



Proposed Licencing System for the New Employment Services Model

Response to Discussion Paper



Mark Considine¹, Siobhan O’Sullivan², Phuc Nguyen³, Michael McGann⁴ and Jenny M. Lewis¹

¹The University of Melbourne

²UNSW Sydney

³La Trobe University

⁴ National University of Ireland, Maynooth

Cite this publication as: Considine, M., O’Sullivan, S., Nguyen, P., McGann, M. and Lewis, J.M. (2020) Proposed Licensing System for the New Employment Services Model – response to discussion paper. Melbourne: The Policy Lab, The University of Melbourne.

The research that informs this submission was made possible by research funds awarded by the Australian Research Council (ARC) and further supported by our ARC Linkage partners; the National Employment Services Association (NESA), WCIG and Jobs Australia (JA). The views expressed in this submission are those of the researchers named as the document’s co-authors.

The Policy Lab at the University of Melbourne provides new evidence based on original data which helps governments and other public bodies develop creative solutions to pressing policy problems.

If you are interested in The Policy Lab's projects or partnerships, you can contact the team at the-policy-lab@unimelb.edu.au

Twitter: [@ThePolicyLab](https://twitter.com/ThePolicyLab)

Medium: www.medium.com/the-policy-lab

Web: arts.unimelb.edu.au/the-policy-lab

The Policy Lab

School of Social and Political Sciences

University of Melbourne

Proposed Licencing System for the New Employment Services Model: Response to Discussion paper

1. Introduction

We welcome the opportunity to respond to the Australian Government's discussion paper, *Proposed Licencing System for the New Employment Services Model*. The University of Melbourne, working in conjunction with UNSW Sydney, La Trobe and Maynooth University, has a long-standing research program on the reform of employment services. Our team and our partners in the UK, the Netherlands and in Denmark have been studying the implementation of public employment service (PES) reforms for the past twenty years in collaboration with our industry partners.

This submission addresses the paper's commitment to innovative improvements to Australia's welfare-to-work system, with an emphasis on enhanced procurement arrangements.

The provision of more flexible and tailored employment services has been a long-standing goal of reforms to the Australian employment services system, and was a key driver behind the partial contracting-out of employment services in the mid-1990s and subsequently full privatisation in the early 2000s. Contracting-out service delivery to community and private-sector agencies was inspired by the belief that contestability could simultaneously improve the efficiency and quality of employment services, as competition was hoped to motivate agencies to innovate and become more flexible in how they delivered services. The belief was that this would result in more personalised and tailored services for jobseekers.

This submission draws on our team's longstanding program of research. That research includes four major surveys of the Australian employment services frontline conducted in 1998, 2008, 2012, and 2016 in addition to interviews with agency managers and staff (See Appendix for further details).

It is our summation that some structural barriers, such as – growing caseloads, workforce de-skilling, and convergence towards routinized and low-cost servicing strategies – are at the heart of the challenges now faced by Australian welfare-to-work policy makers. This is also evidenced by wider international experience with quasi-market designs in countries such as the UK (see Sainsbury 2017; Fuertes & Lindsay 2015; Bennet 2017), the Netherlands (see van Berkel 2017), and especially Denmark (Larsen & Wright 2014). These nations have largely lost faith in the possibilities of marketization and increasingly elected *not* to contract-out employment support for more disadvantaged jobseekers.

The structural challenges Australia's welfare-to-work system faces also include the detail of the procurement process and the payment schedule. For example, our work strongly suggests that commissioning models based on payment-by-results (PbR) tend towards 'debt-driven systems' (Bennett 2017) where the provision of support is financed by borrowing based on market expectations of future returns.

In Section 2 we respond in detail to the new licencing model outlined in the discussion paper. In Section 3 we detail what we see as the key challenges facing Australia's welfare-to-work

model. A list of our research findings is available in the Appendix.

2. Procurement Practice as Service Innovation

We commend the Department for its commitment to enhanced service delivery, via improving the design of the provider market, with two specific innovations:

- The introduction of a licensing framework; and
- Provisions to generate greater competition and diversity between providers (Australian Government 2020: 5).

According to the discussion paper, the proposed licensing framework represents a new approach to the procurement of employment services that involves contractual licences. It is designed with the aim to reduce red tape in several areas;

1. simplify the approach for providers to enter and exit the market
2. ensure high quality services for job seekers and employers
3. encourage diversity in the provider market
4. establish a market of suitable organisations that can flexibly and responsively meet the needs of the labour market (Australian Government 2020: 5).

The new licencing system, it is hoped, will in turn be beneficial by:

- Driving quality outcomes for jobseekers and employers
- Reducing the cost and disruption of procurement (Australian Government 2020: 8)

As such, in responding to the discussion paper, it is important to pose the following question:

To what extent could the innovation that lies behind the proposed licensing system: (1) yield the proposed benefits and; (2) address systemic problems in Australian welfare-to-work quasi-market?

Our research, which we outline in more detail below, has been focused on evaluating the functionality of Australia's welfare-to-work quasi-market. We have concluded that aspects of the system do not operate optimally due to the burden of red tape (for example see: Considine et al 2014a); a lack of service diversity (see: Considine et al 2014b and Considine et al 2014c); and a lack of flexibility or service tailoring (see: Considine et al 2020a, 2020b). Yet those problems arguably run deeper than the innovation that lies behind the proposed licensing system, insofar as they are connected to incentives that drive standardisation and cost-cutting embedded in the outcomes-based payment model and the degree to which providers and frontline employment services staff are

subject to *ongoing* performance monitoring and intensive scrutiny of their contractual compliance by the government purchaser (See Section 3).

Although the overall decline in the total number of providers delivering employment services has impacted the level of service diversity in the market, our research shows that loss of diversity is also connected to the issue of agency practices increasingly resembling each other. To put this level of service resemblance into perspective, on almost 90 per cent of the 113 items that we surveyed frontline employment services staff in 2016, we found no significant differences between the responses of those working for not-for-profit compared with for-profit organisations (Considine et al 2020a). Increasing the flow of providers into and out of the market will not generate greater service diversity if the underlying factors that lead various agencies from different sectors to adopt more or less the same service delivery models are not first addressed. As such, while we commend the proposed changes, we do ask whether limited changes to just one aspect of Australia's welfare-to-work landscape will yield as many, and as profound a change, as the authors of the discussion paper envisage.

