

REDESIGNING EMPLOYMENT SERVICES AFTER COVID-19

A PER CAPITA DISCUSSION PAPER



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About Per Capita

Per Capita is an independent progressive think tank, dedicated to fighting inequality in Australia. We work to build a new vision for Australia based on fairness, shared prosperity, community and social justice.

Our research is rigorous, evidence-based and long-term in its outlook. We consider the national challenges of the next decade rather than the next election cycle. We ask original questions and offer fresh solutions, drawing on new thinking in social science, economics and public policy.

Our audience is the interested public, not just experts and policy makers. We engage all Australians who want to see rigorous thinking and evidence-based analysis applied to the issues facing our country's future.

About the authors

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In May 2018 Simone was awarded a PhD on the topic of 'Resistance in Employment Services' which was a critique of social policy relevant to the political economy of welfare redistribution and public policy governance. Her priorities at Per Capita include reform of employment services.

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Introduction and summary of recommendations

This Per Capita discussion paper argues there is a need to redesign employment services to better meet the needs of people experiencing unemployment after the COVID-19 economic shock.

Current estimates suggest as many as 700,000 people may soon be signed up to *jobactive* employment services.¹ If these estimates are correct, the number of people using these services will effectively be doubled in a very short period of time. Based on the existing fee structure, our estimates indicate that funding existing *jobactive* providers to provide employment services to 700,000 new recipients will cost the government around \$210 million.² Further, during the economic recovery, *jobactive* provider incomes will be boosted by 'outcome fees' that will total \$1515 per person when people made unemployed by COVID-19 get back into work.³

Given that there are already concerns about the effectiveness of the *jobactive* model it is questionable whether these newly unemployed people will receive services that are useful. This reflects concerns about both the capacity and capability of the *jobactive* providers, which have been identified in recent reviews of employment services.

In terms of capacity, there is evidence that *jobactive* workers already have excessive caseloads and that service provision is suffering as a result.⁴ This is only likely to get worse when *jobactive* providers are inundated with people who have become unemployed because of the economic shut-down in response to COVID-19. It is hard to envisage *jobactive* providers being able to do more than basic servicing, which can be done independently by job seekers using online digital self-service tools.

In terms of capability, the *jobactive* model is already undergoing significant reform in response to government and stakeholder recognition that it has failed to provide real assistance to most people seeking work. As a result of this, a 'New Employment Services Model' has been developed. This new model has advantages over the *jobactive* model in that it has introduced the capacity for large numbers of unemployed workers to agree to a job plan and meet job search requirements using digital self-servicing. It also introduces an Enhanced Services model intended to provide higher levels of intensive case management for unemployed workers with complex needs.

However, it is Per Capita's view that neither the existing *jobactive* system, nor the New Employment Services model, is a good fit for the post COVID-19 unemployment scenario. This is because both models are hamstrung by a dependency on job outcome payments, which leads to under-investment in the needs of people most at risk of long-term unemployment.

¹ This figure is based on Saul Eslake's estimate in The Age: <https://www.theage.com.au/politics/federal/one-in-10-workers-tipped-to-be-jobless-at-peak-of-crisis-20200402-p54gg2.html>

² Calculated as a median service fee of \$300 per job seeker (50% under 30, 50% over 30) as per Table 1 on page 10.

³ See Table 3 on page 13.

⁴ <http://bit.ly/working-it-out>

This discussion paper recommends that the government undertake a consultation to gather views on the options to adapt employment services to meet the needs of the post COVID-19 unemployment scenario.

In this discussion paper, we outline the case for a review of employment services. We will explain why viable funding for employment services should not be dependent on outcome payments and should be sufficient to enable agencies to provide ongoing services regardless of labour market conditions.

The most critical issues are those relating to job creation and employment supports that will prevent further long-term unemployment. These matters should be the substance of a significant review of government investment in active labour market programs, a review that is urgent given the predicted significant increase in unemployment. This review should engage stakeholders from businesses large and small, the labour movement, government department and agency heads, the skills and education sector, chambers of commerce and industry and other peak bodies, civil society, the social services sector, and unemployed workers.

This discussion paper proceeds by firstly looking at the likely post COVID-19 unemployment scenario. It then describes *jobactive* and the reasons it is being reformed. The paper then outlines the changes to the service model and fees of the New Employment Services trials.

It uses this analysis to outline the case for undertaking an urgent review of employment services for the post COVID-19 unemployment scenario. The paper concludes with more detailed recommendations for the scope and composition of this review.

The post COVID-19 unemployment scenario

It is possible to forecast at least two different groups of unemployed people when the labour market improves after the COVID-19 shutdowns.

