

The Department of Jobs and Small Business Submission to the Senate Standing Committee on Education and Employment Inquiry into the appropriateness and effectiveness of the objectives, design, implementation and evaluation of jobactive

The Department of Jobs and Small Business (the department) welcomes the Senate Standing Committee's Inquiry into jobactive and has provided a response below to assist the Committee to report on the program's appropriateness and effectiveness.

1. Overview of jobactive

Over 94 per cent of Australians who want work have it.¹ Most Australians want to work and most who want work are able to find it without Government assistance. Others use private recruitment companies or other networks to help them.

The Australian Government funds employment services so those on income support and job seekers in weak labour markets who may not be serviced by the private sector have access to employment services. Employment services help build capability and increase the competitiveness of job seekers so they can take advantage of the work opportunities as they arise.

The Government's publicly funded employment services programs include jobactive, Disability Employment Services and the Community Development Programme.² These are supported by a range of complementary programs that serve specific groups or particular objectives.

jobactive is the largest program through which employment services are delivered. It has achieved over 1 million job placements since July 2015 and has over 650,000 people engaged at any point in time.³

jobactive is the latest iteration in twenty years of outsourced publicly funded employment services, replacing Job Services Australia on 1 July 2015. Under jobactive, the balance between service and outcome fees was changed to place greater emphasis on employment outcomes and provide a stronger incentive for jobactive providers to achieve them.

42 jobactive providers operate over 1,700 sites in 51 employment regions in metropolitan and regional Australia.⁴

jobactive services are offered free of charge to employers, with a range of financial incentives available to encourage employers to hire and grow their businesses.⁵ jobactive services also encourage people to start their own businesses through New Business Assistance with New Enterprise Incentives Scheme (NEIS).⁶ Assistance provided includes accredited small business training, helping to develop a business plan, business support and if eligible, income support (NEIS

¹ Australian Bureau of Statistics (ABS), cat. no. 6202.0 – Labour Force, Australia, May 2018.
abs.gov.au/ausstats/abs%40.nsf/mf/6202.0

² Disability Employment Services and the Community Development Programme are outside the portfolio responsibility of the Department of Jobs and Small Business and do not operate as part of jobactive.

³ Department of Jobs and Small Business. Administrative data, 2018.

⁴ jobactive does not operate in remote Australia. Employment services in remote Australia are delivered through the Community Development Programme.

⁵ Department of Jobs and Small Business. I want to hire staff. Available from: <https://www.jobs.gov.au/growing/i-want-hire-staff>

⁶ NEIS is delivered by a network of 21 providers nationally with a capped 8,600 places available per year.

allowance) to encourage entrepreneurship.⁷ 79.5 per cent of people who leave New Business Assistance with NEIS were in employment or self-employment three months after exit.⁸

The assistance job seekers need to find work can vary considerably. While many job seekers who are assisted through jobactive are able to find work quickly, others face significant barriers to finding and sustaining a job. To address this job seekers are placed in one of three streams of service:

- Stream A job seekers are the most job-ready. These job seekers can access services to help them understand what employers want and how to navigate the local labour market, build a résumé, look for jobs and learn how to access self-help facilities.
- Stream B job seekers need their jobactive provider to play a greater role to help them become job-ready and are referred to case management support.
- Stream C job seekers have a combination of work capacity and personal issues that need to be addressed so that they can take up and keep a job.

Complementing jobactive is the Transition to Work service, currently providing intensive pre-employment assistance to young people who have disengaged from work and study and are at risk of long-term welfare dependency.

The department notes additional information is publicly available, that may assist the Committee:

- jobactive employment services providers' performance is published via Star Ratings on the department's website and the jobactive.gov.au website.⁹
- Labour market information, including: jobactive data, employment by industry and occupation, unemployment rates, monthly job vacancies and employment projections, is available on the Labour Market Information Portal.¹⁰
- Skills and training information, including vocational training, is available via the Department of Education and Training's myskills website.¹¹
- Information on the complementary labour market programs that support jobactive (e.g. Transition to Work and ParentsNext) is available via the department's website.
- Information for employers, including information on where to find employees and the financial incentives available can be accessed via the department's website.

2. Public Discussion Paper – The next generation of employment services

On 29 June 2018, the department released "The next generation of employment services, Discussion Paper (the Discussion Paper)." It sets out key issues to be considered in the design of a future employment services model when the current jobactive arrangements end.

The Discussion Paper was informed by the Employment Services Expert Advisory Panel's (discussed below) deliberations, national and international research, and research with users, including job

⁷ Department of Jobs and Small Business. Self-employment—New Business Assistance with NEIS. Available from: <https://www.jobs.gov.au/self-employment-new-business-assistance-neis>

⁸ Department of Jobs and Small Business. Employment Services Outcome Report. Available from: <https://www.jobs.gov.au/employment-services-outcomes-reports> (Data for the period October 2016 to September 2017 are the most recent publicly available figures at the time of response).

