The Australian Employment Services System

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by Sally Sinclair

Introduction

The Australian employment services industry is unique. At the time of writing, no other country in the world has managed to build a Public Employment Services sector in which the frontline work is entirely carried out by non-government organizations – employment services providers – contracted by government to offer place-based and free labor market assistance to jobseekers and employers alike. Australia's innovative system has attracted praise from the OECD, and continues to incite the interest of government organizations the world over.

Unemployment is a perennial problem with a vast and negative impact not only on national economies, but also on the physical and mental well-being of individuals and communities. It is a problem that responsible governments cannot afford to ignore, directly and intimately linked as it is to the overall health of a nation. But it is a problem that is complicated in both breadth and depth – the factors contributing to unemployment vary tremendously from nation to nation, from community to community, and from individual to individual – and as with the labor market aspect of the problem, the ever-increasing speed of technology-driven change makes the whole question into a rapidly moving target.

Australia's innovative outsourcing of Public Employment Services in the late 1990s initially attracted some criticism. It was misperceived both as converting the plight of the unemployed into a private money-making opportunity and as an abdication of government responsibility. But such attitudes are unjustified, and built upon a misunderstanding of a 'quasi market' reform which has now lasted 20 years as an integral and effective bridge across Australian social services and labor markets.

For one thing, the Australian Government has not abdicated responsibility: contracted employment services providers are closely and constantly monitored and held accountable to a strict compliance framework. Contract cycles are short (mostly three years) with underperforming companies losing the right to re-tender and the market condensing from over 300 providers to under 50 in the first 20 years. Within contract periods, there are business reallocations that remove market share from underperforming companies and award it to those with better placement figures. These reallocations are driven by the 'Star Ratings' system, which determines the relative success of providers in achieving employment outcomes through a complex calculation that takes into account size and geographical location of allocated sites, characteristics of the local job markets, and characteristics of the provider's jobseeker case load. Providers scoring 2 or less out of 5 are deemed 'underperforming'.

Australian employment services are one of the most closely monitored industries in the world, with market competition forces simulated by stringent and relative performance standards upon which the continuance of an individual provider's contract entirely depends. Remuneration for the provider also mostly depends upon successfully placing jobseekers in work, and in most cases the placed client must remain in employment for at least 26 weeks in order for the provider to receive full remuneration (called an "outcome payment"). The administrative burden for providers is considerable, and the rewards are hard-earned.

An advantage of this system design is that it focuses provider efforts at a local level on achieving successful employment outcomes. Star Ratings and outcome payments drive practice that is responsive to changing labor market conditions and attract a mix of innovative service models delivered by small and large organizations, not-for-profit and private companies, and specialist and broad-based services. The system's

effectiveness depends on information conduits between government and providers as well as sophisticated data and analysis of labor markets. The Australian Employment Services IT System (ESS) and its allied web and mobile services represent a rich and evolving platform simultaneously serving the needs of government, providers, jobseekers, and employers.

Brief history of employment services in Australia

Post-WWII Australia was a nation in expansion. Population growth was high and the economy was flourishing. The **Re-establishment and Employment Act 1945** gave rise to the creation of the **Commonwealth Employment Service** (CES) to manage reinstatement in former employment for returned servicemen. The scope of the CES's activities broadened progressively until in 1978, the provisions of the Act were extended to officialize its role, de facto by that time, as an employment service for the general public. The service remained entirely government-run until 1997.

The process of tendering out employment services was begun by the center-right government in 1996. In 1997, a separate government body, **Centrelink**, was created to handle welfare payments across a range of functions, including unemployment. Centrelink was also tasked with referring jobseekers to contracted providers. 1997 also saw the trial of the **Work for the Dole** program, in which people receiving unemployment benefits were required to undertake community-oriented services as part of the 'mutual obligation' requirement which has been central to the Australian unemployment support philosophy ever since. Work for the Dole was officially enacted in 1998 and is still in force.

At the same time an umbrella organization started representing the interests of this emerging sector to government, and quickly became an important player for policy refinement and for information transmission between government and providers. The **National Employment Services Association** (NESA) has been the peak body for the unique Australian employment services industry since its inception and continues to evolve with the sector. Today NESA not only provides professional development and recognition for employment services workers and assists the various government departments charged with assuring the continuing quality of the services provided to Australian jobseekers and employers, but also offers professional consultation

and advice to international bodies seeking to learn about the Australian approach to employment services overall.

