



Who we are

ACOSS is the peak body of the community services and welfare sector and the national voice for the needs of people affected by poverty and inequality.

Our vision is for a fair, inclusive and sustainable Australia where all individuals and communities can participate in and benefit from social and economic life.

What we do

ACOSS leads and supports initiatives within the community services and welfare sector and acts as an independent non-party political voice.

By drawing on the direct experiences of people affected by poverty and inequality and the expertise of its diverse member base, ACOSS develops and promotes socially and economically responsible public policy and action by government, community and business.

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Summary

ACOSS has a long-standing interest in employment services, especially for people disadvantaged in the labour market including those unemployed long-term. We welcome the government's decision to undertake a thorough review of employment services system well in advance of the end of current contracts in 2020, and the efforts by the Department of Jobs and Small Business to consult widely with people directly affected: unemployed people and employers.

Effective employment services are an *investment* in a better future for people who may otherwise rely on social security payments and experience poor quality of life over many years. Despite this, Australia spends well under half the average OECD country on employment assistance. The \$1.3 billion spent each year on jobactive averages out at just \$1,000 to \$2,000 per person assisted.

The present employment services system, especially the main jobactive program, is not meeting the needs of unemployed people or employers, especially those who are disadvantaged in the labour market.

During the last three months we have listened carefully to people trying to navigate employment services. There is no lack of interest and concern. Our online survey of jobactive users attracted 311 responses in the space of three weeks, and we would like to thank people for telling us their stories.⁴ While some shared positive experiences, people repeatedly described their interaction with employment services (and the experience of unemployment), as harsh, shameful, and stressful. The vast majority of respondents (73%) were dissatisfied with jobactive, with just 8% expressing satisfaction with the service.

At the heart of people's negative experiences of jobactive is the dominance of benefit compliance over positive help, and detailed control over personal agency and initiative. Providers are trying to deliver an employment service that meets individual needs, but with average caseloads of 150 people and the heavy burden of administering unemployment payment requirements, all too often what they are running is a benefit compliance system. People accept that they need to search for jobs and improve their skills, but 51% of survey respondents said that their activity requirements were not suited to their circumstances (compared with just 13% who thought they were appropriate). The activity requirements, and their administration by jobactive, are getting in the way of effective job search, while employers are losing trust in the system because they receive too many unsuitable applications.

⁴ The full results of this survey will be published separately in the near future.



EXPERIENCES OF JOBACTIVE USERS

Things to keep:

- 'Same consultant, real-time, one to one support.' *Single, female, 50+, Victoria*

Things to change:

- 'Attitude of some staff that they are in charge of you or your direction in your job search.'
- Job active should be an assistive program and all compliance related penalties placed into the hands of the department only. Only then will job seekers start to trust providers. *Female, 25-49 years, single parent, Victoria*
- Stop humiliating people who are down on their luck. I'm a father, a worker, an honest man. I didn't ask to become redundant, for my marriage to end or to lose my home. The assistance was minimal and delivered cold. A little more dignity and consumer direction would have probably got me back to work sooner. *Male 50+ single parent, NSW*

The employment services system needs fundamental reform, not changes at the margins. This should build on the strengths of jobactive (such as paying for employment outcomes) and overcome its weaknesses.

The challenge

In March 2018 there were 848,600 unemployed recipients of Newstart or Youth Allowance and our unemployment rate of 5.4% is no longer below the OECD average. One reason for the very slow progress in reducing unemployment since the GFC is that demand for labour is still weak, with eight unemployed and under-employed people for every job vacancy.

Another reason is entrenched long-term unemployment. Over 60% of recipients of unemployment payments have received them for more than 12 months and 41% for more than 24 months (see Attachment). People's chances of securing employment in the next 12 months decline progressively from 55% within the first three months of unemployment to just 8% after 5 years' unemployment. The exclusion from the labour market of large numbers of people, including people with limited or out-of-date skills, people of mature age, people with disabilities, and Aboriginal and Torres Strait Islander people, and people from non-English-speaking backgrounds has been left unresolved for too long.

The challenge we face is to bring people unemployed long-term or otherwise disadvantaged in the labour market to the front of the employment queue, and strengthen employment growth where paid work is scarce.



The strengths and weaknesses of jobactive

Australia has learnt much from its long experience with contracted employment services. Non-government services embedded in communities are likely to be more effective than large bureaucracies in assisting people who struggle to find paid work. Outcomes-based funding of employment services focusses the efforts of providers on goals rather than service inputs. An employment fund for providers to invest in training and other services to overcome barriers to employment *can* lead to more effective investment. A diversity of local providers *can* increase choice for people who are unemployed and employers, and stimulate innovation in employment assistance.

Yet the system is failing those who need it most.

With average caseloads of 150 people, too many participants in jobactive receive little more help than quick interviews that monitor their efforts to find employment. Few people are able to exercise genuine choices – over their provider or the employment services they receive – because the over-riding emphasis of the employment services system is on compliance with benefit requirements rather than positive help to secure paid work.

Rigid requirements to apply for 20 jobs a month, even in regions where jobs are scarce, distract unemployed people from more effective job search approaches and undermine employer's trust in jobactive.

Despite welcome new investment in wage subsidies in recent years, too few people unemployed long-term receive the paid work experience in regular jobs or the quality training they need to give them a real chance in the jobs market. In our survey, one-quarter or less of jobactive users (almost two-thirds of whom were unemployed long-term) received a job referral, wage subsidy, or referral to a training course from their provider.

The competitive contracting system generates a great deal of instability in employment services, contributing to an extraordinary annual staff turnover rate of over 40%. This undermines service quality and effectiveness for both unemployed people and employers.

Diversity among service providers has been greatly reduced, with the number of providers nationally falling from over 100 previously to just 42 in jobactive, mainly at the expense of smaller community-based providers, and those who specialised in helping a particular group (such as people who are homeless).

The competitive model also works against the *collaboration* between employment services, local community agencies and employers that is vital to assist people with complex needs, and communities with high and entrenched unemployment.



Directions for reform

The 34 proposals for reform in this comprehensive report include the following.

Charter of rights and expectations

- A 'Charter of Rights and Expectations' should be developed for users of employment services including a right for people to choose and change their employment service provider, services and activity requirements that improve each person's prospects of paid employment, accessible and culturally appropriate services; and a right to privacy of personal information.
- Data that identifies individuals – especially sensitive data such as health status – should only be shared with organisations (other than Commonwealth government agencies and jobactive providers offering social security and employment assistance) with their express permission, and people should have access to their personal data on request.
- The default job search requirement (currently 20 jobs a month) should be reduced for individuals or regions where employment prospects are well below-average, and people should have options other than frequent job applications (such as updating resumes or undertaking training) to meet their activity requirements.

Four strands of employment services to meet diverse needs

Four strands of employment services should be offered, based on individual needs:

- (1) People who are relatively close to securing employment would receive a (predominantly) 'self-help' service, relying mainly on an online employment services platform designed to give them the greatest possible control over their job search and access to a much wider range of vacancies:
 - In light of recent experience with 'robodebt', the online platform should *not* be used to automate decision-making on activity requirements and compliance. Those decisions should rest with Centrelink, not providers or artificial intelligence.
 - The online platform should be backed up by *employment advisors at Centrelink*, to simplify the system for people so that those who are likely to get a job reasonably quickly do not need to be referred to a separate employment service provider.
 - People who are entering the paid workforce for the first time, returning after caring for a child or family member with a disability, or over 40 years old and struggling to reset their careers would also receive a *career counselling and support service* to help put them on the right track.



- (2) People unemployed long-term and those facing a high risk of long-term unemployment would receive an *intensive service* operated by non-government employment service providers.
- More resources would be devoted to this service, to reduce caseloads and allow providers to invest in the help people who are disadvantaged in the labour market require.
 - Providers would have access to an *investment fund*, topped up each year for people unemployed long-term, to finance intensive services and activities to improve people's skills and employment prospects, including properly-paid work experience with wage subsidies, vocational and other skills training, mentoring with local employers, and professional services (such as psychological counselling).
 - The annual activity requirements which people unemployed long-term have to undertake for 3-6 months of each year should be based on choice among a clear set of options that demonstrably improve their employment prospects, not the ineffective *Work for the Dole program*. This program should be replaced by properly-paid work experience in regular employment settings.
 - As well as regular payments to cover basic service costs, intensive service providers would receive payments for outcomes achieved above a benchmark level (above the employment outcomes likely to be achieved without the service). To encourage a clear focus on employment outcomes, providers would also be required to achieve this benchmark in order to continue to provide the service.
- (3) For the minority of *people out of paid work who have complex needs* (including many people with mental illness or who are homeless for prolonged periods), who require *coordinated help* from a number of local agencies to prepare them for employment and ensure they keep it, a *local partnerships service* would be available.
- Consortia of local employment services, community or health services, and employers, would provide this service, so that all of the services assisting people with complex needs work closely together to achieve stable employment.
- (4) For the minority of *regions with very high and entrenched unemployment*, a *community employment development service* would be provided. This would be operated by consortia of employment services, employers, local government, and local community services (or in the case of Aboriginal and Torres Strait Islander communities, a community-controlled organisation):
- Given the severe shortage of jobs in these regions, greater emphasis would be placed on partnerships with local employers, subsidised paid work experience placements, education and training, and employment development initiatives.



Resourcing

- ACOSS does not accept that good quality employment services can be funded within the present resources. We expect that overall funding would need to rise to *at least half the average OECD level* as a share of GDP (an increase of approximately \$500 million per year in current dollars). This would be offset to a large degree by reduced need for future income support, and the economic and social benefits of bringing people chronically excluded from paid employment into the fold.

Quality assurance

- Whether they provide them directly or fund non-government organisations, governments have a responsibility to ensure that employment services are of good quality. For this purpose, a *licensing system* should be introduced, administered by an independent statutory body. If this is appropriate for users of the NDIS (noting the recent establishment of the NDIS 'quality and safeguards commission'), then it is appropriate for users of employment services.
- Licenses would be issued to providers based on a set of quality standards, including suitably qualified direct service staff, minimum service standards for assistance to employers, and responsiveness to service users (for example, unemployed people and employers would be given opportunities to 'rate their provider').⁵

Allocation of places: balancing choice and stability

- Program 'places' within each employment services area should be allocated in the first instance according to the choices made by unemployed people.⁶
- To give providers a degree of financial certainty and reduce staff turnover, each provider would have minimum and maximum local caseloads.⁷ Provided they retain their licence and meet their performance benchmark, this should assure them of a minimum level of funding for at least three years; and prevent the emergence of monopolies or oligopolies in local employment services.
- To strengthen provider diversity, they should be able to assist specific population groups (such as homeless people), and allocation of places should be made on the

⁵ Minimum qualifications would be developed in consultation with providers, educators, and service users, and 'recognition of prior learning' would apply.

⁶ The *local partnership service* and *community employment development service* would operate with a single provider for each target group or region.

⁷ This already applies under jobactive. Where people do not choose a provider, they are assigned to providers whose share of places is at or below their minimum level.

basis of the (smaller) Employment Services Areas (ESAs) rather than the (larger) employment regions.

Directions for reform of employment services

This submission proposes a set of directions for reform in each of the dimensions of effective employment services in the diagram below. Not all are detailed policy proposals, as there is no single ideal 'model' of employment assistance and the optimal design of each dimension of the system depends on decisions made in each of the others. For example, investment in more expensive services is closely connected to 'targeting' (meeting diverse needs) and the ability of providers to work in partnership can be compromised by the intensity of competition induced by the purchasing model (stewardship).

The submission follows the sequence described in Figure 1 below, which is broadly similar to the structure of the government's Discussion Paper.⁸

Figure 1: The path to employment - dimensions of effective employment services



⁸ Australian government (2018), 'The next generation of employment services – Discussion paper,' Canberra.



1. Purpose and resourcing

Everyone should have a right to paid work that gives them a decent income, but making that a reality is no simple matter. Australia (along with most wealthy nations) has failed to restore 'full employment' over the last 50 years. We have an obligation to those affected by that policy failure to make a firm commit to full employment; to ensure they have enough income to meet essential living costs; to support them in their search for a job; and to treat them with respect.

Employment services play a vital role in reducing unemployment, especially where people are unemployed due to a mismatch between their own skills and capabilities (or employer perceptions of these) and those which employers are seeking. Under these conditions, long-term unemployment can exist side by side with 'shortages' of suitable workers, and employment and training services can make a difference. Employment services can also keep people in contact with the labour market where they may otherwise lose touch.

Yet there is a limit to what good quality employment, education and training services can achieve if there are insufficient vacancies that people who are unemployed or under-employed can realistically fill in a given region, or for a given skill level. The Australian labour market falls well short of 'full employment', where the vast majority of people can readily secure paid work when they seek it. This is clear from our 5.4% unemployment rate, our 8.3% under-employment rate, and the lack of growth in real wages in recent years.

Policies of the Reserve Bank (RBA) and governments can either support full employment or work against it. The RBA currently estimates that once unemployment falls below 5% there is a risk that it will lose control of inflation (in wages and consumer prices), though there is emerging view among experts that unemployment could fall well below this without risking a break-out in inflation.⁹ If the RBA raises interest rates pre-emptively to keep inflation under control, that could prevent unemployment from falling any lower than 5%, leaving approximately 700,000 people unemployed. Wage inflation is not a concern at this time, but the RBA will need support from governments, employers and unions to contain inflation (including in asset prices such as housing) if it is to allow unemployment to fall well below 5% and stay low.

In short, countries choose their unemployment rate when they decide what level of inflation is acceptable, how wages are negotiated, how they regulate financial and asset markets, and how they invest in education, training and employment services and support people in their search for paid work.

⁹ Cusbert (2017), 'Estimating the NAIRU and the Unemployment Gap.' Reserve Bank Bulletin December 2017.
Blanchard O (2017), 'Should We Reject the Natural Rate Hypothesis?', Peterson Institute for International Economics Working Paper 17-14, Washington



The demonisation of people who have to rely on unemployment payments in parts of the media in recent years (see box below) is unethical and counterproductive. It only reinforces negative employer perceptions of people who rely on publicly-funded employment services. People have an obligation to make their best efforts to prepare for and find employment, but reducing unemployment is a shared responsibility across society.





EXPERIENCES OF JOBACTIVE USERS

- 'Sometimes it has made me feel suicidal. I feel depersonalised, and a failure in general. That I don't have the same rights as an employed person.' *Female, 50 and over, single with no children, South Australia*
- 'I am spoken to with distrust and distain, I have my payments threatened every time I interact with my job Provider. They make it very clear they are not here to help me, but to catch me out on behalf of the government and stop my payments.' *Male, 25-49, single with no children, South Australia*

Moreover, unemployment payments of \$38 a day do not provide people with the minimum income they need to cover the most basic living expenses and undertake job search, which adds to the stress and anxiety faced by people who are unemployed.¹⁰

Employment services in different countries have different purposes, and there are often tensions between them. These range from improving efficiency and equity in the labour market, improving the short-term employment prospects of unemployed people, and ensuring compliance with unemployment payment requirements.

Over time, the purpose of the Australia system has narrowed towards the last two goals. There is a tension between the goals of reducing unemployment and benefit compliance, since compliance functions often interfere with or undermine effective employment assistance. Further, this narrow focus limits the capacity of employment services to meet important labour market policy goals including upgrading the skills of the workforce and guiding people through their careers in an environment where people are likely to change jobs more frequently in future, and more people are at risk of exclusion from the labour market.¹¹ Employment and training services have a critical role to play to assist people to adapt to major structural adjustments in the economy and labour market, including the ongoing shift to employment in services and the impacts of climate change.

¹⁰ ACOSS (2018), 'Raise the Rate, everyone benefits', for more information on our advocacy of a major increase in unemployment and student payments, and to sign the petition, see <https://www.acoss.org.au/raisetherate/>; Mullainathan S & Shafir E (2013), 'Scarcity: Why Having Too Little Means So Much.' Time Books, New York.

¹¹ Autor D & Dorn D (2013), 'The Growth of Low-Skill Service Jobs and the Polarization of the US Labor Market.' American Economic Review, Vol 103 No 5, pp1553-97.



Directions for reform: purpose and resourcing of employment services

1. The main purpose of the employment services system should be to improve the employment prospects of people who are currently unemployed, especially those who would otherwise be out of paid work for a prolonged period:
 - (1) Reducing long-term unemployment among recipients of unemployment payments should be the top priority.
 - (2) This should take precedence over the secondary goal of ensuring compliance with unemployment payment requirements.
 - (3) The role of employment services should extend over time to include career advice and support for people at risk of unemployment (in conjunction with vocational training and other community services).
2. Recognising that no employment services system can work where demand for labour is inadequate or there are serious skills mis-matches in the labour market, the employment services system should be part of a wider plan to achieve *full employment*, and to update its meaning, including:
 - (1) minimum targets for employment rates, and maximum targets for unemployment rates for both men and women;
 - (2) equity targets for employment, unemployment, and paid working hours for those at risk of labour market exclusion;
 - (3) benchmarks for regular, stable and adequate hours of paid work for all who seek them;
 - (4) decent hourly wages, including minimum wages;
 - (5) well-resourced and accessible vocational education and training;
 - (6) working with job-deprived communities to strengthen local employment development.
3. Employment services should be adequately resourced to at least fulfil their main purpose, especially to reduce prolonged unemployment:
 - (1) Over time, this is likely to require an increase in funding to at least half the average OECD level as a share of GDP (an increase of approximately \$500 million per year in current dollars);
 - (2) Resourcing should be based on a comprehensive cost-benefit analysis of the effectiveness of programs in reducing unemployment among recipients of social security payments, including (but not limited to) future reductions in the need for income support and increased tax revenues.
4. The single rate of Newstart, Youth and related allowance payments should be raised by \$75 a week, and indexed to wage movements.



