would be repeated on a time based, or as-needs, basis to show the progress made and the success of interventions as individuals move towards employment.

**Model:** Services would be underpinned by a digital platform, and the elements could be described as Digital, Digital plus, Enhanced services and Enhanced plus. Individuals who are long term unemployed would enter Enhanced or Enhanced plus. Following a strengths-based assessment, all other individuals would enter the phase most appropriate to them, instead of a time-based approach.

- Individuals in the **Digital** phase would not be linked to a provider, with an expectation that they will find their own employment in a short period of time utilising supports and information that are available through the online platform. Those requiring work clothing for a specific job could access funds from a provider who would be reimbursed for costs plus an administration fee.
- **Digital plus** is for individuals who require some support to gain employment such as a driver's licence, a specific course, support for their resume or interview techniques. This would be coordinated by providers, for a set number of hours, who would be reimbursed on a fee for service basis.
- Individuals in **Enhanced services and Enhanced plus** would still have the same access to technology within the digital platform, however most of the support would be face-to-face to overcome vocational and non-vocational barriers. The majority of overall funding is linked to Enhanced and Enhanced plus, so caseload numbers for Employment Consultants would be significantly reduced and the depth of support correspondingly increased.

Agile methodology will need to be adopted for this model, as the technology that is available in 2020 may be unimaginably different by 2025 or 2030. Initially it is likely that the numbers of individuals in the two phases of Enhanced services are higher however this balance may change as technology develops and digital literacy increases.

We support a model that is based on **trust**, where providers are engaged to deliver a service and achieve certain benchmarks. Trusted providers should not be allocating significant resources into compliance and administration, rather focusing on individuals and local labour market needs. Delivery should be **flexible** to meet these needs and follow a place-based approach – a strengths based, individualised model.

A flexible model that allows providers to respond to market changes may increase the risk profile from the Department's perspective. However, if we are developing a model that best meets jobs seeker and employer needs and is to last the test of time, then we need to apply agility to service delivery as well as technology.

Jobs Australia supports the co-design of programs within Federal and State and Territory governments to achieve the outcomes we all desire. This is a longer-term approach; however, progression can be made to simplify the use, and accordingly increase uptake, of many complementary employment and training related programs.

### 3. Introduction

The current jobactive program has achieved significant results over the past three years, but changes are needed. Services need to be more carefully targeted and delivered, particularly for those in greatest need of support. The system also needs to better adapt to the opportunities created by new technology, new ways of delivering services and a changing labour market.

The introduction of jobactive in July 2015 represented a significant shift in the delivery of employment services. The number of providers was more than halved to around 40, with for-profit providers representing a larger proportion than before. The funding model was adjusted to have a stronger emphasis on the achievement of employment outcomes, and lower up-front payments to support service delivery to all job seekers. This led to cost-cutting measures by providers, including

reduced investment in frontline staff and increased caseloads for individual employment consultants. The new program also saw a much stronger emphasis on participation in Work for the Dole.

As acknowledged in the Paper, more must be done to assist the most disadvantaged job seekers to find work and move off income support. The system is helping some people, but more could be supported to develop the skills and work experience they need to compete effectively for jobs in a labour market undergoing rapid change.

The Paper signals an intention to divert resources away from those who need less support and towards those who need more, within a fixed envelope of funding. A new model will still need to retain a focus on prevention, to help ensure that those who receive less support do not eventually become disengaged and long-term unemployed. There is a risk of reduced effectiveness of the system overall if changes in support offered to job seekers are not carefully targeted. The new services must be flexible, to ensure that all job seekers can access the support they need from providers, including those who are largely receiving Digital and Digital plus.

Employment service providers alone cannot solve the problem of long term unemployment. They are constrained by program structures, funding arrangements, demand for labour and the specific needs of job seekers and employers. A comprehensive re-design of the system will enable providers to achieve more outcomes for those in greatest need of support.

## 4. Principles for the Next Generation of Employment Services

<b>An enabler model</b>	<p>Strategic, tactical and operational elements of the model always enhance user experience and support increasing employment outcomes.</p> <p>Providers are adequately resourced, incentivised and rewarded for helping those most in need of assistance.</p>
<b>Flexibility</b>	<p>Providers have the flexibility to innovate and adapt to individual and local labour market needs. The Department defines certain activities or functions that providers cannot do, with providers free to provide all other activities and services.</p>
<b>Effective oversight</b>	<p>The development of an independent regulatory panel to ensure the key principles and mechanisms of the new model are adhered to for the duration of the contract.</p> <p>The panel could review elements of the program, such as performance and complaints, on a quarterly basis and advise the Minister and Department on any areas of concern or recommended changes.</p>
<b>Program integration</b>	<p>The development of a binding agreement for Federal Departments to liaise with one another in the design / codesign of programs with an employment focus. This agreement should also be extended to State and Territory programs.</p>
<b>User choice</b>	<p>Job seekers and employers are empowered to choose services based on their needs.</p> <p>Supported or managed job seeker self-service.</p> <p>A market that supports a diversity of providers to ensure genuine choice for job seekers and employers.</p> <p>Providers can specialise to meet the needs of the job seekers, employers and local communities that they serve.</p>



## 5. Responses to Guiding Questions in the Discussion Paper

### ***Guiding questions for Chapter 2 – The goals for future employment services***

*What other economic, social or labour market trends are likely to affect employment services in the future?*

*Are there other goals that should be included?*

### **5.1 OTHER GOALS AND TRENDS**

#### **5.1.1 Too Much Complexity and Administration**

jobactive is over regulated and has too many administrative requirements. It is burdened by an excessively large number of complex rules and requirements contained within the contract and guidelines. This complexity is overlaid by additional compliance frameworks such as the QAF, ISO, IRAP and rolling random samples that are costly to administer. There is too much emphasis on back of office compliance work, such as claims and quality assurance, which reduces the resources available to support the core capabilities of providers to achieve outcomes with job seekers and employers.

