

**Submission to the Proposed Licensing System
for the
New Employment Services Model - Discussion Paper**

Jobfind Centres Australia (Jobfind) is an experienced and high performing employment service provider delivering employment services to diverse labour markets.

We believe it is fundamental that the Government take into consideration the social and economic impacts that COVID-19 has and is having on all Australians nationally, as well as internationally, when developing our future employment service model.

Treasury's latest modelling assumes no widely available inoculation until the end of 2021, with economic recovery contingent on that. The latest Federal Budget expects unemployment will be at 7.25% in 2020-21, 6.5% in 2021-22, 6% in 2022-23, and 5.5% in 2023-24.

We have already seen the rate of unemployment increase from 5.2% in March 2020 to 6.9% in September 2020. Jobfind's jobactive and DES caseloads have doubled in that period. Youth unemployment is sitting at 14.5% and underemployment at 11.4%. Employment in specific industries such as the Arts and Recreation Services, Tourism, and Accommodation and Food Services have seen relatively high movement of people out of employment.

In addition, loss of consumer confidence has seen reduced demand for goods and services. As a result, people have left jobs and these jobs may not exist in the future. Going forward we will see job seekers requiring more reskilling and upskilling, with Australia's most disadvantaged job seekers remaining in Government employment services program(s) for extended periods while Australia and the rest of the world recover financially.

We have also seen a substantial rise in mental health issues due to COVID-19. It has been reported that mental health issues have increased by 15 to 20% and even higher in Victoria.

Given that the New Employment Service Model was initially designed and consulted on prior to the economic downturn and social impacts arising from COVID-19, it is expected, as seen in previous economic downturns, that the most disadvantaged job seekers will require intensive long term assistance, both vocational and non-vocational, to be competitive in securing employment in the labour market.

Recommendation:

While Jobfind supports the concept of a streamlined Employment Service we recommend that the assumptions applied in developing the new service prior to COVID-19 be re-examined. Is the financial viability of the model sufficient to provide the high level of support and services that will be required by the most disadvantaged job seekers in a time of economic downturn, as financial recovery may take some years?

Response to Guiding Questions and Alternate Options

Chapter 2 – Establishing a panel

Whether Generalists and Specialists should be on the same Panel needs to be considered in combination with how market share will operate. If Generalists and Specialists were on separate Panels in an Employment Region, then it is assumed that a percentage share of the market would need to be allocated to each Panel. For example, 60% of the market allocated to the Generalist Panel and 40% to the Specialist Panel (assuming for example, 40% of job seekers in the Employment Region met the Specialist Panel cohort(s)). A real example of the dynamics that will affect the financial viability of providers is the large proportion of current Stream B and Stream C job seekers that are flagged as having some form of disability. Jobfind's analysis of its jobactive caseload suggest that approximately 40% of job seekers in those Streams have a disability. If 40% of New Employment Service (NES) clients are referred to Disability Specialist providers, there will be little more than half of the remaining caseload available for referral to Generalist providers.

Separating the Panel may limit job seeker choice if the market share allocated to the Panel is exhausted. The Department of Education, Skills and Employment (DESE) proposes that job seekers will have the choice of a Generalist or a Specialist provider. The market share for each Panel would need to take into account job seeker choice, that is, taking into consideration that Specialist cohort job seekers may prefer to choose a Generalist provider.

Having separate Panels could also significantly increase the complexity of the procurement arrangements. If DESE was to decide to use separate Generalist and Specialist Panels, the market shares available for each Panel needs to be clearly articulated prior to the release of the Request for Proposal so providers know what proportion of Generalist and Specialist business is available in the Employment Region and consider the financial viability in delivering the services.

Panels could possibly be used to identify providers to assist with trialling new employment programs or components thereof depending on procurement limitations. It may also provide a pool of providers to assist with programs for Digital First and Digital Plus job seekers.

Question:

1. Is DESE also considering Workforce Specialists being included on the National Panel? As they will not have a caseload, we assume they would not be allocated a market share. Is the assumption correct?

Chapter 3 – Issuing contractual licences

The duration of licences needs to take into consideration continuity of support for job seekers and employers as well as the financial viability of providers and their set up costs. Jobfind supports the proposal that licences be initially issued for three years. This gives providers time to establish a service and job seekers and employers the assurance that a provider will be able to provide continuity of service.

The Discussion Paper notes that DESE will be undertaking a comprehensive analysis to inform the approximate number of licences to be issued in each Employment Region at the start of the new model. The earlier this information can be provided to prospective tenderers the better. DESE notes that more needs to be done to reduce the administrative burden, and the licensing system is being designed to reduce red tape. Knowing the estimated number of licences available in an Employment Region will assist tenderers to decide which Employment Regions they should tender for, and would also reduce the burden on DESE in assessing and responding to tenders. This information should be available at the time the Exposure Draft is released in the second quarter of 2021 at the latest.