2. Participation and agency

People are more likely to find employment (including in a system with formal activity requirements) if they can exercise agency and control over their pathway to a job. This is about much more than a formal choice of employment service provider. In this context, 'agency' means that:

- As far as possible, people are given room to take charge of their own job search, with formal activity requirements and compliance systems acting as a failsafe or backstop (that is, 'intrinsic motivation' is prioritised over 'extrinsic motivation');¹²
- People using employment services have clear rights and responsibilities, and ready access to the means to enforce them;
- Unemployed people are treated with respect, and the power imbalances between them and employment consultants are eased;
- Employment services are accessible (including for people with disabilities and people with limited literacy in the English language) and culturally appropriate (including for Aboriginal and Torres Strait Islander people);
- They are able to exercise an informed choice of provider, and to change provider if not satisfied with the service;
- Their Employment Plans, services and activities are negotiated with them, based on their needs and circumstances as well as available resources. This includes a genuine choice of annual activity options.

¹² Homel J & Ryan C (2010), 'Incentives, rewards, motivation and the receipt of income support.' Occasional Paper No. 32, Department of Families, Housing, Community Services and Indigenous Affairs, Canberra.



EXPERIENCES OF JOBACTIVE USERS

Things to change:

- 'Cultural diversity!' *Female single parent, 50+, Victoria*
- 'The system needs to be less punitive and more helpful. At the moment, the system is a bureaucratic nightmare of red tape and compliance. So much money is being wasted on jobactive employees whose sole purpose is to tick boxes, when what is really needed is individualised specialist support. For example, financial counsellors, social workers, and other support workers that address the needs and/or barriers faced by each individual to help them find work. This one-sized-fits-all approach is not working!' *Female, 25-49, single with children, Victoria*
- 'Trust us, don't assume we are just gaming the system. Drop the over-emphasis on policing the unemployed.' *Male 50+, single, Victoria*
- 'Now they suspend your payment and give you demerit points for being homeless. They don't class that as a reasonable excuse even though Centrelink do.' *Male, single, 25-49, NSW.*
- 'There was about 20 of us in the room and they had one day to get everyone's job plans in place. He [manager] stood there and said if you don't sign off on your job plans today, you'll be cut off,' *Female, single, Victoria*

Things to keep:

- 'Same consultant, real-time, one to one support.' *Single, female, over 50, Victoria*

Directions for reform:

A 'Charter of Rights and Expectations' for employment service users

5. A 'Charter of Rights and Expectations' for users of employment services should be developed in consultation with organisations representing and working with people who are unemployed. This should inform the design of employment programs and license conditions for providers (discussed below), and be clearly displayed in all employment services and on relevant websites. The Charter should include:

[1] A right for people to choose their employment service provider (where more than one is available where they live) and to be given the opportunity to make an informed choice, and to change providers where appropriate.

[2] An expectation that, as far as possible, people have the opportunity to establish an ongoing working relationship with one person in their employment service who is assigned to assist them, and where practicable to choose to work with someone else if that relationship breaks down.



[3] An expectation that employment services and activity requirements will improve each person's prospects of paid employment, and are reasonable and relevant to individual circumstances and aspirations. This includes exemptions (or adjustment) of requirements where a person is unable to fulfil them (for example due to illness, disability or caring roles, or the financial cost of complying with them).

[4] An expectation that, in return, people who are unemployed will take reasonable steps to fulfil these requirements and make the best use of the services available.

[5] A right to be listened to and treated with respect, and without discrimination;

[6] An expectation that the services provided are culturally appropriate, provided in a language the person understands, and that the service will take account of barriers such as low literacy or a physical or psychological disability.

As far as possible, the profile of direct service providers should match that of people in the local community searching for paid work.

[7] A right to privacy, especially of personal information, including privacy of data held online (discussed in detail later).

[8] An expectation that any activity requirements can be clearly understood and complied with, and a right to fair and transparent treatment where compliance with requirements is questioned. This includes clear, transparent written notification of any breach, reasonable opportunities to comply before any penalty is applied, and prompt access to decision-makers at Centrelink and the social security review and appeals system (with any penalties suspended until the review and appeals process is complete).

[9] Centrelink, not employment service providers, should have responsibility for all decision-making on penalties for non-compliance with activity requirements.

Informed choice of provider and job plan activities

Currently, unemployed people have a formal right to choose their jobactive provider, but this is not meaningful in practice and is not exercised by most, especially for people who are new to employment services. In our survey, one-third of respondents chose their provider and two-thirds did not.

Under 'rapid connect' rules, new applicants for unemployment payments who are not assessed as disadvantaged in the labour market are generally given one day's notice to choose a provider, and must register with a provider to receive their first unemployment payment.

The rapid connect rules were designed to discourage people who on the face of it have good employment prospects from persisting with claims for income support, after evaluations



found that some applicants dropped their claims when confronted with a requirement to quickly connect with an employment service provider.¹³

This impoverished approach to employment services is likely to have a number of adverse impacts that have not been evaluated.

First, an unknown number of people who need income support are discouraged from applying. Many of these people are likely to re-apply in the near future, reducing the supposed benefit 'savings' from rapid connect.

Second, people whose main immediate concern is financial survival are forced to quickly choose an employment service provider and 'negotiate' an employment plan. This inevitably results in poor matches between unemployed people and providers and standardised employment plans, undermining personal initiative and agency. People under financial stress have difficulty making complex decisions, so it would make more sense to deal with their income support needs first and then require them (for example, within a fortnight) to engage with an employment service provider.¹⁴

The rapid connect process sends a message at the start of the process to unemployed people that their role in employment assistance is a passive one and the purpose of employment services is benefit compliance rather than positive help to find paid work. It also forces providers to schedule interviews at short notice, undermining the efficiency of employment services.

Once ready to choose a provider, unemployed people do not receive the information they need to make an informed choice. In our survey, 45% of respondents said they had sufficient time and information to make an informed choice, while 55% said they did not. Centrelink should work with providers to ensure detailed information is available to people about the services available from different providers, their performance, and their right to choose a provider.

In our survey, 94% of respondents said it was important to them to have the option to change providers. Currently, people cannot change providers unless the current provider agrees or they demonstrate the relationship with that provider has broken down irretrievably (a standard of proof similar to that required for divorce). This is counterproductive, as the relationship between unemployed people and their provider has an impact on their employment prospects. Within reasonable limits, people should generally be able to act on a decision to change providers.

¹³ Department of Education, Employment and Workplace Relations (2008), 'APM evaluation', Canberra.

¹⁴ Mullainathan S & Shafir E (2013), op cit.



For many people, the process of deciding the contents of an employment plan is one-sided, with the provider taking the initiative. In our survey, 51% of respondents considered that their compulsory activities were not suited to their circumstances, while only 13% considered them suitable. Often the decision-making process over employment plans is either very quick or opaque. Yet 94% of respondents said it was important to them to have a say in the content of their employment plan.

People's capacity to shape their own employment plan would be improved if they were given a range of definite options to choose from. This was a feature of the successful 'New Deal for Young People' program in the United Kingdom, which required people to choose between 'Options' such as education and training, a wage subsidy, or voluntary work.¹⁵ Although participation in these programs was compulsory, this gave them a degree of agency in choosing their pathway to employment.

The capacity of providers to offer people choices such as these is severely constrained by limited resources, especially for those people who are assessed as facing few disadvantages in the labour market.¹⁶ Yet even where resources are provided to finance the compulsory 3-6 month 'annual activity' for people unemployed long-term, people are not always given a clear choice of options.¹⁷ The 'annual activity' is an opportunity to give people greater control over their path to employment.

EXPERIENCES OF JOBACTIVE USERS

Things to change:

- 'Job plans to be truly negotiated,' *Male 50+ single, SA*
- 'Ultimately it felt less like a service and more of a treadmill for Newstart.' *Single male under 25, VIC*
- 'The Work for the Dole threat,' *Single parent, male 25-49, VIC*
- 'Abolish Work for the Dole and significantly increase the number of training courses on offer,' *Female, single, 50+ SA*

¹⁵ Beale I et al (2008), 'The longer-term impact of the New Deal for Young People,' Working Paper No 23, Department for Work and Pensions, Leeds.

¹⁶ We discuss later improvements to the Employment Fund to ensure providers have the resources they need to invest in people who are unemployed long-term.

¹⁷ We discuss the role of Work for the Dole as the default option later.



Directions for reform: Improving choice and control

6. Where there is more than one employment service provider in an area, unemployed people should be able to make an informed choice of a provider that best meets their needs:
 - (1) When they first enter the income support system, they should be given at least a fortnight to choose a provider, and Centrelink and providers should be required assist them with the information they need to choose effectively.
 - (2) Generally, they should be able to change providers once a year without the need to justify that decision.
7. Unemployed people should be given a range of options in their employment plans to fulfil their activity requirements, and encouraged to propose their own activities:
 - (1) Plans should begin with each person's career aspirations.
 - (2) As far as possible, appointment times with providers should be set by mutual agreement.
 - (3) Annual activity requirements, where these apply, should be based on a clear list of options (such as training, paid work experience, and part-time employment) from which people can choose (subject to availability and appropriateness of the option), with the assistance of their provider.

Activity requirements, including job search and Work for the Dole

Activity requirements for unemployed people in Australia are among the strictest in the OECD.¹⁸ They must typically agree to a job plan, attend regular appointments with their jobactive service, apply for 20 jobs each month, and for three to six months of each year of unemployment participate in Work for the Dole (working for their benefits for 15 to 25 hours a week) or other 'annual activities' such as part-time work, part-time study, voluntary work, or a wage subsidy scheme.

If they do not fully comply, their benefits can be suspended, and they may ultimately lose up to four weeks' payments.

¹⁸ Langenbucher K (2015), 'How demanding are eligibility criteria for unemployment benefits: quantitative indicators for OECD and EU countries', OECD Social, Employment and Migration Working Paper No. 166, Paris.



There is evidence to suggest that activity requirements that keep people engaged with the labour market can speed transitions to paid employment.¹⁹ There is also evidence to suggest that, once people are already subject to activity requirements that are regularly monitored and effectively enforced, the addition of extra activation measures and sanctions (such as an interview or stricter job search requirements and tougher penalties) often makes little difference (especially for people unemployed long-term), and that the effects of tighter activity requirements are often short-lived.²⁰ 'Tougher' compliance systems also have a price: increasing the risk of destitution, diversion of resources, and loss of trust in employment services. Success depends on finding the right combination between activity requirements and enabling services for each individual.

While it is necessary to monitor compliance with compulsory activity requirements, if these are not realistic and relevant, they can undermine agency and personal initiative. People speak of 'going through the motions' of formal activity requirements, and how this is an impediment to employment rather than a help. Considerable provider and Centrelink resources are devoted to compliance administration, which could be redirected to positive help with job search and employment preparation.

The vast majority of participation failures are for non-attendance at an employment service provider appointment. This is largely due to the huge number of appointments (3,212,000 from October to December 2017 alone) rather than a high non-attendance rate (29% did not attend, often with a 'reasonable excuse').²¹ Groups over-represented among those who missed appointments include Aboriginal and Torres Strait Islander people, young people, and people with less than 10 years of formal education. Rather than seeking (yet another) benefit compliance solution to the problem of non-attendance, the government should carefully examine the reasons for non-attendance among these groups, and improve the employment services system so that the large investment in interviews (and associated compliance administration costs) is justified by the quality and effectiveness of the interviews people do attend. All too often these are ineffective, low-intensity interventions to monitor job search and related activities.

¹⁹ OECD (2005), 'Employment Outlook', Paris; Martin, J (2015), 'Activation and Active Labour Market Policies in OECD Countries: Stylised facts and evidence on their effectiveness', IZA Journal of Labor Policy, 4:4.

²⁰ OECD (2005), 'Employment Outlook', Paris; Borland J & Wilkins R (2003), 'Effects of activity tests on exit from payments – the 9 months intensive interview.' Melbourne Institute Working Papers 25/03, Melbourne; Van den Berg & Van der Klaauw (2001); 'Counselling and monitoring of unemployed workers', IZA Discussion Papers No. 374, Institute for the Study of Labor, Bonn; McKnight A & Vaganay A (2016), 'The Strength of the Link between Income Support and Activation - Evidence Review.' European Commission, Brussels; Petrongolo B (2010), 'The long-term effects of job search requirements: Evidence from the UK JSA reform,' Journal of Public Economics 93 (2009) 1234–1253.

²¹ Department of Jobs and Small Business (2018), 'Job seeker compliance data', September to December 2017, at: <https://www.jobs.gov.au/job-seeker-compliance-data>



The burden of compliance with attendance requirements at provider appointments could be greatly reduced by offering a 'self-help' service for people with few or no labour market disadvantages (discussed below). This could be backed up by Centrelink (with which unemployed people already have regular contact), thus avoiding 'double handling' and the missed appointments that inevitably result when people are referred from one agency to another in complex service delivery systems.

Simply requiring people to search for more jobs does not necessarily improve their employment prospects.²² The current default requirement to search for 20 jobs a month has been widely criticised by unemployed people, on the grounds that it does not promote effective job search and employers receive too many unsuitable applications.

These problems are acute in regions with high unemployment, and for people who face discrimination or disadvantage in the labour market, such as many people of mature-age. While social security rules offer scope for employment service providers to relax job search requirements, that discretion appears to be rarely exercised.²³

The Discussion Paper acknowledges problems with the '20 jobs' requirement and suggests that, as an alternative, compliance could be tested against a wider set of employment-related activities using a 'points system'. This could, for example, include researching job openings, updating a resume, or participating in job search training, as well as job applications. This alternative is more in tune with the actual job search activities of successful applicants; but unless it is very simple in design and operation, it may require more detailed and intrusive monitoring and people may fail to understand what is required of them. One way to avoid these problems is to keep job applications as the default requirement and allow scope for other activities in lieu of some of the applications.

Another option raised by the Discussion Paper is a time-based compliance system, where people must spend a minimum period of time each week on compulsory activities. While this approach is used in the Transition to Work (TtW) program, it appears that time spent on activities is not closely monitored. Tight monitoring and enforcement of an 'hours requirement' would be intrusive and administratively burdensome, altering the character of a program such as TtW from flexible help to secure employment to a compliance system for unemployment payments.²⁴ Unless a compulsory activity is inherently time-bound (for

²² Department of Education, Employment and Workplace Relations (2008), 'APM evaluation', Canberra; Clement S & Goul Andersen J (2006), 'Availability and incentive effects, a research review', Danish Ministry for Employment.

²³ 20 jobs a month <http://guides.dss.gov.au/guide-social-security-law/3/2/9/30>

²⁴ These problems are illustrated by the British system of time-based surveillance of people's job search efforts, where they are often expected to spend a certain number of hours each week searching for jobs. This system absorbs considerable administrative resources to track people's time use, and leads to inappropriate and



example part-time employment or a training course), monitoring activity requirements based on time spent on them is likely to be counterproductive.²⁵ Spending more time on job search and job preparation does not necessarily improve people's employment prospects.

Regardless of which of these options is pursued, the major flaw in the '20 jobs' requirement – its lack of responsiveness to individual and regional circumstances – should be resolved. Since giving providers discretion to ease this requirement has not worked, a formula-based approach is proposed.

Along with the '20 jobs' requirement, another frequent criticism of activity requirements from unemployed people is the requirement to participate in Work for the Dole, as the default option for annual activity requirements.²⁶ The two main concerns raised about Work for the Dole are that it is not reasonable to expect people to undertake work in return for benefits, and that, in any event, the work is so far removed from regular employment that it does not help people secure a paid job. This is the tension inherent in compulsory work-for-benefit schemes: the closer they are to 'real jobs' the more they should be properly paid, and the further removed they are from mainstream employment the less effective they are as an employment program. The main impact of these programs is the 'referral effect' (people leaving income support so they do not need to participate) whereas participation has little or no effect on employment prospects.²⁷

unreasonable penalties without necessarily improving the effectiveness of job search. See: Welfare Conditionality Project (2018), 'Final findings report' Department of Social Policy and Social Work, University of York, York.

²⁵ Further, it is not reasonable to require people to undertake any form of work experience for more than around 15 hours a week without payment (other than benefits) since they would receive less than the equivalent of the hourly minimum wage in most cases. The present '25 hours' requirement has its origins in the 'full time Work for the Dole' program that was designed as a penalty for so-called 'job avoiders' (Department of Education, Employment and Workplace Relations (2009), 'Welfare to Work evaluation,' Canberra).