Group 1: People recently made unemployed by the economic shut-down in response to the COVID-19 pandemic

The first group comprises new recipients of the JobSeeker Payment who were made recently unemployed by circumstances relating to the response to the COVID-19 pandemic. Recent estimates of the size of this group range from 700,000 to 800,000 people, although the overall number will depend on the extent to which the new JobKeeper payment supports businesses to retain employees.

If the wage subsidy measures work as intended, they should tide employers over so that they do not have to shut down permanently. However, some businesses have already shed staff, and this complicates arrangements for rehiring them during the recovery.

Most of this group will have recent work experience, will already have strong links to the labour market, and are likely to be aware of employment opportunities in their industry. Many will be workers from the sectors that have taken the worst hit from the response to the pandemic, including retail, travel, hospitality, the arts, events, and some care workers.⁵

We anticipate that many of this group will be able to find work through self-guided online job search on platforms that use intelligent job matching technologies to link them to appropriate vacancies. Some may need vocational counselling if this job search is unsuccessful.

Group 2: People who were unemployed prior to the economic shut-down, including those that have been unemployed long term

The second group comprises people who were unemployed prior to the economic shut-down in response to the COVID-19 pandemic and were already finding it difficult to find work under the labour market conditions at that time. They may have complex needs or be vulnerable to long-term unemployment, and as the economy recovers from COVID-19 they will once again be placed at the end of the queue when employers begin rehiring.⁶

With economic recovery predicted to take years rather than months, long-term unemployment will remain problematic after the economy re-opens. People who fall into this group may have experienced what economists call 'scarring'. This means the longer their unemployment continues, the further their chances of finding employment decline. In many cases, long-term unemployment leads to the deterioration of mental health and social connectedness, making it even harder to find work. This makes long-term unemployment a social issue as well as a labour market problem because it causes health and psychosocial disadvantages that are compounded by the lack of jobs.

⁵ Bankwest Curtin Economics Centre Research Brief COVID-19 #3, retrieved from https://bcec.edu.au/assets/2020/03/BCEC-COVID19-Brief-3-Job-Seekers-and-Keepers_FINAL.pdf

⁶ See for example Ken Henry <https://www.theguardian.com/commentisfree/2020/mar/26/the-unemployment-rate-doesnt-go-back-to-normal-after-a-recession-there-are-long-term-effects>

For some of the group there will be a need for more intensive case management that allows for 'substantive personalisation'.⁷ Substantive personalisation in the context of employment services means developing an employment-focused plan that accounts for a range of complex factors that are not just related to the effectiveness of job searching. Personalised services would support unemployed workers with non-vocational issues and would also enable genuine work experience and/or vocational training. These kinds of active labour market program interventions need to draw on a broad range of resources and services which have not been provided effectively in the *jobactive* model.

Employment services after the economic shut-down should combine effective face to face job counselling, job matching technologies, and intensive case management with well-targeted employer demand strategies.

⁷ As described in Considine et, al 2018: 5

The current employment services model

‘Employment services’ are services provided by the government, by not-for-profit organisations, or by private companies, to help people who are unemployed to find work. This discussion paper assumes a base level of knowledge about the employment services system in Australia, so only a brief description of the system will be included below. For a comprehensive overview of the journey through our employment services system, we recommend reading Per Capita’s 2018 report *Working It Out: Employment Services in Australia*, which we co-authored with a researcher from Monash University and the Australian Unemployed Workers’ Union (AUWU).⁸

The current mainstream employment services system is called *jobactive* and comprises approximately 47 for-profit and not-for-profit organisations that are contracted by government to deliver employment services. There are over 650,000 people engaged with *jobactive* at any point in time,⁹ and the majority of these receive the JobSeeker payment (formerly known as Newstart) or Youth Allowance.¹⁰

The services funded by the federal government to help people in their search for work cost \$1.3 billion per year, making it the second largest area of government procurement outside the defence portfolio.¹¹

The stated goal of these services is to “get more Australians into work”.¹² *jobactive* promises to “work closely with job seekers, tailoring their services to the job seeker’s assessed needs so they can find and keep a job”.¹³ It claims to provide the following services:¹⁴

- Help to look for work, write a résumé and prepare for interviews;
- Referrals to jobs in the local area and help to relocate for work if they are interested;
- Help to become job ready, including targeted training that is suited to the skills that local employers need;
- Individualised support (called case management) so they are ready to take up and keep a job; and
- Support to complete Work for the Dole, or other eligible activities, that provide work-like experiences, help to learn new skills and improve the job seeker’s chances to find a job.