The first contract round of fully outsourced employment services, called **Job Network**, began in 1998. Part of the former CES was recast as **Employment National** and thrown into competition with a host of new private providers. In the first contract round (1998-2000), Employment National was awarded 50% of the market share, reflecting its former status. The reallocation of market share that ushered in the second contract round in 2000 was competitive, based on performance outcomes, a logic which still drives contract tenure and business reallocation in the current system.

The second contract round saw the market share of Employment National drop from 50% to 25%. In the third contract round (2003-2006, extended to 2009), Employment National lost the remainder of its market share. The then center-left government retained the system for a 4th and 5th contract round (2009-2015), with adjustments and a new name: **Job Services Australia**. At the time of writing, we are in the 6th contract period, which began in 2015 under the name **jobactive**.

Over the last decade various specialist employment service contracts have similarity evolved alongside the mainstream system. Current contracts include Disability Employment Services, the Community Development Program (for remote areas), and Transition to Work for young jobseekers. In total the various contracted providers support a caseload of about one million jobseekers, of which about 800,000 are jobactive clients.

Development of the ESS (Employment Services System)

By the time the employment services were first outsourced, the National Employment Office operated a large mainframe computer running the early *Job Bank* system. This inceptive system was characterized by data stored on magnetic tapes kept in a "silo", which had to be mechanically transported to readers for data access and recording. The first incarnation of the mainframe and its allied data storage and retrieval systems occupied 1000 m^2 – two entire floors of the old Medibank House building in Canberra – and involved 30 full-time operators working in around-the-clock shifts.

The operating costs of this system, which despite its computational core still required a considerable amount of manual manipulation, were a major factor influencing automation, but it was not until 2003 that improvements would finally allow the required operators to drop to just five full time staff.

Figure 14: Former Medibank House, Canberra, home of the first ES mainframe

Between 1988 (when the original employment services mainframe was relocated from Melbourne to Canberra) and 2005, the ESS hardware saw four major upgrades, was moved to a more secure location in Canberra, and shrank dramatically in size. Data was progressively transferred from the robot-and-silo system to disk storage between 2010 and 2012, and the fifth hardware upgrade finally saw the decommissioning of the robotic tape system, allowing the entire mainframe to occupy just 3m^2 of space.

Between 2014 and 2015, the mainframe was re-platformed to a modern server environment, dramatically reducing hardware costs. The old mainframe was finally decommissioned on 2 February 2015 at 4:30pm, marking the end of an era, and a shift in IT philosophy from megalithic centralized systems to a more decentralized and granular network architecture.

The first user interfaces known to CES employees in the 1980s were line-command systems affectionately known as "Greenscreens", which allowed data entry and limited searching of the mainframe's Integrated Employment System (IES). The advent of the Internet in the early 1990s saw the sudden and dramatic evolution of user interfaces, and the shift to contracted providers required significant alterations to system functionality.

By 2000, a new system called Employment Assistant (EA2000) had been introduced which had more user-friendly interfaces, but which still comprised "dumb terminals" interfacing with the IES mainframe that did all the work. Matching algorithms were an integral part of the IES business logic, lining up jobseekers with job vacancies. By this stage, the expanding use of the system and the growing complexity of both the data and the business logic were placing increasingly stringent processing demands on the IES and its hardware.

The shift away from mainframe philosophy has allowed progressive integration of more and more web-based and API-driven applications, and more recently, the inclusion of mobile apps to the array of tools that make up the current ESS. At the time of writing, the whole system is being recoded to improve performance – itself a massive task – and is moving to an "asynchronous" model which promises to further increase responsiveness and hence improve the end user experience.

These modifications to the employment services' computational environment have been, and continue to be, carried out by a dedicated team of departmental programmers and IT specialists whose highly responsive and tireless behind-the-scenes work commonly goes unheralded and remains unknown even to many within the employment services industry, and certainly to the broader public. They manage

to achieve major upgrades to the ESS with little or no down-time and are the "silent achievers" who have helped to make the unique Australian employment services industry what it is today, and who continue to contribute greatly to its evolution.

