



International Perspectives on Outsourcing Employability Services

Developing a competitive market
that delivers results.

What does international experience tell us
about what works and what doesn't?

ingeous

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Observations on Finland

- Finns drink litres of coffee each day, but remain remarkably calm
- Finns are big listeners, but very small talkers – even after lots of coffee
- The Finns are secretly French: everybody has a summer house and in July the whole country closes down. Completely.
- Finland has a population of five million people. There are 1.5 million saunas! Why??
- The Finns are not Swedish and definitely not Russian but, after a few beers they can do a very good impression of either



Observations on ingeus



**1989. Founded in
Australia**

**Focus on re-integrating
accident victims into work**

**2017. Operating in 10 countries in
both public and private sectors**

**Combining international best practice with
expertise of local partners to co-design, pilot,
deliver and evaluate innovative social impact
programmes.**

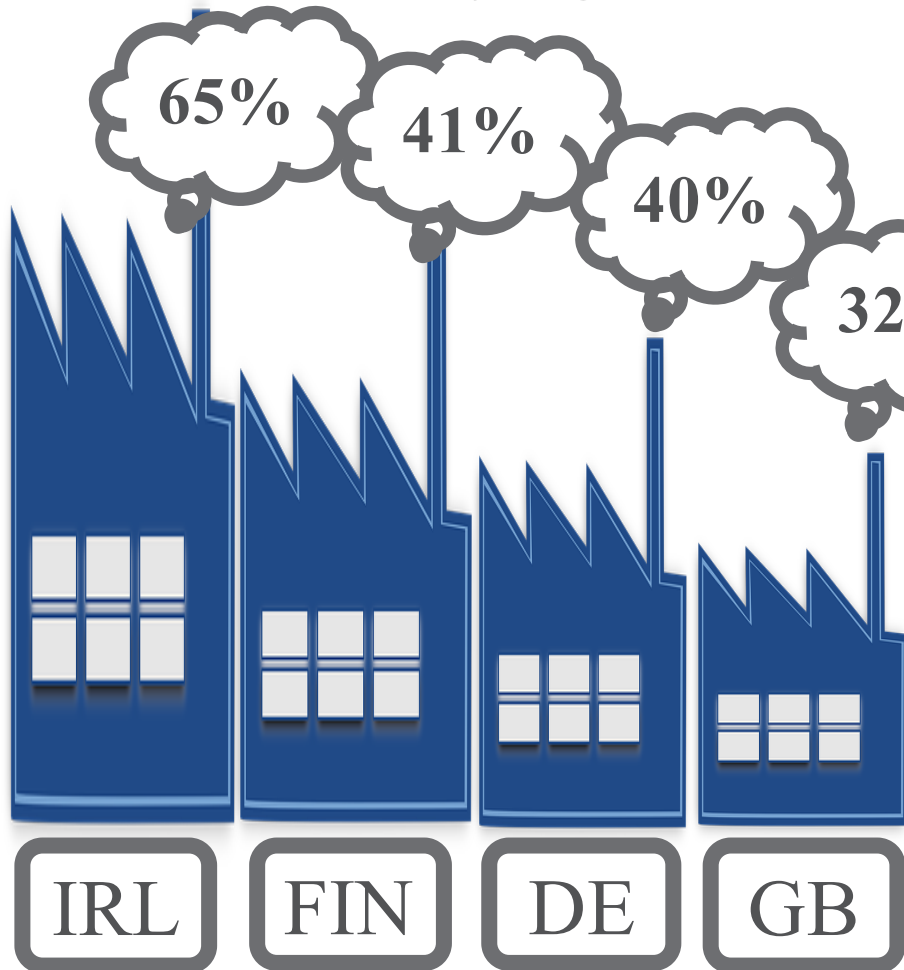
**Skills and training I Employability I Health and
wellbeing I Seniors I Youth services I
Outplacement I Ex offender services I Refugee
integration**

What mega-trends are shaping the future of work?

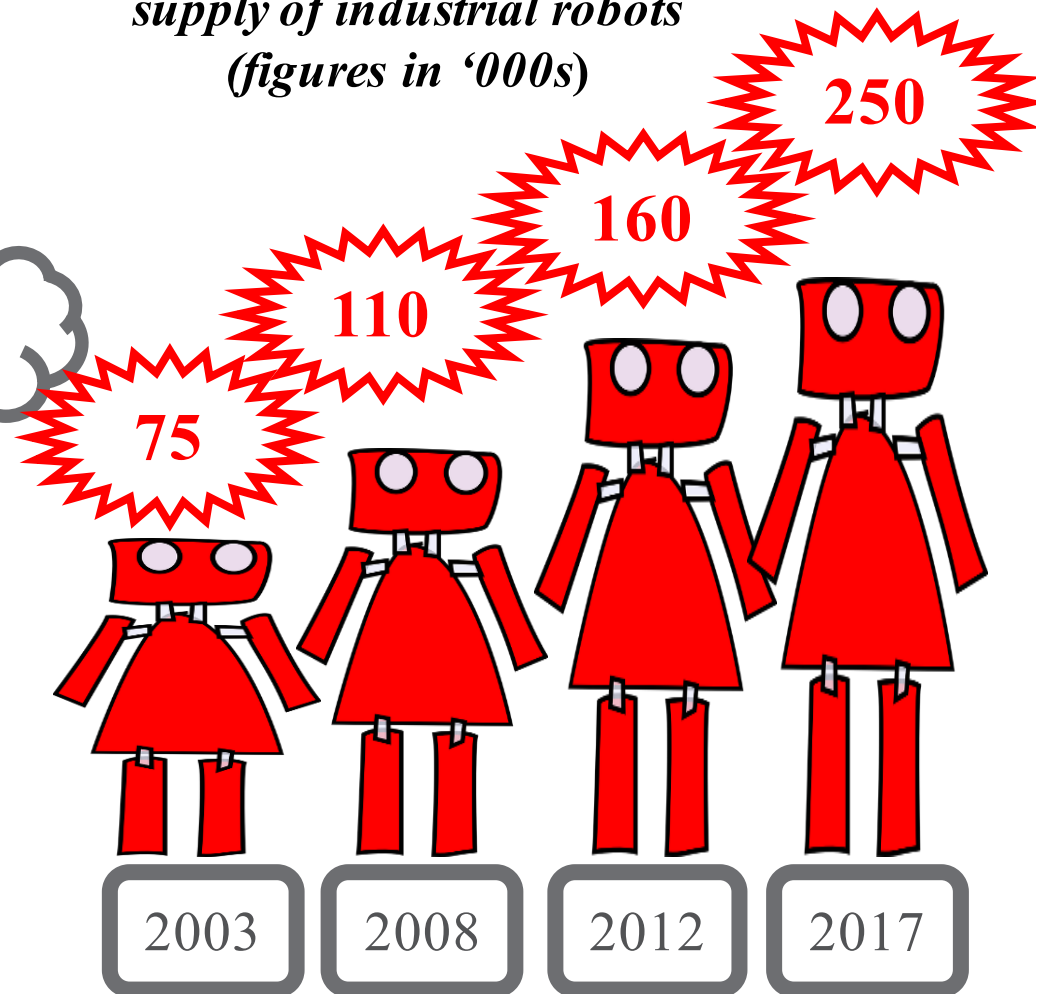
Globalisation The world is becoming more integrated