Below, in '3. Structural Barriers to Service Diversity and Innovation' we outline where our research has identified systematic problems embedded within Australia's existing welfare-to-work system. We do so in the hope that our broader observations may challenge the assumptions in the discussion paper about the extent to which the proposed change to procurement is likely to have an impact on the current system problems.

In the remainder of this section, we outline what we consider to be some of the key issues

the designers of the licensing new system need to keep in mind, as they finalise the detail of the proposed panel system.

Contract Length and Provider Stability and Skills

As a general principle, it is our view that longer contracts contribute to stability within the sector. This is advantageous for jobseekers and frontline staff alike. From the perspective of jobseekers, it means fewer service interruptions, fewer places to fall out of the service, and greater likelihood that underlying issues will be identified. For frontline staff, it means greater job security. This in turn means that providers may be able to attract more skilled workers to the sector and may also be able to invest more heavily in their workforce. These are both important factors as our research suggests that the sector now tends to attract client-facing staff with relatively low levels of education. This is in sharp contrast to equivalent services in other countries.

Results from our 2016 survey of frontline staff suggests that the largest proportion of client-facing staff have a TAFE or vocational certificate (37 per cent), while only 20 per cent had attended university (Lewis et al 2016: 11). At the same time, 57 per cent of frontline staff are under 35 years of age (Lewis et al 2016: 11), and 76 per cent are female (Lewis et al 2016: 10). It is our view that greater job stability, improved career progression opportunities and better remuneration would allow the sector to attract a more diverse range of skilled staff who in turn would be optimally positioned to assist jobseekers. As such, **we encourage longer contracts, with greater certainty. We also encourage the Department to consider prioritising providers who demonstrate an**

ongoing commitment to investment in frontline staff and skills relevant to working with highly vulnerable jobseekers.

We consider the offering of initial licences, for a three-year period (Australian Government 2020: 13) to be a relatively short period of time. This is especially so when we consider that, under the proposed new employment services model, the vast proportion of providers' caseloads are expected to be clients who are assessed as facing more complex and challenging employment barriers (the current Stream C cohort). Among this cohort, data for 2018 show that the average length of time on a provider's caseload is five years (Australian Government 2018: 4). Providers will therefore find it very challenging to realise employment outcomes with a substantial proportion of their clients within the proposed contract period. This leads to the danger of under-investment in 'harder-to-help' clients who are identified as being unlikely to transition to sustained employment within the life of the contract.

While we understand the concerns about issuing four-year licenses due to the risks associated with under-performance, the benefits would appear to outweigh the risks, especially with financial drivers in place to incentivise performance. To that end, we are encouraged to see the Department considering ways to better support under-performing providers (Australian Government 2020: 34). While the discussion paper is not detailed on this point, we note a commitment to providing digital support to smaller organisations (Australian Government 2020: 34). **We recommend that the Department also considered rewarding agencies that can demonstrate investment in jobseekers and frontline staff.**

We note that each year provider performance will be reviewed, with the possibility of a licence extension for those who perform well. The Department sees the benefits of a one-year licence extension as 'providing an incentive for providers to perform, and giving providers greater financial surety when discussing financing, leases for premises, and workforce planning' (Australian Government 2020: 17). While there is a clear benefit in encouraging high performance, it is less clear that the *possibility* of a 12-month contract extension will bring a high level of business certainty to agencies. At the very least, for a 12-month contract extension to be of benefit, the extension would need to be confirmed well in advance of the end of the contract, in order to allow providers to do things such as renegotiate leases. As such, we commend the Department for its commitment to offering extension 'well in advance of licences lapsing to offer certainty' (Australian Government 2020: 18). Likewise, we commend the Department for giving low performing providers six months' notice that their license will not be renewed (Australian Government 2020: 19). However, the quality of assistance jobseekers would be likely to receive from a provider that knows (and whose frontline staff also knows) it will be out of the market within six months is uncertain. **We recommend that more is done to actively manage these low performing cases, beyond using penalties.**

The Administrative Burden of Panel Membership

Any procurement model will necessarily impose a burden on the agencies bidding for business. This impacts sector-wide agency diversity and over time, tends to favour large agencies, often for-profit, and often with an

international footprint. This in turn leads to a level of standardisation in bids. In Australia we have witnessed a persistent narrowing of the range of service providers, down from around 300 agencies under Job Network, to around 40 at present. At the same time, the agencies that are able to survive are large for-profit agencies. This same pattern has occurred in the UK under Work Programme.

As currently proposed, it is hard to know what level of burden would be associated with applying for, and sitting on, the panel. But it does appear to be sizable. It seems that interested providers would apply via an 'open tender' (Australian Government 2020:9), although the level of detail requested at that time is not clear. Once selected, 'Panel members could be required to satisfy several criteria on an annual basis' (Australian Government 2020:10). The amount of time and effort required to achieve this, is unknown. We encourage the Department to be mindful that all administrative burdens will be felt more acutely by not-for-profit agencies, in particular small organisations. It is also unclear why a small not-for-profit agency would choose to sit on the panel if (as appears to be possible) this does not ensure them a stake in the market (receipt of a licence)? Moreover, would a small not-for-profit be willing to sit on multiple sub-panels? **We recommend that the Department considers carefully the administrative burden associated with panel memberships, particularly for those who do not receive licences.**

The discussion paper makes no mention of panel, or sub-panel, membership remuneration. But, one of the ways in which the Department may level the playing field between large for-profit agencies and small not-for-profit providers, is by offering remuneration to panel members. In

particular, this may make membership considerably more appealing to third sector agencies and their representatives. It would seem that the proposed licencing system will generate significant reductions in administration for the Department as service purchaser. **We recommend that some of those savings might be used to support smaller (non-profit) agencies to become panel members and retain that membership.**

Rewarding Mission and Local Ties

When Australia's quasi welfare-to-work market was established, its architects were clear that a mix of for-profit and not-for-profit agencies would generate the optimal mix of service providers. In 1998, 306 agencies were awarded contracts. In 2000, 205 agencies were successful in their bids, with the contracts evenly split between for-profit and not-for-profit agencies (Considine et al 2015: 36 – 37). In 2020, around 40 agencies hold contracts. They tend to be large and, increasingly, for-profit. This raises questions about diversity in the procurement process. If the contribution of not-for-profit agencies is valued, agencies tendering for business should be allowed to speak to their mission. In many cases, for-profits will have a marketplace advantage by virtue of their size, administrative capacity, and financial reserves. **We recommend extending the selection and performance metrics to allow for leverage of not-for-profits' distinctive strengths, which in many cases will be their long-term commitment to those in need, and may also include their links to the local community.**

