Reforming employment assistance:

A blueprint for the future

Jobs Australia

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1 Executive summary

Australia’s employment service system delivers unemployment-related assistance to approximately 1.6m Australians annually. These services are delivered through Jobs Services Australia (JSA) by more than 100 contracted providers at more than 2,000 sites across Australia. This crucial support is enabled through the large investment made by the federal government, approximately $1.3b per annum.

Despite this significant investment, many Australians remain unemployed - approximately 700,000 at any given time. Almost one-third of these are considered Very Long Term Unemployed (VLTU), i.e. unemployed for more than two years. Less than 20% of the most disadvantaged job seekers have been able to find a job that has lasted for more than 26 weeks. While the system has helped to place over 1.4 million Australians into employment since 2009, a significant gap remains between the system’s expectations and its actual performance. Much more needs to be done to get more Australians back into sustainable employment.

The employment services system itself faces a number of challenges that go to the core of its structure and organisation. There is widespread criticism that it does not reflect the principles it set out to implement. It has largely failed to deliver a truly competitive market for providers, and job seeker choice is limited. The system also lacks the flexibility required to be better able to tailor service offerings to the individual needs of job seekers. The system has become too constrained by its own rules to function at its best.

The Australian economy is in transition, with the rise of Asia, new technology and an ageing population having a significant and sustained effect. It is essential that the employment services system be at its best, or we risk leaving more and more people behind. Failure to act will serve only to exacerbate the current problems.

In this paper we explore what a modern employment services system would look like. We advocate for a comprehensive re-design of the system. Current contracts expire in 2015. Our proposed reforms are designed to be implemented from 1 July, 2015, with phased transition to a truly competitive market over time. These reforms aim to drive more relational-based conduct between providers, employers and job seekers. This will ultimately lift the performance of the system. Our changes to the system are outlined below in 1 over page.

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1 DEEWR Issues Paper, DEEWR, Annual Report 2011-12
2 DEEWR Issues Paper, DEEWR, Annual Report 2011-12
3 DEEWR 2012 unpublished data
The nature of employment services reform is clear: to drive performance improvement we must influence the behaviour of its primary actors. We can only achieve this by reshaping the overall structure of the system. For policymakers this is a unique, once-in-a-generation opportunity to redefine the system and dramatically lift the number of Australians placed in sustainable employment.
2 Diagnosis of the current system

The performance of employment services in Australia can be analysed from a holistic, systems perspective. This approach views a system’s performance as fundamentally driven by its structure. This structure shapes the conduct of providers and other actors by permitting only certain behaviours, which in turn drives the system’s overall performance (i.e. employment outcomes). This relationship between structure, conduct and performance is critical to the system’s success or otherwise. Each of these components can be understood as follows:

- **Structure**: The demand and supply characteristics of the system as defined by its policy intent, the rules, incentives and contractual arrangements that support this intent and the enforcement of rules.
- **Conduct**: The behaviour of the system’s primary players, specifically providers but also employers, job seekers and even government itself.
- **Performance**: The outcomes of the system, namely the number of job placements, the type of job seekers being placed, and the efficiency of achieving employment outcomes.

To change the performance of the system we must influence the behaviour of the primary actors. This can only be achieved by changing the overall structure of the system. Without such a change, meaningful improvement in the performance of employment services cannot be realised. This diagnosis provides a platform from which to consider change to the system. We outline a high-level summary of our diagnosis below in Figure 2, with more detailed explanations in the text that follows.

**Figure 2: Current system diagnosis**

- **Current system structure fails to embody market principles**
  - Not truly market based:
  - Inappropriate regulation and system complexity
  - Misaligned incentives

- **Conduct of primary actors is distorted**
  - Transactional mindset and delivery arrangements
  - Minimal innovation and specialisation
  - Minimal employer engagement

- **System performance is underwhelming**
  - Not enough employed
  - Not enough of the hardest to place employed
  - Inefficient use of resources
2.1 Current system structure fails to embody market principles

The current employment services system has a number of structural shortcomings. The comprehensive proposal to reform the system in 1996, under the then Minister for Employment, Education, Training and Youth Affairs (Senator the Hon. Amanda Vanstone), articulated a number of key principles to underpin a new employment services system. These principles are yet to be fully realised. Most shortcomings associated with the current structure are therefore not a failure of intent, but rather a failure to fully embody in its actual design the principles the system claims to reflect. The current structure is:

- Not truly market based
- Burdened by inappropriate regulation and system complexity
- Hampered by misaligned incentives.

Each of these is discussed below.

2.1.1 Not truly market-based

The significant reforms proposed by Senator Vanstone in 1996 aimed to deliver a market-based system for employment services. This included a diversity of providers, job seeker choice, flexible forms of assistance and a separation between the purchaser and provider of services.\(^4\) While this was well articulated at the time, and would have provided the basis for a more effective system, the implementation of these key principles has yet to be achieved.

The system is arguably more market oriented than it once was. However, there is more to be done to promote competition, empower job seekers and facilitate choice. For example, current arrangements allocate a fixed market share to each provider, with a 30% tolerance. This means that any provider that manages to attract 30% more job seekers than it was allocated in the tender will find that the government simply directs job seekers away from them. This reduces the incentive to perform substantially better than other providers in the same contract area and constrains job seeker choice.

The current arrangements also limit market responsiveness, as new entrants can only enter the system each time there is a new contract cycle. This is at least a three-year cycle based on recent contracting arrangements, with government sometimes extending contracts for high performers. The current employment services system operates more as a government purchasing regime, not an employment services ‘market’. In addition, many existing providers argue that three year terms for fixed contracts are not long enough to be able to adequately plan and invest in the future. In this sense, a contractor model offers the worst of both worlds: it limits the potential for a market of diverse and innovative providers underpinned by new entrants but also ceases to create business certainty through retendering on a three-year basis.

Moreover, the primary advantage of a competitive tender model is efficient pricing, and this is also constrained in the current model. Providers do not have the opportunity to bid for the delivery of a service at a particular price – the price is instead set by DEEWR. This structural feature of the current system severely restricts its capacity to obtain the benefits of a market-based system.

This could be justified if competition were instead based on service offer, such that providers were free to design their service offer as they saw fit. Yet that too is constrained, with a highly specified service prescribed in the contract and its associated guidelines, and even a mandated IT system with prompts and tick-boxes to ensure that providers deliver the service that the government has designed.

\(^4\) Vanstone, the Hon Amanda, *Reforming Employment Assistance and Supplementary Budget Paper, 1996*
These constraints – fixed market share, high barriers to entry, fixed pricing, standardised service – leave only one basis for competition: administrative efficiency.

Client choice, meanwhile, is strongly driven by the location of the provider and its proximity to the local Centrelink office. The Star Ratings system, which was originally intended to guide job seeker choice, is poorly understood and has failed to empower job seekers.

Rather than relying on market forces, the government has concentrated market power in one department. DEEWR currently carries responsibility for setting employment policy, purchasing employment services, managing contracts, quality assurance and compliance, collecting and maintaining data, evaluating program performance and administering complaints. This disparity in power between DEEWR and all other agents in the system creates similar failures to those that would exist in any other monopsony.

2.1.2 Inappropriate regulation and system complexity

Accountability is an important part of any system. Regulation, however, must have a clear rationale for its existence. It must curb inappropriate behaviour and equally be targeted to avoid unintended consequences, such as constraining innovation.

The current system suffers under the burden of over-regulation. For instance, the timeframe and conditions associated with Employment Pathway Plan (EPP) could be described as arbitrary. The EPP seems to focus more on job search activities than an individual’s back-to-work plan.

The mandated software package contains prompts for frontline staff to follow processes and procedures that have been determined centrally by government. Despite good intentions to assure quality service delivery, this constrains the potential for providers to customise their service offer, stifles innovation and acts, in general, to prescribe a standard service.

The current system is essentially too complex. It is over-engineered, with too many outcomes arguably resulting in unnecessary complexity. One reason for the high number of outcomes is the system’s current structure with four streams of job seeker classification. While progress has been made in this respect, there is much more to be done.

2.1.3 Misaligned incentives

The incentives under the current system structure are not entirely aligned with the system’s overall objectives. For example, the system aims to ensure sustainable employment for job seekers. However, 13 weeks and 26 weeks of employment would appear inadequate measures of whether this has been achieved. These current arrangements do not provide adequate incentive for providers to build long-term employability in job seekers. Incentives should be job seeker-centred and focussed on an approach that attaches funding to job seekers.

