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Australian Government
Department of Education,
Skills and Employment

MS21-000859
Ministerial Submission
Routine/Low Complexity

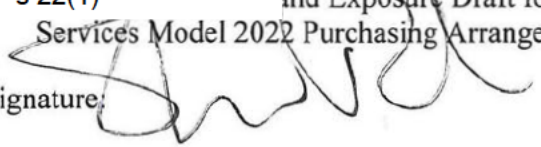
To Minister for Employment, Workforce, Skills, Small and Family Business
CC Assistant Minister for Youth and Employment Services
Subject Stakeholder feedback on ^{s 22(1)} and New Employment
Services Model approaches to market


Action date Please review by 13 August 2021 to note stakeholder feedback prior to the finalisation of program settings for the ^{s 22(1)} the New Employment Services Model Request for Proposal, scheduled for release in ^{s 22(1)} and early September respectively.

Recommendation - That you:

- 1) note the stakeholder feedback received on the ^{s 22(1)} ^{s 22(1)} and Exposure Draft for the New Employment Services Model 2022 Purchasing Arrangements.

noted / please discuss

Signature: 

 2021

^{s 22(1)}

Executive summary

1. Stakeholder feedback was invited ahead of the approach to market for ^{s 22(1)} and New Employment Services Model (NESM) programs announced in the 2021–22 Budget.
^{s 22(1)}
3. The Exposure Draft for the NESM (MS21-000606 refers) received 140 responses between 17 June and 7 July 2021 (including 83 from an Australian Unemployed Workers' Union campaign).
^{s 22(1)}

Key points

5. Key feedback across the services and elements are summarised below, with more detail at Attachment A ^{s 22(1)}
^{s 22(1)}

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s 22(1)

8. In terms of licensing arrangements, the proposed 10 per cent cap on the total national business share received a mixed response, with two large existing jobactive providers expressing strong disagreement. s 22(1)

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18. s 22(1)

s 22(1)
settings, s 22(1)
s 22(1)

NESA feedback covers a range of policy
s 22(1)

and seeking the rationale for the 10 per cent national market cap. s 22(1)
s 22(1)

s 22(1)

Attachments

Attachment A Feedback Summary
s 22(1)

Clearance s 22(1)

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Feedback Summary – s 22(1)

and New Employment Services Model Exposure Draft

The department can provide further detail to you or your office on any of these topics, as required.

Topic	Feedback
s 22(1)	

Page 5 and 6 removed pursuant to section 22 of the FOI Act.

s 22(1)

<p>Enhanced Services – Licensing</p>	<ul style="list-style-type: none"> • The proposed 10 per cent maximum cap on the total national business share for any single Provider received the most feedback. Eight stakeholders expressed their support and two stakeholders expressed their strong disagreement with the proposal. • s 22(1) • • • The majority of stakeholders expressed support for the licence cap in each Employment Region to ensure market stability, with reference to the uncapped Disability Employment Services (DES) market diluting caseloads to the point where services are no longer viable. s 22(1) <p>s 22(1)</p>
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s 22(1)

s 22(1)

Enhanced Services –
National Business
Share/Market Cap

- There was mixed feedback on the 10 per cent cap for business share, the 30 per cent tolerance and the rationale for these settings. Some stakeholders supported these proposed caps, others didn't want one at all or wanted a much higher cap.
- There was a concern that the correlation between the business share and job seeker cohorts may have an impact on future performance and outcomes.
- Criticism of the cap included concern the view that this could potentially disadvantage strong performers, may limit job seeker choice of provider and lacks clarity and certainty for selected providers.
- Feedback suggests that providers operating in rural and regional areas will be at a disadvantage:
 - network and coverage is not readily available and not as accessible
 - larger organisations will have the majority of job seekers to service.

s 22(1)

Page 10 and 11 removed pursuant to section 22 of the FOI Act.