Backing up this system is a strict enforcement and compliance framework. Support from *jobactive* and Centrelink is conditional on a host of “mutual obligation requirements” and financial penalties are imposed if these requirements are not met.

In practice, *jobactive* providers spend most of their time on what the government terms ‘activation’ services; that is, issuing job plans and monitoring compliance with mutual obligation requirements. Actual assistance with job search, résumé preparation, or vocational counselling has been limited.

⁸ <http://www.bit.ly/working-it-out>

⁹ The 650,000 figure comes from the Government’s The Next Generation of Employment Services discussion paper, which can be found here: https://docs.jobs.gov.au/system/files/doc/other/the_next_generation_of_employment_services_discussion_paper_acc.pdf. However, there are many different ways to ‘count’ unemployed workers or ‘job seekers’.

¹⁰ https://www.dss.gov.au/sites/default/files/documents/07_2018/labour_market_and_related_payments_june_2018.pdf

¹¹ https://docs.jobs.gov.au/system/files/doc/other/the_next_generation_of_employment_services_discussion_paper_acc.pdf, page 20

¹² <https://www.jobs.gov.au/jobactive>

¹³ https://docs.jobs.gov.au/system/files/doc/other/program_fact_sheet_for_jobactive_w_track_changes_aug16_0.pdf

¹⁴ DJSB, 2018 Ibid.

The current *jobactive* funding model

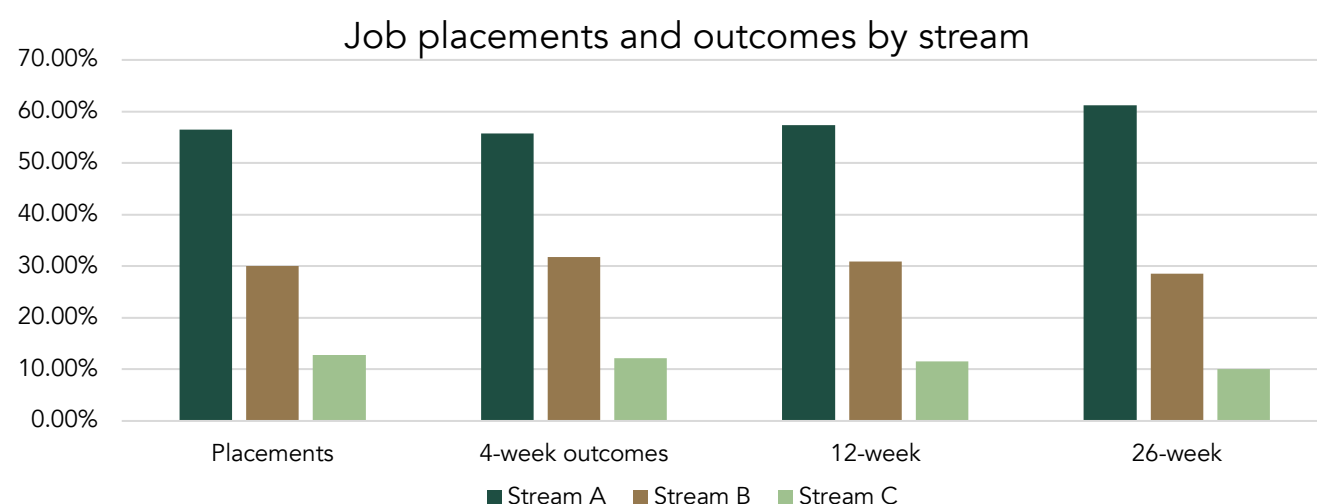
jobactive is the third major redesign of employment services since they were privatised between 1996 and 1998.

The *jobactive* funding model was designed so providers could receive income from both administration fees (payment for enrolling a 'job seeker' onto their books) and outcome fees (payment when that individual achieves an employment 'outcome'). The administration-to-outcome fee ratio is set at 30:70, but despite the lower payments for administration fees, they still provide a significant level of funding to job service providers because of the overall volume of people enrolled (currently approximately 650,000).¹⁵ Outcome fees are payable for all people enrolled with a job service provider, but the government pays higher fees when individuals who are unemployed longer-term are placed into work.

The government uses 'streams' to classify unemployed workers according to their calculated labour market disadvantage. New applicants who are assessed as being more 'job-ready' and more likely to find jobs than others are placed in Stream A. Unemployed workers who are placed in Streams B and C are those who have been assessed as having more complex needs. These needs have been characterised as psycho-social barriers to employment such as lack of recent work experience, low educational attainment, psychological and physical illness, disability, a history of incarceration, or labour market discrimination based on a number of factors including ethnicity, race, or age.¹⁶ The impact of these factors on employability is used to classify job seekers into *jobactive* streams using the Job Seeker Classification Instrument (JSCI).

