Reform of the Australian employment services system: design options

Slides prepared by the Brotherhood of St. Laurence, the Centre for Policy Development and the University of Melbourne for the Select Committee on Workforce Australia Employment Services Public Hearing

4 October 2023

FROM
an outdated system

TO
a system fit for the future

System-centric
An employment system designed to manage risk and drive short-term outcomes.

Rigid: one size fits all.

Mismatched: focused on jobseekers (supply), without matching industry or employer demand.

Short-term: work-first, any job is a good job.

Compliance-driven: strict compliance and mutual obligation requirements.

Arms-length: government arms length, top-down management and regulation.

Competitive: competitive tendering that produces fragmented services and duplication.

People centred in place
An employment system designed to build people's capability for a 21st-century labour market.

Flexible: flexible universal system, shaped by individual aspirations and local conditions.

Connected: bridges supply with demand, by matching jobseekers with suitable opportunities with employers, industry or training.

Long-term: invests in people's capability for sustainable, meaningful, decent work.

Shared accountability: co-produced individual 'Participation and Jobs Plans'; strengths-based plans with shared accountability from jobseekers and providers.

Top-down & bottom-up: top down (government) and bottom up (community) collaboration and governance.

Collaborative: collaborative commissioning and mixed tendering that aligns funding and programs.

The How

Key ingredients for reform

1 Mindset shift

From a deficit and compliance lens to a focus on investment in people's capabilities for the mutual benefit of jobseekers, employers and communities.

4 Changed government role

From arms-length 'purchaser' of employment services to active co-producer of employment services, including delivery in some areas.

2 Place-based, flexible universal system

From a dispersed and fragmented employment service system to a single national service that includes dedicated youth and working age services with a differentiated response by labour market attachment.

EMPLOYMENT AUSTRALIA

participants

TRANSITION TO WORK

WORKING AGE SERVICE

employers

From a one size fits all service to a flexible universal system tailored to and shaped by local and regional conditions:

- adoption of collaborative place-based approaches that align fragmented policy, funding and programs

- a governance mechanism that connects governments, departments, sectors and stakeholders from the local to national level, to design adaptive employment and training solutions.

3 Service & practice model

From ad hoc delivery approaches to an evidence-informed person-centred service and practice model adapted to place:

- flexible and tailored to needs, circumstances and life stage of the individual, as well as their local context

- builds jobseekers' capability and confidence to pursue personally meaningful career (and life) goals and establish strong foundations for economic security, and aims to maximise their choice and agency

- connects to skills and training for quality jobs and that provides career mobility

- invests in employers to create and advance demand-side opportunities.

Policy Objectives

An employment services system for Australia's future

Our vision is for all people in Australia to enjoy decent, secure employment and economic and social participation, regardless of who they are or where they live.

Policy objectives:

1. Support the wellbeing and economic security of individuals and their families through their engagement in decent, sustainable employment.

2. Grow the skills and capabilities of the Australian workforce and advance the productivity of the Australian economy.

3. Respond to the workforce needs of business and industry and provide adaptive and flexible responses to energy and industry transitions.

4. Build human capability and social capital to connect people with the full range of social and economic opportunities available within communities.

Note: There is no perfect system design and **we will always be managing trade-offs** – we need to be clear on the purpose of the system and the design choices we're making.

Continuous improvement and feedback loops need to be built into the new system – set and forget is not an option.

Governance for a collaborative, people-centred, place-based and industry-focused system