⁹ jobactive Star Ratings and Performance. Available from: <https://www.jobs.gov.au/jobactive-star-ratings-and-performance>

¹⁰ Labour Market Information Portal (LMIP). Available from: <http://lmip.gov.au/default.aspx?LMIP>

¹¹ Department of Education and Training's myskills. Available from: <https://www.myskills.gov.au/>

seekers, employers and employment services providers. The Discussion Paper¹² and its appendices¹³ are available on the department's website. The appendices include information on:

- A short history of employment services (Appendix A of the Discussion Paper)
- A guide to jobactive (Appendix B of the Discussion Paper)
- A summary of complementary labour market programs (Appendix C of the Discussion Paper)
- Common misconceptions of employment services (Appendix D of the Discussion Paper)
- jobactive caseload data (Appendix E of the Discussion Paper)
- Performance of jobactive (Appendix F of the Discussion Paper)
- Labour market data and information (Appendix G of the Discussion Paper).

3. jobactive Outcomes

jobactive has achieved over 1.1 million job placements since its commencement on 1 July 2015. This equates to almost 1,000 job placements per calendar day. More than 460,000 of these placements have lasted 12 weeks or more (at 31 May 2018).

Since the commencement of jobactive, the unemployment rate has decreased and is now at 5.0 per cent.¹⁴ The proportion of the working age (15-64 years) population receiving a welfare payment is now 15.0 per cent, the lowest it has been for at least 25 years.¹⁵ In September 2018, more than 12.6 million people were working across the economy.¹⁶

The department monitors the effectiveness of jobactive through Post-Program Monitoring surveys. The surveys measure participants' labour market status after participation in employment services and their satisfaction with the assistance they received. For job seekers who participated in jobactive between January 2017 and December 2017, 49.5 per cent were employed three months later.¹⁷ For Stream A job seekers, this figure is 59.1 per cent. For Stream C job seekers (the most disadvantaged), more than a quarter were employed three months later.

Additional information, including on the increased employment rates, is listed in the department's Employment Services Outcomes Reports (ESORs), available via the department's website.¹⁸ ESORs currently available range from 2004-2017 noting that Post-Program Monitoring surveys are conducted three months after job seekers have taken part in jobactive.

Job seekers in jobactive report they are satisfied with the quality of services. More than half of surveyed job seekers (56.9 per cent) reported being 'satisfied' or 'very satisfied' with the quality of services they received. Job seekers in Streams B and C (the more disadvantaged), report higher levels of satisfaction (63.0 and 61.5 per cent respectfully) with the overall quality of services.¹⁹

¹² The next generation of employment services discussion paper. Available from:

<https://docs.jobs.gov.au/documents/next-generation-employment-services-discussion-paper>

¹³ The next generation of employment services discussion paper appendices. Available from:

<https://docs.jobs.gov.au/documents/next-generation-employment-services-appendices>

¹⁴ 6202.0 - Labour Force, Australia, Sep 2018

¹⁵ Australian Government, Budget 2018-19: Ensuring the Government lives within its means, 2018. Available from: budget.gov.au/2018-19/content/lwom.html

¹⁶ 6202.0 - Labour Force, Australia, Sep 2018

¹⁷ Data for the period October 2016 to September 2017 are the most recent publicly available figures at the time of response. Past and future Employment Services Outcomes Reports can be found via the Department's website.

¹⁸ Department of Jobs and Small Business – Employment Services Outcomes Reports. Available from:

<https://www.jobs.gov.au/employment-services-outcomes-reports>

¹⁹ The next generation of employment services appendix F.

Audit of jobactive

The Australian National Audit Office (ANAO) published a performance and audit report of jobactive on 12 July 2017. The ANAO concluded that the (then) Department of Employment:

“... effectively managed the design of jobactive and its monitoring approach has resulted in a reasonable level of assurance being obtained that the program is being delivered as required.”

Moreover the ANAO found:

“...the governance arrangements established by the department were comprehensive, stakeholders were adequately consulted and the Minister was briefed on a range of design and implementation topics. Since the implementation of jobactive on 1 July 2015, the department has reviewed and amended elements of the program’s design.”

The ANAO also found that:

“During the design of jobactive, stakeholders were consulted and [the then Department of] Employment considered their views when designing the program.”

The report, *jobactive: Design and Monitoring*, and a summary of the department’s response is publicly available via the ANAO website.²⁰

Providing feedback on jobactive

Job seekers who wish to provide feedback on jobactive or their jobactive provider can contact the department’s National Customer Service Line or submit a feedback form via the department’s website.²¹

Stakeholders who wish to report an issue or complaint specific to the Department of Jobs and Small Business can contact the Commonwealth Ombudsman. The Ombudsman handles complaints specific to Commonwealth Government departments or agencies.²²

The department continues to monitor the performance, outcomes and feedback of jobactive to inform future policy.