The Department has shown great confidence that the proposed licensing system will generate provider diversity. For example, 'The department may refresh the panel from time

to time, to ensure it has the diversity and depth needed to meet emerging labour market and industry demands' (Australian Government 2020: 10). Yet it is unclear why the proposed licensing system will necessarily result in more diverse providers choosing to enter the market. An increase in the number of providers entering the market does not guarantee that the market will become more diverse. If new market entrants merely replicate what existing providers are already delivering, jobseekers will continue to experience a largely undifferentiated and homogenised employment services system.

The Department does not fully articulate why it considers the new licensing system will be more likely to encourage diverse agency application. It is hard to have confidence that this will be the case and more probable that the past pattern will persist: There is nothing in the discussion paper that clearly indicates how that quasi-market diversity will be improved by the proposed system. **We recommend that more is done – perhaps in tandem with the improved procurement process – to achieve sector-wide agency diversity.**

It is perhaps worth spelling-out why it is that diversity of providers is so important. We have emphasised the role of non-profits because they tend to be the organisations most committed to helping the most disadvantaged job seekers. But diversity also relates to locality. Our current system tends to be blind to local issues and this weakens the social capital needed to bring employers to the aid of more disadvantaged job seekers.

It is positive to see the Department accommodating local agencies. In particular, we note the proposal to issue licences to 'organisations that deliver services within an area smaller than an Employment Region,

even from a single site if appropriate. This may encourage smaller organisations with closer ties to the local community to bid for business' (Australian Government 2020: 14). Supporting local agencies, with ties and a long-term commitment to the local community is one way to encourage greater stability in the sector. It is also a way to invest in smaller, local agencies, many of which will be not-for-profits or specialist providers. To further strengthen such agencies, the Department might consider demonstrable local ties as a positive factor when establishing panels and in issuing contractual licenses. **We recommend that the Department examine ways of rewarding organisational mission and long-standing ties with local communities, as positive attributes, at the point of procurement and in license reviews.**

Investment in Hardest to Help Jobseekers

Researchers agree that one of the challenges facing Australia's welfare-to-work system is its ability to offer tailored and intensive services to the most disadvantaged jobseekers. This has been described as the Australian system's 'Achilles heel' (Davidson, 2014). Two-thirds of the *jobactive* caseload are long-term unemployed while more than 45 per cent are very long-term unemployed. Australia's contracted-out employment services perform well in efficiently placing many 'job ready' clients into work. But performance is poorer in supporting long-term unemployed and highly disadvantaged jobseekers into work. This is evidenced by the very low number of Stream C jobseekers who have been supported into six-months or more employment by a *jobactive* providers: 29,310 Stream C outcomes in total during almost the first three years of the contract (Australian

Government 2018: 96). Although the reported Employment Services Outcome data indicates that about a quarter of Stream C jobseekers enter employment, the conversion rate from job placement to 26 weeks of employment is especially low among the Stream C caseload: only 1 out of every 5 Stream C jobseekers placed by a *jobactive* provider between May 2015 and July 2018 sustained 26 weeks or more of employment (Australian Government 2018: 96). This partially explains why just under half (44.2 per cent) of all Stream C jobseekers have been in the employment services systems for over five years.

While investment in the hardest to help is not self-evidently linked to the procurement process, we note that the discussion paper addresses performance in relation to the hardest to help, under the heading ‘Flexible service delivery’:

While it is expected that providers would still offer individualised support and intensive case management where required, providers could benefit from adopting a flexible service delivery approach. Providers could use a mixture of digital, phone and face-to-face engagement depending on the needs and preferences of each job seeker. The improved digital platform, a feature of the new model, would support this by offering tools for all job seekers, including those in Enhanced Services (Australian Government 2020: 14).

While we welcome diversity in service provision as a general principle, we encourage caution in relation to digital or distance support for *all* jobseekers. As outlined in O’Sullivan and Walker (2018), digital services disproportionately disadvantage vulnerable members of the

community. Many jobseekers do not have access to a working device, live in areas without digital infrastructure, cannot afford to maintain a device over time, or do not have the literacy, or digital literacy skills needed, to manage their case management services digitally. **We recommend that flexibility should be understood as much more than the use of digital platforms, which are no panacea, especially in relation to disadvantaged jobseekers.**

Research suggests that jobseekers with high levels of disadvantage benefit from intensive support, coordinated by skilled caseworkers who can tailor support on an individualised and personalised basis (Fuertes and Lindsay, 2015; Lindsay, Pearson, Cullen, and Eadson, 2018). Sainsbury (2017) refers to this as ‘substantive personalisation’ in that services should not only treat jobseekers as individuals from the perspective of showing greater interactive sensitivity but, more particularly, they should see that actual services are ‘tailored to individual needs and the wishes of participants’ comprising elements of advice and support that both match the work goals and aspirations of clients while addressing their individual needs or barriers (Sainsbury 2017: 57).

Importantly, substantive personalisation describes much more than frequent face-to-face appointments and regular labour market counselling by an employment consultant or work coach. On its own, the provision of regular job counselling is unlikely to significantly improve outcomes or enhance the employability of highly disadvantaged jobseekers with multiple and complex barriers (Borland 2014). Rather, substantively personalised case management requires a holistic and integrated approach to support ‘that takes account of the full circumstances of the individual’ and enables a coordinated,

inter-agency approach to improving outcomes through the capacity to simultaneously address vocational and non-vocational issues (Borland, Tseng, and Wilkins 2013, p. 470).

We commend the idea that specialist providers, referred to as ‘cohort specialist providers’ in the discussion paper, will be welcome to apply for panel membership and a license, under the new model. Specialisation was an important feature of early versions of the Australian quasi-market but has been much diminished under more recent iterations. We also encourage the Department to exercise caution in relation to the proposal to refer ‘job seekers from their targeted cohort. For example, an Indigenous specialist provider would only receive referrals of Aboriginal and Torres Strait Islander job seekers’ (Australian Government 2020: 25). As part of our research in 2018, the research team observed four *jobactive* offices, over multiple days, to learn how frontline staff work directly with jobseekers.