Some payments clearly incentivise unproductive behaviour. For example, rules regarding expenditure of the Employment Pathway Fund (EPF) are meant to restrict expenditure to interventions that improve the job seeker’s employability. However, providers can pay themselves from the EPF for ‘reverse marketing’ – which is essentially telephoning employers, and ‘additional contacts’ – which is essentially extra meetings with a job seeker. While these are important services, they ought to done only as much as is necessary. Adding a financial return to such a service encourages providers to do them more than is required.

The system would benefit from attaching more incentives to outcomes rather than service delivery processes. A focus on these processes drives transactional behaviour throughout the system without necessarily building the job seeker’s employability. We explore this more in the next section.
2.2 Conduct of primary actors is distorted

The system’s current structure is the major determinant of the conduct – or behaviour – of the actors within the system. Informed by the structure of the system, the conduct of primary actors (job seekers, employers, providers, and even government itself) is not always in accordance with overall policy objectives. In particular:

- Administrative requirements are over-specified
- Transactional mindsets are encouraged
- Minimal innovation and specialisation is occurring
- There is minimal employer engagement
- Job seekers are not engaged.

Each of these is discussed below.

2.2.1 Over-specification of administrative requirements

The current system encourages a cumbersome approach to risk mitigation through specifying administrative requirements and continuous surveillance of provider transactions. This is a direct result of a structure that does not appropriately separate responsibilities for setting policy (a political role) and administering the system (including an accountability role). Any issues of accountability therefore become a political issue. The over-specification of administrative requirements is a natural consequence of a structure that places too much responsibility with one agency. Breaking this paradigm requires a structural separation, with some functions assigned to a statutorily independent regulator.

2.2.2 Transactional mindset and delivery arrangements

Misaligned incentives understandably result in certain patterns of behaviour, particularly by providers. Too many payments are currently attached to process rather than outcomes. The process-based incentives, combined with DEEWR’s approach to accountability, promote transactional behaviour by providers rather than a focus on building employability and attaining job outcomes. Payments to providers should be rebalanced towards outcomes (i.e. payment by results) in accordance with the system’s overall aims.

2.2.3 Minimal innovation and specialisation

The system’s structure, characterised by over-regulation and complexity, limits the space for individual providers to innovate and specialise. Rather than driving a diversity of providers, the services offered by providers has essentially homogenised over time. Greater flexibility in service design would enable providers to respond to the needs of individual job seekers. However, current highly prescriptive rules drive service offers and limit tailoring, specialisation and innovation in the realm of service delivery. Providers continue to argue for greater flexibility in being able to deliver a diverse range of services.

Moreover, these arrangements have failed to encourage non-traditional providers of employment services – such as employers, social enterprises, and other social services providers – to offer JSA-backed services.

The current framework limits opportunities for specialist providers to focus on the most disadvantaged unemployed Australians and to develop a business model with this sole focus. Instead, the current arrangements reward providers who can deliver outcomes across all streams, favouring large, generalist providers rather than smaller providers with a niche service.
Further, due to the current framework of funding terms and intense competitive pressures it creates, there is little collaboration between providers which further inhibits innovation and achievement of outcomes.

### 2.2.4 Minimal employer engagement

The behaviour of employers in the system is shaped by the system’s structure. The relationship between providers and the government dominates: employers are secondary (at best). They face a number of barriers to engagement with the system, with the level of compliance – and subsequent paperwork – required acting as an disincentive and a burden.

Moreover, outcome payments are structured to incentivise short-term outcomes rather than long-term, sustainable employment. In a system focused on the short-term, the long-term needs of employers are not always taken into account.

The system requires structural change to encourage greater participation from employers. Close collaboration with employers can, crucially, assist the integration of job seekers into the workforce with the required support, training and advice... This can include support for job seekers, but also includes support for employers when it is needed.

### 2.2.5 Job seekers are not engaged

In a system where job seeker participation is mandatory, choice is muted and services are bureaucratic, it is difficult to elicit genuine engagement from job seekers. Rather than genuine, motivated participation, the system often promotes grudging compliance and negative engagement.

### 2.3 System performance is underwhelming

The consequence of the flaws in the system structure and the conduct of the primary actors is a lower level of performance than could potentially be achieved. While the system is performing better than its predecessors, it could be doing significantly better. The primary shortcomings with the performance of the system are listed below, specifically:

- Not enough people are being placed in employment
- Not enough of the ‘hardest to place’ are being placed in employment
- Resource use is inefficient.

Each of these is discussed below.

#### 2.3.1 Not enough employed

Australia has a large number of unemployed people, as illustrated in Figure 3. Those who are unemployed typically rely on government support to be able to gain employment again. However, many of those unemployed for less than 6 months find their own employment.
There are currently over 700,000 job seekers, approximately two-thirds of whom have been unemployed for less than 24 months. Around a third, however, have been unemployed for 24 months or more⁵ - placing a heavy burden on a government in supporting a large cohort of people in long-term, entrenched unemployment.

However, there are clear challenges associated with sustaining long-term employment. The system encourages high rates of ‘churn’, with a large number of placements not converting into sustainable, long-term employment outcomes. Moreover, current funding arrangements disadvantage job seekers who become unemployed for longer periods of time. For example, providers were funded $400 for a stream 3 job seeker in their third year of unemployment compared to $2,200 if they were in their first year.

It is likely that this has contributed to a falling workforce participation rate, driven by dispirited job seekers who give up job-seeking even though they are able and willing to work.

2.3.2 Not enough of the ‘hardest to place’ are employed

Performance outcomes in stream 4 (highly disadvantaged) are the lowest and stream 4 job seekers are more likely to be very long-term unemployed. Less than 50% of stream 4 job seekers achieve an employment or educational outcome after three months⁶. This suggests a need for greater incentives for placing the most disadvantaged job seekers and more investment in improving their employability.

We provide below in Figure 4 a breakdown of performance by stream.

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⁵ DEEWR Annual Report 2011-12
⁶ DEEWR Annual Report 2011-12
2.3.3 Inefficient use of resources

There is evidence that resources are being applied inefficiently to meet job seeker and contract compliance rather than employment outcomes. Additionally, providers concede that service innovation is second to contract compliance.

Too much of the attention of JSA frontline workers is focussed on meeting the administrative requirements of the purchaser, and on short-term outcomes and transactions, rather than on longer term goals and investments. The growth in the size of compliance teams, driven by too great an emphasis on detailed oversight of activities, is diverting essential effort away from the core capabilities of the providers.

High administrative burdens, along with uncompetitive wages, emotional toll of work, and inadequate training have resulted in a high national turnover rate.\(^7\) There is strong evidence to suggest that poor workforce engagement (i.e. staff more focussed on compliance than service) ultimately acts to the detriment of the quality of service to clients.

\(^7\) George Giuliani 2013, *Frontline Workers in Australian Employment Services: Why Qualifications and People Skills Matter*!
3 Principles for a modern system

A modern employment services system should be built upon a number of key principles. These principles are important to ensure any new system has a clear set of objectives that any transition and implementation plans should embody. Many of these can – and should – align closely with the principles that underpinned the original design of the Job Network. But we also have the benefit of some 17 years of experience of privatised delivery to draw on, and we can now update the original principles to apply the lessons of that experience.