Most of the government expenditure provided to *jobactive* agencies is for working with people who are in 'Stream A'. This point is illustrated by the chart below, which shows that most 'outcomes' are achieved by people in Stream A. Outcomes are measured as periods of continuous employment in increments of 4, 12, and 26 weeks.

Chart 1: *jobactive* outcome by Stream



Author's chart generated from data supplied in Next Generation Discussion - Appendix E. (NB: Job placement figure refers to the overall number of outcomes)

¹⁵ DJSB, 2018 Ibid.

¹⁶ See for example ACOSS, 2011

Criticisms of *jobactive*

jobactive services have consistently been criticised as ineffective.¹⁷ During the McPhee review of *jobactive*¹⁸ and the Senate Inquiry into *jobactive* that followed it,¹⁹ ample evidence was presented that the ‘activation’ model of *jobactive*, combined with its funding model, was failing to help unemployed people to find work.

‘Activation’ strategies have partly been informed by the OECD’s recommendations for ‘activating’ unemployed workers during periods of economic buoyancy.²⁰ ‘Activation’ measures – such as strict compliance rules, requirements to apply for a certain number of jobs per month, or the Work for the Dole program²¹ – are regarded by some as effective because the hassle of complying makes it less favourable for unemployed people to remain on benefit payments when there are jobs available.

However, others argue that ‘activation’ treatments are harsh, unjustified, and cause psychological harm, especially when there are significantly more people looking for work than there are jobs to fill.²² Some unemployed people exit from unemployment benefits altogether, despite not finding work, when ‘activation’ requirements are too onerous or become harmful. This undermines the purpose of the social security safety net.²³

Public policy scholars suggest that part of the problem lies in privatisation, which has created a ‘quasi-market’ that has been described as “a herd of profit maximisers who are highly responsive to threats to their viability and who embrace standardisation of services as a way to minimise risks.”²⁴

In short, the government has been paying *jobactive* providers to administer rules relating to ‘activation’ rather than provide real employment assistance. Further, *jobactive* providers themselves, who are incentivised by the funding model to focus on Stream A as a major source of income, have not been successful in working with people with complex needs or who have become unemployed long-term.

The problem of long-term unemployment

The ‘activation’ model is particularly inappropriate – even harmful – for people experiencing long-term unemployment. As the recent review of employment services exposed, there is evidence that ‘very long-term unemployment’ has grown worse during the *jobactive* era, despite the relative economic prosperity Australia had enjoyed over the same period.²⁵

The charts below show the extent of the long-term unemployment problem clearly. The first chart shows that almost two thirds of the people registered for *jobactive* services have been registered for at least 12

¹⁷ See for example, Considine et al, 2011; 2018; Bennett, et al, 2018; Parliament of Australia, 2019)

¹⁸ McPhee, et al; 2018

¹⁹ Parliament of Australia, 2019

²⁰ Martin, 2014

²¹ Borland Tseng, 2004

²² See for example O’Halloran, et al, 2019; Raffas, 2014; Parliament of Australia, 2019)

²³ Griggs & Evans, 2010

²⁴ Considine, et al, 2011: 826

²⁵ DJSB, 2018

months. Around one in five job seekers have been in *jobactive* services for over five years and are classified as 'very long-term unemployed'.

