

Submission

Inquiry into Workforce Australia Employment Services

Brotherhood of St Laurence, Centre for Policy
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Introduction

This submission was developed by three organisations with different but complementary expertise. We have been involved in researching, analysing, designing, delivering and evaluating employment services for decades. We share a deep understanding of what is not working in the employment and skills ecosystem and what is working well. We also share a desire to see Australia's employment services transform into an ecosystem of support that benefits all jobseekers, employers and industry, and our economy and society. It is for this reason that we have put forward evidence based, constructive options for reform.

We welcome further discussion with the House Select Committee, government and non-government agencies about how these options for reform could be adopted and implemented.

About the Authors

The Brotherhood of St Laurence

The Brotherhood of St Laurence (BSL) is a social justice organisation that has been working towards an Australia free of poverty for over 90 years. BSL sees employment in decent work as an important contributor to economic security and wellbeing.

We have a long history of delivering evidence-based employment programs for jobseekers who are marginalised in the labour market, and have conducted extensive research into education, training and employment as a pathway out of poverty. We are uniquely placed to work at the nexus of policy, research, practice and lived experience. As a consequence, our policy and practice approach is informed directly by the people we work with and uses evidence drawn from our research, together with insights from our programs and services, to develop practical solutions that work.

BSL's employment, education and training work spans diverse populations, including young people, mature age jobseekers, refugees and people seeking asylum, people with disability, people living in public housing, single parents, women and people who are unemployed long-term. Our work spans supply, demand and bridging interventions and has a strong focus on place. We deliver a range of employment services and programs, supported by local, state and federal governments, and philanthropic and corporate donors.

Centre for Policy Development

Centre for Policy Development (CPD) is an independent, values-driven, and evidence-based policy institute. Our motivation is an Australia that embraces the long term now. CPD exists to solve the biggest policy challenges facing Australia and the region, and to take people on the journey solving them. Our policy development seeks to advance the wellbeing of current and future generations.

CPD believes in: a society that expands opportunity and social justice; an economy that is clean, innovative and productive; a government that is active and effective; and a country that is respected for its leadership and cooperation.

We have worked to support effective government and service delivery systems like employment since we were founded in 2007. We published [Grand Alibis](#), a systematic analysis of what was then Job Services Australia in 2015, a [Blueprint for Community and Regional Job Deals](#) in 2020, and analysis on supporting transitions to employment for refugees and migrants, the long-term unemployed, people with disability, and people in contact with the justice system.

In our practical collaborations we develop, trial and learn from innovative delivery models with communities, governments, service providers and employers.

University of Melbourne

Prof Mark Considine is Redmond Barry Distinguished Professor of Political Science in the School of Social and Political Sciences, University of Melbourne. His career spans academic research and applied policy work for government and civil society organisations. Mark's main research areas include governance studies, comparative social policy, employment services, public sector reform, local development, and organisational sociology. He has (co)authored multiple books on the reform of public employment services systems, including *Enterprising States: The public management of welfare-to-work* (2001), published by Cambridge University Press, *Getting welfare to work: Street level governance in Australia, the UK, and the Netherlands* (2015, Oxford University Press); *Buying and Selling the Poor: Inside Australia's Privatised Welfare-to-Work Market* (Sydney University Press, 2021) and, most recently, *The Careless State: Reforming Australia's Social Services* (Melbourne University Press, 2022).

Dr Michael McGann is Lecturer in Political Science in the School of Social and Political Sciences, University of Melbourne. He specialises in the governance of welfare and active labour market policies, with a particular focus on issues related to the contracting out and marketization of public employment services. He is the co-author of *Buying and Selling the Poor: Inside Australia's Privatised Welfare-to-Work Market* (Sydney University Press, 2021) and author of the recently released *The Marketisation of Welfare-to-Work in Ireland: Governing Activation at the Street-Level* (Policy Press, 2023).

Prof Considine and Dr McGann are part of a wider team of researchers on 'Getting Welfare to Work' from the University of Melbourne, University of New South Wales, and La Trobe University who have been studying the implementation of public employment service reforms for the past thirty years; not only in Australia but also the UK, New Zealand, and various parts of Europe. This has included detailed empirical investigations of frontline service delivery, the impacts of marketisation reforms on service provision, and the evolution of different regulatory methodologies and their impacts on frontline practice.

Section 1: Overview

Australia's Employment and Training System is Failing Jobseekers, Employers, Industry and the Community

Decent, secure employment advances the wellbeing and material security of an individual and their family, contributes productivity to employers and the economy, and builds capability within communities and local economies through economic participation. **It's not just a job that matters, it's the nature of that job and whether it supports a thriving life.** When decent, secure employment and economic participation are shared equitably across the population, our whole economy and society benefit.

Australia's employment and training system does not support jobseekers to build the capability and confidence they need to achieve long-term economic security in a changing labour market – which requires new skills and potentially rapid pivots or adjustments in response to global climate, health, security and financial issues. The majority of job seekers who use employment services are not well-served by the high-volume, any-job-is-a-good-job model where the majority of job outcomes are short-term and insecure.

Evidence shows that the system is particularly ineffective for jobseekers who face complex barriers to work.¹ Australia's employment and training system traps too many people who are marginalised from the labour market, in long-term poverty and disadvantage.

The system also fails to work effectively for employers and industry who want to support economic participation in the community and secure a capable workforce. Most industries – especially health and human services, agriculture and the green transition sector – are facing significant workforce shortages, particularly in regional areas. The mismatch between labour supply and demand is one of the key challenges that needs to be solved in order to unlock opportunities for jobseekers and improve Australia's productivity.

In failing to address entrenched labour market inequality, Australia's employment system is failing to invest in our human and social capital, with negative implications for Australia's economy.

The purpose of the employment services system has become distorted by its competitive procurement process and compliance focus. The primary role for the employment services system has become regulation of jobseekers' compliance with often punitive conditions linked to social security payments. It also seeks to decrease jobseeker reliance on income support. Success measures incentivise short-term outcomes in casual work over job quality and career development.

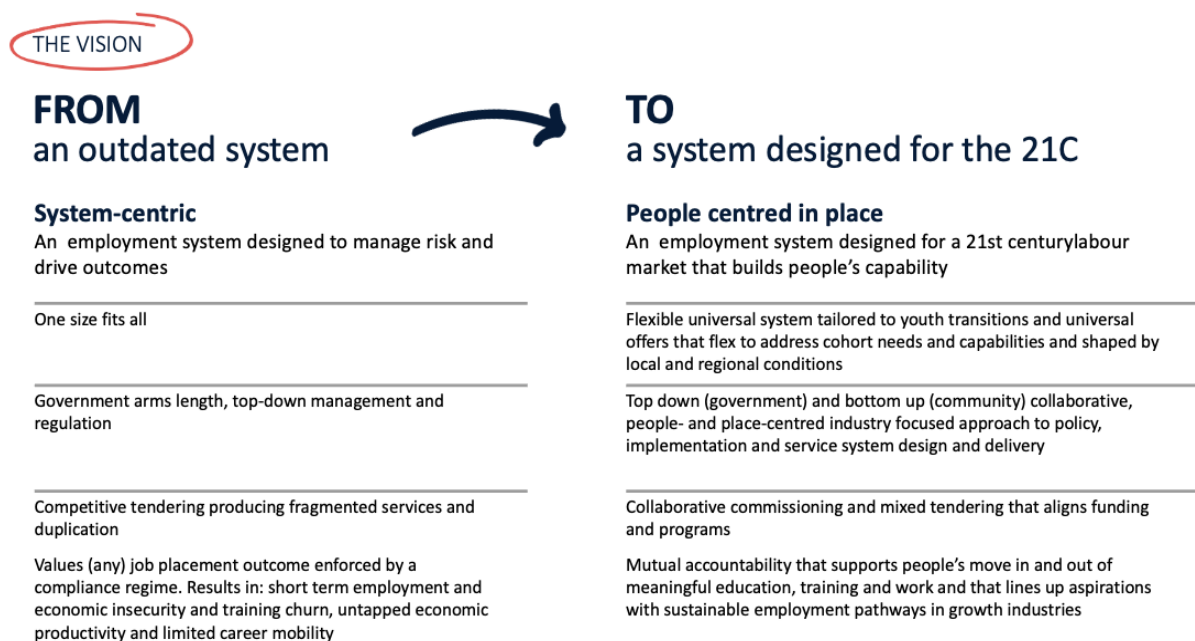
Arms-length outsourcing means Commonwealth public servants in Canberra are overseeing essential service delivery systems, without on-the-ground knowledge and experience. Services have become disconnected from local communities and vary in quality. On the ground, competition between

¹ O'Sullivan, S., McGann, M., and Considine, C. (2021) *Buying and Selling the Poor: Inside Australia's Privatised Welfare-to-Work Market*, Sydney: Sydney University Press, pp. 41-43; McColl Jones, N with Cull, E, Joldic, E, Brown, D & Mallett, S 2021, Transition to Work Community of Practice: practice guide – revised, BSL, Melbourne, p. 13.

providers erodes trust, diminishes local social capital and creates a fragmented, complicated mess of overlapping services and supports. In some communities this approach has resulted in thin markets and undersupply of services.

Further, employment services are disconnected from education and training, and from health, social services and other forms of 'social infrastructure' such as housing and transport, limiting the collaboration necessary to build effective pathways to employment. There are no incentives for place-based leadership and collaboration among key stakeholders to harness social capital and co-design employment and training solutions that meet the needs of local jobseekers, employers and industry.

Our vision is for an employment services system that supports jobseekers, business and communities to thrive.



We need an employment ecosystem capable of addressing 21st century needs and opportunities for jobseekers, employers, governments and communities.

Our vision is an employment ecosystem that is people-centred and builds effective and empowering pathways to economic and social participation and decent, secure work and careers for jobseekers, especially those who are experiencing disadvantage.

Successive reforms to the employment services system have demonstrated that a top-down, competitive and fragmented system is not able to deliver these outcomes. As international agencies such as the International Labour Organisation confirm,² **transforming the employment system so that it supports jobseekers, business and communities to thrive will require a profound shift**

² BSL Community Investment Committee Toolkit, citing ILO 2012; see also OECD 2021 *Building inclusive labour markets: active labour market policies for the most vulnerable groups*.

towards a collaborative, people- and place-centred and industry focused approach to policy, implementation and service system design and delivery.

This transformation will require:

- A **mindset shift**: From a deficit and compliance lens to a focus on investing in people's capabilities. Within this frame, employment support is understood as an investment in people's abilities and wellbeing that delivers mutual benefit for employers and industry and the broader community.
- A **flexible place-based universal system**:
 - From a dispersed and fragmented employment service system to a single national service that includes dedicated youth and working age services, and allows for a differentiated response by labour market attachment.
 - From a one-size-fits-all service to a flexible universal system tailored to and shaped by local and regional conditions:
 - Adoption of collaborative place-based approaches that align fragmented policy, funding and programs.
 - A governance mechanism that connects governments, departments, sectors and stakeholders from the local to national level, to design adaptive employment and training solutions.
- An **evidence-informed, person-centred service and practice model**: From ad hoc delivery approaches to an evidence-informed, person-centred service and practice model adapted to place:
 - flexible and tailored to needs, circumstances and life stage of the individual, as well as their local context.
 - builds jobseekers' capability and confidence to pursue personally meaningful career (and life) goals and establish strong foundations for economic security, and aims to maximise their choice and agency.
 - connects to skills and training for quality jobs that provide career mobility.
 - invests in employers to create and advance demand-side opportunities.
- A **change in the role of government**: From arms-length 'purchaser' of employment services to active co-producer of employment services:
 - stewarding the system and leveraging the collective resources and capabilities of governments at all levels, industry, business, employment services providers, skills and training organisations, not-for-profits, jobseekers and community.
 - utilising innovative approaches to commissioning, funding and delivery that encourage collaboration, adaptation and innovation and support a diversity of providers who can leverage local community effort.
 - acting to supplement thin markets in some areas.