One of our consistent findings, across all four offices, was that frontline staff – with apparently good reason – felt that Centrelink does not do an adequate job in categorising jobseekers using the remotely applied Jobseeker Classification Instrument (JSCI). We witnessed numerous attempts to re-classify jobseekers and seemingly universal agreement that the difference between a B and C classification, by Centrelink, is arbitrary rather than a true reflection of the jobseekers’ actual barriers to employment. Particularly relevant to the discussion paper’s extract, included above, was an unwillingness to declare Aboriginality to an unknown person, over the phone, during the JSCI process. The non-disclosure of criminal convictions and periods of incarceration was another very frequent cause of jobseeker

misclassification during the initial streaming and assessment process.

Specialist providers waiting to be assigned jobseekers, via the JSCI process, may be disadvantaged when jobseekers are not forthcoming about being an ex-offender, mental health issues, drug use of many other personal matters that jobseekers often do not wish to devolve to unknown public servants, over the phone. **We recommend that the Department takes great care when designing any system elements that assume that the JSCI alone can be applied diagnostically.**

Payment by Results

We note that the discussion paper does not offer new detail about the payment regime. Yet we are encouraged by the apparent shift towards upfront engagement fees (Australian Government 2020: 34). Defending against practices of ‘creaming’ and ‘parking’ – whereby providers pick job-ready jobseekers for rapid placement while neglecting to invest in the most highly disadvantaged jobseekers - remains a ‘perennial design challenge’ (Carter & Whitworth, 2015) for short-term outcome-driven commissioning models. This includes the Australian system, where our research indicates that the risk that providers will use opportunistic behaviours to survive or prosper ‘is understandable and real’ (see Considine et al. (2018b)).

One response to this problem is to use differential payment structures, as is the case in Australia where providers receive higher payments for placing and sustaining jobseekers in employment from higher service streams and who have been unemployed for longer. However, the effectiveness of these differential payment structures critically depends on two factors:

firstly, the extent to which financial differences in the value of outcome payments accurately capture the relative difficulty of assisting different categories of clients into employment (Rees, Whitworth, & Carter, 2015); and, secondly, as discussed above, the capacity of the JSCI to accurately capture and measure the full range and magnitude of individual claimants' barriers to employment so as to stream them into the appropriate service stream and payment category (Considine et al 2018a). Meeting both conditions has largely eluded contract managers and policy designers to date (Considine et al 2018c).

As such, we encourage the licencing system architects to think with great care about how new service payments will be structured. Decisions about payment points can, in our view, profoundly influence system functionality. For example, systems that heavily backload payments tend to favour large for-profit agencies with sizable cash reserves, such that they can operate without income for a sustained period of time. Likewise, systems that heavily backload payments tend to place a heavy administrative burden on providers as they chase evidence of sustained employment. This may undermine quasi-market diversity, even while also seeming to make it more difficult to cream jobseekers.

Another substantial concern is that strengthening back-ended component of the payment model may incentivise providers to try to minimise the resources they expend or invest upfront, given the level of financial risk they are exposed to in cases of under-performance. The profit motive to increase providers' margins on the outcome payments they receive from the purchaser, coupled with the financial risk of 'no cure, no pay' can drive providers to favour tried and trusted

ways of delivering results at low-cost over riskier but high-return experiments in service innovation. The concern here is that the transfer of financial risk onto providers inherent in outcomes-based contracting may 'lock-in' resource scarcity at an operational level through incentivising providers to opt for 'inexpensive programme content' (Fuertes and Lindsay, 2015: 536) and promote staffing models characterised by large caseloads and low-skilled, low-paid staff. Capacities for service personalisation are thereby diminished, as our latest study tracing the impact of outcomes-based contracting on the level of service tailoring and personalisation in both the UK and Australian quasi-markets demonstrates (Considine et al 2020b).

The articulation of payment points is probably the biggest policy design issue influencing provider behaviour. A close second is the use of Star Ratings or 'performance grouping', as proposed in the discussion paper. Identifying ways to optimise Star Rating or equivalent KPI systems has long been a central priority for all service providers. The proposed new licensing system will create an environment in which agencies are equally focused on ways in which they can maximise short-run results, consistent with those actions they believe, or know, the purchaser will reward. In our view, when the focus turns to maximising Star Ratings outcomes, it is possible that the needs of jobseekers end up playing second fiddle to the immediate need to demonstrate performance for the purpose of contract extension. **We recommend that decisions on payment points are given close examination in light of this evidence, in designing the new service payment system.**

3. Structural Barriers to Service Diversity and Innovation

While the many benefits to be brought about by the *Proposed Licensing System for the New Employment Services Model* will be welcome by all welfare-to-work stakeholders, it is less clear if the changes sufficiently appreciate the sector complexity for such results to be yielded.

Furthermore, there is a question of whether changes to the procurement process alone will be enough to address structural problems that are pervasive in the Australian welfare-to-work quasi-market and elsewhere.

In the remainder of this section we outline what we see as the key issues undermining the functionality of Australia's welfare-to-work system. We draw the Department's attention to these, in order to bring the impact that changes to one part of the system will have on the system overall into focus. Some of what follows was previously submitted to government as part of the 2018 inquiry into how to improve outcomes for disadvantaged jobseekers (see Considine et al 2018c).

Growing caseloads

Based on our research, we regard a key factor inhibiting substantive personalisation of service delivery in Australia's system as the growing size of caseloads. In our most recent survey (2016), frontline employment services staff reported servicing an average caseload of 148 clients per consultant (Lewis et al. 2016) compared with a mean caseload size of 114 jobseekers per consultant in 2012, and 94 jobseekers per consultant in 2008 (Considine et al. 2015). The higher caseloads observed are partly a consequence of the maturation of Australia's Active Participation model – which has widened

the requirement for welfare recipients to be formally engaged in job services, and more intensively – coupled with profit-maximisation strategies on the part of providers looking to deliver services at lower cost. One way of achieving this is to service more clients per consultant, but at the expense of the time available to spend individually servicing clients and addressing their barriers (Borland et al 2016). With larger caseloads, there is also less time available for consultants to coordinate with other support services such as allied health services and to contact employers which, as we have argued, is a critical component of the model of substantively personalised support.