²⁶ Annual activity requirement: <http://guides.dss.gov.au/guide-social-security-law/3/2/10/10>

²⁷ See discussion of impacts of employment programs in the Attachment.



EXPERIENCES OF JOBACTIVE USERS

- 'The only work offered was a 4am start 15kms from my home, I had a 11yr old son, and do not drive.' *Female, 50+, single with children, South Australia*
- 'They try to refer me to jobs that are unsuitable as I have 100% sole care of my young child with no childcare options available to me, they book appointments during school holidays despite the fact they aren't meant to and I have to drag my child along to sit in an office for over an hour while they run late only to hand my job search activities to the receptionist 99% of the time cos they are too busy for consultant to see me despite having a booked appointment.' *Female, 25-49, single with children, South Australia*
- 'There are not always 10 jobs per fortnight suitable for me to apply for. Written applications including cover letters, a job specific resume & responses to KSC's can take hours to complete. I spend 7 days a week job-hunting.' *Female, 25-49, single with no children, Victoria*
- 'The services provided me with nothing except elevated levels of stress about attending appointments (which were often scheduled while I was working). At least once I was breached for not attending an appointment for which I was not notified. Again, this required hours of phone calls and emails to correct.' *Female, 25-49, single with children, Victoria*
- 'The demerit points and instantly cutting off from payment if requirements aren't met seems too harsh. It seems like instead of finding an effective solution it is just making it to harder to be compliant. Also the communication of the roll out of the new system was completely ignored in my job consultation and I just luckily I picked up a flyer on my way out. To sum it up, it's a frustrating experience that requires constant mentally energy. I am really worried that something in my job plan is going to change, I'm not going to be aware, and my payment is going to be cut off.' *Female, 25-49, single with no children, Queensland*
- 'I'm just slave labour that the government owns, that they lend out to people.' *Male, 25-49, single with no children, South Australia*

Directions for reform: Job search and Work for the Dole

8. Unemployed people should be offered a choice between a default job search requirement and other activities (which may include job search) that improve their short-term employment prospects:
 - (1) In regions with unemployment rates that are substantially above average, the default job search requirement should be reduced, for example, in proportion to the ratio of the regional to national-average unemployment rate.



- (2) People with part-time requirements (such as principal carers and people with a partial work capacity) should have their default job search requirement reduced accordingly.
 - (3) Groups with substantially reduced prospects of employment (for example, people of mature age) should have their default requirements reduced accordingly.
 - (4) Compliance with activity requirements should not be based on a fixed set of hours of activity (e.g. 15 or 25 hours a week) unless this is an essential feature of the activity (for example, a training course or part-time job).
9. It is not reasonable to expect people to work for their income support. The Work for the Dole program should be replaced by schemes that offer appropriately-paid work experience in regular employment settings. Subject to availability and appropriateness, these schemes would be included among the options available for meeting annual activity requirements.

An online employment services platform

A clear majority of respondents to our jobactive user survey (69%) indicated they would prefer to rely on their own efforts to secure employment rather than a jobactive service (6%). Since a clear majority were also dissatisfied with the assistance received from jobactive, it is difficult to assess whether people would prefer an improved face-to-face service or a self-service option.



EXPERIENCES OF JOBACTIVE USERS

- 'The job service provider just puts you on the computer to look for work.' *Male, 25-49, single with no children, New South Wales*
- 'Limited time to 10 mins, no privacy i.e. appointment was not done in office where others couldn't hear. Was done at front reception and standing. It was tick the boxes so the provider gets paid, nothing done to assist me.' *Female, 50+, single with no children, Victoria*
- 'I need assistance to find work, while not great, my current Jobactive provider is helping.' *Male, 50+, single with no children, Victoria*
- 'The first one was very helpful. I'm better off doing most things for myself.' *Female, 50+, couple with no children, Victoria*

Things to change

- 'Online test to ascertain ability so forgo the need for everyone to have appointments every month,' *Female, 50+ couple with children, SA*
- 'The government and jobactive providers should not assume that all jobseekers have internet access, latest models of mobile phones for apps etc, plenty of mobile phone credit. I am a single parent, struggling to have credit on my simple/cheapest mobile phone, no internet access or apps on my mobile phone, currently homeless with a teenager, staying in a temporary accommodation.' *Female, 25-49, single with children, NSW*

There is a strong case, on grounds of enhanced agency and cost effectiveness, for a self-service stream of employment services for those unemployed people who have reasonably good employment prospects, a clear and realistic view of their employment prospects and pathway, an ability to use an online service platform, and the skills and confidence to undertake job search independently. Those using the self-service stream would not be assigned to an employment service provider. At the same time, it is essential to ensure that people who need a more intensive service with regular face-to-face contact with an employment service provider, receive that service.

We propose a predominantly self-service stream of employment assistance – called the 'core service', backed up by a face-to-face service where needed, for people with good employment prospects. The content of this service, and who would receive it, is described in



detail later. For now, we focus on a key element of the *core service*, an *online platform* for employment services.²⁸

Online service platforms, artificial intelligence, and 'big data' could radically transform the way people use government services in future, with potential benefits and risks for service users.²⁹ They could greatly strengthen agency and choice by giving people the tools they need to find their own path to employment. Designed differently, they could become an instrument of surveillance and control, where personal information is accumulated and shared with a range of government and non-government agencies to more tightly regulate people's behaviour.

The following factors should be carefully weighed up in designing an online employment services platform, and deciding who should use it:

- How to assess who would benefit from self-service, and to what extent people should be able to choose to use it;
- The direct costs associated with use of an online platform, and challenges faced by people lacking computers, internet access, or digital literacy;
- How to train and support people to online services;
- How to give people ready access to the information and tools to assist them with job search online;
- What fall back options (face-to-face and telephone service) should be available, and from whom;
- The degree to which compliance with activity requirements should be monitored online;
- The risks associated with automating decision-making on activity requirements;
- How to protect people's privacy and give them a degree of control over their personal information.

²⁸ As discussed later, this would be backed up by face to face services from Centrelink within the *core service*, and face to face services from employment service providers in a more *intensive service* for people with labour market disadvantage.

²⁹ The impact of online job matching platforms on employment outcomes is not well researched, but as employers increasing use online recruitment channels, it is likely that people unable to use these will be disadvantaged in the labour market. See for example Gürtzgen N (2018), 'Do Digital Information Technologies Help Unemployed Job Seekers Find a Job? Evidence from the Broadband Internet Expansion in Germany.' IZA Discussion Paper No. 11555, Bonn.



We note that the government is trialling online provision of employment services. It is vital that, as soon as practicable, advocacy organisations, and people who use employment services, along with experts in digital service delivery, are invited to work with government on the purpose, design, and evaluation of a future online employment services platform.

Before people are asked to use an online employment services platform, their capacity to use and benefit from an online service should be assessed. This should be done in an initial face-to-face interview with Centrelink (described in more detail later).

One of the main potential benefits of an online employment services platform is direct access to vacancies, which is currently restricted (at least for those in 'Stream A') by jobactive providers. To broaden the range of jobs available to people on the platform, and improve access by employers to unemployed people, it would be desirable to include vacancies registered with private recruitment platforms.

Advice on job search and information on the range of local training and support services available to people, should also be available on the platform.

One of the greatest risks of an online employment services platform is the automation of decision-making. That risk was clearly demonstrated with the government's online compliance system for managing social security over-payments ('robodebt').³⁰ A good starting point for the use of artificial intelligence to enhance (not replace) government decision-making is the government's 'Better practice guide to automated assistance in government decision-making'.³¹

Another major risk associated with the use of online service platforms, especially by compulsory participants in government programs, is the risk to privacy and loss of control over personal information.

Directions for reform: an online employment services platform

10. An *online employment services platform* should be designed, with input from an advisory body including advocacy organisations and people who use employment services, to assist people to maintain the greatest possible control over their job search, supported by:

- (1) Online access to the widest possible range of vacancies;
- (2) Tips on effective job search;

³⁰ ACOSS (2016), 'Submission to the Senate Standing Committee on Community Affairs on the design, scope, cost-benefit analysis, contracts awarded and implementation associated with the Better Management of the Social Welfare System initiative.'

³¹ Australian Government (2007), 'Automated assistance in government decision-making – better practice guide.'



- (3) Information on local training and support services that could help people secure paid employment.
 - (4) Strict privacy protections:
Only information that is needed to monitor and support employment-related activities should be collected, protocols should be developed and published regarding the uses to which personal data will be put and who can access them, people should be able to view all information held at any time and to contest inaccurate information, and out-of-date information should be regularly deleted,
 - (5) The platform should be based on rules and source code that are transparent and publically available.
 - (6) It platform should be regularly tested (including through user feedback) to ensure that it is accessible, non-intrusive, and free of bias against groups in the community.
11. In its initial face-to-face interview with unemployed people (detailed later), Centrelink should assess people's capacity to use and benefit from the online employment service platform; including their access to the internet, digital and English language, literacy, and confidence in their ability to use the platform.
- (1) Those assessed as unable to effectively use the online platform should receive employment assistance in person, or be offered training and support in the use of the online platform followed by a further assessment of their capacity to use it.
 - (2) Where the costs associated with use of an online platform are substantial, people should be assisted with the costs of using an online platform (for example by providing people with pre-paid portable wifi modems).
12. An online employment service platform should *not* be used to automate decision-making on activity requirements and compliance, but could assist decision-makers at Centrelink to monitor compliance with activity requirements, on the following basis:
- (1) Any decisions on participation failures, suspension of payment or penalties for non-compliance should be made by a decision-maker at Centrelink in the first instance, and not automated.
 - (2) Activity requirements could be monitored online in the first instance, with Centrelink as the 'backstop' where non-compliance, or a substantial risk of non-compliance is identified.
 - (3) Online monitoring should be fair, transparent and understandable for unemployed people using the system.



- (4) Online monitoring should not be intrusive or administratively burdensome for unemployed people. For example, the use of facial recognition or locational data for this purpose is inappropriate and unnecessary and should not be permitted.
- (5) The system should give people clear guidance on the options available to them to meet any activity requirements, or rectify non-compliance.



3. Meeting diverse needs

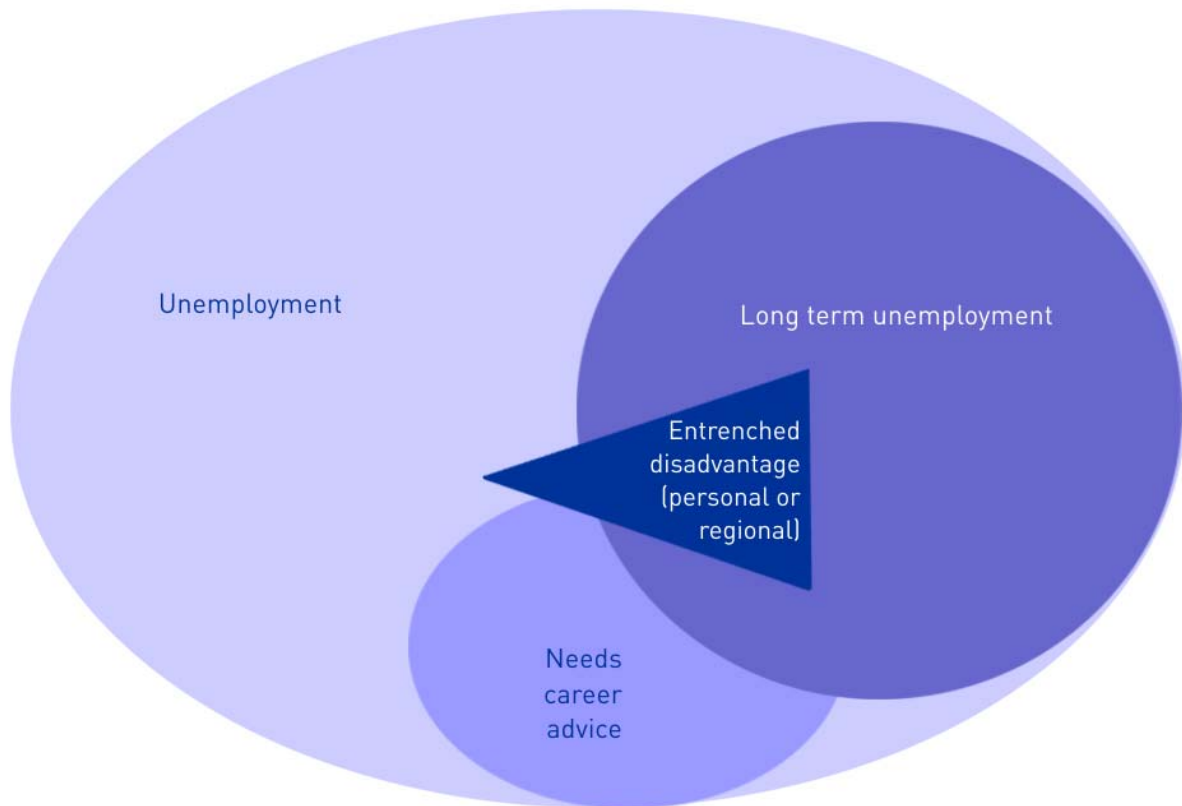
One strength of our employment service system is the availability of different 'layers' of service for people with diverse needs. This is largely based on assessment of people's 'distance from employment', which allows for the equitable rationing of employment service resources according to need (the relative difficulty for people in securing paid employment). To a lesser extent, programs are targeted on the basis of the population group to which people belong (for example, Aboriginal and Torres Strait Islander people).

Tying the 'level' of assistance to people's distance from employment enables the Employment Department (as purchaser of employment services) to allocate more resources to providers to assist those who need more help, without specifying how that help should be provided. This facilitates the personalisation of employment services.

A profile of labour market disadvantage

The profile of unemployed people according to relative distance from employment is illustrated schematically in Figure 2. Approximately half of those receiving unemployment payments through the year (that is, those unemployed at the start of the year plus new entrants throughout the year) have been unemployed for less than 12 months and the other half are unemployed long-term. A small share of those unemployed long-term (plus a smaller share of those unemployed 'short-term') face 'entrenched disadvantage' due to either their individual circumstances and characteristics (for example, a mental illness) and/or the state of the local labour market where they live (for example, unemployment is high in the region and has been for many years, or employers are reluctant to engage people with mental illness). A significant share of all people who are unemployed require career advice because they are entering the aid workforce for the first time, or re-charging their careers after caring for children or family members with disabilities.

Figure 2: A simplified profile of labour market disadvantage



Note: Not drawn to scale.

Over time, many people move from short to long-term unemployment, and from long-term to entrenched disadvantage, so prevention of these conditions is needed as well as services to assist people with labour market disadvantaged to overcome it. As discussed later, those with labour market disadvantage need qualitatively different services to those who are likely to move quickly into employment without substantial help.

Where a group in the population has qualitatively distinct (and greater) need for employment assistance to others, and those distinct needs are reasonably consistent *within the group*, there is a case for offering a separate program of employment services to that group. Aboriginal and Torres Strait Islander communities and people with disabilities are clear examples of groups with distinct employment assistance needs that flow from the unique and entrenched barriers they face in securing employment.

Other programs targeting specific population groups, including Transition to Work for young people who leave school early, the Career Transition Assistance Program for people of mature-age, and Parents Next for parents with preschool age children, have emerged in response to serious weaknesses in the mainstream employment services program (jobactive), which mean it is unable to fully meet their particular needs.



Population-based employment programs have disadvantages as well as strengths. One disadvantage is that they are often inflexible in responding to the diversity of needs *within* their population group. A further difficulty that arises when separate programs are designed for specific population groups is that it can lead to inequitable treatment (where one group receives more favourable treatment than others and this is based on the status of the group rather than individual need or disadvantage). For example, it is not clear why people of mature age and 'young parents' need a career transition service, but not middle-aged parents and carers of people with a disability who are transitioning to paid work after years of full-time care-giving.

Assessment

The 'targeting' of different programs and services to particular groups is a matter for pragmatic judgement. Aside from those groups who clearly need a separate program with qualitatively distinct features, it is usually best to design the 'mainstream' program so that it can respond to diverse needs. This can be done, for example, by offering higher levels of funding for people who are further from paid employment (such as those unemployed long-term), by designing distinct service 'modules' to assist individuals with particular needs (for example, career counselling and support), and by making room in the system for service providers who specialise in assisting certain groups with labour market disadvantage (for example, people who are homeless).

The first step towards commencement in what we describe as the 'core service' (as with all employment assistance) should be an initial face-to-face interview with Centrelink, shortly after people apply for income support. This would focus specifically on employment assistance rather than benefit entitlements, which should already be resolved by this stage.