THE HOW

Key ingredients for reform

1 Mindset shift

From a deficit and compliance lens to a focus on investment in people's capabilities for the mutual benefit of jobseekers, employers and communities

2 Place-based flexible universal system

From a dispersed and fragmented employment service system to a single national service that includes dedicated youth and working age services with a differentiated response by labour market attachment



From a one size fits all service to a flexible universal system tailored to and shaped by local and regional conditions:

- Adoption of collaborative place-based approaches that align fragmented policy, funding and programs.
- A governance mechanism that connects governments, departments, sectors and stakeholders from the local to national level, to design adaptive employment and training solutions.

3 Service & practice model

From ad hoc delivery approaches to an evidence-informed person-centred service and practice model adapted to place:

- flexible and tailored to needs, circumstances and life stage of the individual, as well as their local context
- builds jobseekers' capability and confidence to pursue personally meaningful career (and life) goals and establish strong foundations for economic security, and aims to maximise their choice and agency
- connects to skills and training for quality jobs and that provides career mobility
- invests in employers to create and advance demand-side opportunities

4 Changed government role

From arms-length 'purchaser' of employment services to active co-producer of employment services, acting to supplement thin markets in some areas

Section 2: Responding to the Diverse Needs of Jobseekers

A System That Fails Most People

For almost thirty years the national employment service has been a high-volume, low-margin, 'one-size-fits-all' service that has mostly helped job-ready people into short-term insecure opportunities. CPD's 2015 report, *Grand Alibis*³ found that the national employment service was mostly delivering outcomes for jobseekers with low barriers to employment who were relatively well-placed to undertake an active job search. And, even for those individuals, many of the outcomes were short-term job placements. The system was focused on compliance and short-term outcomes, rather than enabling long-term skill development, connections to community and economic security and mobility.

Recent data indicates that very little has changed. In June 2022, seven in ten people on the national employment services caseload (770,476) had been on the caseload for over 12 months (~550,000 people). This is despite the unemployment rate at the time being the lowest in recent memory and labour market shortages across entry-level and professional sectors. The problems that were identified in *Grand Alibis*⁴ were reconfirmed by a Commonwealth-initiated report into *jobactive*⁵, which found the average length of time on the *jobactive* caseload for the most disadvantaged jobseekers was five years and that a system costing \$6.5 billion over five years had to do "much better".

I Want to Work presented a reform pathway, which included working directly with employers, new funding and service models, digital offerings, and place-based approaches for the most disadvantaged jobseekers. Two trials were announced before the 2019 Federal Election and *jobactive* contracts were extended to 2022. Workforce Australia was initiated in July 2022. But, outside of the digital service and the Local Jobs Program, there have been no significant changes or reforms to the national employment service.

The same service design features have persisted for close to three decades. Multiple data sets tell the same story. Most people who find themselves on an employment services caseload stay there for an extended period of time. The billion-dollar system is broken.

A System That Fails the People Who Need it Most

A consistent objective of national employment services is improving labour market outcomes for disadvantaged Australians, but for disadvantaged Australians in particular, the system just doesn't deliver. There remain barriers to employment nationally, and in some communities, unemployment is deeply entrenched. *Grand Alibis*⁶ found that national employment services had failed to keep

³ <https://cpd.org.au/wp-content/uploads/2015/12/Grand-Alibis-Final.pdf>

⁴ *Grand Alibis* found that the number of people unemployed for a year or more doubled between 2013 and 2015 - reaching 180,000 in March 2015, the highest since the late 1990's. Around 50% had been jobless for 2 years or more.

⁵ *I Want to Work: Employment Services 2020* <https://apo.org.au/sites/default/files/resource-files/2018-12/apo-nid210776.pdf>

⁶ *Grand Alibis* identified that for those unemployed for 12-24 months, First Nations, culturally and linguistically diverse and young jobseekers, more than 50% were unemployed or had left the labour market altogether 3 months after their participation in the employment services system.

those people at the highest risk of disadvantage connected with labour markets, let alone in paid employment. Assessments of *jobactive* tell a similar story.

As of December 2022, ten regions were home to 39% of recipients of the Jobseeker income support payment. In most regions, there are a small number of LGAs which have unemployment rates well above the national average. In a handful of cases, this is more than double the national average.⁷

In most of these regions, refugees are represented disproportionately on the caseload. Other groups over-represented in the caseloads in these regions are people with disabilities, young people, mature age people and First Nations Australians.

Designing a System that Works for Everyone

While different cohorts of jobseekers have different needs, and there is evidence regarding effective interventions for different groups, proposing a national employment service that organises jobseekers into discrete cohorts would continue to distort employment supports and cause further fragmentation of an already fractured system. This approach also fails to account for the diversity and intersectionality within cohorts and assumes levels of capability based on labels rather than person-centred assessment of strengths and assets.

With the exception of a youth specific service, we support the introduction of a national employment service that is differentiated by intensity, rather than cohort. Varying support by intensity is consistent with the introduction of digital services under the current Workforce Australia model. And, there is an opportunity to further optimise support, both for the group accessing digital services and the group currently receiving face-to-face services.

Our solution reorients the entire service system so that it is people-centred and responsive to the diversity of needs and strengths that each person carries on their career journey. This is not to say that a national employment service should be a standardised model of support with no differentiation by cohort needs or participants' background characteristics. To the contrary, a national employment service must be highly responsive to participants' differentiated needs by calling on specialist forms of expertise (e.g. in working with participants on humanitarian visas) where this is critical to addressing participants' individualised needs.

However, these differentiated forms of support must be anchored in a broader national employment service framework that can differentiate depending on individual needs rather than segmenting participants into discrete demographic cohorts and differentiating support based solely on group-characteristics. In short, what we are calling for is a national employment service that is capable of providing support to all participants on a place-based and people-centred basis but which is simultaneously cognisant of the distinct challenges faced by certain cohorts of participants and capable of adapting support in response to these challenges.

Common themes across cohorts include the importance of:

- Having staff who understand the particular challenges faced by, and the needs of, different groups of jobseekers at different life stages;
- Addressing stereotypes, discriminatory attitudes and low expectations that lead to jobseekers being overlooked; and

⁷ The regions most impacted are Sydney South West, Sydney Greater West, Perth South, Brisbane South East, Adelaide North, South Eastern Melbourne & Peninsula, Somerset, Western Melbourne, Perth North, Sydney East Metro.

- Addressing structural barriers, such as limited access to transport and housing, low financial means, unmet health needs and limited social capital/networks.

The Case for a Specialist Youth Service

For young people transitioning from school to work there is a case for a specialist employment service. There are a number of reasons for this, including:

1. **The need to align employment services for young people to youth specific legislation and policies.** This recognises the legislation around school leaving age and eligibility requirements based on age within the VET sector as well as other wage subsidies and training allowances made available to young people on the basis of their age.
2. **The need for youth systems expertise to guide young people through one of life's most significant transitions.** A number of youth specific programs and services (youth allowance, schools, VET, adolescent health, youth housing) need to come together to support young people into adulthood. Knowledge of how these services interact is essential to align and integrate these supports while they are available for a limited period of time. Young people's pathway through school to meaningful work requires a continuum of interconnected program and policy interventions that are age appropriate and address the potential challenges that may occur as a young person moves between these key transitions to ensure they achieve a successful transition to adulthood.
3. **The need to acknowledge that young people need a safe environment to explore and discover.** A young person's first job and the early stages of their career is about exploration and discovery and inspiring young people to take positive risks to create a pathway from school to work. Young people transitioning from school to work are often still uncertain about their life direction, vocational aspirations and options and benefit from career guidance and support. Safe environments that encourage exploration and discovery help young people build confidence.
4. **The need to centre lived experience in program design.** Young people themselves have talked about the criticality of youth specific services and spaces and also demonstrate a reluctance to present to generalist all ages services.

The Opportunity to Build a People-Centred Employment Service

There is an opportunity to build an evidence informed employment service that responds to the needs and capabilities of people and provides the right type of support at the right time. This opportunity can be realised by tailoring the service provided and the supports to life stage and the individual circumstances of the jobseeker.

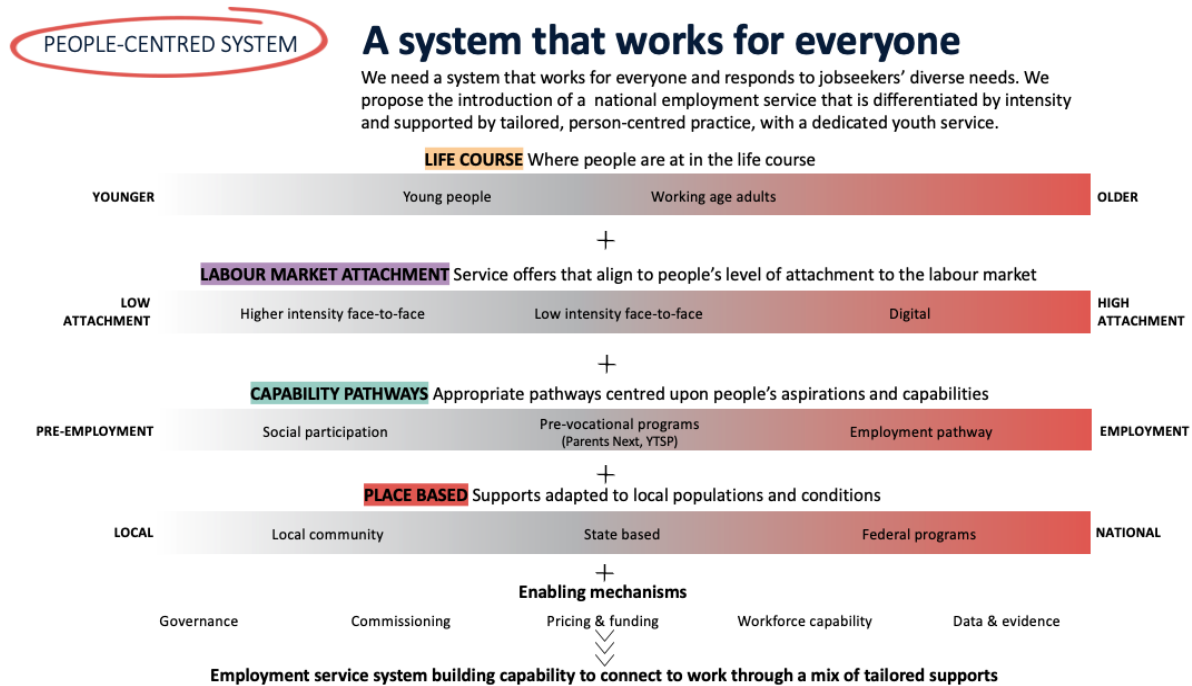
Our recommendation is for a national employment service that is:

- Organised by two cohorts: young people and adults of working age.
- Realised through a diversity of supports under a broad definition of labour market attachment.
- Delivered with three levels of intensity based on an assessment of needs and strengths: digital, low intensity face-to-face and higher intensity face-to-face.
- Underpinned by vocational and pre-employment education and support, tailored to labour market needs and the goal of growing skills.
- An evidence informed service model that comprises core elements available to all jobseekers and additional offers and tailored practice for specific cohorts.