Provider behaviour and services to job seekers are driven by adherence to these rules and by an IT system which further dictates processes and procedures that must be adhered to.

This over specification of administrative requirements leads to a focus on transactions, undermining the capacity of providers to tailor personalised services and achieve better engagement with both job seekers and employers.

Government needs to trust providers more and prescribe less. It needs to recognise providers as the experts and allow them to do what they need to provide the services that job seekers need. Government needs to reduce administrative and record keeping requirements. One way of doing this is by utilising 'big data' about the needs and activities of job seekers sourced online from other departments, with the consent of job seekers.

#### **5.1.2 Governance**

Jobs Australia recommends a clearer separation of the policy making role of Government from the delivery role of providers. Under this approach, DJSB would specify what providers can't do, because it could be considered unethical, illegal, or inappropriate. Providers would then be free to do everything else they need to do to achieve employment outcomes for job seekers and employers.

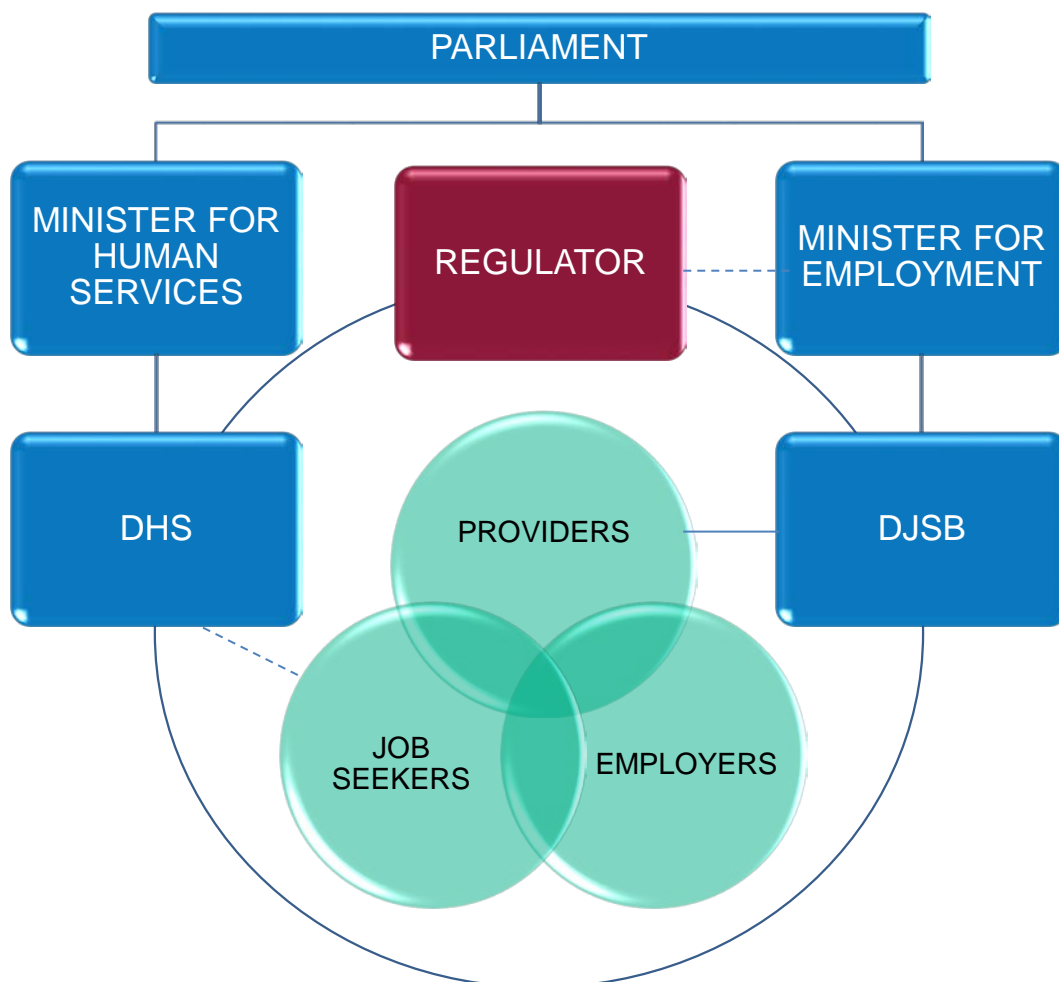
More fundamental reform in the governance of employment services is also needed. There is no independent review of DJSB decision-making and no independent evaluation of the system's

performance. The creation of an external, independent regulatory panel could ensure the key principles and mechanisms of the new model are consistently adhered to.

The regulator would also have capacity to undertake research and make policy recommendations to the Minister, to ensure that the integrity of the model is maintained. The panel could review elements of the program such as performance, audits and complaints and advise the Minister on any areas of concern or recommended changes.

A regulator would strike a better balance between the interests of job seekers, employers, providers and tax-payers, creating a fairer and more accountable governance structure.