This initial face-to-face interview is needed to introduce people to the employment services system, explain the choices available to them, agree an initial employment plan, and begin the process of assessing their need for different strands of employment services. Formal assessment of needs and employment capacity using tools such as the Jobseeker Classification Instrument (JSCI) and Employment services assessment tool (Esat) – could also occur in this interview, or be undertaken online if the current online assessment trial demonstrates that that approach yields valid and reliable assessments. However, some things should be formally assessed at this point, including the suitability of the online employment services platform, and whether they should receive the career counselling and support service.

Formal, objective assessment of people's strengths and barriers to employment by Centrelink can help determine which strand of employment services people would enter, and how resources are allocated to providers to assist them. Assessment by Centrelink using credible assessment tools builds confidence in the system of resource allocation, and avoids conflicts of interest (for example, where providers themselves assess the level of financial support they should receive to assist people). The accuracy and acceptability of



these assessments depends on a consistent emphasis on the probability of employment (rather than privileging one population group over another), open access to the methodology used, and an assessment process that encourages people to disclose the information required (which is often sensitive, for example health status).

There is a tension between two objectives of 'employability' assessments:

- to ration more intensive (and costly) services for those who need them most and benchmark expectations of the outcomes providers can realistically achieve; and
- to assist employment service providers and unemployed people to develop employment plans that respond to individual strengths and needs.

It is likely that assessment processes designed for one of these purposes will often be inappropriate for the other.

The development of employment plans should be informed by discussions between unemployed people and consultants, and rely on the quality of the relationship between them. Subjective factors such as resilience and motivation (which have a significant impact on people's employment prospects but are difficult to measure and inevitably biased by the context in which they occur, including the degree of trust in the assessor, and the lived experience of unemployed people at that point in time) are best assessed in this context.

On the other hand, as indicated, decisions on the allocation of people to different types of service and the allocation of resources to providers should be informed by arms-length assessments by a government agency (Centrelink), using objective criteria. Eligibility for each of the four service strands is discussed in more detail later.

Directions for reform:

Four strands of employment services, and assessing the need for each

13. The main employment service in future (which replaces jobactive and some other existing programs) should have four strands:³²

- (1) A '*core service*' for people assessed as having relatively few barriers to employment.
- (2) In addition to the core service, an '*intensive service*' for those assessed as more disadvantaged in the labour market.³³

³² This is shown schematically in Table 1 below.

³³ This could initially comprise about half of those unemployed people who come into contact with jobactive services in a given year (noting that two-thirds of jobactive participants at any point in time are unemployed long-term, one of the key groups that would receive the intensive service).



Both the core and intensive service would use the *online employment service platform*. The core service would primarily rely on the platform, backed up by face-to-face services from *employment advisors in Centrelink*. The intensive service would rely primarily on face-to-face support from *non-government employment service providers*, backed up by the online platform.

Those who need it would also receive, as part of the core or intensive service, early access to a *career counselling and support service*.

(3) In addition to the intensive service, a '*local partnerships*' service for people with complex needs.³⁴

(4) In addition to the intensive service, a '*community employment development service*' for *communities with high and entrenched unemployment*.³⁵

14. All new applicants for unemployment payments should have a face-to-face meeting with Centrelink to assess which strand of employment services they would join:

(1) At the interview, people would be introduced to the employment services system, the choices available to them would be explained, an initial employment plan would be agreed, and (any) activity requirements would be explained.

(2) Assessment of their employment prospects and needs, and the suitability of different service options, would begin at this interview. At the least, this would include assessment of the suitability of the online employment services platform, and whether they are entitled to the *career counselling and support service*.

(3) Formal assessment of the suitability for the core or intensive service (using tools such as the JSCI or Esat) could also occur in this interview, or be undertaken online if the online assessment trial demonstrates that this yields valid and reliable assessments.

(4) There should be scope for Centrelink to reassess people, on the request of the provider or the unemployed person, where the accuracy of the original assessment is in doubt or the person's circumstances substantially change.

³⁴ We expect that this would comprise a small minority of people who currently use jobactive services, who need a qualitatively different kind of service in which local service providers and employers work in a close partnership to assist them. Users of this service would be drawn from groups such as people with mental illness, people with drug or alcohol addictions, recently-released prisoners, and homeless people. This is not necessarily equivalent to 'Stream C' in jobactive, though there would be significant overlap with that population.

³⁵ We expect that this would comprise a minority of ESAs with exceptionally high unemployment rates (relative to the Australian average) that are sustained over a long period of time.



- (5) Assessments would also be renewed at fixed periods, including after 12 months' unemployment.
 - (6) Eligibility for the *local partnerships service* would be undertaken subsequently by a separate assessment panel, while access to the *community employment development service* would depend on where people live.
15. Formal assessments to allocate people to the appropriate strand of employment services, and to allocate resources to providers to assist them, should be designed for those purposes only, and privacy should be respected:
- (1) These assessments should use objective measures of people's strengths and barriers to employment. Subjective measures, such as motivation, would not be included beyond general questions about people's self-assessed employment prospects, as these factors are best assessed by employment service providers once a working relationship has been established between each unemployed person and an employment consultant.
 - (2) The purpose and consequences of assessment should be clearly explained, and individuals should be able to make informed choices about the uses to which their personal data will be put.
 - (3) Assessment criteria and source code should be accessible to the public.
 - (4) Data from assessments that identifies individuals should only be shared with organisations (other than Commonwealth government agencies and jobactive providers assisting the person) with their express permission.³⁶
 - (5) Sensitive information such as health status that identifies individuals should only be shared with agencies (other than Centrelink and jobactive providers involved in assistance for people who are unemployed) with the individual's express permission.
 - (6) Individuals should have access to their personal data on request, and be given reasonable opportunities to correct inaccurate data.
 - (7) Personal data relating to an individual that identifies that person should be destroyed (unless they expressly agree it may be kept) once they have stopped receiving income support and employment services for a fixed period.

³⁶ Subject to access protocols, confidentialised data could be shared with independent researchers for research and evaluation purposes as outlined below.



The core service

The core service would consist of the online service platform discussed previously, backed up with a face-to-face service by employment advisors in Centrelink.

If they are able to use the online service platform, and are not referred to the intensive service, their principal form of employment assistance could be the online platform. However, this must be backed up by face-to-face services from Centrelink, to ensure that no one becomes disengaged, or non-compliant and at risk of financial penalties.

Aside from the initial assessment of digital literacy (discussed previously), a person's need for face-to-face support is best assessed as they use the online platform. If a formal assessment tool is used for this purpose when they first apply for assistance, there is a risk of both under-servicing of people who need face-to-face support (for example, due to major changes in their lives which weaken resilience) and over-servicing of people who can make effective use of the online platform.

People who are unemployed for over 12 months, or assessed as needing a more intensive (face-to-face) service, would not receive the self-service option. Since a major goal of the self-service option is to enhance agency, and we cannot know in advance how effective the online platform will be, individuals should be able to opt in to receive *face-to-face employment assistance from employment advisors at Centrelink* for at least the first year of the new system (unless or until they qualify for the intensive service).

Centrelink is the appropriate agency to offer this 'back-up' service for people with relatively few barriers to employment.

One reason for this is simplicity and accessibility. People already have regular contact with Centrelink for benefit purposes, and it is well placed to manage compliance with activity requirements. If Centrelink provides the 'back-up' employment service, this removes the need for 'double handling' of people who are likely to find employment relatively quickly, and may become disengaged (for example, fail to attend appointments) if referred to another service provider. This is especially likely to occur where contact with the 'back-up' service is intermittent (for example, when people are unable to effectively use the online platform).

Another reason for offering this service through Centrelink is that, in an employment services system where resources are 'saved' for those who are more disadvantaged, employment service providers are unlikely to receive sufficient resources to assist them properly. For example, it is less likely that substantial outcome payments will be available to providers who find them paid work.



In most OECD countries, the public employment service still provides most employment services for people who are close to securing employment.³⁷ The most compelling argument for purchasing employment services from non-government providers is that they can offer a more personalised service for people with major barriers to paid work.³⁸ For this reason, people unemployed long-term are often referred to non-government service providers.

Directions for reform: the core service

16. The core service, comprising the online service platform, backed up with a face-to-face service by employment advisors in Centrelink, would have the following features:
- (1) Participants would not be referred to employment service providers until they qualify for the intensive service.
 - (2) Most assistance would be provided online, where people could amend their employment plan (within guidelines published online), gain access to job vacancies, receive advice on job search methods and support services available locally, and report their job search and other activities pursuant to their plan.
 - (3) People using the core service would have access to back-up support from appropriately-trained employment advisors in Centrelink for:
 - those who have difficulty using the online platform,
 - those who are likely to need assistance with job search,
 - those who are consistently not fulfilling activity requirements, and are at risk of social security penalties, and
 - at least in the first year of the new employment services system, those who elect not to rely mainly on the online service platform.
 - (4) Any referrals to activities or courses, and help with incidental costs (such as work clothing or transport) would come through Centrelink, which would have access to a pool of resources for these purposes.
 - (5) The career counselling and support service described below, where eligible.
 - (6) Financial assistance with incidental costs (such as transport, work-related clothing or tools) drawn from an incidental costs fund (see 'investment' below).

³⁷ Finn D (2016), 'Issues emerging from combining active and passive measures for the long-term unemployed – design and delivery of single points of contact.' Analytical Paper, European Network of Public Employment Services, Brussels.

³⁸ This 'flexibility dividend' depends critically on the design of the purchasing system, as discussed later.



A career counselling and support service

To find the right job, people need a clear sense of their career aspirations, skills and capabilities. People who are new to the labour market (such as education leavers), those who are returning to paid work after a long absence while caring for children or family members (especially sole parents who may have left education early to care for a child), and those who had steady employment in the past but now need to change career direction (especially people of mature age who have been employed in an industry where jobs are diminishing), would benefit from career guidance to set them on the right track and rebuild confidence in their skills and capabilities.

Programs that have met this need, including the Jobs Education and Training program and work preparation programs for sole parents, and the Transition to Work program for young people who left school early, have significantly improved employment outcomes at a modest cost.³⁹

Directions for reform: a career counselling and support service

17. People belonging to the following groups should receive a career counselling and support service within three months of commencing employment services, regardless of whether they are assessed as requiring the intensive service (discussed below):
 - (1) Young people who left school early and have not yet obtained substantial employment.
 - (2) Parents and carers of family members with disabilities returning to paid work after a substantial period (for example two years or more) out of the paid workforce;
 - (3) People aged over 40 years who have either recently lost employment or been out of the paid workforce for a substantial period (for example, two years or more).
18. The career counselling and support service would include:
 - (1) One or more interviews to discuss their career aspirations, assess their qualifications and skills (strengths and gaps), build confidence, and offer guidance on the career paths open to them;
 - (2) Referrals to education and training where appropriate;
 - (3) Assistance with the costs of education, work experience or training, drawing from a modest fund (detailed below) for this purpose;

³⁹ Department of Education, Employment and Workplace Relations (2008), 'Labour Market Assistance – a net impact study', Canberra.



(4) Advice regarding child care and other community services as appropriate.

An intensive service

Many unemployed people (probably around half those currently using jobactive through the year) need more than an online platform and occasional interview with Centrelink to improve their employment prospects. In addition to the online service, they are likely to need regular face-to-face contact and support from an employment services provider, and investment by that provider in assistance such as wage subsidies, vocational training, and mentored work experience with employers.

The need for this more intensive service can be assessed in two ways, and we propose that both methods be used.

First, the probability that a person who is unemployed for less than a year will become unemployed long-term can be assessed by Centrelink, using the assessment tools discussed previously.

Second, duration of unemployment can be used independently to assess people's need for a more intensive service, as long-term unemployment itself demonstrates that people have significant barriers to employment, and it is inequitable to deny more help to people who have already experienced prolonged unemployment.⁴⁰

EXPERIENCES OF JOBACTIVE USERS

- 'I would like to see job service providers resource jobseekers, assist in a holistic way by assessing what is preventing jobseekers from finding work, and engaging them with other activities that will motivate and edify their experiences, re-engage with the community and boost mental health and skills. I have been employed a few times out of applications job network made on my behalf, but those jobs disappear when the subsidy runs out. I have been recommended to great courses, but the encouragement peters out according to government policy, and being forced out of a course when you have it half done is devastating. So I would like to see these providers developing customised plans and supporting clients through their unemployment experience.' *Female, 50+, single with children, Victoria*

⁴⁰ Duell N et al (2016), 'Long-term Unemployment in the EU: Trends and policies,' Economix Research & Consulting.



Directions for reform: an intensive service

19. The *intensive service*, which would be a face-to-face service from non-government employment service providers, would comprise the following:
 - (1) Key elements of the core service, including the online platform, but not employment advisors at Centrelink;
 - (2) Choice of a non-government employment service provider, and face-to-face interviews with that provider, generally at least two-monthly;
 - (3) Intensive services and activities to improve skills and employment prospects, including but not limited to appropriately-remunerated work experience in regular employment settings, vocational and other skills training, referrals and engagement with local employers, professional services (such as psychological counselling) and relocation assistance. These would be offered for an average of six months of every year, as part of the annual activity requirement, once a person is unemployed long-term;
 - (4) To the extent that these services and activities are not already funded under other Commonwealth or State programs, they would be funded using an *'Intensive Services Fund'* (see 'investment' below);
 - (5) The *career counselling and support service* described above, as appropriate.
20. People would be assessed for referral to the intensive service as follows:
 - (1) Individuals who have received employment services for at least 12 months continuously (with the possible exception of those who have consistently been in part-time paid employment), and those assessed as facing a high risk of long-term unemployment (using the assessment tools discussed previously), would be referred to the intensive service.
 - (2) For those assessed as requiring the intensive service, two levels of labour market disadvantage would be assessed, in order to determine the allocation of funding to the provider to assist them (see 'investment' and 'stewardship' below). Access to the first level would be determined using the JSCI or similar assessment tool, and access to the second (more disadvantaged) service level would be determined using an assessment tool such as the Esat. This assessment would be undertaken automatically by Centrelink once a person has received employment services continuously for 12 months.

A local partnerships service

A small minority of people who are unemployed have multiple or complex barriers to employment which require a qualitatively different service: a *coordinated or partnership approach* in which an employment service partners with local community services and



employers to meet a range of needs together in order to prepare them for employment, and support them (and their employer) to sustain a job.⁴¹

An employment services system grounded in competition to achieve short-term employment outcomes is unlikely to provide this kind of service, since intense competition works against local cooperation, and sustained employment outcomes for this group require patient investment in assistance that may not yield short-term results.⁴² On the other hand, previous schemes such as the Personal Support Program often emphasised social support at the expense of a clear line of sight to employment outcomes.⁴³ Early referral to a suitable employer, together with mentoring and support to ensure that people keep this job, is an effective strategy for some, but this requires patient investment in unemployed people and close collaboration with employers.⁴⁴ This is unlikely to occur in an employment services model such as jobactive.

The proposed *local partnership approach* to employment assistance would be more than the sum of its component services. All services would work together with employers to improve their employment prospects, and indirectly, other social, health or housing outcomes.

Examples of funding models designed to encourage and support local partnership working include the *Pathways to Recovery* program for people with mental illness, and the cluster of 'placed based' initiatives under the former *Building Australia's Future Workforce* strategy, including the *Local Connections to Work* program for people unemployed for more than two years.⁴⁵

A major challenge facing these initiatives is how to scale them up and embed them within Commonwealth and State funding systems so that they progress beyond small pilot

⁴¹ The group that needs this type of service is not exactly the same as (and probably smaller in number than) those assessed for 'Stream C' of jobactive services. Assessment for Stream C is based on disability (using the Esat) rather than the need for a coordinated approach to employment assistance (which would ideally be assessed jointly by the relevant service providers).

⁴² Green, C. et al (2018), 'Competition and Collaboration between Service Providers in the NDIS', Centre for Social Impact, UNSW Sydney; Farrow K et al (2015), 'Grand alibis – How declining public sector capability affects services for the disadvantaged,' Centre for Policy Development, Sydney.

⁴³ Department of Education, Employment and Workplace Relations (2008), op cit.

⁴⁴ Killackey E et al (2017), 'Individual placement and support, supported education for young people with mental illness,' Early intervention in psychiatry, Volume 11, Issue 6, pp526-531.

⁴⁵ Department of Health and Ageing (2012), 'Partners in Recovery - Coordinated support and flexible funding for people with severe and persistent mental illness with complex needs'; Swami N (2018), 'The effect of homelessness on employment entry and exits: Evidence from the journeys home survey', Melbourne Institute Working Paper No 1:18; Department of Human Services (2013), 'Building Australia's Future Workforce place-based measures,' Senate Community Affairs Committee Response to Question on Notice No 13:421; Department of Human Services (2011), 'Better Futures, Local Solutions Grants Program Guidelines', Canberra.



schemes.⁴⁶ Reasons for this include a reluctance on the part of the governments to commit substantial funds to relatively expensive schemes whose impacts are not known, 'boundary disputes' between programs and jurisdictions (including fear of cost-shifting between different levels of government), and the tendency of each 'mainstream' program to concentrate exclusively on cost-efficient provision of a specific services to meet specific goals (the so-called 'silo effect'). Partnership initiatives must break through these barriers to collaboration, at the local level, the program level, and governmental level.

