

JOBACTIVE LICENSING DISCUSSION PAPER



CP RESPONSE – jobactive licencing discussion paper

Preface

Campbell Page welcomes the department's opportunity to provide a response to its licencing discussion paper. We agree that the consultation process is vital in ensuring that future employment services are as effective as possible for jobseekers and employers, while providing exceptional value for money to the taxpayer.

Before engaging with the specific provisions of the *jobactive licencing discussion paper*, we would like to raise some additional considerations – particularly in light of the rapidly-moving economic conditions, including the labour market. The Employment Services Expert Advisory Panel's report [I Want to Work: Employment Services 2020](#) was provided to Government on 15 October 2018 with a summary of Consultations published in December of that year. This report and consultation have undergirded the direction of travel for the new Employment Services model thereafter, including through New Employment Services Trial (NEST). Since the Bushfires started in late 2019 and the subsequent COVID-19 crisis, Australia has had a tumultuous year and, in our view, there is merit to discussing whether the new model requires revisiting due to any/all of the following factors:

1. The increase in unemployment

When the *I Want to Work* paper was published the national unemployment rate was close to 5% (ABS) and now it is just under 7% (ABS) and still rising. Back then, the unemployment rate was close to its lowest level since the Global Financial Crisis, and currently it is at around its highest rate in two decades. Underemployment was 8% and is now 11,4%. The number of unemployed nationally was around 660,000 and is now 937,000, with 703,000 people looking for work.

Going forward, the Trading Economics Forecast anticipates that the national unemployment figure could peak at 8% in the coming months (approximately an additional 130,000 people) and only rebounding to below 6.5% by the end of 2022. Getting below 6% and back down towards 5% over the next few years is highly improbable, and given fiscal headwinds and declining international trading conditions, may not be achievable again for at least 4-5 years

Therefore, while the current spike in unemployment *may* be temporary in nature (with that temporality inextricably linked to public health factors e.g. a COVID-19 vaccine), many of the jobs that have been lost will be lost forever. And behind every one of these permanent job losses is a person and a story. Behind that person and their story is the risk that their supposedly temporary, COVID-linked, loss of a job can become long-term unemployment, with all the shattering impacts that can have on their finances, confidence and mental health.

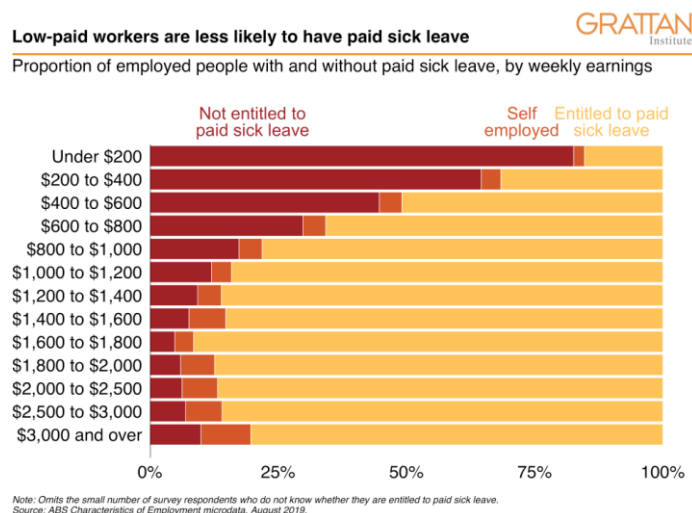
The pandemic and associated recession haven't just changed the number of people on the Employment Services caseload, but also the type of service required. Where once it might have been a simple question of matching willing candidate and willing employer, that becomes more difficult if employer demand is low, or if other barriers to work are becoming more entrenched. Where before a Stream A customer might have arrived with just a short career gap, it could already be months by now. Campbell Page delivers extensively on the South Coast of NSW, where jobseekers and employers have dealt with the twin impacts of devastating bushfires and the pandemic. Many of those we deal with are traumatised and are finding it hard to engage with looking for work at all and would certainly struggle to do so through an online, impersonal service. In our view this poses the following questions:

- At a 5% unemployment rate, it could be argued that job-matching, whether through online means or otherwise, was the key challenge. Is that going to be the case over the coming years, given unemployment will remain higher?
- Given unemployment will be relatively high, it will likely be an ‘employer’s market’ for some time to come. Will the very fact of a customer being on the Enhanced Service be a negative signal to an employer which will put them at the back of the queue?
- How real is the danger of frictional unemployment becoming structural unemployment without substantial early intervention, and is this risk exacerbated by a digital-first model?
- Has this turbulent period caused a change in the barriers faced by the unemployed and/or does this require further research?
- To what extent could a decline in business certainty/confidence lead to an ongoing decrease in the number of available vacancies? What long-term impact would this have on employment services and type of provision required? More on this below.
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2. The changing nature of employment

The current employment services system is built on the notion that a job is a waged, stable, long-term engagement – complete with an entitlement of employment rights such as sick leave. Indeed, the department’s definition of a job is an 85% reduction in income support. This frequently excludes, for example, casual but stable roles such as community care and long-term self-employment in ‘platform’ businesses like Uber and HireUp. The appeal of this is understandable and the aim laudable. Indeed, our organisation’s very purpose is constructed around securing sustainable, fulfilling work for our customers. However, it does not reflect the reality of work today for our customers.

By the latest Characteristics of Employment figures from the ABS (August 2019), there were 2.6 million employees in Australia without paid leave entitlements (the best proxy for casual work). This is about 24% of the total workforce and has remained relatively stable since the recessions of the 1980s and 1990s. However, if this is combined with the number of self-employed workers/contractors (such as Uber drivers), there are around 4.8 million Australian workers without paid leave entitlements – 37% of the workforce. Disproportionately, this 37% is comprised of those in lower-income work. Among people who earn less than \$800 a week, 50% do not have leave entitlements – 46% are in casual employment and 4% are self-employed.

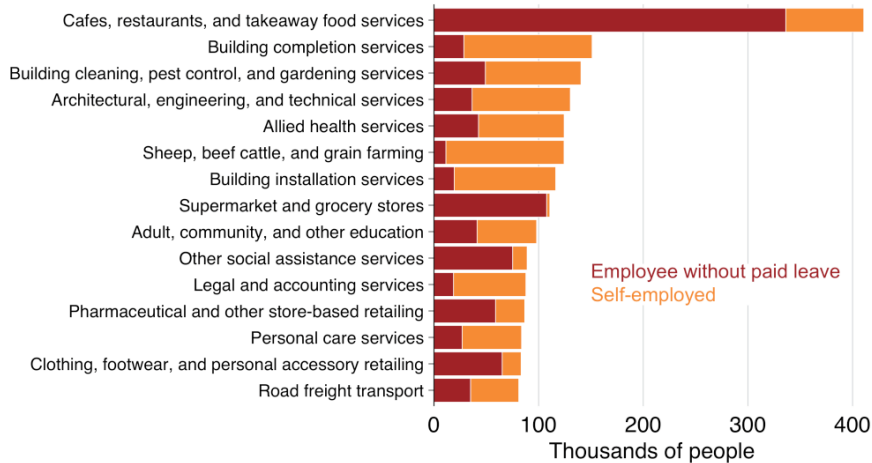


The lower the income received, the likelier that the work is not accompanied by in-work entitlements and therefore can be considered as casual. This problem is exacerbated for young people, many of whom work in service industries such as hospitality and retail. However, it is not limited just to the young and more than a quarter of people in their 30s-50s do not have paid sick leave, including 1.5 million parents – one-third of all working parents.

Low-paid workers mostly work in service industries that are vulnerable to shutdown



Number of employed people who are not entitled to paid sick leave, by detailed industry, 2019



Notes: Omits the small number of survey respondents who do not know whether they are entitled to paid sick leave. Chart shows the top 20 industries by number of workers not entitled to paid leave.
Source: ABS Characteristics of Employment microdata, August 2019.

These workers are also overrepresented in industries hit particularly hard by COVID-19 and the associated lockdown. In fact, COVID-19 and the recession it has generated are highly likely to increase the rate of casualisation in the economy. The previous marked increase in the trend occurred in the late 1980s and early 1990s, and it has only stabilised – rather than retreated – thereafter. Already, we can see this in the underemployment data – in the ABS’s September 2020 statistical release it puts the underemployment rate (i.e. those who do not have as many hours as they would like) at 11.4% and this is 3.0% higher than last year. This elasticity is, in part, caused by a high degree of casualisation in the industry most impacted by COVID and the public health response. Naturally, further outbreaks of COVID-19 would continue to exacerbate this issue.