**Figure 1: A New Approach to Governance**



**Table 1: Summary of Governance Roles**

Actor		Role
PARLIAMENT		<ul style="list-style-type: none"> <li>• Legislation</li> <li>• Regulations</li> <li>• Receive Reports</li> </ul>
MINISTER FOR EMPLOYMENT	DJSB	<ul style="list-style-type: none"> <li>• System stewardship</li> <li>• Monitors overall system performance</li> <li>• Undertakes research</li> <li>• Primary source of policy advice for Minister</li> <li>• Responsible to the Minister for Employment</li> <li>• Handles complaints from job seekers and employers</li> <li>• Accreditation and licensing</li> <li>• Risk-based quality assurance and audits</li> </ul>
	REGULATOR	<ul style="list-style-type: none"> <li>• Ensure integrity and key principles of the new model are adhered to consistently</li> <li>• Undertakes research, provides policy recommendations</li> <li>• Statutory independence, reports to Parliament via Minister</li> </ul>
	PROVIDERS	<ul style="list-style-type: none"> <li>• Delivery of employment services under license from the regulator</li> </ul>
MINISTER FOR HUMAN SERVICES	DHS	<ul style="list-style-type: none"> <li>• Administers payment of benefits</li> <li>• Administers intake, assessment and classification of job seekers</li> <li>• Sanctions job seekers for breaches of mutual obligation requirements</li> <li>• Undertakes research and provides policy advice to the minister.</li> </ul>

## 5.2 THE CHANGING LABOUR MARKET AND EMPLOYMENT OUTCOMES

### 5.2.1 Rise of Part-Time, Casual or Self Employment

The Discussion Paper acknowledges the rising significance of part-time employment in the Australian labour market over the past 40 years, doubling in size to account now for almost one-third of workers. It also points out that around 30 per cent of job seekers in jobactive are likely working part-time, and many have expressed concern at the difficulty of securing full-time work.

Recent data also has shown that for the first time in history, less than half of all working Australians have a permanent full-time job with leave entitlements<sup>1</sup>. This means that more than half are employed in part-time, casual or self-employment. The recent structural shift in the labour market away from permanent full-time work is frustrating job seekers who want more work, and is increasing the amount of effort needed by providers to help job seekers to get enough work to get off income support and to achieve full employment outcomes.

### 5.2.2 Non-Standard Work and Employment Outcomes

The rise of online platforms as a means of obtaining paid employment is also making it more difficult for providers to achieve employment outcomes. People are increasingly working in non-standard work arrangements (such as Uber) at lower than minimum hourly wages. As the employment services system does not recognise work that attracts below minimum hourly wages, this development is making it difficult for this work to be recognised as employment outcomes for the purpose of payments to providers.

Outcomes payments are also based on various calculations of cumulative hours worked, with no more than relatively short breaks between jobs to count towards an employment outcome. As the labour market shifts so that there are fewer ongoing jobs, our members have noted it has become increasingly difficult to achieve outcomes from existing cumulative hours formulas. This suggests the need to evaluate the impact of contract and casual work on the viability of employment services agencies and to review the payment-by-results formulas so that the accumulation of hours worked on a casual and contact basis can be adequately counted towards payments to employment services agencies.

### 5.2.3 Challenges for Independent Contractors

The income reporting for independent contractors also needs to be simplified. Currently independent contractors must complete six-monthly business planning forecasts (profit and loss statements) in which they must calculate their projected income from contract work to continue to receive social security benefits. The actual income accumulated over the profit and loss period is used to calculate benefit entitlements. Independent contractors with low incomes face many issues relating to the complexity of income reporting. They are disadvantaged relative to job seekers reporting income from casual or permanent work where the income they earn is spread only across the fortnight in which the earnings were earned.

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<sup>1</sup> T. Carney, J. Stanford, The Dimensions of Insecure Work: A Factbook, The Centre for Future Work, May 2018

The methodology for independent contractors to report earnings while in receipt of social security payments needs to be reviewed for fairness and with a view to simplification of the process. This is because these reporting processes may have a perverse incentive on reporting income or getting contract work because of this complexity.

Overall, the new employment services arrangements will need to acknowledge the growing challenges of the increased prevalence of part-time, casual or self-employment and non-standard working arrangements.

#### 5.2.4 Maximising Outcomes for Disadvantaged Job Seekers

One of the goals of the future employment services as identified in the Discussion Paper is to maximise job seeker outcomes, by helping as many job seekers as possible to find and stay in work. A stronger focus here is needed on the long term unemployed, to counter the current trend towards lower levels of employment outcomes for this cohort. A goal of the future services should be to steadily reduce the proportion of long term unemployed on the caseload

### ***Guiding questions for Chapter 3 – Helping disadvantaged Australians into work***

*What services should be available to job seekers who are disadvantaged in the labour market and how can they be delivered in a culturally competent way?*

*What incentives might be useful to assist job seekers who are disadvantaged in the labour market to find work?*

*Are enhanced services best delivered through a single unified service, or a model that includes specialist service provision directed at particular cohorts of job seekers, as well as a core service?*

*How could the quality of services job seekers receive from their employment services consultant be improved?*

### 5.3 SERVICES TO JOB SEEKERS

The current jobactive program does not consistently deliver quality user experiences. The overly prescriptive system encourages a transactional approach to service delivery for many. It involves too many mandatory activities that stifle choice and denies opportunities for the development of relationally-based service delivery and job seeker engagement.

Providers should have freedom to alter their service delivery model to adapt to changing circumstances and opportunities, such as new technology or evidence about the efficacy of different approaches.



Job seekers should have a greater say over the interventions and assistance they receive, able to choose from a menu of interventions that are matched to their needs, with guidance or intervention from their provider as required. All services should be co-designed as much as possible to empower job seekers, helping them to build hope, aspiration and motivation.

Cultural competency could be better achieved through specialisation and inclusion of local community providers.

### 5.3.1 Enhanced services

The most disadvantaged job seekers would benefit from intensive case management that includes:

- a holistic model of assistance, including a focus on addressing underlying personal barriers
- a strengths-based approach, incorporating a focus on what job seekers can do and their goals
- strong partnerships with local agencies, to provide access to a wide range of support services
- smaller caseloads
- flexibility to tailor services and participation requirements to meet individual job seeker's complex needs
- access to adequate funds to purchase services as needed
- group work
- employment or community participation activities, which could include training or work experience and subsidies paid to employers, and
- ongoing post-placement personal support<sup>2</sup>.