Governance
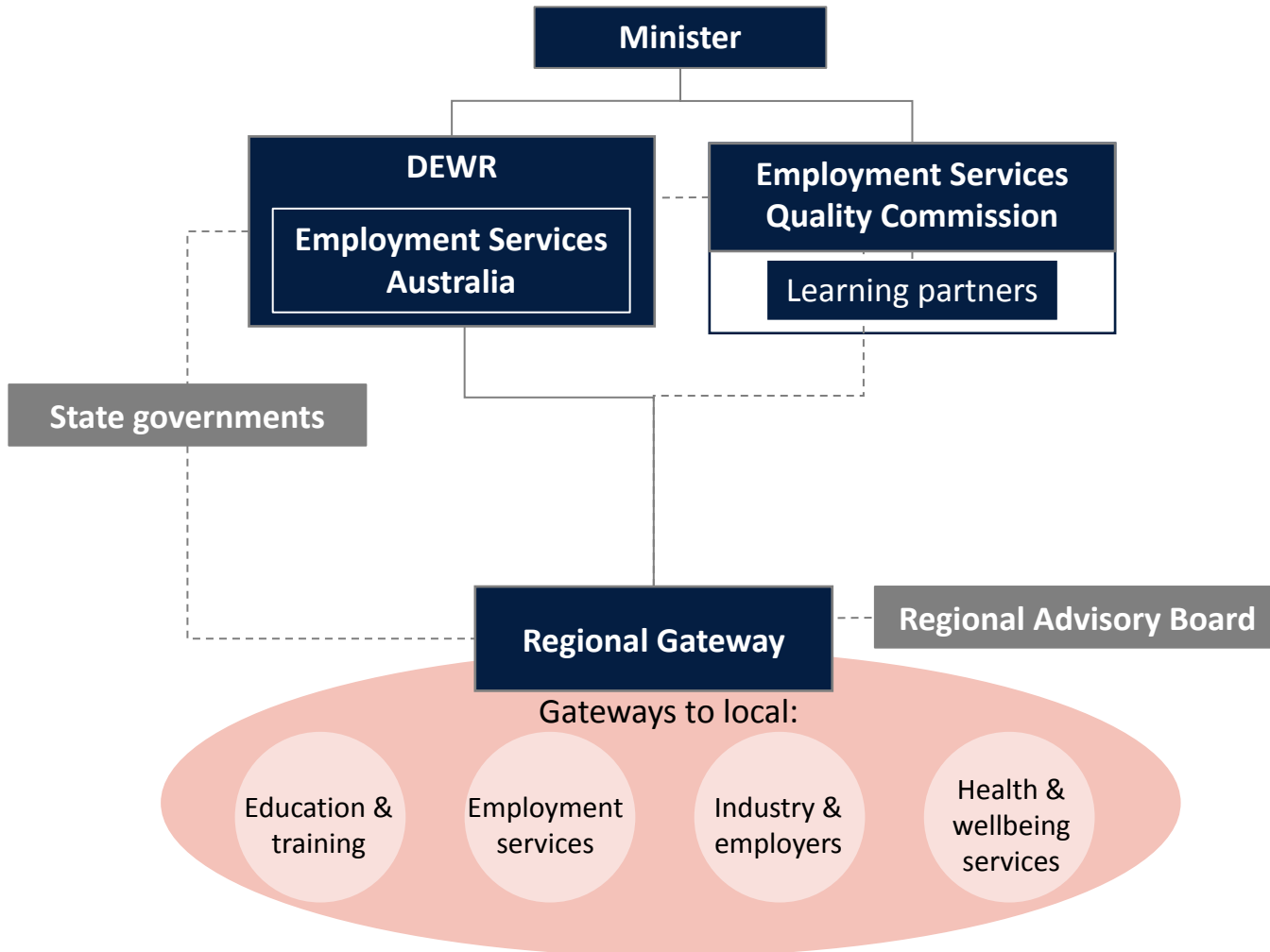
- **DEWR** funds and stewards the system, with **Employment Services Australia** to manage contracts and run some services (including online service).

- **State Governments** can opt-in as co-stewards, co-funders and delivery partners.

- **Employment Services Quality Commission** is responsible for Quality Framework, licensing, monitoring prices, complaints and system learning.

- The Quality Commission manages **learning partners** who drive data-led learning for shared practice across the national system and rebuild practice and implementation capability across the whole system, through:
  - communities of policy and practice
  - capability building
  - developmental and impact evaluations.

- **The Regional Gateway** facilitates local service system coordination and mapping, assessments and referrals to employment services providers and a range of other local services, and industry and employer engagement
  - It is supported by a **Regional Advisory Board** of local representatives from education and training institutions, Local Councils, major local employers and people with lived experience.