Within this reimagined service system, the role of government includes: providing consistent governance at national, regional and local levels; being responsive and flexible to changing labour

market conditions and employment data; and building the capability of the workforce to respond to demographic and socio-economic factors at the regional and local level.

This approach requires a shift away from compliance as the primary focus of employment services and a shift towards greater flexibility and responsiveness. Services would require capacity to: assess needs and capabilities at different points on the jobseeker's journey and to respond to changing needs. To achieve this, three levels of intensity are proposed: an optimised digital service; a new low intensity face-to-face service; and a new higher intensity face-to-face service.



An Optimised Digital Service

The digital service should be easy to use and provide reassurance, supporting people to engage with local networks rather than just a job matching service. It should also have enhanced assessment capabilities. There is evidence that there are thousands of people who are 'stuck' in online servicing who need a more intensive response. In addition, many people streamed into digital services don't have sufficient digital literacy or access to devices to use the system effectively.⁸ When they require help with the digital system, jobseekers report that it is very difficult to access. The digital service should be able to provide sophisticated feedback based on the recognition of capabilities and aspirations, as well as workforce opportunities and direct line of sight to place-based industry data. An optimised digital service would provide early assessment of capability and lead to better triage and streaming of participants and identify quickly if they need a low intensity or higher intensity face-to-face service.

A Low Intensity Face-to-Face Service

This type of service would be higher-volume and would support people with relatively low barriers to employment to move through enabling supports, like licensing, debt relief, tenancy supports, etc. and provide support to focus on job search and/or education. Perhaps similar to the Jobs Victoria

⁸ See Ball, S., Considine, M., Lewis, J.M., McGann, M., O'Sullivan, S., and Nguyen, P. (2022) *The Digital Governance of Welfare-to-Work: Industry Report from Focus Groups with Australian Providers on Digital Delivery of Employment Services*. Melbourne: University of Melbourne; Siobhan O'Sullivan & Christopher Walker (2018) From the interpersonal to the internet: social service digitisation and the implications for vulnerable individuals and communities, *Australian Journal of Political Science*, 53:4, 490-507.

Advocates service that was introduced to support the Covid-19 recovery, this approach recognises that there is a need for service navigator type roles that have broad knowledge of service systems and can help make introductions. These roles grease the wheels of the system and help jobseekers better understand how the system works and how it can work for them. This service would also be more responsive to place and local labour market conditions. The service would be critical in data-gathering and building understanding of the types of challenges that people experience within the service system and/or within a local community, providing useful insights to help design better service solutions overall.

A Higher Intensity Face-to-Face Service

For people who have been on the caseload for long periods of time and/or face multiple barriers to employment, higher intensity support needs to be holistic, considering all the different aspects of an individual's life that support or hinder employment. Higher-intensity support recognises that trust and rapport building are needed to provide a foundation for longer-term support. Flexible supports (both vocational and non-vocational) can be provided based on an individual's life circumstances and how their needs and capacity for employment might be changing as they navigate challenging situations and acquire new skills.

Capability Pathways

Workforce Australia is underpinned by an assumption that everyone should/can participate in open employment. This is despite some of the macro and micro economic levers being predicated on a 4-5% unemployment rate. There are some people for whom a social participation outcome or social employment outcome may be the most appropriate option. But it's unclear how big this cohort is given those with complex barriers have not been well-served by the current system and have chosen to disengage from the labour market altogether.

In response, we propose **a service that is flexible and responsive based on a broader definition of attachment to the labour market**. Our definition of attachment to the labour market considers:

- Caring roles and responsibilities;
- Community connections and volunteering;
- Paid work trials and on the job training; and
- Engagement with casual or temporary roles where the likelihood of ongoing work is low.

These aspects of attachment recognise that participation in full-time ongoing employment may not be a realistic or desirable outcome for everyone and purpose-built supports (income, mentoring, coaching, community involvement, etc.) are designed and applied in consideration of an individual's participation in the activities that are right for them, their current circumstances or stage of life.

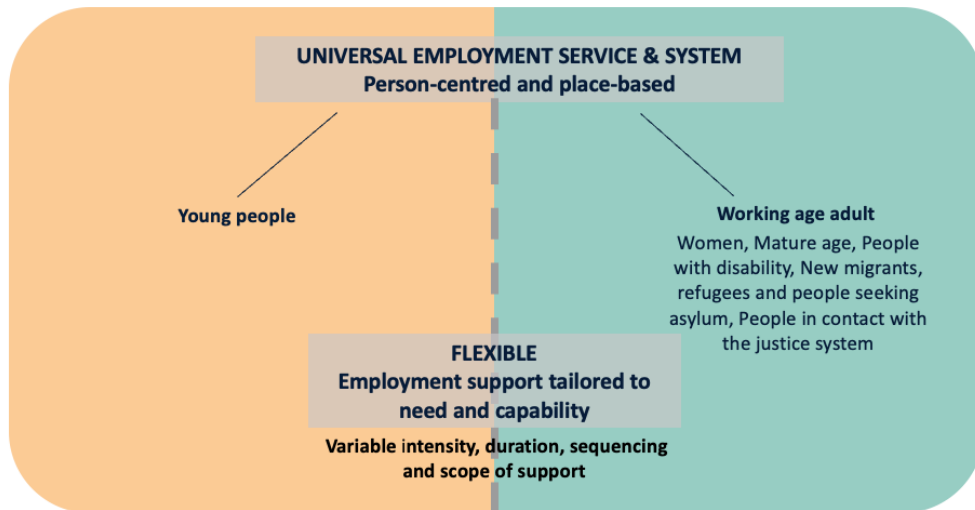
Options for supports include:

- A mix of education/training and employment such as pay-to-train models, paid work trial and on the job training. This could be especially valuable for young people, parents returning to the workforce, retrenched workers, etc.
- A mix of caring and employment. This could be useful for parents returning to the workplace, older workers, mature age workers, etc.
- A mix of pension and partial employment. This could apply to those with partial capacity to work, older workers, etc.
- A mix of education/training, employment and community involvement activities (e.g. volunteering). This could be helpful for people in contact with the justice system, young people, mature age workers, etc.

A national employment service should incentivise education and training where appropriate, but this needs to have economic wellbeing and security as a higher order outcome, and be linked to labour market outcomes and build capability towards labour market attachment. What also features across this mix of supports is continued engagement in community activities, helping to build social connections, social capital and mutually reinforcing supports that sit outside of the service system.

PEOPLE-CENTRED SYSTEM

A person-centred, place-based employment service that is universal and flexible



Section 3: Options for the Role of Government in Employment Services

Re-consideration of the role played by government is central to system improvement in any new version of the Australian employment services model. This includes attention to the distinct roles of various Commonwealth Government departments and agencies with responsibility for employment services (e.g. DEWR, DSS, NIAA, HA, DHAC), as well as state and territory governments, especially those like Victoria and Tasmania who operate parallel state-funded employment services to compensate for the limitations of the national program.

The current employment services ecosystem is fragmented, complex and difficult to navigate for jobseekers, employers and providers. There is little intentional coordination and alignment between the various departments and agencies involved in employment services at different levels of government, and overlap between national and state and territory run programs. The complexity of the system is further compounded by bespoke philanthropic funding of specialist services and models. As a consequence there is a lack of effective policy alignment and dilution of expertise and capability across government departments, agencies and service providers.

The Evolution of the Role of Government in Employment Services

Since the 1990s, the role of government (and the public sector more broadly) in provision or delivery of employment services has undergone several variations.⁹ Firstly, under Working Nation, the Department ran its own “specialist desk” to provide Contracted Case Management. Then, during the early Job Network era, the government established a public provider called Employment National, separate from the Department, to compete with other providers in a fully competitive employment services market. This was followed by almost 20 years of full privatisation, where the role of government was reduced to a *purchaser* of fully outsourced services up until the current model where the Department provides digital services and a Contact Centre for those with relatively low employment barriers and in the early period of unemployment.

Each of these versions of a public role offer answers to the question – why are we not doing better at enabling jobseekers, especially those experiencing disadvantage, to find quality employment that affords economic security, and supporting employers, industry and the community to build a modern Australian workforce and economy? In considering the role of government in the employment ecosystem, **among the key threshold issues that we face is the market model**, with its emphasis on awarding contracts through competitive procurement processes and Payment-by-Results funding models.

The Failure of the Competitive Market Model

Despite multiple iterations, the competitive model has delivered poor outcomes for jobseekers, especially those experiencing disadvantage, and has not adequately addressed skills shortages in the

⁹ For a review of these changes in the role of government see O’Sullivan, McGann, and Considine (2021) *Buying and Selling the Poor: Inside Australia’s Privatised Welfare-to-Work Market*. Sydney: Sydney University Press. Chapter One.

economy by building the human and social capital essential for securing decent work and workforce capability. International and national research on employment services markets over more than two decades, including from countries as diverse as Denmark, the Netherlands, Ireland, the UK, and US, indicates that this stems from *structural* features of market models. These models are underpinned by competitive tendering, price-bidding, and outcome-weighted payment models rather than mere deficiencies in the current price signals and other performance incentives used to steer providers' behaviour.¹⁰ In short, **it is the market model that is the problem. We need to transition away from this market model to achieve better outcomes for jobseekers and employers** rather than merely making adjustments to the payment models and performance frameworks used by the Commonwealth Government to steer market behaviour.

A commissioning model that is heavily oriented towards Payment-by-Results corrodes possibilities for a personalised, flexible and caring model of support. It embeds a fundamentally risk-averse, short-term, and highly selective approach to supporting people to enter or return to employment. It puts downward pressure on service quality by orienting providers to adopt standardised models of service provision that can be delivered at scale by fewer and lower-skilled staff. Longer term investments in working relationally with jobseekers, employers and community are discouraged by the financial imperative to achieve payable results in the short-term. Also, investments in improving jobseekers' health, housing and education—ensuring they have the essential foundations to achieve employment—are overlooked or actively avoided if they cannot be assumed to deliver timely payable labour market attachments.

Market models have other weaknesses beside the structural issues associated with providing high quality support to jobseekers. Significantly they also extract heavy transaction and transition costs for jobseekers, the government, and also employers. To remain competitive, employment services markets need to be perpetually re-commissioned, costing hundreds of millions of dollars in terms of the resources spent on preparing requests for tender, evaluating bids, drawing up negotiating and agreeing contracts, developing performance measurement frameworks and so on.¹¹ More important than this, there are major transition costs which disturb established trusting relations with jobseekers and employers as providers enter and exit the market. This corrodes or destroys existing relationships and networks for jobseekers, employers and communities. For example, the transition from the Job Network to the Job Services Australia contracts involved an estimated 320,000

¹⁰ On the Australian market see Considine, M., O'Sullivan, S., McGann, M., & Nguyen, P. (2020). 'Locked-in or Locked-out: Can a Public Services Market Really Change?' *Journal of Social Policy*, 49(4), 850-871. For wider international evidence on the structural deficiencies of the quasi-market model see Considine, M., O'Sullivan, S., McGann, M., & Nguyen, P. (2020). 'Contracting personalization by results: Comparing marketization reforms in the UK and Australia.' *Public Administration*, 98(4), 873-890; McGann, M. (2023) *The Marketisation of Welfare-to-Work in Ireland: Governing Activation at the Street-Level*. Bristol: Policy Press; Fuertes, V., & Lindsay, C. (2015). Personalisation and street-level practice in activation: the case of the UK's Work Programme. *Public Administration*, 94(2), 526-541; Bredgaard, T., & Larsen, F. (2008). Quasi-Markets in Employment Policy: Do They Deliver on Promises? *Social Policy and Society*, 7(3), 341-352; Larsen, F., & Wright, S. (2014). Interpreting the marketization of employment services in Great Britain and Denmark. *Journal of European Social Policy*, 24(5), 455-469; Greer et al. (2017) *The Marketisation of Employment Services: The Dilemmas of Europe's Work-First Welfare States*, Oxford: Oxford University Press.