### 5.3.2 Flexibility

Job seekers should be able to choose their interventions, with guidance from their provider as required via a managed user choice approach.

The Employment Fund and wage subsidy funds are currently over regulated. The designation of specific requirements and eligibility criteria, whether for wage subsidies or other interventions, can act to constrain spending and stifle innovation. Providers need more flexibility to be able to invest in interventions that reflect the needs of local job seekers and employers, as well as to be able to pool funds to create training and work experience opportunities, all subject to a risk-adjusted level of scrutiny. Flexibility to invest in social enterprises and other local initiatives is needed.

### 5.3.3 Unified Service

The potential benefits of truly specialised services are not being realised under jobactive. Contract holders are not able to specialise, with opportunities for specialisation limited to sub-contractors

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<sup>2</sup> Perkins, D. Making it Work: Promoting participation of job seekers with multiple barriers through the Personal Support Programme, Brotherhood of St Laurence, 2007.

only. jobactive's over-regulation and complex structure also limit the ability for individual providers to innovate and develop more specialised services.

Specialist providers can offer services that can cater to the specific needs of particular cohorts and create wraparound servicing through specialised networks of complementary services.

There are many needs for specialised services, and the correct model design would allow these to be delivered in a single unified service. Greater flexibility allowing for specialisation by contract holders, would enable providers to better respond to the needs of individual job seekers, and reduce the need for specialist programs.

Certain cohorts may benefit more from specialised services that invest heavily in individualised support. An example is Transition to Work, aimed at early school leavers and young people who are disengaged from the labour market. TtW operates under different rules of engagement compared to mainstream employment services, with a stronger emphasis on relationship building and intensive support, and less on punitive and meaningless compliance activities. In 2020 these arrangements could occur under a more flexible employment service, making a separate program such as TtW unnecessary.

#### 5.3.4 Linkages with Other Complementary Programs

There are a complex myriad of complementary programs and services that support job seekers in jobactive on pathways through education and training to employment, but they suffer from a lack of integration and ease of use.

Jobs Australia supports the co-design of programs with federal, state and territory governments to achieve better outcomes for job seekers. These programs should be integrated or linked as strongly as possible under the new employment services. An example includes collaboration between DJSB and DET to create better incentives to place job seekers into apprenticeships.

#### 5.3.5 Improving Quality of Services from Employment Consultants

Jobs Australia acknowledges the skills and experience of provider employees. While this is not noted in the discussion paper, we assume that the Department also acknowledges this as providers currently operating in this competitive market have exceeded expectations around placements and continue to achieve high outcome rates while maintaining record compliance levels.

We support further investment in employees and believe an increased upfront payment along with licences in perpetuity will allow providers to plan and invest in their workforce for the longer term.

It is important to note that providers report that the qualifications held by staff do not necessarily correspond to the achievement of outcomes for job seekers. Instead, the skills of the consultant, including empathy, are considered more important.

Jobs Australia does not support the introduction of minimum frameworks for employment services staff. Nonetheless, the new employment services should encourage providers to invest in their staff, providing access to continuous professional development to build job seeker capability, supported by DJSB as needed.

### ***Guiding questions for Chapter 4 – Empowering job seekers and employers through improved online services***

*What online tools and assistance should be included to better meet the needs of particular user groups? Which are the most important features that are required?*

*Is there a group of users that the online service should target?*

*How can data be used to provide more personalised, effective services?*

*How should the online service interact with existing online job aggregators and recruitment firms?*

## **5.4 IMPROVED ONLINE SERVICES**

The Discussion Paper identifies how data analytics and disclosure could be used to deliver more targeted services to support job seekers and employers, many of which are already being delivered internationally. The automation online of some existing and new employment services has the potential to enhance opportunities to support some job seekers to set and achieve their employment goals, while increasing the exposure of job seekers in the system to recruiting employers. Providers could also benefit from reduced administration, allowing more time to focus on building direct engagement with job seekers and employers.

### **5.4.1 Risks of Online Services**

While there are benefits in delivering services online, there are also risks. These risks include a reduction in human interaction and engagement, and a loss of trust and support that only a real human being with professional experience and skills and knowledge of a particular labour market can provide. We need to get the balance right between digital and non-digital services, given the importance for many job seekers of their relationship with their provider for their mental health, motivation, engagement and other support needs.

Early intervention remains important. There is a risk of reduced effectiveness of the system if reductions in intensive supports offered to job seekers are not carefully targeted and timed. The new model will need to have the capacity to apply interventions in a timely way to help ensure that those who receive less support do not eventually become disengaged and long-term unemployed. The risks and costs of putting people into an online only service also include longer unemployment duration, and lower quality job matches, even for those who are capable of self-service to get their own job.

Other challenges of the shift towards more online servicing will include:

- Access to online and non-online services should be able to occur quickly and efficiently as needed, including the transfer of data to providers.
- The usefulness of the online service to employers will rely heavily upon the quality of job seeker data in real time, particularly those who are digital-only, to avoid inappropriate job referrals or matches. The sharing of data about job seeker needs and activities including employment could help to achieve this, obtained with the consent of the job seeker.



The recently commenced online trial will be critical to the development of online services. It is vital that it is properly evaluated, and the outcomes of the evaluation openly shared as soon as possible.

#### 5.4.2 Flexible Options

Jobs Australia supports the proposals in the Discussion Paper that job seekers without access to online services will still retain the option to receive face to face support, and that job seekers who largely self-service will still have access to additional services, such as job clubs, employability skills training and appointments.

