

**DEPARTMENT OF THE PRIME MINISTER AND CABINET****CHAIR'S LETTER TO MINISTER PLIBERSEK  
PROVIDING THE BOARD'S VIEWS ON THE EMPLOYMENT SERVICES SYSTEM**

---

**Australian Government  
Australian Social Inclusion Board**

The Hon Tanya Plibersek  
Minister for Social Inclusion  
Parliament House  
CANBERRA ACT 2601

Dear Minister,

I am writing to provide advice on the employment services system in response to a request by the Hon Kate Ellis MP, Minister for Employment Participation and Child Care. Minister Ellis wrote to me on 9 December 2010 (copy attached) seeking the advice of the Australian Social Inclusion Board (the Board) how employment services can be enhanced to assist the most disadvantaged job seekers.

The Board very much appreciates the opportunity to contribute to the review of employment services. I would also like to take this opportunity to acknowledge the support and data provided by the Department of Education, Employment and Workplace Relations (DEEWR) in our discussions.

The Board welcomes the improvements the revised contractual arrangements for Job Services Australia have delivered, but considers there are still refinements which can be made. In line with the Board's priorities, our submission focuses on the most disadvantaged jobseekers and how the system can be strengthened and improved to achieve sustainable employment outcomes. In particular, it is pleasing to see that there are increased numbers of specialist job providers and that star ratings of all providers are increasing. However, the Board believes that consideration should be given to working with disadvantaged jobseekers in a different way by focussing on establishing relationships with quality employers and work experience placements that lead to sustainable employment.

The Board considers that if the enhancements recommended require more time to implement, then consideration could be given to extending the current employment services contracts for one year.

Yours sincerely

Patricia Faulkner AO  
Chair, Australian Social Inclusion Board  
27 January 2011

*Employment Services: Opportunities to Strengthen Job Services Australia*

**DEPARTMENT OF THE PRIME MINISTER AND CABINET****Key Messages**

The Australian Social Inclusion Board (the Board) is pleased to have the opportunity to provide the Hon Kate Ellis MP, Minister for Employment Participation and Child Care, its views on how employment services can be enhanced to assist disadvantaged job seekers.

The Board welcomes the improvements the revised contractual arrangements have brought, noting that for many job seekers, JSA performs well. In comparison to many other OECD countries, Australia's employment services system is relatively efficient in its operation. For example, it was observed that JSA operates better than the British and French employment services systems and almost as well as the Dutch system. On the other hand, international experience suggests that a sustainable employment target of between 30-50% for disadvantaged job seekers is possible. At present, under JSA, the percentage of disadvantaged jobseekers achieving sustainable outcomes is significantly less than this at only 8% (defining "sustainable employment" as employment for 26 weeks or more).

The Board would welcome further revision of the JSA contractual arrangements, with a focus on Stream 4 jobseekers so that employment services providers have incentives to find a sustainable employment solution for these jobseekers.

In particular, the Board would like to see employment service providers work with quality employers to provide real opportunities to disadvantaged jobseekers. This includes quality work experience that leads to real employment and the opportunity for employers to be subsidised from cashed-out welfare payments at the end of the work experience phase to ensure ongoing employment.

The Board's view is that as the economic recovery proceeds, the Government needs to consider how to maximise the potential benefits for the most disadvantaged. It appears that Australia's buoyant economic climate, and labour skill shortages expected to result from this, creates a unique opportunity to engage employers more directly in the process of increasing the sustainable workforce participation of the most disadvantaged.

There are numerous ways the system can be strengthened and improved, building on the current foundations rather than creating a whole new system. In particular, the Board believes that the most disadvantaged job seekers require a more individualised service to achieve sustainable employment outcomes.

**Recommendations**

The Board recommends that the Government take the following measures to strengthen the current employment services system:

**1. IMPROVED CONTRACTUAL ARRANGEMENTS**

The Board recommends that JSA contracts be set for a period of five to seven years. The Board considers that less competition in some areas (rural, remote and some highly disadvantaged areas) may result in better outcomes. By providing longer contractual terms and greater certainty of business, Employment Service Providers (ESPs) may have a greater opportunity to forge stronger links with employers, educational institutions, social enterprises and community groups, enabling them to achieve better outcomes for the most disadvantaged jobseekers.

## DEPARTMENT OF THE PRIME MINISTER AND CABINET

These changes could be accompanied by changes to the selection process to place greater emphasis on local knowledge and to the star rating system to better incentivise ongoing partnerships with quality employers who support disadvantaged jobseekers.

In particular, DEEWR should consider the merits of a place-based approach to employment services. A place-based approach takes into account factors such as any rural, remote and metropolitan disparities characterised by differences in access to resources, services, information and employment opportunities. Given the extent to which these factors can shape individuals' experiences of disadvantage, taking them into account as part of any employment services review is imperative.

