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**SUBMISSION**

Response to The next generation  
of employment services  
discussion paper

August 2018

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**The Business Council of Australia draws on the expertise of Australia's leading companies to develop and promote solutions to the nation's most pressing economic and social policy challenges.**

## ABOUT THIS SUBMISSION

The Business Council welcomes the opportunity to respond to the Employment Services Expert Advisory Panel's discussion paper *The next generation of employment services*.

## SUMMARY

The Business Council has a deep interest in services to improve job seekers' employability and connect them with jobs, including those provided by the Australian Government. We support the Advisory Panel's intention to review how government can best assist disadvantaged job seekers to gain suitable, long-term employment.

Employment services need to meet the twin goals of providing effective assistance to disadvantaged job seekers, and providing a useful connection service for employers.

While *jobactive* has been an improvement on previous iterations of employment services, there remains room for improvement. The next employment services model should prioritise:

- improving the suitability of job seekers for long-term employment
- better meeting the individual needs of employers and reflecting changes in the workforce
- orienting resources towards improving outcomes for disadvantaged job seekers, and
- improving the quality of services delivered by employment services.

From a business perspective, the highest priority objectives for future employment services should be:

- providing a higher-quality, more personalised user experience – in particular, by linking better with other government services.
- encouraging deeper engagement between employment services providers and employers (in particular, through strategic partnerships).
- providing greater and more personalised support for assisting the most disadvantaged job seekers into sustainable employment. To maintain the existing funding envelope, resource increases could come from cost efficiencies in servicing those job seekers who require less-intensive support.
- re-calibrating outcome payments to encourage long-term employment.
- using technology in ways that improve services to job seekers, collect richer data about successful policy interventions, and provide services that are not currently provided by businesses.

## KEY RECOMMENDATIONS

1. Future employment services should be as simple, personalised and convenient as possible for job seekers and employers.
2. Future employment services should include incentives for employment services providers to establish deeper engagement with employers (in particular, through strategic partnerships).
3. Future employment services should provide more support for the most disadvantaged job seekers (through greater personalisation for their needs or potentially examining the structure of employment services).
4. The Department should re-calibrate outcome payments to extend the timeframe for payments or increase the weighting towards 26 week payments.
5. There should be greater digitalisation and use of technology in future employment services, to deliver more effective and personalised services to job seekers.

Greater use of technology should be accompanied by strict controls and governance, mandatory assessment of literacy, better quality data collection for continuous improvement, and careful design to ensure employment services are not duplicating existing services provided by businesses.

## BACKGROUND

Many forces of change – such as technological developments, demographics, globalisation, and changing preferences of consumers and workers – are impacting the Australian labour market.

There are many implications for the labour force, including changes in what people do, how people work, and how organisations manage people.

Future employment services need to reflect changes in the labour force to ensure job seekers are suitable for current and emerging roles, and to ensure that employment services providers understand the changes in employer's expectations.

## RECOMMENDATIONS

### **Future employment services should be user-centric**

The Business Council believes each job seeker should receive support from employment services that is targeted to their individual needs in gaining employment.

In addition to the goals articulated in the consultation paper, the Business Council recommends that future employment services should be user-centric: as simple, personalised and convenient as possible for job seekers and employers.

Employment services that are complex risk disenfranchising job seekers and diverting their time from preparing or searching for work.

As identified in the consultation paper, job seekers report that “the systems [they] need to address their life issues are complex and can impose administrative and emotional burdens”. Digitalisation of employment services holds greater opportunity to improve links with health services, other social services, and the welfare system. Job seekers should be able to access multiple services in one place, without being referred between multiple service providers or departments. It is especially important to ensure strong links with other employment services, like Disability Employment Services.

We also recommend examining opportunities to link with private sector services (for example, allowing job seekers to export their employment services profile data to populate their profile on a business’ recruitment site), to improve the convenience and simplicity for job seekers.

## **There should be deeper engagement between service providers and employers**

Some employment services providers have established very good relationships with Business Council members.

However, many Business Council members have advised they do not have engagement from providers, or have reported instances where providers put forward job seekers that are not at all suitable for vacancies. Employment services providers who do not properly understand the working requirements of employers will not be effective in placing job seekers.