Indeed, our research shows that the level of contact between frontline employment services staff, training providers, employers and especially welfare agencies has diminished over the past decade (Considine et al. 2020b). For example, whereas 46.8 per cent of frontline staff we surveyed in 2012 reported being in 'daily' or 'weekly' contact with other welfare agencies such as housing or substance dependency services, only 35.8 per cent of respondents to the 2016 survey reported that this was the case.

This has become a systemic issue that has been further aggravated by the substantial amount of time that frontline employment services staff appear to be spending on administrative and compliance-reporting activities.

Peak bodies have estimated that as much as 50 per cent of the time that client-facing staff in Australia spend with clients is now taken up with meeting administration and compliance requirements (Queensland Council of Social Service (QCOSS) 2013). **It is our view that, in addition to the administrative burden associated**

with the procurement process, the red tape providers face in their daily service delivery is overwhelming and detracts from both jobseeker and employer engagement.

Our research suggests that frontline staff spend between a quarter and a third of their total time each week on compliance and administration activities (Considine et al 2014; Lewis et al., 2016). This heavy compliance burden reduces the amount of time that frontline employment services staff can spend working one-on-one with clients.

At the same time, the level of contact that case managers have with employers and other support services has declined in recent years and is relatively minimal in comparison to the amount of time spent on compliance and administration. For example, in the 2016 study, frontline staff reported spending less than 5 per cent of their time each week on working with other service providers while only 10 per cent of their time was spent contacting employers. Similarly, the proportions of frontline staff who reported being in either daily or weekly contact with employers, welfare agencies, or training providers was also down on our previous 2012 survey (Lewis et al. 2016) indicating a reduction in collaboration across agencies and with employers and training providers. Countries with better results for the harder to help clients show a higher percentage of time spent on these collaborations.

Workforce changes and de-skilling

As already outlined briefly under the sub-heading '*Contract Length and Provider Stability*', another key trend in Australia's contracted employment services system has been the substantial workforce changes that have occurred over the past twenty years. These impact the skill-levels and age profile of those

delivering frontline support as noted already. Our data point to a de-skilling of the employment services sector workforce as the nature of 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. 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 (Lindsay, McQuaid, and Dutton 2007).

There has been a notable shift in the age profile of frontline staff, with a substantial decline in the numbers of workers aged in their mid-30s to mid-50s and a corresponding increase in the employment of much younger workers. While this shift was most pronounced during the 10 years of the Job Network (Considine et al. 2015), it has not reversed, with less than half of frontline workers now aged 35 - 54 years (Lewis et al. 2016) compared to nearly 70 per cent in the late 1990s.

On-the-job training, whether through programs run in-house or informal training by colleagues is by far and away the main form of training that frontline workers report receiving to do their jobs, with a considerable number indicating that they received no training at all. For example, in the 2016 survey, over 12 per cent of respondents reported that they had received no training to do their job whereas a little under half reported receiving only informal training from colleagues (Lewis et al. 2016). This suggests that sizeable numbers of frontline employment services staff have no expert training (for example, qualifications in social work, health sciences etc) in how to work with highly disadvantaged jobseekers in an integrated way. This contrasts with other systems with better results in assisting more disadvantaged clients.

Service standardisation

Possibilities for service tailoring and the personalisation of return-to-work support depend on skilled caseworkers having the capacity to act with some level of discretion in order to adapt to the needs of individual clients and match this to the quite specific opportunities provided by local employers. This includes exercising discretionary decision-making about the types of specific support clients should receive. But the research on changes at the frontline of employment services delivery shows that the exercise of discretion by workers at the frontline has been steadily reduced. Instead, the research shows increasing levels of standardisation and routinisation in service delivery. This is evidenced by several trends, including the growing numbers of frontline staff who report using a standard client classification or checklist when deciding how to work with jobseekers, and who say that their computer system tells them what steps to take with jobseekers and when to take them (Considine et al. 2018b, 2015; Lewis et al. 2016).

Whereas, in our 1998 survey, only 17.4 per cent of frontline workers 'agreed' or 'strongly agreed' that their computer system tells them what steps to take with jobseekers and when to take them, this proportion increased to over 50 per cent by the 2012 survey (Considine et al. 2015) and has remained at about this level in the most recent survey (Lewis et al. 2016). Since 2008, about two-thirds of those surveyed have consistently indicated that they feel the IT system they use strongly dictates how they do their job. There has also been a sizeable increase in the proportions who report that the decisions they make about jobseekers are determined to a 'good' or a 'great deal' by standardised program rules and regulations, from just under

57 per cent in the 1998 survey to just below 82 per cent in our 2016 survey.

Taken together, these findings indicate that consultants working in Australia's out-sourced employment services sector previously had a greater capacity to tailor services, but this has been displaced by an increased routinisation and automation of service delivery - especially over the 10 years of the Job Network - but it has remained a defining feature of service delivery even under subsequent contracts. This development has been driven by the move towards a stronger regulatory and performance monitoring framework as Australia's commissioning model has evolved from a 'radical experiment' to an 'established institution' (Finn, 2010, p. 294). In particular, governments have taken an increasingly 'hands-on' approach to regulating the market, reigning in providers' discretion over servicing and intensifying not only post-hoc monitoring of outcomes but also in-program scrutiny of frontline case-management decisions.

The extent of this intensification of performance monitoring has been described as amounting to an effective 're-bureaucratisation' (Bredgaard & Larsen 2008) of Australia's employment services system - driven partly by concerns about the 'creaming' and 'parking' of clients by providers. This is where agencies respond to the incentive structures embedded in payment-by-results funding models by focusing their resources and services on clients with whom they perceive performance targets (and profits) will be 'easy to realise' (van Berkel & Knies, 2014, p. 62) while only minimally servicing ('parking') those 'with the greatest employment barriers' (Finn, 2014, p. 290).

In the initial years of Job Network, the government largely took a 'black box' approach to commissioning providers. Agencies were overwhelmingly left free to decide what

requirements should be imposed upon jobseekers, and what level of services should be offered to individual clients. However, agencies and frontline staff often used this discretion to target their most job-ready clients, moving them quickly into job search activities – which was seen as a low-cost strategy of helping those with minimal barriers get a job - while more highly disadvantaged jobseekers received often only very cursory attention (Considine et al. 2015).