Stewardship for vertical and horizontal alignment
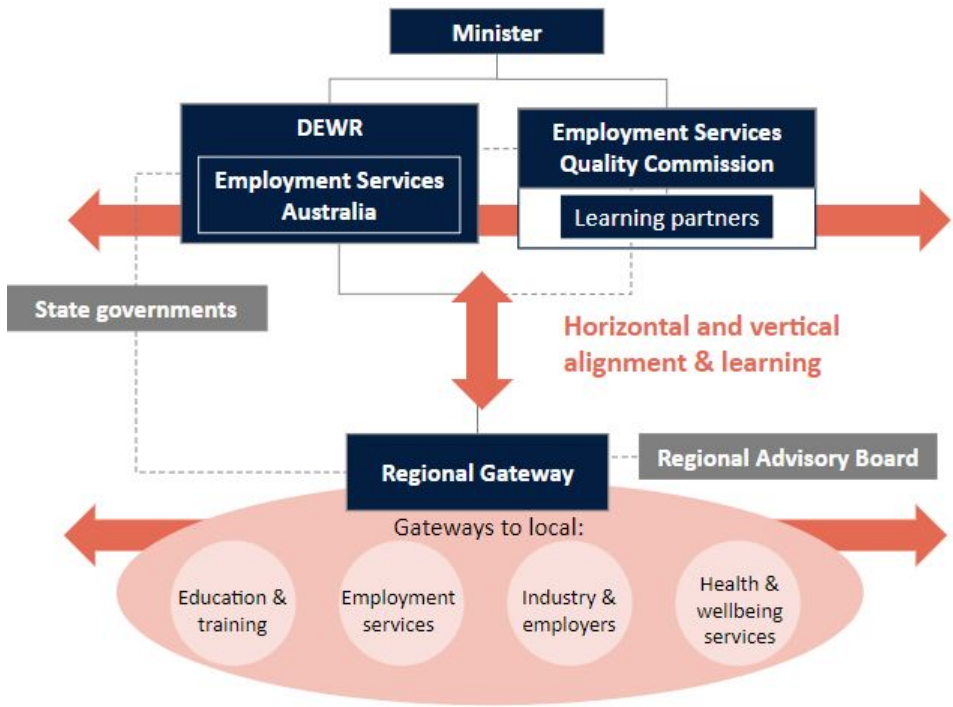
DEWR funds and stewards the system
- As system steward, DEWR facilitates vertical alignment of local, state and Commonwealth policy and program investment.
- DEWR manages the national system via Employment Services Australia to manage contracts and some service delivery, including running the online model and some services.

**State governments as opt-in co-stewards, co-funders and delivery partners**
- State governments may choose to be involved, to co-fund, co-steward and work with Regional Gateways to facilitate horizontal alignment of human services and community resources at a state and local level.
- State governments offer strong value given they typically hold closer connections to employers and local organisations and deliver many of the broader supports, including vocational training, ancillary social supports and community groups.
- State governments could be involved at different levels of intensity, accounting for their interest and existing capabilities in the following ways:
  - *Inform* Commonwealth strategic direction through new interjurisdictional governance on employment services
  - *Partner* with the Commonwealth on coordination, to deepen impact in local communities by delivering place-based partnerships
  - *Deliver* services on behalf of the Commonwealth (e.g. through devolution of national funding for part of the employment services system). This could include delivery for specialist providers and social enterprises, alongside a generalised service model.

Learning partners support government capability as system steward to align policy, practice and learning between levels of government and between different services and regions.

Regional Gateways and Regional Advisory Bodies share insights and lessons from implementation to feed into policy design.