A flexible approach to the delivery of online and more intensive services, in accordance with job seekers' individually assessed needs and the principles of managed user choice, is required. All job seekers would be able to access the support they need, including those who are largely receiving an online self-service. Job seekers should have the choice to opt in and out of digital only servicing and more intensive services, and have access to interventions they can select online, subject to negotiation and approval with their provider as required. Applying the principle of managed user choice, the system would identify who needs what intensive support and when, proactively identifying and engaging at-risk job seekers in more intensive interventions with a chosen provider.

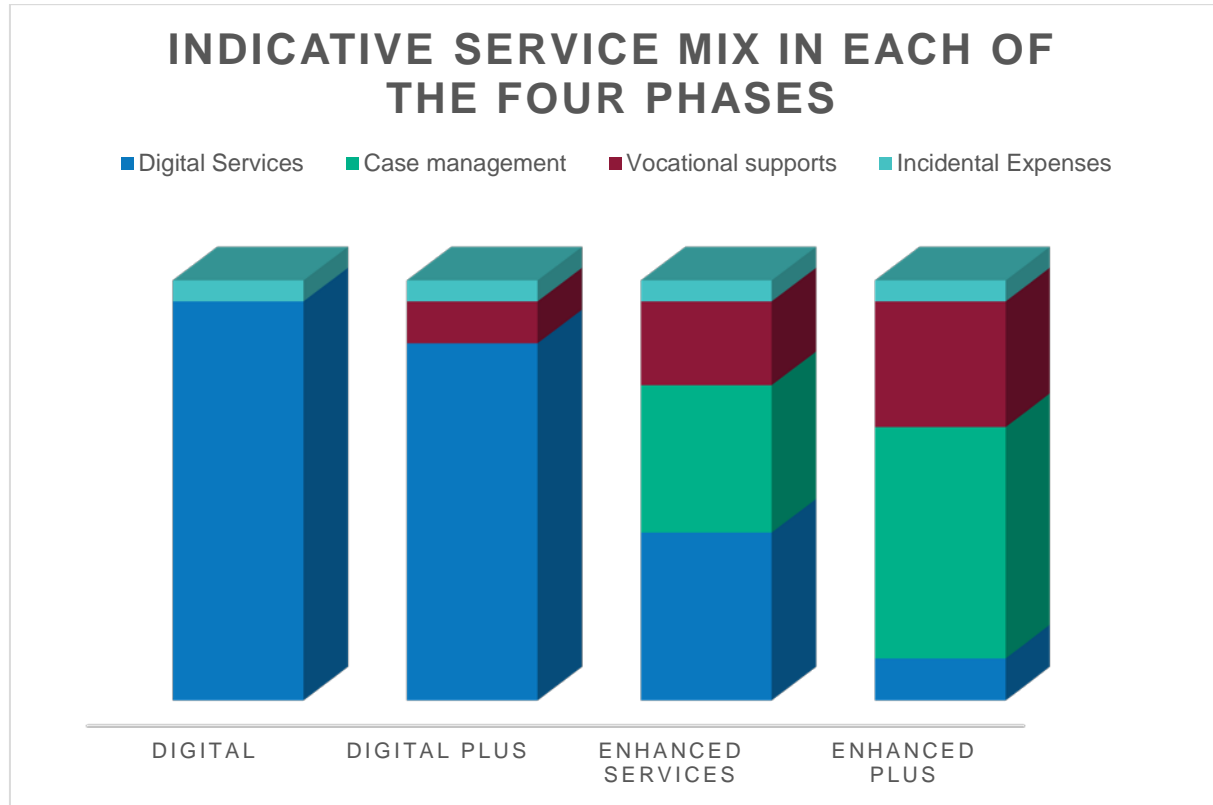
#### 5.4.3 A Proposed New Model of Employment Services

The range of services delivered would range from online self-service for the most job-ready, digitally literate job seekers with access to technology, through to intensive face to face case-management for the job seekers needing the most support.

Features of the model could include:

- All services would be underpinned by a digital platform, giving all job seekers access to online services.
- All job seekers would have access to funds for the purchase on incidental expenses to support employment placements.
- Additional vocational support available to all except those in the digital stream.

**Figure 3: A Proposed New Model of Employment Services**



**Table 2: Services and Interventions Available in Each Phase**

	Service Phase			
	Digital	Digital plus	Enhanced Services	Enhanced plus
<b>Services Available to Job Seekers</b>	Digital Services and funding for incidental expenses are available to all job seekers.			
	Online only. Not attached to a provider.  Can access funds for incidental expenses, eg. work clothing, for a specific job.	Vocational support from a provider, such as driver’s license, training, resume assistance or interview techniques.		
		Mainly online, some capped additional vocational support. Not attached to a provider.	Some online, some intensive case management support.	Some online, mostly intensive case management support.
<b>Access to funding for interventions</b>	Job seeker requiring purchase on incidentals can access funds from an Enhanced provider, who is reimbursed through administration fee payment.	Purchase of incidentals can access funds from an Enhanced provider, who is reimbursed through administration fee payment.  Capped vocational support funded via fee for service from Enhanced providers.	Provided or purchased by Enhanced Services provider.	

**5.4.4 Interaction with Existing Online Job Aggregators and Recruitment Firms**

The online system should not duplicate job matching and recruitment sites like Seek, as it is not likely to be able to successfully compete with them. There is also a risk that creating a separate service could lead to employer discrimination against job seekers in the service. As pointed out in the Discussion Paper, the future online services would not aim to compete with job aggregators, but to complement their services. Where possible, the new online platform should first aim to link job seekers to vacancies through ‘job aggregators’, rather than linking jobseekers directly to employers.