¹¹ As Bredgaard and Larsen argue, these transaction costs 'are an inescapable product of contracting-out' but they are rarely factored into analyses of the overall (in)efficiencies of quasi-market markets. See Bredgaard, T., & Larsen, F. (2008). Quasi-Markets in Employment Policy: Do They Deliver on Promises? *Social Policy and Society*, 7(3), 341-352. For other discussions of the problem of the substantive transaction costs involved in commissioning and managing employment services markets see Bennett, H. (2017). Re-examining British welfare-to-work contracting using a transaction cost perspective. *Journal of Social Policy*, 46(1), 129-148 and Considine, M., O'Sullivan, S., McGann, M., & Nguyen, P. (2020). 'Locked-in or Locked-out: Can a Public Services Market Really Change?' *Journal of Social Policy*, 49(4), 850-871.

jobseekers having to change provider, while approximately half of the employment services sites in the system were turned over. Even successful providers incurred millions in transition costs, with one larger provider estimating that it alone incurred at least \$7m in transaction costs as a result of the recommissioning of the market.¹²

Any solution to the challenge of achieving quality employment outcomes for all jobseekers and employers must involve a departure from this ineffective version of the competitive market model.

Several different options, outlined below, are available for moving beyond the competitive market model. These options can be mapped along a continuum from government as an (arm's-length) *purchaser* of services to government as a (direct) *provider* of employment services to government as a co-producer of services in active partnership with other service delivery organisations from across sectors and different levels of government as part of a wider ecosystem of place-based supports.

At a minimum, transformative change will require the government to have **direct institutional engagement** with employment services in order to identify, incentivise and enable effective and tailored service delivery models that are adapted to place and local labour/service markets. This is unlikely to be achieved without more direct public involvement in designing and stewarding the system in partnership with local stakeholders, and may involve a greater role for government in service provision.

Government needs to invest further and share responsibility for jobseekers who face complex barriers to employment, including those who are unemployed long-term – as advocate for person-centred approaches and co-decision makers with partner organisations. A purely private contracting model leaves long-term relationships with jobseekers experiencing disadvantage prey to multiple changes of provider and weak incentives to invest in capability. Although government cannot address labour market barriers alone, it is particularly well placed to leverage and coordinate the effort and expertise of governments at all levels, employers/ business, employment providers, the community and people experiencing unemployment.

Government is the fulcrum in any human service system and has a valuable and active role to play in building the capability of the system, including providers, to achieve lasting social gains for all, and especially the most disadvantaged. Some areas of human services are so fraught they require enhanced public sector capability and different policy challenges will require the government to occupy different parts of the design-delivery spectrum. Nevertheless, it is our contention the relationship between the role of government and service providers in employment services must evolve substantially beyond the current purchaser orientation - with its focus on contract management characterised by a rigid and competitive purchaser-provider split - towards more collaborative approaches based on co-design, much more relational forms of commissioning, and even co-delivery.¹³ It can do this by using the distinct policy, funding, data, evidence and

¹² For a detailed discussion of the transaction costs involved in the transition from Job Network to Job Services Australia see Finn, D. (2011) *Job Services Australia: Design and Implementation Lessons for the British Context*. London: Department of Work and Pensions.

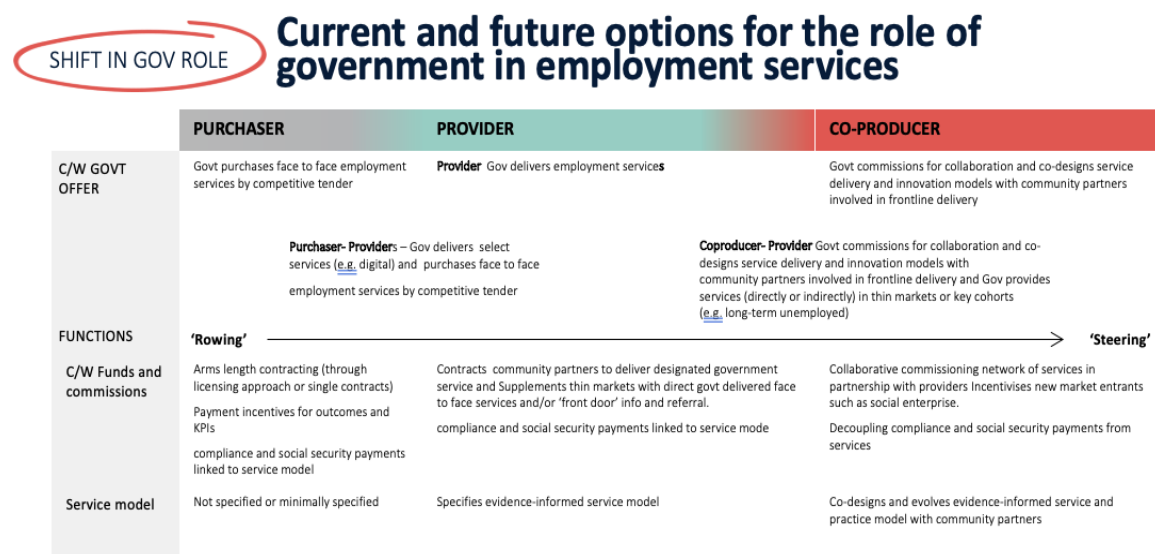
¹³ See Lindsay, C., Pearson, S., Batty, E., Cullen, A. M., & Eadson, W. (2021). Collaborative innovation in labor market inclusion. *Public Administration Review*, 81(5), 925-934. Also Lindsay, C., Pearson, S., Cullen, A. M., & Eadson, W. (2018). Street-level practice and the co-production of third sector-led employability services. *Policy & Politics*, 46(2).

commissioning and governance levers at its disposal to build the capability of all the actors in the system, including employment services providers, employers, training providers, the public sector, communities. Advancing system-wide delivery and evaluation of a shared, evidence-based service model and practice approach could be part of this approach.

In addition, government's role could be extended to direct face to face service delivery with cohorts beyond those to whom it currently delivers (digital) services - for instance, as a provider of last resort in 'thin employment service markets' and/or 'front door' referral and coordination service for directing jobseekers to wider eco-systems of enabling supports based upon jobseekers' individual needs.

Options for Government Engagement in Employment Services

The role of government can be considered along a spectrum from **Purchaser to Provider to Co-Producer**, as outlined in further detail below. Any employment services system can include a combination of these approaches. For instance, under the current Workforce Australia model, the Commonwealth Government is both a purchaser of enhanced services delivered predominantly at 'arms length' by external contractors as well as being the sole provider of Workforce Australia digital services. Hence, the three roles specific below should not be seen as mutually exclusive or fundamentally incompatible with each other. That said, there are several reasons why the historical dominance of the purchaser-orientation has proven problematic and needs to be eclipsed if transformative change is to happen.



Purchaser

Over the past 25 years, government has primarily acted as a *purchaser* of employment services. through periodic national tenders (three Job Network contracts, two Job Services Australia contracts, Jobactive, and now Workforce Australia). Under this approach, the principal instruments that the government uses to drive service innovations and improvements are the performance measurement of providers against a set of periodically specified criteria (usually based around short-term job placements and mutual obligation activities such as referrals to Work-for-the-Dole) and the incentivisation of providers through outcomes-based payment models and competition from other

agencies for their contracts and clients. Providers are left to determine how to achieve the specified set of outcomes and performance measures, often with little or no reference to relevant data or evidence about effective practice approaches and limited opportunity for collaboration and sharing expertise.

There are some **evident strengths** of the contracted model, as developed over the past twenty-five years. For example, it has proved to be efficient in placing relatively advantaged jobseekers into work and has also had success in 'speed-to-placement' improvements overall. The regular turnover of contractors has also provided a means to eliminate performers who have proved unsuccessful at securing speedy outcomes to placement. However, there are many **weaknesses**:

- Competitive tenders are not only expensive, they are also highly disruptive for jobseekers and providers. They create upheaval and transition costs for providers bidding for contracts.
- Small local and specialist providers embedded in their communities are disadvantaged in competitive commissioning.
- Gaming of the contract model and fraud have proven persistent problems.
- Top-down regulation to manage the system creates a 'poachers and gamekeepers' economy.
- Outcomes-oriented payment models and performance metrics incentivise a short-term results focus that works against securing employment pathway outcomes that lead to quality work for those facing labour market disadvantage.
- Competition between providers for clients and contracts makes organisations reluctant to collaborate and share details about 'what works' and local networks with employers.
- The 'black box' nature of contracting leads to large information asymmetries and low understanding by government of 'what works' in service design and practice models.
- Providers are not incentivised to tailor service delivery to place and align effort and investment through place-based planning and implementation.
- Employer and industry needs are marginal.
- Government has a diminished role in stewarding the system.

The current model makes it difficult for government to know what is really taking place inside the system. Government have no clear line of sight to the dynamics of the local labour market. It also has very limited understanding of the issues enable or prevent employment service providers from achieving effective outcomes for jobseekers. Attempts to achieve insight can but don't have to be expensive. A more innovation-focused role for government as a service partner and/or provider will require a stepwise shift in the overall system (see below). To make such a transition and thus to improve outcomes for people who are unemployed long-term and other jobseekers experiencing disadvantage, the government should insist that providers implement an evidence-based service model. Government should also invest in testing and delivering new service models and sharing service innovations and improvements openly with providers across the public, private, and not-for-profit sectors. It is difficult to achieve this level of experimentation, and, perhaps more importantly, mutual learning about what works (and what doesn't) for whom, under competitive contracting conditions. There are several reasons for this, notably:

- Providers bear almost all the risks and costs of 'risky innovations' that may lead to short-term declines in results for the sake of prolonged uplifts in performance over more sustained periods; and

- Where contracts, client shares and payments are allocated on a competitive basis, providers are actively discouraged from sharing any expertise or knowledge they acquire from experimenting with new approaches.

Therefore, to generate wider and sustained changes in employment services practice, new approaches to working with jobseekers, addressing local workforce shortages, and tackling employment challenges will need to be developed. Under a reformed purchaser model that includes competitive tendering it would be possible to follow the contracting model employed for Transition to Work and contract one provider per region and therefore avoid regional competition. Government could also provide select innovation funds. However these mechanisms will fall short of the breadth and depth of collaboration and government stewardship needed for genuine reform.

Co-Producer

In contrast to the purchaser or a simple provider model, a co-production model requires government to play a more active role as a collaborator and system steward - working with community partners to actively shape a more integrated and flexible and integrated eco-system of place-based supports adapted to local needs and complementary population level policies. This includes working to align relevant policy and services across different levels of government and policy domains (e.g. education, training, health, housing) and actively co-designing service delivery models and best practice innovations with community partners involved in face-to-face, frontline delivery. Moreover, **government shares the financial and performance risks** associated with more experimental approaches to service delivery. This risk sharing is critical to achieve system wide innovation and the participation of grassroots and place-based not-for-profit organisations. The co-production model puts government back into the role of service delivery agent, taking joint responsibility for the end-to-end service, agreeing to work-arounds and rule adjustments, and seeking to make investments in jobseekers where this fits the evidence-base for success.