Functions

Quality, system learning and continual improvement
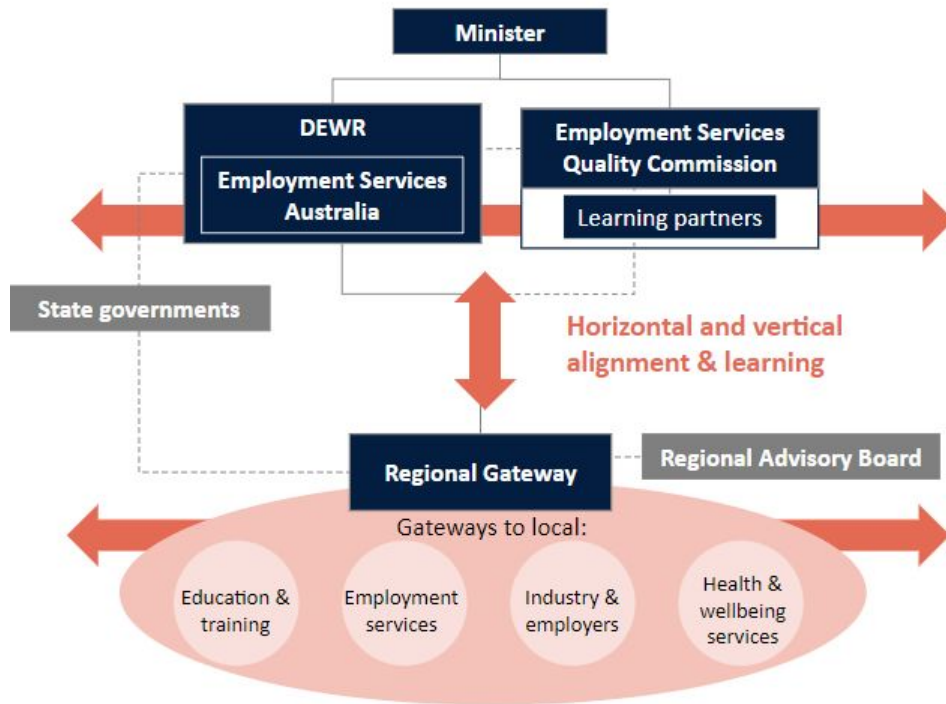
The Employment Services Quality Commission would be responsible for:
- quality framework
- licensing
- monitoring prices
- complaints
- learning.

To streamline implementation, the Employment Services Quality Commission may be established within an existing Commonwealth regulator.

The learning partners would:
- support all actors in the system to build practice and implementation capability
- translate learning from Regional Gateways, Regional Advisory Boards, providers, employers and jobseekers into policy and system design/adaptation recommendations
- drive data-led learning for shared practice and improvement across the national system
- facilitate connections and lessons between Regional Gateways, between providers, and the broader human services ecosystem in place.

Learning partners would do this through:
- communities of policy and practice
- developmental and impact evaluations.

For genuine system learning to occur, a **cultural shift** would be required, from compliance enforced from above to learning driven from the bottom up. The latter includes a focus on improvement and relational commissioning informed by local-level understanding of how policies and programs are implemented. Bottom-up governance also includes a shift towards local involvement in the co-design of employment-related policies so that they are adaptable to place and regional context.

Functions

Regional and local service ecosystem

The Regional Gateway would facilitate:

- local service system coordination and mapping
- building partnerships and capability across local ecosystem
- assessments of individuals
- referrals to employment services providers and a range of other local services, as appropriate
- industry and employer engagement
- analysis of local labour market data from Jobs and Skills Australia
- grants for social enterprises.

Similar to the role of a GP in a medical context, the Gateway would serve as the front door through which anyone can enter, to be referred to the right supports.

The Regional Gateway could be run either by a government or not-for-profit entity.

The Gateway conducts initial assessment of individuals to decouple assessment from service delivery and reduce the conflict-of-interest that can arise from providers referring people to their own services. By having an understanding of the broad range of supports available, as well as strong industry/employer connections, the Gateway is also able to determine the right places to refer a person, based on their initial assessment. Ongoing oversight from the Gateway makes sure people don't 'slip through the cracks' of the system, and each person receives the right supports to meet their needs and aspirations.

The exact scope and functions of a Regional Gateway would depend on its local area and the existing local governance and employment service provider landscape.

Ideally, regions would be defined to match local labour market conditions, which would mean there could be more than one regional gateway per each of the current 51 employment regions. Regional gateways would have an enduring physical presence in the local community through offices that are ideally co-located to other services (e.g. Centrelink, Local Councils, existing Community Centres).

Regional Gateway

Regional Advisory Board

Gateways to local:

Education & training

Employment services

Industry & employers

Health & wellbeing services

Governance

The Gateway would be supported by a **Regional Advisory Board** to offer advice, with representatives from local education and training institutions, major local employers (both public and private), local Council, people with lived experience and representative organisations.

The Regional Advisory Board would identify place-based, person-centred initiatives in response to local needs and opportunities, supported by local data and knowledge. It would focus on demand-side (job creation) opportunities and building the capability of the local service ecosystem. It may leverage existing regional governance structures (e.g. Victoria's Metro and Regional Partnerships, Tasmanian Regional Jobs Hubs).