The six key features that we believe should underpin a modern employment services system outlined in Table 1:

| 1. Job seekers and employers are front of mind | • As the primary clients of this system, job seekers and employers should be empowered to contribute to the system’s performance, including through choice, control of the services they access, the ability to contribute to evaluation of services and to access the evaluation of others  
• The assistance provided to job seekers should be based on their individual needs, with the right balance of activation measures and assistance  
• The system should make it as easy as possible for employers to engage with the employment services system, reducing unnecessary “red tape” |
| 2. A truly competitive provider market | • Market principles provide the best framework for an efficient, responsive employment services system that demands less hands-on management from government and delivers the best possible value for money  
• A truly competitive provider market will drive efficiency and innovation from providers |
| 3. A diversity of providers to match the diversity of job seekers and communities | • A diversity of providers is essential to ensure job seekers and employers have genuine choices about service offers  
• Providers need to be able to specialise to meet the needs of the job seekers, employers and communities they serve  
• This allows the system to respond to the needs of individuals and also to overall shifts in labour markets |
| 4. A focus on durable outcomes | • A commitment to sustainable employment outcomes requires incentives for providers that are aligned with the objectives of the program and not distorted too much by payments attached to processes  
• Simple outcome structures in a less complex system will be easier to monitor, enhancing overall accountability |
| 5. Risk-based quality assurance with less red-tape | • The policing of the system should be separated from other administrative functions under a risk-based framework, to improve efficiency and remove constraints that hamper innovation  
• Regulation must be targeted and balanced to ensure innovation within service delivery is not constrained, and that greater trust can be built into the system  
• Quality assurance should be most focused on providers who are clearly underperforming |
| 6. A redefined role for government | • Government must reconceive its role as a steward of the system, rather than a hands-on controller of the delivery of the program  
• As the system’s steward, government should seek to strike a better balance between the interests of job seekers, employers, providers and tax-payers  
• This will create the conditions for a resilient and sustainable employment services system. |
In developing the key principles for the new system, we examined:

- **What is currently working:** What has been learnt from what has worked and not worked in Australia’s employment services system over the past two decades?

- **What reform originally aimed to achieved:** A re-examination of the key principles that were meant to drive the significant Job Network reforms

- **What comparable sectors are doing:** What has delivered performance improvement in other sectors, such as education and aged care?

- **Best-practice and overseas experience:** What is considered best-practice in overseas employment services sectors, specifically in the United Kingdom and continental Europe?
4 Reform to achieve a modern system

The design of the employment services system requires comprehensive change to lift its performance. The current system does not reflect the key principles that underpinned its original design, and this explains many of the performance shortcomings. Over the past 17 years we have also learnt more about the running of an effective employment services system, and several of the proposed reforms are driven by reflection about the current system. We argue that a meaningful lift in the performance of the employment service requires a comprehensive overhaul of the system, not merely tinkering with settings or contracts. This must begin with a re-examination of:

- **The terms on which the deliverers of services** – namely providers – are engaged and retained to deliver employment services
- **The approach to overseeing program delivery**, including a reframing of the space that permits innovation and specialisation among providers
- **The approach relied upon to drive continuous improvement** in the system in accordance with government policy objectives.

A licence-based system provides a solid foundation for designing a modern system. It provides the best structure and platform to achieve a truly market-based employment services system by significantly reducing the barriers to entry to potential providers. A low barrier to entry for providers will increase provider diversity, allowing job seekers greater choice and, ultimately, helping to lift the performance of the system. Moreover, a licence-based system would replace contracting of providers and a fixed market share band, allowing for genuine competition between providers. In this section we cover:

- A modern employment service approach
- A new service delivery structure
- A new governance approach
- A new job seeker experience

Each of these topics is discussed in more detail below.

4.1 A modern employment services approach

Providing a system that gives the clients real choice is the key to unlocking the potential of competition and driving improvement to services. The new licensing architecture provides the opportunity to unlock competition by providing more choice for clients (both job seekers and employers) and allowing the market to reward the best approaches.

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

1. **Independent accreditation of providers by a regulator for employment services**: To be able to deliver employment services each provider would be required to obtain a licence to operate. Providers would gain a licence through accreditation from an independent regulator on the condition they met certain criteria.

2. **Both generalist and specialist licences**: Providers should be able to seek a generalist license (committing to service all job seeker cohorts) or a specialist license (committing to service a particular cohort), but providers may otherwise specialise in whatever way they choose. This allows a diversity of approaches, both specialist and generalist. Note that certain specialisations will still require a generalist license – for example, a provider that specialises in a certain industry will need a generalist license, as they are not specialising by reference to a discernible job seeker cohort. A youth specialist, however, could seek a license restricted to job seekers below a certain age.
3. **Licenses would be granted at the level of an established service area or region:** Providers would require a licence to operate in each employment services area or region. The configuration of these geographic regions is something that should be further explored. If the number of regions is low, then providers will have to service very large areas, which would tend to favour larger providers and create a barrier to new entrants.

4. **Minimum service standards and financial position required for licence:** 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 DEEWR in consultation with the sector.

5. **Licenses do not include any ceilings on caseload:** Caseload would be contestable under such arrangements. This means there would be no need for contracts and no allocated ‘market share’ or caseloads. Rather, the caseload of each provider will depend on their ability to attract job seekers and place them into jobs. This enhances competition by allowing new providers to seek accreditation and enter the market at any time (rather than only in tender rounds) and ensures that success in the market depends on performance.

6. **Licenses would be automatically renewed:** Subject to the achievement of performance standards, licenses would be automatically renewed. Broadly, to retain a licence, providers would need to:
   a. Maintain their caseload above a small, minimum threshold number of job seekers
   b. Maintain their performance, measured by reference to outcomes via the star ratings system, above a minimum threshold (e.g. above 2 stars)
   c. Adhere to a set of minimum service standards
   d. Stay within other rules (evidentiary requirements, prohibitions against repugnant provider behaviour).

   This ensures that the Regulator has the powers it needs to ensure the integrity of the system.

   The minimum caseload allows for the removal of services that become too small for the Regulator to efficiently ensure compliance, but the threshold should be low so that there is room in the market for small providers of niche or specialist services.

   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.

   This requires the implementation of particular measures of performance, which may or may not be achieved through the Star Ratings system. Naturally, providers may choose to hand back their licences for normal business reasons.

7. **Only the Regulator could revoke a licence:** The Regulator 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. There would be no discretion exercised and the decisions by the Independent Regulator would be free of any perception of undue influence.

8. **The cost of licences would be very low and not a barrier to entry:** Providers wishing to apply for a licence would pay a small fee to cover the administration charges associated with its processing.

9. **Accompanied by audit procedures:** All providers would be subject to audit by the independent Regulator. Providers would be randomly selected for audit as well as targeted based on poor performance. As we outline further, we strongly recommend a risk-based quality assurance framework.

**Benefits and risks**

The merits of an accreditation licence-based model are clear and we outline these below:
• **Maximises opportunities for new entrants**: Having a model without fixed periods also allows new entrants to apply for provider status without having to wait for contract cycles to come around.

• **Enhanced provider diversity**: Licensing system would allow for a greater diversity of providers, promoting entry for niche providers, e.g. social enterprise models or a specific cohort focus. This facilitates sector innovation and enhances provider choice for job seekers, presumably leading to superior outcomes.

• **Redirecting the cost of tenders to better services**: Licensing eliminates a range of costs associated with tenders. These include the costs to government in administration of the tender process; costs to providers in preparation of tenders; and costs of general disruption to the system as one contract ends and another starts.

There are some concerns with a licensing-based model, which are outlined below:

• **Less certainty for government**: The number of providers in an ESA is likely to change more frequently than under a tender and fixed contract model. This may have regulatory implications for government.

• **Less certainty for providers in the short-term**: The introduction of a licence-based system is accompanied by a gradual removal of a prescribed caseload share. As this tolerance band widens over time, providers will have less business certainty. This is, however, considered an appropriate trade-off for moving to a more competitive system, where ideally provider business is generated through positive outcomes rather than a mandated caseload share.

We are confident these concerns can be mitigated. On the first risk, government may have to explore mechanisms that would ensure a base level of service provision in all service areas or regions. Mechanisms might include differential pricing for service delivery in certain areas, such as regional or other thin markets.

A licencing model would aim to reset the business environment for existing and new providers. While it may create some short-term uncertainty for providers through the removal of fixed-term contracts, this system will serve to create more certainty in the long-term. Foremost to this is that licences will automatically be renewed on an annual basis, unless there is a particular need to review performance. Under the tender and contract model providers will not be required to devote resources to re-contracting every three to six years. Instead, such resources can instead be devoted to ensuring the provider is meeting the minimum licence standards. Moreover, the removal of an upper cap on market share will allow the more responsive and successful providers to build larger businesses, a more enduring measure of business certainty.