Practices of ‘creaming’ and ‘parking’ became endemic during the first two Job Network contracts (Fowkes 2011; Thomas 2007), and the government responded by moving towards a stronger regulatory regime with greater powers to recover payments from providers deemed to have breached contractual requirements or misspent allocated funding in Jobseeker accounts. More detailed regulations about minimum servicing standards were added into subsequent contracts, along with prescriptive guidelines about how Jobseeker account funding could be spent. Departmental contract managers began to monitor providers more closely in relation to various aspects of service delivery such as the ratio of clients to case managers and the frequency of contact with clients.

As Australia moved towards an Active Participation model, under Minister Abbott, prefaced on enhanced job searching and other behavioural requirements - backed by the threat of sanctions for non-compliance - the government also became increasingly interested in monitoring providers to ensure such conditionality requirements were being enforced. This scrutiny of providers was facilitated by the development of more sophisticated IT-based data sharing information systems. An example is the ESS Web interface that frontline workers use to record multiple dimensions of their work - from client-meetings, to activity agreements, to jobseeker account

(employment fund) spending, to clients’ job-searching and compliance history - and which enables the decisions of individual frontline staff to be reviewed by agency and contract managers (Marston & McDonald 2008). Agencies risked disqualification from future business, both through periodic business reallocations and subsequent contracting rounds, if they were judged to have breached contractual requirements or misused funds.

In a context ‘where every transaction is visible’ (Fowkes 2011), coupled with greater contract compliance scrutiny and ‘recovery activities’ to reclaim payments from non-compliant agencies, our research indicates that agencies and their staff became gripped by a fear of non-compliance. They responded by embracing new forms of service standardisation ‘as a way to minimise risks’ and of ensuring organisational viability within the market (Considine et al., 2011, pp. 826, 827). This is reflected in the larger proportions of frontline staff who reported that they used a standardised client classification tool or checklist when deciding how to work with jobseekers, from less than 30 per cent in 1998 to almost 80 per cent in 2008, and in the rise in the number of survey respondents reporting that answers to standard questions are ‘quite or ‘very influential’ in determining what activities they recommend for jobseekers: from just over 20 per cent of respondents in 1998 to well over half of those surveyed by 2008 (Considine et al. 2015). Although this use of standardised tools has declined somewhat in subsequent contracts, it remains a strong feature of Australian frontline work. For instance, over 60 per cent of those surveyed in 2016 reported that they use standard client classification tools and checklists when deciding how to work with jobseekers, and 42 per cent reported that the answers to standard sets of assessment questions were ‘quite’ or ‘very’ influential in determining what

activities are recommended for their clients (Lewis et al. 2016).

This embrace of new forms of service standardisation had two effects. Firstly, it reduced flexibility in the provision of service delivery but, secondly, it also eroded diversity between agencies. Our research indicates a decline in the number of significant differences between agency types over time in relation to their service delivery methods and organizational activities (Considine et al. 2015, 2020a). It also shows an increasing orientation towards activating jobseekers through ‘work first’ strategies and enforcing compliance through the threat of sanctions (McGann et al 2020). This has persisted well beyond the Job Network model. For example, 68 per cent of respondents in the 2016 survey reported agreeing or strongly agreeing that ‘to get jobseekers to pay attention, I often remind them that enforcing compliance is part of my job’. Almost all indicated that they would report clients for non-compliance if they refused a suitable job offer or failed to attend a job interview, while 80 per cent said that they would typically report clients for refusing to apply for a suitable job (Lewis et al. 2016). Over time, the number of circumstances under which frontline staff respond that they would typically report clients to DHS for non-compliance has grown (McGann et al 2020).

The dual trends documented in our research toward deepening service standardisation and the dominance of ‘work first’ activation strategies are significant because they militate against the possibilities for personalisation through individually tailored support (Fuentes & Lindsay 2015). The challenge that governments face in designing a system that is simultaneously

flexible and responsive to the individual needs of highly disadvantaged jobseekers is how to find the optimal level of intervention in, and regulation of the market. As the experience of the early Job Network contract shows, but also similar ‘black box’ approaches such as the UK Work Programme (Considine, O’Sullivan, & Nguyen, 2018; National Audit Office, 2014), a minimal ‘hands-off’ approach to specifying service standards and monitoring agencies generates the risk that agencies will under-service more disadvantaged jobseekers by ‘creaming’ those jobseekers who are closest to the labour market. But, as other elements of our research shows, intensive regulation and compliance scrutiny of providers by the government also undermines the policy goals of tailored and substantively personalised support for disadvantaged jobseekers through producing patterns of deepening standardisation and inflexibility.

Our analysis indicates that underpinning structural barriers to effective functionality of Australian welfare-to-work system are the interactions among multiple provider activation incentives; some are under the framework of the proposed licensing model, some are not. While commending the Department’s licensing initiative to continuously enhance service delivery, we thus urge a holistic approach where multiple components of the system are incorporated into the change process. This should be the focus of the service elements aimed at more disadvantaged jobseekers, leaving the more standardised and cheaper interventions for those who are recently unemployed and who have strong labour market characteristics.