Point of difference

The Regional Gateway is **different to the Local Jobs Program**, in that it:

- focuses more on strengthening demand-side initiatives and their connection to the service ecosystem (not just supply-side)
- builds ongoing local collaborative governance that brings together key local stakeholders into an advisory group, with influence at both a local level and in shaping policy further up the chain at state and federal levels
- provides an enduring local strategic jobs mechanism that has a strategic view of investment coming into the region, and understanding of how to build a sustainable workforce that reflects the people in the region (rather than short-term administration of funding).

Service Model

Regional Gateways provide the door to a range of local services, based on co-produced Individual Participation and Jobs Plans

User Journey:

Person enters Regional Gateway, open to all (not just people accessing JobSeeker).

No wrong door:
- referral from Workforce Australia online
- walk-in
- service referral.

Co-produce Individual Participation and Jobs Plan.

Where higher-intensity support is required:
Development of Plan and ongoing case management may be delivered by specialist employment services provider, with Regional Gateway retaining oversight and coordination through case conferencing.

Where lower-intensity support is required:
Regional Gateway may directly offer job search advice, ongoing employment guidance, or referral.

Regional Gateway provides ongoing support and mutual responsibility to meet Plan, adapting Plan as necessary.

Success as a range of outcomes, not just a job.
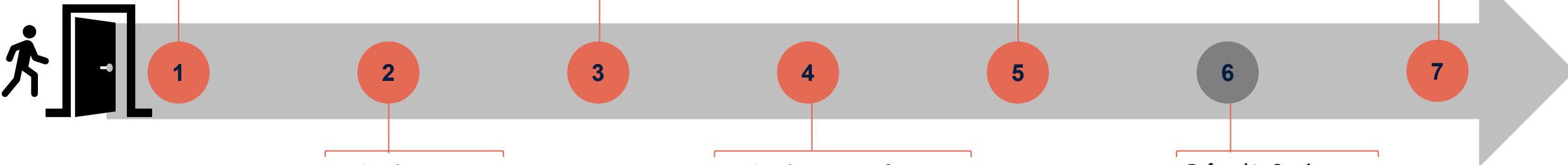
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Regional Gateway performs initial jobseeker assessment.

Regional Gateway refers person to a broad range of services to meet goals in Plan:

- education and training
- employment services
- industry & employers
- health & wellbeing
- specialist providers (e.g. youth-focused).

Referral to Services Australia for compliance as last resort for small number of people who repeatedly do not participate in Plan.

**Service Model** **Mutual obligations are reframed within the system**

Shared accountability, not mutual obligations

- Participants co-produce an Individual Participation and Jobs Plan, based on shared accountability from both participants and providers. The Regional Gateways refer people to the broad range of services and supports they need to meet their goals in the Plan, and provides ongoing support and monitoring of progress.

- Co-producing a Plan has been shown to be intrinsically motivating by tapping into people's own aspirations – a similar model ('The Deal') has been used successfully in Transition to Work.

- Participation in the co-produced and agreed Plan is required for people accessing JobSeeker payments, but participation is not tied to payments and Employment Services providers do not have the power to suspend payments.

- If someone does not participate in the agreed Plan, the first step is to revisit the Plan and assess whether different goals or supports are required.

- For the small number of people who repeatedly do not participate in the Plan, providers can refer people to Services Australia who can make a decision on additional support needs or payment suspension. This is a last resort, after all other support options are exhausted. Clear decision-making processes and exemptions would be needed.

Services are tailored based on intensity, with a specialist youth offer

Labour market attachment: Service offers that align to people's level of attachment to the labour market

| LOW ATTACHMENT | Higher intensity face-to-face | Low intensity face-to-face | Digital | HIGH ATTACHMENT |

+
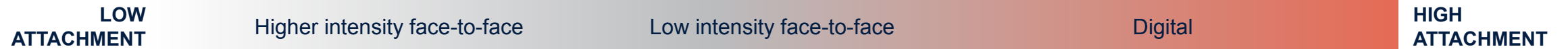
Life course: Service offers that respond to where people are in the life course

| YOUNGER | Young people | Working-age adults | OLDER |

The case for a specialist youth service:

Young people transitioning from school to work need different support than working-age adults, and should have a specialist youth employment service. This would:

- **engage young people on their terms, in a way they're comfortable:** experience has shown a reluctance for young people to present to generalist all-ages services

- **align employment services to youth-specific legislation and policies:** e.g. wage subsidies/training allowances made available to young people on the basis of their age

- **guide young people through one of life's most significant transitions from school to work:** drawing on youth systems expertise

- **allow young people to explore and discover in a safe environment:** e.g. with additional career guidance to explore life direction and vocational aspirations.