4. Mutual Obligation Requirements

Government policy is that unemployed Australians who are capable of working and receive taxpayer-funded payments should be looking for work and participating in activities to improve their employment prospects, commonly referred to as Mutual Obligation Requirements (MORs).

The Guide to Social Security Law, available via the Department of Social Services’ website defines Mutual Obligation Requirements as follows:

²⁰ Australian National Audit Office (2017) jobactive: Design and Monitoring. Available from: <https://www.anao.gov.au/work/performance-audit/jobactive-design-and-monitoring>

²¹ Department of Jobs and Small Business – Contact the department. Available from: <https://www.jobs.gov.au/contact-department>

²² The Commonwealth Ombudsman – Making a complaint. Available from: <http://www.ombudsman.gov.au/making-a-complaint>

“Mutual Obligation Requirements refer to the general principle that it is fair and reasonable to expect unemployed people receiving activity tested income support to do their best to find work, undertake activities that will improve their skills and increase their employment prospects and, in some circumstances, contribute something to their community in return for receiving income support.”²³

Mutual Obligations have underpinned Australia’s welfare system for several decades, with obligations first introduced in 1986. The rationale is that encouraging job seekers to undertake activities means that they are less likely to be disconnected from the labour market for long periods, and they are able to gain the skills and experience necessary to find and keep a job. MORs are monitored via the Targeted Compliance Framework.

The Targeted Compliance Framework

The Targeted Compliance Framework (TCF) commenced on 1 July 2018. The TCF is designed to encourage job seekers to engage with their employment services provider and take personal responsibility for managing and meeting their MORs.

The TCF is designed to be simpler and fairer. It better takes into account the needs of vulnerable job seekers, with both providers and the Department of Human Services (DHS) conducting capability assessments to ensure that job seeker requirements are set according to their individual needs and circumstances.

The TCF provides more support to those who are genuinely trying to meet their obligations, while also introducing strong penalties for the small number of job seekers who persistently and deliberately do not meet their mutual obligation requirements.

The TCF is better for job seekers because it is:

- easier for job seekers to understand;
- supported by available technology so that job seekers will always know where they stand; and
- fairer, because it will not punish job seekers for the occasional failure to meet requirements and it will provide additional assistance those who are having trouble meeting their requirements.

Early indications are that the TCF is operating as intended. Less than 1 per cent of job seekers have incurred a financial penalty and currently around 60 per cent of job seekers are being fully compliant and have not accrued any demerits. Capability assessments operate to ensure job seekers requirements are set according to their needs – with over 2,500 job seekers to date disclosing new information that has allowed jobactive providers to better tailor job plans to meet job seekers requirements.

These figures show that the TCF is already having a positive effect on job seekers’ behaviour and offering appropriate safeguards to ensure job seekers’ mutual obligation requirements are appropriate before financial penalties are imposed.

The department continues to engage actively with providers to identify issues and inform potential refinements to the TCF.

²³ Australian Government – Guides to Social Policy Law, Social Security Guide Section 1.1.M.160. Available from: <http://guides.dss.gov.au/guide-social-security-law/1/1/m/160>

TCF guidelines are available on the department's website²⁴ and further information on MORs, including flexible requirement arrangements, are available via the DHS's website.²⁵

5. Preparing for the future of employment services

jobactive will continue to provide services to job seekers and employers until existing contracting arrangements cease in 2020. However, the department is already considering the future for employment services.

Technological change, digitisation and globalisation are changing industries and skillsets. Many jobs are increasingly integrating technology to allow people to be more productive and efficient. There is now a need for new skillsets to provide services to consumers and for employment platforms to focus more on preparing Australians to seize opportunities that technological change may bring.

Technology is altering how most employers advertise jobs and how job seekers find them. Employers can now easily and cheaply approach the market directly. People can access help to prepare for jobs and other career and employment advice that will help them find work online and at no cost.

Jobs will change across a wide range of industries and more people are likely to need to update their training to meet the needs of a changing economy. Job seekers, especially those who face barriers to entering employment or moving to a new job, will need help to identify transferable skills, upskill and find work.²⁶

Any future employment services system will need to adapt to these changes.

6. The Employment Services Expert Advisory Panel

On 22 January 2018, the then Minister for Jobs and Innovation, Senator the Hon Michaelia Cash, announced that work had commenced on developing the future employment services in advance of the expiration of the jobactive contracts in mid-2020.²⁷

The Government established the Employment Services Expert Advisory Panel (the Panel) to advise on the development of a future employment services model. The membership of the Panel and its Terms of Reference is on the department's website.²⁸

The Panel reported to the department in October 2018 on what a future employment service model should look like. The Government is currently considering the Panel's report.

