

# ACOSS response to the Exposure Draft on the New Employment Services Model 2022 Purchasing Arrangements

Department of Education Skills and Employment  
16 July 2021

## About ACOSS

The Australian Council of Social Service (ACOSS) is a national voice in support of people affected by poverty, disadvantage and inequality and the peak body for the community services and civil society sector.

ACOSS consists of a network of approximately 4000 organisations and individuals across Australia in metro, regional and remote areas.

Our vision is an end to poverty in all its forms; economies that are fair, sustainable and resilient; and communities that are just, peaceful and inclusive.

## Summary

ACOSS appreciates the opportunity to comment on the Exposure Draft. In this submission, we focus our detailed recommendations on two major concerns:

1. The viability of smaller local and specialist providers in the new system.

This is vital to improve provider diversity and build a foundation for effective local partnerships with employers, training providers and community organisations.

2. Inflexible and harsh mutual obligation requirements.

We recommend that a more flexible system be designed, with input from representatives of those affected as well as employers, providers and experts.

## **Background - previous ACOSS proposals to implement the Expert Panel's reforms**

As a key participant in the Federal Government Employment Services Expert Advisory Panel process, ACOSS welcomed the Panel proposals to transform employment services from a compliance-based system to one that promotes agency and responds to individual and local needs.

The Panel also recommended a much-needed boost to the funding of employment assistance for people disadvantaged in the labour market.

Since the Federal Government accepted the Panel's recommendations, ACOSS has made detailed recommendations on the design of the new system, including in the following submissions:

- [Payment structure](#)
- [Licensing](#)
- [JobMaker and other wage subsidies](#)

In these submissions, we identified major aspects of the new model that we believe support or depart from the spirit of the Panel's reforms, including the licensing framework and payment structure. In this submission, we outline further recommendations based on our analysis of ways in which the proposed model departs from the Expert Panel's vision for specialisation, localisation and personalisation.

## **The commissioning model should ensure that diversity of providers is restored and caseloads reduced**

A diversity of employment services providers in the system, especially smaller, locally-connected organisations and specialist providers, is vital to meet the needs of people disadvantaged in the labour market, including by strengthening local partnerships with employers, communities, and other service providers.

The whole-of-region purchasing model in jobactive tenders sharply reduced provider diversity, cutting the overall number of providers from 103 to 39, and removing many smaller local and specialist providers from the system.

This is despite the introduction of a welcome cap of 10 per cent of national market share for any individual provider. However, it will still be challenging to restore provider diversity and encourage new entrants to the system, given the many advantages of incumbency, especially for-profit organisations with ready access to capital.

ACOSS has reviewed the summary of the KPMG assessment of financial viability in the new model. We strongly recommend that the detailed modelling be released publicly so that organisations with expertise in employment services, and potential providers, can provide input on the optimal design of the new model before its details are locked in.

The baseline modelling suggests that viability will be dependent on maintaining caseloads in the range of 3000 participants. This will make it very difficult for many for smaller local and specialist organisations to operate within the system. Not-for-profit organisations will be especially challenged by their limited access to start-up capital.

The indicative caseload size for viable operations in the new model is 80 participants per worker. This is too high to provide effective employment services support for participants with complex needs, and reinforces our concern with the savings imposed on new employment services in this year's Budget. The Expert Panel always envisaged that savings through digital servicing would allow employment services to reinvest savings towards more adequate and effective support to people facing greater barriers to getting paid work.

The commissioning model should be designed to support much lower provider and consultant caseloads. This is likely to require changes to the provider payment structure along the lines recommended in our previous submissions, including ongoing, rather than once-off, service fees and Employment Fund credits.

## **Counterproductive restrictions on specialist providers should be removed**

The proposed commissioning model produces additional obstacles for specialist providers. It pre-empts their response to the tender by limiting specialist services to certain client groups in certain regions – such as Indigenous communities, ex-offenders, and people with cultural and linguistically diverse backgrounds.

We recommend that those restrictions be removed. Judgements on the viability of specialist providers in each region (and that of other providers should the specialists granted licenses) should be made after the tenders are being assessed, and not limited in advance.

It would also be beneficial to specify in advance the range of specialisations that are possible across the country. If the Department does so, it should broaden the range of specialisations to include services for people who are homeless, those who have drug and alcohol issues, and people with mental illness. In the past, many organisations providing employment services (including pre-employment programs such as the Personal Support Program) were able to provide specialised support for these groups as part of an integrated service offer for those groups. We should take advantage of this expertise where it is available.

## **Smaller locally-based community organisations should be encouraged and supported**

In previous employment service systems, small providers were able to operate with caseloads of around 300 participants. Many established strong and genuine linkages to local infrastructure and community development activity, in

partnership with local government and State Government programs. This enabled providers to develop strong trusted employers and local understanding of where openings might be for their clients.

Their viability and effectiveness depended on being able to operate in one specific location (for example near a single Centrelink office) in a community with a high concentration of relatively disadvantaged participants.

ACOSS is concerned that requirements for Employment Region coverage and the distribution of licenses according to value-for-money principles of the Commonwealth Procurement Guidelines, may rule out this localised model of employment assistance.

In assessing bids for licenses, priority should be given to providers with demonstrated local connections, including smaller locally-based organisations. Great care should be taken to ensure they are not crowded out by bids from larger providers who can offer higher levels of Employment Region site coverage. Localised or specialist bids from larger or generic providers should be rigorously checked to ensure that claims for local connections have substance.

The final Request for Proposal should explicitly emphasise that credible localised bids will be considered even when offered at only one site in an employment region.

Experience shows that another major barrier to entry for smaller local organisations is the additional overhead costs they face in meeting the IT requirements for Right Fit for Risk, and other Quality Accreditation requirements.

