

jobactive

Next Generation of Employment Services

SUBMISSION | AUGUST 2018



About the Chamber

The NSW Business Chamber (the Chamber) is one of Australia's largest business support groups, with a direct membership of more than 20,000 businesses. The Chamber works with businesses spanning all industry sectors including small, medium and large enterprises. Operating throughout a network in metropolitan and regional NSW, the Chamber represents the needs of business at a local, state and federal level.

Introduction

The Chamber has a strong record of advocating for and engaging with skills development and transition to work programs. As one of Australia's largest business membership organisations, we consistently raise employer concerns and interests, including those of jobactive Employment Service Providers, to build a better environment for business to invest and grow.

We welcome the opportunity to provide input into the review of the design of the Australian Government's generalist employment service, jobactive, by providing feedback on the 'Next Generation of Employment Services' discussion paper (collectively, the Review).

The Chamber believes employment is not only critical to investment and business growth, it's essential to ensuring citizens are full and engaged members of society. Employment is both good for business and good for Australia.

The Chamber notes that the Review seeks comment on potential approaches to deliver more targeted and effective employment services to drive sustainable employment outcomes, increase workplace productivity and reduce welfare dependency. This is a vision the Chamber shares and looks forward to working further with employers and employment service providers to help deliver these outcomes.

For more information contact:

Megan Petrass
NSW Business Chamber
Tel: 02 9458 7389
Email: Megan.Petrass@nswbc.com.au

High level observations and recommendations

With *jobactive* operating across metropolitan, regional and remote areas and through multiple service providers a range of perspectives on potential improvements to the program are likely to be provided to this Review. On top of this, when you consider the many thousands of individual interactions with job seekers and employers that *jobactive* facilitates, it's likely that the experience and feedback from these sources, will not be consistent.

As a result, distilling feedback to identify pathways to improve the current program will be challenging. Issues such as how best to remove perverse incentives in the program and provide adequate flexibility to address the individual needs of job seekers and employers will not be straightforward.

With that said, from our interactions with providers and employers, it is clear a fundamental tension exists between the current program's objective to meet businesses employment needs and its objective to ensure income support requirements are complied with.

While the Chamber accepts the need to maintain confidence in the welfare support, the current structure of *jobactive* which sees employers and providers holding compliance responsibility for aspects of income support is not the optimal approach. It is our strong view that compliance responsibilities should rest with the job seeker and not an employer or provider.

This would allow employers and providers to focus more strongly on the ultimate aim of the program, delivering meaningful and positive long-term employment outcomes.

If such a change is not supported, at a minimum, greater investment to reduce the compliance burden on all parties in reporting of income support should be pursued.

The Chamber is supportive of improvements to the *jobactive* program and delivery model that:

1. drive confidence in achieving successful employment outcomes

All users (job seekers, employment service providers and employers) of *jobactive* want confidence the program is going to successfully deliver job-ready and engaged job seekers in sustainable employment. The current rigid support structure and focus on income support compliance only serves to erode confidence and lead to missed opportunities.

Employers and service providers both report that the best outcomes for job seekers with complex needs are achieved where there is good understanding of an employer's needs by the service provider, and where the service provider can recommend suitable candidates based on their in-depth personal knowledge and not just the candidate as presented on paper.

2. target specifically identified gaps and stakeholder needs

Despite the program's intention¹ for employer needs to be a key part of the model, the model does not appear to support this well in practice. It does not provide adequate incentives or benchmarks for

¹ As understood from the 2014 Request for Tender documents: Australian Government, Department of Employment. 2014. *Request for Tender for Employment Services 2015-2020*. [ONLINE] Available at: https://docs.jobs.gov.au/system/files/doc/other/request_for_tender_for_employment_services_2015-2020.pdf. [Accessed 9 August 2018].

employer collaboration and engagement. Nor does it provide adequate flexibility for service providers to tailor job seeker support to meet employer needs.

Young job seekers, as a specific cohort, have particular needs that may be most usefully addressed by targeted pre-vocational training and development programs. Advice received by the Chamber suggests however that such programs, even if developed in collaboration with local communities to address local employer and job seeker needs, may not be supported. Instead, preference is given to compliance activities, such as Work for the Dole, which are far less likely to provide job seekers with the skills employers need.