Service Model

Tailored support spectrums: flexible packages adjusted over time and around individual needs

People co-produce Individual Participation and Jobs Plans that could cover one or multiple support spectrums, depending on their needs and aspirations. Not everyone will need every support, and employment may not be the first priority for some participants.

Recovery & social participation (life-first)

Building employability through skills & training (human capital development)

Finding and sustaining work (work-first)

Wellbeing and recovery
- mental health / counselling
- rehabilitation / connecting to housing.

Work in the community
- work experience and social participation
- in-work training in social enterprises.

Education and training
- foundational skills (literacy and numeracy) – including in on-the-job placement
- returning to study
- vocational skills courses.

(Re)entering the labour market
- higher intensity job search training
- soft skills training in looking for work
- guidance on building employability through training and work experience
- financial wellbeing, capability and confidence building.

Employment guidance and job matching
- lower intensity job search advice and support
- assistance with CV preparation, cover letter writing, interview skills
- employer brokerage and job placement.

Post-placement support
- work adaptations and in-work support
- support with managing health and finances.

E.g., very long-term unemployed; participants with psychosocial disability

E.g., newly arrived migrants and refugees; mature-age jobseekers retraining for career transitions

E.g., early school leavers, carers returning to employment, ex-prisoners

E.g., short-term & frictionally unemployed jobseekers

Service Model

Work in the community (key principles)

Work in the Community is one option for an element of a co-produced Individual Participation and Jobs Plan.

Purpose for people and communities	**Placements** that matter	**Participation** that rewards
• **Social participation** opportunities for those distant from labour market (end in itself for some participants). • **Transitional pathways** to mainstream employment through experience and in-work training (stepping-stone to labour market reintegration). • Work that contributes to community development and **meets local needs** (social benefit).	• Placements **based on choice** not compulsion (right to refuse placements if they don't match goals). • Work experience in **diverse social enterprise and community service settings** (e.g., cafes, (toy) libraries, community arts centres, community-run after school care, appliance/bicycle repair services and related eco-social initiatives). • Placements of **varying duration** depending on circumstances (e.g., Irish Community Employment program varies from 1–3 years depending on age).	• **Paid** part-time employment. • **Leave entitlements** (pro-rata). • **Training alongside** work experience, with funding to support skills development.

Key differences to Work for the Dole

- Choice over placements and whether to undertake Work in Community. (Participation in Work in the Community is voluntary, but participation in *something* through an agreed Plan is compulsory.)
- Work this is financially recognised, not stigmatised.
- More enduring work experience opportunities, supported by training.

Funding Model

A funding model based on relational contracting to support a more effective, flexible and high quality system

FROM

Payment-by-results for individual employment outcomes upholds narrow, inefficient service system

Payment-by-results approach, focused on (any) job outcome for individual jobseekers as primary outcome measure. Encourages standardised one-size-fits all service model and incentives practices of creaming, parking and churning jobseekers.

Singular funding model focused on incentivising supply-side interventions with individual job-seekers. Encourages competition between providers.

High compliance burden and transaction costs associated with claiming payments, with few feedback mechanisms for assessing service quality.

TO

Relational contracting model that funds a more responsive, capable system that can flex to opportunities

Greater flexibility to tailor supports to meet the needs of each jobseeker and local conditions. Collaboratively developed broader suite of performance objectives and measures that facilitate long-term economic security and wellbeing for jobseekers.

Suite of funding mechanisms and performance measures for providers that support and incentivise supply, bridging and demand activities, stronger connections with employers, community and collaboration between providers.

Lower compliance burden meaning providers can focus on supporting people and engaging in conversations about service quality and improvement.