### 4.2 A modern service delivery structure

Under a licence-based model the form and structure of service delivery would comprehensively change. We outline below these major changes, covering:

- Market segments
- Pricing
- Accountability and transparency
- Rules around choice
- Information technology

Each of these changes is discussed below.
4.2.1 Market segments

**Similar sized service regions**

License Regions should be similar in size to the existing Employment Services Areas (ESAs). License regions could be defined in a number of ways, and there are good reasons to align license regions with some other boundary. The size of license regions is important – too big and the barriers to entry will be high, as a new provider would need substantial funds to support the investment in many new service locations; too small and the barriers to entry become too low, running the risk of flooding the market with micro-providers.

Keeping the regions similar in size to the existing ESAs would minimise disruption. It may, however, be worth aligning boundaries with local government boundaries, or some other standard boundary, to provide consistency with statistical collections maintained by the Australian Bureau of Statistics.

**At least two licenses per region**

Each region should have at least two licensees, such that all job seekers have a choice between at least two providers. In areas where two licensees are not viable, the government could:

1. classify that area as ‘remote’ to bring it into the Remote Jobs and Communities Program (which is a single, lead-provider model); or
2. increase the price by adding a loading to the fees paid for services and outcomes.

**Licence rules will prevent ‘creaming’ and ‘parking’**

Generalist providers must service all job seekers who choose them; specialist providers must service all job seekers within the scope of their license. Providers cannot be allowed to be selective about their caseload, otherwise providers could ‘cream’ the job-ready clients and ‘park’ the more difficult ones. Instead, job seeker choice should rule – such that if a job seeker chooses a provider, that provider must service them. In the case of specialist providers, this requirement would mean they must service all job seekers within the scope of their license. A youth specialist, for example, could have a license restricted to people below a certain age and this would mean job seekers above that age limit would not be able to choose that provider. However, an industry specialist would not have a license restricted to any particular job seeker cohort, so would need to service all job seekers who choose them.

4.2.2 Pricing

**Differentiated prices to reflect regional disparities**

Prices should be higher where the cost of servicing is higher and should be automatically adjusted for inflation. There should be differential pricing to ensure that areas where the cost of servicing is higher still attract competitive licensees. This could be accomplished through a loading set on the basis of the actual level of competition observed in the market. Automatic adjustment of prices to account for inflation is appropriate, given that there will no longer be contracts with finite terms. In the past, price adjustments have occurred in each new contract and then set for the term of that contract and for subsequent extensions.

**Three payments types with an increased focus on outcomes-based payments**

There should continue to be three types of payment to providers: service fees, Employment Pathway Fund (EPF) and outcomes – with outcomes geared towards long-term, sustainable employment. Service fees would be paid
per job seeker, based on their service category (or stream). Higher fees would be payable for those categories that require more service and fees would not diminish over time.

The EPF rules should permit spending only on interventions that genuinely improve job seeker employability – not services such as reverse marketing and additional contacts. Job seekers would have a greater say over the expenditure of the EPF and the amount of EPF should vary depending on the job seeker’s assessed level of individual need.

Outcomes should be paid (i) after a short period ‘off benefits’ (say 6 weeks); at 12 weeks off benefits; at 26 weeks off benefits; and at 52 weeks off benefits. Specific dollar values should be determined in consultation with providers, noting that the introduction of a longer-term outcome structure will need other adjustments to ensure providers remain viable.

In addition, defining outcome payments ‘off benefit’ terms should reduce the evidentiary requirements that annoy employers. Consideration could be given to paying longer term outcomes in monthly instalments rather than as a lump sum, but only if it can be done without increasing the complexity of the system.

4.2.3 Accountability and transparency

Risk-based quality assurance

Enforcement of the license conditions by the Regulator should be risk-based with an escalating scale of enforcement. A risk-based approach would mean that the Regulator would conduct random audits as well as targeted investigations where its suspicions were aroused by unusual patterns in system data. This approach is more efficient than conducting routine, industry-wide audits examining every transaction.

Less serious misconduct should first incur warnings, with the opportunity to self-correct; escalating to mandatory corrective action and, ultimately, revocation of license. Serious misconduct could incur more immediate revocation of a license. Providers should be afforded the opportunity to be heard before licenses are revoked.

Prohibitions against unsavoury practices should be expressed generally, as principles; more specific guidance may be issued by the Regulator (with examples of the type of conduct caught). Principles work better at ensuring compliance with the spirit of the rules, as well as the letter of the rules, than a detailed, technocratic approach.

In addition, evidentiary requirements should be automated wherever possible – for example, where outcomes can be defined in ‘off-benefit’ terms, evidence from Department of Human Services showing the job seeker is no longer receiving benefits should suffice, with no need for additional documentary evidence from employers.

4.2.4 Rules around choice

Job seekers choice balanced with system obligations

Job seekers should have a limited time to choose provider and a limited opportunity to change provider. Due to the mandatory nature of the program (under mutual obligation or activation policies), job seeker choices cannot be completely free and must be framed by certain boundaries.

The length of time allowed for choice of provider should be greater than the current arrangement of 48 hours (with job seekers encouraged to choose on the spot) but should still be restricted. Job seekers should be informed of their requirement to choose a provider as soon as they begin their application for benefits with Human Services, so that there is no delay; then a set period from the time of the first benefit payment could apply, such as one week from the first payment. Given that there is usually a waiting period between the application for
benefits and the first payment, this timing would allow ample time for job seekers to investigate their options and make a decision.

This time is necessary because once a job seeker has chosen a provider, they will need to be locked in for a set period of servicing, such as 12 months. If job seekers were permitted to change provider at a whim, then this could potentially undermine the sanctions regime that comes with mutual obligation as well as create system-wide inefficiency. Some balance must be struck in this regard.

**Job seeker choice for their Employment Pathway Plan**

Job seekers should have a greater say over interventions and forms of assistance in their Employment Pathway Plan. Again, these choices would be structured rather than completely free. Job seekers should be able to draft an Employment Pathway Plan, drawing from a list of approved interventions (such as accredited training, accredited psychologist services, and other interventions that improve the employability of a job seeker) available within their EPF allocation.

4.2.5 Information technology

**Software solutions meet the government’s data requirements**

Government should specify in detail its data requirements, including around privacy and security. There should, however, be no mandated front-end IT solution for providers – rather, commercial software developers should be able to build competing front-end solutions, provided they can meet the requirements set by government.

Government should also consider whether there is an ongoing need for the Australian Job Search job-matching website, in light of developments in private-sector internet job-search facilities (such as seek.com.au and LinkedIn).

4.3 A modern governance approach

The governance of the employment services system must be reformed.

The current regulatory framework puts a single government department, the Department of Education, Employment and Workplace Relations (DEEWR), in complete control of the system. DEEWR currently carries too much responsibility. Its functions include setting the policy, purchasing the services, contract management, conducting quality assurance and compliance activity, collection and maintenance of data, evaluation of program performance and handling complaints. No specific legislation underpins this system; there is no avenue for independent review of DEEWR decision-making; and there is no independent evaluation of the system’s performance.

We recommend a modern governance structure that separates these functions. It would be fairer, more accountable and would dissolve the atmosphere of distrust that has impeded the system’s performance in the past. Figure 5 illustrates the proposed new approach to governance in overview.
In the modern model, each agency in the system has its own discrete role. The overall framework, including the establishment of an independent regulator, should be set in legislation, with further details provided in regulations. Figure 6 summarises the role of each actor under the new model, with more detailed descriptions following.

**Figure 6: Role summary**

<table>
<thead>
<tr>
<th>Actor</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PARLIAMENT</strong></td>
<td>• Legislation&lt;br&gt;• Regulations&lt;br&gt;• Receive reports</td>
</tr>
<tr>
<td><strong>DEEWR</strong></td>
<td>• System stewardship&lt;br&gt;• Monitors overall system performance&lt;br&gt;• Undertakes research&lt;br&gt;• Primary source of policy advice for minister&lt;br&gt;• Responsible to the Minister for Employment</td>
</tr>
<tr>
<td><strong>MINISTER FOR EMPLOYMENT</strong></td>
<td></td>
</tr>
<tr>
<td><strong>REGULATOR</strong></td>
<td>• Accreditation and licensing&lt;br&gt;• Risk-based quality assurance and audits&lt;br&gt;• Undertakes research, provides policy recommendations to the Minister&lt;br&gt;• Statutory independence, reports to Parliament via Minister</td>
</tr>
</tbody>
</table>
A blueprint for the future
Jobs Australia | 25 September 2013

<table>
<thead>
<tr>
<th>Actor</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>OMBUDSMAN</td>
<td>• Handles complaints from job seekers and employers under license from the Regulator</td>
</tr>
<tr>
<td>PROVIDERS</td>
<td>• Delivery of employment services under license from the Regulator</td>
</tr>
<tr>
<td>MINISTER FOR HUMAN SERVICES</td>
<td></td>
</tr>
</tbody>
</table>
| DHS | • Administers payment of benefits  
• Administers intake, assessment and classification of job seekers  
• Sanctions job seekers for breaches of mutual obligation requirements  
• Undertakes research and provides policy advice to the minister. |

A more detailed description of each actor’s role is as follows:

1. **Parliament**

Parliamentary legislation would be required to establish the Regulator and provide it with statutory independence. Legislation would also set the basic architecture of the licensing system and delegate regulation-making powers to DEEWR, so that finer details of license conditions can be altered, from time to time, without the need to amend legislation.