While the paper notes the advantages of providers servicing areas smaller than an Employment Region, consideration also needs to be given to the cost to providers of ensuring that all job seekers across an Employment Region receive quality services. Cherry picking part of an Employment Region may result in it not being financially viable for other providers to service the remaining business available in the Region. This may result in poorer service options for job seekers as less providers compete to deliver the service.

All providers already operating and licenced in an Employment Region should have the capability of addressing an increase of job seekers due to natural disasters, pandemics, major business/industry redundancies, etc. Jobfind has demonstrated its capacity and capability to continue to provide high quality services to an increased caseload of job seekers during the COVID-19 pandemic.

Questions:

2. How would the market share work if a provider tenders for the full Employment Region but then finds that potentially more viable subsets of the Employment Region have been allocated to other providers?
3. How would the DESE define a subset of an Employment Region? For example, would it be based on postcode?
4. How would "not necessarily service the entire Region" work in practice? The Discussion Paper states that providers may operate from a single site in a limited area within an Employment Region, but where do/can job seekers come from – anywhere in the Region? Alternatively, would this mean limiting servicing job seekers in a particular postcode? Would there also be a similar limit to servicing employers in the area?

Chapter 4 – Licence Reviews

Jobfind supports the fundamental purpose of Licence Reviews, that is, to ensure that job seekers and employers are receiving quality services from providers. However, DESE's proposed Licensing Review system would appear to be adding more red tape than the current Business Reallocation Process in jobactive which only occurred twice in the Deed period. If provider performance is reviewed annually this will mean that from the third year of the contract, business could be reallocated every year. This could be destabilising for job seekers, employers, and providers.

Given this is a new employment services model consideration should be given to the first Licence Review occurring after two years to enable new entrants to establish themselves in the market.

An understanding of how performance will be measured would enable a more informed response to the question. For example, three performance groupings would appear to be reasonable. However, if DESE were to choose a forced distribution model then a third of the market would be categorised as poor performing each review period. This would be very destabilising for job seekers, employers, and providers as a third of the market would be reallocated each year following the initial three-year licensing period. Performance measures would need to account for any performance bias either for, or against Generalist and Specialist providers.

Analysis of performance can lead to improved outcomes for both job seekers and providers. Any data that can help providers to assess their performance and identify interventions that are helping job seekers obtain employment would be welcomed. Provider performance should be publicly accessible to ensure job seekers and employers are able to make an informed choice of provider.

Chapter 5 – Specialist licences

The Discussion Paper proposes that job seekers can choose any provider, and if they do not have a preference and they meet a Specialist cohort group, then they will be referred to a provider specialising in that cohort group.

It is assumed that if a provider proposed to provide Specialist services, then they would need to demonstrate in their tender response that they had the expertise and community connections to deliver this Specialist service. Similarly, a Generalist provider in their tender response would need to demonstrate that they have the expertise to deliver a broader range of services and have broader connections to deliver quality services to a broad range of job seekers.

To ensure job seekers receive the best quality service, job seekers should only be referred to providers who have demonstrated through the tender and ongoing licence reviews, that they have the expertise to deliver that service.

The allocation process proposed above also limits job seeker choice as a job seeker may not have a preference of provider but may not choose to go to a Specialist. An option needs to be available for job seekers who choose not to be serviced by a Specialist, to be randomly allocated to a Generalist provider in the Employment Region.

As stated in the Discussion Paper, a different set of contractual terms and conditions, supporting guidelines, payment model and performance framework may be required for Workforce Specialists. This information would need to be finalised and released prior to the Exposure Draft Request for Proposal for potential tenderers to fully understand the requirements of the service, and the associated remuneration for the service.

Questions:

5. The Discussion Paper suggests that a provider can tender as both a Generalist and a Specialist in the same Employment Region. If DESE is looking to broaden the pool of providers and limit the licences given to an individual provider, will DESE be giving preference to a provider's Generalist tender bid or Specialist tender bid if both are assessed as being equal?
6. The Discussion Paper suggests that providers could propose Specialist cohort groups. If this is to be the case, could DESE provide guidance on what would be a threshold market share they would consider viable in the Exposure Draft Request for Proposal?

Chapter 6 – Market Share

Market share should enable the best flow of job seekers. This will ensure job seekers are provided with the opportunity to be serviced by their provider of choice. The option that best ensures this is a market share defined on the portion of business (job seeker referrals).

Jobfind does not support the market share option based on caseload. A caseload based market share can lead to problems with new providers entering the market. For example, it could mean new providers receive all referrals until their caseload share is achieved, stopping referrals to other providers for an extended period. There are more appropriate levers in the new model to reward providers for assisting job seekers to gain employment.