Partnerships cannot be forced. No local collaboration will endure unless the partners *want* to collaborate, so programs must be designed to support local action. This is unusual in Commonwealth and State social programs, which are usually built from the top down to ensure accountability to Ministers and Parliaments.

One way to advance program design beyond 'silos' is to develop separate programs for different population groups, such as 'young parents'. As discussed, this has drawbacks since group members have different needs and people need to be able to progress seamlessly from a group-specific program to a mainstream one. Further, many of the services that need to collaborate to assist people with complex needs are themselves 'mainstream' services (such as jobactive and community mental health services), so the challenge of encouraging partnership working among mainstream service providers cannot be avoided.

Another way to encourage partnership working is to give local service providers who elect to collaborate to assist a group of clients with complex needs the tools and resources to do so, provided they offer assistance without discrimination to groups of unemployed people who are assessed with complex needs according to nationally-determined guidelines. In this way national 'targeting' can be combined with local flexibility. Ideally, the entry point to a local partnerships program would be a joint assessment of needs and suitability for assistance by the local partners. This, and the principle of 'case coordination' were key features of Local Connections to Work (LCW), but beyond joint assessment and co-location of some services, no additional resources were provided to facilitate partnership working.⁴⁷

Under these conditions, resource-constrained services for people with complex needs tend to focus on crisis alleviation rather than prevention (or patient investment in longer term goals such as employment). Partnership work, which requires the establishment of common goals and service protocols, regular communication among providers, and constant review and evaluation of effectiveness, is not given priority. Another problem to resolve is how

⁴⁶ This problem here is not pilot schemes per se, rather their lack of progression to permanent, larger-scale programs.

⁴⁷ LCW provided the *entry point* to a coordinated local service, but not the service itself. Department of Human Services (2011), 'Better Futures, Local Solutions, Building Australia's Future Workforce, working document.'



funding and credit for success is shared among the partners, especially if some operate in competition with others.

The appropriate funding mechanism for a partnership service is closer to a traditional grants scheme than the present purchasing system for employment services, which prioritises competition and payment for performance. To ensure accountability for funding, partners would be required to detail in funding applications the approach they plan to take to employment assistance for each target group, and then document how those services are provided to individuals.⁴⁸ To give the scheme a clear focus on employment outcomes, bonus payments should be made where people obtain, and keep, paid employment.⁴⁹

Ideally, State and Territory governments, as well as the Commonwealth, would contribute to the cost of a local partnerships program. This would give all governments 'skin in the game' so that they make room for local services they fund under other programs to work together to assist people with complex needs find employment. It would also alleviate concerns about cost-shifting between governments.

EXPERIENCES OF JOBACTIVE USERS

- 'So much money is being wasted on jobactive employees whose sole purpose is to tick boxes, when what is really needed is individualised specialist support. For example, financial counsellors, social workers, and other support workers that address the needs and/or barriers faced by each individual to help them find work. This one-sized-fits-all approach is not working!' *Female, 25-49, single with children, Victoria*
- 'Awareness of chronic and mental illness. The caseworker my jobactive provider assigned to me did not believe that I suffered from an anxiety disorder until I had two anxiety attacks on their premises.' *Female, 25-29, single with no children, New South Wales*

⁴⁸ Documenting individual needs, circumstances, service plans, and progress are features of effective partnership work to assist people with complex needs (for example, case conferences in health settings). Ideally, the documentation required for funding purposes would be designed with this in mind.

⁴⁹ A clear line of sight to employment is essential in employment assistance for people with complex needs. The previous 'Personal Support Program' funded many useful services for unemployed people (for example, assistance to obtain social housing), but the program did not appreciably increase people's employment prospects (Department of Education, Employment and Workplace Relations 2008, op cit). For this reason, its survival as a national employment program was always in doubt, and it was eventually integrated into Job Services Australia as 'Stream 4'.



Directions for reform: a local partnerships service

21. The *local partnerships service* for individuals with complex needs would incorporate elements of the intensive service (including a face-to-face service from an employment service provider and investment in help to overcome employment barriers) into a coordinated model of service with the following features:
- (1) The over-riding goal of the local partnerships service would be to assist people with complex needs to secure employment that is suited to their needs and capacities.
 - (2) Groups eligible for this program would be determined nationally, based on the *levels of prolonged unemployment* among group members, their *engagement with multiple community or health services*, and their need for services to *work in partnership* with employment services to achieve employment.⁵⁰
 - (3) The program would operate as a grants scheme (with payments described in more detail later) in a given set of regions. An employment service and local community agencies specialising in assisting one or more of the national target groups would apply for funding and approval to jointly provide the service, based on their demonstrated expertise in assisting one of more eligible groups, and a commitment to partnership working, including with local employers.
 - (4) Successful applicants (which could be a single lead provider or a consortium of local agencies), would be approved (and required) to assist individuals within the nominated target group in the region.⁵¹ Only one applicant would be approved in each region to assist each group.
 - (5) All individuals within the target group who receive the *intensive service* in that region would be progressively assessed for referral to this service, in which participation would be voluntary. Assessment would be conducted jointly by Centrelink, the employment service and relevant local specialist agencies in the consortium (for example mental health, social housing services, family support or corrections services).⁵²
 - (6) Employment services offered would be similar to the *intensive service*, except that they would be integrated with other professional services required by each

⁵⁰ Examples would include people with mental illness, people with addictions that are harmful to their health, and released prisoners.

⁵¹ They may operate alongside intensive service providers in a region, but as specialist providers would be fully responsible for the employment service needs of those members of their 'target group' within the region who elect to join the program.

⁵² An assessment tool approved by the Department, possibly based on the ESAT, would be used.



person. Each individual would be assisted jointly by an employment service provider and local specialist services, who in turn would work in partnership with local employers.

- (7) Employment plans for the partnerships program would either begin with referral to a suitable employer or subsidised work experience placement and support people to sustain that employment; or with employment preparation activities followed by employment or work experience placements once the person is ready to undertake them.
- (8) The *intensive services fund* (discussed below) would be available to finance these services and activities, with an additional loading for partnership work.
- (9) Participation in the program would be voluntary and would fully meet individual activity requirements. Program participation requirements may include attendance at interviews and participation in activities relevant to each person's future employment prospects. Agreement to undertake medical treatment or psychological counselling could be a requirement for participation in the program, but would not be a requirement for receipt of income support.
- (10) On entry to the program, individuals would need to give permission to the agencies providing services to them jointly to share personal information (including sensitive information such as health status), provided those agencies commit not to share sensitive personal information beyond the service partnership and Centrelink, without the express permission of the person.

A community employment development service

In a minority of regions with high and entrenched unemployed levels, the *main barrier* to employment for most unemployed individuals is the state of the local or regional labour market. In addition, high levels of regional unemployment that are sustained for years give rise to social and health problems that further entrench unemployment among individuals and families. Many of the communities affected by entrenched regional unemployment are Aboriginal and Torres Strait Islander communities, which have their own additional strengths (such as stronger community cohesion) and challenges (such as dispossession and the undermining of cultural identity and families by colonisation).

Under these conditions, unemployment must be tackled simultaneously at the regional, community and personal levels. Since local communities are well aware of the problems associated with entrenched unemployment, and have tried different strategies to overcome them, they often have a key strength that is lacking in more economically 'fortunate' areas: a willingness among stakeholders to work in partnership to solve difficult economic and social problems and local knowledge of 'what works'.



A system of employment services suited for 'mainstream' communities is unlikely to work effectively in these regions. As the Discussion Paper acknowledges, this is due as much to the design of mainstream programs such as jobactive as the greater difficulty in securing employment for people in regions where unemployment is very high. If a substantial share of funding is tied to employment outcomes, this is likely to leave providers in a financially precarious position. Further, the local collaboration required to overcome the particular challenges faced by unemployed people and employers in these regions is unlikely to occur in a system where providers compete with one another to assist the same employers and unemployed people.

As with employment services for people with complex needs (who are likely to be over-represented in these regions), partnership working is likely to be required among employment services, employers, other community services, education and training providers, and governments (including local governments). This requires a different funding model that invests in partnerships.

Further, employment assistance in these regions should place greater emphasis on employment development and paid work experience, to help overcome the deficit of jobs. This must be done without losing sight of the purpose of employment programs (as distinct from industry development or state development schemes) which is to improve employment outcomes for people who currently unemployed, especially those with major barriers to employment.

We propose that in regions with high and entrenched unemployment, a *community development employment service* be introduced to meet the particular needs of these communities. As with the local partnerships service, this service would be provided by a single provider or consortium. Special attention would be paid to the governance arrangements for the service, so that the views of all key stakeholders are properly represented, both in the development of the service in a given region and in the governance of the service. This includes unemployed people, employers, peak bodies, local government and relevant community services. State or Territory government involvement is also desirable, to ensure that the service and its governance arrangements mesh with existing regional and employment development programs in the region.

Careful attention should be paid to the relationship between the community development employment service and related programs such as the Community Development Program in remote Aboriginal and Torres Strait Islander communities.⁵³ In Aboriginal and Torres Strait

⁵³ ACOSS supports the replacement of the CDP with a program along the lines of the Remote Development and Employment Scheme proposed by Aboriginal Peak Organisations in the Northern Territory (APONT), which has



Islander communities, employment services should be operated by community-controlled organisations and the communities should be fully involved in the design of local programs.

Directions for reform: a community employment development service

22. A *community employment development service* for communities with high and entrenched unemployment would operate as follows:

- (1) The over-riding goals of this service would be to assist unemployed people in a region to secure employment that is suited to their needs and capacities and to strengthen employment in the region.
- (2) Regions would be assessed for inclusion in this program on the basis of their *current level* of unemployment, the *history* of unemployment in the region, and the *willingness and capacity* of relevant community organisations and employers to work in partnership to reduce unemployment and assist those affected.
- (3) Subject to successful application for funding, a single provider, or consortium of agencies, would be approved and funded to assist all unemployed individuals in the region.
- (4) The service would be governed, or formally advised, by a panel comprising local service providers, employers and governments. In Aboriginal and Torres Strait Islander communities, it would be governed by a representative organisation drawn from the community.
- (5) Assistance would be similar to the intensive service, except that a greater emphasis would be placed on partnerships with local employers and subsidised work experience placements, education and training, and where appropriate, local community development activities. Employment development initiatives would also be supported.
- (6) The intensive services fund (discussed below) would be available to help finance these services and activities, with an additional loading for partnership and community development work, and more scope for subsidised work experience opportunities than in other regions.

similar features to this proposal (See APONT (2018), 'Preliminary response to Discussion Paper: Remote Employment and Participation.')



- (7) Activity requirements would be similar to those for the *intensive service*, and would not include working for unemployment payments.⁵⁴
- (8) The government should consult with Aboriginal and Torres Strait Islander organisations over the relationship between this component of the new employment services system and the program that replaces the *Community Development Program* for people living in remote areas.⁵⁵

Table 1: Four strands for future employment services

	Core service	Intensive service	Local partnerships service	Community employment development service
For whom?	All, except that Centrelink employment advisors would not be available for people assisted in the other service strands	People unemployed for 12mnths+ and those at risk of long-term unemployment	People with complex needs (major personal & social barriers to employment, e.g. mental illness)	Communities in regions with high & entrenched unemployment
Description of service	Online employment services platform, with access to a wide range of job vacancies, online advice, and (modest) training programs; Backed by face-to-face assistance from Centrelink employment	Core service, plus regular face-to-face support from an employment service provider (rather than Centrelink employment advisors). More substantial investment in services and activities to	The intensive service, provided in partnership with local community services and employers, with a focus on preparation for employment, professional services, & support to sustain employment.	The intensive service, provided in partnership with local employers, government & community agencies, with a focus on opening up employment and paid work experience opportunities for people

⁵⁴ ACOSS opposes this feature of the Community Development Program (ACOSS 2015, 'Submission to Senate Community Affairs Committee for its Inquiry into the Social Services Legislation Amendment (Community Development Program) Bill 2015').

⁵⁵ Whether that scheme should be administered by the Department of Prime Minister and Cabinet or Jobs and Small Business, or another Department, should be the subject of consultations by government with the communities affected.



	Core service	Intensive service	Local partnerships service	Community employment development service
	advisors, as required.	strengthen skills, work experience & job prospects.		experiencing prolonged unemployment.
Career counselling & support?	<p>Yes, for young early school-leavers, parents, carers and mature-age people, without recent paid work experience.</p> <p>Includes career counselling, skills assessment and referral to suitable training, within 3 months of commencing employment services</p>	<p>Yes, for young early school-leavers, parents, carers and mature-age people, without recent paid work experience.</p> <p>Includes career counselling, skills assessment and referral to suitable training, within 3 months of commencing employment services</p>	<p>Yes, for young early school-leavers, parents, carers and mature-age people, without recent paid work experience.</p> <p>Includes career counselling, skills assessment and referral to suitable training, within 3 months of commencing employment services</p>	<p>Yes, for young early school-leavers, parents, carers and mature-age people, without recent paid work experience.</p> <p>Includes career counselling, skills assessment and referral to suitable training, within 3 months of commencing employment services</p>
Provided by:	Online by Dept of Jobs and Small Business (DJSB), backed up by a face-to-face service from Centrelink employment advisors, as required	Non-government organisations licenced to provide employment services	Consortia of local employment services and specialist health, housing or community services	<p>A community-based consortium including an employment service, employers, local government and community services;</p> <p>First Nations community-controlled organisations where appropriate⁵⁶</p>

⁵⁶ Where the local community is predominantly of Aboriginal or Torres Strait Islander background.



	Core service	Intensive service	Local partnerships service	Community employment development service
Assessment for referral to this service	Face-to-face assessment by Centrelink on commencement, using an assessment tool. ⁵⁷ Includes assessment of capacity to use the online platform (with Centrelink back-up and/or digital training for those needing it)	Face-to-face assessment by Centrelink on commencement, using an assessment tool based on objective indicators of the risk of long-term unemployment. Two levels of labour market disadvantage are identified	Joint assessment by Centrelink & local partner agencies of intensive service participants who fall within national 'target groups'. Participation to be voluntary, with intensive service as the default option.	Access to service is based on location, with other individual assessments undertaken as required.
General service payments	No	Yes: higher than for jobactive to help reduce caseloads	Yes: as the major component of funding, to facilitate 'case coordination' and partnership working	Yes: at a higher level than enhanced services to facilitate partnership working and effective local governance
Incidental expenses fund	Yes, after 3 months' unemployment: for fares, licences, tools, etc	Yes: for fares, licences, tools, etc	Yes: for fares, licences, tools, etc	Yes: for fares, licences, tools, etc
Investment fund	Maybe: for modest outlays on short courses, etc	Yes: credited annually from entry to intensive service, for paid work	No: these expenses are met through	Yes: credited annually from entry to intensive service, for paid work

⁵⁷ The formal assessment tool could be administered online after the introductory Centrelink interview, subject to verification of the accuracy of online assessment.



	Core service	Intensive service	Local partnerships service	Community employment development service
		experience, training, mentoring, relocation, etc. Approval subject to guidelines for each major category of assistance	general service payments	experience, training, mentoring relocation, with additional resources for paid work experience Approval subject to guidelines for each major category of assistance
Outcome payments	No	Yes: for employment outcomes above benchmarks (higher if unemployment was already prolonged, or the person was assessed at a higher level of disadvantage)	Yes: for employment outcomes above benchmarks (higher if unemployment was already prolonged or the person was assessed at a higher level of disadvantage) but outcome payments form a smaller share of funding	Yes: for employment outcomes above benchmarks (higher if unemployment was already prolonged or the person was assessed at a higher level of disadvantage); but outcome payments form a smaller share of funding
Choice & agency	Largely a self-help service	Choice of provider, activities and services, within the scope of approved activities	Voluntary scheme, single local provider, choice of services and activities within the scope of approved activities	Single local provider, choice of services and activities within the scope of approved activities
Activity requirements:	Default number of job applications per month, reduced where job prospects are low; and/or approved work preparation	Default number of job applications per month, reduced where job prospects are low; and/or approved work preparation	Participation in program; Job search and program activities as agreed and appropriate	A reduced default number of job applications per month, and/or approved work preparation activity (which may



	Core service	Intensive service	Local partnerships service	Community employment development service
	activity (which may reduce the number of job applications required)	activity (which may reduce the number of job applications required) Annual 3-6 month activity for people unemployed long-term, with choice among options (not including Work for the Dole)		reduce the number of job applications required) Annual 3-6 month activity for people unemployed long-term, with choice among options (not including Work for the Dole)
Licensing		Provider must hold licence issued by independent authority (to meet quality standards)	Provider must hold licence issued by independent authority (to meet quality standards)	Provider must hold licence issued by independent authority (to meet quality standards)
Allocation of places	N/A	Each local provider in ESA is allocated a minimum and maximum share of places for at least 3 years, based on a 'rolling' application process and previous performance. Number of providers per ESA is capped	Single provider (consortium) for each region/client group	Single provider (consortium) for each region



4. Purchasing services and outcomes

The shape and quality of services provided on the ground depends as much on the way they are funded as the amount spent. Employment services programs in Australia and other OECD countries have used a range of funding systems from grants for specified services through to payments for employment outcomes achieved.