This increase in casualisation may also be fuelled by ongoing business uncertainty, given the ongoing pandemic, weak global trade, ongoing disputes with China, and a rapidly changing fiscal environment. Unpredictable geopolitical and economic events lead to soft labour markets. It is only natural in these circumstances that employers would explore flexible approaches to employment which limit the downside risk of adverse circumstances. While the public health crisis of COVID-19 may diminish, the unpredictability will not dissipate and nor will the move towards casualisation and platform business-driven self-employment. This is not to suggest that this is necessarily a bad thing. Casual arrangements work well in many instances for both employer and employee. However, the question we must ask is: are current and future employment services well calibrated to this labour market? The definition of a job, as above, feels antiquated in a world of casual jobs, portfolio careers and rife underemployment. Employment services need to be calibrated to this environment and employment service providers should be incentivised to support customers to navigate this often-complex world. In Campbell Page’s view, this raises the following questions:

- What should a ‘job’ be defined as in the current labour market? What should an outcome look like? The Harvest Labour Service already has a broader definition – should this be adopted wholesale and is that enough? For example, should we broaden the definition of an outcome from just an 85% reduction in income support? Could we use permissible breaks more flexibly, to counter the vicissitudes of a rapidly changing labour market?
- If employment services were to be recalibrated for this labour market, what would it look like? How would this impact, for example, the in-work support offer (which could become more about supporting people to move from role to role than maintenance of one job)?
- Sociologists have referred to people in insecure work as being part of a ‘precariat’ – given the precariousness of jobs, what further challenges could this present e.g. to mental health, financial security?
- Will the new model of employment services adequately cope with this complexity, particularly supporting people navigate to the market through its digital channels?

3. Increased uncertainty for Employment Service providers, potentially leading to a lack of investment in services

Given all the above factors, it is inevitable that there will be a degree of uncertainty for any business over the next few years. This will of course be heightened for employment services providers by the transformative impact of the new model. While this is *not* a reason to avoid large-scale change, it is something that should be considered in the way the service is procured, implemented and managed. This is not because it will be problematic for providers, although that may be the case, but because a lack of certainty will reduce the ability of organisations in the sector to invest in their infrastructure and services and, consequently, customers.

Accordingly, the Department should avoid making the operating environment too complex or unpredictable, for example by including too many specialist providers or providers limited to only very specific geographies. This might, for instance, lead to providers opening fewer offices because they are unsure about their viability, potential flows, or a reluctance to invest in auxiliary staff such as allied health practitioners or employment brokers. This also applies to ‘workforce specialist services’ which overlap with the core business of employment providers and are likely to make the environment *more* complex for employers and customers to navigate rather than less. We would, however welcome the introduction of placement fees which would incentivise this more employer-focused direction. Would there also be an expectation on all providers, however small or specialist, to comply with contractual regulations such as QAF and ISO:27001? If so, this would require those providers to put a very substantial proportion of their funding to this compliance and accreditations, perhaps making it unviable. If not, it is in effect an unfair competitive advantage for the organisations involved. It is this predicament that has led to the deployment of Prime Contractor models in other comparable markets such as the United Kingdom.

Given all the changes happening, simplicity, viability, predictability and transparency should be prioritised wherever possible. Our answers to the questions below reflect this abiding concern.

CHAPTER 2

Should generalist and specialist organisations be included on the same panel? Yes, however Campbell Page has concerns over including ‘specialists’ as outlined, for the reasons set out in the Preface to this paper. We believe it would be a better approach to ask providers to outline how they

would work to meet the specific cohorts or needs of an area, including through appropriate partnerships.

How long should the panel be in place for? This depends on the length of licenses, but 5-7 years is reasonable to encourage infrastructure, resourcing and service delivery investment from providers.

In what circumstances should a panel refresh occur? For individual companies, their case should be examined where there is a change in circumstances or governance. More broadly, this could occur on an events-driven basis (e.g. due to changes in the labour market, government policy etc.) or on a regular time-bound schedule.

How else could the panel be used? For delivery of other employment services contracts. However, careful consideration should be given in each instance as to whether those panels are sufficient or appropriate for the opportunity.

CHAPTER 3

How long should licences be issued for initially? 3 years, given the requirement business certainty set out in our Preface.