A different approach to performance measurement: from 'paying for results' to 'measuring what matters'

- Results-based payments are currently the primary yardstick for incentivising performance but are costly to administer, very difficult to calibrate to capture the cost of delivering quality services to those most in need, and rigid to adjust for evolving economic circumstances or local conditions.
- Service quality and effectiveness can be measured through diverse sets of indicators assessing the achievement of an array of performance objectives that go beyond blunt financial metrics of performance.
- Accountability for delivering outcomes and producing public value remains critical but needs to be measured against wider benchmarks that account for demand side activities, progressions towards sustainable employment, job quality and which can be mutually adjusted between government and providers to reflect differentiated local circumstances and learning from implementation over time.

Examples of alternatives to Payment-by-Results

Funding Model

- There is no single magic formula of 'what works' in funding employment services
- Outcomes-based payment models are not the only way of incentivising performance
- Multiple ways of adapting the relationship between service funding and performance measurement should be explored

Work and Learning Centres
Victoria

Work and Learning Centres are an initiative of the Victorian Government to support people looking for work, especially people who live in social housing or are at risk of homelessness.

Funding model
Contract specifies KPIs which provider must meet for acquittal: job placements, 26-week employment outcomes, training placements and number of participants from priority cohorts supported. Funding is released in quarterly increments.

Insights
- Funding is based on delivery of overall set of KPIs (not a 'per-unit payment', and no extra payment for 'overachieving' against KPIs). This enables more flexibility to respond to individual jobseeker needs and support more disadvantaged jobseekers, beyond 'work-first'.
- Relational contracting (contracting arrangements are shaped to local conditions).
- Lower compliance burden (e.g., alternatives to payslips allowed as evidence of employment outcome). This reduces administrative burden but relies on other forms of accountability/oversight of quality and performance.

Regional Jobs Hubs
Tasmania

The Regional Jobs Hubs initiative is a state-wide, community employment model led by the Tasmanian government in partnership with community. It creates employment outcomes for Tasmanians in the places that they live, while also addressing critical industry and workforce needs in local communities and regions.

Funding model
Block funding model. Funding and accountability is based on outcomes, tied to annual activity plans informed by the local operating context and agreed by individual hubs, their advisory boards and the funder (state government). These can evolve based on learning from implementation fed back to the state team through regular engagement with the hubs.

Insights
- Relational contracting (contracting arrangements are shaped to local conditions, rather than one-size-fits-all).
- KPIs incentivise collaboration between services and demand-side (employer) initiatives.
- Requires different government role.

Making it Work
Scotland

Making it Work was a program to support sole parents experiencing high levels of labour market disadvantage into sustainable employment. It was anchored in a place-based, multi-agency partnership model to deliver holistic employability supports in five local authority areas (Edinburgh, Fife, Glasgow, North Lanarkshire and South Lanarkshire). Partnerships, led by community organisations, were developed in each area to bring together government agencies delivering healthcare and employment services with community organisations specialising in local employability programs, child care and other services for sole parents. The design of each partnership and implementation model was locally adapted, although key workers responsible for linking up different services and supporting sole parents to access vocational and non-vocational supports from across a diverse network of providers was core to each area.

Funding model
- Multi-year grant funding agreements giving partnerships flexibility in designing and developing local ecosystems of support.
- Instead of Payment-by-Results contracts, accountability for performance was embedded in collaboratively negotiated targets for each area.
- Program targets varied between each area but included indicators such as numbers engaged in program; proportion of participants developing action plans and completing specified activities to enhance their employability; proportion of participants completing work-placed qualifications; progressing to further training and higher education; proportion of participants placed into employment, sustaining employment for specified durations, and progressing within the workplace (e.g., work hours, earnings).

Insights
- Funding and performance framework was underpinned by relational contracting and the development of collaborative partnership agreements between the funder and members of the multi-actor partnership in each area.
- Dedicated resources for partnership-working and 'joining up' local services around individualised needs were a key aspect of the funding model through resourcing for key support workers as 'boundary spanners'.