Chart 2: Caseload by duration of unemployment

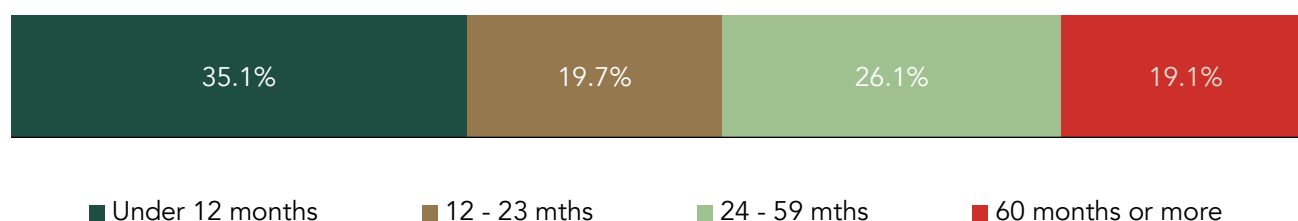
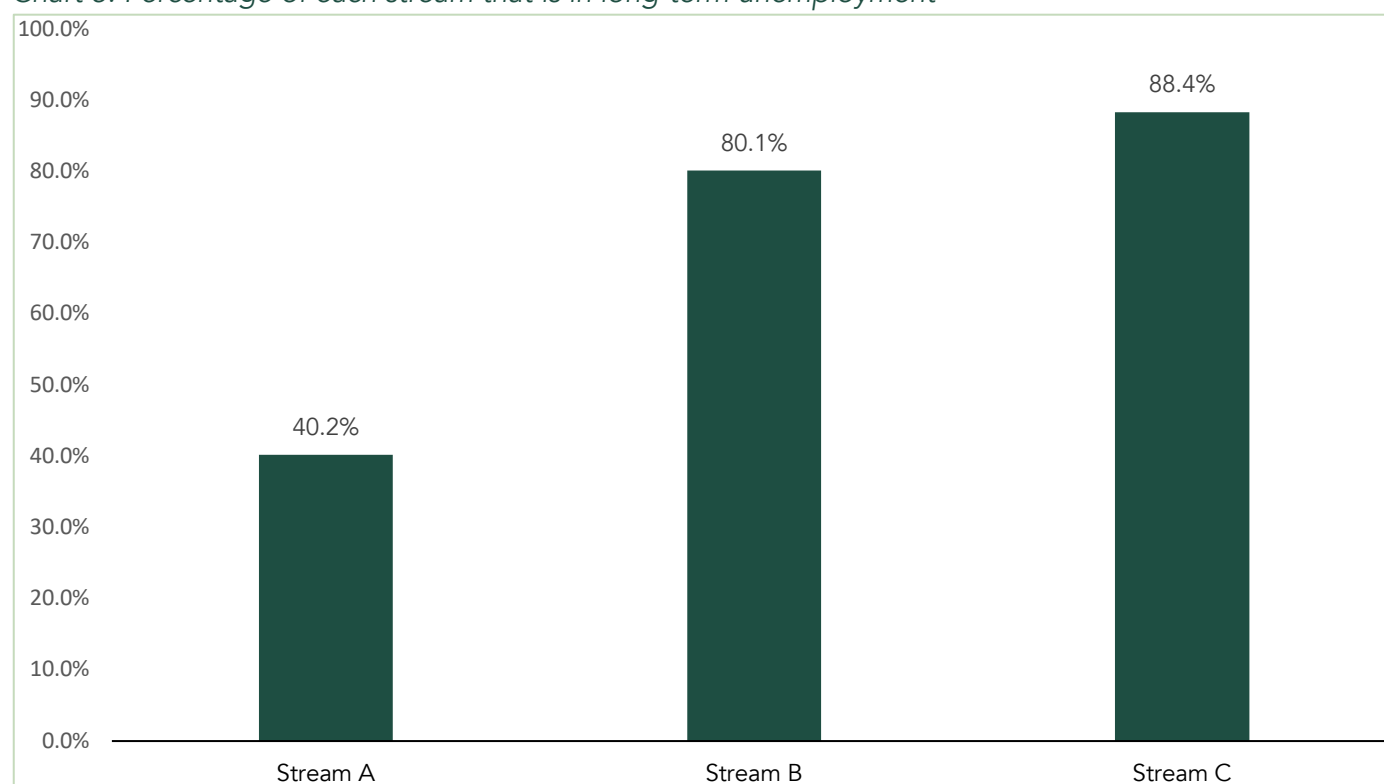


Chart reproduced from DJSB 2018

This problem of long-term unemployment is not limited to people with more complex needs or people that have been streamed into Stream B or Stream C. At the time of the McPhee review, 40.2% of the Stream A job seekers had also been unemployed for more than a year.

Chart 3: Percentage of each stream that is in long-term unemployment



Data supplied in Next Generation Discussion paper, Appendix E.

In simple terms, this means that *jobactive* has failed to work effectively with people who are at the greatest risk of long-term unemployment. This is disturbing because long-term unemployment compounds complex disadvantages, especially in slow labour markets. When people who are experiencing unemployment are exposed to services that focus on making them 'active' with no improvement to employability or income, this causes psychological harm and can result in 'scarring', making it even less likely that they will find work.²⁶

²⁶ See for example Cole, 2006; Raffass, 2014; O'Halloran, et al; 2019

jobactive has also consistently failed to provide effective job matching services. Employer submissions to the McPhee review highlighted how *jobactive* agencies regularly refer their clients to jobs that are a poor match to the employer's needs.²⁷ The Per Capita report *Working It Out* also exposed the extent to which many job service providers are detached from the labour market and are unable to provide advice or help with job search.²⁸ Furthermore, there are now many sophisticated private job matching services employing artificial intelligence and behavioural insights that are superior to *jobactive* at keeping touch with real-time trends in the demand for labour.

