



Australian Government
Department of Education,
Skills and Employment

New Employment Services Model

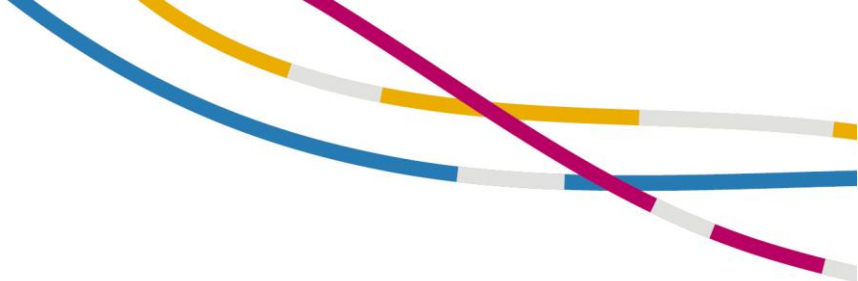
Regulation Impact Statement






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1 Introduction

This Regulation Impact Statement has been prepared by the Department of Education, Skills and Employment (the department) on options to reform Australian employment services, as announced by the Australian Government on 20 March 2019. The New Employment Services Model will commence in July 2022 and is preceded by a range of employment services trials.

This Statement considers the potential regulatory impact of different policy options on users of employment services—job seekers and employers—providers contracted to deliver employment services, and the Government. It includes a qualitative assessment of the likely positive and negative effects of regulation on each of these groups.

This Statement also includes an estimate of the regulatory costs for employers, individual job seekers, and providers. These costs have been calculated in accordance with the Regulatory Burden Measurement framework, and primarily include administrative costs incurred by providers, employers and job seekers to demonstrate compliance with regulations, as well as compliance costs incurred by these groups.

An early assessment Regulatory Impact Statement was not prepared for public consultation; however, the department released a public discussion paper in June 2018, *The Next Generation of Employment Services*, which formed the basis for an intensive round of national consultations. The department continues to consult with stakeholders and evaluate the ongoing employment services trials to refine the design of the new employment services model.


2 Background

2.1 The role of public employment services

Publicly funded employment services play an important role in the Australian labour market. The Government funds employment services so those dependent on income support and job seekers in weak labour markets, who may not be serviced by the private sector, have access to employment services. Employment services also play an important role in ensuring job seekers receiving income support are actively seeking employment.

Employment services help job seekers into employment by:

- providing a job matching service for job seekers and employers at no cost to them
- increasing job seekers' job readiness through vocational training and work experience
- encouraging job seekers to actively look for employment through job search requirements and job search assistance
- incentivising employers to hire and retain unemployed people through wage subsidies
- ensuring disadvantaged job seekers have access to employment services that address their barriers to employment.



Further, under the International Labour Standards, Australia has ratified the Employment Service Convention, 1948 (No. 88) and the Employment Policy Convention, 1964 (No. 122), which outline commitments to support specific employment goals, including maintenance of a free public employment service.

2.2 The jobactive model

Generalist employment services in Australia were largely privatised under a contestable market model in 1998, initially through the Job Network, then Job Services Australia and, since 2015, through jobactive. The jobactive network currently has 39 providers contracted by the Australian Government to deliver employment services across over 1500 sites around Australia.

The jobactive Deed sets out the obligations of contracted jobactive providers to deliver employment services and support job seekers and employers. Further operational requirements for jobactive providers are detailed in supporting guidelines.

Job seekers receiving activity-tested income support who are not eligible for specialised support (such as Disability Employment Services) are required to connect to a jobactive provider in their Employment Region when applying for income support. While jobactive providers principally deliver services to people in receipt of income support, people not in receipt of income support may also access employment services on a voluntary basis. There were around 630,000 job seekers in jobactive as at 29 February 2020, prior to the onset of the COVID-19 pandemic.

The services provided to job seekers are based on an assessment of their individual needs in order to find and maintain employment. Assistance could include training, job preparation or help with transport costs to get to job interviews. It could also include non-vocational assistance to address more significant employment barriers related to personal circumstances such as homelessness, addiction, limited education or disability.

Providers in jobactive are expected to work with industry and local employers to identify employment opportunities for job seekers. Providers can use wage subsidies to support employment for eligible job seekers who employers might not otherwise employ. They also have access to the Employment Fund to purchase goods and services that may assist job seekers to secure employment.

The department assesses the performance of jobactive providers via the star rating system and the quality assurance framework certification requirement. The star ratings of jobactive providers are published to allow job seekers to make an informed decision when choosing a provider.

People in receipt of activity-tested income support have mutual obligation requirements to demonstrate that they are actively looking for work. Under jobactive, mutual obligation requirements include three elements—job search efforts; attending appointments with providers; and an Annual Activity Requirement (such as training, paid work, voluntary work, or participation in the Work for the Dole program) after a job seeker has been in jobactive for a given period. In

addition to providing employment services, jobactive providers fulfil a compliance monitoring role to ensure people in receipt of income support comply with their mutual obligation requirements.

The Government pays jobactive providers administration fees and outcome payments for the delivery of employment services to job seekers. Prices are fixed and have been designed to incentivise providers to place the full range of job seekers into sustainable employment. Payment rates are structured to reflect a job seeker's barriers to employment and length of unemployment, with higher fees payable for placing job seekers with higher levels of disadvantage.

In addition to jobactive, the Government provides several other complementary programs to support people receiving income support. These include alternative employment services programs targeted to specific cohorts, including Disability Employment Services; ParentsNext; and Transition to Work (for young job seekers). Other programs include the New Enterprise Incentive Scheme (NEIS), which assists people to start their own business, as well as several training and work experience programs to keep people connected to the labour market, such as Career Transition Assistance and Youth Jobs PaTH.

2.3 Review of employment services

Over the two decades since employment services were largely outsourced in 1998, the model remained centred around a network of providers delivering face-to-face services. With the jobactive Deed due to expire in July 2020, the Government saw an opportunity to look at how new technologies could support Australians looking to find work and keep a job.

In January 2018, the then Minister for Jobs and Small Business announced work was commencing on shaping future employment services when existing arrangements come to end¹, which will now be in July 2022. The Government established an Employment Services Expert Advisory Panel, chaired by Sandra McPhee AM, to review the current employment services system and provide recommendations for employment services into the future.

The Expert Advisory Panel's report, *I Want to Work: Employment Services 2020 Report*, was provided to government on 15 October 2018. The report highlighted the performance of jobactive in providing over 1.64 million job placements since its launch in July 2015. Stakeholders suggested, in moving forward, there were numerous opportunities to enhance employment services delivery by simplification, harnessing digital technology and cutting red tape. The Expert Advisory Panel made 11 recommendations for future employment services (see Table 1 below).

Table 1: Recommendations from *I Want to Work: Employment Services 2020 Report*

Recommendation	Description
Build trust	A system in which job seekers, employers, providers and government have confidence. A system where users believe that the priority is to improve outcomes for them. A system which is transparent and accountable.

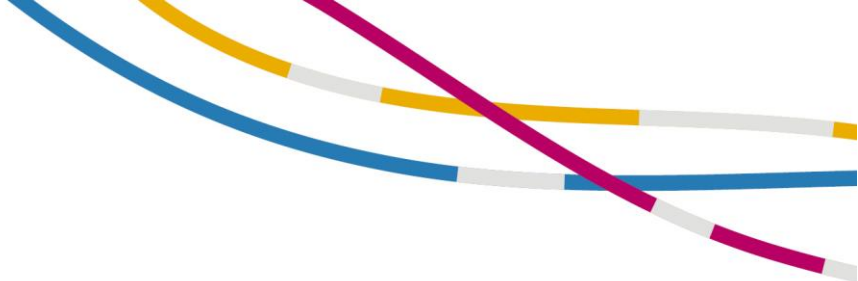
¹ Media release, *Reforming future employment services*, Senator the Hon Michaelia Cash, 22 January 2018 (available at: <https://ministers.dese.gov.au/cash/reforming-future-employment-services>)

Recommendation	Description
Be user-friendly	Put users at the centre of the system, with services designed to support their needs.
Be personalised	Personalise services to enable job seekers to access the support they need, the way they need it.
More help for those who need it	Increased focus and investment in job seekers who need the most help. More resources and provider time to support these job seekers. This is enabled by redirecting savings from smaller caseloads due to digital self-management.
Empower through personal responsibility, choice and independence	Job seekers have a responsibility to find work. The community expects job seekers to do everything they can to find work. To encourage greater personal responsibility job seekers will have more control. Job seekers will have input into job pathways and activities, be empowered through digital servicing, and be supported to make informed choices between employment services providers.
Reflect how employers work and get them the right employee, fast	Support proactive employer engagement to ensure the system offers value to employers and better connections to the right job seekers.
Be grounded in digital	Develop a user-centred digital and data ecosystem which reflects how job seekers and employers' work. Deliver better connections between job seekers and employers, advanced analytics and insights, and integration with existing services and data.
Enable employment services providers to maximise results	Enable greater competition and diversity between providers, without compromising market stability. Introduce a licensing framework and improved payment and performance model. Allow providers more scope to invest in job seekers, staff capabilities and establishing local partnerships. Ensure that providers are held accountable for achieving results.
Support local solutions	A universal service will be developed. The system requires enough flexibility to ensure that local communities, including Indigenous communities, can contribute to local solutions.
Invest funding in targeted, smart ways	Ensure appropriate resources are available to invest in the new model. Redirect efficiencies to enable more intensive services for job seekers who need the most help.
Keep listening Keep evolving	Begin transitioning to a new digital system now to de-risk implementation. Ensure the system is continually innovating and learning about what works and is responsive to changes in the labour market.

2.4 Reform of employment services

On 20 March 2019, the Australian Government announced reforms to employment services along with key elements of the proposed New Employment Services Model (new model)².

² Media release, *Creating job opportunities for all Australians*, the Hon Kelly O'Dwyer, 20 March 2019 available at <https://ministers.dese.gov.au/odwyer/creating-job-opportunities-all-australians>



Elements of the new model announced include:

- a digital platform to support all users, but particularly job seekers who are job-ready and can largely self-manage online
- tailored support for more disadvantaged job seekers, incentivised by a new payment model
- a new job seeker assessment framework
- a new flexible activation framework
- a new provider performance framework to drive higher performance of providers and
- a new licensing system.

The Government also announced a trial of elements of the new model in two regions – Adelaide South and the New South Wales’ Mid North Coast. The New Employment Services Trial commenced on 1 July 2019 and has been used to inform the policy options in this Regulation Impact Statement.

Some aspects of the new model have been brought forward due to the COVID-19 pandemic, which led to a dramatic increase in the jobactive caseload from 630,000 job seekers at 29 February 2020, to a peak of 1.49 million by 31 September 2020. To help manage the influx of job seekers, the Online Employment Services Trial (the OEST) was expanded in April 2020 to become the Government’s mainstream online employment service—Online Employment Services (the OES). The OES has enabled the department to test the delivery of digital services on a large scale.

2.5 Regulatory burden in employment services

This section sets out the activities in employment services that are in scope for the purpose of quantifying regulatory costs in accordance with the Regulatory Burden Measurement framework.

Typically, regulation costs for employment services providers include activities such as:

- data entry into the information technology systems to record that contractual activities, events or discussions have occurred
- the collection and storage of documentary evidence to verify contractual services have been delivered and outcomes claimed
- the retrieval and sourcing of documentary evidence for assurance purposes when requested by the department
- searching and interpreting departmental guidelines and notices to understand the regulatory requirements.

Activity constituting the actual delivery of employment services is not considered regulatory burden for the purposes of the Regulatory Burden Measure. This includes:

- contractual requirements to assist job seekers such as meeting with job seekers, keeping case notes, providing referrals to job vacancies, canvassing employers and arranging, delivering and supervising activities
- business as usual activities required by an entity to operate effectively including staff management and training on provider operations, managing premises and infrastructure and the establishment of a complaints process
- business as usual activities to operate in the employment services model such as the cost of governance arrangements and tendering.

For job seekers, regulatory costs include activities such as record keeping, requests to change providers and sourcing documentary evidence associated with the verification of employment. For the purpose of the Regulatory Burden Measure, regulatory costs for job seekers exclude activities to qualify for income support and/or to satisfy their mutual obligation requirements.

Regulatory costs for employers are incurred through activities such as verifying job seeker placements and outcomes, applications for wage subsidies and associated claiming processes and payments. Verifying job seeker participation in Work for the Dole or other activities by community organisations are also counted as regulatory costs.


3 What is the problem?

OVERVIEW

While jobactive has achieved more job placements than previous programs, the model is not working effectively for all. Few employers report using the system, and many job seekers remain in employment services long-term. Among the most disadvantaged job seekers, the average time spent in the system is five years. Similarly, around two-thirds of job seekers who move into employment say they found their own job with little or no help from their provider. Face-to-face provider servicing is of limited value to many of these job seekers.

The Employment Services Expert Advisory Panel's review of jobactive noted the system had failed to keep pace with technological development. Even though online services had grown to dominate the recruitment market, jobactive remained centred on face-to-face servicing. The successful introduction of Online Employment Services in April 2020 demonstrates that online servicing is a viable option for many job seekers. With the jobactive contract due to expire in June 2022, the Government has an opportunity to introduce a new model that better leverages technology to improve the delivery of public employment services for all users and direct increased investment towards disadvantaged job seekers.

Since its introduction in July 2015, jobactive has achieved good outcomes, with more Australians employed through jobactive than under previous programs. Over the period from 1 July 2015 to 31 January 2021, jobactive achieved more than 1.859 million job placements. For job seekers who participated in jobactive between April 2018 and March 2019, close to half (48.6 per cent) were



employed three months after commencing. Despite these strong results, there is scope for improvement.

Recent consultations and reviews of jobactive have highlighted concerns among some stakeholders that the current employment services system could do better in meeting the needs of job seekers and employers. Many of these reviews are publicly available and include the Employment Services Expert Advisory Panel report, *I Want to Work: Employment Services 2020 Report*, delivered to government in October 2018³, and a report by the Senate Education and Employment References Committee, *jobactive: failing those it is intended to serve*, delivered in February 2019⁴.

The Employment Services Expert Advisory Panel's comprehensive review of jobactive involved consultations with over 1400 stakeholders during July 2018, and identified common issues for job seekers, employers, and providers, including:

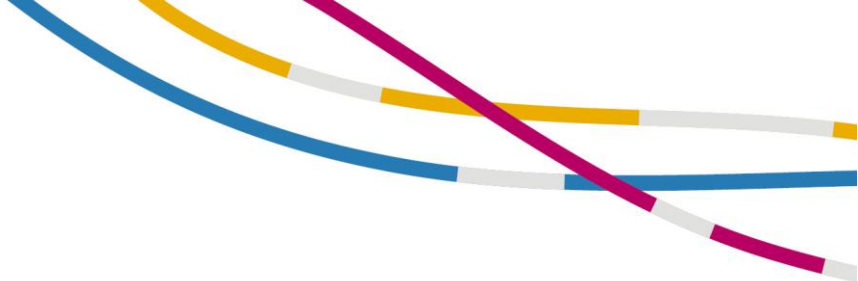
- job seekers were not receiving a tailored service and many were remaining in employment services long-term—almost two-thirds of (64.9 per cent) of the jobactive caseload had been in employment services for at least 12 months, and one-fifth (19.6 per cent) for more than five years
- employers reported having no clear points of contact in the system, they had difficulty accessing all local job seekers, and the system generated a large volume of unsuitable applications
- providers had high caseloads (approximately one consultant to 148 job seekers) and were overburdened with reporting and administration requirements, preventing them from investing time and effort in the most disadvantaged job seekers.

The Employment Services Expert Advisory Panel's report also noted employment services had failed to keep pace with technological development. While the recruitment market had grown to be dominated by online services, enabling job seekers and employers to approach the market themselves using online platforms that match people to relevant job opportunities and provide tailored employment advice, publicly funded employment services had remained centred on face-to-face provider servicing.

In July 2018, the Government began testing the degree to which job-ready job seekers could self-manage their job search and compliance online through the Online Employment Services Trial (OEST). The OEST was originally planned to include a sample of 10,000 job seekers. However, after the jobactive caseload began rapidly increasing due to the COVID-19 pandemic, the OEST was extended and became Online Employment Services (OES), servicing over 550,000 job seekers at the end of May 2020, and freeing up providers to focus on servicing those job seekers who required more support. As at 31 January 2021, there were nearly 345,000 participants in OES.

³ Employment Services Expert Advisory Panel (2018) *I Want to Work: 2020 Employment Services Report* (available at <https://dese.gov.au/new-employment-services-model/resources/i-want-work>)

⁴ Senate Education and Employment References Committee (2019) *Jobactive: failing those it is intended to serve* (available at: https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Education_and_Employment/JobActive2018/Report)



In the wake of the COVID-19 pandemic, the labour market remains highly competitive, and the long-term unemployed and other disadvantaged job seekers are competing with a much larger pool of job-ready job seekers. The need to address the high levels of long-term unemployment has become even more important to avoid the economic and social costs of a loss in human capital and increased welfare payments.

While digital servicing through the OES has demonstrated the benefits of an employment services model that capitalises on technology to deliver agile and cost-effective services, more needs to be done to ensure the system is meeting stakeholder expectations and effectively assisting all job seekers, including the long-term unemployed, into employment.

3.2 Impact of COVID-19 on the labour market

The onset of the COVID-19 pandemic in March 2020 radically disrupted Australia's labour market, resulting in a dramatic fall in employment, a significant increase in unemployment and underemployment, a record number of people leaving the labour force, and job vacancies falling to the lowest level in over a decade.


The number of people in employment services rose rapidly from around 630,000 job seekers at 29 February 2020 to over 1.49 million at 31 September 2020, posing significant challenges to ensuring job seekers were provided with meaningful support from providers, and a major financial cost to deliver crucial services. This sudden increase in the jobactive caseload accelerated the need for more agile employment services that could be quickly scaled in response to changes in the labour market, while COVID-19 restrictions reinforced the need for virtual (online) employment services.

The implementation of online servicing through the OES in April 2020 played a critical role in scaling up employment services to meet the rapidly increasing demand, and in easing the pressure on the employment services system. As of 31 January 2021, the proportion of job seekers serviced online accounted for upwards of 28.3 per cent of all job seekers in employment services, compared to around 2.1 per cent in February 2020.

Decreasing COVID-19 cases, the easing of restrictions, opening of internal borders across Australia and rollout of the COVID-19 vaccine has resulted in improved labour market conditions. However, many key labour market indicators have not returned to their pre-COVID levels. The unemployment rate decreased from 6.4 per cent in January 2021 to 5.6 per cent in March 2021, but remains 0.4 percentage points above the rate in March 2020⁵.

Improvements in labour market conditions have partially been reflected in the employment services caseload, which was around 1.3 million job seekers on 31 January 2021. A total of around 280,000 people exited employment services between October 2020 and January 2021, representing 20.9 per cent of commenced jobactive participants over the period. Despite a high number of exits from

⁵ Australian Bureau of Statistics, *Labour Force* (cat. no. 6202.0)



employment services in the last quarter of 2020, as at 31 January 2021, the caseload remained around 660,000 above the level in February 2020 (that is, double the pre-pandemic size).

Not all job seeker cohorts have fared equally well under the improved labour market conditions. While job seekers aged under 35 years, and those with a university education had above average exit rates (24.3 and 27.5 per cent respectively), parents, people with disability and Indigenous job seekers had below average exit rates (15.3, 16.0, 12.5 per cent respectively). Across all job seeker cohorts, those who were in employment services prior to the COVID-19 pandemic had worse labour market outcomes than those who commenced after the pandemic. Overall, the exit rate for people who commenced after the pandemic (27.3 per cent) was 2.6 times higher than for those who commenced before the pandemic (10.5 per cent). These findings suggest job seekers who were in employment services before the pandemic, as well as those from vulnerable cohorts, may be at a higher risk of remaining in employment services long-term.

With the employment services caseload remaining high in the short-term and a higher risk of long-term unemployment for many disadvantaged job seekers, it is paramount that Australia has an efficient and cost-effective employment services model that provides meaningful support to a high volume of job seekers and increases support for those most at risk of long-term unemployment.