A 20 per cent tolerance would appear to be reasonable.

Question:

7. How will market share deal with small Specialist providers with one site only? These providers might have 5% of the market share but may never achieve this, and therefore will continue to receive all referrals in that specific area of the Employment Region. How will market share be determined for single site providers?

Chapter 7 – Red tape reduction

As mentioned previously while licensing may reduce the frequency of tender applications the Licence Review process would appear to decrease some of the gains made in reducing red tape.

Panel members not allocated a licence to deliver services will be required to periodically confirm eligibility and interest in retaining Panel membership. The Discussion Paper notes that requirements could be partially automated to reduce the administrative burden on Panel members. While the Discussion Paper does not outline what this process would entail, it will be an administrative burden placed on potential providers who have no guarantee of any future business.

Question:

8. To further reduce red tape has DESE considered an Invitation to Treat process to current high performing jobactive providers?

The Discussion Paper refers to an “improved digital platform offering tools for all job seekers, including those in Enhanced Services”.

Question:

9. As providers may be investing in their own digital products ahead of tendering, can DESE outline the key features of its planned digital technology to ensure providers do not duplicate functionality and endure additional costs?

Jobfind would like to make two further suggestions on how relatively minor policy adjustments could improve the efficiency of service delivery whilst reducing otherwise unnecessary effort.

Suggestions:

1. Employment start dates and hours worked:
There is presently a significant information imbalance between providers and DESE when it comes to determining start dates, etc. for employment. Through its recent audit activity, DESE has made it known that it has access to the Australian Taxation Office’s (ATO) new single touch payroll data (as well as Centrelink declarations). jobactive providers have access to Centrelink declared earnings via the JRRR facility, but rely on what the job seeker or employer state is their employment start date and hours worked. It would improve the accuracy of outcome claims if DESE’s Employment Services System (ESS) could either automatically accept a claim where the ATO data supports it, or at least flags an issue if the ATO data does not agree with a provider has been told by the job seeker and/or employer. Preventing inaccurate claims from being lodged would be far more efficient for providers and DESE than the current effort that is expended by both parties on auditing and program assuring them.

2. Align wage subsidy requirements with (26 week) outcome requirements:
At present, DESE's wage subsidy paper work notes that a job seeker only needs to work an average of 20 hours each week to receive the subsidy. This often does not align with what is needed to achieve an outcome. Providers therefore incur overhead to broker and administer a wage subsidy for placements that will may not meet the requirement for a 26 week outcome to be claimed. Other examples include:
 - parents who are only required to work 15 hours per week, and often unable to work the 20 hours that are currently required to enter into a wage subsidy agreement with their employer,
 - job seekers with a reduced work capacity that is less than the 20 hour benchmark that is required to access a wage subsidy.

Chapter 8 – Performance Framework and cyber security

As Enhanced Services will be assisting job seekers who are assessed as having significant vocational and/or non-vocational barriers to work, an outcome focused performance framework while important, must also take into account the work undertaken to address job seekers barriers.

The current jobactive Quality Assurance Framework is a sound method to provide assurance that providers have the procedures and policies in place to deliver quality services combined with the various other mechanisms that enable job seeker and employer feedback.

The provision of more Qlik licences and functionality, and an SQL type data base, would assist providers to build on their reporting capability, tailoring this information for their own performance monitoring.

Improving the capacity for providers to record all required information on DESE's ESS would eliminate the requirement for third party systems and in turn increase cyber security.

Jobfind does however offer one suggestion for improving the integrity of the current star-rating performance framework, and any successor, that will address gaming that we understand other providers engage in.

Suggestion:

3. Denominator for calculating effectiveness:
The current star ratings uses the number of commenced job seekers as its denominator for calculating outcomes achieved. Our contract and account managers have commended Jobfind for diligently endeavouring to commence as many newly referred job seekers as quickly as possible. The recent COVID-19 related influx has highlighted the disadvantage that Jobfind (and other providers who similarly commence as many new referrals as possible) now face where our denominator has been inflated when compared to others who may have decided to commence new referrals at a much slower pace.



If the denominator for calculating effectiveness was changed to use the number of referred job seekers, then the playing field would be levelled and opportunities to game the star ratings calculations removed.

Chapter 9 – Next steps

The most important aspect in the transition to the new model is to limit the disruption for existing job seekers and employers. Timely and effective communication to job seekers and employers will be required prior to the change to the new model. This will assist in job seekers and employers to clearly understand the impact of the new model.

Questions:

10. How will DESE allocate existing job seekers into the appropriate tier under the new model?
11. Will job seekers who are currently with a provider be given the opportunity to stay with the provide or will they be required to transition to self-manage in a digital service?
12. How will DESE support job seekers who were previously supported by a provider transition to self-manage in a digital service?