### ***Guiding questions for Chapter 5 – Better meeting the needs of employers***

*How can the Government raise awareness of employment services available to employers?*

*How can future employment services add value to an employer's recruitment process?*

*What functionality would employers expect or desire in an online employment service?*

*How should employment services providers work with employers to meet their needs?*

*What incentives (financial or otherwise) would help employers overcome any perceived risks associated with hiring disadvantaged job seekers? How should these operate?*

## **5.5 EMPLOYER ENGAGEMENT**

The quality of services to employers will continue to have a critical impact on the success of the future employment services. Other than through self-employment, employment outcomes cannot be achieved without employers being incentivised and supported to offer opportunities and fill job vacancies with unemployed job seekers. Government should continue to seek to drive employer engagement with employment services through marketing campaigns which highlight the benefits of services and are evaluated and refined on a continuous basis. It is recommended that the jobactive brand be retained.

The future employment services could add value to an employer's recruitment processes by:

- **Offering easy, simple and cost-effective online services.** For example, an employer could specify the details of a vacancy and specify how many candidates they'd like to interview, including interest in those who could attract wage subsidies to offset wage costs. Data analytics could be used to identify potential candidates. Providers of enhanced services would be notified if their job seekers have been targeted through the process and could intervene to provide support with job applications and the interview process. As the technology of the digital platform improves over time, along with the quality of information that is fed into it, this process of online recruitment will become more effective and efficient. This will reduce the amount of administration required and complexity involved, including to receive subsidy payments.
- **Better job matching and support.** The new employment services will need to allow providers more time to develop relationships with employers to better understand their needs, and more time to invest in helping job seekers get the skills they need to compete successfully for jobs and keep them. Enabling providers to develop stronger relationships with providers and job seekers can be achieved by reducing the amount of effort required tending to administration, data collection and entry, and by reducing caseload sizes.
- **Offering a wider choice of specialised and tailored recruitment services.** Allowing providers more scope to offer specialised services will enable them to tailor comprehensive long-term workforce planning solutions that are specific to employers and the industry in which they operate.
- **More collaboration between providers.** A current challenge for jobactive providers is to meet the needs of big employers that operate across multiple regions or states. While there are many examples of collaboration between providers it is also an opportunity for further development. In a flexible service delivery model with a significantly reduced administrative and compliance

burden, providers will be able to re-assign resources and increase the focus on engaging with employers and consulting with them to understand current and future needs. A longer-term approach to meeting labour market needs will promote collaboration between providers. We also acknowledge the work of the Employment Liaison Officers within the Department and the impact they are having in the areas in which they operate.

### ***Guiding questions for Chapter 6 – Assessing job seekers to tailor support to their needs***

*Which of the proposed options to assess job seekers (user profile or staggered assessment) would be most effective in directing them to assistance that meets their needs?*

*Are there other options for accurately assessing job seekers needs that should be considered?*

*What is the best approach to assessing a job seeker's digital literacy?*

*How can information be collected in a way that minimises burden on job seekers, providers and employers?*

## **5.6 ASSESSING JOB SEEKERS**

It's essential that job seekers are properly assessed and allocated to the level of funding and service that meets their needs, which may change over time. Ensuring individuals receive the right level of support is key to any model, especially where the use of technology is increasing.

As one of the first points of engagement, an assessment is an opportunity to build trust, so that the information being shared will positively help the individual overcome challenges and progress towards employment.

When unemployed people apply for income support, the online application process needs to identify risk factors and barriers, but also take a strengths-based approach including assessment of motivation and work-readiness. This initial process needs to be able to identify job seekers who need early non-digital support, to enable them to be more intensively assessed, or fast tracked into Enhanced services.

For job seekers who do not present with such risk factors, the initial application process should give them the option to commence directly in Digital online services, without the need for a further in-depth assessment. The system would then need to be able to identify when self-servicing job seekers disengage and introduce appropriate interventions. This means that the process of assessment under the new employment services would be based on trust and would be iterative, with event and time-based triggers.

The new model should also have the capacity to assess job seeker progression towards work, which would support measurement of provider performance in assisting job seekers overcome their barriers and gaining skills and experience to become more job-ready.

### 5.6.1 Job Seeker Classification Instrument (JSCI)

We propose an enhanced JSCI that is more focussed on capabilities and strengths, including assessment of job seeker attitudes, motivation and work readiness.

The current online JSCI trial is an opportunity to examine whether and how online self-assessment can work, particularly in respect of the amount of valid data disclosed by participating job seekers.

### 5.6.2 Employment Services Assessments (ESAts)

Providers often raise concerns about the quality of initial assessment services undertaken by DHS. These include questions about the reliability and validity of ESAts, leading to people referred to jobactive instead of DES, expected to participate at levels beyond their capacity and not getting the support they need.

Initial ESAts need to be delivered face to face, more holistic and more focussed on capabilities and strengths, rather than deficits and restrictions arising from barriers to employment. They should also take account of an individual's cognitive factors, attitudes and motivations to find work, irrespective of their barriers and assessed work capacity.

The ESAt process can be improved by:

- better communication lines between providers and assessors
- increasing the availability of face-to-face appointments
- increasing the time allocated by assessors to conducting assessments, so they can do them more thoroughly and effectively determine a person's barriers and strengths, and to provide some initial insights and ideas about possible interventions which providers might consider adopting. This will not obviate the need for providers to undertake their own and iterative assessments of participant needs and appropriate services to meet needs, address barriers and secure outcomes, and
- providing more transparency around how decisions about funding levels or service streams are determined.

The ESAt process is under review by the Department of Social Services (DSS). It is recommended the DJSB collaborate with DSS and DHS to ensure alignment in approaches between DES and the mainstream employment service.