We recommend the Department consider incentives that would encourage deeper engagement by employment services providers, built on a well-developed understanding of the business’ workforce needs.

We encourage providing incentives for the following behaviours:

- Employment services providers should establish early, strategic partnerships with large employers (in line with a demand-led approach) to prepare job seekers to meet foreseeable workforce needs. This behaviour could receive additional top-up payments for each successful placement under the partnership.
- Employment services providers could offer a service to assess the suitability of the employer’s workplace for a disadvantaged job seeker, and provide employers with the support and advice needed to make the job placement succeed. This would assist employers who do not have the expertise or specific knowledge required to support a disadvantaged job seeker and make their job placement a success.
- Employment services providers could provide greater information to employers about the work readiness of a job seeker. It can be difficult for employers to assess job seekers’ work readiness on factors such as timeliness, courtesy or work ethic, and employment services providers could provide additional information on these aspects.

- There should be an increased focus on monitoring the success of disadvantaged job seekers once they commence work, and provide targeted and timely interventions to support job seekers and address any issues that immediately arise.
- The Business Council has articulated the expectations of our members, as employers, in the *Being Work Ready Guide*.<sup>1</sup> We encourage employment services providers to assess job seekers against the expectations in the Guide and offer advice and training for areas where they may require improvement.
- Employers would appreciate a single point of contact within employment services providers, to avoid the burden of repeatedly explaining the business' needs to changing staff.

On the employer side, the best incentive to use employment services will be consistently suitable candidates provided for their vacancies.

Wage subsidies are unlikely to encourage Business Council members to take *jobactive* clients if the clients remain unsuitable for the role, or if the subsidies attract a large compliance burden. While wage subsidies may be suitable for some categories of employer, Business Council members hold the view that directing the resources to improve job seekers' employability would be more effective than wage subsidies.

## The most disadvantaged job seekers should receive more support

The Business Council strongly supports a sharpened focus and greater dedication of resources for the most disadvantaged job seekers.

Outcomes for disadvantaged job seekers remain poor. As at September 2017, only 27.5 per cent of the most disadvantaged job seekers (Stream C) were employed three months after participating in *jobactive*.<sup>2</sup> As identified in the consultation paper, the average length of time that the most disadvantaged job seekers are on the *jobactive* caseload is five years.

Many of the paper's proposals should contribute to improving outcomes for the most disadvantaged job seekers, including:

- provision of a holistic set of assistance for this cohort
- continuation of a flexible pool of funding like the Employment Fund.<sup>3</sup>

We support these proposals, and recommend two additional, complementary changes:

1. Substantially greater resources available for disadvantaged job seekers.

The level of support could be increased within the same funding envelope by achieving cost efficiencies in servicing cohorts of job seekers who require less-intensive support.

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<sup>1</sup> Available at: <http://www.bca.com.au/publications/being-work-ready-a-guide-to-what-employers-want>.

<sup>2</sup> Department of Jobs and Small Business, *Employment Services Outcomes Report October 2016 – September 2017*, 2017.

<sup>3</sup> As long as it is well-governed, a flexible pool of funding substantially improves the level of personalisation granted to job seekers. See, for example, the UK Government, *The future of Jobcentre Plus: Government response*, January 2017.

## 2. Greater personalisation for the needs for each disadvantaged job seeker.

As well as greater resourcing, the most disadvantaged job seekers require a significantly different approach to mainstream job seekers.

More targeted services can generate cost reductions, improve service delivery outcomes, and improve policy making.<sup>4</sup> These could be achieved through:

- Greater upfront assessment of job seekers' capabilities, skills and interests. We recommend incorporating the framework in the Business Council's *Being Work Ready Guide*, and
- Better use of data and analytics during a participant's job search and job placement. The use of these tools allows government to understand the needs of individual job seekers at a much deeper level, allowing services to be targeted more precisely to areas of need.
- Potentially looking at the structure of employment services and considering whether one service is truly able to meet the diverse needs of different cohorts of job seekers.

These interventions should be based on the principles of the 'investment approach' (pioneered in New Zealand) of early intervention and targeted investment to improve employability.<sup>5</sup>

## Outcome payments should be re-calibrated

The current payment structure – where outcome payments are received by employment services providers for jobseekers who remain in a position after 4 weeks, 12 weeks and 26 weeks – risks creating an incentive for placements of up to six months, rather than placements in sustainable, long-term work.