This approach provides greater Parliamentary oversight of the entire system in a number of ways:

- Firstly, the Regulator would need to report to Parliament and, while this would still be through the responsible Minister, independence would mean the Minister would not have power to direct the Regulator.
- Secondly, any amendments to legislation or regulations would be subject to the oversight of the Parliament (legislative amendments require the passage of an amendment bill; regulations can be altered more readily but still need to be tabled in the Parliament).

Moreover, the Regulator would be a significant stakeholder and independent source of advice, providing a check against any executive overreach.

2. **DEEWR**

Under this new approach to governance, DEEWR’s role would be reframed. The department would no longer be responsible for both determining the rules of the system and the administration and enforcement of those rules. Instead, DEEWR’s role would shift to that of the primary policy setter, making recommendations to government on all aspects of the policy settings for the system. DEEWR’s policy recommendations would feed into the drafting of legislation, setting the rules by which the Regulator and other agents in the system behave. DEEWR would also retain its own monitoring, research and evaluation capacity to support its policy work.

This separation of functions will reduce bureaucracy, not expand it. Currently, all of the functions described above are performed within one department. We are not proposing new functions, but a separation of functions and a replacement of inefficient contracting — which require an army of contract managers to sit in DEEWR and monitor contractual compliance — with a more efficient licensing system. This eliminates tendering, a time consuming, resource-sapping process that hampers efficiency across the system. Overall, we would anticipate a net reduction in bureaucracy.

3. **Statutorily independent regulator**

In this proposed model, an independent regulator would be responsible for administration, policing and enforcement of the rules set in legislation / regulations. It would accredit providers and issue licenses and ensure
providers meet the necessary quality standard to obtain a license, as well as the ongoing performance levels required to retain it. The Regulator would also monitor the data and investigate any concerns about accountability using a risk-based compliance approach.

The Regulator would be required to ensure that the range of specialist and non-specialist providers in any given area covered the spectrum of job seekers. This would likely mean that at least two licensees in each area should be generalist providers.

While the legislation would delegate the regulation-making power to DEEWR, the independent regulator could also issue guidance on compliance with the regulations. However, the guidance would not be binding or enforceable in its own right. Instead, guidance provided would simply point out the Regulator’s understanding of the legislation and regulations.

The Regulator would also have its own capacity to undertake research and provide policy recommendations to the Minister, particularly where the Regulator identifies shortcomings in the legislation / regulations – though it would explicitly not be responsible for designing and setting policy. While DEEWR would have the primary policy role, the recommendations of an independent regulator would carry significant weight.

4. Ombudsman

While the system could function sufficiently without an ombudsman role, its inclusion is a way to improve complaints handling for job seekers and employers. An ombudsman, licensed by the Regulator subject to the legislative framework, could be funded by the provider industry on a per-complaint basis. This type of ombudsman can take a more flexible approach to resolving complaints through negotiation. Resolutions negotiated by the ombudsman would be binding on providers but not on complainants.

An alternative may be to expand the role of an existing body, such as the Commonwealth Ombudsman or the complaints bodies that handle Human Services complaints, such as the Social Security Appeals Tribunal. There are pros and cons to each model. For example, an industry ombudsman would allow government to shift the cost of complaints handling to an industry-funded body, which may be able to negotiate resolutions to complaints in a more flexible way than a government regulatory body could. However, it adds an additional element to the system that is separate from the Human Services complaints processes, which may lead to confusion. Jobs Australia does not have a preferred option.

5. Providers

Instead of bidding for contracts every few years, providers would operate under a license. New licensees could seek to enter the market at any time – just as providers who fall below acceptable performance or quality thresholds and do not improve their performance within an allowable time could be forced to exit the market. With no allocated caseload share, the ability to remain profitable depends on each provider’s ability to meet the needs of clients and assist them into sustainable employment.

6. Department of Human Services

The department that is currently responsible for the administration of benefits and the intake and assessment of claimants would retain its current functions. DHS would also be responsible for management of the online job seeker Portal, which would be a gateway for DHS customers to access employment services generally and would be the only avenue of servicing for the most job-ready. In the future, it may be possible to move most DHS functions with respect to job seekers to online-by-default servicing, with face-to-face services outsourced to employment service providers and other community-based organisations. However, Jobs Australia is not making any recommendations with respect to such arrangements at this point.

The overall effect of this allocation of roles would mean that changes to the system could be achieved in any of three ways:
1. **Amendments to legislation:** Parliament could pass amending legislation to alter the laws that would govern the system. Such amendments would usually be put forward by the relevant Minister, with advice from DEEWR and the independent regulator.

2. **Amendments to regulations:** DEEWR could amend the regulations, within the scope of the delegation in the main legislation. Amendments to regulations would not need to be debated in Parliament and passed, but would need to be tabled and Parliament would have the opportunity to review and disallow the regulations, if it chose to.

3. **Guidance and advice from the independent Regulator:** while not enforceable, guidance and advice can be useful in clarifying the interpretation and approach to enforcement that would be taken by the independent regulator.
4.4 A modern job seeker experience

A modern system of employment services should also adopt modern methods of interaction with job seekers. We now live in a world where technology is part of our everyday lives. This has reduced the need for face-to-face services at our banks and in our supermarkets, and it makes sense to utilise technology to reduce the need for expensive, face-to-face servicing in our public services too.

The approach we have suggested, founded on more tailored services, should allow people of all abilities to access services, including with face-to-face assistance where required.

A more modern service design should include:

1. **An initial period of self-servicing for the job-ready**: This would mean that those job seekers who are best placed to find their own employment would be serviced online, via a new Job Seeker Portal, with a set of self-help tools. The Portal would allow job seekers to register online, upload a CV and create a profile, link to other networks (LinkedIn, Facebook) and conduct job search. Job seekers who do not find work in the first three months would proceed to full servicing.

2. **A separate program for early school leavers**: Incentives in employment services are generally geared towards a ‘work-first’ approach, which may not be the best approach for young people who have left school early. A separate program, that uses a different incentive structure, may have a greater emphasis on education. Such a program could be based on the existing Youth Connections program.

3. **Better use of government-held data**: To reduce the extent to which job seekers must provide the same information to multiple agencies, better use could be made of existing data held by government. This could include, for example, a simple tick-box mechanism for job seekers to provide consent for the Job Seeker Portal to collate information from the Tax Office, Immigration Department and other agencies.

4. **An improved Job Seeker Classification Instrument**: A basic assessment should be able to be completed online for those job seekers who have few barriers. Where a job seeker does have significant barriers – such as being unable to complete their registration online without assistance, or where data indicates that there may be barriers (for example, where the job seeker is a recently arrived migrant) – a face-to-face JSCI interview would be required. In addition, the JSCI should include a new motivational assessment, so that activation requirements can be tailored to the individual job seeker.

5. **Three service categories**: In place of the existing streaming structure, there should be three categories reflecting the cost of servicing the job seeker, with category 1 being the lowest and category 3 being the highest. The categories would determine the level of service fees and outcome fees. The Employment Pathway Fund would not be determined by the job seeker’s service category, but would be set according to their individual level of need. Service level and EPF would be reviewed after each 12 months of servicing, with additional funding made available if necessary.

The following case studies (over page) provide examples of how the improved service might work in practice.
Case study 1: Danny’s experience

1. **The job seeker**
   Danny is 19 years old and is a native of the digital age, familiar with transacting online.