### ***Guiding questions for Chapter 7 – Incentives for job seekers to find work***

*Which of the activation options (points-based or time-based) would best support job seekers who largely self-service?*

*Which of the activation options (points-based or time-based) would best support enhanced services participants?*

*In addition to compliance actions for job seekers who do not meet requirements, could the activation framework also recognise job seekers who regularly exceed requirements? If so, how could this operate in practice?*

*What appropriate additional initiatives might be useful to support self-employment?*

*What appropriate additional initiatives might be useful to support job seekers participating in social enterprises and other non-traditional forms of work?*

## **5.7 ACTIVATION AND MUTUAL OBLIGATION**

There is too much emphasis on managing job seeker compliance in the current model, and not enough emphasis on helping people to find work. Rigid rules also reduce flexibility and the capacity for providers to deliver tailored and individualised services, which take account of job seekers' circumstances and meet their needs.

Flexibility is constrained by rigid requirements for job search and to undertake activities such as Work for the Dole. Job seekers require flexible services and activities which increase their skills and provide a pathway to employment. Past reviews of Work for the Dole have shown that it is less effective than other, more tailored interventions at moving people into work<sup>3</sup>. Requiring providers to use the least effective intervention undermines their capacity to obtain outcomes. Work for the Dole should not be compulsory.

More individualised services are needed. Jobs Australia supports less rigid rules around hours of participation and number of job searches each fortnight. Providers should be given more discretion about how to manage job seeker compliance, based on need and the provider's professional judgement. Activities need to be suitable, meaningful and provide social interaction and connectedness, including for paid work experience and other work trials.

The points-based approach to activation outlined in the Discussion Paper is supported because it offers more opportunities to achieve a flexible approach. Required to acquire a certain number of points per month, job seekers would have choice from a range of possible activities that have different points weightings. They would gain more points for some activities, such as a job interview, than others, such as a job application. Job seekers who fail to achieve their points target could be

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<sup>3</sup> Department of Employment and Workplace Relations 2006, *Customised Assistance, Job Search Training, Work for the Dole and Mutual Obligation – A Net Impact Study*, shows that Work for the Dole had a net impact of 7.3%, the lowest of all programs included in the evaluation, while Customised Assistance achieved a net impact of 10.1%.

flagged for contact by DHS or their provider to find out why. This could result in a job seeker moving to a more intensive phase, such as from digital to digital plus or enhanced if their situation had changed.

#### 5.7.1 Supporting Self-Employment

The Entrepreneurship Facilitator Services (EFS) program promotes entrepreneurship and self-employment, including by supporting participation in the NEIS program and other accelerator and incubator programs, grants and support available. The program also provides mentoring and assistance to individuals to help them start and run their own businesses and is being expanded from 3 to 20 locations in 2019. The evaluation of EFS and its findings will be of great value to the development of services to support self-employment from 2020.

#### 5.7.2 Participation Non-traditional Forms of Work

Job seekers could be incentivised to participate in social enterprises and non-traditional forms of work such as internships. Additional financial payments to job seekers could be incorporated into a single service delivery model, such as the \$200 fortnightly allowance in addition to normal income support payments for interns in the existing Youth Jobs PaTH program.

### ***Guiding questions for Chapter 8 – Targeted regional and local approaches***

*What strategies would help job seekers adapt to regional economic and labour market variations?*

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

*What strategies would improve labour market mobility from regions that have poor employment prospects?*

## **5.8 REGIONAL AND LOCAL APPROACHES**

### **5.8.1 Engaging Local Stakeholders**

Jobs Australia supports the proposal in the Discussion Paper to incorporate place-based approaches in locations where job opportunities are limited. A local example of where this approach is working successfully is local community investment committees of industry and service stakeholders, managed by Transition to Work providers. Each provider also belongs separately to a collaborative community of practice, managed by the Brotherhood of St Laurence.

The Regional Employment Trials program, which includes \$1m in each region to develop employment projects brokered by facilitators contracted with DJSB, will provide a valuable opportunity to evaluate this approach and provide more evidence of how best to implement place-based approaches. The program represents a devolution of authority to communities and provides





opportunities to better incorporate local knowledge and resource local initiatives. An evaluation of RET and a timely release would be of great benefit to the development of local approaches throughout regional Australia.

### 5.8.2 Local Funding Arrangements

Funding arrangements in the new employment services will need to take account of labour market differences across regions, which impact upon the cost of service delivery as well as opportunities for local job seekers to find work. Jobs Australia also supports the proposals in the Discussion Paper to provide additional funds to disadvantaged locations, to incorporate education or social outcome fees for regions with limited jobs, and extra payments for short-term work placements or placements in targeted industries.

We also support more fundamental change to the delivery of services in areas with unique needs where traditional approaches have failed. For example, the current Yarrabah Pilot is an example of a region that has recently been excised from mainstream services, delivered by a single local community provider that has already achieved strong engagement with local job seekers and stakeholders. The Pilot involves a funding model that supports up-front investment in job seekers, as well as a more flexible and locally tailored approach to the implementation of the new demerits-based job seeker Targeted Compliance Framework. DJSB should consider excising other regions from the mainstream as required in a similar fashion, pooling funds that would have otherwise been inefficiently split across multiple providers.

### 5.8.3 Coverage

Providers of the new employment services should have the option to operate locally in areas where there is a specific need, without having to provide coverage throughout a larger defined region. This will help to support the operation of smaller providers in a more diverse market with deep local connections with employers and other service stakeholders.