Grants-based funding on a cycle of at least three years provides greater certainty and (potentially) accountability to government for the services provided, but requires detailed monitoring to ensure that services are provided and can reduce flexibility to adjust services for individual needs. Deadweight costs increase to the extent that providers focus on service inputs (for example, referring more people to training courses) rather than employment outcomes.

Providing a substantial share of funding up-front shifts more of the risk of funding to government and is especially important for new services provided by smaller not-for-profit organisations with limited access to capital.

Outcomes-based funding strengthens provider's focus on results and *potentially* gives them more room to experiment with different approaches to employment assistance.

However, the value-added by providers is difficult to measure, so deadweight costs are likely to remain high if the purchaser pays for every employment outcome. An over-emphasis on funding to outcomes has adverse effects including 'parking', 'cream-skimming', and a lack of up-front funding for smaller not-for-profit providers can restrict diversity among providers.⁵⁸

Performance measures such as the 'star ratings' attempt to overcome this measurement problem by benchmarking employment outcomes against those achieved by other providers (by controlling for different client profiles and local labour market conditions). If it is possible to estimate reasonably accurately the outcomes a provider would achieve (given its caseload and labour market conditions) if its performance was 'average'; then only outcome payments above that benchmark level (not those well below it) should be rewarded.

This would greatly reduce the deadweight cost of outcome payments, and would also greatly increase incentives for providers to improve the employment prospects of people disadvantaged in the labour market, to the extent that providers must rely on outcome payments to remain financially viable. Since a predictive model of this kind would not always

⁵⁸ Finn D & Johnson R (2014), Experience of OECD Countries in Contracting Employment Services: Lessons for the Kingdom of Saudi Arabia. Human Development Group (MNSHD), World Bank.



be accurate, it would be best to choose a single benchmark outcome rate based on the profile of each provider's clients.

The *level* of outcome payments should still be graduated according to the degree of difficulty in securing employment for individuals, including their duration of unemployment.

Evaluations of outcomes-based employment services programs in which there is little or no specification of service inputs (in Australia and elsewhere) have found that this usually leads to service standardisation rather than innovation, with most providers concentrating on the least costly (and least risky) path to a short-term employment outcome: supervised job search (often supplemented by motivational strategies).⁵⁹ Under these conditions, providers usually under-invest in more substantial (and costly) help, even where this may substantially improve medium to long-term results.

In our survey of jobactive users, over 75% of respondents had not received from their provider each of the following: a job referral, wage subsidy, referral to a training course, financial help with the costs of training, or referrals to health or other community services. Yet there were twice as many respondents (24%) reporting they were classified in Streams B or C, compared with 11% reporting they were in Stream A and 64% of respondents were unemployed long-term. It is unlikely that less than 25% of respondents did not need one or more of these services.

An innovation in employment services purchasing developed in Australia in response to under-investment by providers in assistance (such as wage subsidies and training) for people more disadvantaged in the labour market is the 'employment fund'.⁶⁰ This is a pool of funds quarantined for expenditure on service inputs from wage subsidies through to help with incidental expenses such as work boots. In theory, this allows providers to experiment with different interventions without putting too much of their own funds at risk and without excessive control over service inputs from government.

While the employment fund is understandably subject to criticism that is complex to comply with, the alternative is to establish a set of separate employment service programs to ensure that people unemployed long-term receive the help they need. This approach introduces complexity in another form. A good example of this is the various wage subsidy schemes established for different target groups in recent years. These were eventually

⁵⁹ Considine M et al (2012), 'Increasing Innovation and Flexibility in Social Service Delivery: Australian Report back to Industry Partners,' School of Social and Political Sciences, University of Melbourne; Bredgaard T & Larsen F (2008), 'Quasi-Markets in Employment Policy: Do They Deliver on Promises?' *Social Policy & Society* 7:3, pp 341–352.

⁶⁰ Australian government (2002), 'The active participation model.' Canberra; Department of Education, Employment and Workplace Relations (2012), 'Employment Pathway Fund evaluation,' Canberra.



integrated with the employment fund because it was considered more efficient to give employment service providers access to wage subsidies within the fund.

In practice, providers have been reluctant to risk substantial investment in people whose employment prospects (without assistance) are below-average, and governments have been reluctant to allow providers to spend these funds at their own discretion without detailed guidelines and restrictions (which change over time, creating uncertainty). As a result, the fund is often under-spent.⁶¹

Even if jobactive providers use all of the funds currently available, they are unlikely to be adequate to meet the needs of the majority of people unemployed long-term. Only one credit to the fund is made for the duration of a person's unemployment spell, despite the fact that many people are now unemployed for two years or more.⁶²

A further problem with the employment fund is that it is used for two qualitatively different purposes: to help people with incidental expenses and to invest in more substantial help such as work experience and training. Given the reluctance of providers to invest in more substantial help for people unemployed long-term, this leads to displacement of investment in favour of incidental costs for people less disadvantaged in the labour market.

Given the strengths and drawbacks of these different funding models, we propose that a hybrid purchasing model be used for future employment services, which seeks to draw on the strengths of funding for service inputs (general service payments), payments for outcomes, and funds for investment respectively.

Each of these components would be used in different ways – detailed below - to fund the four strands of employment assistance proposed above.

⁶¹ This is not only due to the design of the fund. An employment services system that funds to short-term outcomes and places providers under competitive pressure to achieve them encourages low-level job search assistance strategies rather than patient investment in help (such as substantial vocational training) that may make a greater difference over the longer term.

⁶² Credits are not tied to spending on an individual, so providers can 're-allocate' credits from one unemployed person to another, but the overall investment is too low to make a difference on a large scale.



EXPERIENCES OF JOBACTIVE USERS

- 'They seem to be stretched so thin, I'm sure that individually they're fine at their jobs but due to the sheer volume of people they need to deal with, you'd never know.' *Female, <25, single with no children, Victoria*
- 'They need to know and understand all the issues facing job seekers, like getting to transport, phone, and travel times. I live in a Telstra Shadow area. I live 3 kilometres from the nearest Bus Stop and half of that is on an unmade road with only two buses leaving am. The last at 7.12 am which means I would have to walk in the dark using a torch on a muddy gravel road unless my husband can drive me.' *Female, 50+, coupled with no children, Western Australia*
- 'The government should look more carefully at how jobactive providers spend their money. We were forced to attend training which was useless. I could not get a job with that training, it only benefits training institutions and jobactive providers who get money from the government not for us.' *Female, 50+, single with children, Victoria*

A hybrid purchasing model

Directions for reform

23. The Department should purchase employment services from non-government service providers using three types of payments, applied in different combinations to the four service strands outlined above:

- (1) General service payments;
- (2) Two quarantined funds – one for incidental costs for unemployed people and another for major investment to overcome barriers to employment;
- (3) Outcome payments.

General service payments

Directions for reform

24. General service payments for the *intensive service* would be made on a regular basis to meet the typical costs of interviews, assessments, and reporting requirements:

- (1) These would be set at fixed rates per person in the intensive service (well above current service fees paid to jobactive providers in order to reduce caseloads) with loadings for above-average costs, such as high transport costs in regional areas and interpreters.
- (2) They would include an up-front payment for new service providers that could be drawn down from future general service payments;



- (3) In return, providers would be expected to organise interviews for each person at least once every two months, and more frequently for individuals with greater need for regular contact.
25. General services payments for the *local partnerships service* would be allocated in two parts: payments to meet start-up costs for local collaborations among non-government services to assist people with complex needs, and regular payments once the service is established:
- (1) Payments for start-up costs would be based on successful applications from local consortia, and would vary according to the expected size of the caseload, the range, number and resources of organisations joining any consortium, and the complexity of the needs of the client group(s).
 - (2) Regular payments would be set at fixed rates per client, which would vary according to the complexity of their needs. Together with outcome payments (below), these payments would be expected to meet typical service costs.⁶³ Providers would not be required to acquit these expenses, but would be expected to report on the services provided to each person and outcomes achieved.
 - (3) Since many of the services provided by partner organisations would be funded by State and Territory governments under programs that come within their field of responsibility (for example, mental health services), the Commonwealth government would seek agreement from State and Territory governments to share the cost of the partnership service (see 'governance and stewardship' below).
26. General service payments for the *community employment development service* would also be allocated in two parts: payments to meet start-up costs for local collaborations among non-government and local government services to assist people in regions with high and prolonged unemployment, and regular payments once the service is established:
- (1) Start-up payments would be based on successful applications from local consortia, and would be designed to meet reasonable costs to establish a suitable local governance model for the service, undertake a local needs

⁶³ These costs may include governance costs for local consortia, joint interviews with intensive service participants to assess the suitability of the partnership service to meet their employment assistance needs, regular interviews with clients, mentoring services, employer partnerships and support, and reporting requirements for the partnership service. They would also include investment in work experience, training and other support, since the intensive service fund described below would not be available for the partnership service.



assessment, promote the program in communities, and involve unemployed people and employers in program design.

- (2) Regular payments would be set at fixed rates per eligible unemployed person in the region, which would vary according to individual labour market disadvantage, the state of the local labour market, and related services required by local employers (for example, human resources support for those who agree to employ an intensive service participant).
- (3) The regular payments would be higher than general service payments in other regions, as the service provider would face additional costs including maintenance of workable collaborate governance arrangements, and closer engagement with employers, unemployed people and community organisations. In larger or more remote regions, providers would face above-average travel and communication costs.
Providers would not be required to acquit these expenses, but would be expected to regularly report on the services provided, and their effectiveness.
- (4) General service payments would not cover the cost of services and activities that can be met by the intensive service fund (below), which would also be available to these providers.

Funds for incidental costs and investment

Directions for reform

27. An *incidental costs fund* would be available to all providers to offer individuals in all service strands financial assistance with incidental costs such as transport, licenses, work-related clothing or tools:
 - (1) This fund would be allocated to Centrelink and employment service providers and capped on a regional basis, according to the profile of costs typically faced by unemployed people in the region (for example, transport costs in regional areas with limited public transport) and the profile of unemployed people assisted by each service provider.
 - (2) The fund could only be drawn upon for a specified schedule of expenses, together with any similar costs approved on a case-by-case basis by the Department, and expenditure would be acquitted by providers (this process could be simplified through Departmental approval of bulk purchases).
 - (3) Any unspent credits at the end of each year would be retained by the Department.
28. An *intensive service fund* would be available to providers of intensive services (including the community employment development service, but not the local partnerships service) to help finance intensive services and activities to improve skills and employment prospects:



- (1) The fund could be drawn upon for a schedule of services and activities; including appropriately-remunerated work experience in regular job settings; vocational and other skills training; development of memoranda of understanding with local employers to work with providers to fill vacancies with people in the intensive service; professional services (such as psychological counselling); and relocation assistance; together with similar services or activities approved on a case-by-case basis by the Department.
- (4) It would be credited with fixed amounts *for each year of unemployment* for each person in the intensive service, with higher amounts credited for those assessed as more disadvantaged in the labour market and those who are unemployed for prolonged periods.
- (5) Providers could draw upon the fund to assist their current intensive service caseload, and would not be required to allocate resources to each individual according to credits accrued for that person. Remaining credits in the fund at the end of each year would be retained by the Department.⁶⁴
- (6) Funding guidelines would be developed for each major category of services and activities in the schedule. In this way, separate funding programs such as wage subsidies, could be integrated into the main employment services program.
- (7) In the case of work experience programs, the guidelines would include minimum levels of remuneration for participants (which should be no less than the National Minimum or National Training Wage, as appropriate, for work experience extending beyond 4 weeks), arrangements for working times and supervision, and protections for participants and existing employees in the workplace (e.g. against unsafe work environments and displacement).
- (8) Education and vocational training programs should either attract qualifications at AQF2 level or higher, or be linked to a specific job.
The current blanket restrictions on people undertaking courses that are not linked to a specific job should be removed, so that people can undertake suitable approved study or training for up to 12 months on a full-time basis while receiving unemployment payments.
Any funding of such courses should supplement, and not displace, Commonwealth and State/Territory education and training programs.
English language and other basic literacy courses should be sufficiently intensive to achieve competencies typically required by employers.

⁶⁴ Allowance could made to roll over excess credits after a provider's first year of operation.



- (9) Services and activities financed using this fund should have an intensive character: for example any funded activities would usually be offered for at least three months (for example, as part of the 3-6 months of annual mutual obligation activities for people unemployed long-term).
- (10) Services and activities could be purchased by providers from unrelated organisations such as VET providers, or offered 'in-house' by the provider or a related entity, but providers would have to justify the funding of in-house or related entity services on cost-effectiveness grounds, and a stricter reporting and acquittal process would apply.
- (11) The Department would collect information on the range of services and activities offered to individuals that are financed through the intensive services fund, for the purpose of evaluation and service improvement, and to share 'best practice' with providers. Sharing of such information would be a condition of funding.

Payments for outcomes

Directions for reform

- 29. Providers would also receive payments for outcomes achieved above a benchmark level (equivalent to the employment outcomes likely to be attained in the absence of the service). The benchmark would vary by region and the average employment prospects of those using their service:⁶⁵
 - (1) Different rates of outcome payment would apply, depending on duration of unemployment.
 - (2) Smaller outcome payments could also be made for intermediate outcomes such as the attainment of qualifications.
 - (3) For intensive services (other than the local partnerships and community employment development services), the share of outcomes payments in overall funding would be set so that a provider could 'break even' (in the absence of independent funding sources) only by reaching their benchmark.
 - (4) In the local partnership and community employment development services, greater emphasis would be given to intermediate outcomes (such as attainment of qualifications) and benchmarks for employment outcomes (given the nature of their caseloads and regional labour markets) would be lower.

⁶⁵ This could be measured using regression analysis similar to that used in the current 'star ratings' system.



5. Stewardship and governance

Our employment services system is often described as a 'market' or quasi-market, yet it lacks many of the key features of a functioning market. It is more accurately described as a government purchasing or contracting system for employment services (with government as the sole or monopsony purchaser). Successive governments have learnt in Australia and elsewhere that they must do much more than tender for contracts, develop a coherent set of payments and other incentives, and leave it to the forces of competition to ensure that unemployed people and employers receive a decent service that is cost-effective.

Even if the proposals in this submission to strengthen the ability of unemployed people to exercise greater agency in their choice of provider and use of employment services are implemented, there are limits to the extent that unemployed people can exercise real influence over the quality and responsiveness of services. Those limits include the inevitable power imbalance between unemployed people and providers, and a lack of information (in most cases) about the range of services that could *potentially* be offered to meet individual needs. If the allocation of places to providers was determined solely on the basis of a provider's capacity to 'recruit' unemployed people, this knowledge gap is as likely to be filled by provider investment in advertising and promotional activities as attempts to offer a 'competitive', personalised service.

Governments that adopt a 'black box' model of contracting for employment services (where service inputs are not specified and the purchaser relies on tender processes, outcome fees and competition among providers to ensure a quality service) face significant risks. This approach conflicts with the usual audit and accountability processes for government programs. If legislators cannot directly observe the services people receive in return for public funds, and there is evidence of abuse of the discretion given to providers (for example, wastage of funds on inappropriate in-house training or inappropriate claims for outcome payments), governments soon come under pressure to monitor and control service inputs. In this way, the pendulum can swing from 'black box' purchasing systems (where governments seemingly only care about outcomes) towards detailed and costly administrative control over services by government departments.

As with similar contracting arrangements, the solution is for governments to exercise active *stewardship* over their 'service supply chain'. By necessity, this requires some specification of service inputs and standards as well as outcomes, and careful monitoring of the quality and effectiveness of services provided. In this way, the extremes of over and under-regulation can be avoided.

In addition to the hybrid system of payments for employment services described above, an effective system of governance and stewardship for the purchase of employment services would have three elements:



- (1) Licensing for quality;
- (2) Balancing choice, stability, diversity and performance in the allocation of program places;
- (3) Improving effectiveness through evaluation and sharing of best practice.

Licensing for quality

The Discussion Paper proposes that a *licensing system* be introduced for employment services, and implies that access by providers to local employment service 'places' would be regulated by licenses alone. Once a fixed number of licenses are issued for each region or ESA, providers could compete to attract participants as long as they meet performance benchmarks and other license standards.

Yet it is also possible to separate licensing from the purchasing of program places, and for different agencies to be assigned each of those functions. In this model, which we prefer, an independent regulatory body would issue, review, and revoke licenses whose purpose is to assure a minimum standard of service for unemployed people and employers. Licenses could be issued in perpetuity (subject to review and compliance) and need not be tied to a particular region or allocation of program places. The purchasing department would determine the number of providers that can operate in each ESA, allocate places (within limits, as discussed below) to ensure a degree of funding stability, and ensure that performance benchmarks are achieved.

This approach avoids conflating regulatory and purchasing roles, and gives government greater flexibility to balance three important objectives: service stability, user choice, and provider diversity.