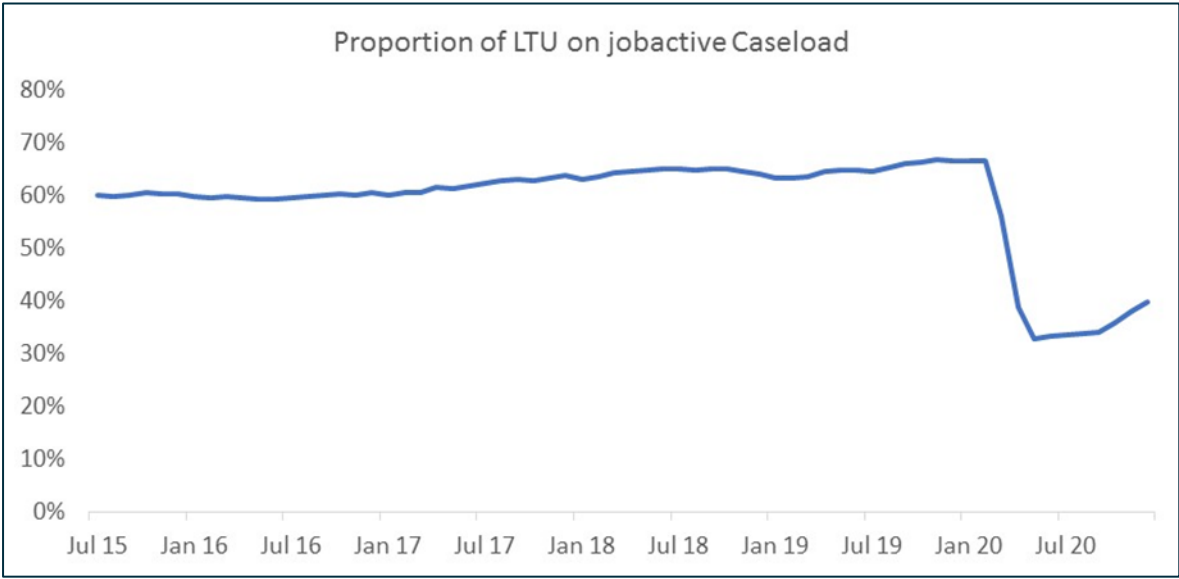
3.3 Long-term unemployment

In the period from the Global Financial Crisis up to the COVID-19 pandemic in 2020, there has been a gradual increase in long-term unemployment in Australia. The proportion of unemployed people who have been unemployed for 12 months or more rose from around one in seven in early 2009 to one in four by February 2020⁶. Long-term unemployment has been exacerbated by structural changes, such as increasing automation, which have reduced entry level jobs and created higher skills requirements for jobs.

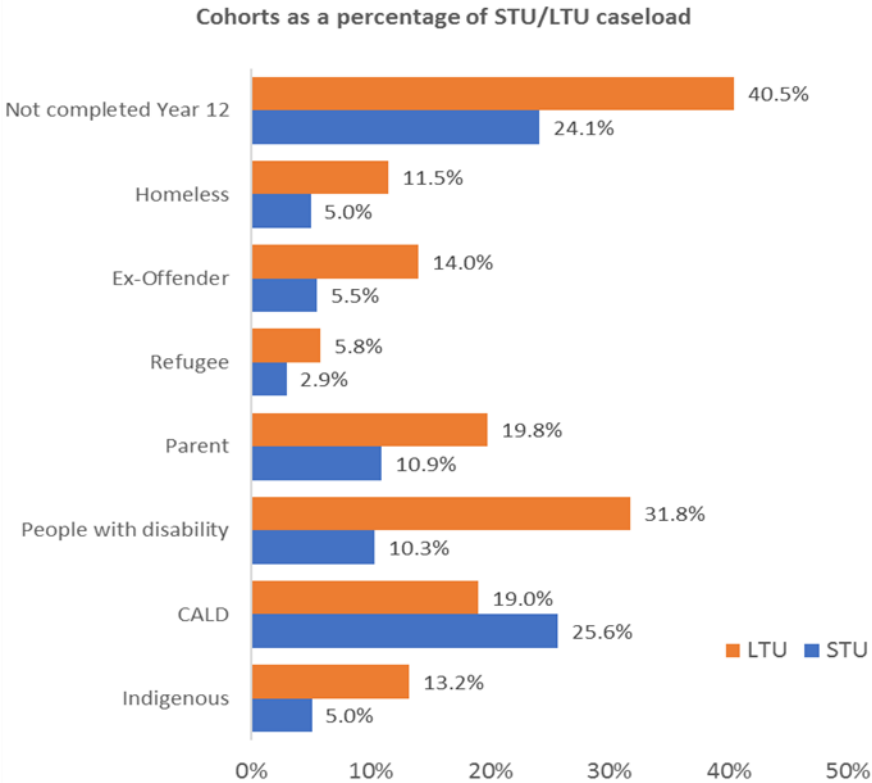
The rise in long-term unemployment in Australia has been reflected in the employment services caseload. Job seekers are considered long-term unemployed (LTU) participants in employment services if they have been in employment services for 12 months or more. In the period since the introduction of jobactive in 2015 up to February 2020, just prior to the onset of the COVID-19 pandemic, the proportion of job seekers who had been in employment services for 12 months or more increased from 60 per cent to 67 per cent.

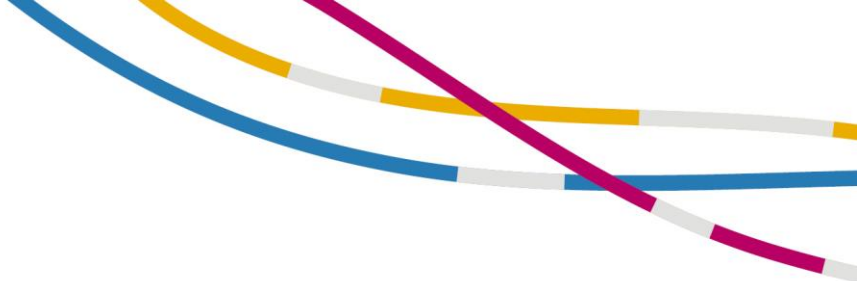
With the large inflow of new job seekers in the early weeks of the pandemic, the percentage of the caseload who were long-term participants dropped to 33 per cent in May 2020, but has since started to trend upwards again. As at 31 January 2021, there were 545,770 job seekers who had been in employment services for more than 12 months, representing 42 per cent of the total caseload. This includes 154,395 people who had been in employment services for 5 years or more.

⁶ Australian Bureau of Statistics, *Labour force, detailed – electronic deliver* (cat.no. 6291.0.55.001)



Some cohorts of job seekers are more likely to remain in employment services long-term. The long-term population in employment services has a larger proportion of job seekers who are ex-offenders, homeless, parents, refugees, or who have not completed Year 12. Most significantly, long-term participants are more than three times as likely as short-term participants to have disability, and almost three times as likely to be Indigenous. On the other hand, short-term unemployed (STU) participants are more likely to be from a culturally and linguistically diverse (CALD) background.





The OECD notes in its *2018 Jobs Strategy* that the most disadvantaged job seekers typically require intensive employment services delivered via case managers to address their barriers and enter employment⁷. However, some jobactive providers report they do not have time under the current employment services model to provide the intensive services and tailored approaches needed to address the multiple complex barriers to employment that disadvantaged job seekers experience.

The emphasis on outcome payments under jobactive may have also contributed to disadvantaged job seekers remaining in employment services long-term. The jobactive payment model is designed to incentivise providers to invest in assisting disadvantaged job seekers, by paying providers higher outcome payments when these job seekers are placed into employment which lasts four, 12 and 26 weeks. However, some providers have focused on job-ready job seekers who quickly find employment, generating outcome payments for providers with minimal intervention, and not investing sufficient resources in disadvantaged job seekers who are considered unlikely to be placed in employment.

Long-term unemployment has both social and economic consequences, affecting not just the unemployed person but also family members and the broader community. Long periods of unemployment are likely to have a lasting financial impact, reducing a person's standard of living not only in the short-term but also in retirement. Furthermore, a person's chance of gaining employment has been found to decrease following long periods of unemployment⁸.

An increasing level of long-term unemployment could also impede Australia's post-COVID economic recovery through a loss in human capital and flow on costs to income support, with the potential for greater intergenerational welfare dependency in the future. With long-term unemployment likely to worsen for vulnerable cohorts in a more competitive post-COVID labour market, improving employment outcomes for disadvantaged job seekers will be critical to reducing welfare expenditure and preventing the financial and social costs of long-term unemployment.


3.4 Low employer engagement

Publicly funded employment services are used by a relatively small proportion of employers, many of whom report that the system has high levels of red tape and generates an unmanageable number of job applications from unsuitable job seekers. According to the department's Survey of Employers' Recruitment Experiences, less than four per cent of employers used jobactive to recruit during 2018.

Lack of awareness of jobactive and a perception that unemployed people are not suitable candidates were the main reasons employers gave for not using jobactive providers for recruitment. By contrast, almost two-thirds of employers reported advertising online when recruiting, mostly using commercial job boards (such as Career One, Seek and Indeed).

⁷ OECD (2018) *Good Jobs for All in a Changing World of Work: The OECD Jobs Strategy*

⁸ Reserve Bank of Australia (2020) *Long-term unemployment in Australia* (available at <https://www.rba.gov.au/publications/bulletin/2020/dec/long-term-unemployment-in-australia.html>)



Feedback from employer groups, and research for the jobactive evaluation, highlights the importance to business of high-quality matching of candidates to job vacancies, as well as the benefits of a strong relationship with employment service providers. Employers have suggested more could be done to improve their experience of using employment services, including providing more intuitive digital services that support employers to fill vacancies quickly and easily; and reducing administrative burden around program requirements and access to services.

Aside from a lack of awareness of jobactive, some factors that may have contributed to low employer engagement with jobactive include:

- default job search requirements for job seekers, resulting in a high number of, and/or low-quality applications being submitted to employers
- lack of investment in job seekers' skills, giving employers the impression that unemployed job seekers are generally low-quality candidates.

The practical impact of poor employer engagement is reduced job opportunities for job seekers. On average, jobactive providers made over 36,000 job placements per month between 1 October 2020 and 31 December 2020. Given employers sought to fill over 250,000 vacancies in November 2020⁹, there is scope to grow the share of opportunities available to job seekers to increase workforce participation and productivity.

4 Why is Government action needed?


On 20 March 2019, the Government announced it would introduce a new employment services model to deliver better outcomes for both employers and job seekers, particularly the long-term unemployed, when the jobactive contract expires on 30 June 2022.

Discontinuation of public employment services (a non-regulatory burden option as a result of no government action) is not being considered. The Government is committed to fostering a productive and competitive labour market through policies and programs that assist job seekers into work, meet employer needs, and increase Australia's workforce participation.

While many will find work without government assistance, some job seekers and employers do not have access to the services of private recruitment firms or other networks that allow them to find or fill job opportunities. It is for this reason that all job seekers, regardless of being on income support, and all employers are provided with access to free, public employment services.

Employment services also ensure job seekers on income support remain active and engaged and are doing all that they can to find sustainable work, thus moving off welfare. Activation of those in receipt of income support is a cornerstone policy for the Australian Government. There is significant Australian and international evidence that activation of job seekers through compulsory mutual obligation requirements speeds their entry into employment. Mutual obligation requirements are directly linked to receipt of income support payments. As such, there are no market mechanisms,

⁹ Australian Bureau of Statistics, *Job Vacancies, Australia* (cat. no. 6354.0)



outside of the public employment services system, aimed at activating job seekers on income support.

As Australia emerges from the COVID-19 pandemic, the Government's overarching objective is to return Australians to work and boost prosperity through the Economic Recovery Plan. The Government recognises the important role of employment services in assisting Australians into work after the COVID-19 pandemic. Economic research shows that employment services are particularly important during economic downturns. For example, a rise in long-term unemployment following the Global Financial Crisis has been attributed to reduced funding for employment services¹⁰. A high performing employment services system that helps people into jobs in demand will be essential to supporting Australia's economic recovery post COVID-19.

5 Overview of policy options for consideration

This Regulation Impact Statement considers four policy options:

1. jobactive with no online servicing (baseline)
2. jobactive with Online Employment Services
3. A New Employment Services Model
4. A digital only employment service

5.1 Option 1: jobactive with no online servicing (baseline)

OVERVIEW

Option 1 is the current employment services model, jobactive, with no online service.

This option is included as a baseline for alternative options.


Features of this option

The main features of the jobactive model were described in the background to this Regulatory Impact Statement (see Section 2.2). Further features are described below.

Job Seeker Classification Instrument

Under jobactive, job seekers are placed into one of three streams of service (Stream A, B or C) based on their relative level of disadvantage in gaining and maintaining employment (Stream A and B) and assessment of non-vocational barriers (Stream C). This is determined using the Job Seeker Classification Instrument (JSCI) and Employment Services Assessment (ESAt).

¹⁰ Connolly, Law and Walia (2017) *Why did the Long-term Unemployment Rate in Australia Double since the start of the Global Recession?*



The JSCI is a questionnaire used to assess a job seeker's risk of becoming long-term unemployed. It is based on observable characteristics such as prior work experience, qualifications, and health status. The JSCI has been informed by years of research and data analysis and is regarded internationally as best practice in assessing a job seeker's risk of long-term unemployment. An ESAt is conducted by Allied Health professionals. It identifies barriers to finding and maintaining employment, determines a job seeker's work capacity, and recommends interventions or assistance that may be of benefit (including Disability Employment Services). The ESAt process ensures that disadvantaged job seekers are referred to the most appropriate assistance.

The level and type of assistance from, and engagement with, the provider will generally vary according to stream allocation, with providers incentivised (through higher payments) to place more disadvantaged job seekers into employment. Stream A job seekers are considered more job-ready than Stream B or C job seekers and require the least assistance. Stream B typically have vocational barriers, and Stream C typically have multiple vocational and non-vocational barriers to employment.

Job Plans

For job seekers with mutual obligation requirements, the Job Plan records all the activities that the job seeker must undertake to satisfy those requirements under social security law. This may include job search requirements, the requirement to attend provider appointments, the requirement to attend job interviews, and the requirement to act on any referrals from providers to specific job opportunities.

Providers are expected to negotiate a Job Plan with a new job seeker, ensuring the plan is tailored to the job seeker's individual circumstances and capacity to comply with the requirements. Job Plans are expected to be regularly reviewed and updated.

Deed and guidelines

The jobactive Deed 2015–2022 (Deed) sets out requirements for contracted jobactive providers in delivering employment services and supporting job seekers and employers. Further operational requirements for jobactive providers are detailed in supporting guidelines.

Among other things, the Deed and guidelines set out requirements relating to:

- evidence that must be collected and retained for the purpose of making a claim for payment from the department
- general reporting to the department, including annual audited financial statements
- customer feedback processes, including a requirement to keep a customer feedback register and records on the handling and outcomes of complaints
- records management, including a requirement to keep financial accounts and records of payments received from the department
- creating, approving, and reviewing job seekers' Job Plans

- scheduling, monitoring and recording in the department’s IT system job seeker attendance at activities
- monitoring and recording in the department’s IT system job seekers’ compliance with their mutual obligation requirements in accordance with social security law.

Targeted Compliance Framework

The Targeted Compliance Framework sets out the consequences for job seekers who do not meet their mutual obligation requirements. Consequences include suspension of income support payments and financial penalties. The intent is to target penalties at those job seekers who are wilfully non-compliant, while providing additional assistance to those who need more help in meeting their requirements.

Implementation of this option

To implement this option, the jobactive Deed and guidelines would need to be reviewed and re-signed with new providers after they expire on 1 July 2022. The jobactive Deed and contracts for many complementary programs have already been extended, and while a further extension is possible, doing so would not generally be consistent with Commonwealth procurement policies and procedures, unless there were special circumstances. The department would be required to go to tender with a new Deed to allow new providers to enter the market.

As noted, Online Employment Services (the OES) was introduced in April 2020 in response to the increased demand for employment services due to the COVID-19 pandemic. The OES was introduced as a temporary measure, terminating on 1 July 2022. Under this option, job seekers in the OES would be required to transfer to a jobactive provider from 1 July 2022.

5.2 Option 2: jobactive and Online Employment Services

OVERVIEW


Option 2 continues the temporary servicing arrangements introduced in April 2020, consisting of provider servicing through jobactive providers and online servicing through the OES.

Option 2 makes no changes to existing policy settings or contractual arrangements for provider servicing and no enhancements to the digital platform underpinning the OES.

Features of this option

Job seeker assessment and referral to service type

Under Option 2, the JSCI and ESAt would continue to be used to determine eligibility for online or provider servicing. The Job Seeker Snapshot is an online version of the JSCI, which can be completed or updated by the job seeker through their online account. Under this option, the most job-ready job



seekers (as determined by their JSCI score) enter the OES, while job seekers who require more assistance are referred to a jobactive provider.

Given job seekers with barriers to employment (as determined by their JSCI score) are generally referred to a provider, the caseload in provider servicing has different characteristics to the caseload in the OES. Based on data as at 31 January 2021, job seekers in the OES were more likely to be male (57 per cent), under 40 years of age (66 per cent) or non-Indigenous (96 per cent). By contrast, job seekers in provider servicing were more likely to have diagnosed mental health issues (11 per cent), have disability (23 per cent) or be in employment services long term (56 per cent).

Provider servicing – jobactive

Provider servicing under Option 2 would be consistent with Option 1. The jobactive Deed and guidelines would set out the requirements for providers in delivering employment services. For job seekers, their Job Plan would set out the activities they need to undertake to meet their mutual obligations. The Job Plan would be negotiated and agreed with their provider.

Online servicing – OES

The OES is the Government’s mainstream online employment servicing platform on the jobactive website. As previously noted, the OES was introduced in April 2020 as an extension of the OEST in response to the increased demand for employment services due to the COVID-19 pandemic.

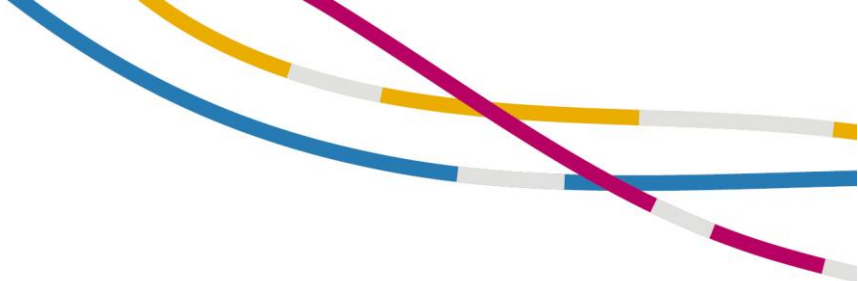
The OES allows job seekers to self-manage their job search and mutual obligation reporting requirements online through the jobactive website and Job Seeker app. Job seekers in the OES are not required to attend appointments with a jobactive provider. These job seekers review and agree their Job Plan on the OES platform. Job search is their primary requirement.

The OES platform includes functionality for job seekers to:

- complete a Job Seeker Snapshot
- set up and agree to a Job Plan
- record job search and report against their mutual obligations
- create a career profile and online resume
- set up job alerts
- access tips and resources to help find work
- access study and training opportunities
- access skills matching tools.

The OES platform also includes functionality for employers to:

- advertise a job
- search for job candidates

- 
- access information about assistance such as wage subsidies.

Job seekers in the OES have access to additional support via the OES platform, telephone or email from the Digital Services Contact Centre, currently managed by the department.

Participation in the OES would continue to be time limited. Job seekers who have only undertaken job search would be referred to a jobactive provider at a maximum of 12 months unless they are in training or employment.

Implementation of this option

The OES was introduced as a temporary measure, terminating in July 2022. To implement this option, the OES would be introduced as an ongoing measure from 1 July 2022. As in Option 1, this option would also require a new procurement process with a reviewed jobactive Deed and guidelines to be signed from 1 July 2022.

5.3 Option 3: A New Employment Services Model

OVERVIEW

Option 3 is a New Employment Services Model (new model). Under this option, job seekers who are digitally capable and job-ready would self-manage their job search and reporting requirements online through Digital Services, freeing up providers to deliver intensive case-management support to the most disadvantaged job seekers through Enhanced Services.