Summary of Feedback – s 22(1)

and new employment services model Exposure Draft 2021

Topic	Feedback	Summary for inclusion in covering brief
<p>s 22(1)</p> <p>Enhanced Services – National Business Share/Market Cap</p>	<ul style="list-style-type: none"> • There was mixed feedback on the 10% cap for business share, the 30% tolerance and the rationale for these setting. Some supported, others didn't want one at all or wanted a much higher cap. • There was a concern that the correlation between the business share and job seeker cohorts may have an impact on future performance and outcomes. There are concerns that for SME and larger organisations with a 10% cap for business share will not likely have the comparable outcomes for future performance. • Those concerned with the cap, expressed concerns regarding the potential disadvantage for providers who were strong performers, how it would limit a jobseeker's right to choose their provider and the lack of clarity and certainty for selected providers. • Providers operating in rural and regional areas will be at a disadvantage: <ul style="list-style-type: none"> ○ network and coverage is not readily available and not as accessible ○ larger organisations will have the majority of job seekers to service 	<ul style="list-style-type: none"> • Mixed feedback on the business share and how this may impact of future provider performance, service delivery and market stability.

s 22(1)

- Others believe that the cap for business share and regions would encourage market stability, lead to more diverse providers and innovative service delivery approaches.
- Some want the cap lifted after the first performance review.



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The New Employment Services Model Request for Proposal process and final policy settings

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Overview

s 22(1)

- National Market Cap for providers
s 22(1)

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s 22(1)

Page 16-18 removed pursuant to section 22 of the FOI Act.

Exposure Draft consultation feedback

s 22(1)

- s 22(1)

- 10% maximum market share cap – 80% of feedback supportive, 2 respondents critical
- s 22(1)

s 22(1)

5

10 per cent Cap

Some stakeholders supported these proposed caps, others didn't want one at all or wanted a much higher cap.

There was a concern that the correlation between the business share and job seeker cohorts may have an impact on future performance and outcomes.

Criticism of the cap included concern the view that this could potentially disadvantage strong performers, may limit job seeker choice of provider and lacks clarity and certainty for selected providers.

s 22(1)

Page 20-27 removed pursuant to section 22 of the FOI Act.

Cap on National Business Share for Enhanced Services

- Provider diversity to support tailored services and job seeker choice are key elements of the NESM
- Proposed cap to prevent significant market concentration across a few providers
 - Mitigates risks of large organisations failing and creating significant market gaps, and undue market influence
- Stakeholder feedback through the Exposure Draft about the cap is mixed
- If a cap was not introduced, there are a range of other mechanisms to support market diversity over the life of the contract including:



- License allocation principles that consider risk of market concentration
- More stringent assessment of novation requests
- Allowing smaller area servicing by providers
- New Provider Payment Model
- Support for small providers through the Capacity Building Fund

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NESM will promote diversity among employment services providers, ensuring that there is a range of organisations with different servicing strategies and more local area knowledge to suit job seeker needs. Greater competition and diversity will address concerns raised by a range of stakeholders about the homogenisation of employment services over the past two decades, leading to less tailored servicing.

The cap on national business share is intended to assist in promoting diversity in the market. The operation of the cap would be subject to an upper tolerance, that will allow flexibility in circumstances where the range of high quality providers may be limited, for example in regional areas.

Provider Feedback:

A range of feedback from stakeholders was received on both the Licensing System Discussion Paper (released in October 2020) and New Employment Services Model Exposure Draft regarding the design principles driving the licensing system, particularly encouraging greater diversity of providers. For example, stakeholders expressed their support for the cap indicating it will promote job seeker choice and reduce the market risk and disruption should a very large provider fail or provide poor quality services. Two large providers were critical of the cap.

Page 29-50 removed pursuant to section 22 and 47C of the FOI Act.



Australian Government
Department of Education,
Skills and Employment

Ministerial Brief

Urgent/Low Complexity

To **Minister for Employment, Workforce, Skills, Small and Family Business**
Subject **New Employment Services Model comeback - correspondence to the Prime Minister**
Action date **s 47C(1)**

Recommendation(s) - That you:
s 22(1)

s 47C(1)

Signature:

23 § 2021

Comments

Executive summary
s 34(3), s 47C(1)

s 22(1)

s 22(1)

Page 52-53 removed pursuant to section 22 of the FOI Act.

s 22(1)

Cap on national business share

s 47C(1)

s 47C(1)

Stakeholder feedback was mixed, with two large providers and the National Employment Services Association critical of the cap.

35. As discussed, the Department will not set a cap, but the Request for Proposal will set out the expectation that a single provider will not exceed 20 per cent of the national market share. Market diversity can still be maintained through a range of mechanisms. These include maintaining control over the number of licences issued and their associated business shares, more stringent assessment of novation requests (including Ministerial approval for requests above specific thresholds) and partial servicing for providers. The removal of the cap can be done within existing authority and is therefore not included in the letter to the Prime Minister.

s 22(1)

s 22(1)

Clearance

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