Key ingredients of the co-production model are that government works with other stakeholders to:

- **Define success** through a jointly developed and agreed service model and outcomes.
- **Institute effective governance and funding arrangements to enable the alignment and integration** of policy, services and funding between all government agencies connected to the employment ecosystem (including skills and training, industry, regional policy, social services), as well as with other levels of government and philanthropy.
- **Enable service system development by:**
 - Building a capable, **responsive and diverse** network of providers, selected for their ability to collaborate and tailor services locally and collaborate nationally to advance expertise and evidence-informed practice.
 - Promoting **innovation**: actively fostering best practice and innovation, including by supporting enabling/ backbone organisations to support capability-building, commissioning experimental pilots and promoting communities of policy and practice.
- **Fund for success**: Equitable and transparent funding arrangements that cover the real cost of collaborative service delivery and allow flexible use of resources.
- **Undertake planning** at the system and community/place level to shape effective policy and practice.

- **Use data and evidence to shape policy and service models** by providing access to granular level data and developmental evaluation to support community-level co-design, planning and implementation. At a minimum this should include smart and continuous use of data on changing labour markets, skills provision and uptake, performance of providers and outcomes for employers and jobseekers.
- **Prevent market failures and solve for thin markets** where entire employment regions are serviced by a single contractor who may be at risk of poor-performance and business failure.

This co-production approach to employment services is uncommon at a Commonwealth government level, although there are examples of philanthropically funded models (e.g. National Youth Employment Body, Opportunity Wyndham). Several state and territory governments have also been experimenting with this approach. For example, the Tasmanian Government's Regional Jobs Hub Network is a well documented model. Seven Regional Jobs Hubs across the state bring local employers and jobseekers together to create employment pathways and outcomes for Tasmanians in their local communities. They provide a suite of services to support people into work - including career counselling, transport support, training and job-matching - while at the same time addressing local workforce shortages in priority industries. Embedded in their communities, and guided by Regional Advisory Boards, the Hubs leverage the contributions and networks of local community members with a stake in employment to drive mutually beneficial employment outcomes. Importantly, and where feasible, local councils play a lead role in the networks along with placed-based community organisations and local employers. The Tasmanian Government acts as system steward and partner, providing funding, network administrative and research support, and working across government agencies and with industry and peak bodies to drive and align government policy.

Internationally, partnership approaches involving the co-production of employability services across sectors and levels of government have been piloted with some success in Scotland in the case of active labour market programs for lone parents¹⁴, and also in Denmark where relational contracting is often used by municipalities to harness the expertise of specialist non-government providers to address the needs of longer-term unemployed jobseekers with multiple and complex needs.¹⁵ Importantly, the partnerships involved in this model frequently extend beyond employment services organisations. They extend to incorporating the expertise of allied health, flanking social services, and education and training providers who all have a pivotal role to play in enabling a joined-up service response to the needs of jobseekers with complex barriers to work.

There are evident **strengths of the partnership model**.

- First it leverages the distinct expertise and change levers at the disposal of the key actors in the system - government, providers, employers, and jobseekers.

¹⁴ An example of this partnership approach in the area of activation and employability services was Scotland's *Making it Work* program for lone parents, which was piloted in five local government areas as an active collaboration between the Scottish Government, local councils, and place-based not-for-profit organisations. See Lindsay, C., Pearson, S., Batty, E., Cullen, A. M., & Eadson, W. (2018). Co-production and social innovation in street-level employability services: Lessons from services with lone parents in Scotland. *International Social Security Review*, 71(4), 33-50

¹⁵ The partnership model in Denmark has de-centralised all purchasing of employment services to the local, municipal level which has enabled the municipal level job centres to develop partnership approaches to contracting external activation services, often from NGOs in consultation with unions and social partners and resulting in a very 'handpicked contractualisation', as an alternative to competitive tendering.

- It takes the mystery out of the service models being used at the frontline enabling the implementation of evidence-informed service models and practice approaches adapted to place and population.
- It also creates a transparent agreement regarding the range of clients being helped, and rules-of-the-game for achieving success.
- It reduces transaction costs associated with service commissioning as well as the risk of information asymmetries (from government being one step removed from service delivery on the ground).

The approach assumes the joint development of a set of quality standards and methods as well as impact and outcome measures.

Potential challenges of this approach are that:

- Some providers will not want to reveal their service models as it may open their methods up to unwanted scrutiny and/or capture by other (competitor) providers.
- The current employment services agencies and workforce are unaccustomed to collaborative approaches and have limited capability to develop sustained collaboration with government and other agencies, especially those who deliver flanking social services.
- The public sector has limited capability to assume the role as system steward and collaborator.
- A co-production model will require substantial skill investment at the frontline as well as the development of appropriate multi-level governance to enable the sharing of information and resources between government and other providers.
- Potentially complex funding and governance arrangements.
- As a result of the above, some providers may choose to exit the employment services landscape rather than pivot towards actively co-designing services with government.

SHIFT IN GOV ROLE

Current and future options for the role of government in employment services

	PURCHASER	PROVIDER	CO-PRODUCER
	'Rowing'		'Steering'
Regulation	Monitors minimum standards and market entry/exit	Monitors minimum standards and market entry/exit	Independent regulator to monitor approach and outcomes
Policy alignment	Policy development without clear alignment mechanisms at local or national level. Multiple levers working independently.	Cohort-specific policy development (e.g. low needs digital of long-term unemployed and alignment with other C/W system offerings). No clear or intentional alignment mechanisms at local, state or national level. Multiple levers working independently.	Aligns policy and services across levels of government and policy domains (e.g. skills, careers, regional policy) with vertical and horizontal mechanisms. Creates/supports mechanisms to enable collaboration, knowledge sharing, adaptation and innovation
Place	Streamlined for efficiency and cohort/population level response rather than place	Mechanism for addressing thin markets/market failure. Top-down initiatives to match supply and demand at regional level.	Co-designed services tailored to local employment ecosystems, shaping national policy frameworks
Data and evidence	Provision of service administrative data to providers to monitor performance; no mechanism for service level evaluation or development of evidence informed model	Monitors markets for sufficiency and diversity. High level employment service program evaluation.	Provides access to linked government data at place and population level to shape local planning and implementation. Focus on monitoring and continuous quality improvement
Workforce capability	Delegated and costed in provider contracts	Builds capability of public sector as direct provider and capability of commissioned services	National minimum training and data-led communities of practice across states and territories
ROLE OF STATES/ TERRITORIES/ LOCAL GOVTS	Coordinating ad hoc array of services Filling service gaps particular to place and cohort	Potential for: matched funding between Commonwealth and States, division of responsibility along cohort lines and subsidiary principle	Multi-level governance approach Commonwealth shares and negotiates funding agreements with state and local jurisdictions in line with place-based capability

The success of the model will demand active partnerships with states/territories given the range of state/territory support services that are critical to addressing the needs of jobseekers, especially those with complex and longstanding barriers to employment. Partnerships with local government, especially through their social and economic committees will also be important to leverage community resources, networks and strategies. These government partnerships could take multiple forms. For example, the Commonwealth and state and territory governments could develop multilateral or bilateral agreements that specify shared responsibilities for the funding and commissioning of employment services. This multi-level governance approach is critical to reducing the overlap between employment initiatives funded by different levels of government, and ensuring that ecosystems of place-based employment supports are aligned around state-based systems of enabling ancillary services in areas such as education, training, community health, and allied social services.

The form of **relational contracting** (or collaborative commissioning) required for this approach will also need **an entirely new set of systems at the department level** to the instruments of competitive tendering, compliance-driven contract management, and performance payments that are currently predominantly used to steer the market. It will require a different and **more flexible funding model** which rewards improvement over a longer period. Different performance measures will need to show progress achieved in bringing those with barriers into different versions of labour market attachment, for example: work; train and work; work and care; train and social employment.

The co-producer model also makes significant **demands** on the Australian Public Service. DEWR may lack skills in service design and delivery and find their role as co-producer hard to deliver in the short-term. Significant capability-building within the public service and within the employment sector will be required, including with researchers and independent institutes who can provide expertise on relational contracting and more collaborative approaches to service commissioning. These enablers of a co-producer model are explored in more detail in Section 4.

While embedding a co-production approach across the national employment services system will require lengthy and complex reforms across different levels of government and overhaul of existing contracting arrangements, there are opportunities to make immediate advances in this direction. One possibility is for **the Commonwealth Government to partner with existing place-based initiatives at state and territory government level** to build on and expand the reach of initiatives such as the Regional Jobs Hubs in Tasmania or the Jobs Victoria program with its network of Work and Learning Centres operated by community partners. Harnessing these established place-based initiatives and integrating them with Workforce Australia services could help to ensure that employment services in these areas are responsive to community needs and local labour market conditions, while providing referral pathways to a range of enabling supports in areas such as housing, education and training, driver licensing and financial counselling delivered by various levels of government as well as community organisations. A shared approach to these place-based employment networks across different levels of government would also help to align Commonwealth and State and Territory employment programs and reduce the degree of complexity that jobseekers currently experience in these areas. Notably, several such place-based employment networks are located in regions with only a small number of Workforce Australia providers. For instance, there are only two providers in Ballarat and three Workforce Australia providers operating in Hobart and Southern Tasmania. There may be opportunities for developing service innovations in these employment regions through renegotiating existing Workforce Australia contracts, and the

incumbent Workforce Australia providers may welcome the opportunity to enter into a more collaborative partnership with government and other service providers in those communities.

Collaboration between different levels of government and local, community organisations to co-produce new integrated place-based supports may also be needed to address the issue of 'thin markets' in some of the current Workforce Australia employment regions. For example, in the context of the NDIS, Helen Dickinson, Gemma Carey and colleagues have highlighted the persistent problem of 'thin markets' as a critical challenge to the NDIS emphasis on choice and empowerment. They outline two distinct (but related) kinds of thin markets, that both require government to step into a stewardship role: the first is a *sufficiency* problem, where there is simply 'not enough service provision for competition to emerge and for basic needs to be met' and the second is a problem of *diversity* where there is no meaningful choice between providers because there is no point of difference between the approaches and service delivery models they offer.¹⁶ Such lack of diversity has been recognised as a persistent problem plaguing Australia's employment services market, where Considine and colleagues' research points to the repeated herding of providers around a standardised, low-cost, work-first approach. But the new Workforce Australia model amplifies concerns about both a lack of diversity and insufficiency of providers. For example, a number of existing employment regions can effectively be described as 'captured markets' to the extent that all employment services in those regions are provided by a single provider. This is currently the case in Broome, Esperance, Geraldton and Great-Southern Wheatbelt - making these regions particularly vulnerable to the risk of market failure (e.g. should the existing provider consistently fail to achieve outcomes or cease operating). Under such circumstances, it will be incumbent upon the Commonwealth Government to ensure that participants' needs for a holistic model of higher intensity employment support are met. This may require a shift in the role of government away from an 'arm's length' purchaser focused on monitoring performance, contractual compliance, and paying for results towards a co-producer that is willing to share financial risk of services that it has actively had a hand in co-designing with not only local and state/territory governments but also non-government partners.

Provider

(purchaser- provider or co-producer- provider)

In the co-producer model described above, the Department becomes part of the delivery process and not simply a regulator - co-designing and evolving evidence-informed service and practice models with community partners and creating mechanisms to enable collaboration, knowledge sharing, and innovation across networks of providers within place-based ecosystems of support. A further elaboration of the role of government in service provision is for a publicly-run organisation to itself deliver a component of frontline supports - for example, to mitigate risk, incubate innovations, prove systems, build its own experience base and share insights as an evidence-based producer.