If licenses are issued in perpetuity, this would help ensure that a 'ready shelf' of licenced providers is available to meet gaps in services within an ESA, for example where a provider consistently fails to achieve benchmark performance standards, and loses funding. It is unlikely that organisations would renew their license over a number of years without providing an employment service, but if licences were issued on a national basis, existing providers in nearby ESAs could be invited to bridge any service gaps.

As with other community service programs, including the NDIS, licensing is best undertaken by a statutory authority independent of the purchasing department. This would issue, review and revoke licences in accordance with a set of quality standards, act as a 'watchdog' for service users (people who are unemployed and employers), and facilitate service improvement through the sharing of best practice and data.

The quality standards should extend beyond bare minimum requirements such as good governance, financial viability and ethical practice. They should include measures of the accessibility and responsiveness of services to user needs (unemployed people and employers), a capacity for users to rate their provider, and appropriately qualified front-line staff.



Over many years, unemployed people, employers and experts have raised concerns about the capacity of the employment services workforce to assist people disadvantaged in the labour market while meeting the needs of employers. Critics (including many unemployed people responding to our survey) have pointed to the limited qualifications and experience of a significant minority of consultants, and high staff turnover (currently over 40% a year). In our survey, in response to the question: 'Do you think jobactive consultant/s you've dealt with have been well-skilled and suited for the job?' 11% said yes and 65% said no.

These are not the only reasons for poor-quality service. Consultants work in high-pressure jobs and are constrained by high caseloads (averaging around 150), the heavy administrative component of their work, limited discretion and agency, and a competitive environment where their job security is limited.⁶⁶ Other proposals in this submission address those problems.

Nevertheless, the limited qualifications and experience of many front-line staff is cause for concern. In other community services for people facing disadvantage, such as health care, child care, and education, front-line staff are required to hold minimum qualifications. Despite years of effort by peak organisations, minimum standards for skills and qualifications have not been agreed across the industry, and it is unlikely that this will occur unless it is ultimately imposed as a condition of funding. Otherwise, providers who invest additional funds to employ and train suitably qualified staff will be placed at a competitive disadvantage.

Any requirement for a minimum qualification to provide employment services should be developed in close consultation with providers and representatives of people who are unemployed and employers, and introduced gradually. Recognising that a wide range of skills and personal qualities can be utilised to assist people find paid work, a wide range of relevant qualifications should be accepted. This should include recognition of prior learning where people with appropriate skills do not currently hold relevant formal qualifications. A licensing requirement for front-line staff to be appropriately qualified should trigger the development and expansion of training courses (at diploma or degree level) to bridge skills gaps in the sector.

⁶⁶ Considine M et al (2012), op cit.



- EXPERIENCES OF JOBACTIVE USERS
- 'I often felt emotional and frustrated by the service. Changing staff members, lack of knowledge to assist me personally and having to complain to the manager multiple times.' *Female, 25-49, single with children, Victoria*
- 'I guess I have been lucky that the people I have worked with have been respectful but I know of many people who have been treated very badly.' *Female, 50+, single with no children*
- 'While my consultant is always so friendly and casual, he rarely remembers who I am and I find myself having to rehash issues and conversations numerous times. I understand there's a large number of clientele but I think I would benefit from a more personal approach.' *Female, 25-49, single with no children, Queensland*
- 'I am spoken to with distrust and distain, I have my payments threatened every time I interact with my job provider. They make it very clear they are not here to help me, but to catch me out on behalf of the government and stop my payments.' *Male, 25-49, single with no children, South Australia*

Directions for reform: licensing for quality

30. Providers of employment services would be required to hold a current license to provide employment services to specified groups in a given region, issued by an independent statutory authority. Their purpose would be to assure quality service standards rather than allocate 'places' to providers or manage their performance in achieving employment outcomes:

(1) Licenses would be issued to applicants who demonstrate governance and financial capability and a capacity to meet national quality standards, and would be held (subject to regular review) for as long as they remain available to offer the service (or are providing it).

(2) The core elements of service quality standards would include:

- Governance and financial capability;
- Adherence to ethical principles;
- Suitably qualified direct service staff (minimum qualifications would be developed in consultation with organisations representing providers, educators, and service users, and 'recognition of prior learning' principles would apply);
- Cultural appropriateness (responsive to the profile of service users);



- Accessibility (including for people with disability and people who are not proficient in the English language);
 - Capacity to assist people with complex needs, as appropriate;
 - Minimum service standards for assistance to employers;
 - Robust internal mechanisms for feedback, complaints and dispute settlement with service users, including a capacity for unemployed people and employers to publicly 'rate' their providers;
 - A commitment to service evaluation and improvement, including through the sharing of information on best practice.
- (3) A higher level of accreditation (beyond compliance with minimum acceptable standards) could be awarded to encourage service improvement and to send a signal to service users about service quality. This level of accreditation would not be required to hold a licence.
- (4) The licensing authority would monitor the satisfaction of service users (unemployed people and employers) with their providers and field complaints from users.
- (5) The authority would work with providers, the purchasing Department, and Centrelink to share 'best practice' and involve users in the design of services (including online services) that are responsive to user needs and views, and which facilitate user choice and agency.

Balancing choice, stability and performance

A degree of financial stability for employment services is vital to stem high staff turnover, give providers room to invest in assistance for people facing labour market disadvantage, forge relationships with employers and partner with local community services. It is also desirable to avoid the widespread disruption that is associated with major national tenders.

It is widely believed that the quality of service provided in the TtW program is generally superior to jobactive. One reason for this is the less rigid approach to compliance (and greater agency for unemployed people) in TtW. Another reason is financial stability, with more funding provided up-front and a guarantee that a certain number of places will be purchased by government.

A significant drawback of the TtW model is that, since there is only one provider in each ESA unemployed people cannot choose among providers. Given the strong preference expressed by respondents to our survey of unemployed people to exercise that choice, and the likely benefits of greater choice and agency for employment outcomes, the new employment services model should, as far as possible, permit people to choose between at least a small number of local providers.



The tension between this objective (choice) and funding certainty is not straightforward to resolve. On balance, the best solution is to limit the number of providers competing for places in each ESA and set minimum and maximum shares of places for each provider for a fixed period (at least three years) so that a degree of funding certainty can be assured.

Since many unemployed people will not exercise their choice of provider, the Department could allocate those who do not choose in such a way as to maintain these minimum and maximum 'shares'.⁶⁷ Another advantage of this approach is that it would support diversity of providers by making room for new entrants, and by preventing any single provider from securing a majority of places within an ESA (which would make it very difficult for other providers to grow).

In the *community employment development service* for regions with high unemployment, and the *local partnerships service* for people with complex needs, the requirement to offer choice of provider should be relaxed, since under these conditions priority should be given to collaboration and funding stability over competition.

Diversity of providers underpins genuine choice. This refers to a mix of generalists and specialists (providers assisting population groups with distinct needs), not-for-profit and for-profit providers, and smaller locally-based providers alongside larger national providers.

Decisions to disallow specialist providers, and to require providers to service all unemployed people in a region (as distinct from the smaller ESAs) contributed to the sharp reduction in the number of providers from over 100 to just over 40 when jobactive was introduced. Large for-profit providers now have a significantly greater share of places than in the previous model. Those decisions should be revisited in the new employment services model.

Directions for reform: ensuring stability and managing for performance

31. In the first instance, program 'places' within each ESA would be allocated according to choices made by unemployed people from a diversity of local providers:
 - (1) A fixed number of licenced providers would be commissioned by the purchasing department to provide services within each ESA for a fixed period (at least three years), subject to meeting their performance benchmark.
 - (2) To facilitate provider diversity, providers should be able to elect to assist specific population groups, and allocation of places should be made on an ESA rather than a regional basis.
 - (3) A *local partnership* service for one or more specific target groups would generally be offered by a single consortium of local employment and community

⁶⁷ A similar method is used to allocate places in jobactive.



services in each region. This service would be progressively offered to all within that 'target group' but participation would be voluntary.

- (4) A *community employment development service* would be delivered by a single provider in the target region. Where feasible, the service would be governed by a board comprising the main stakeholders with an interest in improving employment opportunities in regions with high and entrenched unemployment, including community representatives, employers and local government. Where the community is an Aboriginal or Torres Strait Islander community, the governance structure would be determined by that community.
32. To balance agency and choice with stability of services, and promote collaboration and patient investment, the purchasing department would allocate minimum and maximum shares of intensive service places in each ESA to each provider for an extended period (three years or more), subject to the provider meeting license conditions and their benchmark performance standard.
- (1) Organisations would apply for a share of places on a 'rolling basis' to minimise service disruption associated with large nationwide tenders.⁶⁸
 - (2) Minimum and maximum shares would be adjusted to give sufficient scope for unemployed people to choose their provider, or to change providers.
 - (3) In the first instance (when a provider first enters the ESA, their fixed allocation period expires, or a provider ceases service delivery), the allocation of places would be based on a combination of provider applications and recent performance (achievement of their benchmark). In the case of new providers, both the quality of their application and evidence of effectiveness of any related services (including employment services in other ESAs) would be considered.
 - (4) The performance benchmark for each provider would be set in similar fashion to the threshold for outcome payments (outlined above). That is, providers would be expected to meet a minimum standard for improving the employment prospects of people in their caseload, rather than a higher standard relative to others.⁶⁹

⁶⁸ For example, on transition to the new system, high-performing providers could be given the option to 'roll-over' their share of places for another three years, while other providers are asked to re-apply and compete with new entrants.

⁶⁹ Jobactive uses a relative standard rather than the benchmark approach adopted in the Job Services Australia model. We propose that the benchmark approach be used.



Improving effectiveness through evaluation

Evaluation of employment services has been under-resourced and neglected for some years, though Australia (along with the United Kingdom and Denmark) previously had a strong reputation for comprehensive, transparent evaluation of these services. For example, the Employment Department's 'net impact studies' and a comprehensive evaluation (as well as a Productivity Commission inquiry) informed major policy changes to the design of the Job Network, and formal evaluations of the subsequent 'Active Participation Model (APM)' and 'Welfare to Work' policy informed subsequent policy development.

Although much information is publically available on the numbers of employment outcomes achieved for different groups, we know too little about the *difference employment services make* to those outcomes (value-added), many of which would have been achieved without the service.

Net impact studies (to measure value-added) are critical to proper evaluation and measurement of the costs and benefits of employment services.⁷⁰ Ideally, these would be based on random assignment methods, so that evaluation is built into service design from the outset. Where this is not feasible, regression analysis may be a workable alternative. Although the universal character of mainstream employment services makes it difficult to construct a 'comparison group' for this purpose, it is nevertheless possible to use 'difference in differences' approaches to measure the impact of specific features of employment services, or the impact of a new service model where it is implemented progressively in different regions.

This should be supplemented by qualitative information, including the experiences of unemployed people, employers and service providers.

The results of evaluations should be promptly and widely shared with stakeholders (where appropriate, before final reports are published), including through the efforts of the licensing authority to share and extend best practice.

Directions for reform: improving effectiveness through evaluation

33. The effectiveness of employment services should be continuously evaluated using data on the profiles of local labour markets, unemployed people, the assistance offered to people, and feedback from service users:

⁷⁰ Currently the main cost-benefit measure used is the average 'cost per net impact' of employment services. The main problem with this measure is that it does not take account of the greater *benefits* of assisting people who are disadvantaged in the labour market to secure a job (including 'narrow' benefits such as future benefit savings and tax revenues and 'broad' benefits such as improvements in the health and well-being of those affected and savings in related community services), only the higher *cost* of assisting them. Consequently, this measure imparts a *downward bias* on employment service funding.



- (1) These data, including detailed information on flows of people with different characteristics to and from employment services and employment outcomes achieved, should be publicly available (with privacy protections as discussed above), and available in suitable form for independent researchers to use;
 - (2) Evaluations should be informed by panels of users (unemployed people and employers) and experts;
 - (3) They should, as far as possible, include randomised controlled trials and other valid methods to gauge the 'net impact' or 'value-added' by a program or program component;
 - (4) Feedback from service users should be collected regularly and published by the licensing agency.
34. A new measure of the costs and benefits of employment services should be developed that takes better account of the benefits, as well as the costs, of assisting people who are more disadvantaged in the labour to secure stable employment:
- (1) New confidentialised administrative data sets, such as that developed by the Department of Social Services to inform its 'Investment Approach', should be used for this purpose.
 - (2) Independent researchers should have access to these data sets subject to protocols to ensure that privacy is protected and the data are being used in a professional manner for research purposes. A condition of access for researchers should be the prompt publication of results, and efforts to share them with service providers and other stakeholders to inform policy development and service improvement.



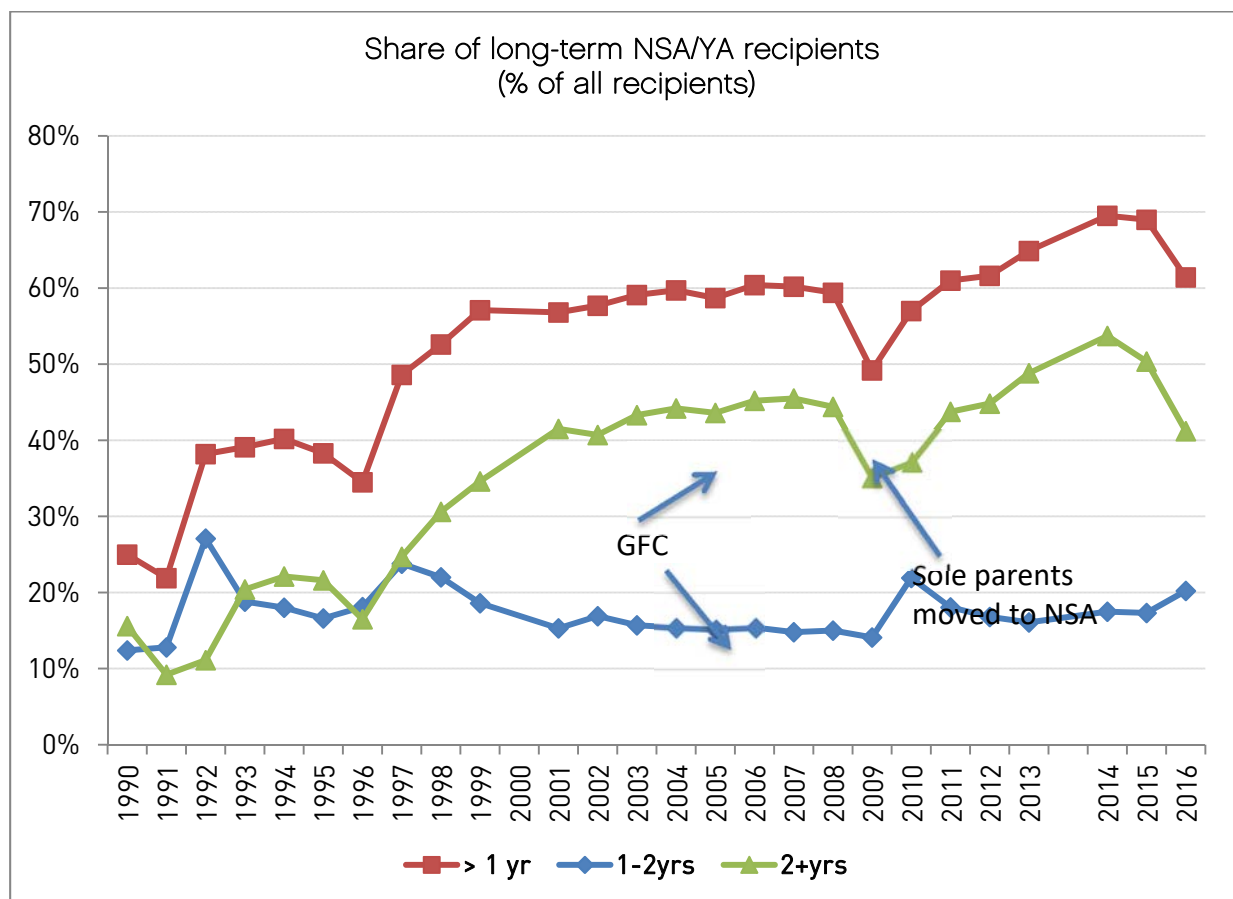
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Evidence paper: Long-term unemployment and employment services in Australia

A growing share of unemployed people are unemployed long-term

High rates of long-term unemployment are becoming entrenched. In December 2017, 518,700 people (61% of unemployment payment recipients) received unemployment payments for more than a year, similar to the 62% in 2016 but well above the less than 40% rate in the early 1990s (Figure 1). Of deep concern, in December 2017 44% had received unemployment payments for over two years and 15% for more than five years.

Figure 1: Long-term reliance on unemployment payments has become entrenched



Source: Department of Family and Community Services (various years) Statistical profile of social security recipients; social security statistics at www.data.gov.au



Why is long-term unemployment so high?