Many government reviews have demonstrated that *jobactive* has emphasised job search monitoring and behavioural compliance rather than actual help to find a job. The latest of these reviews led to the development of a 'New Employment Services Model'. This new model, currently in the trial phase, is intended to divert funding unnecessarily wasted on these services so that the needs of both employers and potential employees are better served.

²⁷ See for example, the Social Research Centre Report, '[The Next Generation of Employment Services: summary of consultation responses](#)'.

²⁸ <http://bit.ly/working-it-out>

The New Employment Services Model

In July 2019, the Department of Employment began the transition to a New Employment Services Model (NESM), informed by the realisation that *jobactive* needed significant improvement. The concept for the model was initially released as a report,²⁹ and since then the Department of Employment has commenced trials to test the model in advance of a planned national rollout in July 2022.

The regions chosen for the trials are Adelaide South, in South Australia, and the Mid North Coast, in New South Wales. These regions were chosen for the trials because they were identified as being representative of the national *jobactive* caseload.

In broad terms, the trials are testing a new suite of services called *Digital Only*, *Digital Plus*, and *Enhanced Services*. People looking for work who are assessed as being most job-ready and most likely to find jobs (those previously streamed into Stream A) are streamed into either *Digital Only* or *Digital Plus* under the NESM.

This means that they are expected to self-service using digital tools and will be responsible for their own job search without being obliged to report to a *jobactive* service provider. It also means that providers will no longer be paid service fees or outcome fees for this cohort. This is a significant change: as Chart 1 shows, most provider income under the current model comes from enrolments and outcomes for people in Stream A.

Unemployed people who are assessed as having more complex needs or who have been unemployed longer term (previously streamed into Streams B or C) will now be streamed into *Enhanced Services* under the NESM. This means they will be enrolled with a job service provider and the provider will collect payments from the government for a range of outcomes as before, although the fee structure under the NESM is different. The *Enhanced Services* providers in the trials are expected to engage in higher levels of 'case management' with smaller caseloads than in the *jobactive* model.

In November 2019, the people using employment services in the two trial regions were transferred from *jobactive* services into *Digital Only*, *Digital Plus* or *Enhanced Services* depending on the *jobactive* stream they had been in.

Changes to the fee structure

There are two main changes to the fee structure under the NESM. Firstly, instead of the six-monthly recurrent administration fees that were paid under the *jobactive* funding model, providers under the NESM will be paid a one-off engagement fee followed by a number of modest in-service progress fees.³⁰

These 'progress fees' are paid if providers can show tangible or demonstrable improvements in 'job seeker employability', for example by completing a specified activity or by switching to digital services. The progress fees are intended to ensure that providers are no longer guaranteed income for having people on their books who do not become more employable while using their service.

²⁹ McPhee, et al, 2018

Table 1: NESM and jobactive service fees (simplified)

NESM	jobactive
\$1000 one-time payment for the initial engagement of a job seeker in Enhanced Services	<p>\$377.30 every six months for all enrolled job seekers aged under 30</p> <p>\$269.50 every six months for all other enrolled job seekers</p>

Source: NESM Trial Information Sheet

The second change to the fee structure is the outcome payment model. People in *Enhanced Services* will be re-streamed using the Job Seekers Classification Instrument (JSCI), which was previously used to place people into *jobactive* streams, to create two levels of outcome payments. Outcome fees are significantly weighted to reward providers with financial incentives for placing unemployed people with the most complex needs and who have been unemployed for the longest duration, represented in Table 2 as 'High JSCI'.

The following table illustrates the outcome payments under the NESM. In addition to these outcome payments, there is an additional outcome bonus worth up to \$8000 for placing an individual who has been unemployed for longer than two years.

Table 2: NESM Enhanced Services outcome fees (full outcomes only)

Employment outcome duration	Moderate JSCI	High JSCI
4-week	\$500	\$1,000
12-week	\$1,000	\$3,000
26-week	\$2,000	\$5,000
Total	\$3,500	\$9,000

Source: Adapted from NESM Trial Fee Information Sheet

Limitations of the new fee structure

Our analysis of the changes to the fee structure within *Enhanced Services* exposes some limitations of the NESM.

Firstly, as the above overview of the fee structure shows, the model weights outcome payments towards outcomes for people with complex needs and people who have been unemployed for two years or longer. This suggests the model has been designed with the same flawed logic that led to the neglect of unemployed people with complex needs under the current *jobactive* funding model: that highly weighted outcome fees are the solution to long-term unemployment. As past experience with all the previous employment services contracts has shown, outcome payments are not a solution for structural unemployment and slow labour markets.