2. **Registration**
   Danny works in a café but the owner is retiring and has sold the shop. Danny will have to find a new job. He had some leave saved up but that will only get him by a couple of weeks - after that, he will need some income support. He starts an application for benefits online and creates an account in the SELF-SERVE PORTAL.

3. **The portal**
   The Portal steps Danny through the process. He lodges his application for income support and books in an appointment with Human Services.

4. **Choice of provider**
   Next, Danny is prompted to choose an Employment Service. Although he won’t receive any income support for a few weeks, Danny knows that the sooner he gets help finding a job, the better his chances will be. He does some research online and then selects a local provider that specialises in the hospitality sector.

5. **Booking an appointment**
   The system shows that a consultant, Jane, is available to meet on Wednesday. Danny selects a time that suits him and books the appointment. Ahead of the meeting, Danny will need to complete his profile and put together a draft Employment Pathway Plan.

6. **Job seeker profile**
   Danny uploads his CV and this automatically populates fields for Danny’s job seeker profile. In the background, the system will collate other information - such as Danny’s previous history with Human Services. Danny ticks a box to authorise the system to pull in information from his most recent tax returns too. Danny tweaks his profile, adding a few more skills.

7. **The job seeker classification instrument**
   The system now needs to collect some other data to assess Danny’s support needs. Much of the information has been collated automatically, so the system only asks for a few more details. There is also a series of questions that assess Danny’s motivation levels.

8. **Draft employment pathway plan**
   Now, Danny has to draft his own Employment Pathway Plan. The Portal shows him an indication of the funding he will be eligible for and presents him with a menu of options for things he can buy - such as training, wage subsidies, or tools. Danny wants to get into hospitality management. He researches some courses and selects one from the local TAFE that looks alright.
9 Other tools in the portal

Danny spends some time exploring the Portal - there are other tools available, such as online exercises that help with interview techniques, guides on searching for jobs, CV tips and even games that help improve numeracy. You can search for and apply for jobs directly through the portal. There’s also a social networking tool that connects job seekers in an online community and Danny signs up to an online discussion group on hospitality. As a highly motivated job-seeker, Danny will not have to meet his provider face-to-face as often as some other job seekers, but if his activity in the portal (including his job-search activity) drops off then the provider will get a prompt to make contact.

10 The provider

Jane is a caseworker at the hospitality employment specialist that Danny selected. She has received an alert about Danny’s appointment and it is already showing in her calendar. Ahead of the meeting, she looks at Danny’s profile and draft EPP. Jane knows of other courses similar to the one Danny has chosen, but which have a better reputation in the industry. She’ll have the info ready for Danny ahead of the meeting.

11 Meeting with the provider

At their meeting, Jane tells Danny about the other courses. She uses a computer program that matches Danny’s profile to other similar job seekers and models the likelihood of an employment outcome, including how long it will take.

It looks like Danny has a good chance at being employed within six months. But Jane thinks that changing some factors might improve the outlook for Danny. She makes some changes and re-runs the tool... it confirms what she thought! Danny would have a much better chance at being employed sooner if he does some volunteer work. Jane shows the evidence to Danny and convinces him to do a morning a week at a soup kitchen run by a local charity.

They update Danny’s Employment Pathway Plan - it looks like he’ll be spending his funds on the hospitality course that Jane told him about and keeping some funds aside for a wage subsidy. They sign off on the plan and upload it to the system.

12 Engaging employers

Ron, the Employment Engagement Manager at Danny’s employment service, regularly visits local restaurants and stays in touch with the local hospitality industry. Through one of his regular visits, Ron hears that a local winery is turning its small café and cellar door into a full, high-end restaurant. They’ll be looking for Staff!

Ron has a contact on the local council who knows the winery owners. Ron arranges to meet them and offers a complete workforce solution, which will save them thousands in recruitment fees and, with wage subsidies, will mean lower wage costs too. Using a tablet connected to the internet, Ron is able to log on to their database remotely and show the winery owners some of the candidates that are available. They choose a dozen candidates to interview right away - and Danny is amongst them.

13 Landing the job

Jane is notified that Danny has an interview and she contacts him with the good news and to book in a date and time for his interview. She also books in to do a catch-up with Danny via Skype the day before the interview. In the Skype call, Jane asks Danny how he’s feeling about the interview, checks if he’s planned out what he’ll wear and knows how to get there. She also checks that Danny has completed the interview technique training on the Portal. She looks at some of the answers he has drafted to typical questions and goes over those with him too. The next day, Danny performs well in the interview - and gets offered a job.
# Case study 2: Wendy’s experience

## 1 The job seeker

Wendy is a single mum with three kids. She’s 30 and her youngest starts school next year. Wendy left school after Year 11, and has never had a proper job - only a bit of part-time retail work back before the kids. She’s worried about her future.

## 2 Registration

Wendy is not good with computers and has dealt with Human Services face-to-face whenever there have been issues with her parenting payment. Now she has a letter from Human Services that says she’ll have to look for work next year and needs to start a plan now. It mentions an online portal, but that all sounds too complicated! She decides to just drop in at her local Human Services office to find out what to do.

## 3 Human Services face-to-face service

At the Human Services office, Wendy is shown to a bank of computer stations that access the portal. A staff member is on hand to help people when they get stuck, and shows Wendy how to log on to the Portal and how the process works. Wendy finds she can enter some of the information herself, so she gets going and calls the staff member over when she needs help. There are a number of questions that Wendy can’t answer because she doesn’t have a CV.

## 4 Choice of provider

Wendy has no idea what sort of work she would like to do or even what sort of jobs might be available for someone like her, because her priority has always been the kids. The Portal shows Wendy a list of local employment service providers and the staff member shows Wendy how to click on the links to their websites. One website mentions a special program for mums returning to the workforce. Wendy decides to check them out before finalising her choice of provider, but keeps going with the rest of her profile.

## 5 Job seeker profile

The Portal is asking for a CV, but Wendy has never had one! She selects the tick-box to indicate that she does not have a CV. She enters only basic information about skills. Wendy doesn’t think she has many employment-related skills to offer.

Because Wendy has not been able to complete much information in her profile, the system determines that she’ll need a face-to-face interview to complete the JSCI. It prompts her to book an appointment with Human Services. The Human Services staff member helps her use the booking system to find a time with one of the social workers. Wendy will complete a JSCI interview next week.

## 7 Booking an appointment

Wendy drops in at the employment service she’s considering and meets a caseworker named Yasmine. Yasmine tells her more about the program for mums - it’s a ‘demand-led’ program that prepares mums for work in child-care, aged care and cleaning. The employers signed up to the program have set up a roster that fits in with school hours and if Wendy completes the training and passes the competency tests, she’s guaranteed to get a position. They work out how much better off in work Wendy would be and the impact on her benefits in different scenarios for paid work hours. Wendy likes the idea of working in child care - she signs up on the spot. They agree to meet again in a week.

## 8 The job seeker classification instrument

The following week, Wendy attends her appointment with the social worker. They talk through Wendy’s situation and Wendy feels comfortable opening up about some of the challenges she’s been through. In the end, the JSCI determines that Wendy needs some additional funding in her Employment Pathway Fund to help with basic employability skills. The motivational assessment also shows that Wendy is not highly motivated and will need more face-to-face contact with her Employment Service than some other job seekers.
9 Draft employment pathway plan

After completing the JSCI, Wendy is shown back to the self-help terminals to complete a draft Employment Pathway Plan. Again, she calls on the help of the staff member to do it. The prompts allow her to select additional items, based on the barriers that have been identified in the JSCI. The program for mums that she wanted to do is also one of the options - so she selects that too. The meeting with Yasmine is already in the system.

10 Meeting with the provider

Wendy meets with Yasmine to go through the draft Employment Pathway Plan - Wendy has already selected the program for mums, and basic job-search training, but there are some other things that Yasmine thinks will help Wendy. In particular, Yasmine knows that computer literacy will be important. She runs an assessment tool that shows Wendy the evidence - computer literacy would, indeed, improve Wendy’s chances of gaining employment - and help with the online components of the child-care course. Wendy agrees and they update the EPP.

11 Going through the program

Wendy completes the job search training and the computer literacy course and now finds it easy to use the Portal. She has signed up for an online discussion group for mums - and made friends with some other mums who have already done the same child-care course. From time to time she asks them questions when she’s having trouble understanding the course material. She catches up with Yasmine every few weeks, just to stay on track.