Should an organisation be allowed to service areas smaller than an Employment Region? Possibly. For the reasons stated in the Preface, there are considerable downsides to fragmenting the service too much or disadvantaging people and employers in small towns. While we welcome to desire to reduce red tape and regulation, there will always be a minimum burden of compliance to bear – this may be prohibitive for smaller providers, while also reducing the certainty in that local market. That said, there may be opportunities to work with providers who are particularly strong in a local market, or to offer additional coverage to customers which should be welcomed, subject to the above caveats. This may be an issue better tested through pilot regions before extensive implementation. Additionally, the department should consider heavily incentivising all regional and remote areas with loading. It is our experience that while we are keen to offer services in a range of communities, this can lack economic viability. This would be exacerbated in any program with smaller caseloads, lower flows and increased uncertainty.

Should the number of licences be capped in each Employment Region? Yes. This will enhance business certainty and viability.

When should new licences be added to a region? When there is a requirement, for example: if providers have dropped off the panel over time through attrition or poor performance; if the caseload increases substantially; if the labour market changes substantially; due to policy changes; and if consumer demand is established.

In what circumstances should short-term licences be issued? In general, they shouldn't be, for reasons of business certainty.

CHAPTER 4

How many performance groupings should there be? The three groups set out are adequate, but it would be useful for providers to determine their position within that grouping, as with the current Star Ratings system.

How frequently should Licence Reviews occur? 12-18 months, but a moratorium for the first 18-24 months after contract go-live to give providers adequate opportunity to establish measurable performance.

How often should providers receive performance data? As frequently as possible, as contemporaneously as possible and with comparisons to competitors. The more competitor data, the better, so providers can use these business insights to implement performance improvement strategies which will in turn, help all providers in the region improve. There is also a lag of several months between when the actual performance occurs and the Star Ratings are reported – by having timely and competitive analysis we can make quicker performance improvement decisions and strategies

Should provider performance be publicly accessible? The annual licence review category should be. That would be enough.

When should the first Licence Review occur? 18-24 months after contract go-live. This gives the department time to establish a consistent baseline, and providers the chance to mobilise and implement performance strategies. It also avoids disadvantaging new entrants versus incumbents.

CHAPTER 5

Should cohort specialists only be referred job seekers from their target cohort? Our reservations about this component of the model are expressed above. Certainly, extensive modelling must be done over the impact of diverting flows into cohort specialists – both on those specialists and generalist providers – to ensure viability for all involved. If cohort specialists are to exist, they should only be referred job seekers from their target cohort. Or else, what is to stop a provider from entering a region through the backdoor as a specialist but then becoming a generalist by stealth? This would produce a confusing picture for both providers and customers, reduce business certainty and potentially create methodological problems in performance management.

Which cohort types should have specialists? As above, we are unconvinced about the efficacy of this model. Where it has been tried before, such as various elements of the Disability Employment Service, it has not necessarily proven successful. Like DES, delivery to the long-term unemployed or those with particularly challenging barriers is *already* a specialist service. If a provider is a specialist with a particular cohort, there is every chance they are not also a specialist in supporting the long-term unemployed into work. So conversely, this could result in a more poorly targeted, less well-tailored service. All providers should be asked to prove how they will calibrate their service to the requirements of an area, perhaps through partnerships or by employing specialist staff. Ringfencing parts of the Employment Fund for specific cohorts e.g. ATSI could also be considered. As above, a Workforce Specialist service is not something Campbell Page would support as this would likely lead to crossed wires in terms of employer servicing (after all, brokerage is a core part of our model). However, the introduction of placement fees to the payment structure would enable more investment in employer servicing.

How should the new model interact with complementary programs (e.g. Transition to Work, Work for the Dole)? It will refer as necessary. This needs to be underpinned by robust, transparent and simple information-sharing systems and practices to facilitate coordinated, coherent and cooperative customer journeys. The danger of different organisations/agencies working at cross purposes must be mitigated to minimise confusion and complexity for customers and employers.

CHAPTER 6

How should market share operate? This is dependent on how the performance management framework itself operates. In principle, moving market share dynamically according to performance metrics is desirable. This provides an incentive for providers to invest in great service, particularly if customer experience is accounted for in the performance management framework.