References

- Australian Government (2020), *Proposed Licencing System for the New Employment Services Model: Discussion Paper*.
- Australian Government (2018), *The Next Generation of Employment Services: Discussion Paper*. Canberra: Commonwealth of Australia.
- Bredgaard, T., & Larsen, F. (2008). Quasi-Markets in Employment Policy: Do They Deliver on Promises? *Social Policy and Society*, 7(3), 341-352.
- Borland, J. (2014) Dealing with unemployment: what should be the role of labour market programs. *Evidence Base*, 4(1), 1-21.
- Borland, J., Considine, M., Kalb, G., & Ribar, D. (2016). *What are best-practice programs for Jobseekers facing high barriers to employment?* Melbourne Institute Policy Briefs Series, Policy Brief No. 4/16. Melbourne: Melbourne Institute of Applied Economic and Social Research.
- Borland, J., Tseng, Y.P., & Wilkins, R. (2013) *Does coordination of welfare services' delivery make a difference for extremely disadvantaged jobseekers? Evidence from the 'YP' Trial*. Melbourne Institute Working Paper No. 12/13. Melbourne: Melbourne Institute of Applied Economic and Social Research.
- Carter, E., & Whitworth, A. (2015). Creaming and parking in quasi-marktised welfare-to-work schemes: designed out of or designed into the UK Work Programme? *Journal of Social Policy*, 44(2), 277-296.
- Considine, M. (1999). Markets, networks and the new welfare state: employment assistance reforms in Australia. *Journal of Social Policy*, 2(1), 183-203.
- Considine, M. (2005). The reform that never ends: quasi-markets in employment services in Australia. In E. Sol & M. Westerveld (Eds.), *Contractualism in Employment Services*. Netherlands: Kluwer Law International
- Considine, M., Lewis, J. M., & O'Sullivan, S. (2011). Quasi-markets and service delivery flexibility following a decade of employment assistance reform in Australia. *Journal of Social Policy*, 40(4), 811-833.
- Considine, M., Lewis, J. M., O'Sullivan, S., & Sol, E. (2015). *Getting welfare to work: street-level governance in Australia, the UK, and the Netherlands*. New York: Oxford University Press.
- Considine, M., O'Sullivan, S., & Nguyen, P. (2014a). New public management and welfare-to-work in Australia: comparing the reform agendas of the ALP and Coalition. *Australian Journal of Political Science*, 49(3), 469-485.
- Considine, M., O'Sullivan, S. and Nguyen, P. (2014b), 'Mission-drift? The Third Sector and the pressure to be business-like: Evidence from Job Services Australia', *Third Sector Review*, 20(1), pp. 87-107.
- Considine, M., O'Sullivan, S. and Nguyen, P., (2014c), 'Governance, Boards of Directors and the Impact of Contracting on Not-for-profit (NFP) Organisations: an Australian study', *Social Policy and Administration*, 48 (2), pp. 169-187.
- Considine, M., O'Sullivan, S., & Nguyen, P. (2018a). The policymaker's dilemma: the risks and benefits of a 'black box' approach to commissioning active labour market programmes. *Social Policy & Administration*, 52(1), 229-251.
- Considine, M., Nguyen, P, & O'Sullivan, S. (2018b). New public management and the rule of economic incentives: Australian welfare-to-work from job market signalling perspective. *Public Management Review*, 20(8), 1186-1204.
- Considine, M., McGann, M., O'Sullivan, S., Nguyen, P., and Lewis, J.M. (2018c) Improving outcomes for disadvantaged jobseekers: The next generation of employment services – response to discussion paper. Melbourne: The Policy Lab, The University of Melbourne.
- Considine, M., O'Sullivan, S. McGann, M and Nguyen, P. (2020a), 'Locked-in or Locked-out: Can a Public Services Market Really Change?', *Journal of Social Policy*, 49(4), 850-871. <https://doi.org/10.1017/S0047279419000941>

- Considine, M., O'Sullivan, S. McGann, M and Nguyen, P., (2020b), 'Contracting personalization by results: comparing marketization reforms in the UK and Australia', *Public Administration*, Early View <https://doi.org/10.1111/padm.12662>.
- Davidson, P. (2014). *Long term unemployment" the 'achilles heel' of the Job Services Australia model*. Paper presented at the Australian Long-Term Unemployment Conference, Surfers Paradise, Gold Coast.
- Finn, D. (2010). Outsourcing employment programmes: contract design and differential prices. *European Journal of Social Security*, 12(4), 289-302.
- Finn, D. (2014). Outsourcing employment programmes: contract design and differential prices. *European Journal of Social Security*, 12(4), 289-302.
- Fowkes, L. (2011). *Rethinking Australia's Employment Services*. Sydney: Whitlam Institute.
- 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.
- Lewis, J.M., Considine, M. O'Sullivan, S., Nguyen, P, & McGann, M. (2018) *From Entitlement to Experiment: Industry Report on Case Studies of High Performing Providers*. Melbourne: The University of Melbourne.
- Lewis, J. M., Considine, M., O'Sullivan, S., Nguyen, P., & McGann, M. (2016). *From entitlement to experiment: the new governance of welfare to work - Australian report back to industry partners*. Available from <https://arts.unimelb.edu.au/ssps/research/further-research-projects/employment-services>.
- 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).
- Lindsay, C., McQuaid, R. W., and Dutton, M. (2007) New Approaches to Employability in the UK: Combining 'Human Capital Development and 'Work First' Strategies? *Journal of Social Policy*, 36(4), 539-60.
- Marston, G., & McDonald, C. (2008). Feeling motivated yet? Long-term unemployed people's perspectives on the implementation of workfare in Australia. *Australian Journal of Social Issues*, 43(2), 255-269.
- McGann, M., Nguyen, P., and Considine, M. (2020). 'Welfare conditionality and blaming the unemployed. *Administration and Society*, 52(3), 466-494.
- National Audit Office. (2014). *The Work Programme: Report by the Comptroller and Auditor General*. Retrieved from London:
- O'Sullivan, S. and Walker, C. (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, pp. 490 – 507.
- O'Sullivan, S., Considine, M. and McGann, M. (2019), 'The Category Game and its impact on Street-Level Bureaucrats and Jobseekers: An Australian Case Study', *Social Policy and Society*, 18(4), 631-645. <https://doi.org/10.1017/S1474746419000162>.
- Rees, J., Whitworth, A., & Carter, E. (2015). Support for All in the UK Work Programme? Differential Payments, Same Old Problem. In M. Considine & S. O'Sullivan (Eds.), *Contracting-out welfare services: comparing national policy designs for unemployment assistance* (pp. 109-128). Oxford: Wiley Blackwell.
- Sainsbury, R. (2017). Activation in the UK: The frontline and the 'black box' of employment service provision. In R. van Berkel, D. Caswell, P. Kupka, & F. Larsen (Eds.), *Frontline delivery of welfare-to-work policies in Europe: activating the unemployed*. New York: Routledge.
- Thomas, M. (2007). *A review of developments in the Job Network*. Research Paper no. 15 2007-08. Parliamentary Library of Australia. Available from https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/RP0708/08rp15.
- van Berkel, R., & Knies, E. (2014). Performance Management, Caseloads and the Frontline Provision of Social Services. *Social Policy and Administration*, 50(1), 59-78.