Further, employment services have proven adept at 'cherry-picking' those individuals who are easiest to place in order to maximise their outcome payments. Under the current model, this leads to a phenomenon called 'creaming and parking' where providers 'cherry-pick' unemployed workers who require little work to

place while ‘parking’ those with more complex needs because finding work for them is too hard.³¹ Under the new model, those that might previously have been ‘cherry-picked’ will now be assigned to use digital services, but it is possible that the new model’s continued emphasis on outcome payments will reproduce a similar problem of low investment in people who are harder to place.

This issue is exacerbated by the fact that the new funding model may not enable providers to deliver the intensive case management that is required to support unemployed people with the most complex needs. This is because administration fees and outcome payments for Stream A job seekers provided a high volume of funding that enabled *jobactive* providers to operate within economies of scale. With the Stream A group now self-serving via digital services, trial providers are required to adjust to working without the income previously generated by outcome fees paid when those individuals found work. As a result, the overall funding for the trial provider sites will be reduced and they will no longer be able to operate with the same economies of scale that enabled them to keep offices open, let alone to provide more intensive case management.

It is too early to assess how trial providers will adapt to this funding change. They will be required to innovate, but this appears to be constrained by the program rules, which continue to specify the use of ineffective programs like Work for the Dole and employability training rather than personalised employment services support.³² There is still no incentive for providers to help unemployed workers into education or vocational training, because there are no payments for education outcomes. The modest progress fees for completion of Certificate III courses do not help cover the cost of those and other training courses. Unemployed workers should be provided with support to engage in vocational training that helps them get jobs.

There are also concerns about whether trial providers can make the requisite adaptation to their service models to provide the case management required under *Enhanced Services* in time for the personnel who are experienced in case management.³³ Under the NESM, agencies will be required to retrain or develop their workforces to acquire social work and related community services capabilities, a process which takes considerable time.

Digital services

The government has already made a significant investment in digital services with the New Employment Service Model, the Targeted Compliance Framework, and the Digital Dashboard. These technologies are being trialled in Online Employment Services and the NESM trials and are intended to provide an alternative to *jobactive* face-to-face services.

Currently, the digital dashboard includes features that enable job seekers to confirm job search activity and upload documents for proof of application, upload résumés, and use basic job search and job matching functionality.

Some new digital functions are being developed for the NESM trials, such a new points-based approach to activation and enhanced job matching integration between individual job seeker profiles and job

³¹ Op cit Considine, et al, 2011

³² DESSFB 2020b

³³ Op cit Considine et al, 2018

vacancies. The Department has recently licensed content from Seek that can be accessed from within the *jobactive* job search website.

There are some people who will find these interfaces easy to navigate and interact with. There will be others who need support learning to use the digital interfaces. There will be some who are not able to access internet services for a range of reasons. These considerations need to be built into the design of digital employment services. While some of these concerns have been addressed through the provision of a contact centre, there needs to be an accessible mechanism through which people can choose to leave digital services and receive case management or vocational guidance services face to face.

Digital services should be supplemented with case management services when people looking for work decide they need help, or when they have been unemployed for a certain amount of time. It is unclear what the mechanism for this will be after the trials; this matter needs to be carefully factored into the design of digital services.

Automated decisions can affect financial security, and people using employment services have the right to social security review. Unemployed workers who are streamed into digital services must have ready access to human decision-makers at Services Australia when they wish to dispute payment suspensions and financial penalties generated by automated systems. There is unprecedented demand for support from Services Australia and this is exacerbating the need for increased resources to be provided to this agency.

For these reasons, we propose that a review mechanism is established to monitor the effects of digital services and to prioritise technical developments intended to remedy harms that arise from digital interfaces.

Summary of concerns about the New Employment Services Model

While digital services offer benefits for basic job search functions, these must be supplemented in ways that are not provided for within the current trial of *Enhanced Services*.

Firstly, there is a need for vocational counselling for those who have recent work experience but may need assistance focussing their job search or retraining.

Secondly, there is a need for 'substantive personalisation'³⁴ involving case management that accounts for a range of complexities. Some unemployed people may need services that are not vocationally oriented until they have had time to recover from health and social issues. Others will need extensively personalised services enabling them to pick and choose from a range of options including vocational training.

Previous attempts to deliver this 'holistic' approach through the 'quasi-market' of private providers have failed time and again because of the factors that contribute to competitive behaviour.

This market experiment has failed, and it is time to reinvest in case management that works.