Option 3 involves reforms to most elements of the current employment services system, in line with recommendations of the Employment Services Expert Advisory Panel. The major features of this option include:

- a strengthened assessment framework to ensure job seekers get the support they need
- the introduction of a Points Based Activation System that maintains the integrity of the mutual obligations system but provides more flexibility for job seekers and providers to tailor activities to job seeker needs, and reduces the cost of unsuitable job applications to business
- a digital and data ecosystem that provides job seekers with a personalised and multifaceted digital service that goes beyond what is offered through the OES
- more intensive and tailored case management for the most disadvantaged job seekers, provided through a network of licensed employment services providers
- a contractual licensing approach which streamlines the procurement process, simplifies entry and exit to the market, and reduces the cost and disruption of procurement processes
- a new provider performance framework to drive provider behaviour and measure the success of the model in achieving intended policy outcomes
- a new provider payment model incentivising personalised, tailored support for the most disadvantaged
- more support for employers through smart, interactive digital tools to better connect employers with the labour they need.

Features of this option

This option is underpinned by a new Digital Employment Services Platform (digital platform) that will give job-ready job seekers the ability to self-manage their way back to employment, reducing costs of traditional face-to-face employment services arrangements, and meeting the expectations of the digitally literate, job-ready cohort.

A summary of the key features of the new model and how these differ from jobactive is provided at Appendix A.



Job seeker assessment framework

The new model will include an enhanced job seeker assessment framework to refer job seekers to the service that is most appropriate to their needs. The framework will be iteratively developed, tested and evaluated as more evidence is gathered.

The Job Seeker Classification Instrument (JSCI) will remain at the core of the initial assessment. It will continue to be the core tool for identifying job seekers at risk of long-term unemployment and will continue to be reviewed to ensure it remains representative of the job seeker population.

A range of new assessment tools will be introduced to support the JSCI and initial assessment process and provide additional insight into job seeker servicing needs. This will include new online self-administered assessments to help personalise the supports available to job seekers. These will be based on a wide range of factors, beyond those captured in the initial assessment. For example, it may capture a job seeker's career aspirations and motivation, or their specific experience and skills. The new suite of assessments will also include tools available through the National Skills Commission that will support job seekers to assess their current skill set and link to job matching and training opportunities.

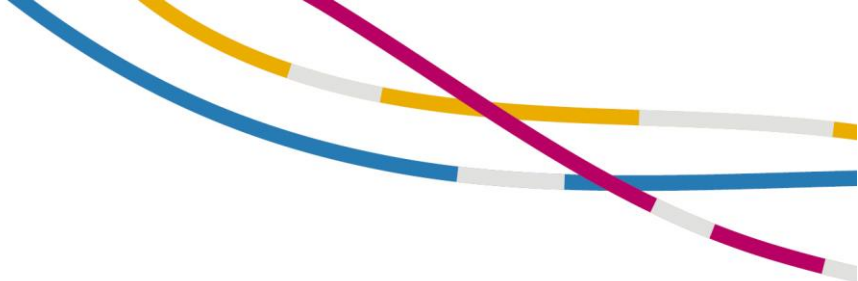
As part of this work, there will be exploration into how these new assessments may inform service interventions to help job seekers self-manage their job search. Over time, these assessments may be used to trigger interventions to ensure job seekers at risk of becoming disengaged receive appropriate support. Although the new assessment tools are being primarily designed for use by digital participants, the tools will be available for anyone using the digital platform. Ongoing assessments will identify when job seekers' servicing needs change over time.

Eligibility and targeted referral

Job seekers will enter employment services through a new automated referral process, which streamlines the registration, eligibility and referral process and promptly connects job seekers to the most appropriate service type—Digital Services or Enhanced Services.

The new model will offer all Australians a base service of online employment services as a volunteer job seeker. Registration for volunteer job seekers will be direct through myGov and the digital platform, and will not need a referral from Services Australia. Volunteers will be able to access basic support through the Digital Services Contact Centre. Volunteer job seekers will also be able to access complementary programs based on the eligibility requirements for each program.

In line with current eligibility requirements, identified vulnerable cohorts (such as refugees, vulnerable youth and pre-release prisoners) will be eligible to volunteer for Enhanced Services if they choose. Retrenched workers and their partners can continue to access employment services prior to being eligible for income support, however, they will be assessed through the Job Seeker Assessment Framework and referred to either Digital or Enhanced Services, based on their employment support needs. Job-ready job seekers will be referred to Digital Services.



Job seekers assessed as requiring Enhanced Services will be given a choice of their provider. This choice will be an informed one, as job seekers will be able to access a range of publicly available performance, geographic and other information on each provider. Job seekers will also be able to move from a provider to Digital Services if they have a moderate JSCI score and are assessed by the provider as suitable to self-manage.

Flexible activation

The Points Based Activation System (PBAS) is a new approach to activation, recommended by the Employment Services Expert Advisory Panel, to improve the way job seekers manage and meet their mutual obligation requirements.

Job seekers with mutual obligation requirements will need to meet a certain number of points per reporting period (to be informed by the New Employment Service Trial). Job seekers will be able to accrue points by undertaking tasks and activities and will choose from a list of approved tasks such as job search, training and voluntary work, or an intensive activity (which will be worth more points).

Job search will remain a core requirement for all job seekers, with a particular focus on the quality of job applications. Job seekers will be supported to improve the quality of job applications through access to activities focusing on work preparation including tailored Online Learning Modules, individual career coaching, Employability Skills Training and Career Transition Assistance.

Data analytics, targeted assurance and system checks will seek to ensure the job search efforts of both Digital and Enhanced Services job seekers are genuine. The Targeted Compliance Framework will remain in place to ensure there are consequences for those who persistently and wilfully fail to meet their mutual obligation requirements, including failure to achieve their points target.


Digital Services

Job seekers in Digital Services will self-manage online via a modern sophisticated digital platform. The digital platform will leverage new technology to deliver a more personalised and flexible service to meet job seekers' needs.

All Australians will be able to access Digital Services and have access to job opportunities, job search, career advice and a range of online tools. By building a job seeker profile, they will be matched to job and training opportunities, as well as identifying eligibility for additional support including as their circumstances change.

Eligible job seekers will have a range of additional support, including:

- expansion of Online Learning Modules aimed at improving job search or core vocational skills such as industry tailored training
- Employability Skills Training will be expanded so digital job seekers of all ages can explore career options, build employability skills, digital literacy and hone job search skills

- 
- Careers Transition Assistance for mature age job seekers (45 years and over) and self-employment opportunities through the New Enterprise Incentive Scheme will continue to be available for eligible digital job seekers
 - eligible young people in Digital Services will be able to participate in Youth Jobs PaTH internships with the support of Employability Skills Training providers and Workforce Specialists
 - career coaching support will assist job seekers to find work independently by providing them with professional career guidance services to improve their competitiveness in the jobs market.

Job seekers subject to mutual obligations will agree their Job Plan online by choosing what activities they will complete to meet their PBAS points target, with job search being a core element. The Digital Services Contact Centre will be able to support adjustments to their Job Plan to reflect individual circumstances.

Activation and transfer to Enhanced Services for digital job seekers

Job seekers with mutual obligation requirements in Digital Services, will be required to meet a mandatory participation requirement at four months. For those not working or studying, Employability Skills Training will be the default activity. As a safeguard, Employability Skills Training will be delivered face-to-face to ensure job seekers have an opportunity to personally discuss their job search needs and to ensure digital servicing is right for the job seeker.

Job seekers who are undertaking work or study but are not fully meeting their participation requirements will be required to complete an online learning module that may include ways to increase work hours, balance multiple jobs or supplement income through self-employment.

Digital servicing will be limited to 12 months unless a job seeker is in work, training or study, or a work placement. They will have six months after completion of their activity to leverage these new skills or experience to try and gain employment, otherwise they will be transferred to Enhanced Services for tailored, face-to-face assistance. Job seekers transferring to a provider at 12 months would be required to participate in a mandatory activity within three months of transfer.


Digital Services Contact Centre

Digital job seekers will also be supported by the Digital Services Contact Centre (DSCC). Job seekers will be able to contact the DSCC to request information and technical assistance, assistance in managing mutual obligation requirements, case management support, connect to skills and training, and to reconnect following payments suspension.

Financial assistance for job seekers in Digital Services

Digital Employment Fund

The Digital Employment Fund will enable job seekers to purchase a small number of selected items to support their transition to employment, such as police checks or working with vulnerable children



checks, which are often required by employers. Relocation Assistance will also be made available to digital job seekers through the Employment Fund.

Where possible, job seekers will access the item through the digital platform and the payment to suppliers will be automated. Where this is not possible, the DSCC will liaise with suppliers and make the payment. The number of items available through the digital platform may be increased over time, as the technology becomes available.

Relocation Assistance

Relocation Assistance will be available for job seekers in Digital Services, noting this will better support the labour needs of regional and agricultural employers to access job-ready job seekers. This will be streamlined through the Employment Fund to reduce red-tape for job seekers, employers and the Digital Services Contact Centre (who will process requests from digital job seekers).

Relocation Assistance, supported through the Employment Fund, has no minimum requirements on the duration of the employment placement or minimum hours to be worked per week. Job seekers will not be required to enter into a contract to receive relocation support through the Employment Fund. The Digital Services Contact Centre will consider the individual needs of the job seeker, including making upfront payments directly to suppliers ahead of a person's move.

Wage subsidies


Wage subsidies will not be available to job seekers in Digital Services. Extensive literature on active labour market programs and the department's evaluation evidence supports the efficient targeting of subsidies to more disadvantaged job seekers.

Digital safeguards

Safeguards will be built into the digital platform to identify vulnerable job seekers who may have difficulty self-managing their job search online, and direct them to services and supports most suited to their individual needs. These safeguards will be multi-layered – operating at various touchpoints with job seekers such as through the initial assessment process, when a job seeker contacts the Digital Services Contact Centre (DSCC), when engaging in activities or when defined timeframes and risk-based parameters are met.

Digital safeguards may be standalone interventions or incorporated into other elements of the new model such as the assessment framework, activation and activities. The assessment framework will play a key role in ensuring job seekers are referred to the most appropriate service, including assessing whether job seekers have the right skills and access to use Digital Services effectively. Furthermore, tailored support such as individual career coaching sessions through the National Careers Institute, Youth Advisory Sessions and Career Transition Assistance are designed to keep digital job seekers engaged and help them feel well equipped to self-manage their pathway to employment while in Digital Services.

Another key safeguard will be the ability for job seekers to move from Digital Services to an Enhanced Services provider at any time and for any reason. This ensures job seekers who have trouble with, or who are not comfortable using, Digital Services can access provider services. Job



seekers will be able to move to a provider online or through the DSCC, and will be able to choose their provider as part of this process. Job seekers who have chosen to move out of Digital Services will not be prevented from returning to Digital Services if their provider assesses they are able to self-manage after receiving provider support and they are suitable to do so.

In line with the premise of a continuously evolving digital platform, digital safeguards in the new model will be progressively evaluated and adapted (including automation) as more data and evidence becomes available. This will ensure digital safeguards accurately identify job seekers who require targeted intervention.

Enhanced Services

SUMMARY

Enhanced Services, delivered by high performing providers, will provide personalised and tailored services to job seekers who need the most assistance to gain employment. Providers will work with employers to find sustainable employment opportunities for job seekers. Providers will assess and identify the most appropriate interventions and assistance to support job seekers facing barriers to employment. Smaller caseloads will enable intensive case management support.

Enhanced Services will have a focus on early intervention and will be available to job seekers who:

- have multiple or significant barriers to employment (identified through the initial assessment)
- are in employment services for 12 months or more, and not engaged in work or training
- are unable to use Digital Services (even with support)
- choose to move out of Digital Services.

Job seekers in Enhanced Services will have access to a range of supports and resources, including:

- Work Experience opportunities through Youth Jobs PaTH Internships and a boosted National Work Experience Program
- Work for the Dole with some adjustments to reduce red tape and to ensure activities have an emphasis on the development of job seekers' core competencies
- streamlined wage subsidies of up to \$10,000, a larger and more flexible Employment Fund, and Relocation Assistance.

A new provider licensing system, performance framework and payment model will work together to drive and support high-quality provider services.

Provider payment model

Consistent with the recommendations of the Employment Services Expert Advisory Panel, a new provider payment model will be introduced for Enhanced Services providers. The provider payment model will support provider investment in more intensive and personalised servicing of unemployed Australians. It recognises providers will be servicing the most disadvantaged job seekers, and

supports the longer-term and sustained investment required to achieve outcomes for hard to place job seekers.

The achievement of employment outcomes will remain a fundamental financial incentive but will be balanced by Engagement and Progress payments. Engagement payments will be paid upfront to support early interventions that will assist hard-to-place job seekers. Progress payments recognise the investments made to get job seekers job-ready, including efforts to reduce or remove non-vocational barriers. Triggers for progress payments will be flexible to recognise the differing investments made for each job seeker but will include work placements (other than those that attract outcome payments) and education interventions.

The introduction of a partial 26-week outcome payment recognises the more disadvantaged caseload in Enhanced Services, and supports job placements in those industries, such as the aged care sector, which have a high prevalence of part-time work.

Table 2: Summary of new payment model versus payment model used in jobactive

Payments	Enhanced Services	jobactive
Engagement payment	\$1200 (upfront) \$600 (transfers between providers)	\$269.60 (standard) every six months
Progress payments	\$750 every 24 months on demonstration of improvements in a job seeker’s employment prospects.	Nil
Outcome payments¹¹	Four, 12 and 26-week full and partial employment outcomes. Payment rate varies based on a job seeker’s JSCI score (moderate or high). Very long-term unemployed bonus applied when a job seeker with more than 24 months service achieves a 12 or 26-week outcome.	Four, 12 and 26-week full employment outcomes. Four and 12 week partial outcomes. More complex payment rates based on a job seeker’s support stream (A, B or C) and duration of unemployment.

Financial incentives for job seekers in Enhanced Services

Employment Fund

Job seekers in Enhanced Services will be able to access the Employment Fund, including training and wage subsidies. This will ensure that the Employment Fund is targeted to those who need the most support. It will also ensure that Enhanced Services providers are able to manage the administration of Employment Fund items according to the individual circumstances of each job seeker.

¹¹ Outcome payments are made to a provider when a job seeker achieves a given duration of employment (four, 12 and 26 weeks) and is no longer on income support (full outcome) or on a reduced income support payment (partial outcome).



Wage subsidies

Wage subsidies will continue to be available to support job seekers in Enhanced Services in the new model but will not be available for job seekers in Digital Services.

Under jobactive, five wage subsidies are available to employers of job seekers in employment services. All wage subsidy placements must average at least 20 hours per week over the 26-week wage subsidy period. The new model will simplify the program and reduce the administrative burden on providers and employers by having a single, flexible wage subsidy.

After six months in Enhanced Services, job seekers and their employers will have access to a single, flexible wage subsidy, available through the Employment Fund, of up to a maximum of \$10,000 to support all disadvantaged job seekers including mature age, long term unemployed, parents, and youth. The six months creates a window for providers to understand the employment barriers and strengths of a disadvantaged job seeker who is new to employment services.

Indigenous job seekers and job seekers who have been in Digital Services for 12 months or more (who have moved to Enhanced Services) are the exception, and will have immediate access to the wage subsidy on commencement in Enhanced Services. Time in other face-to-face employment services will count toward the six-month requirement when a job seeker transfers to Enhanced Services.

Enhanced Services providers and employers will have flexibility to negotiate the maximum amount offered and the average weekly hours (minimum of 15 hours), the duration of the wage subsidy (between six and 26 weeks) and payment amounts and schedules. Minimum requirements for hours worked and duration of employment will be set to incentivise ongoing work. The total payment will not exceed actual wages.

The demand driven Youth Bonus wage subsidy of \$10,000 will continue to be available to support disadvantaged young people aged 15 to 24 years in Enhanced Services, ParentsNext and to all Transition to Work participants.


Relocation Assistance

The Relocation Assistance to Take Up a Job (RATTUAJ) program will be amalgamated into more flexible Relocation Assistance available through the Employment Fund. This means Relocation Assistance will continue to be available to support job seekers in Enhanced Services and Digital Services and simplify the process to assist with the costs of moving to take up a new job, such as removalist and travel costs.

Activation of job seekers in Enhanced Services

Job seekers with Enhanced Service providers will use PBAS to encourage personal responsibility through a range of suitable employment related tasks and activities, including the strengthened Work for the Dole program and other work experience opportunities.

Job seekers can participate in Youth Jobs PaTH Internships and National Work Experience Program (NWEPE) from commencement with a service provider. In addition, incentive payments for



employers, providers and job seekers will be increased in NWEPS to align to levels in Youth Jobs PaTH Internships. This will support disadvantaged job seekers over 25 years old, who are competing with a much larger pool of job-ready job seekers.

Each six months in Enhanced Services, job seekers will be required to undertake a mandatory two-month activity if they have not been intensively engaged in services and are not progressing towards employment. Work for the Dole will be the default activity for job seekers in Enhanced Services.

A review of each job seeker's engagement in services will be undertaken every six months utilising data from PBAS and other sources. Job seekers who have taken personal responsibility, actively engaged early in their employment pathway through training or other activities and progressed into work, will be identified as having met their 'mandatory requirement'. Successful engagement could include a diverse mix of work, work experience, vocational, and non-vocational activities—recognising each job seeker's pathway to employment may be different.


Job seekers transferring from Digital Services after 12 months will have an intensive requirement within three months to support rapid engagement. Work for the Dole would be the default activity if a job seeker was not engaged in work, training or work experience. On completion, these job seekers would have mandatory requirements each six months if they are not intensively engaged.

Provider licensing system

The new model will have a new approach to purchasing services, designed to reduce administration and red tape, reward high performing providers and exit low performing providers. Employment services providers will be engaged to deliver Enhanced Services through a contractual licence. Providers will need to demonstrate they can effectively support job seekers with more complex needs into employment through quality relationships with local employers and strong links with local community services. For some cohorts of job seekers, specialist providers will be engaged to tailor servicing strategies to meet the needs of these groups. However, all providers will be selected based on their ability to develop effective servicing strategies to respond to the needs of the disadvantaged job seekers in their local areas.

The department will undertake an open tender process from which successful organisations will be invited to be part of a panel through a Deed of Standing Offer. The tender process will be streamlined to make it easier for organisations to enter the market. Contractual licences will be issued to selected panel members to deliver employment services in one or more Employment Regions. Not all panel members will receive a licence.

Licences will be shorter in duration than the jobactive contract, enabling poor performers to be exited from the market earlier. Licences will be issued for an initial three years, with higher performing providers offered licence extensions at regular intervals (typically once every 12 months), based on their performance. Low performing providers will be more easily exited from the market, either by not having their licence renewed, or in certain circumstances having it terminated (for example, where fraud is identified).



The number of licences in each region will be capped with each provider allocated a proportion of market share for their Employment Region. To encourage diversity in the market, a range of strategies will be employed as part of the procurement process to ensure that significant market share is not concentrated across a small number of providers. This could include signalling maximum caps to the national market share for any single provider. This will ensure, that over time, a diverse market of providers is maintained resulting in greater innovation in service delivery.

Specialist Enhanced Services providers will be engaged for their specific expertise to tailor services to meet the needs of key cohorts of job seekers, such as Indigenous Australians, culturally and linguistically diverse (CALD) job seekers, and refugees. Specialist Enhanced Services will be offered in locations with a sufficient population of the specific cohort that ensures market viability. Job seekers from a particular cohort who do not have a cohort specialist provider available in their Employment Region may elect to be serviced by a cohort specialist operating in a nearby Employment Region.

Provider performance framework

The new model will include a comprehensive provider performance framework that measures the overall success of the model as well as driving the performance of the digital platform and provider delivered services. Central to this will be ensuring that employers and job seekers—the primary users of the system—receive a quality service that meets their needs, and that job seekers receive support to improve their employability and move into sustainable employment in a timely fashion. A range of performance monitoring, evaluation and assurance activities will be conducted as part of the model to ensure it is effective and meeting its intended objectives. The performance framework will be subject to regular review.


Employer engagement

The new model will enable employers to recruit job seekers directly through the digital platform, which will support them with advertising, screening and shortlisting applicants. Employers would also be directly supported by Enhanced Services providers who will work with them to connect with suitable recruits from their caseloads with a range of support such as employer required training as well as post-placement support.