The costs of these overheads obviously varies and depends on the scale of the organisation, but we understand these 'fixed' costs can be in the tens of thousands of dollar per organisation. It would be helpful if the Department could estimate the average ranges of these costs for organisations of different sizes, so that potential providers understand these prior to committing to their bids.

To assist with these and similar start-up costs, we recommend that the department either:

- Substantially increase the Capacity Building fund to at least \$100 million, or
- Devote substantial resources to establish a separate fund to support the estimated start-up costs referred to above.

## **Inflexible and harsh mutual obligation requirements should be removed**

The proposed Points Based Activation system, together with greater choice for participants in employment services to undertake activities other than job search and more investment in enhanced services, all have potential to improve personalisation of employment services. They could also reduce the need for participants and providers to waste time and resources on detailed compliance activity and enforcement, and the financial and psychological distress that this creates.

Unfortunately, excessive, harsh and inflexible job search and mutual obligation requirements are negatively affecting people's mental health and capacity to search for employment.

Oppressive compliance obligations, automation of communication and suspensions and poverty level income support has created a toxic environment for people accessing employment services. People are relying on income support to meet their most basic needs and are now facing robo-style threats of payment suspensions for failure to meet obligations that are unrealistic, and wasteful.

Oppressive compliance obligations include the government's announcement earlier this year that the default job search requirement will be restored to 20 applications per month and that providers will be audited on compliance with new 'quality of job search' requirements.

These kinds of rigid unreasonable and ineffective obligations are contrary to the vision and findings of the Expert Panel.

In addition, we have identified three related problems in the Exposure Draft:

**The inflexible sequence of mutual obligation requirements after four and 12 months of unemployment should be removed.**

These proposed mutual obligation requirements would greatly reduce the flexibility of the new employment services model to respond to individual needs and local conditions. They would also deplete provider resources that could be used to offer people more tailored pathways to employment.

We understand that, for these reasons, providers and participants responded favourably to the removal of 'annual activity requirements' in the NEST trials. Those findings do not appear to have been taken into account in designing the new model. Instead the proposed mutual obligation sequence recalls the old compliance-based approach.

ACOSS recommends that a more flexible system of mutual obligation be designed to meet the individual circumstances of a person trying to get paid work.

Any mutual obligation policies should be carefully redesigned with representatives of those affected as well as employers, providers and experts.

**Work for the Dole should be abolished, and reliance on the National Work Experience and Employability Skills Training programs should be reduced.**

An over-reliance on Work for the Dole, Work Experience and Employability Skills Training programs to fulfil mutual obligation requirements means the present 'tick-a-box' approach to Job Plans is likely to persist. To ensure activities are designed to directly improve individual employment prospects, investment in career guidance, paid work experience and training programs must be greatly increased, and participation in those programs must be supported within the model through outcome payments. There is a need to

ensure that opportunities for education and training are promoted as legitimate activities within the model through the provision of outcome payments.

Employability Skills Training (EST) should not be expanded to people of all ages because these courses have been designed to provide pre-employment training (Cert I and Cert II in Work Readiness) and this training is often unsuitable for older job seekers who already have work experience. EST courses with people of different ages may create discomfort between younger and older participants and result in disengagement. In any event, Careers Transitions Advice services (CTA) is a more appropriate service for people over 45 years. It is also crucial that options to undertake foundational skills training through the SEE and LLND programs are incorporated holistically in the NESM including in digital services.

### **Points-based activation (PBAS) should be adjusted so that it increases agency and choice without increasing reporting burdens for participants and providers**

Whether PBAS supports genuine choice and agency depends on how it is implemented on the ground, including:

- Realistic caseloads and appropriate skills for consultants;
- Adequate investment in paid work experience and raining programs;
- Annual rather than one-off credits to the Employment Fund.

If implemented inflexibly, PBAS could have negative consequences for participants and providers. It could increase online reporting requirements for participants and administrative burdens for providers. This in turn could trigger more payment suspensions and demerit points for participants.

In digital employment services these risks may be compounded, as the capacity to negotiate different levels of activity will be pre-determined by system rules. Although job seekers will be able to contact the Digital Contact Centre for support, this opportunity will not necessarily be readily apparent to job seekers.

ACOSS believes that insufficient weighting has been given in the points system for activities other than job search. This means, for example, that people participating in substantial training are still required to apply for 14 jobs a month.

In any event, the default number of job searches – 20 per month – is much too high, especially given the increased emphasis on the quality of job applications. This increases the risk that employers are flooded with lower quality applications and that participants are penalised for not meeting unrealistic requirements.

ACOSS recommends that policies about job search obligations should be redesigned with representatives of people directly affected, social services, employers and experts. Policies should reflect the differing circumstances of groups such as principal carer parents, people with partial work capacity, and older people, and people in regions with few job vacancies be automatically reduced below the default level.

We also recommend that participants be given much greater flexibility to design the types of activities they undertake with a focus on increasing their prospects of getting paid work. For people facing significant barriers, it is important to provide access to skilled career counselling and support.

While participants are engaged in adult education and literacy training such as to the SEE and LLND programs they should be exempted from completing points-based activation requirements.

## **Conclusion**

Thank you very much for opening the Exposure Draft for the New Employment Service model up for comment. As a contributor to the Expert Panel review, ACOSS is keen to assist the government to realise a vision of modern employment services that keeps base with innovations in information technology and meets the needs of disadvantaged and long-term unemployed people, as well as employer demand for skilled labour. We believe there remains time to adjust the model settings to better realise this before and after the final details are locked for when the New Employment Services system commences in July 2022.

## **Contact**

Dr Peter Davidson  
Principal Advisor  
[peter@acoss.org.au](mailto:peter@acoss.org.au)