### 2. DIFFERENT KEY PERFORMANCE INDICATORS (KPIs) SHOULD BE IMPLEMENTED

In view of the often greater barriers to workforce participation disadvantaged individuals and families face, different KPIs should apply to Stream 4 jobseekers. By applying different, more streamlined KPIs to process, participation requirements and outcomes, would facilitate more time and scope for disadvantaged jobseekers' training and development. As part of this, greater flexibility should be built into the Employment Pathway Plans than currently exists, including the placement of Stream 4 jobseekers into sustainable part time work.

### 3. WIDER RANGE OF BENEFITS AND INCENTIVES FOR ESPS

Introduction of a wider range of benefits and different incentive structures (such as incremental commissions; short and long-term incentives, and payments for social participation), would provide greater recognition of the extended timeframes required to achieve positive workforce participation outcomes for the most disadvantaged jobseekers. Anecdotal feedback to the Board has suggested that allocation of funds for professional services to support the transition of Stream 4 jobseekers into employment should not be held back to cover work experience placements unless the placement can be demonstrated to lead to a sustainable employment outcome.

In addition to rewarding ESPs differently for their work with Stream 4 jobseekers, in a way that better reflects the effort expended to place the most disadvantaged, incentives for placement into sustainable part-time work and post-placement support would also greatly assist to achieve longer-term outcomes for this cohort. The Board also considers that a simpler system of rules and requirements for providers would improve outcomes for jobseekers. Accordingly, the Board strongly encourages DEEWR to consider how best to provide post-placement support for the most disadvantaged job seekers to transition into employment and to consider whether or not a JSA is best placed to do this.

A successful approach to providing effective post-placement support can be adapted from the Disability Employment Services' (DES) ongoing on-the-job training and support for disadvantaged jobseekers and their employers. Through the direct engagement and support of their caseworker, the transition from joblessness to employment would be greatly eased for jobseekers facing social exclusion.

### 4. REJUVENATED APPROACH TO WORK EXPERIENCE AND TRAINING UNDER JSA

The Board is concerned about the adequacy of work experience and training programs currently offered under JSA for disadvantaged people and/or those at risk of social exclusion. The Board notes that DEEWR data shows that over the coming months

**DEPARTMENT OF THE PRIME MINISTER AND CABINET**

increasing numbers of Stream 4 job seekers will be entering the Work Experience phase. The Board recommends that providers should be encouraged to build stronger relationships with quality employers (including business and social enterprises) with a view to placing disadvantaged jobseekers into sustainable employment with opportunities for on-the-job capability development.

It is recommended that DEEWR also consider ways to improve the quality of work experience, particularly for the most disadvantaged job seekers to emphasise the attainment of skills to support sustainable employment outcomes, that is, emphasis on quality work experience placements which lead to real jobs with quality employers. It is important that work experience supports a jobseeker's employment goals and objectives; that it is compatible with their interests and capabilities; and that, where possible, it has the potential to expand the jobseekers' professional networks.

DEEWR should also consider making better use of intermediate labour market programs such as social enterprises.

The Board recommends that consideration be given to the use of welfare payments as wage subsidies to incentivise employers to transition jobseekers from the work experience phase to ongoing employment and reviewing the way that employers are supported through one-off payments for costs associated with disadvantaged workers.

For very disadvantaged jobseekers, the Board further recommends that DEEWR considers establishing an alternative form of assistance, separate from JSA providers, that integrates work experience, certified training and health, welfare and child care support over an extended period. This should include support to employers to employ disadvantaged job seekers through a wage subsidy conditional upon the performance of this integrated approach.

#### 5. CONSIDER THE CULTURE OF JSA AND HOW THIS CAN BE IMPROVED

The culture of JSA was identified as a barrier to the workforce participation of many disadvantaged jobseekers. For example, the duplication of processes, red-tape, lack of personalisation within the system, and the absence of empathetic approaches, presents a real challenge for many jobseekers facing social exclusion. The Board recommends that, in addition to implementing the practical changes highlighted above, steps are taken to concretely address these cultural concerns so that JSA has a goal of sustainable employment outcomes for all jobseekers.

Related to the cultural concerns noted above, the heavy administrative burden and the extent to which JSA is currently compliance-based is also a barrier to the retention of quality ESP consultants. Anecdotally, the high turnover of staff within ESPs has been attributed to the highly administrative nature of JSA's systems and the frustration many consultants experience at not being able to spend adequate time engaging with their clients leading to the staff best able to help the most disadvantaged job seekers leaving the system.