The newly established Employer Reporting Line will provide a dedicated feedback channel for employers to report job seekers refusing offers of work, discuss any issues they are facing with providers or seek support to fill vacancies. Employers with unmet recruitment needs will be triaged for assistance and referral will be made to the most suitable program or service. Employers may be referred to the digital platform, Enhanced Services providers, departmental staff or representatives such as Employment Facilitators or Workforce Specialists to help develop tailored workforce solutions utilising existing programs or the procurement of services from a panel member.

Workforce Specialists

A panel of Workforce Specialists will be established to enable the department to strategically, and proactively, respond to labour demand opportunities suitable for registered job seekers. Panel members will be engaged to deliver tailored workforce solution projects that respond to identified



opportunities and, where possible, leverage existing programs and initiatives. This will ensure the needs of large employers and key industries are met.

The panel will be engaged to help deliver projects for priority industries and occupations that have high employer need (demand) and present the greatest opportunity for job seekers (supply), such as the aged care and agricultural sectors. These projects will be guided by a Workforce Connections Plan (Plan), developed by the department in partnership with industry, employers and other key stakeholders, and will be informed by intelligence from the National Skills Commission.

Complementary employment services

A range of complementary services and programs will be available to support tailored assistance based on job seeker need, including programs targeted at specific cohorts such as mature aged and young job seekers. Some existing complementary services will be redesigned to align with the principles of the new model. The regulatory impacts of reforms to the following programs are considered in separate Regulatory Impact Statements. The regulatory costs of these services are excluded from this Regulatory Impact Statement.

Transition to work

Transition to work (TtW) will be retained in the new model as the Government's youth specialist employment service. Some modifications will be made to further strengthen TtW based on feedback and evaluation findings, and to ensure this youth service and the new model operate to complement each other. These modifications include:


- targeting eligibility to young people assessed as not suitable for digital servicing and needing the greatest support to transition to work, based on an assessment of risk factors
- the maximum duration of service will be increased from 18 months to 24 months for the most disadvantaged participants with complex non-vocational barriers
- introducing measures to improve attendance at the initial appointment and ensure engagement with the service, including payment suspensions for job seekers who fail to attend initial appointments without a valid reason.

New Business Assistance with NEIS program

The new model will streamline and simplify the delivery of small business and self-employment support. The department currently delivers three self-employment programs:

- Exploring Being My Own Boss Workshops
- New Business Assistance with NEIS
- Entrepreneurship Facilitators.

Under the new model, Exploring Being My Own Boss Workshops and New Business Assistance with NEIS programs will be consolidated into a single service. By combining these two programs and increasing access through increased places and improved referrals from the Entrepreneurship



Facilitator program, the new model will support flexible delivery options for people who want to start and run their own business.

The NEIS program will be available to job seekers in Digital and Enhanced Services, to people who are not on income support, and to existing micro-business owners who need assistance to adjust their business to a changing economic environment.

5.4 Option 4: A digital only employment service

OVERVIEW

Option 4 replaces jobactive with an entirely digital employment service where all job seekers would be required to self-manage their pathway to employment using online Digital Services.

Under this option, provider services would be limited to supporting job seekers' mandatory activity requirements.

Features of this option

The difference between this option and Option 3, is the removal of Enhanced Services. Instead, all job seekers would enter Digital Services, which would include features set out in Option 3, including:


- the new digital platform—job seekers will have access to a range of online support tools, information and advice and will be able to self-manage their job search and reporting requirements via the digital platform
- the new Points Based Activation System (PBAS)—job seekers subject to mutual obligations would make their own Job Plan online by choosing what activities they will complete to meet their PBAS points target, including a minimum job search requirement
- financial assistance through the Employment Fund and Relocation Assistance
- the Digital Services Contact Centre (DSCC)—job seekers would be able to contact the DSCC via telephone or online to request information and technical assistance, assistance in managing mutual obligation requirements, and case management support.

Wage subsidies

As in Option 3, wage subsidies would be targeted to those most in need. Given that all job seekers would be in Digital Services under Option 4, job seekers would need to confirm their eligibility for a wage subsidy and advise potential employers. Evidence from the OES suggests take up of wage subsidies under these circumstances is likely to be very low.

Activation framework

Job seekers would be monitored to ensure they were making a sustained effort to find employment. The activation framework for this option would be a hybrid of the activation framework for job seekers in Digital Services and Enhanced Services under Option 3. For job seekers with mutual obligations, this would include:

- 
- a mandatory participation requirement at four months. For those not working or studying, Employability Skills Training would be the default activity
 - subsequent activity reviews and mandatory participation requirement every six months. For those not working or studying, Work for the Dole would be the default activity.

Providing job seekers in Digital Services with access to work experience activities or Work for the Dole would involve additional implementation considerations and costs. In Options 1 to 3, these activities are limited to job seekers in provider servicing, and providers are responsible for completing risk assessments for work experience activities.

To ensure job seekers in a digital-only service remain safe when entering work experience, the department would need to establish a Panel of Risk Assessment Providers and purchase risk assessments on a fee-for-service basis for job seekers entering Work for the Dole or other work experience.

Target compliance framework

The Targeted Compliance Framework would be retained for the management of job seeker compliance. The digital platform would apply a demerit if a job seeker fails to meet their required number of job searches or points, as set out in their Job Plan, without a valid reason. The DSCC may reverse the demerit if the job seeker provides a valid reason for not meeting their requirements.

Implementation of this option

Under this option, all job seekers would be required to enter Digital Services from 1 July 2022. There would be no extension to contractual arrangements with jobactive providers when they expire on 30 June 2022.

The Digital Services Contact Centre would need to be significantly upscaled to meet increased demand under this option, noting the caseload in Digital Services would include many disadvantaged job seekers who may have difficulty using an online service. The department would also need to run a procurement process to establish a Panel of Risk Assessment Providers to conduct risk assessments and manage placements for job seekers entering work experience and Work for the Dole.

6 Policy options: benefits and cost analysis

The following section presents an analysis of the potential benefits and costs of the policy options presented in this Regulation Impact Statement in comparison with the baseline. Potential regulatory, social and economic impacts are considered for job seekers, employment service providers, employers, the Government, and the broader community.

6.1 Option 1: jobactive (baseline option)

KEY IMPACTS

This option would:

- provide regulatory certainty to providers
- involve minimal implementation costs for government
- fail to address stakeholder concerns, including high provider caseloads and a lack of personalised services for job seekers
- maintain a high risk of disadvantaged job seekers remaining in employment services long-term with associated welfare costs.

Who would this option impact?

Those directly impacted by this option include:

- an average of 640,000 job seekers estimated to be in employment services each year over a five year period—all of whom would enter provider servicing with no option for self-managed online services
- 39 jobactive providers currently delivering employment services—these providers would be required to service all job seekers in employment services.

Overall impact

Retaining the jobactive model without significant changes would not meet the Australian community's expectations for reliable digital services. Maintaining an employment services system without online servicing arrangements would be a high cost option and would significantly limit the agility of the system. This model, which relies on having an appropriate number of providers and consultants to meet demand for employment services, cannot be quickly scaled up or down in response to sudden changes in the labour market, such as the COVID-19 pandemic.

In addition, the current model does not invest resources where they would have the greatest impact and is characterised by high provider caseloads and significant costs in service fees for job seekers who require little support to move into employment. Maintaining jobactive with no digital service would be a high-risk option.



Benefits of maintaining the baseline option

The principle benefit of the baseline option would be regulatory certainty for employment services providers. In addition, this option would involve no establishment costs for Government, such as IT build costs.

Other benefits originally cited for the reforms introduced by the jobactive model in 2015 included:

- giving providers access to a larger caseload of job seekers and economies of scale by reducing the number of employment regions and providers
- facilitating more effective business planning and provider market stability through longer provider contracts
- reduced regulation on providers by a payment model that emphasises outcomes rather than process
- supporting job seekers' move from welfare to work by expanding provider services to include monitoring job seekers' participation in activities and job search.

While it could be assumed that providers may have a financial interest in maintaining the baseline option, which maximises the number of people in provider servicing, consultations have shown strong support among all stakeholders, including providers, for policy reform. Stakeholders have raised concerns that under the current model, smaller local providers may be 'squeezed out' by larger competitors due to the 'one size fits all' model. As such, larger providers may be the most likely to benefit if the baseline option were maintained.


Costs of maintaining the baseline option

Maintaining the baseline option would necessarily involve the continuation of costs associated with jobactive, which were set out in Section 3 of this Regulatory Impact Statement. Pain points with the baseline option include:

- long-term unemployed job seekers do not always receive the personalised services they need to move into employment, and represent an increasing proportion of people on income support
- employers receive a large number of unsuitable applications from job seekers who need to meet mutual obligation requirements
- many job seekers do not need to be case managed by a provider – for these job seekers a provider may be of limited assistance and detract from servicing those in need of more support.

Around two-thirds (64.9 per cent) of jobactive participants who move into work say they found their own job with little or no help from their employment service provider¹². This finding is consistent with evidence that a relatively small proportion of employers use jobactive to fill vacancies and job

¹² jobactive Job Placement Survey results, October 2018 – September 2019 (unpublished).



seekers increasingly use the internet to search for jobs and employers. Face-to-face provider servicing is of limited value to these job seekers, and is costly to government in terms of provider service fees. These costs would continue to grow if the baseline option was maintained.

There are also concerns about the capacity of employment services providers to deliver high-quality services to disadvantaged job seekers under the baseline option. Among these concerns are high caseloads and significant amounts of time spent on administration and compliance activities, diverting resources away from servicing job seekers. These concerns were raised before the caseload increased due to the COVID-19 pandemic and would be exacerbated and continue unaddressed under the baseline option. As a result, disadvantaged job seekers with complex barriers to employment would be unlikely to receive the intensive services they need to move into employment and the proportion of long-term unemployed job seekers in employment services would continue to grow.

6.2 Option 2: jobactive and Online Employment Services

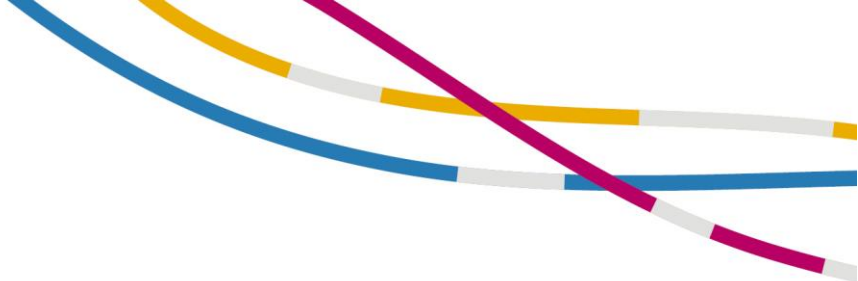
KEY IMPACTS

This option would:

- deliver savings to a subset of job seekers (those in online servicing) by removing the burden and costs associated with attending appointments with providers
- create a more agile and cost-effective employment services model by enabling job-ready job seekers to self-manage online
- provide regulatory certainty for jobactive providers by maintaining current contractual arrangements and policy settings for provider servicing
- pose potential risks to long-term provider financial viability due to smaller caseloads (not modelled).

Option 2 considers the potential impact of continuing the temporary online employment services arrangements that were introduced in April 2020 in response to the COVID-19 pandemic. Under these arrangements, the most job-ready job seekers self-manage their job search and reporting requirements through Online Employment Services (the OES), while those with barriers to employment continue to be serviced by jobactive providers.

Delivery of the OES to date demonstrates that digital servicing is a viable option for a significant proportion of job seekers. Job seekers electing to transfer out of Digital Services (the OES or NEST) to a provider is one measure of how viable digital employment services are for job seekers. As at 31 January 2021, only a small proportion of job seekers (1.0 per cent of referrals) had opted out of the OES or the Volunteer Online Employment Services Trial (VOEST) since 20 March 2020. The majority of these transfers were due to a preference for face-to-face servicing, with only a small proportion indicating access and capability as a constraint to online servicing.



As further safeguard, a Digital Assessment was introduced in October 2020 to indicate whether job seekers have the right skills and access to use the digital platform effectively. Data as at 31 January 2021 shows that nearly 146,000 digital job seekers in the OES and NEST had completed the Digital Assessment online. Based on these assessments, around 87 per cent of job seekers self-identified as suitable for Digital Services. Other job seekers were encouraged to consider moving to a provider.

Who would this option impact?

Those directly impacted by this option include:

- an average of 640,000 job seekers estimated to be in employment services each year over a five-year period
 - as a light touch service, only the most job-ready job seekers would self-manage in the OES, representing around 25 to 33 per cent of the total caseload on average (noting faster exits from employment services for job seekers in the OES compared to those in provider servicing)
- 39 jobactive providers currently delivering employment services—these providers would experience reduced caseloads due to a significant proportion of new job seekers entering the OES.

Overall impact

The main benefits of Option 2 are reduced costs to government and regulatory savings to job seekers in digital servicing. This option also provides the Government with the assurance of a more agile employment services system that can be readily scaled up and down in response to sudden changes in the labour market. For job seekers in provider servicing, this option has the benefit of smaller caseloads, potentially enabling providers to deliver more intensive personalised services.

However, this option may present risks to the financial viability of providers in the long-term. While smaller caseloads enable more intensive services, no modelling has been undertaken to ensure a lower caseload to consultant ratio is financially viable under the jobactive payment model. As the number of people in employment services decreases to its pre-COVID-19 level, providers may reduce their staff or sites in response to reduced revenue. As a result, savings obtained through digital servicing would not benefit job seekers in provider servicing who may continue to experience high consultant to caseload ratios or have reduced services in their local area.

Option 2 is also unlikely to meet stakeholder expectations. In particular, it does not align with the recommendations of the Employment Services Expert Advisory Panel as it makes no reforms to existing policy settings to drive more effective services for job seekers, employers and providers. The department considers more reform would be needed to improve services to job seekers and employers, while maintaining the financial viability of providers.

The main impacts of Option 2 on job seekers, providers, employers and government are discussed below.



Job seekers

Benefits for job seekers in online servicing

Reduced administrative and regulatory burden

The department's evaluation of the Online Employment Services Trial (OEST) indicates most job seekers in the trial had a positive experience with the online service. Many job seekers who provided feedback, indicated online servicing was more convenient than face-to-face servicing, resulted in a greater sense of empowerment and reduced the burden and costs associated with travelling to a provider. Job seekers reported that not having to attend appointments with a jobactive provider was a significant advantage that gave them more time to look for work.

The department's evaluation of the OEST also found OEST participants were as likely to meet their mutual obligation requirements as job seekers in a comparison group.

Enhanced digital literacy skills

Over two-thirds of OEST participants in a longitudinal survey agreed that their skills in using the internet for job searches and applications had increased (70 per cent) together with their job searching skills (68 per cent).

Labour market outcomes equal to those in provider servicing

Results from the OEST indicate job seekers using this service were as likely to exit from income support and employment services within six months, as comparable job seekers receiving support from a jobactive provider. OEST participants were also more likely to report the support they received through their employment services was improving their chances of getting a job than the comparison group (63 per cent compared with 46 per cent).

Benefits for job seekers in provider servicing


Smaller caseloads

Multiple reviews of jobactive and stakeholder consultations have identified a concern that provider caseloads are too high to support meaningful, tailored services for job seekers. Under this option, job seekers who are job-ready would self-manage online, reducing the total caseload in provider servicing. As a result, providers would theoretically have more time to invest in tailored services for disadvantaged job seekers. However, there is question as to whether the jobactive payment model would support reduced caseloads (discussed below).

Costs for job seekers in online servicing

Simple digital service

Digital job seekers, subject to mutual obligation requirements, will not be required to attend appointments with providers, saving them time and effort associated with travelling to a provider. However, although the OES meets the policy objective of providing an efficient digital employment



service for job-ready job seekers, more work would be required to deliver a full end-to-end digital servicing for job seekers with a comprehensive suite of assessments, safeguards, tailored information and communications.

Limited interventions to activate job seekers

The OES platform contains nudges to encourage job seekers to transfer to a provider where they are identified as potentially needing more support; however, this is not mandatory. In addition, job seekers in the OES have no specific requirements to undertake face-to-face activities. This contrasts with job seekers in provider servicing whose job search efforts would be monitored by their provider, and who have a mandatory activity requirement after being in employment services for a given period. As a result, job seekers in the OES may be at a greater risk of missing out on early interventions that may assist them to move into employment sooner.

Impost of self-management

Job seekers in the OES would have some administrative burden associated with self-managing and reporting against their mutual obligation requirements. However, findings from the OEST indicate a majority (83 per cent) of job seekers found the website functionality easy to use and helpful for keeping track of their job applications. Based on positive feedback from trial participants, the administrative impact of self-management is considered a net benefit.

Costs for job seekers in provider servicing

Minimal improvements to provider servicing

Removing the most job-ready job seekers from providers' caseloads to online servicing allows providers to focus their time and efforts on those that are hardest to place, with the aim of reducing long-term unemployment. However, without corresponding adjustments to policy settings to drive and facilitate more effective provider services (such as changes to the provider payment model), job seekers in provider servicing may be unlikely to experience a noticeable improvement in their service. Noting that job seekers in provider servicing would be the more disadvantaged cohort, this option may increase their level of disadvantage relative to digital job seekers.

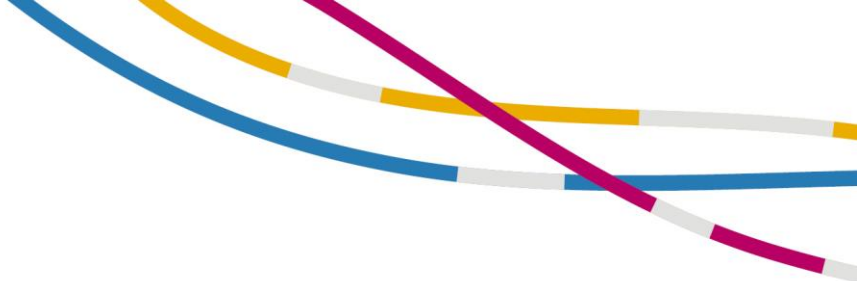
Providers

Benefits

The primary benefit of Option 2 for providers would be regulatory certainty as their current contractual obligations set out in the jobactive deed and guidelines would be unchanged.

Costs

While their current contractual obligations would continue, providers would nevertheless need to develop a new business model as the characteristics of their caseload would change. With the most job-ready job seekers self-managing in digital services, the caseload for jobactive providers would shift towards those job seekers with more barriers to employment. This may require providers to



hire new staff with suitable skills, and to invest time and resources identifying suitable employers for this job seeker cohort.

Employers

Benefits

Employers will experience improvement in job matching with job seekers through functionality in the OES allowing them to advertise roles, search for candidates, and access information on wage subsidies.

Costs

Under this option, employers would continue to receive assistance from providers for their recruitment needs, however, would need to separately engage with the OES platform to search for more job-ready job seekers. Employers with larger recruitment needs may bear additional time costs compared to a provider delivering an end-to-end recruitment service for all job seekers.

Government

Benefits

The key benefits for government would be the avoidance of costs associated with building a new IT system as well as low implementation costs. The limited IT development would mean a number of processes would continue to require manual support (for example, connecting digital job seekers to activities and employment fund transactions). This option would also deliver savings in provider service fees for job-ready job seekers in the OES. However, this option does not propose any reforms to provider servicing through which these savings would be re-directed to more disadvantaged job seekers.

Costs

Delivery costs

The option would include additional delivery costs (above Option 1 – the baseline) associated with the delivery of the Digital Services Contact Centre.

Reputational costs

This option fails to adequately address stakeholder concerns, which would generate significant criticism of the Government and a lack of confidence in public employment services. There would also be strong public criticism from stakeholders as there has been extensive investment from a wide range of parties in the ongoing consultation and trialling of the new model.

Welfare expenditure

As this option contains no explicit policy reforms to strengthen employer engagement or improve outcomes for disadvantaged job seekers, the number of long-term unemployed on the employment

services caseload may continue to grow, leading to potentially avoidable welfare expenditure. In addition, less activation supports in Digital Services could result in fewer exits from income support, further increasing welfare expenditure.