This approach of direct public provision of a component of services is common in employment services systems internationally, especially in leading European countries such as Norway, Belgium, the Netherlands, and Denmark where the bulk of employment guidance, counselling and job-matching services are delivered by public providers at either a national or local government level. Indeed, in the case of the Netherlands and Denmark, there has been an effective re-nationalisation

¹⁶ Dickinson, H., Carey, G., Malbon, E., Gilchrist, D., Chand, S., Kavanagh, A., & Alexander, D. (2022). Should We Change the Way We Think About Market Performance When It Comes to Quasi-Markets? A New Framework for Evaluating Public Service Markets. *Public Administration Review*, 82(5), 897-901.

of employment services for the long-term unemployed over the past twenty years, as governments in both countries have moved away from competitive tendering and contracting-out towards greater in-house provision. A substantive component of direct public provision is also a typical feature of employment services systems in other Anglophone, liberal countries. Examples include Jobcentre Plus in the UK and Intreo in Ireland which are low intensity employment guidance and job-matching services targeted towards newer claimants (although one downside of this approach is that differentiating between in-house provision for newer claimants and contracted provision for people who are unemployed long-term can contribute to system fragmentation and coordination challenges).

In short, until recently, Australia has been the outlier among OECD countries in not having some aspect of publicly-run employment services delivery. This has now changed under the current Workforce Australia model. The Commonwealth Government is now a major (if not the largest) provider of employment services through the digitalised employment service and related contact centre which is staffed by public sector employees. It has 'skin in the game' providing the public sector with direct exposure to the issues that disadvantaged jobseekers and employers face.

Building on this, the role of government could be further extended through public provision of face-to-face services to other jobseeker cohorts. This could allow for self-selection into digital or low intensity servicing or advancement to refined capability assessment that may lead to a more intense face-to-face service offer. For example, in regions with 'thin employment service markets' **government could provide a default job-matching and job-search support service**, particularly in remote areas with low-population density. In these regions local community networks are too thin on the ground or lack the requisite expertise or resources to provide comprehensive supports to jobseekers.

There are other potential provider options for government. For example, it could **an anchor provider in place-based delivery partnerships, operating a first-point of contact, 'front door' information and referral service** for directing jobseekers to wider eco-systems of enabling supports. This would involve linking jobseekers with local employers and coordinating supports from a range of training options, employment supports and relevant social services delivered by government and non-government agencies to ensure these are matched to jobseekers' personalised needs. Under this approach, government would act as both a direct provider of a 'front door' information and referral services and a co-producer that actively works with community partners and across different levels of government to co-design evidence-informed practice models that are tailored to local labour market conditions and the needs of jobseekers and employers.

A further variation on the role of government as a provider could be as **an innovation site for specific zones or regions** to test and share service models and techniques, develop new pricing for quality services and models for outcome expectations to share with the wider service. The decentralised models of the Netherlands and Denmark come close to approximating this role for the public provider to the extent that each of the municipalities in those countries has considerable discretion to design, develop, and implement their own local innovations in employment services, with central government ministries continuing to play a coordinating role in terms of funding, monitoring performance, and disseminating evidence to municipalities. This enables opportunities for experimentation and testing different service models between municipalities, and because these innovations are led by public rather than commercial providers, evidence about what works (and

what doesn't) can be more readily shared across the system rather than being closely guarded intellectual property or being hidden behind commercial-in-confidence clauses.¹⁷

The potential **strengths/advantages** of the provider model vary according to the form of the provider model employed (i.e. purchaser-provider or co-producer provider) but could include:

- Reduced transaction costs associated with service commissioning and reduced risk of information asymmetries (from government being one step removed from service delivery on the ground).
- Government ownership of development and implementation of the service delivery model which brings an understanding and expertise dividend that accumulates over time from direct experience of working with jobseekers with complex needs.
- A public sector workforce employed on an ongoing basis and in more stable roles can be more conducive to fostering longer-term relationships with employers and strategic partnerships with other service providers, and the willingness of staff to invest time and effort into developing strategic partnerships.
- Compared with private and third-sector providers, government agencies are also well positioned in terms of their authority, deeper resources, and wider relationships to anchor the long view needed to foster serious innovation, partner with research institutes, harvest insights from international lead systems and broker new relationships with 'flanking services' inside the public sector.
- Government agencies have more direct access to data on jobseekers and their various needs and experiences.
- Government has the ready authority to negotiate trials and experiments with other key agencies such as health, rehabilitation and recovery services, and VET.

Potential weakness and implementation challenges of the provider model vary according to the form of government role implemented but could include:

- Deciding to extract an existing region or LGA from the current system in order to have government partner or provide services may require compensation to providers who are displaced or who decline to partner.
- DEWR, as the lead government agency in employment, does not have service delivery skills, culture and investments or the networks in communities with relevant social services and employers.
- In the absence of coordinated service planning and sustained information-sharing at the local service level, allocating different elements of provision to government and non-government providers may give rise to further fragmentation and inconsistent practice models across cohorts and providers. This has been an important concern in other countries such as the UK and Ireland where services for people who are employed long-term and other jobseekers with complex employment barriers have been contracted out while the public employment service has concentrated on providing lower-intensity job-matching and job search support to newer claimants and people who are unemployed short-term.

¹⁷ In the case of Denmark, for example, several municipal job centres have partnered with Aalborg University's Centre for Local Innovation in Social and Employment Services to pilot new ways of delivering employment services at the frontline based on principles of co-creation between researchers, practitioners, and service users. See <https://www.politics-society.aau.dk/research/projects/lises/about-lises/>.

- In cases where government becomes a direct service provider, an independent regulatory body will need to be established to provide quality assurance, performance monitoring, and manage potential and perceived conflicts of interests between the government's dual role as both regulator and provider. However, the Commonwealth Government already has experience of confronting this challenge both during the early years of the Job Network (from 1998 - 2003) and in other sectors such as the energy market (which includes numerous public retail and wholesale energy providers), where an independent Australian Energy Regulator has been established.

The Role of State, Territory and Local Governments

Under each of these different options for the role of government, there is also potential for the Commonwealth to **partner with state, territory, and local governments** at an **operational level** and through **co-investment funding** arrangements.

As previously noted, despite recently assuming responsibility for digital employment services provision, DEWR and the Commonwealth Government have been removed from direct service delivery for almost 20 years. In some cases, agencies at state and territory government level have more recent direct expertise of providing end-to-end employment support. Critically, these levels of government are also more closely connected into the ecosystem of allied health, relevant flanking social services, and education and training programs that are critical to substantively addressing the needs of people experiencing complex barriers to employment or unemployed long-term.

Building public capacity as a direct provider of employment services can be strengthened by partnership arrangements between different levels of government. A range of options are available, for example through:

- Negotiation of a National Agreement specifying the service delivery model and bilateral agreements for implementation.
- The Commonwealth putting up funding for states to co-invest, as in the example of the National Housing and Homelessness Agreement where the funding invested by the Commonwealth Government in homeless services is required to be matched by the States.
- Commonwealth and state and territory governments splitting responsibilities for service delivery for different cohorts in the overall eco-system of employment services:
 - In the Netherlands, for example, the national government runs an employment service (UWS) for short term unemployed jobseekers who are receiving social insurance payments. Municipalities provide employment support services to social assistance claimants who are ineligible for social insurance payments and who are more likely to be very-long-term unemployed and have complex employment barriers. The principle of subsidiarity is key to this devolution of accountability for this cohort to the municipal level. It is recognised that local governments are closer to residents in their areas and more likely to anticipate and respond to their labour market needs.¹⁸

¹⁸ See OECD (2023) Policy Options for Labour Market Challenges in Amsterdam and Other Dutch Municipalities. Available at <https://www.oecd-ilibrary.org/docserver/33f20d9a-en.pdf?expires=1676853136&id=id&accname=guest&checksum=7D97C5A8A1A9D9463A603A37361BB6F0>.

- Several state governments in Australia already operate parallel employment services programs to the Commonwealth Government's program (e.g. Jobs Victoria Employment Services, Tasmanian Regional Jobs Hubs) and there are opportunities to further embed the role of state and territory governments in the employment services ecosystem in a more structured and sustained way, and in line with the principle of subsidiarity (that decisions about policy design and aligned delivery should be taken as close to the communities that programs service, with higher levels of government stepping in only when lower levels of government lack the capacity to do so).

Commonwealth and state and territory governments splitting responsibility for universal and place aligned delivery. For example, the Commonwealth could (continue to) hold accountability for a national evidence informed employment service which is adaptable to place, while also co-investing with the State and Territory governments in place-based approaches that align service employment, education and training delivery in local communities.

SHIFT IN GOV ROLE

Strengths and weaknesses and role of states/territories and local govts

	PURCHASER	PROVIDER	CO-PRODUCER
	'Rowing'		'Steering'
STRENGTHS	Speed to placement – short term placement of participants to job vacancies	Hands on govt provision better serves people most disconnected from the labour market, and regions with thin service markets Experience of delivery allows system learning and adaptation Scope to have long term, innovative approach with govt bearing risk Incubate innovations, adapt systems, build its own experience base and share insights as an evidence-based producer	Closer govt involvement can ensure more tailored support by adapting to local need as it arises Transparent and shared ambitions on appropriate service provision Incubate innovations, adapt systems, build its own experience base and share insights as an evidence-based producer Shares the risk of innovation Experience of co-design, delivery and evaluation allows system learning and adaptation Universal platform that can adapt to, and be informed by, place
WEAKNESSES AND IMPLEMENTATION CONSIDERATIONS	Expensive to recommission and transition Competition discourages collaboration Short-term outcomes limit support for people furthest from labour market Rewards instrumental outcomes at expense of people's aspirations Few incentives to tailor to place and cohort Gaming and fraud Lack of innovation, systems learning	Transition costs Lack of service delivery skills, culture and investment in current government depts Mixed service system with inconsistent practice model segmented by cohort	Collaborative commissioning/ relational contracting requires shifting govt's deeply held belief in incentive mechanisms Capability building required for: • public sector to take on collaborator role • service sector to take on co-design with govt and employers

Section 4: Reform Enablers

As highlighted earlier in this submission, over the past 25 years the employment services system has operated as a fully outsourced compliance focused quasi-market, procured from for-profit and not-for-profit providers through national competitive tendering processes, with delivery of services tightly bound by contract requirements. This structure creates the incentives and disincentives within the service system, and heavily impacts the behaviour of providers, the capability of providers and government, and the way data and evidence are collected and used. Most jobseekers, employers and industry, as well as local labour markets have not been well served by this inflexible, competitive system. While the establishment of Workforce Australia, and the introduction of government-provided digital services, represents a departure from this model to some degree, early signs suggest the rest of the system is continuing to behave in a similar way.

We have proposed the creation of a new employment system that builds effective and empowering pathways to economic and social participation and decent, secure work and careers for jobseekers, especially those who are most disadvantaged, through a collaborative, people- and place-centred approach supported by more active engagement by government.

Below, we expand on alternative approaches to the structural underpinnings, and other aspects of the service system that could address the limitations of the system and enable greater effectiveness, responsiveness and ultimately, improved outcomes, particularly for the people the system is failing the most.

Commissioning a Collaboration-Focused Employment Services System

The shift towards this collaborative employment system needs to be facilitated by a new approach to the design and commissioning of employment services – ensuring that program design, provider selection, quality and innovation and accountability mechanisms all serve these policy objectives.