3. are underpinned by contemporary technology capabilities and support flexible arrangements

Established and emerging technologies can play a significant role in improving government service delivery, including employment services. In principle we support additional online service delivery for job seekers. We note however, that given *jobactive* jobseekers high needs and social vulnerability, potential benefits from a move towards these platforms may not be realised.

From an employer perspective, improving existing digital matching capabilities would allow for greater visibility across the complete 'pool' of candidates in a given area. While improved digital matching is supported, feedback suggests that placements brokered by service providers, or self-managed by job seekers are still more likely to account for the most sustainable employment outcomes.

As noted elsewhere in this submission, we believe that full accountability for managing income support should ultimately rest with job seekers themselves. Where improvements to online capabilities can better support the administration of *jobactive* and facilitate self-management by job seekers then they should be implemented as a matter of course. The current trial of online self-management for job seekers² is seen as a positive move in this direction.

Where an employer retains responsibility for compliance, opportunities to integrate reporting with other Government initiatives such as the establishment of the Australian Tax Office's Single Touch payroll reporting system³ may deliver significant efficiencies and red tape savings.

4. support certainty and continuity for stakeholders and build 'brand recognition'

With expectations that service providers will have meaningful relationships with regional employers, community stakeholders, local services, and, importantly, relationships of trust with vulnerable job seekers it's critical they have contractual stability and certainty to deliver outcomes over the longer term.

The Chamber has received feedback from stakeholders that changes to parameters, availability and even names of programs within the employment services arena, while perhaps well intentioned in seeking to make incremental improvements, in fact may cause confusion, discourage employer engagement and increase the administration burden on employers when they do engage. Such loss of continuity can undermine stakeholders' overall confidence in the *jobactive* framework to deliver constructive outcomes.

² Australian Government, Department of Jobs and Small Business. 2018. *The future of employment services*. [ONLINE] Available at: <https://www.jobs.gov.au/future-employment-services>. [Accessed 9 August 2018]

³ Australian Taxation Office. 2018. *Single Touch Payroll*. [ONLINE] Available at: <https://www.ato.gov.au/Business/Single-Touch-Payroll/>. [Accessed 9 August 2018].

Future model discussion questions and secondary recommendations

In addition to the comments above, the Chamber offers the following comments and recommendations in response to the topics raised in the discussion document.

The goals for future employment services

- *What other economic, social or labour market trends are likely to affect employment services in the future?*
- *Are there other goals that should be included?*

In the current buoyant employment market (unemployment rate currently 5.4%⁴, and general increase in labour force participation⁵) we anticipate jobactive is serving a high proportion of job seekers with complex needs. The future model for unemployment services should have the flexibility to support these job seekers in the short term, but also the flexibility to adapt to potential changes in the employment market in the mid to longer term.

Helping disadvantaged Australians into work

- *What services should be available to job seekers who are disadvantaged in the labour market and how can they be delivered in a culturally competent way?*
- *What incentives might be useful to assist job seekers who are disadvantaged in the labour market to find work?*
- *Are enhanced services best delivered through a single unified service, or a model that includes specialist service provision directed at particular cohorts of job seekers, as well as a core service?*
- *How could the quality of services job seekers receive from their employment services consultant be improved?*

With youth unemployment currently at 11.6% nationally⁶, and over 20% in some regional NSW areas, the needs of young job seekers are of particular interest to the Chamber:

- They may have no or limited job-seeking history to inform the level of support required.
- They are likely to benefit strongly from early intervention and further skills development pathways and transition support.
- They should not be penalised or disengaged as a result of labour market conditions outside their control.

Recommendation 1: There should be more focus on an integrated transition from school to the workforce. The jobactive model should provide positive incentives for service providers to collaborate with school and/or community careers advisory programs.

⁴ Australian Bureau of Statistics. 2018. *6202.0 - Labour Force, Australia, Jun 2018*. [ONLINE] Available at: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6202.0>. [Accessed 9 August 2018].

⁵ Reserve Bank of Australia. 2018. *Statement on Monetary Policy: the recent increase in labour force participation*. [ONLINE] Available at: <https://www.rba.gov.au/publications/smp/2018/may/box-b-the-recent-increase-in-labour-force-participation.html>. [Accessed 9 August 2018].