12 Landing the job

It takes Wendy about 9 months to complete the child care course. By the time her youngest child is starts school, she’s ready to start working. The program that Yasmine got Wendy into is one where a job is guaranteed at the completion of the training, so now it’s just a matter of passing the practical competency tests and doing her induction.
5 Benefits of a modern system

Improvements in employment services have will deliver broad reaching benefits for the economy and for society. The structure Jobs Australia proposes builds on system reform to affect the conduct of the agents within the system, ultimately improving performance. This delivers improvement at every level, from the job seekers and employers who use the system to the government, and ultimately the community as a whole, as outlined in Table 2.

Table 2: Benefits of a new system

<table>
<thead>
<tr>
<th>Job seekers</th>
<th>Employers</th>
<th>Providers</th>
<th>Government</th>
<th>Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>More choice</td>
<td>Choice of a range of providers</td>
<td>Greater freedom to design services</td>
<td>Lower administrative costs</td>
<td>Greater opportunities for the disadvantaged</td>
</tr>
<tr>
<td>Earned autonomy</td>
<td>Emergence of industry specialists</td>
<td>Ability to specialise by cohort, industry sector, or other definition</td>
<td>Lower expenditure on benefit payments</td>
<td>Reduced poverty</td>
</tr>
<tr>
<td>Better tailored services</td>
<td>Better job matching, better support</td>
<td>Business certainty</td>
<td>Higher tax receipts</td>
<td>Higher productivity and participation rates</td>
</tr>
<tr>
<td>Fewer systemic barriers</td>
<td>Less paperwork and less hassle</td>
<td>Less red-tape</td>
<td>Greater accountability for expenditure of tax-payer funds</td>
<td>Higher GDP</td>
</tr>
<tr>
<td>More sustainable outcomes</td>
<td>Scope for demand-led solutions</td>
<td>More satisfied staff</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Each of these is discussed in more detail below.

5.1.1 Job seekers truly at the centre

The changes that Jobs Australia is recommending put the clients – both job seekers and employers – back into the centre of the system. These changes to the framework, accompanied by some changes to the way services are delivered, will vastly improve job seekers’ experience. The improvements include:

- **More choice**: with an array of providers offering a diverse range of services, to match the diversity of job seekers and employers. This not only helps to engage the job seeker in the process and reduce the de-motivating effect that can come with mandatory participation in a program, it also improves the odds of a job seeker finding a service that meets their individual needs.

- **Earned autonomy**: with better tailoring of activation requirements so that more motivated job seekers, who are more able to find work on their own, are given sufficient freedom to do so.

- **Better tailored services**: as job seekers will have greater input into their Employment Pathway Plan, individual preferences will be taken into account to a far greater extent.

- **Fewer systemic barriers**: with greater choice mitigating the de-motivating effects of compulsion. Job seekers will still have to participate and will still be able to be sanctioned, but with greater choice and more control, job seekers will have less cause to push back against the system.
• **More sustainable outcomes**: because job seekers’ own preferences will have more influence, both the services they receive and the jobs they are ultimately directed towards will be a better match for the job seeker.

5.1.2 Employers engaged with job seekers

As the other key client of the system, employers are also central to achieving better outcomes. While interventions must focus primarily on job seekers and improving their employability, no outcomes can be achieved without employers. It is therefore essential that the interventions prepare job seekers for the jobs that are available, according to the needs and wants of the employers who have jobs to offer. That demands that employment service providers know and understand employers’ needs and that engaging with the system has benefits for employers. The Jobs Australia proposal aims to deliver a better service for employers. The improvements include:

• **Choice of a range of providers**: The less restrictive environment should see a range of providers with diverse approaches and diverse service offers emerge in the provider market. Just as job seekers will be able to choose the service that best meets their needs, so too will employers. Ability to meet the needs of employers will become a key factor for success.

• **Emergence of industry specialists**: This will develop as providers seek to offer the best services to attract new job seekers and the best packages for employers. Industry specialisation would allow providers to focus on the needs of the employers in a particular industry, and job seekers who want to work in that industry would be inclined to select that provider.

• **Better job matching, better support**: With no allocated caseload, providers will have to do better at keeping employers satisfied so that they have job placements available for their job seekers. A service that cannot attract job seekers and cannot keep employers highly satisfied will not be sustainable. As such, more effort can be expected for post-placement support and other services that ensure that employers remain satisfied long after an initial placement.

• **Less paperwork and less hassle**: Because more of the system will be automated, more evidentiary requirements will be able to be met using data from Human Services and the Australian Taxation Office and there will be less need for employers to be hassled for statutory declarations and other documentary evidence.

• **Scope for demand-led solutions**: With the diversity of providers and room for new interventions to be developed and packaged for use in the system, there will be myriad approaches working in competition. Some of these approaches could be expected to include demand-led solutions – where employers specify what they want, and the interventions are aimed at preparing the job seekers for the particular roles specified by the employer.

5.1.3 Providers have certainty

The needs of providers are often given little thought. The providers are an agent of a government-administered system but also have their own needs, independent of the government. For the system to function effectively, providers need to operate like businesses in a market, with incentives to drive service quality higher and flexibility to innovate. Providers also need to have sufficient certainty of the business environment to properly plan for the future. The Jobs Australia proposal delivers benefits for providers that include:

• **Greater freedom to design services**: by reducing prescription in the process and allowing more room for specialisation, so that providers can design the service that they believe will deliver the best results.
• **Ability to specialise by cohort, industry sector, or other definition**: indeed, providers should be able to specialise as they see fit, adding further potential for innovative new approaches. For those providers that are delivering the service in pursuit of a charitable mission, the added flexibility will allow that mission to be pursued in the way they wish to pursue it – and not drift away from their mission in the pursuit of financial returns.

• **Business certainty**: allowing providers to plan for the future, rather than suffer the uncertainty associated with re-tendering every few years. This could mean that providers are better able to invest in their facilities and equipment, their staff training, and make a longer-term commitment to the communities they service.

• **Less red-tape**: with a reduced focus on transactions. Over-specification of process and unreasonably burdensome and complex evidentiary requirements hold the system back and cause a great deal of frustration for all those who participate in it. The new system should have more functions automated, less specification, and leave providers more in control of their operations.

• **More satisfied staff**: with licensing removing the need for fixed term, insecure work arrangements that cause staff to be anxious about their future in the sector. Staff will also spend less time on administration and more time doing the work they enjoy – that is, helping their clients. A more flexible system where job seekers have a greater say will also demand more from employment services staff, and many will need to develop new skills. A more highly skilled workforce, with more responsibility, less administration and less anxiety about their own future will ultimately be a much more satisfied workforce.

5.1.4 **Government delivers better societal response**

From the perspective of the government, this system plays a very important role. It not only improves the welfare of people who are disadvantaged, it also has a significant impact on the federal budget, including:

• **Lower administrative costs**: with savings generated from removal of the tendering process; less in-house IT development; and risk-based quality assurance in a simplified system requiring fewer resources than the intensive scrutiny of transactions that has occurred in the past.

• **Lower expenditure on benefit payments**: competition, rewarding the right outcomes, should result in a more efficient system that gets more job seekers off welfare and into sustainable, ongoing employment. According to analysis by KPMG, even just a 5% improvement in efficiency would reduce the welfare bill by $2 million per annum.

• **Higher tax receipts**: with previous recipients of benefits being converted into tax-payers, generating not only a saving on welfare but also additional tax receipts. According to KPMG, a gain of just 5% efficiency would increase tax revenue by $29 million per annum.

• **Greater accountability for expenditure of tax-payer funds**: with an Independent Regulator, empowered to monitor the system, investigate issues and take firm action against any provider it finds acting inappropriately with tax-payer’s funds, accountability is improved.

5.1.5 **Australian community is more productive**

The employment services system ultimately acts to improve the Australian community as a whole. A more effective system should provide greater benefits than the existing arrangements. Jobs Australia’s proposal should deliver improvements in the following ways:

• **Greater opportunities for people who are disadvantaged in the labour market**: by putting job seekers and employers at the centre of the system, we create greater opportunities for people who are
disadvantaged in the labour market – giving more people the tools to pull themselves out of a rut and building a more resilient population.