Risks

Provider financial viability

Without adjustments to the provider payment model and other policy settings to account for smaller and more disadvantaged caseloads, provider revenue would likely decrease significantly under this option in the long-term. This may not occur until the employment services caseload returns to its pre-COVID level. Without measures to ensure this option is financially viable, there is a risk that providers would reduce staff, close sites, or even exit the employment services market if delivering employment services became financially unviable. This may lead to less support for disadvantaged job seekers under this option.

Regulatory costs

Regulatory associated with Option 2 are provided in Table 3. Assumptions underlying these costs are set out in Appendix B.

Table 3: Regulatory burden estimate (RBE) table for Option 2

Average annual regulatory costs (from business as usual)				
Change in costs (\$million)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	-\$15.2	-\$26.5	-\$0.2	-\$41.8

6.3 Option 3: A New Employment Services Model

KEY IMPACTS

This option would:

- create a more agile and cost-effective employment services model by enabling a larger group of job-ready job seekers to self-manage online than Option 2
- deliver savings to a large group of job seekers (those in Digital Services) by removing the burden and costs associated with attending appointments focused on reporting compliance with providers
- drive more intensive and tailored provider-based services through a new performance framework and provider payment model, which promotes early interventions and recognises progress to employment as well as employment outcomes
- improve the effectiveness of mutual obligations by introducing a Points Based Activation System, enabling job seekers to better target their efforts, and reducing the volume of inappropriate applications to employers
- deliver a new employment services digital platform with potential benefits to all Australians, including improved job matching and better integration with other government services
- help employers to fill vacancies, including through online job matching and filter functionality to ensure the applications an employer sees are suitable.

Option 3 involves the introduction of a New Employment Services Model (new model). The design of the new model is informed by the recommendations from the Employment Services Expert Advisory Panel and learnings from the OES, the New Employment Services Trial (NEST), and other trials. A key principle of the new model is that, if supported by the right technology and tools, job-ready job seekers can self-manage their search for a job. This allows employment services providers to assist the most disadvantaged job seekers to move into employment with tailored services.

As noted in section 6.2, the OES has demonstrated that digital servicing is a viable option for a significant proportion of job seekers. The low proportion of job seekers electing to move out of the OES also indicates Digital Services are considered a viable alternative to face-to-face services for many job seekers.

Digital Services in the new model will include additional support and resources that are not currently available in the OES. This includes more online tools and resources as well as access to face-to-face Employability Skills Training and career coaching. Access to a broader suite of supports and resources will make Digital Services more effective for job seekers to build job search skills and connect quickly to employment opportunities. This means a higher proportion of job seekers would be able to self-manage online in Option 3 in comparison with Option 2.



Who would this option impact?

Those directly impacted by this option include:

- an average of 640,000 job seekers estimated to be in employment services each year over a five year period
 - at commencement of the new model, the department estimates around 42 per cent of existing job seekers would be in Digital Services and 58 per cent would be in Enhanced Services (reflecting the lower exit rates and longer service periods for job seekers in Enhanced Services)
 - the department estimates around 78 per cent of new job seekers entering employment services will be referred to Digital Services and 22 per cent to Enhanced Services.
- 39 jobactive providers currently delivering employment services would need to tender for, and if selected, transition to, the new model.

This option would also impact:


- employers—the new model will place a greater emphasis on servicing employers
- new providers seeking to enter the employment services market—the new model will streamline procurement processes and encourage new providers to enter the market, including providers who specialise in specific job seeker cohorts and workforce specialists.

Overall impact

The department has been trialling elements of the new model as part of the NEST and other trials since July 2018 (see section 8.3). Findings from these trials strongly support this option, with job seekers achieving positive labour market outcomes and stakeholders, including job seekers and providers, reporting noticeable improvements to service delivery and reduced administrative burden. Extensive consultations and feedback from stakeholders to date suggests this option has wide support.

A key policy objective in reforming employment services is to improve outcomes for long-term unemployed job seekers. The design of this option is supported by international evidence that finds the most disadvantaged job seekers require intensive case management support to move into employment¹³. This option contains a range of reforms to drive and facilitate more intensive and tailored provider servicing. The provider payment model supports reduced caseloads, while retaining provider viability, and incentivises greater investment in all disadvantaged job seekers. The payment model has been trialled and refined based on independent analysis, testing various scenarios to ensure provider financial viability.

¹³ OECD (2018) *Good Jobs for All in a Changing World of Work: The OECD Jobs Strategy*



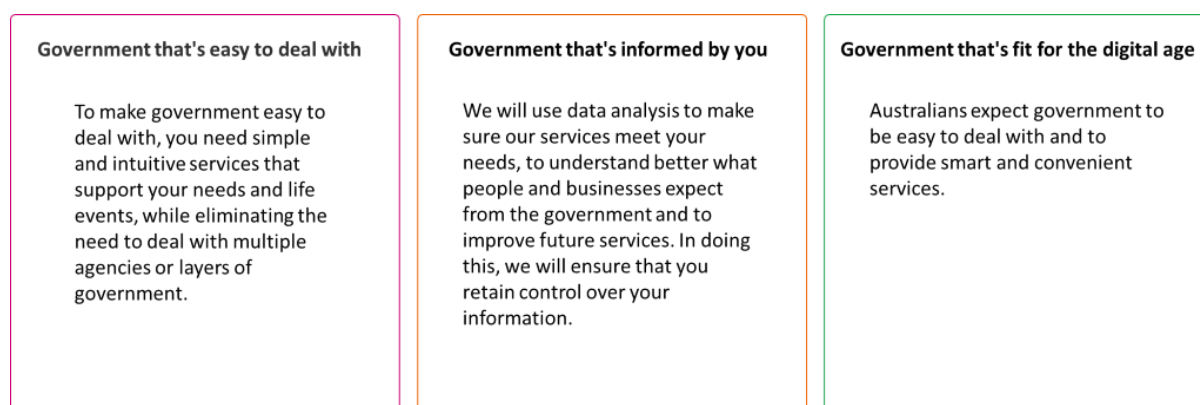
This option also has potential benefits for the broader community—boosting labour market efficiency and productivity growth by allowing all Australians to access job search assistance via Digital Services with negligible additional costs to government. Promoting this service to at-risk cohorts, such as school leavers or workers in declining industries, may assist them transition into employment without reliance on income support, leading to savings in welfare expenditure.

Option 3 also aligns with the Government’s broader commitment to the Digital Transformation of services it provides. Underpinned by a new digital platform, the new model will strongly support the Digital Transformation Agency’s Digital Transformation Priorities (see Figure 1). The digital platform will deliver a number of enhancements that will improve user interactions with government and move towards a seamless and integrated delivery of services.

Key ways the digital platform supports the Digital Transformation Priorities include:

- increased use of automation and digital form completion for all users, driven by joined up user profile data, event triggered workflows, and automation of manual tasks
- accountable usage of public data, while still delivering against business needs and analytics
- consolidating legacy applications, transitioning the department’s technology footprint into contemporary platforms used throughout government, including security improvements that enables the Government’s service delivery, digital and data reform agendas
- driving internal process efficiencies, reducing ‘red-tape’, and redirecting departmental resources to value-add functions.

Figure 1: DTA Digital Transformation Priorities



The main impacts of Option 3 on job seekers, providers, employers, and government are discussed below.



Job seekers

Benefits for all job seekers

Online job matching and resources

Option 3 is underpinned by a new digital platform, providing any Australian job seeker with access to online job matching, career advice, labour market information, and training resources, as well as integrated access to online job boards and other services. Job seekers will have access to information to help them diversify and better target their job search based on their skills, experience and interests, maximising their effort and avoiding applications that are unlikely to succeed.

The digital platform will assist job seekers with their job search by matching their profile to opportunities and recommending vacancies where the job seeker has the greatest chance of success. The OECD states that better matching of skills to employment opportunities can improve participation and lead to higher paid jobs¹⁴. Job seekers in Digital Services and Enhanced Services will all benefit from the digital platform. Job seekers in Enhanced Services who have difficulty using the digital platform will be supported by their providers.

Reduced administrative and regulatory burden

Job seekers will be referred to Digital Services or Enhanced Services based on need assessed through the new Job Seeker Assessment Framework. The referral process will draw on information provided by the job seeker when registering for income support, reducing the need for job seekers to enter the same information multiple times.

The new Points Based Activation System will allow job seekers to select from a wider range of activities to meet their mutual obligations. Giving job seekers greater choice and control over the activities they undertake will reduce the amount of time and effort spent on poorly matched job applications and activities. Job seekers will instead be able concentrate their effort on quality job search and activities related to their individual employment goals.

Targeted referral to services

All job seekers will benefit from new online assessment tools and greater use of data analytics to better target and personalise the supports they receive. In addition, ongoing assessments and improved data analytics will identify when job seekers' servicing needs change over time.

The assessment framework will continue to be refined over time; however, early findings from a longitudinal study of NEST participants indicated most job seekers had been allocated to the correct service. The assessment framework will evolve and adapt with technological advancements, maturity of the digital platform and increasing use of analytics.

¹⁴ OECD (2013) *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills*

Benefits for job seekers in online servicing

Reduced administrative burden

Digital job seekers, subject to mutual obligation requirements, will not be required to attend appointments with providers, saving them time and effort associated with travelling to a provider and waiting for their appointment. As previously noted, digital participants in the OEST and NEST have given feedback that this is a significant advantage, giving them more time to look for work. This will be offset by the requirement to self-manage and report on their mutual obligations; however, the positive feedback from trial participants suggests a net benefit.

Positive labour market outcomes

The department conducts monthly Post-Program Monitory (PPM) surveys of job seekers after participation in employment services. Job seekers on the caseload and those who have exited are surveyed about their labour force status, including employment status, participation in education, and whether they are currently looking for work.

A sample of around 600 NEST participants and OES participants are surveyed each month. The following table shows the outcomes around three months after exit for people who exited digital servicing over the period from April to September 2020. These early findings suggest digital job seekers are achieving positive outcomes.

Table 4: People who exited employment services caseload, April–September 2020: outcomes three months later (per cent)

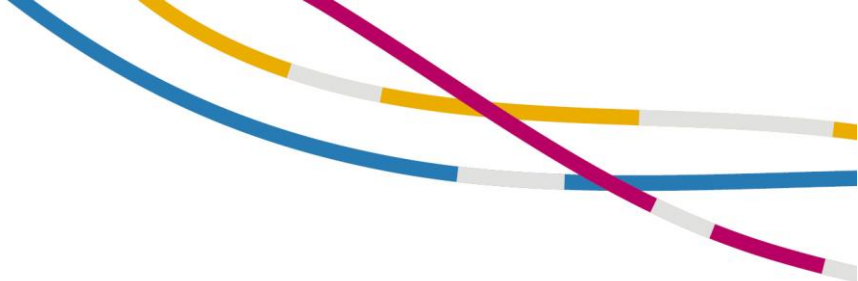
	Labour force status			Positive outcomes	
	Employed	Unemployed	Not in the labour force	Study	Employment and/or study
Online Employment Services	71.1	17.5	11.4	17.4	77.4
NEST Digital Services	83.5	9.7	6.8	10.7	86.5

Benefits for job seekers in provider servicing

Improved services

Option 3 addresses the need for more effective employment services for disadvantaged job seekers by introducing intensive provider-based servicing through Enhanced Services. This approach is supported by OECD research, which notes that the most disadvantaged job seekers typically require intensive employment services delivered via case managers to address their barriers and enter employment.

A longitudinal survey of 30 NEST participants found job seekers in Enhanced Services had more positive interactions with their providers, reporting that they received a more tailored service with more choice in the activities they undertook, and longer appointments with more opportunity for individually tailored discussions.



Providers have also reported an improvement in the quality of the services they deliver. Providers operating sites in the NEST and jobactive have provided feedback that their NEST operations appear to be performing better than jobactive operations. The perceived success of the NEST sites was attributed to the NEST principles of flexibility, innovation, collaboration, engagement, autonomy, choice and meaningful employment. Providers reported that the NEST had improved their ability to offer innovative, flexible and individualised servicing to participants and employers.

The new provider payment model is central to the successful delivery of Enhanced Services in the new model. The payment model has been designed to support Enhanced Services providers to deliver personalised and intensive services to caseloads that will be smaller and more disadvantaged than under jobactive.

Payment models heavily weighted towards employment outcomes, such as the jobactive model, can result in providers focusing on job seekers they can more easily place in jobs. The payment model in the new model is balanced to ensure all job seekers are appropriately serviced. Employment outcomes remain a core objective of the new model and will continue to be a priority in outcome payments. The new payment model also recognises progress towards employment, including efforts by providers to address job seekers' non-vocational barriers.

Other key drivers of service quality in the new model will be the new licensing system and the performance framework. The performance framework will assess providers across multiple measures of outcomes and service quality. This will avoid providers focusing on achieving outcomes to the detriment of quality performance objectives. The performance framework will inform provider licensing reviews to ensure high-quality servicing is maintained and poor performing providers are exited from the system.

Positive labour market outcomes

The highly competitive labour market conditions due to the COVID-19 pandemic have affected job placements for both Enhanced Services providers in the NEST and jobactive providers. Further data is needed to fully assess the effectiveness of Enhanced Services in comparison with jobactive as labour market conditions normalise. Early evidence suggests that overall exit rates for job seekers in the NEST are comparable to exit rates for job seekers in comparable jobactive regions.

Despite the impact of the COVID-19 pandemic on the labour market, Enhanced Services providers in the NEST are assisting long-term unemployed job seekers into employment. As at 31 January 2021, 7587 long-term unemployed Enhanced Services participants were placed into a job. Of those placements that have had sufficient time to convert to an outcome payment (for the provider), 57.5 per cent converted to a four week (sustained employment) outcome and 48.0 per cent converted to a 12 week outcome.

As noted above, qualitative feedback from job seekers and employers suggests the NEST model is performing better than the jobactive model, which may lead to improved employment outcomes over the long-term.



Financial incentives to employers of job seekers in Enhanced Services

With the influx of more job-ready job seekers in the labour market following the COVID-19 pandemic, job seekers with more barriers to employment are at risk of being left behind. Data from jobactive shows that wage subsidies are beneficial to securing employment for disadvantaged job seekers. Limiting wage subsidies to employers of job seekers in Enhanced Services directs more support to disadvantaged job seekers, and recognises that these job seekers will get a greater benefit from the financial incentives than job-ready job seekers in Digital Services.

Limiting wage subsidies to job seekers in Enhanced Services also reduces costs associated with paying financial incentives to employers for job-ready job seekers (those in Digital Services) when these are not needed to secure employment. Any job seeker who is unsuccessful in gaining employment in Digital Services and transfers to Enhanced Services after 12 months will be immediately eligible for wage subsidies.

Allowing providers to determine the length, maximum value and weekly hours of wage subsidy agreements provides them with flexibility to respond to the individual needs of the job seeker and the employer, as well as the local labour market conditions. In some cases, the provider may use the subsidy to incentivise long-term employment, or to support a highly disadvantaged job seeker to maintain a connection to the labour market and build capabilities and confidence through shorter agreement terms or reduced hours.

Access to specialist providers

Indigenous Australians, culturally and linguistically diverse (CALD) job seekers, refugees and other cohorts of job seekers will directly benefit from the increased investment in Enhanced Services.

Specialist Enhanced Services will be offered in locations with a sufficient population of the specific cohort that ensures market viability. Job seekers from a particular cohort who do not have a cohort specialist provider available in their Employment Region may elect to be serviced by a cohort specialist operating in a nearby Employment Region. For example, a refugee job seeker in Western Melbourne could choose to be serviced by a refugee specialist provider in North Western Melbourne, if there is no refugee specialist provider in their area. This further supports job seeker choice and targets the right support to the individual needs of job seekers.

Costs for job seekers in online servicing

Impost of self-management

Job seekers in Digital Services will have some additional administrative burden associated with self-managing and reporting against their mutual obligation requirements. However, findings from the trials suggest most job seekers find the online services user-friendly and helpful for keeping track of their job applications. Based on positive feedback from trial participants, the impact of self-management is considered a net benefit.



Costs for job seekers in provider servicing

Higher turnover in provider market

As noted above, one of the key drivers of service quality in the new model will be the new licensing system and the performance framework. These elements of the new model will work together to ensure poor performing providers are identified and exited from the system. When a provider exits the system, the licensing system – through its panel arrangement – will enable the department to quickly replace the provider with a new organisation.

While these arrangements will help to maintain a high level of service quality, they may also lead to a higher turnover of providers than under jobactive. This has the potential to disrupt a job seeker's job search. The department has established processes to transition job seekers to new providers; however, a period of adjustment to a new provider would be inevitable for the job seeker.

Given a primary objective of the new model is to improve outcomes for disadvantaged job seekers through high-quality provider servicing, the benefits of this approach outweigh the potential risk of provider turnover. Risks will be mitigated through transparent performance feedback, enabling providers to implement improvements to their service delivery well before their licences lapse.

Providers

Benefits

Reduced administrative burden

Savings are primarily derived from not having appointments with job-ready job seekers. Under jobactive, these appointments are focused on reporting job search and managing compliance.

The digital platform will provide a range of benefits to providers including:

- systems based evidence recording
- more immediate access to information about job seekers on their caseload, as well as real time labour market data enabling them to deliver a more targeted and customised service
- more efficient interactions with government
- automation of processes, including those relating to job seeker assessments and compliance monitoring.

Savings will also be delivered through the new Point Based Activation System. By giving job seekers more choice and control over how they meet their mutual obligations, the system will incentivise voluntary compliance. An increase in voluntary compliance will reduce the time providers spend on compliance processes, allowing them to focus their efforts on the core task of servicing job seekers.



Reduced regulatory burden through the new licensing system

The new licensing system will also provide savings to providers by reducing the cost and disruption of procurement processes, making it easier for start-ups and emerging firms to enter the market.

The procurement approach used for jobactive and earlier employment services involved a large open tender, typically every three to five years. Opportunities for organisations to become a provider after the initial tender process were often limited.

Establishing a panel of organisations will increase the responsiveness of the new model by allowing the prompt introduction of a provider in a particular location when required. A panel removes the need to run a tender process every time a new provider is needed, which can be time consuming, expensive and deter small organisations.

The licensing system will also provide future business certainty to high performing providers through regular licence extensions. Poor performing providers will be given early advice of their status so that they may implement improvements to their service delivery. Poor performers will be notified of potential exit at least 12 months prior to their licence lapsing.

Poor performing providers would typically be exited once their licence lapsed and be replaced by another panel member. While this may initially lead to greater turnover of providers, over the longer term it will ensure a consistently high standard of service is maintained and high performing providers will have longer periods within the market. This is also likely to benefit providers in the long-term by improving the public perception of public employment services.

Costs

Providers that transition from jobactive will need to invest time and resources into developing a new business model. The characteristics of job seekers in Enhanced Services will be substantially different to jobactive, which included job-ready job seekers. Job seekers in Enhanced Services will be a more disadvantaged cohort, with the majority experiencing barriers to employment. Vulnerable cohorts, such as Indigenous Australians and people with disability, are overrepresented in Enhanced Services in the NEST. As a result, providers will need to have appropriately qualified staff and will need to engage with potential employers in different ways, including by strengthening post-placement support.


Providers will also need to build relationships with community organisations, employers and support services to effectively address job seekers' non-vocational barriers and identify suitable vacancies.

Employers

Benefits

Improved job matching and workforce planning

For employers, the digital platform will make it easier to identify and connect with potential candidates. The digital platform will enable employers to search for and filter applications, including



conducting pre-screening, to ensure the applications an employer sees are suitable. This will reduce the costs and burden of recruitment on employers, increase the speed vacancies are filled, and maximise employer engagement with the Government's employment services system.

The digital platform could also give employers ready access to a variety of labour market information, helping inform their business decisions. The department has a wealth of labour market data that could better assist employers in planning for and managing their workforce. This includes data and information related to current industry trends for wages, hours worked, jobs growth, and turnover rates.

Reduced administrative burden

As previously noted, many employers complain that the current system generates a high volume of unsuitable job applications, which are costly for businesses to process. The new Points Based Activation System will give job seekers more choice in how they meet their mutual obligation requirements. While job search will remain a core element of mutual obligation requirements, there will be other employment related tasks and activities that can contribute. This will reduce the quantity of inappropriate applications.