The Australian jobseeker's experience – search, match, and more

Those seeking work in Australia may be eligible for financial support from the government welfare body Centrelink, which initially assesses each applicant's support requirements using a standardized tool called the JSCI (Job Seeker Classification Index). Centrelink may refer eligible jobseekers with their JSCI results and related obligations to a local and appropriate employment service provider (jobseekers can voluntarily select their provider if they wish). Some candidates may be referred to a more detailed assessment to determine capacity to work, which may result in a referral to a disability employment service provider. Some jobseekers may not be eligible for financial support but can often still receive support from an employment service provider at a lower level of funding.

Claiming income support for most people comes with a specific obligation, administered by the provider, to be actively looking for work. Many jobseekers must show evidence of having applied for at least 20 positions per month. The provider communicates compliance to Centrelink, who administer the jobseeker's welfare payments. While service models differ, providers generally assign a personal employment consultant to each jobseeker to assist them in whatever way is appropriate to their needs, including vacancy matching, interpreter and translator services, assistance with applications and resumes, and job readiness training and support, both prior to and following placement into employment. Employment consultants will continue to monitor the performance of placed jobseekers for 26 weeks, offering support, resources such as clothing and transport funds, and guidance where necessary. Some jobseeker assessment results make them eligible for more and different support from providers including assistance with overcoming non-vocational barriers such as health, family, housing, and language problems. These jobseekers often also qualify for different obligation conditions.
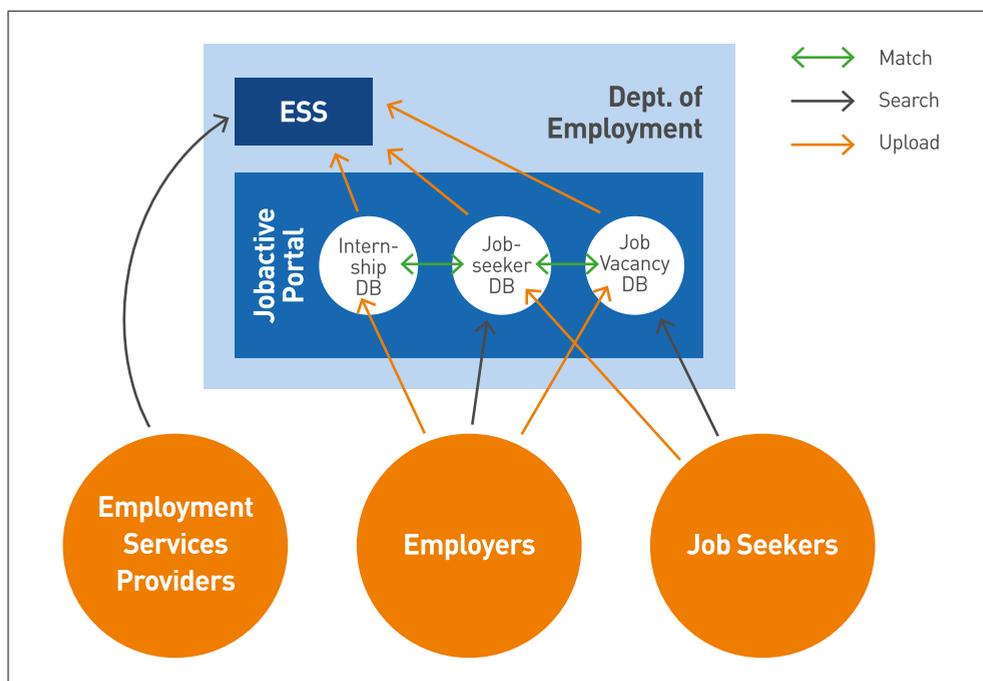
Figure 15: Employment Services Ecosystem

Jobseekers can look for vacancies by any of the traditional means: direct candidature, vacancy listings in print publications, and of course online job boards. But one of the strengths of the ESS suite of applications is a vacancy matching service – the jobactive website/app – that can be used by employers to advertise vacancies and by jobseekers looking for work, and which also has an interface with providers via their own ESS portal, allowing providers to be directly involved with the job matching process. This is a powerful tool allowing all the benefits of modern computational job matching services, with the added plus of having input from employment services providers, who have a more fine-grained knowledge of their local job markets, and, of course, direct and detailed involvement with the jobseekers themselves. Providers also engage with employers directly to gain knowledge of their recruitment requirements and to offer demand-driven placements. Sometimes providers offer mentoring to employers to improve their capacity to support particular employees.