- **Reduced poverty:** if fewer people experience the harm of long-term, entrenched unemployment, then fewer will fall into severe poverty. Poverty has a range of social costs, including many that become a financial cost for government. Reducing the damage to our society and our economy that poverty can cause is a benefit to us all.

- **Higher productivity and participation rates:** by improving the level of interest and engagement from job seekers, an improved employment services system would facilitate higher participation in the Australian labour force; similarly, by better matching job seekers and employers, an improved system can generate higher rates of productivity.

- **Higher GDP:** with, ultimately, the improvements culminating in a small, but nonetheless significant, increase to the efficiency of the economy. KPMG has found that every $1 in efficiency improvement in employment services would boost our GDP by $1.75.

### 5.1.6 Compatibility with other policy priorities

The modern, flexible system also allows for better integration with other policies the Federal Government may choose to pursue. Without specifically endorsing any of the approaches below, the following examples illustrate how the system could incorporate other priorities:

- **A National Disability Insurance Scheme:** with individualised budgets based on an assessed level of need, the principles that underpin a National Disability Insurance Scheme strongly align with our proposal for a modern employment services system. Structures, rules and administrative arrangements could readily be aligned.

- **A reinvigorated Work for the Dole scheme:** this could be a standard intervention on offer for purchase from the Employment Pathway Fund. In this sense it would compete with other interventions that job seekers may choose, but, if it achieves more outcomes than other interventions, then providers will encourage their clients to take it up. In addition, the motivational assessment could be used to target approaches like Work for the Dole to the job seekers who will benefit from them the most.

- **Local employment boards:** local boards, responsible for co-ordinating services for people with high support needs, could readily be incorporated into a modern, license-based employment services system. The opportunity for providers to specialise means that some will be particularly suited to high-needs clients. Funding provided to such boards should be used for innovation pilots, which would allow different approaches to be tested in different areas, evaluated according to a consistent evaluation framework, and then extended if they prove to work well.

- **Better connections with Vocational Education and Training:** training would continue to be an important intervention in preparing job seekers for employment. However, such training should be directed at attaining a job outcome and not just done for the sake of it. By aligning the incentives to long-term, sustainable employment outcomes, and by giving job seekers a greater say over which interventions they purchase, a modern system would encourage job seekers and their case managers to only select training that will lead to employment. In addition, the system allows greater room for industry specialisation and demand-led approaches, in which training is directly linked to a specific vacancy.
6 Transition to a new system

The transition of Australia’s employment services system requires a whole-of-Government approach. This approach is necessary as the system changes are transformational and the results of the transition directly impact Australia’s productivity. The proposed transition method for the employment service system has drawn on lessons learnt from the more contemporary system reform efforts such as VET and Adult Education of the past few years. These systems have moved to more market-like set-ups reasonably well but with consequent issues for provider capability and capacity, and user understanding. Figure 7 outlines the transition phases required.

Figure 7: Four required phases of the transition

<table>
<thead>
<tr>
<th>1. Activate leadership</th>
<th>2. Design the roll-out</th>
<th>3. Mobilise the service system</th>
<th>4. Persist and monitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>A cross-government working party to work with employment service system leaders</td>
<td>Develop a detailed implementation strategy that is realistic, efficient and comprehensive.</td>
<td>Motivate the employment service system based on a 2-stage effort to support the new model.</td>
<td>Measure the results to signpost the reform journey, and ensure clear feedback loops are utilised to inform decision-making.</td>
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Each of the four phases is described in more detail below.

6.1 Transition Phase 1: Activate leadership

The goal in this phase is to gain cabinet approval of the new employment service system.

6.1.1 Set up the reform program

The Government must specify the service system reform parameters, establish Governmental governance arrangements (including a cross-Government working party led by the Department of Prime Minister and Cabinet), and develop a detailed stakeholder engagement and communication plan. This will ensure a clear and shared understanding across the broader service system. Governance arrangements should be in line with other reform initiatives and guard against any potential conflicts of interest. The cross-government working party headed by the Department of the Prime Minister and Cabinet must include senior participation by officials from Treasury, DHS, the Department of Finance and Deregulation, FACHSIA, DIISRTE and DEEWR.

6.1.2 Engage with Government and service system leaders

Early engagement with the Government bureaucracy and employment service system leaders (including providers, peak bodies and employers) is essential for the reforms. This process will create a shared understanding of the reform features and implementation challenges and will identify change champions. The process will also seek to understand how the reforms will complement other person-centred initiatives by government such as the National Disability Scheme.
6.2 Transition Phase 2: Design the program implementation

The goal in this phase is to document the detailed design elements of the reform program.

6.2.1 Detailed design of the reform implementation

The cross-Government working party must develop a detailed implementation plan that will support the delivery of the reforms whilst building capability within the service system to sustain the reforms. The implementation plan should contain the components outlined in Error! Reference source not found. Figure 8.

Figure 8: Implementation plan components

<table>
<thead>
<tr>
<th>Implementation plan components</th>
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</thead>
<tbody>
<tr>
<td>1. Identified program reform implementation risks and their controls</td>
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<tr>
<td>2. Specification of reform outcomes</td>
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<tr>
<td>3. Detailed roles and accountabilities for all significant players</td>
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<tr>
<td>4. Removal of underperforming employment service providers</td>
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<tr>
<td>5. Defined budget and funding arrangements</td>
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<td>6. Decommission existing contract and rules</td>
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<td>7. Update the star rating system</td>
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<tr>
<td>8. Draft new employment service and quality standards, and set up new performance monitoring arrangements</td>
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<td>9. Approach for licensing arrangement</td>
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<tr>
<td>10. Streamline the ESS IT system to focus on performance not operational data collection</td>
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<tr>
<td>11. Formulated approach for mass engagement and information dissemination within the service system</td>
</tr>
<tr>
<td>12. Plans for specific skills development</td>
</tr>
<tr>
<td>13. Details for a change support program</td>
</tr>
<tr>
<td>14. A high-level implementation plan covering time, costs and resources</td>
</tr>
</tbody>
</table>

6.2.2 Test and finalise the implementation plan

The cross-Government working party should engage again with service system leaders, the peak bodies and other selected stakeholders to test and validate the detailed implementation plan. This process will help to re-enforce alignment with reform features and assist Government more generally to gain further appreciation for the service system’s readiness. The cross-Government working party will then need to work through the Government internal processes to finalise the design and receive approval to implement the reforms.

6.3 Transition Phase 3: Mobilise the service system

The goal in this phase is to implement the required activities.

6.3.1 Implement the reform program design in two stages

Based on the agreed reform implementation plan, the cross-Government working party must mobilise the service system to implement the reforms. This will counter change cynicism or fatigue. In addition, it is important and pragmatic to gradually ease the market share restrictions that exist in the current system. Although the exact activities will be determined by the implementation plan, they are likely to include a two stage approach – transitional and full deployment, as outlined in Figure 9.
6.3.2 Careful oversight of job seeker activities throughout

The reforms are substantial and will require the Department to support the sector during its transition to ensure job seeker activity is maintained throughout. Actions with the sector should include formal feedback loops, technical skills training and possibly a structural readjustment fund.

6.4 Transition Phase 4: Persist and monitor

The goal in this phase is to provide support and guidance to enable sustained reform and continued performance across the service system

6.4.1 Oversight from the cross-government working party through formal evaluations

Throughout the reform implementation the working party will play an important oversight role. Their key responsibilities should include management of the agreed implementation and communication plans; monitoring of risks and taking appropriate action (including escalating where required); and regularly reporting progress to all key stakeholders. This oversight role should be informed by an independent evaluation process.

6.4.2 Transparent reporting of outcomes

All key stakeholders must be provided with regular progress reports throughout the implementation, monitoring progress of the reforms and feedback of job seeker outcomes. Monitoring the progress of reform outcomes will require the development and implementation of effective outcome measurement tools. This will also require the new regulator to have the capacity to publicise data and for DEEWR to analyse and communicate key operational and policy insights from the outcome data collected.
7 Acknowledgments

Jobs Australia would like to thank the many contributors to this Blueprint. It should be noted that this document represents the views of Jobs Australia, and while everyone listed here has contributed to the project in some way, they should not be taken to have endorsed Jobs Australia’s views.

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