Business Council members recognise that the Government needs to manage the market for employment services in a way that is sufficiently attractive for *jobactive* providers. We also recognise the need to support providers in placing job seekers in short term, temporary and seasonal work in some instances.

However, the existing outcome payment timeframes are too short and reward employment services providers for immediate placement instead of long-term employment. Outcome payments should be weighted towards the preferred outcome of sustainable employment.

Outcome payments could be re-calibrated by extending the timeframe, or revising the weighting of the payments to increase the relative size of the 26 week payment.

If the four week payment is retained, the Expert Panel may like to consider whether payments should be clawed back for job placements that end very shortly after four weeks.

<sup>4</sup> World Bank, *Big Data in action for government*, 2017, <http://documents.worldbank.org/curated/en/176511491287380986/pdf/114011-BRI-3-4-2017-11-49-44-WGSBigDataGovernmentFinal.pdf>.

<sup>5</sup> Jobs Australia, *New Zealand's welfare reform and the 'investment approach'*, September 2016, [https://4-jobsaust.cdn.aspedia.net/sites/default/files/final\\_sop\\_-\\_nz\\_investment\\_approach.pdf](https://4-jobsaust.cdn.aspedia.net/sites/default/files/final_sop_-_nz_investment_approach.pdf).

## Greater digitalisation and use of technology could improve service delivery

The Business Council supports the consultation paper's proposal to adopt technology in future employment services.

The primary motivation for digitalisation should be improving outcomes for job seekers, by making services as simple, personalised and convenient as possible.

Many of these benefits are delivered by allowing data analytics and algorithms to deliver personalisation at the individual level. To enable meaningful personalisation, the service will need to collect data about job seekers' behaviour and possess sufficient capability to analyse factors such as the patterns of job search behaviour, the nature of employment outcomes, and record of services delivered.

There are three key points we recommend in relation to improving online services:

- The storage and use of this data must be subject to the strictest of controls, protections and best practice governance, to maintain job seekers' trust and confidence in the system. The Government should also be alert to risks associated with poor quality data.
- It will be essential to ensure that greater digitalisation of employment services does not exclude job seekers with poor digital literacy and pose yet another barrier for them to find work.

The number of Australians without functional *literacy* – let alone digital literacy – is high: one in five Australians between the ages of 15 and 75 have low levels of literacy and/or numeracy.<sup>6</sup>

We consider that this risk can be mitigated by including an assessment of literacy upfront, for all disadvantaged job seekers. There should be immediate training available for those who do not meet the minimum level.

The dedication of resourcing for improving literacy (and digital literacy) will not only remove barriers to participating in employment services but also improve the employability of those job seekers.

- Any online services delivered as part of a future employment service should not duplicate functions that are already available from services offered by businesses. The future employment service should not aim to provide functions such as job discovery, job matching or job application services, which are already effectively provided by existing businesses' services.

Technology provides opportunities to think differently about mutual obligation requirements. The Business Council supports the principle of mutual obligation, but considers that any requirements should directly relate to improving the employment prospects of job seekers. Mutual obligation requirements should not be unnecessarily punitive.

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<sup>6</sup> OECD, *Building skills for all in Australia*, 2017, [https://read.oecd-ilibrary.org/education/building-skills-for-all-in-australia\\_9789264281110-en#page4](https://read.oecd-ilibrary.org/education/building-skills-for-all-in-australia_9789264281110-en#page4).



Some aspects of previous mutual obligation requirements have not been especially effective:

- Job search requirements of 20 applications a month can impose unnecessary costs on job seekers and employers, where applicants are not suitable for vacant positions. Many employers bear the cost of sorting through unsuitable applications that are solely submitted for the purpose of meeting job search requirements.
- The Business Council has previously expressed concern about Work for the Dole, on the basis that the program did little to improve the employability of job seekers.<sup>7</sup>

Advances in job matching technology provide opportunities to reframe job search requirements (for example, to require a smaller number of relevant applications for suitable jobs per month).

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<sup>7</sup> See, for example, Business Council of Australia, *Submission to the Department of Employment on the Exposure Draft for Employment Services Contracts 2015-2020*, August 2014.

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