³⁴ As described in Considine et, al 2018: 5)

An example of an employment services model that offered substantive personalisation was the Personal Support Program (PSP), which was disbanded in 2009.³⁵ PSP was run by not-for-profit agencies with specialist capabilities such as working with people experiencing drug and alcohol problems, homelessness, and mental ill health. The main limitation of the PSP model was that it did not have a vocational orientation and participants who became job ready were referred to Job Network providers.³⁶ However, the advantage of the PSP service was that it was provided by agencies with proven capability working with people with complex needs.

While elements of the NESM may lead to more personalisation, there remains a high level of prescriptiveness in the design and funding rules. It is for this reason that Per Capita believes that the NESM should be further unshackled from the constraints of the old *jobactive* model. As argued above, viable funding should not be dependent on outcome payments and should be sufficient to enable agencies to provide ongoing services regardless of labour market conditions.

Nevertheless, personalised services alone will not lead to job creation for all disadvantaged job seekers in a slow labour market. Personalised services will need to be supplemented by supports that create employment, such as wage subsidies and real work experience initiatives.

Employment services after the economic shut-down in response to the COVID-19 pandemic should combine effective face to face job counselling, job matching technologies, and intensive case management with well-targeted employer demand strategies.

³⁵ Background on PSP in Perkins, 2007

³⁶ Ibid Perkins, 2007

How does the economic shut-down in response to COVID-19 affect *jobactive* and the NESM trials?

Employment services can be described as a counter-cyclic industry: in economic downturns, the increased number of people experiencing unemployment and signing up to employment services means providers generate more income from administration fees, rather than outcome fees.

With current projections suggesting an additional 700,000 people may soon sign up to *jobactive*,³⁷ the employment services sector can expect to receive an estimated injection of service fees in the amount of approximately \$210m.³⁸ Over the period of the economic recovery they are set to reap up to \$1550 in outcome payments for each of these newly unemployed people who get and keep a job during the recovery.

Table 3: *jobactive* outcome fees Stream A (simplified)

Length of employment outcome	Full outcome payment
4 weeks	\$400
12 weeks	\$500
26 weeks	\$650
Total	\$1,550

Source: *jobactive* deed Annexure B

This is a problematic drain on expenditure because the government will be paying *jobactive* providers for the large flow of people experiencing short-term unemployment as a result of the COVID-19-related business closures, most of whom who are likely to be streamed into Stream A. Like other people in Stream A, they are likely to receive negligible support from their providers and find their own jobs without the help of their employment service agency.

The NESM trials were intended to allow providers time to adapt their services and to develop innovation before the national expansion planned for July 2022. Given the previous timeframes for consultation prior to the implementation of a new model, the evaluation would most likely need to be completed before June 2021.

This leads to a problem for the evaluation of the trials because the intended market reorganisation may not occur quickly enough to demonstrate any real improvements in finding employment for longer-term unemployed people with complex needs. Further, the COVID-19 economic shock will hinder evaluation of the model in the time available because of its impact on job outcomes for people experiencing long-term unemployment.

³⁷ Saul Eslake's figure in The Age: <https://www.theage.com.au/politics/federal/one-in-10-workers-tipped-to-be-jobless-at-peak-of-crisis-20200402-p54gg2.html>

³⁸ Calculated as a median service fee of \$300 per job seeker (50% under 30, 50% over 30) as per Table 1

Recommendations for the composition of the review

Per Capita is conscious the government has already undertaken an extensive review of employment services and that this led to the development of the New Employment Service model. However, this model was conceived in economic conditions that are vastly different from those that will follow the COVID-19 economic shock. There is a need to ensure that post-COVID employment services are fit for newly unemployed workers and that they can adapt to the long-term challenges of the economic recovery over the years ahead.

In that respect, we recommend a review to consider a range of issues related to these challenges.

The consultation should consider:

- how effective face-to-face job counselling can be provided;
- whether job matching technologies and the digital self-service platforms are sufficient, and for whom;
- the options for resourcing agencies to provide case management;
- what services and strategies are needed to prevent youth unemployment;
- what services and strategies are needed to support those who are most vulnerable to ongoing insecure employment;
- how to build partnerships across all levels of government and with employers to secure both the supply and demand for labour; and
- how to stimulate job creation projects for full employment.

Related to all of these questions is broader need to consult on how to build a labour market that is more resilient to economic shocks.

This review should engage stakeholders from businesses large and small, the labour movement, government department and agency heads, the skills and education sector, chambers of commerce and industry and other peak bodies, civil society, the social services sector, and unemployed workers.

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