More relational forms of commissioning are required to create a collaboration-focused employment system that provides tailored, enabling support to jobseekers – including those with complex needs and circumstances – and encourages cross-sector partnerships to leverage local community effort and address barriers to employment in place.

Program design

Commissioning should: encourage and support a diversity of providers; create incentives for collaboration; and generate opportunities for participants to co-design effective employment solutions. Importantly, government needs to recognise the significant investment of time and resources required for effective collaboration, including by funding Enabling or Backbone Organisations to build the capacity of local community providers.

Provider selection

Providers should be selected based on: their commitment to collaboration and capabilities-based practice; demonstrated ability to leverage local community effort (for example, through partnerships with local employers, training providers and support services); having a workforce that reflects and has the capability to respond to the diversity of participants, and processes for amplifying the voices

and agency of participants; capability to drive effective performance through analysis of data and evidence.

Quality and innovation

Commissioning for quality and innovation includes: specifying the core evidence-informed service elements and practice; establishing mechanisms (e.g. flexible funds) that enable adaptation of the service model to local conditions and population characteristics; funding and embedding mechanisms for purposeful collaboration and shared learning between providers, such as Communities of Practice; and funding development of a high-quality workforce.

Accountability

Performance monitoring systems should be oriented around accountability, service improvement and frontline productivity. This means establishing impact-based performance indicators that enable collaboration, adaptation and innovation to deliver on shared objectives, as well as progressive indicators to ensure support is directed towards building capabilities (for example, through education and training) that will set jobseekers up for the medium to long term. Performance indicators, caseloads and unit pricing must all take account of the effort required to achieve employment outcomes for jobseekers who are deeply socially excluded, and the impact of local labour markets and related infrastructure (e.g. transport) on employment opportunities.

Pricing and Funding Models

Current streamed pricing and funding arrangements in Workforce Australia are designed to maximise investment in service delivery to jobseekers with the greatest barriers to employment to achieve an employment outcome. Flexible funds allow providers to purchase additional supports to help achieve the job placement. While the commitment to targeting (flexible) investment to the most needy is correct, in practice the current investment in the system remains inadequate and short sighted; pricing and contracts continue to reproduce poor outcomes for these cohorts.

Contractual incentives for short-term outcomes (4, 12, 26 weeks) perpetuates an “any job will do” approach rather than a “decent, secure job for the future” approach.

In practice, jobs are valued above other outcomes, such as education and training pathways for instance. The focus on job placements also incentivises ‘creaming’, churning and parking behaviours by service providers, whereby job-ready and easy to place jobseekers are moved quickly through the system to maximise payments and those who are most expensive to support are overlooked.

Contracts and pricing maintain a high-volume, low margin ‘one size fits all’ service practice, leaving little room for flexible, responsive delivery and innovation.

Other approaches

A range of alternative approaches to pricing and funding should be considered to more effectively enable service delivery that is more responsive to the needs of people and places, especially those facing disadvantage or who have greater barriers to employment. These include:

- Contracting and pricing arrangements that incentivise a range of progressive and final outcomes that allow service providers flexibility to respond to jobseeker challenges and capability, rather than remain locked into a narrow and standardised service model.
- Sustained funding for enabling elements of the delivery model that are outside standard service delivery, but make a difference to outcomes, for instance: coordination and capability-building of service providers, development of shared approaches/tools, strategic employer liaison, comprehensive and intensive case management, and service innovation.
- Pricing/payment arrangements that incentivise tailoring, and collaboration between providers.
- Accurate costing of what it takes (duration, sequencing, intensity), to respond to complex cases so providers are covered to invest what's needed.

CPD's and BSL's research on integrated place-based service delivery to boost economic participation has found that for a consortium of providers working collaboratively, a mixture of funding sources is preferable. These could cover program funding for common services, and flexible funding for gap filling, specialised services and sewing the service delivery together around people and places. This requires a coordinated approach to funding by government, philanthropic and private sector funders.

Activity-based funding, used in public hospitals, may provide an instructive example of an alternative approach to funding that is well suited to enable more effective and responsive service delivery. Activity-based funding is a national mechanism for funding, pricing and performance measurement uses a Nationally Efficient Price and a National Weighted Activity Unit, which help to build a simple funding system with confidence, through a focus on efficiency and transparency. Funding allocation is based on forecast activity levels in specific categories e.g. Acute or Emergency Services, with each hospital receiving the 'nationally efficient price' per unit. A standard unit equates to the resources required for a typical admission and stay at a hospital for a recognised procedure or treatment. Adjustments are made for paediatric patients, First Nations, remoteness and complexity.

The key principles of ABF are the accurate and transparent allocation of funding to services based on the activity they perform. This requires an ability to define, classify, count, cost and fund activity in a consistent manner. Activity-based funding is controlled by an independent authority. It provides a powerful incentive for service providers to perform as efficiently as possible, maximising services provided for the available funds. Other advantages are that:

- It is person centred, in that the funding is tied to the service of clients, not simply the funding of an organisation or the size and characteristics of a population.
- It is information rich – generating useful data on what services are provided to whom and at what cost across many different types of services, enabling better understanding of the provision of services.
- It is transparent, making clear on what basis funding is provided, with less opportunity for funding based upon influence or special pleading.
- It also increases service providers' autonomy to deliver services within a clear funding and accountability framework – it separates and clarifies the role of the funder to determine, and be accountable for, the overall level of services to be provided and the level of funding

to deliver those services, while requiring (and empowering) service providers to deliver those services in the best possible way.

In employment services, an independent national authority could fix an efficient price for agreed bundles of services, updated regularly with regional and cohort variation as appropriate. Services could be priced as a bundle for those with complex needs and could span multiple services (e.g. employment, training, language acquisition) and objectives. Bundles of services could be provided by individual providers or a consortia of providers, which could create incentives and conditions for collaborative regional, local and cohort specific responses. Hypothetical bundles of activities/services identified in CPD's Blueprint for Regional and Community Job Deals, include: JobShifter (new skills/industries); JobCreator (entrepreneurship and small business creation); JobPathway (not a new job but a pathway; language, trauma support); and JobStarter (new job).

Workforce Capability

The quality and capability of the employment services workforce is critical to achieving meaningful and sustainable employment education, training and wellbeing outcomes for all jobseekers. However the current system investment and outcomes based contracting has done little to improve the frontline staff caseloads, capability or pay.

As a consequence, frontline work has become "more standardised and routine, with less and less emphasis on the discretionary tailoring of services and tools to enact customised plans". As Considine et al note this runs contrary to the goal of substantively personalised employment support, which depends on case managers' professional expertise and capability of working with clients in a holistic way'.¹⁹

Characteristics of a capable workforce

A quality frontline workforce is one that understands and can respond to:

- the structural and personal challenges faced by particular cohorts and at key life stages;
- the risks and opportunities for that cohort in the labour market and the nature of employment pathway support required; and
- the system of services required to assist people to address non-vocational challenges (e.g. education, health, housing and settlement services).

A quality workforce implements:

- evidence-informed, person-centred practice that leads to employment outcomes, provides tailored person-centred support for jobseekers;
- supports employers and industries to successfully bridge supply and demand issues; and
- works collaboratively within and across employment services to evolve more effective supply, demand and bridging models and practice, and with other actors and agencies in place to avoid service gaps and duplication.

¹⁹ Considine, M, O'Sullivan, S, Nguyen, P, McGann, M & Lewis, JM 2020, [Proposed Licensing System for the New Employment Services Model – response to discussion paper](#). The Policy Lab, The University of Melbourne, pp. 11, 13.

Achieving a capable front line delivery workforce

Government should encourage providers to employ staff with relevant qualifications. However, it will be important to design for thick and thin markets, recognising the scarcity of potential staff in regional areas, for example, by setting timelines for on-the-job upskilling of staff. The workforce should also reflect the diversity of program participants, including staff with lived experience and/or peer mentors.

The development of enduring workforce capability in employment services requires a systemic approach from government including: reform to commissioning approaches; investment in service model development and mandatory training; establishment of Communities of Practice and Policy; and access to timely data and evidence to shape effective practice. It also requires aligned effort from services as well as third party organisations including enabling and research organisations.

Achieving public sector capability

A significant uplift in public sector capability will also be required to deliver on government's enhanced role as co-producer and/or provider, including drawing on researchers and independent institutes who can provide expertise on relational contracting and more collaborative approaches to service commissioning. As co-producer, this would include the capability to: effectively coordinate policy, services and funding between departments, with other levels of government and philanthropy; create and support new governance arrangements; and curate a capable, responsive and diverse network of providers, selected for their ability to collaborate and tailor services locally.

Data and Evidence Development

Development of and access to timely and diverse data and evidence is key to the effectiveness of a reformed employment services system, including frontline practice with jobseekers and employers. Data is required to evaluate system as well as provider performance, drive continuous quality improvement, assess the impact of work with jobseekers and employers, support the development and evolution of employment models and practice which is adapted to local labour and service markets and community characteristics, and support relevant research.

Performance Monitoring and Evaluation

An outcomes and impact framework should be developed to drive evolution of the service model and impact. This should include impact-based performance indicators that enable collaboration, adaptation and innovation to deliver on shared objectives, as well as progressive indicators to ensure support is directed towards building capabilities (for example, through education and training) that will set jobseekers up for the medium to long term.

The outcomes and impact frameworks should consider the quality of employment outcomes, their alignment with jobseeker goals, and the experience of navigating the employment services system, as well as outcomes for employers and industry, ensuring the quality of the employment match and post-placement support.

Performance indicators (as well as caseloads and unit pricing) must take account of the effort required to achieve employment outcomes for jobseekers who are deeply socially excluded, and the impact of local labour markets and related infrastructure (e.g. transport) on employment opportunities.

Data collection mechanisms should not be administratively burdensome, diverting time and resources from front-line assistance to the detriment of staff productivity and participant outcomes. Quantitative data should be complemented by qualitative data, such as case studies and storytelling reporting. At a minimum, providers need more timely access to government administrative data, regional skills data and state and territory education data.

Joined up labour market and skills data

Timely access to place-to-population level data is essential to drive local employment and training solutions. While there is no shortage of labour market and skills data, it is not joined up in place in a way which enables local stakeholders to diagnose and address the misalignment between supply and demand. An interactive data and planning tool should be developed to track changing labour markets and inform strategy at the national and local levels.

Closing

Our vision is for an employment services system that supports jobseekers, business and communities to thrive.

The system we have, the system we have had for close to three decades, is not the system Australia needs.

Instead, we need a system that is people-centred with effective and empowering pathways to economic and social participation, especially for those who face barriers to employment.

The wellbeing and material security benefits of decent, secure employment are clear, and we need an employment ecosystem that helps to realise those benefits and is capable of addressing 21st century needs and opportunities for jobseekers, employers, governments and communities.

We welcome further discussion with the House Select Committee, government and non-government agencies about how these options for reform could be adopted and implemented.