A major reason for prolonged unemployment (even at times of widespread 'skills shortages') is the mismatch between the skills and capabilities of people who are unemployed and those sought by employers. Many unemployed people have been left behind by structural change in the labour market such as the higher skills required by employers and the long-term shift from manual to service employment. People who are unemployed are twice as likely to have not completed high school than the broader labour force, and the share of jobs that are low-skilled is declining.⁷¹

People's employment prospects are often limited by where they live. For example, Queensland and South Australia have much higher unemployment (7% and 6.8% respectively) than The ACT or Northern Territory (at 4.1% and 4%).

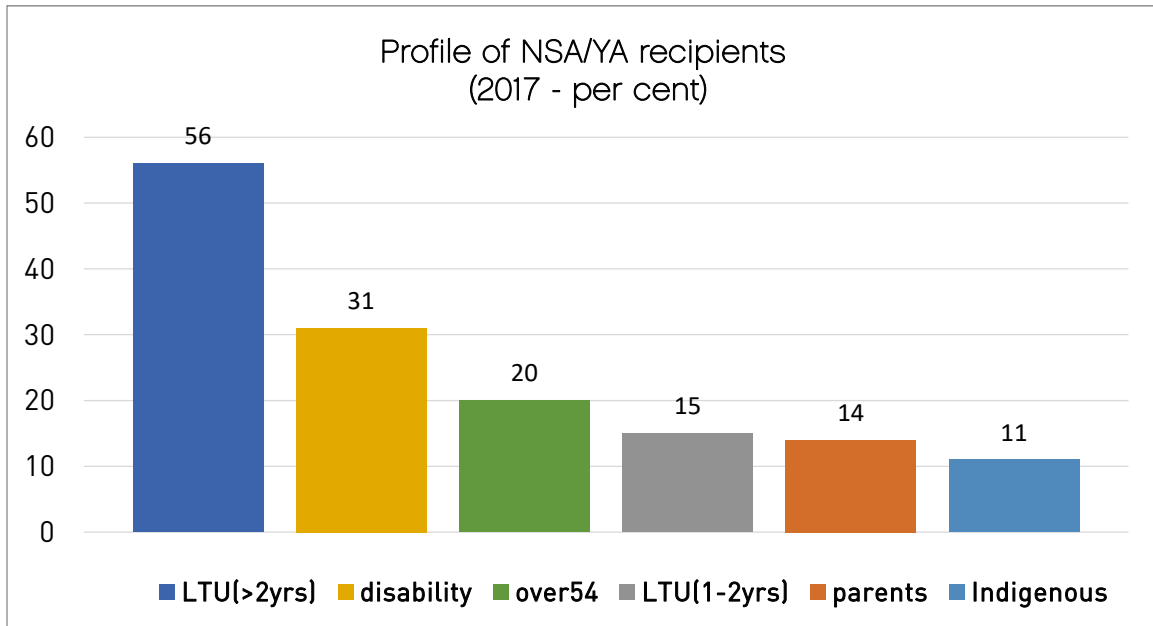
Another reason for high levels of long-term unemployment is that a growing share of those on unemployment payments are people who would previously have received pension payments: people with disabilities and sole parents with school age children. The welfare 'reforms' of the mid 2000s and 2010s were designed to boost their workforce participation, but in many cases they simply shifted people from higher to lower social security payments.

Further, discrimination on the basis of age, racial or cultural background is widespread in the labour market.

For all of these reasons, the profile of recipients of unemployment payments has become more disadvantaged, with 56% of people receiving unemployment payments on those payments for over two years, 31% with disabilities, 20% over 54 years old, 14% sole parents, and 11% with Aboriginal or Torres Strait Islander background (Figure 2)

⁷¹ Among unemployed people in November 2017, 24% had less than Year 12 qualifications, compared with 12% of the overall labour force. ABS (2018), Labour Force, Australia, Detailed, Quarterly, 6291.0.55.00. In November 2017, 25.6% of all jobs were in the lowest three skill levels (labourer/sales/machinery operators and drivers), up from 25.2% in 2015 but down from 27.3% a decade ago. 'Low skilled' refers here to positions at skill levels 4 and 5.

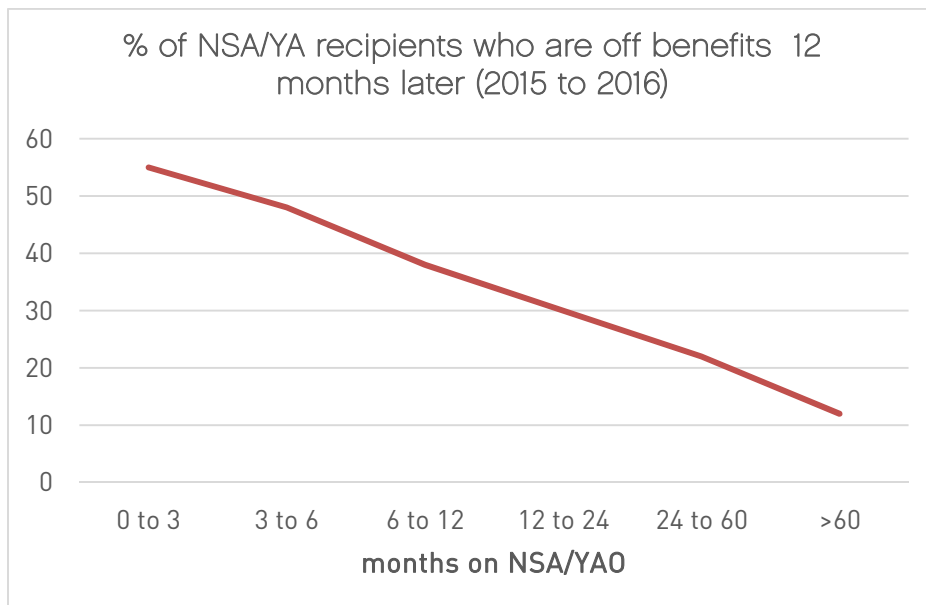
Figure 2: The profile of unemployment payments is more disadvantaged



Source: Department of Family and Community Services (various years) Statistical profile of social security recipients; social security statistics at www.data.gov.au

Long-term unemployment itself reduces people’s employment prospects, as employers worry about large gaps in their resumes and unemployed people lose confidence and skills. Figure 3 shows that on average, the chances that a recipients of unemployment payments will be off benefits 12 months later decline progressively from 55% within the first three months of unemployment to 8% after 5 years’ unemployment.

Figure 3: People’s employment prospects diminish as they are unemployed for longer



Source: McGurk E (2016), Analysis of long-term unemployed income support recipients, Long-Term Unemployed Conference, Brisbane December 2016.



What works to help people secure a job?

International research is reasonably clear on what unemployed people, especially those out of paid work for a long time or otherwise disadvantaged in the labour market, need to secure paid work.

The first requirement is strong demand for workers, including people who are not generally regarded as highly-skilled.

Employment services cannot succeed on a large scale without solid growth in jobs, and for the most part they do not 'create' jobs. Nevertheless, they play a vital equity role by bringing to the front of the jobs queue people who would otherwise remain unemployed for a long time. A given level of unemployment is much less socially and economically harmful if people move out of unemployment quickly. They can also reduce unemployment by improving the match between unemployed people and employers, for example by boosting the skills of unemployed people or by connecting employers with people who have the right skills for the job.

The international evaluation evidence on employment programs suggests that:⁷²

- While many people will secure employment following simple low-cost interventions such as assisted job search, this is not sufficient in most cases to end prolonged unemployment;
- Reasonable and relevant activity requirements combined with positive supports help keep people engaged with the labour market, and link them with other services they need to improve their employment prospects;
- Activity requirements (such as work-for-benefit schemes) that are mainly designed to deter benefit claims or push people to leave benefits sooner (whether or not they obtain paid work) may have the desired effect, but at the expense of impoverishing people with no private means of support and eroding trust in employment services.

⁷² Hasluck C & Green A (2007), 'What works for whom? review of evidence and meta-analysis,' Department for Work and Pensions Research Report No 407; Grubb D & Martin J (2001), 'What works and for whom: A review of OECD countries' experiences with active labour market policies. Swedish Economic Policy Review, No 8 (2001) pp9-56; Card D, Kluve, J, Webber, A (2015), 'What works? A meta-analysis of recent active labour market program evaluations', NBER Working Paper 21431, Cambridge MA. Markusson S & Roed K (2014), 'Leaving Poverty Behind? The Effects of Generous Income Support Paired with Activation,' IZA Discussion Paper No. 8245, Bonn; Johri M et al (2004), 'Evidence to date on the working and effectiveness of ALMPs in New Zealand,' Ministry for Social Development, Wellington; Department for Work and Pensions (2012), 'Early Impacts of Mandatory Work Activity,' Leeds; Department for Work and pensions (2013), 'Support for the very long-term unemployed trailblazer - longer term analysis of benefit impacts,' Leeds.



Participation in these programs is usually of limited help in overcoming barriers to employment due to the low quality of the work experience on offer;

- People who are unemployed long-term or otherwise disadvantaged in the labour market are likely to need a diversity of supports, from wage subsidies and ‘demand-led’ approaches (assisting employers to meet their recruitment needs) to vocational training, basic education (especially literacy), practical assistance with the costs of job search and training, and in some cases employment assistance combined with intensive personal support services;
- Where people face labour market disadvantage, the role of the ‘case manager’ or employment consultant in career counselling, job search assistance, confidence-building, and assessment of the need for more substantial assistance than regular interviews is critical;
- Successful employment services work closely with employers and are conscious of their recruitment needs.

The effectiveness of the main kinds of employment assistance generally offered to people who are unemployed is compared in Table 1 below, which is based on a major international study of labour market programs.

Table 1: Average impacts of different programs internationally on the employment prospects of unemployed people

Program:	Description:	Average employment impacts (%): ¹
Wage subsidies in private sector	6-12 months’ partly-subsidised employment in regular jobs	High (21.2%) Stronger in long term, but there is a degree of selection bias (‘cream-skimming’)
Vocational training	6-24 months’ training in college or work setting	Medium (9.7%) Weaker in short term Stronger in long term Wide variation in impacts



Sanctions and the 'threat' of referral to programs such as work-for-benefits schemes	Referral to programs to test compliance; sanctions for non-compliance	Medium (13.7%) Stronger in short term Weaker in long term
Compulsory, assisted job search	Monitored job search and job search training; often an entry point to other programs	Low (3.8%) Stronger in short term Weaker in long term
Public sector wage subsidies	6-24 months' fully subsidised employment in 'additional' jobs	Low to negative (-0.2%) Weaker in short term Stronger in long term

Sources: Card D, Kluve, J, Webber, A (2015), 'What works? A meta-analysis of recent active labour market program evaluations', NBER Working Paper 21431, Cambridge MA., tables 3a and 8.

Department of Employment (2015), 'Work for the Dole evaluation.'

1. Estimated average increase in the probability of employment after program commencement, divided by the standard deviation of the employment rate of the comparison group. 'Short term' = < 1 year; 'Medium term' = 1-2 years; 'Long term' = >2 years.

There is also evidence on the effectiveness of some Australia programs. Evaluations by the Department of Jobs and Small Business indicate that:

- Wage subsidies were relatively effective, lifting the chances of leaving income support 12 months after a job placement by an average of 14 percentage points.⁷³
- Work for the Dole is relatively ineffective, increasing the chances of employment by an average of just 2 percentage points.⁷⁴
- We understand that an evaluation of the precursor to jobactive, the Job Services Australia program has been conducted but the results are not yet available.

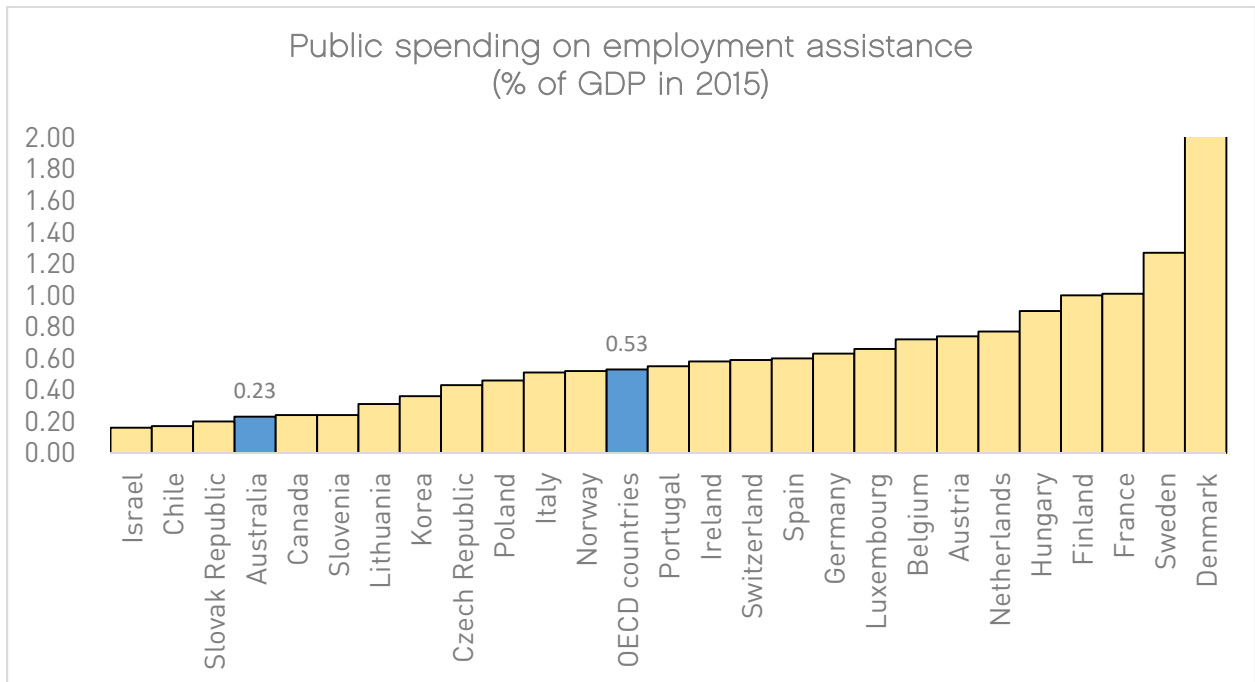
Expenditure on employment services

In 2015, overall spending on employment services and programs for unemployed people in Australia was **less than half the OECD average level**, and the eighth-lowest of 30 OECD countries (Figure 4).

⁷³ Department of Education Employment and Workplace Relations (2012), Employment Pathway Fund Wage Subsidies Evaluation Paper.

⁷⁴ Department of Employment (2016), Work for the Dole 2014-15 Pilot Evaluation.

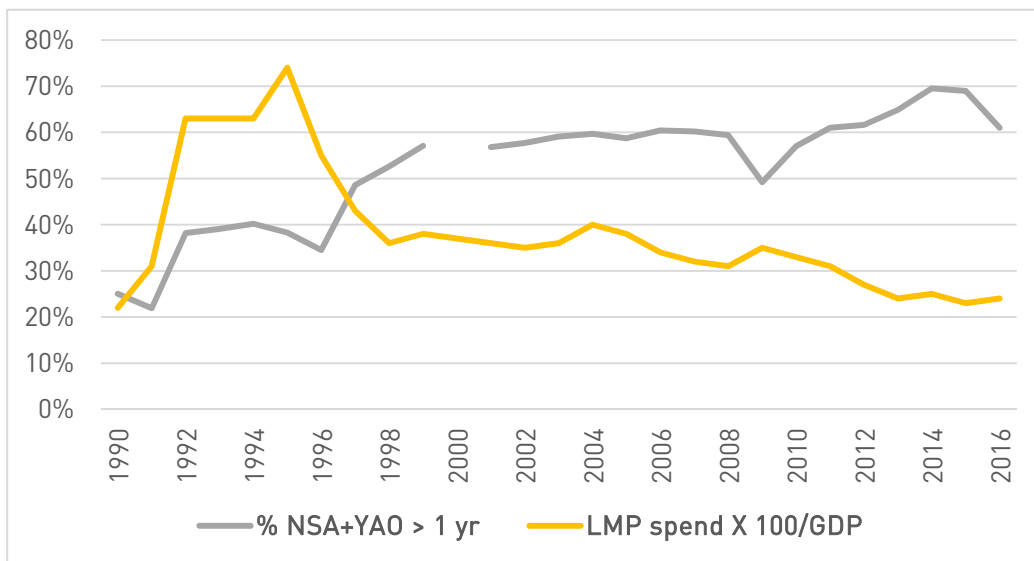
Figure 4: Australian government spending on employment assistance is well under half the OECD average



Source: OECD social expenditure data base.

Spending levels have declined with the abandonment of the 'Working Nation' policies in 1996 and declining unemployment, but have failed to take account of the rising share of people unemployed long-term in the wake of the recession of 1991 and the GFC in 2008 (Figure 5).

Figure 5: Long-term share of unemployment and Labour Market Programs (LMP) spending



Source: Department of Social Services and OECD

Note: LMP spending X 100/GDP = spending on labour market programs for unemployed people (multiplied by 100 for comparative purposes) as a % of GDP

NSA+YAO >1yr = long-term recipients of unemployment payments.



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