#### 6. BETTER DATA MANAGEMENT, SHARING AND CONSISTENCY:

The Board recommends that a strategic approach be developed and implemented to ensure that data gathering and use is robust and consistent, as well as verifiable with independent sources, with the aim of clear reporting on outcomes to enable post

## DEPARTMENT OF THE PRIME MINISTER AND CABINET

program monitoring. In addition, greater clarity is needed regarding data sharing and public disclosure to ensure improved transparency and understanding of Government processes, impact and outcomes on these matters. For example, data provided by DEEWR demonstrates that 54% of Stream 4 job seekers who had an Employment Pathway Fund (EPF) wage subsidy expenditure and 39% of Stream 4 job seekers who had an EPF expenditure on clothing and presentation achieved an employment outcome. The analysis of similar data for other expenditures would contribute to clearer measurement of outcomes for disadvantaged job seekers and greater efficiency in the allocation of funds.

The Board notes that the current administrative system is cumbersome and that resources need to be dedicated to making it simpler to use and produce reports which disaggregate dollars spent and outcomes achieved for Streams 3 and 4 as well as comparisons of the outcomes for national and local providers.

Likewise, greater collaboration and better handover processes between JSAs and Centrelink would assist in achieving these objectives. It would also contribute to greater efficiencies and continuity in the JSA system and generate less frustration from jobseekers required to share their stories on multiple occasions.

### 7. INCOME AVERAGING

The Board recommends that income averaging be adopted for jobseekers where their work is highly casualised, variable and unpredictable. While regular reporting of income (for example, fortnightly) would avoid large potential debts accruing against jobseekers, income averaging could be assessed on a quarterly basis which might provide greater incentive and flexibility for jobseekers to engage in work without fear of their income support being immediately affected.

### **Additional Comments and Recommendations in Relation to Jobless Families**

Research undertaken by the Board found that there are significant barriers to workforce participation (both internal and external) and issues of disadvantage impacting upon jobless families' social inclusion in Australia. Australia's high proportion of family joblessness compared to other OECD nations, while in part a reflection of aspects of the Australian social security scheme (which in many respects is more generous than those of other countries), has serious implications for our communities' wellbeing, today and into the future.

The research base indicates that the vast majority of jobless families are headed by single mothers. The evidence also highlights that *over half* of all parents in jobless families experience persistent joblessness for a period of three years or more. Over half (or 51%) of all persistently jobless families had a child aged six years old or younger. This leads us to the conclusion that, to be successful, any approach to improving the outcomes – work related and otherwise – of jobless families must include mechanisms to support single mothers and their children to maintain and strengthen their support networks in the community; to develop new skills and education; and, at the appropriate time, to transition from welfare to sustainable work (whether full-time or part-time) that is suited to their individual interests, capabilities and aspirations.

In general terms, the Board concludes that *sustainability; individualisation; achievability* and *accessibility* are integral aspects of approaches seeking to support jobless families to increase

**DEPARTMENT OF THE PRIME MINISTER AND CABINET**

their economic and social participation. This appears to be the case whether the programs are government or community operated.

In relation to the Commonwealth employment services system, while the Board acknowledges that JSA is an improvement on its predecessor, Job Network Services, there are still many respects in which JSA is ill-adapted to meet the needs of parents in jobless families. Likewise, for parents in jobless families who are Indigenous or who have a disability (both groups who are statistically likely to experience the greatest disadvantage), changes to JSA and DES, respectively, are warranted. In sum, the Board considers that collaboration, the compliance framework, and the administration burden built into the system must be addressed, if a more individualised and responsive employment services system is to be achieved.

With the above conclusions in mind, the Board makes the following recommendations:

1. That the Government seek to promote a holistic, collaborative approach to employment services for jobless families

The competitive nature of the JSA model, combined with the fact that Australia is currently a relatively tight job market, appears to militate against collaboration between ESPs under JSA.

By reviewing and amending the JSA star rating system to recognise – whether financially or otherwise – collaboration between ESPs, greater cooperation, expertise and information-sharing would be encouraged with the result that parents in jobless families would be more likely to receive the services they need.

In addition to incorporating recognition of collaboration, the Board recommends that some measurement of *quality* of jobseeker outcomes should also be built into the JSA star rating system. For example, this might be achieved by attaching financial incentives to the quality of outcomes. Currently the JSA star rating system assesses ESPs based on measures of efficiency and effectiveness. By also incorporating a measurement of *quality*, more sustainable outcomes are likely to be achieved for jobless families.

2. That the Government address the multidimensional barriers to employment facing jobless families by adopting an individualised approach

There are many ways in which a more individualised approach to workforce (and social) participation might be achieved for jobless families. Some are system-oriented (for example, through DEEWR's Family Centred Employment Project; and by reducing the red-tape, duplication and emphasis on process faced by parents in jobless families as they navigate the JSA system); others are community-oriented (for example, by supporting community outreach programs, such as playgroups, one-on-one mentoring or advocacy through community-based or government initiatives, and community-based programs that provide transport options that are accessible and affordable).

The Board supports the development (and expansion) by government of personalised approaches to supporting jobless families, whether they are system or community-based.