Under the new model, job seekers will have access to information to help them diversify and better target their job search based on their skills, experience and interests, increasing the quality of applications generated by the system and further reducing the amount of time employers spend processing unsuitable applications. In addition, the digital platform will give employers functionality to quickly filter unsuitable applicants, saving employers time and money in their search for candidates.

More support for employers

Employers will be able to seek employment services support via a range of avenues, for example through providers, the digital platform or directly through the department – there will be many avenues for employers to meet their needs. Employers will be able to report job seekers refusing offers of work or lodge provider complaints through the Employer Reporting Line. The Digital Services Contact Centre will be able to offer employers support to fill vacancies through immediate technical advice on Digital Services or by directing them to Enhanced Services providers. For large employers and industry groups seeking support with larger recruitment, the department will triage assistance and coordinate a package of support across the system or tailor a bespoke project delivered by a Workforce Specialist.

High-quality provider services

A key objective of the new performance framework is to ensure providers deliver high-quality services that meet the needs of both job seekers and employers. As part of the new provider performance framework, Enhanced Services providers will be required to actively build relationships with local employers, deliver appropriate candidates for vacancies, and provide post-placement support for both job seekers and employers.



Costs

Employers wishing to recruit job-ready job seekers from Digital Services will do so through the digital platform rather than through providers. For some businesses, providers delivered personalised end-to-end services saving them time and money. However, employers can continue to be serviced by providers delivering Enhanced Services, as well as being able to seek assistance from the department's Employer Reporting Line.

Government

Benefits

Better targeted expenditure

The level of investment in employment services has a major influence on how many job seekers can access the level of assistance they need. Segmenting job seekers based on need is international best practice for effectively targeting and rationing employment services¹⁵. The OECD recommends investing in intensive types of assistance for harder to place job seekers, with its research finding that inadequate resourcing of labour market programs can constrain movements from welfare to work¹⁶. This option would effectively direct resources to more disadvantaged job seekers, in line with international best practice.

This approach is also consistent with the Priority Investment Approach to Welfare, which recommends targeted early investment to achieve long-term reductions in welfare expenditure and the social costs of unemployment, including intergenerational disadvantage. The Priority Investment Approach to Welfare shows that working-age payment recipients (the main group assisted by employment services) are the third-largest class of welfare recipients, and become less likely to move off welfare the longer they are out of work. The total lifetime welfare cost for people in this class, based on the 2017 valuation, is estimated to be \$411 billion (\$315,000 per person), which demonstrates the potential in long-term savings that could be realised by targeted investment in employment services.

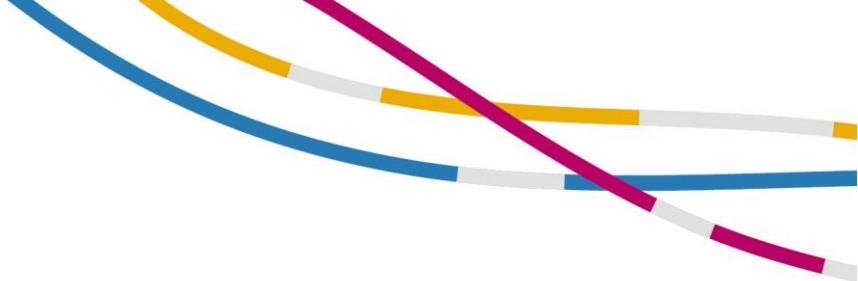
More efficient and effective government services

Moving employment services and communication channels into digital will drive improved data collection and improved accuracy and reliability. The digital platform will maximise benefits from new technology (such as machine learning), and improved data linkages to build more complete views of job seeker cohorts and pathways to employment. This will enable government to develop a better understanding of which interventions are most effective in assisting people into employment, further improving employment services over time.

Moving services into digital will enable greater cross-portfolio integration and service delivery, moving towards a seamless public service experience. It will also support identifying eligibility and referrals to other services (including skills and training) and parts of government, helping build a

¹⁵ OECD (2016) *Connecting People with Jobs: Australia*

¹⁶ OECD (2018) *Good Jobs for All in a Changing World of Work: The OECD Jobs Strategy*



single view of each job seeker and enabling improvements to other government services accessed by job seekers.

More efficient labour market

Improved job matching through the digital platform will support the efficient and effective operation of the labour market by matching suitable candidates to jobs in demand. Matching skills and jobs is a high-priority policy concern worldwide. The World Economic Forum notes that both high-skill and low-skill mismatches inhibit potential growth in the economy¹⁷. Effective matching of unemployed persons to jobs in demand will be particularly important during Australia's economic recovery following the COVID-19 pandemic.

Long-term savings

The new digital platform will be able to be reused by government and provide the assurance of scalability and agility to meet future needs. It will generate savings in provider payments by enabling users to self-manage using technology, creating pathways for job seekers to find a job and become self-reliant. This will lead to significant savings. The McKinsey Global Institute suggests that focused intervention through efficient digital platforms can save up to 10 per cent in public spending on public labour market programs¹⁸ such as unemployment benefits, as well as training and subsidy programs.

Costs

There are short-term costs to government in delivering a new employment services model. These include the cost of developing a new digital platform, as well as implementation and communication costs to roll out the new model. In addition, there will be ongoing costs associated with the delivery of the Digital Services Contact Centre. These costs should, however, lead to long-term savings by enabling job-ready job seekers to self-manage their pathway back to employment, reducing provider payments and costs for these job seekers, and freeing up providers to deliver intensive services to assist disadvantaged job seekers into employment, reducing welfare expenditure.

Risks and mitigation strategies


Change management

The introduction of the new model will include substantial changes for many stakeholders. This will require significant communication with, and education of, job seekers, employers looking to use the new digital platform, and providers.

When implementing the new model, the department will need to facilitate a shift in mindset among providers transitioning from jobactive. Otherwise, there is a risk that providers may revert to a compliance-based model of servicing, as was common under jobactive, rather than the tailored goal-

¹⁷ World Economic Forum: *Matching Skills and Labour Market Needs – Building Partnerships for Better Skills and Better Jobs*, January 2014

¹⁸ McKinsey Global Institute: *A Labour Market That Works: Connecting Talent with Opportunity in the Digital Age*, June 2015



based approach that the new model aims to deliver. The new performance framework and payment model will help to mitigate this risk, as will the new licensing system, which will encourage new providers to enter the market.

Provider financial viability

One of the objectives of the new model is to provide a more personalised and intensive service to disadvantaged job seekers. This requires ongoing investment, smaller caseloads and longer appointment times. During consultations, some providers have raised concerns about how the new model may impact their revenue and business model.

To ensure the proposed provider payment model is both financially viable and achieves the lower caseloads required for more intensive servicing, the department has trialled it in the NEST and engaged an independent consultant to undertake financial viability analysis of the model. The analysis found the proposed payment model will support provider viability at caseload ratios that are significantly lower than jobactive servicing ratios, and are sufficient to support the more intensive and personalised service required for Enhanced Services in the new model. Some adjustments have been made to the payment model trialled in the NEST to support lower caseload ratios and retain provider financial viability.

Job seeker disengagement


With greater reliance on self-management, there is a risk that vulnerable job seekers could fall through the cracks or disengage from their job search. A strong series of safeguards will ensure vulnerable job seekers are identified and referred to the right service throughout their servicing. Safeguards include a suite of assessment tools and data analytics, the ability for job seekers to move out of Digital Services to provider servicing, the Digital Services Contact Centre with web and phone-based support, regular review points and tailored messaging to job seekers throughout their service journey.

Job seeker compliance

There is always a risk that some job seekers may attempt to ‘game’ the system. The department expects the Points Based Activation System (PBAS) will help to incentivise voluntary compliance in the new model by giving job seekers more choice and control over how they meet their mutual obligations. Under the new model, all job seekers will be on PBAS.

PBAS is currently being tested as part of the NEST; however, it is too early to identify any areas open to ‘gaming’. One area of concern would be settings that allow job seekers to quickly accumulate points through tasks that are of limited value and require little effort. The department will continue to monitor and evaluate the use of PBAS in the NEST, and adjust settings to ensure it is working as intended.

Compliance will continue to be managed in the new model through the Targeted Compliance Framework (TCF) and assurance activities. The TCF identifies job seekers who fail to meet their mutual obligation requirements without a valid reason. It is intended to encourage job seekers to take responsibility for meeting these requirements.



For job seekers in Digital Services, the digital platform will apply a demerit if a job seeker fails to meet their target points or minimum job searches without a valid reason. The Digital Services Contact Centre may reverse the demerit if the job seeker provides a valid reason for not meeting their requirements. Providers will continue to manage the compliance of job seekers in Enhanced Services.

Perceived competition with private recruitment sector

The overwhelming majority of recruitment activity in Australia occurs without government intervention. As previously noted, few employers report using jobactive for their recruitment needs. The new model is designed to increase employer engagement through a range of improvements, including high-quality matching functionality and more strategic servicing. During consultations, some stakeholders were interested to understand whether the new model would compete with or leverage other job seeking platforms and services. Some stakeholders have suggested that increasing employer engagement with the new model could raise concerns about disruption to established private recruitment channels; however, the department considers there is a low risk of this occurring.

Publicly funded employment services are designed to enhance the normal operation of the labour market, not to interfere in it. While engaging employers is critical to the success of any employment service, there are key differences between public employment services and private recruitment services. Publicly funded employment services have different goals and restrictions to the other organisations—chief among which is that private agencies and labour hire companies can choose which candidates are on their books. In contrast to private recruitment agencies, key goals of public employment services include keeping job seekers connected to the labour market, improving job seekers' employability, and, importantly, assisting disadvantaged job seekers to move off income support into sustainable employment.

Market design and job seeker access to quality services

A key objective of the new model is to deliver high-quality provider services and improve outcomes for disadvantaged job seekers. Under the new model, employment services for the most disadvantaged job seekers will continue to be outsourced to the private and not-for-profit sectors through a competitive tender process. An appropriately designed and managed market will be critical to ensuring disadvantaged job seekers have access to high-quality employment services.

As in jobactive, the new model will continue to apply geographic boundaries (Employment Regions) for Enhanced Services providers. This ensures adequate coverage across Australia, and allows services to be tailored to regional characteristics.

The number of licences issued will vary from region to region depending on the number of job seekers and the local market conditions. This will help to ensure Enhanced Services providers are able to deliver the intensive service levels desired and remain financially viable. As a contracted service from government, there is a limited number of job seekers eligible for service. If there are too many providers, there is a risk of providers investing in attracting job seekers rather than in

service quality. This may include perverse outcomes such as limiting activation requirements or financial rewards to job seekers for changing providers.

At a national level, maximum market share caps may be applied to ensure that diversity of providers is maintained over time. This will level the playing field for provider organisations regardless of their size, and ensure flexibility and innovation in service delivery continues into the future. It will also avoid a situation where provider organisations may become too big to fail and maintain the intent of the licensing system with low performing providers being exited.

The new licensing system will help to increase the contestability of the market by simplifying the approach for providers to enter and exit the market. The licensing system will work together with the new performance framework and payment model to ensure quality services for job seekers.

Regulatory costs

Regulatory associated with Option 3 are provided in Table 5. Assumptions underlying these costs are set out in Appendix B.

Table 5: Regulatory burden estimate (RBE) table for Option 3

Average annual regulatory costs (from business as usual)				
Change in costs (\$million)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	-\$18.4	-\$31.5	-\$0.2	-\$50.1

6.4 Option 4: A digital only employment service


KEY IMPACTS

This option would:

- remove all regulatory burden from employment services providers
- remove all costs to government associated with jobactive/Enhanced Services provider servicing
- significantly disrupt the employment services market
- risk an increase in long term unemployment and associated social and welfare costs.

Who would this option impact?

Those directly impacted by this option include:

- 
- an average of 640,000 job seekers estimated to be in employment services each year over a five year period—all of whom would enter Digital Services with no option for case management support from a provider
 - the 39 jobactive providers currently delivering employment services—contractual arrangements with all of these providers would end on 30 June 2022.

Overall impact

By ceasing provider servicing and requiring all job seekers to self-manage online, this option would have minimal regulatory costs. While this option would provide some benefits to job-ready job seekers and significantly reduce service delivery costs for government, it would involve significant risks, particularly for disadvantaged job seekers and employers wanting local support.

Without the availability of provider servicing, this option contains few mechanisms to intensify services for job seekers who have limited access or capability to use Digital Services, or who fail to progress to employment. As a result, there is a high risk that a significant cohort of job seekers would remain in employment services long-term under this option. This could include job seekers who have difficulty with online servicing, job seekers with complex barriers to employment, and job seekers who are disengaged or wilfully non-compliant. A growing number of long-term unemployed job seekers would lead to an increase in welfare expenditure for government, which would likely exceed savings in service delivery costs. This would be in addition to the social and economic costs associated with long-term unemployment.

The main impacts of Option 4 on job seekers, providers, employers and government are discussed below.

Job seekers

Benefits

Benefits for job seekers are similar to those identified in Options 3 and 4 for job seekers in online servicing.

Reduced administrative and regulatory burden

Feedback from job seekers participating in the OEST and NEST indicated online servicing was more convenient than face-to-face servicing, resulted in a greater sense of empowerment and reduced the burden and costs (time and effort) associated with travelling to a provider. Under this option, all job seekers would experience the reduced costs of attending appointments with a provider. This would be offset by the requirement to self-manage and report on their mutual obligations.

These benefits would be less for disadvantaged job seekers who would need to constantly seek support from the Digital Services Contact Centre (DSCC) or other community support services.



Enhanced digital literacy skills

As previously noted, over two-thirds of OEST participants in a longitudinal survey agreed that their skills in using the internet for job searches and applications had increased (70 per cent) together with their job searching skills (68 per cent). While many job seekers would be expected to experience the same benefit under this option, it is noted that participation in the OEST was limited to the most job-ready job seekers. These benefits are likely to be less pronounced for job seekers who have complex barriers to employment or lack confidence using online services—such job seekers may instead be at greater risk of disengagement and frustration with a digital-only service.

Costs

Impost of self-management

As noted in relation to Options 2 and 3, job seekers in online servicing would have administrative burden associated with self-managing and reporting against their mutual obligation requirements. This would be higher for job seekers who have difficulty using online services and require greater contact with the DSCC.

No access to provider servicing

As previously noted, the OECD recommends streaming job seekers according to their specific needs and employment barriers, with intensive counselling and tailored case-management targeted to harder-to-place job seekers. Removing provider servicing means disadvantaged job seekers will no longer have access to the intensive case-management they may need in order to overcome their barriers to employment.

In addition, a small proportion of the Australian population have limited access to the internet. These job seekers would effectively have no access to public employment services under this option. Based on ABS data, around 86 per cent of households had access to the internet in 2016–17, with varying use of the internet by individuals¹⁹. While nearly all young people were internet users, a relatively low proportion of older Australians (65 years and over) were internet users (55 per cent).

Given Australia's commitments under International Labour Standards, it would be necessary to ensure all job seekers were able to access public employment services.

Providers

Benefits

By removing provider servicing from public employment services, this option would remove all regulatory burden from employment service providers. Existing providers that chose to continue delivering employment services would not be bound by a Deed, guidelines or contractual arrangements with the department.

¹⁹ Australian Bureau of Statistics, *Household use of information technology* (cat. no. 8146.0)



Costs

Providers would no longer be funded by the Government to deliver employment services to job seekers on income support. This would likely mean a large reduction in revenue for these providers.

If existing providers were to continue operating in the private market, they would need to develop a new business model. This would require significant investment and providers would be in direct competition with established recruitment firms currently operating in the private labour hire market.

Employers

Benefits

As in Option 3, the digital platform would make it easier for employers to identify and connect with potential job-ready candidates. The digital platform would enable employers to search for and filter applications, including conducting pre-screening, to ensure the applications an employer sees are suitable. This would reduce the costs and burden of recruitment on employers, increase the speed vacancies are filled, and maximise employer engagement with the Government's employment services system.

The digital platform would give employers ready access to a variety of labour market information, helping inform their business decisions. The department has a wealth of labour market data that could better assist employers in planning for and managing their workforce. This includes data and information related to current industry trends for wages, hours worked, jobs growth, and turnover rates.

Costs

Employers would no longer have access to a face-to-face customer service delivered by providers. This may be more of a concern for smaller business that have fewer resources to dedicate to recruitment activities and business that have difficulties recruiting. For these businesses in particular, providers can save them time and money by delivering personalised end-to-end recruitment services.

Without intensive provider services to improve the job-readiness of more disadvantaged job seekers, there is also a greater risk that employers will be unable to find suitable candidates, particularly in areas with labour shortages.

Government

Benefits

This option would provide the Government with savings in provider administration fees and outcome fees.



Costs

Implementation costs

There would be short-term costs to government in delivering a digital only employment service. These include the cost of developing a new digital platform, as well as implementation and communication costs to roll out the new system.

To meet its international obligations, the Government would need to ensure access to online employment services. This may involve further costs to Government if it involved covering job seekers' access and data costs.

In addition, there would be ongoing costs associated with the delivery of the Digital Services Contact Centre. Given the entire employment services caseload would be in Digital Services, including many job seekers who have difficulty using online services, the Digital Services Contact Centre would need to be scaled up under this option and the associated costs would be significantly more than for Options 2 and 3. Ongoing costs to government would also include establishing a Panel of Risk Assessment Providers and purchasing risk assessments on a fee for service basis for seekers entering Work for the Dole or other work experience.

Reputational costs

This option fails to adequately address stakeholder concerns, particularly in relation to services for disadvantaged job seekers. The Employment Services Expert Advisory Panel noted in its report that employment services providers are critical to the current employment services model and would remain critical to the new model. The fundamental change envisioned by the Expert Advisory Panel was a system that leveraged technology and enabled providers to focus on job seekers who need their help, not a system without provider servicing. Removing provider servicing for disadvantaged job seekers would likely generate significant criticism of the Government and a lack of confidence in public employment services.

Welfare expenditure


As this option contains no measures to improve outcomes for disadvantaged job seekers, it is likely that the number of long-term unemployed on the employment services caseload would continue to grow resulting in higher welfare expenditure.

Risks

Inequitable access to employment services

Job seekers may experience difficulties accessing an online employment service for a range of reasons, including:

- limited digital literacy and or access to internet or digital technology
- complex barriers to employment such as long-term unemployment, social, physical and mental health problems, and/or low literacy and numeracy skills

- 
- low motivation to search for work or engage in activities and may experience disengagement if they are not adequately supported.

Based on employment services trials to date, less than one per cent of job seekers opted out of digital servicing due to difficulty accessing the internet. While this is a very small proportion of job seekers, the potential impact of this option on these individuals would be significant. In addition to being unable to access public employment services, these job seekers would be unable to demonstrate their compliance with mutual obligation requirements.

Overall, around nine per cent of OEST participants opted out of digital servicing in the trials. The most common reason for opting out was a preference for face-to-face services, followed by difficulty using computers and/or the internet. It is possible that job seekers who expressed a preference for face-to-face services also had low digital literacy. Opt-out rates were found to vary by demographic cohort, with the highest opt out rates among job seekers aged over 50 years and job seekers in regional locations. Twelve per cent of people aged 50 years or older opted out of the OEST prior to commencement and 9.8 per cent after commencement, and 8.6 per cent of people located in non-metropolitan regions opted out after commencement.

It should be noted that opt-outs from digital servicing in the trials were among job seekers who had been assessed as suitable for online services. Currently, job seekers who are assessed as having barriers to employment are referred to a provider. The department estimates that, at commencement, approximately 22 per cent of new entrants to employment services would have barriers to employment that would make them unsuited to digital servicing.

The Government's primary objective in providing employment services is to assist Australians into employment, regardless of their location, age, or barriers to employment. An employment service model, such as this option, that is inaccessible or unsuitable to a proportion of job seekers would create an inequitable system and pose a high risk of failing to meet policy objectives.

Increase in long term unemployment

Of the 1.303 million job seekers in employment services as at 31 January 2021, 545,770 had been in employment services for more than 12 months. The post-COVID labour market is highly competitive, and the long-term unemployed and other disadvantaged job seekers are competing with a much larger pool of job-ready job seekers. The need to address the high levels of long-term unemployment has become even more important to avoid the economic and social costs of a loss in human capital and increased welfare payments.