APPENDIX

The University of Melbourne, in conjunction with our colleagues at the University of New South Wales and La Trobe University, has a long-standing research program on the reform of employment services which began in 1998 with surveys of frontline staff working in the employment sector in Australia, the UK, the Netherlands and New Zealand. Since 2008, in partnership with Jobs Australia (JA), the National Employment Services Association (NESA) and Westgate Community Initiatives Group (WCIG), we have been closely monitoring reforms in Australia and other countries, using surveys and interviews. A selection of publications from these research projects are listed below, several of which are available via our website: <https://arts.unimelb.edu.au/employment-services>.

Books

- Considine, M., Lewis, J. M., O'Sullivan, S., & Sol, E. (2015). *Getting welfare to work: street-level governance in Australia, the UK, and the Netherlands*. New York: Oxford University Press.
- Considine, M. and O'Sullivan, S., (eds.) (2015), *Contracting-out Welfare Services: Comparing National Policy Designs for Unemployment Assistance*, Oxford: Wiley Blackwell

Journal Articles

- Considine, M. and Lewis, J.M. (2010) 'Front-line work in employment services after ten years of New Public Management reform: Governance and activation in Australia, the Netherlands and the UK', in *European*

Journal of Social Security, 12(4), 357-370

- Considine, M. and Lewis, J.M. (2012) 'Networks and Interactivity: Ten years of Street-level Governance in the United Kingdom, the Netherlands and Australia', in *Public Management Review*, 14(1), 1-22.
- Considine, M. and O'Sullivan, S. (2014), 'Introduction: Markets and the New Welfare - Buying and Selling the Poor', in *Social Policy and Administration*, 48 (2), pp. 119-126
- Considine, M., Lewis, J. M., & O'Sullivan, S. (2011). Quasi-markets and service delivery flexibility following a decade of employment assistance reform in Australia. *Journal of Social Policy*, 40(4), 811-833.
- Considine, M., Nguyen, P., & O'Sullivan, S. (2018). New public management and the rule of economic incentives: Australian welfare-to-work from job market signalling perspective. *Public Management Review*, 20(8), 1186-1204.
- Considine, M., O'Sullivan, S., McGann, M and Nguyen, P. (2020), 'Locked-in or Locked-out: Can a Public Services Market Really Change?', *Journal of Social Policy*, 49(4), 850-871. (<https://doi.org/10.1017/S0047279419000941>)
- Considine, M., O'Sullivan, S., McGann, M. and Nguyen, P., (2020b), 'Contracting personalization by results: comparing marketization reforms in the UK and Australia', *Public Administration*, <https://doi.org/10.1111/padm.12662>.

- Considine, M., O'Sullivan, S., & Nguyen, P. (2014). New public management and welfare-to-work in Australia: comparing the reform agendas of the ALP and Coalition. *Australian Journal of Political Science*, 49(3), 469-485.
- Considine, M., O'Sullivan, S., & Nguyen, P. (2018). The policymaker's dilemma: the risks and benefits of a 'black box' approach to commissioning active labour market programmes. *Social Policy & Administration*, 52(1), 229-251.
- Considine, M., O'Sullivan, S. and Nguyen, P. (2014), 'Governance, Boards of Directors and the Impact of Contracting on Not-for-profit (NFP) Organisations: an Australian study', in *Social Policy and Administration*, 48 (2), pp. 169-187
- Considine, M., O'Sullivan, S. and Nguyen, P. (2014), 'Mission-drift? The Third Sector and the pressure to be business-like: Evidence from Job Services Australia', in *Third Sector Review*, 20(1), pp. 87-107
- Lewis, J.M. and Considine, M. (2011) 'Interactive governance on the frontline', in Torfing, J. and Triantafyllou, P. (eds.) *Interactive Policymaking, Metagovernance and Democracy*, Warwick: ECPR Press, pp. 29-50
- McGann, M; Danneris, S; O'Sullivan, S (2019) '[Introduction: rethinking welfare-to-work for the long-term unemployed](#)'. *Social Policy and Society*, 18(4): 577-82.
- McGann, M; Nguyen, P; Considine, C (2020) '[Welfare conditionality and blaming the unemployed](#)'. *Administration and Society*, 52(3): 466-94.
- O'Sullivan, S., Considine, M. and McGann, M. (2019), 'The Category Game and its impact on Street-Level Bureaucrats and Jobseekers: An Australian Case Study', *Social Policy and Society*, 18(4), 631-645. <https://doi.org/10.1017/S1474746419000162>.

Industry Reports

- Lewis, J.M., Considine, M. O'Sullivan, S., Nguyen, P, & McGann, M. (2018) *From Entitlement to Experiment: Industry Report on Case Studies of High Performing Providers*. Melbourne: The University of Melbourne.
- Lewis, J.M., Considine, M. O'Sullivan, S., Nguyen, P, & McGann, M. (2017) *From Entitlement to Experiment: The New Governance of Welfare to Work: UK Report back to Industry Partners*. Melbourne: The University of Melbourne.
- Lewis, J.M., Considine, M., O'Sullivan, S., Nguyen, P. and McGann, M. (2016), *From Entitlement to Experiment: The new governance of welfare to work - Australian Report back to Industry Partners* (660kb pdf) The University of Melbourne
- Considine, M., O'Sullivan, S., Nguyen, P. and Toso, F. (2013), *Increasing Innovation and Flexibility in Social Service Delivery. Comparative Australia and UK Report*, The University of Melbourne.
- Considine, M., O'Sullivan, S., Nguyen, P. and Toso, F. (2013), *Increasing Innovation and Flexibility in Social Service Delivery. Report Back to UK Industry*, The University of Melbourne.
- Considine, M., O'Sullivan, S., Nguyen, P. and Toso, F. (2013), *Increasing Innovation and Flexibility in Social Service Delivery. Report Back to*

Australian Industry, The University of Melbourne.

- Considine, M., Lewis, J.M, and O'Sullivan, S., (2009), *Activating States: transforming the delivery of 'welfare to work' services in Australia, the UK and the Netherlands. Report to UK Providers*. The University of Melbourne.
- Considine, M., Lewis, J.M, and O'Sullivan, S., (2008), *Activating States: transforming the delivery of 'welfare to work' services in Australia, the UK and the Netherlands. Report to Australian Providers*. The University of Melbourne.