The jobactive portal allows uploading and storage of resumes and other documents, which can be attached to applications with great ease, streamlining the application process considerably. Employers can also see anonymized job profiles through the employer portal and contact candidates directly if they see a profile they like. Of course, commercial online job services also offer such things, but unlike the major commercial sites, jobactive is free for all users – jobseekers and employers – as it is part of a government service. As the jobactive search tool operates in a context that includes local providers, there is a much greater potential for forging long-term relationships between providers and employers in a given region, which in turn can augment the utility of a computational matching tool by injecting local human knowledge into the mix.

A new initiative called "prepare-trial-hire" is being launched to offer young jobseekers new options for gaining work. It has prompted the jobactive development team to extend the portal to allow employers to advertise internships and jobseekers to access them via their employment services provider. This functionality will see even more cooperative integration between jobseekers, employers, and employment services providers, mediated by the ESS technological suite.

Conclusion

Unemployment is a pressing issue in the majority of the modern world, and one that will only worsen as global population growth meets increasing technological encroachment on the workplace. Solutions to the problem require – in the first instance – dedicated attention from government, as the fundamental problem is a social one, falling squarely into the realm of governmental responsibility. But Australia found, toward the beginning of the 1990s, that a purely governmental solution lacked the reactivity and granular local knowledge that small, independent organizations could potentially offer. Initial experiments with contracted employment services were promising, leading to the eventual complete contractual outsourcing model that Australia now employs. But such a solution would have been chaotic were it not for the strict compliance framework that the Australian Government put in place and continues to administer over the system, and that framework itself would not have been achievable without the tight IT integration that the Australian solution has enjoyed since its inception. The Australian model for Public Employment Services is a rich and evolving marriage

of technology, governmental control, and the dynamics of the non-government sector and private enterprise. It is a constantly adapting forum bringing together all major stakeholders – government, employers and providers, mediated by the sector's peak body NESA – with the common goal of offering the most efficient and effective service possible to those who most need it: people seeking work.

Sally Sinclair is the CEO of the National Employment Services Association (NESA), the peak body for the Australian employment services industry. She has over three decades of domestic and international expertise in the design, development, and delivery of employment and related services. Sally is a member of the Minister's National Disability and Careers Advisory Council, of the G20 Civil Society 20 (C20) Steering Committee, and the Vice-Chair of the OECD LEED Programme's Forum on Partnerships and Local Development.

The new world of work is characterized by globalized employment, a mobile yet vulnerable workforce, and the challenges of demography and rising income inequality. Technological changes in both the demand for and supply of skills have a cross-cutting influence on how labor markets develop. In this book, different stakeholders from international organizations in the private and public sector discuss which role Public Employment Services and Workforce Development Agencies ought to play in the labor market today and in the future, why cooperation is crucial, and what kind of support digital services and software can provide for a more effective and efficient delivery.

Managing Workforce Potential – A 20/20 Vision on the Future of Employment Services seeks to inspire decision-makers in and around the labor market to reflect on governance, services, and partnerships to better cater to the new world of work.
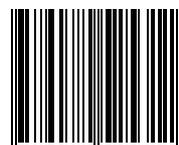
Why this book?
As a world leader in Public Employment software solutions, WCC believes in sharing knowledge. It is our vision that combining what we know and sharing this with the world leads to maximum value across the board. This is why we take initiatives to both exchange and expand expertise. For example, we started the PEPTalk webinar series, which provides a platform for Public Employment Services to share their knowledge about best practices and their vision on the labor market. This book is another example; with its publication, we aim to contribute to an all-round clearer vision on the developments in public employment.

*The term **20/20 vision** is used to express normal sharpness of vision. It means you can see clearly at 20 feet what should normally be seen at that distance.*