Appendix A – Slide Deck

Headline options for reform of the Australian employment services system

A joint proposal by the Brotherhood of St Laurence, the Centre for Policy Development, and the University of Melbourne

THE VISION

FROM an outdated system

System-centric

An employment system designed to manage risk and drive outcomes

One size fits all

Government arms length, top-down management and regulation

Competitive tendering producing fragmented services and duplication

Values (any) job placement outcome enforced by a compliance regime. Results in: short term employment and economic insecurity and training churn, untapped economic productivity and limited career mobility



TO a system designed for the 21C

People centred in place

An employment system designed for a 21st century labour market that builds people's capability

Flexible universal system tailored to youth transitions and universal offers that flex to address cohort needs and capabilities and shaped by local and regional conditions

Top down (government) and bottom up (community) collaborative, people- and place-centred industry focused approach to policy, implementation and service system design and delivery

Collaborative commissioning and mixed tendering that aligns funding and programs

Mutual accountability that supports people's move in and out of meaningful education, training and work and that lines up aspirations with sustainable employment pathways in growth industries

THE PROBLEM

Australia's employment services system is not delivering for jobseekers, employers or the community

The fully outsourced employment service model is not working for jobseekers and employers and in places of high unemployment. Five ways the current employment service system fails people:



THE IMPACT

Most jobseekers not well-served by high-volume, any-job-is-a-good-job system.

Least effective for jobseekers facing complex barriers to employment

Unmet workforce demand and low productivity for employers, industry and economy

THE AMBITION

An employment services system that works for our time and our people

Vision

An employment system designed for a 21st century labour market that:

builds effective and empowering pathways to quality work and careers for jobseekers, especially those who are most disadvantaged.

Objectives

1. advances the economic security and wellbeing of individuals and their families,
2. contributes productivity to employers and the economy, and
3. builds capability within communities and local economies through economic participation.

Change

To deliver this vision, we need to drive a transformative shift in Australia's employment system towards a more

collaborative, people-centred, place-based and industry-focused approach.

How?

Four Key Ingredients

1. Mindset shift
2. Place-based flexible universal system
3. Service & practice model
4. Changed government role

THE HOW

Key ingredients for reform

1 Mindset shift

From a deficit and compliance lens to a focus on investment in people's capabilities for the mutual benefit of jobseekers, employers and communities

2 Place-based flexible universal system

From a dispersed and fragmented employment service system to a single national service that includes dedicated youth and working age services with a differentiated response by labour market attachment



From a one size fits all service to a flexible universal system tailored to and shaped by local and regional conditions:

- Adoption of collaborative place-based approaches that align fragmented policy, funding and programs.
- A governance mechanism that connects governments, departments, sectors and stakeholders from the local to national level, to design adaptive employment and training solutions.

3 Service & practice model

From ad hoc delivery approaches to an evidence-informed person-centred service and practice model adapted to place:

- flexible and tailored to needs, circumstances and life stage of the individual, as well as their local context
- builds jobseekers' capability and confidence to pursue personally meaningful career (and life) goals and establish strong foundations for economic security, and aims to maximise their choice and agency
- connects to skills and training for quality jobs and that provides career mobility
- invests in employers to create and advance demand-side opportunities

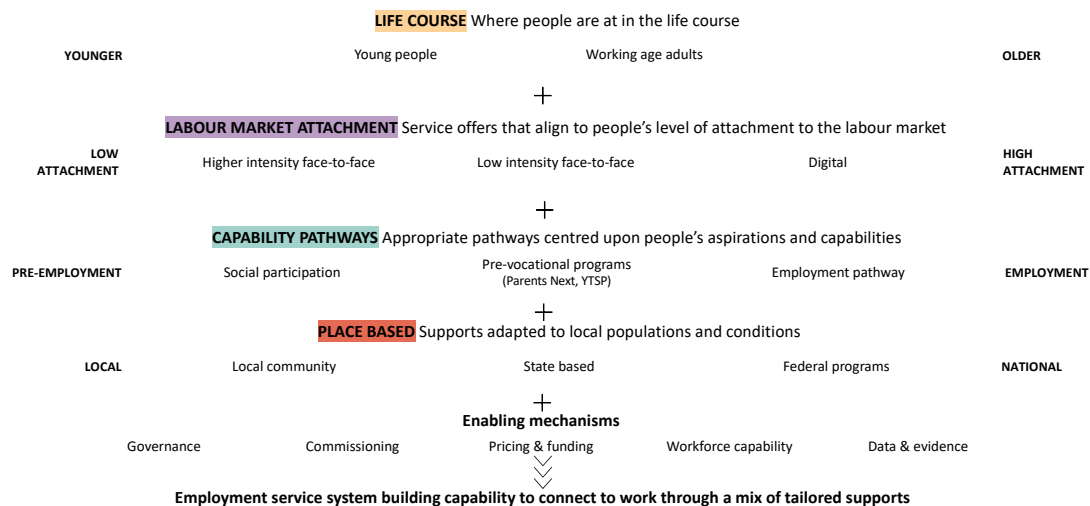
4 Changed government role

From arms-length 'purchaser' of employment services to active co-producer of employment services, acting to supplement thin markets in some areas

PEOPLE-CENTRED SYSTEM

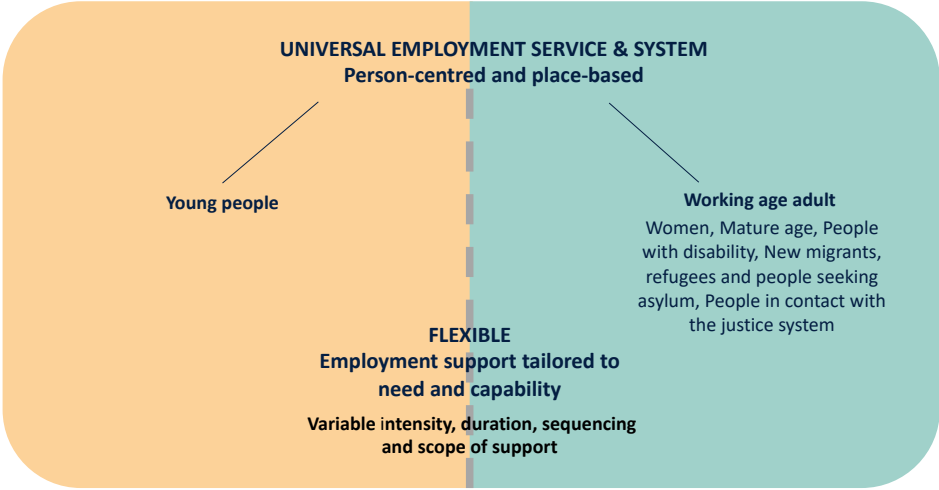
A system that works for everyone

We need a system that works for everyone and responds to jobseekers' diverse needs. We propose the introduction of a national employment service that is differentiated by intensity and supported by tailored, person-centred practice, with a dedicated youth service.



PEOPLE-CENTRED SYSTEM

A person-centred, place-based employment service that is universal and flexible



SHIFT IN GOV ROLE

Current and future options for the role of government in employment services

	PURCHASER	PROVIDER	CO-PRODUCER
C/W GOVT OFFER	Govt purchases face to face employment services by competitive tender	Provider Gov delivers employment services	Govt commissions for collaboration and co-designs service delivery and innovation models with community partners involved in frontline delivery
	Purchaser- Providers – Gov delivers select services (e.g. digital) and purchases face to face employment services by competitive tender		Coproducer- Provider Govt commissions for collaboration and co-designs service delivery and innovation models with community partners involved in frontline delivery and Gov provides services (directly or indirectly) in thin markets or key cohorts (e.g. long-term unemployed)
FUNCTIONS	‘Rowing’		‘Steering’
C/W Funds and commissions	Arms length contracting (through licensing approach or single contracts) Payment incentives for outcomes and KPIs compliance and social security payments linked to service model	Contracts community partners to deliver designated government service and Supplements thin markets with direct govt delivered face to face services and/or ‘front door’ info and referral. compliance and social security payments linked to service mode	Collaborative commissioning network of services in partnership with providers Incentivises new market entrants such as social enterprise. Decoupling compliance and social security payments from services
Service model	Not specified or minimally specified	Specifies evidence-informed service model	Co-designs and evolves evidence-informed service and practice model with community partners

SHIFT IN GOV ROLE

Current and future options for the role of government in employment services

	PURCHASER	PROVIDER	CO-PRODUCER
	'Rowing'		'Steering'
Regulation	Monitors minimum standards and market entry/exit	Monitors minimum standards and market entry/exit	Independent regulator to monitor approach and outcomes
Policy alignment	Policy development without clear alignment mechanisms at local or national level. Multiple levers working independently.	Cohort-specific policy development (e.g. low needs digital of long-term unemployed and alignment with other C/W system offerings . No clear or intentional alignment mechanisms at local , state or national level. Multiple levers working independently.	Aligns policy and services across levels of government and policy domains (e.g. skills, careers, regional policy) with vertical and horizontal mechanisms. Creates/supports mechanisms to enable collaboration, knowledge sharing, adaptation and innovation
Place	Streamlined for efficiency and cohort /population level response rather than place	Mechanism for addressing thin markets/market failure. Top-down initiatives to match supply and demand at regional level.	Co-designed services tailored to local employment ecosystems, shaping national policy frameworks
Data and evidence	Provision of service administrative data to providers to monitor performance; no mechanism for service level evaluation or development of evidence informed model	Monitors markets for sufficiency and diversity. High level employment service program evaluation.	Provides access to linked government data at place and population level to shape local planning and implementation. Focus on monitoring and continuous quality improvement
Workforce capability	Delegated and costed in provider contracts	Builds capability of public sector as direct provider and capability of commissioned services	National minimum training and data-led communities of practice across states and territories
ROLE OF STATES/ TERRITORIES/ LOCAL GOVTS	Coordinating ad hoc array of services Filling service gaps particular to place and cohort	Potential for: matched funding between Commonwealth and States, division of responsibility along cohort lines and subsidiary principle	Multi-level governance approach Commonwealth shares and negotiates funding agreements with state and local jurisdictions in line with place-based capability

SHIFT IN GOV ROLE

Strengths and weaknesses and role of states/ territories and local govts

	PURCHASER	PROVIDER	CO-PRODUCER
	'Rowing'		'Steering'
STRENGTHS	Speed to placement – short term placement of participants to job vacancies	Hands on govt provision better serves people most disconnected from the labour market, and regions with thin service markets Experience of delivery allows system learning and adaptation Scope to have long term, innovative approach with govt bearing risk Incubate innovations, adapt systems, build its own experience base and share insights as an evidence-based producer	Closer govt involvement can ensure more tailored support by adapting to local need as it arises Transparent and shared ambitions on appropriate service provision Incubate innovations, adapt systems, build its own experience base and share insights as an evidence-based producer Shares the risk of innovation Experience of co-design, delivery and evaluation allows system learning and adaptation Universal platform that can adapt to, and be informed by, place
WEAKNESSES AND IMPLEMENTATION CONSIDERATIONS	Expensive to recommission and transition Competition discourages collaboration Short-term outcomes limit support for people furthest from labour market Rewards instrumental outcomes at expense of people's aspirations Few incentives to tailor to place and cohort Gaming and fraud Lack of innovation, systems learning	Transition costs Lack of service delivery skills, culture and investment in current government depts Mixed service system with inconsistent practice model segmented by cohort	Collaborative commissioning/ relational contracting requires shifting govt's deeply held belief in incentive mechanisms Capability building required for: • public sector to take on collaborator role • service sector to take on co-design with govt and employers



Mechanisms for change

1

Broadening full employment

Treasury's white paper calls for broadening the mechanisms to achieve full employment

2

WFA review

The Workforce Australia review signals up front the need to fundamentally re-shape a person-centred Australian employment system

3

Reform in the current system

Consideration be given by the Commonwealth to the capacity to make revisions to the Workforce Australia model within this current tender period

4

Data, evidence and impact frameworks

Access to timely, joined up, place-to-population level **data and evidence**

Impact frameworks that consider quality of employment outcomes, alignment with jobseeker goals, their experience of navigating the employment services system, as well as outcomes for employers and industry