How should tolerance work? Tolerances provide businesses with certainty and the security to invest. Floors are very helpful. However, it is questionable as to whether formalised ceilings are required. During the recent period of increased flows, this has proven unhelpful at times and could even become a disincentive to strong investment and great performance.

Should a portion of market share remain unallocated? This could incentivise performance, and maybe even provide an avenue for consumer choice.

CHAPTER 7

How can the licensing system help cut red tape? It is clear from a procurer perspective that this can reduce red tape. From a provider perspective, it will be useful to gain greater clarity on how entry to the panels will work. While the department has been clear it wishes to avoid the vast, intense tender processes of previous iterations of the service – and we certainly welcome this – there will need to be some form of deliberative process to determine which providers go on each panel and are offered market shares. Previous performance is clearly one potential determinant, and Invitations to Treat could provide market certainty. However, if this is the only determinant this will be prohibitive to any provider wanting to enter a new market and ignores the issue that jobactive and the new Enhanced Service are not that comparable. This is explored more in our response to Chapter 9.

What would assist smaller organisations to enter the provider market? It would require a minimisation of the regulation and/or cost required for compliance with the deed, for example Quality Assurance Framework and ISO27001 IT accreditations. Potentially it would also require establishment funding and/or a significant portion of the funding to be ‘service funding’ as opposed to outcome funding, thereby avoiding the j-shaped curve frequently seen in employment service programs (including jobactive). As suggested above, the drawbacks to this approach warrant careful consideration.

CHAPTER 8

What measures could be included in the Provider Performance Framework? As a general principle, this should be kept simple and transparent. It should also be more about benchmarking against agreed standards rather than a measure against competitors or opaque regression models. Setting

up the industry to compete against each other, rather than cooperate has unintended consequences e.g. coordinated employer approaches are not incentivised under the current system. It is also our view that it would be beneficial to investigate ways in which customer experience/satisfaction can contribute to the performance framework. This would disincentivise unscrupulous practices such as aggressively pressuring customers to enter unsuitable work, 'parking' of caseloads, unfair or incorrect TCF applications and would promote a customer-centric approach, very much in line with organisational values.

What features in the Provider Performance Framework would support the classification of high, medium and low performance?

- achieving sustainable employment outcomes for job seekers
- progressing job seekers towards employment (e.g. successfully completing designated milestones such as training to increase employability skills)
- quality of service given to job seekers and employers
- job seeker and employer satisfaction
- achieving results for disadvantaged cohorts.
- Corporate governance
- Audit results – indicated as a compliance % score.

How can the department ensure job seekers and employers are receiving a quality service? As above, we believe the department should investigate the inclusion customer satisfaction service measures in performance measurements.

How can providers' cyber security be improved in the new model? We welcome the approach to right-sizing cyber security dependent on the organisation's amount of business with the Department, however different employment services (e.g. DES, ParentsNext) could perhaps be disaggregated (i.e. if an organisation only has a small jobactive caseload, but a large DES caseload) in this calculation to further remove administrative burden. In general, the security requirements will mean that smaller providers may struggle, as dedicated IT teams or expensive IT servicing arrangements are likely necessary to ensure sufficiently robust cybersecurity.

CHAPTER 9

What would ensure an effective transition from jobactive to the new model? An effective transition would feature the following:

- A great deal of high quality, transparent communication to customers and providers – preferably from the earliest possible stage
- Given the extensive labour market and economic changes as a result of COVID, continued opportunities to provide input to the new model, particularly around service delivery models, performance measures and payment structures
- No late changes
- As much business certainty provided as possible
- Potentially, establishment funding

What lessons can be learnt from previous program transitions? Give enough time for providers to implement properly. Particularly avoid notifying organisations behind schedule with an unaltered go-live date. It would also be wise to avoid the mass recommencing of customers insofar as possible – a

better customer experience will be provided if some level of continuity is offered. We recognise this may not be possible in all cases.

While there may be value in an Invitation to Treat process to promote continuity of service, Campbell Page does not support its utilisation in this instance. The Enhanced Service, as described in the Discussion Paper, and jobactive are not directly comparable services. The skills required to succeed in one are not directly analogous to those required to succeed in the other, and therefore a strong performance track record alone should not be sufficient to allocate market share on the new service. Rather, organisations should be required to demonstrate how they are well calibrated to deliver the new approach in order to be offered licenses and market shares.