As previously noted, the OECD recommends streaming job seekers according to their specific needs and employment barriers. Service intensity should be proportional to the job seekers' distance from the labour market, with intensive counselling and tailored case-management targeted to hardest to place job seekers. The OECD also recommends early intervention to efficiently allocate resources and improve the long-term effectiveness of services. For these reasons, an element of provider servicing remains crucial to the success of the Government's employment services. By removing

provider servicing, there is a real risk that this option would lead to an increase in long-term unemployment and potentially slow Australia’s post-COVID economic recovery.

Major disruption of employment service provider market

There are currently 39 providers delivering employment services under jobactive. Under this option, none of these providers would continue to be funded by the Government to deliver mainstream public employment services. As a result, there is a significant risk that many of these providers would cease their employment service operations and would need to either redesign, or redirect, their business model or close their businesses. If providers chose to redesign their businesses, there would likely be large reductions in staff and flow-on costs such as re-training staff.

Regulatory costs

Regulatory associated with Option 4 are provided in Table 6. Assumptions underlying these costs are set out in Appendix B.

Table 6: Regulatory burden estimate (RBE) table for Option 4

Average annual regulatory costs (from business as usual)				
Change in costs (\$million)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	-\$53.2	-\$91.3	-\$1.0	-\$145.4


7 Preferred option

Feedback from stakeholders including employers, job seekers and providers indicates the jobactive model has become burdened by high caseloads and administration. It needs reform to focus on meeting the needs of employers and supporting more job seekers into employment.

Option 1—retaining the jobactive model without significant changes—would not meet the Australian community’s expectations for reliable digital services. Maintaining an employment services system without online servicing arrangements would be a high cost option and would significantly limit the agility of the system.

The use of digital technology in the remaining options offers considerable opportunities to improve government services, delivering better and more efficient employment services for job seekers, employers, and providers. These options provide more autonomy to job-ready job seekers through online servicing arrangements, and free up providers to focus on delivering intensive, tailored support for the most disadvantaged job seekers.

Trials of online servicing, including the OEST and the NEST, as well as the general roll-out of the OES in response to the surge in job seekers during the COVID-19 pandemic, have demonstrated that online servicing works. Many job seekers are digitally literate, are skilled and are motivated to return



to work as quickly as possible. They are prepared to self-manage their way back to work and have demonstrated their ability to do so.

As at 31 January 2021, nearly 410,000 referrals to the OES since 20 March 2020 have exited and not yet returned to employment services. In addition, departmental Post-Program Monitoring Surveys of participants who exited between 1 April 2020 to 30 September 2020 have shown that:

- 71.1 per cent of participants were employed three months after exiting the OES
- 77.4 per cent of participants were in work and/or study three months after exiting the OES
- for participants who exited the NEST Digital Services, 83.5 per cent were employed and 86.5 per cent had a positive outcome three months later.


These results show a large proportion of job-ready job seekers can effectively self-manage their pathway back to employment using online services, and while there is initial investment in the Digital Services offering, it reduces the cost of the employment services system in the long-term.

While harnessing the benefits of digital technology, Option 2 (maintaining jobactive with the OES) is considered a high risk option as it makes no adjustments to policy settings or the provider payment model to account for the smaller and more disadvantaged caseload in provider servicing. As a result, there is a risk that this option would not meet the needs of disadvantaged job seekers. This option also has only a minimum of supports and safeguards for job seekers in digital servicing. Without additional support and safeguards, the option could result in more job seekers becoming long-term unemployed. In addition, this option is likely to be financially unviable for providers in the long-term as without greater investment in disadvantaged job seekers, providers would be unlikely to achieve sufficient outcomes payments.

Options 3 and 4 are underpinned by a new digital platform that is flexible, intelligent, and adaptable to emerging technologies. The digital platform has the potential to generate considerable benefits across all users, including job seekers, employers and service providers. The digital platform would enable government to quickly respond to changing employment conditions and policy settings. It would also enable improved data collection and analytics to inform better decision-making, with the potential to significantly improve the quality of public employment and pre-employment services as more data is gathered on which interventions are most effective.

Increasing employer use of employment services is a priority and is critical to success of any employment services model. Employers have told the department they need a recruitment service that allows them to quickly target the most appropriate candidates for their jobs. A core element of the digital platform for employers will be job matching functionality that will be highly targeted to find the most suitable candidates. This will minimise the time it takes for an employer to find staff, and will assist job seekers to find a job and move off income support quickly.

A key recommendation of the Employment Services External Advisory Panel was to leverage the benefits of online servicing for the most job-ready to increase investment in those job seekers who are long-term unemployed or at risk of becoming so. While Option 4 leverages the benefits of online



servicing, as a digital only service, it does not reinvest savings in disadvantaged job seekers. There is a high risk that these job seekers would remain in employment services long-term under Option 4, further adding to the welfare outlays.

Option 3—a New Employment Services Model—closely aligns with the Employment Services Expert Advisory Panel’s recommendations. This option reforms a range of policy settings, including the provider payment model and performance framework, to drive greater investment in disadvantaged job seekers and reduce long-term unemployment. Testing of key elements of the model through the NEST has demonstrated the model is both effective and viable, with job seekers and providers reporting positive outcomes, improvements in servicing and reduced administrative burden. Stakeholder consultations also indicate that Option 3 has strong support.

Option 3 provides job seekers with more intensive and tailored service options to suit their needs and individual circumstances, including the option of specialist providers in some locations. For job-ready job seekers in regional areas, Option 3 would enable them to self-manage through Digital Services and access online tools and support services. In regional areas lacking internet access, job seekers would continue to have access face-to-face provider servicing. The new licensing system will promote greater diversity in the provider market by simplifying the approach for providers to enter and exit the market and cut red tape across the procurement process. This will make it easier for small organisations to enter the market and give job seekers more diverse options.


On this basis, Option 3 is the preferred approach to improve the overall quality and cost-effectiveness of the public employment services system, meet stakeholder expectations, reduce administrative burden, and improve outcomes for disadvantaged job seekers, particularly the long-term unemployed.

With greater reliance on digital servicing, there is a risk that vulnerable job seekers could fall through the cracks. Extensive safeguards in Option 3 will ensure vulnerable job seekers are identified and referred to the right service, and not left behind. This includes an enhanced assessment framework with regular review points and data analytics, the ability for job seekers to move out of Digital Services to a provider at any time and additional support through career coaching and face-to-face Employability Skills Training. Job seekers will also have access to web and phone-based support from the Digital Services Contact Centre.

8 Consultation

To support the development of a new model, the Government undertook an extensive research, analysis and engagement agenda. Feedback on the operation of the current jobactive model and proposals for the new model have been gathered through:

- the Employment Services Expert Advisory Panel consultations and recommendations
- departmental consultations with stakeholders on proposed elements of new model
- employment services trials of elements of the new model
- user-centred design research.



The final design of the preferred option (Option 3) is based on a strong alignment with recommendations of the Employment Services Expert Advisory Panel as well as evidence gathered through trialling elements of this model.

8.1 Employment Services Expert Advisory Panel

The Government appointed an independent Employment Services Expert Advisory Panel (panel) in January 2018 to help shape the future design of employment services in Australia. Members of the panel included employer, provider, and welfare group representatives, as well as a labour market economist and an expert in business transformation.

The panel's report, *I Want To Work: Employment Services 2020 Report*, provided to government in October 2018, was informed by extensive consultation held across Australia with employers, provider, job seekers, and other stakeholders.

Drawing on the panel's initial views, as well as its own as research and analysis, the department released a public discussion paper, *The Next Generation of Employment Services*, in late June 2018, setting out potential areas of reform for a future employment services model. This paper formed the basis for an intensive round of national consultations, which took place throughout July 2018.

Over 450 submissions were received from late June to early August 2018 in response to the public discussion paper, including submissions from individuals, employment services providers, community and not-for-profit organisations, employers and peak bodies. The department commissioned the Social Research Centre to review and analyse the submissions received in response to the public discussion paper. A summary of the feedback was published in: *The Next Generation of Employment Services: summary of consultation responses* (released October 2018)²⁰.

The panel conducted national consultations throughout July 2018, which included stakeholder roundtables and community forums in all capital cities and several regional centres. During the consultation period:


- more than 560 people attended 23 roundtables and community forums held in metropolitan and regional centres
- 556 people participated in design research workshops, focus groups or one-on-one interviews.

A summary of stakeholder feedback, *Employment Services 2020: Consultation report*, was released on the department's website in August 2018²¹.

Stakeholders were broadly supportive of the key elements of the reform vision. They recognised the need for change and welcomed the opportunity to have input into the design of the new model. Stakeholders expressed support for:

²⁰ Available at: https://docs.employment.gov.au/system/files/doc/other/src_future_of_employment_services_report_final_081018.pdf

²¹ Available at: https://docs.employment.gov.au/system/files/doc/other/nous_report_face_to_face_consultation_-_final.pdf

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- a targeted and tailored service for job seekers
 - providing better and more tailored assistance to employers
 - increasing the level of support available for disadvantaged job seekers
 - a flexible and positive approach to activating job seekers
 - an approach that is tailored to the local area
 - a new provider licensing system.


Stakeholders acknowledged the potential of digital technology to assist job seekers, employers, and providers alike, although they expressed concerns which were largely centred on accessibility and usability of a digital service, and the fear of isolation from human interaction this could lead to. Most supported the idea of a blended service, providing the best from both service types.

While stakeholders expressed similar views in relation to the overall design of the new model, different stakeholder groups had concerns about specific elements of the proposed model:

- Job seekers were particularly concerned about being able to access digital services, with challenges noted around access to smart phones and other devices, the cost of data to use online services, and the digital skills to navigate services and apps.
- Providers and community service organisations expressed concern over what a new market structure might look like. There was widespread acknowledgment that some level of competition was required to provide choice and continued improvement but there was also concern over a crowded market, and that competition hinders collaboration and potentially limits diversity and innovation.
- Providers also voiced concerns about how the new model may impact their revenue and business model. They also expressed concern about their ability to engage employers if job-ready job seekers are removed from their caseloads.

Stakeholder feedback on the design of the new model has been taken into consideration throughout the policy development process. The panel incorporated the extensive feedback they received into their final recommendations to government (Table 1). These recommendations have largely been adopted in the overarching design of the new model, which continues to be refined through trials and ongoing consultations. Where stakeholders had concerns about the new model, these have also been considered as part of the overall design. For example:

- the payment model in the new model was refined following consultation, and experience and feedback from providers led to independent financial analysis (see below for further discussion on payment model consultations)
- simplification of Digital Services and Enhanced Services to focus on individual need rather than seeking to categorise job seekers into service streams

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- introduction of individual career coaching sessions for digital job seekers based on user-centred design research and feedback from the Employment Services Advisory Group.

8.2 Departmental consultations

In the second half of 2020, the department engaged in extensive consultations on proposed elements of the new model. These consultations covered:

- the provider licensing system
- the Enhanced Services provider payment model.

Consultation on the Provider Licensing System

The department has consulted extensively on the licensing system with a range of stakeholders. Consultations have included a series of webinars held with employment and related service providers in July 2020, a presentation at the provider CEO Forum on 12 October 2020, and meetings held with a range of reference groups and peak bodies.


A discussion paper released on the department's website on 10 September 2020 outlined details of the proposed licensing system, including how employment services providers would enter and exit the market under the new model. This was followed by a 'question and answer' session on 14 October 2020. A copy of the webinar and a transcript of the 'question and answer' session are publicly available on the department's website.

Stakeholders and interested parties were invited to provide written submissions on the discussion paper by 28 October 2020. Submissions received and agreed for publication are available on the department's website. The department received submissions from 56 stakeholders from diverse perspectives, including current providers, peak bodies, community organisations, academics and labour hire firms.

Stakeholder views varied considerably, though overall there was broad support for the approach outlined in the discussion paper. Stakeholders were generally supportive of the following elements of the proposed licensing system:

- there was strong support for a single national panel featuring both generalist and cohort specialist providers
- there was overwhelming support for capping the number of providers in each Employment Region
- in terms of the performance framework, there was strong support for both employment outcomes and progress to employment measures
- the majority of stakeholders were supportive of a more diverse provider market.

Stakeholders also raised some concerns, including:

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- several stakeholders raised concerns about the cost of remaining a panel member for an extended period without a licence to deliver services
 - there were mixed views around the optimum frequency of licence reviews, with concerns raised by some that annual reviews would impose too much red tape
 - while most stakeholders were supportive of cohort specialists, some current providers and provider peaks were opposed to cohort specialists.

Consultation on the Enhanced Services payments model

A webinar on 10 November provided information on the payments model being tested in the NEST, lessons learnt to date and potential policy considerations for determining the final payments model of the new model. A copy of the PowerPoint presentation and a transcript of the webinar are publicly available on the department's website.

Stakeholders and interested parties were invited to provide written submissions on the provider payments model and suggestions for development of the model by 4 December 2020. Twelve organisations submitted feedback, including employment services providers, peak bodies, and a think tank. This feedback was considered in developing the proposed payments structure.

The department also discussed the provider payment model with peak organisations representing the employment services sector as well as academics active in this space. In addition, 30 submissions in response to the licensing discussion paper touched on the proposed payments model. Feedback from these discussions and submissions also informed the proposed payment model.


8.3 Employment Services Trials

The new model and the digital platform are underpinned by a series of trials to inform their development. Trials have included:

- the Online Employment Services Trial (OEST)
- the New Employment Services Trial (NEST)
- the Volunteer Online Employment Services Trial (VOEST)
- the Online Job Seeker Classification Instrument (JSCI) Trial.

These trials are investigating:

- the potential to achieve cost per outcome reductions while maintaining or improving on current jobactive outcome rates
- whether there is a critical mass of job seekers willing and capable of self-servicing on a digital platform
- which job seekers are likely to benefit most from digital self-servicing
- potential barriers to self-servicing

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- whether mutual obligation requirements and compliance systems can be maintained through a digital service
 - the IT stability and functionality to scale-up and deliver to large numbers of job seekers impacted by the COVID-19 pandemic.

Throughout these trials, the department has been consulting with key stakeholders to collect feedback and insights. To facilitate the consultation process, several governance and advisory groups have been created, including:

- Employment Services Reference Group/Employment Services Advisory Group
 - in response to the COVID-19 pandemic, the New Employment Services Reference Group was dissolved in early September 2020 to allow for the establishment of the Employment Services Advisory Group, with a broader remit to support employment services and economic recovery
 - the new Advisory Group includes experts across business, training, social welfare, and the employment services industry with a focus on skills and training, the Local Jobs Program and the new employment services model.
- Evaluation Advisory Group
 - the department is conducting an evaluation of the NEST alongside user-centred design research
 - a NEST Evaluation Advisory Group has been established to seek advice on the evaluation design from experts to ensure that the approach is rigorous and fit for purpose
 - NEST evaluation activities to date have included interviews with providers and job seekers.
- Trial Region Working Groups
 - Working Groups have been established in NEST regions to develop local solutions that will help inform the final model
 - Working Groups have diverse membership, including providers, employers, local councils, and peak bodies representing the business, training, and employment services sectors
 - the Trial Region Working Groups have been effective in connecting Commonwealth, State and Local Government initiatives and community organisations to consider innovative projects under the objectives of the new model, such a collaborative approach to filling vacancies with the care sector.

The timeline and details of the employment services trials are outlined below.



The Online Employment Services Trial

In July 2018, the department began testing the degree to which job seekers could self-manage their activities and compliance online through the Online Employment Services Trial (OEST). The OEST was planned to include 10,000 participants.

During the trial, selected job seekers undertook their job search activities online, for example, creating their Job Plan and reporting on their mutual obligation requirements. Participants were not required to attend face-to-face meetings with a jobactive provider. If participants did not complete their mutual obligation requirements or if they had not secured employment within six months of starting in OEST, they would exit the trial and be assigned to a jobactive provider for further assistance.

The digital method of engaging with job seekers through the OEST has provided the department a strong framework on which to base the digital platform and focus on digital supported self-management.

During the period October 2018 to September 2019, the department commissioned ORIMA Research to conduct qualitative research with job seekers, employment services providers and peak body representatives to evaluate the outcomes of OEST. The research findings indicated that the job seekers who benefited the most from online employment servicing had the following characteristics:


- a high level of motivation to find employment
- strong digital literacy and reliable internet access at home
- strong English language and literacy skills
- higher levels of education (i.e. university or VET qualifications)
- a consistent and recent employment history
- experience and/or a good understanding of the job seeking process
- a clear career direction.

The New Employment Services Trial

Beginning from 1 July 2019, job seekers in Adelaide South and the Mid North Coast commenced trialling some elements of the new model, namely the New Employment Services Trial (NEST). The NEST initially involved 95,000 job seekers but was expanded to include all new job seekers in the trial regions in response to the influx of job seekers affected by the COVID-19 pandemic.

The NEST has tested new services for job seekers, including:

- new Digital and Enhanced Services offerings
- a new co-designed flexible, points-based mutual obligations system
- aspects of a new job seeker assessment framework.



The user report released by the department in February 2020 suggests that almost one out of four job seekers participating in the NEST are self-managing on the digital system. The remaining cohort of job seekers, most with high disadvantage, are supported in Enhanced Services and offered tailored, face-to-face assistance by providers.

In the trial regions, providers have supported the transition of job seekers from jobactive to Digital Services. Many used a standard set of questions and few job seekers required online training to make the transition. This created opportunities for a more automated process with a safety net for the future model transition. Provider feedback indicated that the availability of a job seeker 'opting-out' of Digital Services if it didn't meet their needs, created a safety-net to encourage job seekers to try Digital Services.

NEST providers meet as a full group as needed to discuss NEST operational and policy implementation issues as they test aspects of the new model. Bilateral meetings between the department and each NEST provider are held every four to six weeks to enable feedback from each provider's perspective. NEST provider feedback has been supportive of the approach to reduce administrative burden and increase flexibility to support more intensive and tailored services. They have noted that the limitations within the existing system require significant manual work and are limiting the full benefits in the trial period.

The Volunteer Online Employment Services Trial


Beginning in December 2019, most job seekers who register as volunteers have used the digital platform to access employment services. A total of 60,000 Volunteer Online Employment Services Trial (VOEST) participants are expected to be involved in the trial. The focus of VOEST is to assess Volunteer job seekers' ability to self-manage in digital employment services and gain insights that inform the new model.

The online platform offers digital facilities for job seekers to self-manage their job search, build a career profile and resume, undertake job searches and access online content targeted at enhancing participants' opportunities and abilities to secure employment.

Online Job Seeker Classification Instrument (JSCI) Trial

The department uses the Job Seeker Classification Instrument (JSCI) to assess new job seekers to determine their risk of becoming long-term unemployed. The outcome of the assessment is used to determine the stream and/or service a job seeker is referred into. The JSCI also identifies people that may need an Employment Services Assessment (ESAt) to determine their work capacity and eligibility to Disability Employment Services.

Prior to the Government's response to COVID-19, the JSCI was generally performed in person by Services Australia before the job seeker was referred to employment services. From July 2018, select job seekers have been randomly invited to complete their JSCI online. This was extended to all online claimants as part of the rapid COVID-19 response to increased income support claim volumes.



The JSCI relies on job seeker disclosure to ensure a job seeker is referred to a service that meets their needs. To ensure effective screening for online servicing suitability, the JSCI needs to be complemented with additional checks and balances. Enabling a digital platform to target and capture key information on a job seeker, with time-based reviews, will ensure the department can tailor services more effectively and improve the user's online experience.

Incorporating trial findings into the new model

Based on learnings from the trials, particularly the NEST, the department has made several adjustments to elements of the proposed new model. The department will continue to test and refine elements of the trial model in the lead up to the new model being rolled-out in July 2022.

Enhanced Services tiers

The NEST is trialling two tiers of service, based on vocational and non-vocational barriers and capability to undertake intensive activities. Movement between the tiers has been limited, with limited uptake of the trialled Progress in Service Bonus Payment. Feedback from most NEST providers is that tiers actually detract from tailored servicing by trying to categorise the complex needs of a job seeker. Given these findings, the new model will remove the tiers of service and focus on quality of services to offer stronger pathways to employment for job seekers.

Digital Services types

In the NEST, job seekers are initially allocated to either Digital First or Digital Plus (or Enhanced Services) based on their JSCI score. Job seekers in Digital First are considered the most job-ready and digitally capable, whereas job seekers in Digital Plus are considered to potentially need extra support from a provider, such as training to use the digital platform or access to the Employment Fund.