Design Process

Demonstration sites to prove relational contracting approach and core features of the new model

Funding Model → Service Model → Performance Measures
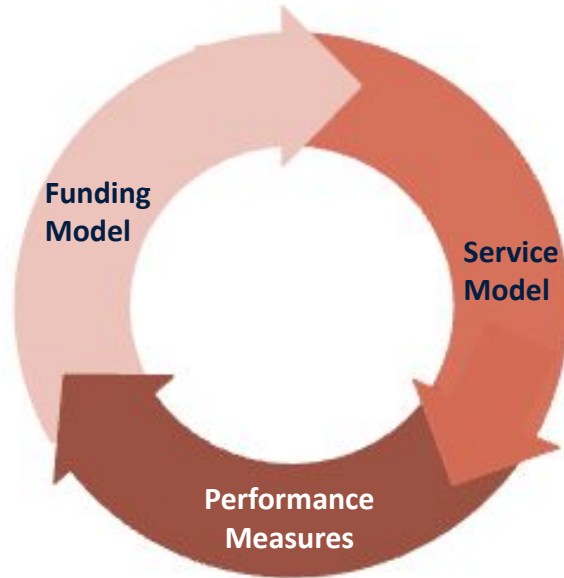
A collaborative, transparent and relational process of co-design and co-commissioning would support the development of a diverse set of fit-for-purpose funding mechanisms (block and grant funding, milestone and outcomes payments, etc.) tied to shared performance measures.

The funding model, service model and performance measures should be designed and iterated together. These integrated operational models will necessarily be different in different places.

The approach to contracting, partnership and operational model design can be developed in a small number of sites, before expanding nationally, with continuous adaptation based on learning from implementation.

Begin by building an understanding of:

- administration and overhead costs incurred by providers
- the cost (staff time) associated with compliance and reporting
- how money flows through the system
- costs associated with working within different parts of the system, e.g. direct support, industry engagement, system learning, etc.
- the need for regional and/or remote loading
- other funding models within Australia and overseas.

Use design principles to frame operational model design:

1. **Equitable, responsive to people and place:** recognises diverse demographic, geographic factors and industry conditions and the variable costs of provision.
2. **Quality:** funding is adequate to meet the cost of sustainable delivery of a high quality service as well as continuous improvement and system learning.
3. **Workforce:** funding supports a trained and qualified workforce to support people into employment and deliver social value.

And utilise a co-design process that:

- positions the Commonwealth as a system steward
- sees service providers as partners with government and each other
- values people that use the service as active participants with a voice in system design
- is adaptive and iterative.

Primary outcome is to enable a better balancing of:

- cost vs value
- efficiency vs effectiveness.

Implementation

Roadmap to a new system

Announce vision for new model	Prepare to implement & select demonstration sites	Demonstration sites to develop and evaluate core features of new model	Design implementation model to scale and build scaffolding for transition

Announce vision for new model

- Announce intended vision, design and structure of new system and timeline and resources for transition.

- Establish Employment Services Australia from the outset, and enact key legislative changes for the new system.

Prepare to implement & select demonstration sites

- Select and prepare demonstration sites for rolling out new model and begin to build the understanding necessary for operational model design.

- Criteria for demonstration site selection could include:
  - Existing capability of providers and supporting networks (e.g., state government capacity).
  - Place (range of urban/regional).
  - Density of services (thick and thin).
  - Level of underutilisation.
  - Variety of labour market conditions.

- Map existing governance ecosystem in demonstration sites to ensure working with existing capability and not duplicating.

- Determine how contracts for existing providers within demonstration sites may change.

- Co-design with local partners.

Demonstration sites to develop and evaluate core features of new model

- Use experimental approaches and ongoing developmental evaluation to develop approach to contracting and partnership and core features of new model within demonstration sites (approach and features set out on the previous page):

  - **Outcomes:** Does new approach and model deliver intended outcomes?

  - **Governance:** Does governance structure enable both horizontal and vertical alignment?

  - **Funding:** Does funding model incentivise intended behaviour and deliver value for money?

  - **Quality:** Which measures are most appropriate to assess quality and improve practice?

  - **Practice approach:** How do we shift practice from a compliance/deficit to capabilities approach?

  - **Capability:** How is public sector and local delivery capability being built, and what will this take to achieve at scale?

Design implementation model to scale and build scaffolding for transition

- Based on lessons learned, design implementation model to scale to full system, taking into account contract end and co-funding between different levels of government

- This would ideally be led with the same learning partners who ran communities of practice and developmental evaluations of the demonstration sites, working closely with DEWR, State Departments, and Regional Governance

- Co-design operational models in place – service/funding model and performance measures – based on lessons learned from demonstration sites, input from service providers and people who use the service.