⁶ Australian Bureau of Statistics. 2018. *6202.0 - Labour Force, Australia, Jun 2018*. [ONLINE] Available at: [http://www.ausstats.abs.gov.au/ausstats/meisubs.nsf/0/A6BD9FFF8885E48FCA2582CE00152361/\\$File/6202_jun%202018.pdf](http://www.ausstats.abs.gov.au/ausstats/meisubs.nsf/0/A6BD9FFF8885E48FCA2582CE00152361/$File/6202_jun%202018.pdf). [Accessed 9 August 2018].

Recommendation 2: There should be a clear, coherent, integrated youth transition strategy and support that integrates with local and state programs which can demonstrate targeting needs identified by employers, with particular emphasis on initiatives in regions with high youth unemployment.

Recommendation 3: There should be dedicated reporting of outcomes for young Australians in jobactive as a specific cohort in the 'Employment Services Outcomes Reports', and consideration of benchmarks for employment service providers for duration of young people in each stream of the program.

Empowering job seekers and employers through improved online services

- *What online tools and assistance should be included to better meet the needs of particular user groups, including job seekers and potential employers? Which are the most important features that are required?*
- *Is there a group of users that the online service should target?*
- *How can data be used to provide more personalised, effective services?*
- *How should the online service interact with existing online job aggregators and recruitment firms?*

In principle, the Chamber supports online service delivery, noting the challenges associated with lack of digital literacy & accessibility for key job seeker audiences that are also noted in the Discussion paper. There is potential for an increased focus on online self-service for job seekers to discourage early intervention for lower risk candidates and inadvertently exacerbate risk of these ending up in the higher needs streams.

In practice, improvements to online services might be most constructively directed towards employer use, while noting that successful outcomes for job seekers with complex needs are generally best achieved through face-to-face interactions and relationships.

Recommendation 4: That any additional online self-service support be provided as a complement to, not a replacement of face-to-face support for jobactive participants

Recommendation 5: That any consideration of further developing online delivery tools to support employer use be informed by further engagement with employers and peak employer organisations.

Recommendation 6: That an interim report of the current trial of online monitoring of mutual obligation requirements by job seekers be published after one year.

Recommendation 7: That consideration be given to opportunities for inter-agency data sharing to reduce the administration burden faced by employers. A particular opportunity exists to streamline wage subsidy administration with the introduction of the ATO's Single Touch payroll system.

Better meeting the needs of employers

- *How can the Government raise awareness of employment services available to employers?*
- *How can future employment services add value to an employer's recruitment process?*
- *What functionality would employers expect or desire in an online employment service?*
- *How should employment services providers work with employers to meet their needs?*
- *What incentives (financial or otherwise) would help employers overcome any perceived risks associated with hiring disadvantaged job seekers? How should these operate?*

The Chamber supports existing wage subsidies as key strategy to encourage employer participation in *jobactive* programs. Positively reinforcing expectations around employer collaboration and engagement by service providers should lead to constructive changes in collaboration.

Recommendation 8: That positive incentives are provided to service providers for innovative and successful engagement activities with employers (and other stakeholders).

Recommendation 9: That to the greatest extent possible, the employment services model maintain a clear, concise and stable stakeholder-facing program framework in order to build 'brand recognition' and minimise disengagement and confusion by employers and service providers.

Assessing job seekers to tailor support to their needs

- *Which of the proposed options to assess job seekers (user profile or staggered assessment) would be most effective in directing them to assistance that meets their needs?*
- *Are there other options for accurately assessing job seekers needs that should be considered?*
- *What is the best approach to assessing a job seeker's digital literacy?*
- *How can information be collected in a way that minimises burden on job seekers, providers and employers?*

No additional comment

Incentives for job seekers to find work

- *Which of the activation options (points-based or time-based) would best support job seekers who largely self-service?*
- *Which of the activation options (points-based or time-based) would best support enhanced services participants?*
- *In addition to compliance actions for job seekers who do not meet requirements, could the activation framework also recognise job seekers who regularly exceed requirements? If so, how could this operate in practice?*
- *What appropriate additional initiatives might be useful to support job seekers participating in social enterprises and other non-traditional forms of work?*

No additional comment

Targeted regional and local approaches

- *What strategies would help job seekers adapt to regional economic and labour market variations?*
- *How could local stakeholders be encouraged to identify priorities, engage with providers and implement local employment solutions?*
- *What strategies would improve labour market mobility from regions that have poor employment prospects?*

Recommendation 10: The *jobactive* model should provide positive incentives and recognition for service providers to collaborate with local communities, including employers and peak employer associations, and consideration should be given to introducing a benchmark for collaboration.