In most cases, job seekers are unaware of whether they are in Digital First or Digital Plus. The digital platform for both services is identical, and activation requirements and communications with Digital First and Digital Plus job seekers are the same. The main differentiator in the NEST is access to the Employment Fund, which is limited to Digital Plus. As a result, job seekers in Digital First with an identified need for Employment Fund were administratively moved to Digital Plus.

A simpler 'needs-based approach' will instead be used for the new model, with a single Digital Service offering more flexibility and enabling better tailoring to a job seeker's needs. Rather than creating an administrative 'divide' in the Digital Services caseload for little benefit, any job seeker who needs additional support will be able to access it.

Provider payment model

A new provider payment model was tested as part of the NEST. Following consultations with NEST providers and based on independent financial viability analysis, adjustments were made to the new model to simplify and improve the capacity of providers to reduce caseloads and increase intensive services. This included an increase in the engagement payment and other modifications to the provider payment model to support increased investment in job seekers who need additional support.



8.4 User centred design

In February 2020, the department worked with MeldStudios to undertake 10 rounds of user centred design research to gain insights for the new model. Interviews were held with 102 job seekers, 24 employers and 19 providers.

Some of the insights provided by these interviews included:

- job seekers would like choice around information that is passed onto providers and employers
- job seekers most likely to opt into the digital platform were those who prefer to self-manage, or want the flexibility that digital offers, or who have had negative experiences with providers
- job seekers using digital services would like reassurance they are complying with government requirements given the potential impact on their payments
- employers may have their own IT solutions for managing recruitment and would prefer recruitment platforms provided by the department that are able to integrate with their own platforms to create streamlined recruitment processes
- providers are reluctant to complete risk assessments for digital job seekers undertaking work experience activities, due to the perceived time and cost in thoroughly assessing people they don't know, and the potential risks if something goes wrong
- providers would like performance measures to recognise the progression of job seekers as well as holistic approaches they take to supporting job seekers.

Job seeker and employer feedback is continuously collected through user-centred design and evaluation research, not only in trial regions but also nationally. The department continues to communicate with employers through the creation of Jobs Hub and direct messaging, which supports employers with finding employees. An employer engagement strategy has been designed to increase employer awareness of the model. Employer use of the model is being reviewed as part of the comprehensive change management approach.


The department is incorporating these and other insights into the development of the new model including the design of the digital platform and the provider performance framework.

9 Implementation and evaluation

9.1 Implementation

Employment services are large and complex. Change of this scale carries implementation risks affecting job seekers, employers and the business models of providers delivering existing services.

Given the size and scope of ICT changes and reforms, and the high number of job seekers who are expected to use Digital Services in the new model, there is a significant risk associated with the



delivery of the new digital platform. The new model will also involve significant change to the business model and operations of providers. New providers will enter the market and existing providers will exit the market. There is a significant risk of disruption to job seekers if transition processes are not carefully planned and managed.

Given the significant risks, elements of the new model are being progressively implemented and tested as part of the NEST. Certain elements of the digital platform will also be delivered progressively in the lead up to the new model commencing in July 2022. Phasing implementation and continuing consultation will help to identify what works and what needs to be refined prior to national roll-out.

The department will develop a detailed Implementation Plan, incorporating learnings from previous reforms to employment services. This plan, along with a comprehensive communication strategy will reduce the specific risks associated with transitioning to the new model and help strengthen stakeholder understanding and support for the reforms.

The department will establish a transition team and processes for the new model will be automated where possible, to alleviate job seeker and provider burden. To minimise job seeker disruption, new job seekers identified as suitable for Digital Services will be referred from January 2022 rather than being moved in July 2022. Movement of job seekers amongst providers (both new and existing) will be fair and equitable and reflective of the outcome of the procurement. The department will work closely with exiting, transitioning and new organisations in the lead up and regular updates will be published to inform stakeholders of the transition process.

Digital platform

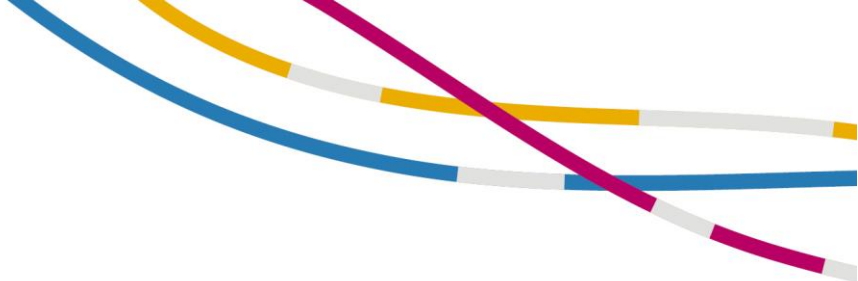
The new system will deliver capabilities incrementally through a phased approach from mid-2021. A product roadmap is being developed to deliver components of the new IT system at agreed points each year across the project's lifetime.

The department has worked closely with a broad range of stakeholders to develop the business case for the new system and will continue to work with these stakeholders for the duration of the project. The project regularly presents to a reference group with representatives from employer and welfare organisations, including the Australian Chamber of Commerce and Industry, the Business Council of Australia, the Australian Council of Social Services, and the Settlement Council of Australia.

The Employment Services Platform Project Board has been established to provide strategic direction and oversee the development and implementation of the digital platform. Risks are reported to the department's Portfolio Project Office (PPO) and the Project Board on a fortnightly reporting cycle. Risks and monitoring of mitigations are managed throughout the course of the project.

9.2 Evaluation

The department has established processes for evaluating the effectiveness of the employment programs it administers. Evaluation of the new model will involve ongoing consultation with



stakeholders through existing governance groups and surveys, qualitative research into the impact of the new model on stakeholders, and quantitative analysis of administrative and longitudinal data to assess the appropriateness, effectiveness and efficiency of the new model.

APPENDIX A: Features of the New Employment Services Model

Feature	Baseline option (jobactive)	Proposed future state	Policy detail
<p>Self-managing through Digital Services for job-ready job seekers and a digital and data ecosystem that reduces red tape.</p>	<p>Range of online services, including jobactive.gov.au and a job seeker app. These services are relatively simple.</p> <p>Almost all employment services for job seekers and employers delivered face-to-face by jobactive providers.</p>	<p>An online platform suitable for job seekers and employers – will offer comprehensive assistance without unnecessary red tape.</p> <p>Job-ready job seekers self-manage through Digital Services. Face-to-face support for those who are identified as requiring additional support.</p>	<p>The digital platform provides job matching, career advice, labour market information and training/upskilling resources.</p> <p>Digital tools match employers with suitable job seekers and reduce red tape.</p> <p>Digital Services were strongly recommended by the Expert Advisory Panel, and supported by other stakeholders, to keep pace with technological and labour market changes.</p> <p>Improved job seeker assessment process incorporates an evaluation of digital literacy and access. Job seekers that are not job-ready or unable to self-service are referred to Enhanced Services for face-to-face assistance.</p>
<p>More personalised intensive support for disadvantaged job seekers.</p>	<p>Face-to-face services provided to all job seekers.</p> <p>Stakeholders report that many job seekers receive compliance-focused services that are not tailored to their needs.</p> <p>Disadvantaged job seekers account for a growing proportion of the caseload.</p>	<p>Enhanced Services provides resources and intensive support to address vocational and non-vocational barriers to those job seekers who need the most help.</p> <p>Policy settings tested and refined to reduce the risk of the most disadvantaged job seekers being left behind.</p>	<p>Enhanced Services includes:</p> <ul style="list-style-type: none"> • an intensive mix of activities focused on improving work readiness • integrated case management to support job seeker engagement • vocational activities tailored to improve the employability of the job seeker • provision of, or referral to, necessary support to help address non-vocational barriers. <p>New comprehensive assessment identifies job seekers needing intensive servicing and resources are targeted to those who need them most. Higher up-front payments, progress payments, and performance framework focus on ensuring all job seekers receive a quality service.</p> <p>Tailored services from providers offer employers greater support in identifying, trialling and hiring job seekers.</p>
<p>More effective, tailored and flexible job seeker activity requirements that maintain mutual obligations.</p>	<p>Job seekers have mutual obligation requirements that must be met.</p> <p>Targeted Compliance Framework ensures job seekers remain engaged, with penalties for non-compliance.</p> <p>Most job seekers are required to apply for 20 jobs per month, and must undertake activities from a fixed menu (such as Work for the Dole) after a certain period.</p>	<p>Mutual obligations remain a key part of the new model. Targeted Compliance Framework continues.</p> <p>Job seekers required to take more responsibility, but also allows flexible, needs-based activity selection.</p> <p>The Points Based Activation System improves the way mutual obligations are managed, with job seekers given more choice from a set of approved activities.</p>	<p>Mutual obligations remain a key part of the new model, and the Targeted Compliance Framework will ensure there are consequences for those who persistently and wilfully fail to meet their requirements.</p> <p>The new Points Based Activation System will improve the way mutual obligations are managed, with job seekers given more choice from a set of approved activities, such as job search, attending interviews, study and training and voluntary work, or an intensive activity.</p> <p>Quality job search will remain a core requirement for all job seekers, and there will be a mandatory requirement to participate in an intensive activity after several months, to make sure job seekers are engaged and moving towards employment.</p> <p>Digital Services job seekers not in education or work will be transitioned to a provider in Enhanced Services after 12 months.</p>
<p>A licensing system that simplifies market entry and exit, more effectively drives quality outcomes, and reduces the cost and disruption of procurement.</p>	<p>Government contracts employment services providers to deliver services.</p> <p>Contracts are awarded via competitive tender processes that are costly and infrequent.</p> <p>Providers receive ‘star ratings’ based on their outcomes.</p>	<p>Streamlined procurement model used to issue contractual licences.</p> <p>Licences are only renewed for providers meeting performance requirements.</p>	<p>Licensing system reduces the cost and disruption of regular procurement processes, making it easier for innovative start-ups and emerging firms to enter the market. Licensing system features generalist providers and cohort specialist providers that target support for certain vulnerable groups.</p> <p>Improved provider performance framework with key performance indicators that drive outcomes, quality and collaboration.</p> <p>Poor-performing providers are more readily exited from the market – to the benefit of job seekers and employers.</p> <p>Workforce Specialists will be engaged to proactively connect job seekers to large employers and key industries and occupations with high demand for workers.</p>

Feature	Baseline option (jobactive)	Proposed future state	Policy detail
<p>A payment model for Enhanced Services, which has been designed based on consultation and testing, and ensures provider financial viability.</p>	<p>Primarily outcome-based and sliding outcome payments to incentivise placing more disadvantaged job seekers into sustainable work.</p> <p>Funding to deliver services is made through Administration Fees and Outcome payments which are fixed and not subject to price competition.</p>	<p>Higher up-front payments mean providers can immediately invest in more disadvantaged job seekers, leading to better outcomes, while still maintaining a focus on employment-based outcomes.</p> <p>Encourages earlier and more tailored services to better assist the long-term unemployed, and to address vocational and non-vocational barriers.</p>	<p>Payment model recognises providers will be servicing the most disadvantaged job seekers and supports the longer term and sustained investment required to achieve outcomes for hard to place job seekers.</p> <p>Strikes a balance in incentives—a model too heavily geared towards outcomes will lead to providers only focusing on those job seekers they can more easily place in jobs.</p> <p>Achievement of employment outcomes remains a fundamental financial incentive but is balanced by engagement and progress payments. Up-front engagement payments will support early intervention. Progress payments recognise the investments made to get job seekers job-ready, including efforts to reduce or remove non-vocational barriers.</p> <p>Design of the payment model was informed by recommendations of the Employment Service Expert Advisory Panel, stakeholder feedback, trials, and independent financial viability analysis.</p>
<p>An enhanced approach to job seeker assessment including the Job Seeker Classification Instrument (JSCI) and other tools to connect job seekers to the right services</p>	<p>The JSCI questionnaire is used to assess a job seeker’s risk of long term unemployment, which determines their service stream (A, B or C for the most disadvantaged job seekers).</p> <p>The JSCI also indicates if a job seeker requires further testing and referral to other services, such as Disability Employment Services.</p>	<p>An enhanced job seeker assessment framework refers job seekers to the services that are most appropriate to their needs along their pathway to employment.</p> <p>The assessment framework is iteratively developed, tested and evaluated as more evidence is gathered.</p>	<p>JSCI remains a core tool at the initial assessment to identify job seekers at risk of long-term unemployment.</p> <p>A range of new assessment tools will support the JSCI and initial assessment process and provide additional insight into job seeker servicing needs, including online self-administered assessments based on a wide range of factors to personalise the supports available to job seekers.</p> <p>Links to tools available through the National Skills Commission will support job seekers to assess their current skill set and link to job matching and training opportunities.</p> <p>Ongoing assessments will identify when job seekers’ servicing needs change over time. Over time, these assessments may be used to trigger interventions to ensure job seekers at risk of becoming disengaged receive appropriate support.</p>
<p>Better support for employers to increase the speed at which vacancies are filled and maximise employer engagement</p>	<p>jobactive providers engage with employers to market job seekers on their caseload and identify job opportunities. Providers may also provide post-placement support.</p> <p>Employer Liaison Officers in the department help to connect employers and providers.</p>	<p>Employers have access to a range of supports to meet their recruitment needs, including improved applicant matching through the digital platform and provider collaboration; and targeted industry and workforce solutions.</p> <p>Improved services mean more employers engage with the system, creating more opportunities for job seekers.</p>	<p>Employers will be able to recruit job seekers directly through the digital platform. The digital platform will also support employers with advertising, screening and shortlisting applicants.</p> <p>Enhanced Services providers connect employers with suitable recruits from their caseloads, and offer a range of support such as employer required training as well as post placement support.</p> <p>The newly established Employer Reporting Line provides a dedicated feedback channel for employers to report job seekers refusing offers of work, discuss any issues they are facing with providers or seek support to fill vacancies.</p> <p>Workforce Specialists will provide tailored support for large employers and industries with labour shortages. Workforce Specialists will manage bespoke projects to attract job seekers to an industry or to increase supply of labour through clear training and work experience pathways.</p>

APPENDIX B: Regulatory burden estimates – costing assumptions

Methodology

Regulatory burden is an average measure of the cost of regulation, on average across the life of the contract. The regulatory costs in this Regulatory Impact Statement have been calculated based using a similar costing model as was used for the 2015 Employment Services Regulatory Impact Statement (2015 cost model). The model is based on the following components.

Regulatory activities: The Deed sets out requirements for employment services providers. Policy guides supplement the Deed to detail operational requirements. Not all contractual requirements count as regulatory burden. For the purpose of the calculating Regulatory Burden Estimates, only those tasks that are undertaken to demonstrate a provider has fulfilled their contractual obligations are counted (such as reporting and record keeping).

Regulatory requirements for employment services fall under the following broad categories:

- registration and assessment
- Jobs Plans
- compliance
- employment services provision
- Work for the Dole and activities
- complementary activities
- outcome payments
- work experience
- wage subsidies
- Relocation Assistance
- Employment Fund
- contract management
- guideline updates
- training

Transactions: The number of times a regulated entity (provider, employer or job seeker) is required to perform a particular task in a year is captured by transactions. Departmental administrative data is the primary source of information on transactions. Assumptions have been made where appropriate administrative data is not available. This particularly relates to contract management and training estimates. In these instances, assumptions have been based on the 2015 cost model, which was informed by stakeholder feedback.

Time taken: This is the estimate of the average time it takes (in hours) to complete a particular task, such as lodging invoices for Relocation Assistance.

Value of time: This is the dollar value assigned to time taken to do a particular task.

Regulatory burden is the product of transactions, time taken and value of time.

Activities

A summary of the types of activities generating regulatory burden in each policy option is set out below.

Option 1: Maintain jobactive (baseline): The jobactive Deed 2015–2022 sets out the current obligations of contracted jobactive providers to deliver employment services and support job seekers and employers. Further operational requirements for jobactive providers are detailed in supporting guidelines.

Option 2: Maintain jobactive and Online Employment Services: Option 2 makes no changes to existing policy settings for provider servicing (i.e. the jobactive Deed still applies). Regulatory burden associated with digital servicing includes burden for employers (such as reporting job seeker non-compliance) and burden for job seekers (such as reporting an employment outcome).

Option 3: A New Employment Services Model: Changes to regulatory burden for the new model include changes to job seeker assessment processes and activity requirements. The estimated regulatory burden for this option reflects new policies and service delivery arrangements, such as greater use of Employability Skills Training providers.

Option 4: Full Digital Service Model: This option requires all job seekers to self-manage in a digital service. There would be no regulatory burden associated with mainstream provider services. However, there would continue to be some regulatory burden on organisations, such as Risk Assessment providers for Work for the Dole placements, Employability Skills Training providers and employers.

Caseload and transactions

Caseload is a point in time measure of the number of individuals in employment services. Regulatory burden is largely driven by the number of job seekers on a provider’s caseload as the size of a provider’s caseload will influence the total number of transactions²².

To update the transactions data from the 2015 cost model, the average actual number of transactions over the period 2015–2019 was used as the baseline. Data from July 2019 to June 2022 was omitted from the analysis due to the impact of the COVID-19 pandemic. Excluding this period gives a better measure of regulatory burden during a more stable economic and policy environment. It also controls for temporary policy changes which have impacted transactions, such as the introduction of JobKeeper payments and the suspension of job search and other mutual obligation requirements.

Data on average annual transaction numbers over a five-year period from commencement of the new model in July 2022 was estimated based on projected caseload data. It is estimated that over the five years from July 2022, the average caseload will be 640,000 job seekers, or 92 per cent of the average pre-COVID jobactive caseload.

Each of the options in this Regulatory Impact Statement involves a portion of the caseload self-managing in a digital service. For providers, this will lead to a reduction in regulatory burden due to a decrease in caseload. For the purpose of calculating regulatory costs, the proportion of job seekers assumed to be in digital servicing under each option is shown in the table below.

Table 1: Caseload by service type

	Option 1	Option 2	Option 3	Option 4
Provider servicing	100%	70%	60%	Nil
Digital servicing	Nil	30%	40%	100%

²² The department also uses ‘flow’ to for program resourcing decisions. Flow refers to projected monthly commencements of job seekers. This approach produces similar estimates of annual transactions as the caseload approach.

Time taken and value of time

The time taken per transaction is based on the 2015 cost model and reviewed in consultation with policy teams within the department.

Job seekers' time is set equal to that of individuals – \$31 per hour (with no on-costs). This is the default rate for individuals recommended by the Office of Best Practice Regulation.

Employers' time has been valued at the default \$73.00 per hour (including on-costs) as recommended by the Office of Best Practice Regulation.

Providers' time has been set at \$63 per hour. This is based on the rate used in the 2015 cost model, with a 15 per cent increase in line with average earnings over the period. The rate used in the 2015 cost model was based on consultation with the sector.

Sector attribution

The department estimates regulatory burden in terms of three main groups – providers, employers and job seekers. There is no direct correspondence between these groups and the sectors used for RBE measurement—business, community organisations and individuals.

The regulatory costs in this Regulatory Impact Statement make the following assumptions when assign entities to a sector:

- Providers are assumed to be 64 per cent 'community organisations' (25 of 39 provider organisations are not-for-profit) and the remainder are 'business'.
- Employers are assumed to be 50 per cent 'business' and 50 per cent 'community organisations'. This largely reflects the number of Work for the Dole hosts and work experience providers who are not-for profit.
- All job seekers are classified as individuals.

Differences in regulatory burden between policy options

Regulatory costs for all options have been estimated using the same value of time and total number job seekers in employment services. Differences in regulatory burden between the three options in this Regulatory Impact Statement are mostly derived from the share of customers who enter digital services.

Digital servicing not only reduces the number of job seekers in provider servicing (directly reducing burden on providers), it also involves changes to policy settings. For example, in the new model (Option 3), job seekers in Digital Services would not participate in Work for the Dole, but in the less administratively complex Employability Skills Training program. Policy changes such as these further reduce the burden of the system overall.

While the digital platform in the new model is expected to lead to efficiencies through automation of processes, these are yet to be quantified and have not been factored into the costing. Further regulatory savings would be expected for Option 3 if the impact of IT system improvements had been factored into the costings.