7. Trialling new service delivery methods

The Discussion Paper on the next generation of employment services refers to two trials that were developed to inform a future model and will undergo separate reviews to jobactive:

²⁴Department of Jobs and Small Business – Targeted Compliance Framework Guidelines. Available from: https://docs.jobs.gov.au/system/files/doc/other/targeted_compliance_framework.pdf

²⁵ Department of Human Services (2018) Mutual Obligation Requirements. Available from: <https://www.humanservices.gov.au/individuals/enablers/mutual-obligation-requirements/29751#a2>

²⁶ Implications of the future of work for employment services are discussed further in Appendix G of the Discussion Paper.

²⁷ Senator the Hon Michaelia Cash. Media Release: Reforming future employment services media release (22 January 2018) Available from: <https://ministers.jobs.gov.au/cash/reforming-future-employment-services>

²⁸ Future employment services. Available from: <https://www.jobs.gov.au/future-employment-services>

- Online Employment Services Trial

The department commenced the Online Employment Services Trial (the Trial) on 2 July 2018 to trial digital solutions to better support job-ready people to look for work. The Trial will involve around 5,000 participants per year for two years. The Trial will test a platform that enables people to take personal responsibility for finding work, whether they can self-service effectively using the online platform, and the effectiveness of mutual obligation requirements in an online environment.

- Regional Employment Trials program

The Regional Employment Trials program will commence on 1 October 2018. The program aims to secure jobs and promote growth by helping communities respond to employment challenges faced by job seekers in their locations. In selected regions, employment facilitators will work with Regional Development Australia committees to develop local employment projects. A grant program will provide \$1 million to each of the ten regions to develop local employment projects. For eligible job seekers, the trial will also examine how earlier access to relocation assistance to take up a job can assist with securing employment. Information on the program is available on the department's website.²⁹

8. Public consultation process and user-research

The Discussion Paper was open for public comment from Friday 29 June to Friday 3 August 2018. In response, 451 stakeholders provided written submissions, including 331 from individuals, of whom 169 identified as a job seeker.

Following the release of the Discussion Paper, 23 face-to-face consultations were held in July 2018, with over 550 stakeholders including (but not limited to) employers, providers, community sector organisations, peak industry bodies, training providers, local and state governments, and representatives of diverse communities including migrants, youth, and mature age workers. A complete list of organisations that attended is at Attachment A.

The department has held a number of separate sessions with stakeholders including jobactive providers, Transition to Work providers and ParentsNext providers, the Australian Council of Social Services and the Tasmanian Council of Social Services and the Business Council of Australia. The consultation process demonstrated stakeholder support for:

- a user-centred system that targets services to job seekers and employers who need it, when they needed it
- a system that is easier for employers to use and better meets their needs
- a more sophisticated assessment system to better identify job seekers' needs
- more support for disadvantaged job seekers
- a flexible activation system that better targets based on the needs of individual job seekers and provides them with greater choice and enables them to exercise greater personal responsibility
- regional and local approaches that respond better to labour market variations.

Stakeholders acknowledged the potential of digital services to deliver more tailored servicing, better job-matching and a more accessible service better able to meet the needs of users who wished to use the service after hours. Stakeholders recognised the potential of digital services to reduce the amount of time spent on monitoring and reporting job seeker compliance.

²⁹ Regional Employment Trials Program. Available from: <https://www.jobs.gov.au/regional-employment-trials-program>

Stakeholders supported a licensing framework on the condition that the number of market participants was limited to support the market's commercial sustainability. Stakeholders also supported a stronger quality focus and benchmarks to assess performance. Most stakeholders expressed a desire for implementation of any new system to be staged.

Additionally, the department has collaborated with user-centred design experts, ThinkPlace, to consult with those who use jobactive, including: job seekers, employers, and existing service providers to identify pain points with the current system and to test reform concepts. Undertaking qualitative fieldwork, departmental staff and ThinkPlace experts have met directly with users in their homes, communities and businesses. Findings from the UCD Research demonstrated that:

- job seekers want a proactive service where providers identify and give job seekers information on the types of services available that will assist with their needs
- job seekers expressed a desire to have greater choice in how they are serviced and greater flexibility to account for their changing circumstances
- all parties (job seekers, employers and providers) need a service that is tailored to their needs and capabilities
- job seekers and providers want a system that has a more positive focus, recognising a job seeker's strengths and not just on their barriers. They also wanted to see greater recognition for progression on the journey towards employment
- employers have indicated they look for job seekers with employability skills (soft skills) when filling a vacancy.

A copy of the user-centred design research is at [Attachment B](#).

Attachment List:

- Attachment A - Employment services 2020: stakeholder engagement list
- Attachment B - Future employment services user-centred design: research report