Recommendation 11: Increase service providers' discretion and flexibility within the services model to tailor support to meet individual job seeker circumstances and local employer and labour market needs.

A service culture built on competition and quality

- *What level of contestability, competition and Government intervention in the market is desirable?*
- *Should provider performance be evaluated against set benchmarks, or compared with that of other providers? What factors should inform performance evaluation?*
- *Should the Government allocate market share among enhanced Employment service providers? If so, how?*
- *Should the Government transition to commissioning enhanced services providers through a licensing arrangement? If so, how?*

Recommendation 12: That any future model for allocating market share can be sustainably supported by service providers, particularly where there are overarching business sustainability challenges including small or geographically dispersed job seeker and employer pools.

Transitioning to a future employment services model

- *How would an iterative approach to implementation help transition to a future employment services model?*
- *If we undertake an iterative approach, which aspects should be prioritised and sequenced first?*

No additional comment

Appendix: Experiences of the current arrangements

Successful outcomes, particularly for job seekers with complex needs, are supported by:

- strong relationships between service providers and employers, where service providers take the time to understand individual employers' needs (or collective skills needs represented by peak associations) and can actively support employers to engage with the program;
- opportunities for job seekers to actively demonstrate their ability to meet employer needs (subsidised and work experience placements) at reduced risk to employers; and
- individually tailored support designed to build job seeker job-readiness and relevant to an employer's needs and the local employment context generally.

The Chamber has received feedback on challenges experienced by employers under the current program arrangements:

- Despite the stated intentions of the current program, there continues to be a lack of focus on employer needs.
- Program complexity and associated administration burden can be disincentives for employers to engage effectively with aspects of the program. The Chamber has received feedback that the administration of wage subsidies can be particularly onerous for employers and service providers alike. Similarly, basic information such as government provision of Workers Compensation insurance for work experience placements is not well known by employers and is known to be a strong disincentive for participation in *jobactive* support programs.
- There are no incentives for service providers to collaborate with each other to improve overall engagement with employers. Consequently, employers may have to deal with multiple service providers to find best candidates for job vacancies where there are multiple providers in an employment area or large employers active over multiple areas. Anecdotally, these are likely to be most pronounced in non-regional (more densely populated) areas.
- Changes to employment service arrangements and support programs over time have led to confusion among employers, lack of understanding of different aspects of the framework or frustration and disengagement from it.
- The current focus on income support compliance activities undermines employer confidence that the program can deliver engaged, job-ready candidates and can increase employers' workload. For example:
 - Mutual Obligation activities such as Work for the Dole do not effectively develop job seekers' skills that meet employer needs.
 - Employers' recruitment workloads are increased by dealing with candidates who are not job-ready or willing. These result from applications submitted by job seekers primarily to meet compliance requirements or candidates recommended by service providers where there is limited engagement with employers to understand their needs.
 - Job seeker compliance activities can contribute to disengagement of future employees.

Employment service providers and those involved in support programs also face challenges in delivering intended program outcomes:

- Under the current model, service providers are constrained in their ability to direct job seekers to programs best suited to their development needs and the skills needs identified by potential employers. This can be due to the phase-based approach to available support, and the lack of recognition or integration with local and state initiatives to increase employment readiness and support.

- In particular, pre vocational training and development opportunities for young job seekers should be supported over generalised Mutual Obligation activities that do not deliver similar quality benefits.
 - Lack of flexibility to integrate with local programs has even led to the cancellation of some support program offerings developed in consultation with employers to meet their needs.
- The competitive star rating system applied to service providers dis-incentivises collaboration with other service providers, leading to missed opportunities and failing to deliver on the program's expectation of collaboration with other Employment Providers.
- Financial incentives focussed on highest risk candidates promotes inequality of service to other job seekers and may exacerbate risk of lower risk job seekers entering the high risk streams through neglect where more intensive early intervention would produce a successful outcome.
- The current income support compliance management role of service providers is reportedly undermining their capacity to deliver optimal outcomes:
 - Managing the administration of activities that are the responsibility of job seekers (e.g. activity logging) detracts from time that could be spent building relationships and providing support for job seekers and employers
 - Strained relationships with disaffected job seekers and loss of job satisfaction may contribute to increased turnover of service provider staff, particularly in smaller offices.