### ***Guiding questions for Chapter 9 – A service culture built on competition and quality***

*What level of contestability, competition and Government intervention in the market is desirable?*

*Should provider performance be evaluated against set benchmarks, or compared with that of other providers? What factors should inform performance evaluation?*

*Should the Government allocate market share among service providers? If so, how?*

*Should the Government transition to commissioning enhanced services providers through a licensing arrangement? If so, how?*

## **5.9 COMPETITION AND QUALITY**

### **5.9.1 Benchmark Framework**

Star ratings don't necessarily work in the best interests of job seekers or providers. They don't measure the quality of services provided or user experience, and can encourage a focus on the short-term, rather than an approach that invests in service delivery and the capacity of disadvantaged job seekers. Star ratings intensify competitive behaviour and undermine collaboration between providers, which can lead to unnecessary and inefficient duplication of services, as well as missed opportunities. The intense focus on relative performance creates uncertainty, undermining incentives for investment internally as well as longer-term strategic workforce planning. The intense pressure to perform also places very high levels of pressure on staff, which can contribute to staff turnover.

Instead, providers should be required to achieve benchmarks, which measure actual, not relative performance. This would give providers greater clarity about the level of performance they are expected to achieve. Benchmarks would better support collaboration between providers, because they would no longer be trapped in a never-ending race to outdo each other. Abolishing star ratings would also offer providers more certainty to support investment and improve provider workplace culture.

### **5.9.2 Measuring Outcomes**

Along with employment outcomes, the new employment services should include measurement of job seeker progression towards employment, including work readiness and social outcomes. Providers should be rewarded for building capacity, especially with the most disadvantaged job seekers, such as regular attendance or building engagement through social networks, joining clubs or participation in hobbies, sport, or other activities of interest. This would provide incentives and rewards for providers to help those in greatest need. Similarly, outcome measures should also be able to be varied between regions, according to the circumstances of the local labour market, and cohort groups, to provide better recognition of the work providers to build engagement and prepare people for employment.

### 5.9.3 Payments to Providers

Jobs Australia supports an increased upfront payment fee to providers, payments for individual outcomes and a bonus payment for overachieving benchmarks. This approach increases the certainty of funding and allows increased investment internally and externally to both job seekers and employers.

Payments to providers should be higher in regional areas where the cost of servicing is higher and should be annually adjusted for inflation.

### 5.9.4 Licensed Market

Jobs Australia supports the implementation of a managed market with a limited number of licensed providers that still allow for diversity, specialisation, sustainability and user choice – taking elements from the strengths of other market designs. There would be no minimum market share to support user choice. If providers are ISO accredited, achieve benchmarks and are subject to audits then they should be trusted and given the flexibility to deliver services that meet the needs of the local labour market and the objectives of the program. Those not meeting expectations over a clearly defined period would be aware that they could be exited which would allow new providers to enter the market.

We propose an accreditation-based licensing model, with the following key features:

- 1. Accreditation by the DJSB:** A managed market with a limited number of licensed providers that still allow for diversity, specialisation, sustainability and user choice. Providers would be required to obtain a licence to operate. Providers would gain a licence through accreditation from DJSB on the condition they met certain criteria. New providers could be allowed to seek accreditation to enter if there were servicing gaps identified in the market. The number of providers would be appropriate to meet an area or a region's need, without flooding the market and setting providers up to fail.
- 2. Both generalist and specialist licences:** Providers can seek a generalist license to service all job seeker cohorts across a defined region, or a specialist license to service a specific job seeker cohort, area, or industry. This allows a diversity of approaches, both specialist and generalist.
- 3. Minimum service standards and financial position:** The standard for licensing should be focussed on organisational health, governance and management arrangements, financial stability and internal accountability. The licence would also require some contracting provisions such as a Code of Conduct. The standards would be developed by DJSB in consultation with the sector.
- 4. No minimum or maximum caseload market share:** The caseload would be contestable, with no need for contracts and no allocated 'market share' or minimum caseloads. Each provider's caseload will depend on its ability to attract job seekers and place them into jobs, better rewarding providers who offer high quality services.
- 5. Automatic license renewal by DJSB:** Subject to the achievement of performance standards, licenses would be automatically renewed. Broadly, to retain a licence, providers would need to:
  - a) Maintain their performance, measured by reference to the achievement of a minimum benchmark threshold
  - b) ISO accredited



- c) Stay within other rules (evidentiary requirements, prohibitions against disreputable provider behaviour).

These requirements would ensure the integrity of the system. Service standards should specify a minimum frequency of face-to-face contact with clients, minimum requirements for physical premises and other minimum conditions for a basic level of servicing but leave room for providers to compete on service level and quality.

6. **DJSB could revoke a licence:** DJSB would have the task of administering the system, including the revocation of licenses. It would do so in accordance with the rules set in legislation and regulations.

7. **Audit procedures:** All providers would be subject to audit by DJSB. Providers would be randomly selected for audit as well as targeted based on poor performance, under a risk-based quality assurance framework.

### ***Guiding questions for Chapter 10 – Transitioning to a future employment services model***

*How would an iterative approach to implementation help transition to a future employment services model?*

*If we undertake an iterative approach, which aspects should be prioritised and sequenced first?*

#### **5.9.5 Transition to a Future Employment Services Model**

The Discussion Paper proposes major changes to the designs of the employment services program and market. These changes have the potential to cause major disruption to job seekers, employment and providers, and need to be carefully managed to minimise their impact during the period of transition to the new model.

Ongoing and incremental change is preferred for the introduction of online self-service, to help ensure as much as possible that the people streamed into this service and away from face to face support have the capability and capacity to self-service successfully. These job seekers will need to receive comprehensive guidance and preparation about how to navigate the Digital and Digital plus services prior to exiting from their provider.

We need to preserve the capability of the sector and some degree of continuity for job seekers in transition to new model. In the establishment of the new market, current providers that have achieved at least 3 stars could be automatically accredited. This will help to minimise disruption.

It is essential that the future model evolves through transparent evaluation processes and evidence-based policy, including the current online and regional trials occurring now.