Technology and automation are changing the workplace

Share of jobs sustained by consumers in foreign markets



Estimated worldwide annual supply of industrial robots (figures in '000s)



Mega trends

7x 9x



1992

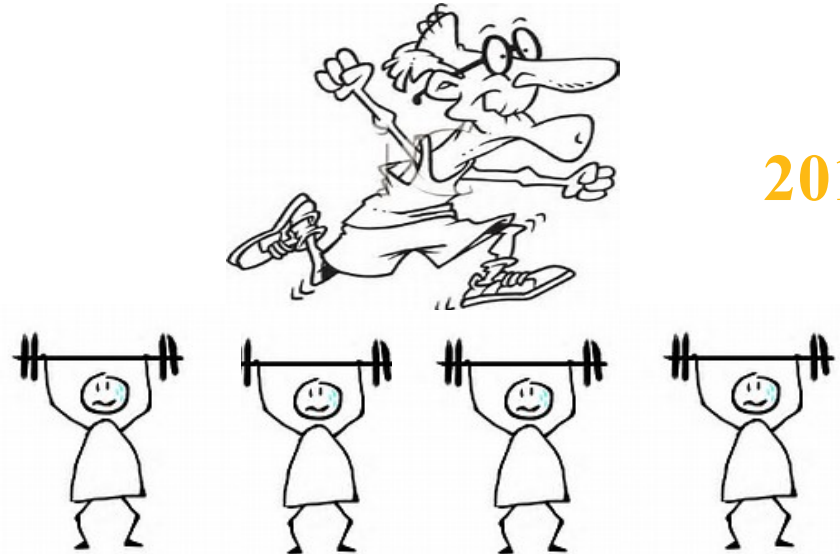
1997

Richest 10% Poorest 10%

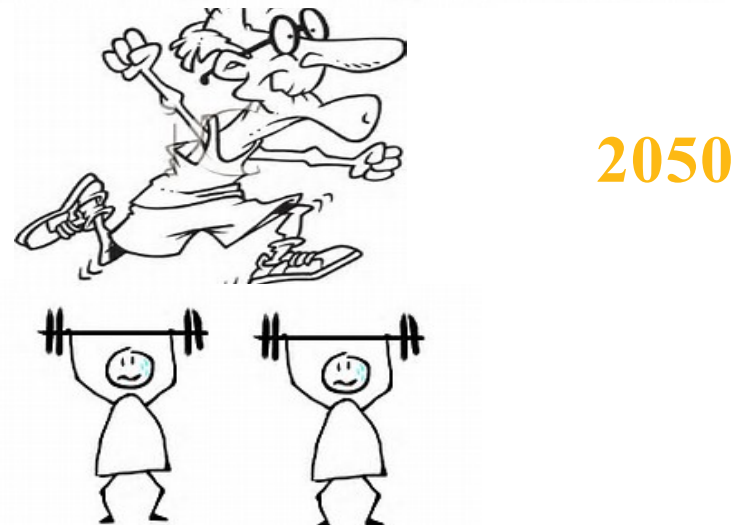
Inequality is rising

Demography. Populations are ageing in many advanced economies, but growing in others. Implications?

Old age dependency ration (OECD global average)



2015



2050

Labour markets are being hollowed out



Percentage point change in share of total employment (OECD average) 1995-2015

Mega trends



New forms of work emerging
- an opportunity or a threat?

How are governments meeting these challenges?



Increase of Public Private Partnerships reflects the recognition that no single entity, or any one sector, can respond comprehensively enough to the workforce challenges posed by the competitive global economy *Asia Pacific Economic Cooperation Forum “Meeting the needs of the 21st century Workforce”*

**Increasing
Employment Rates
by reaching out and integrating
‘inactive’ and disadvantaged groups
into the labour market**

- **Improving links between skills, health and employability services**
- **Developing new delivery partnership models to supply more ‘holistic’ public services, mixing the best of public, private and charity sectors**

European Commission review notes that Public-Private Partnerships can bring longer term benefits, but need careful planning and implementation

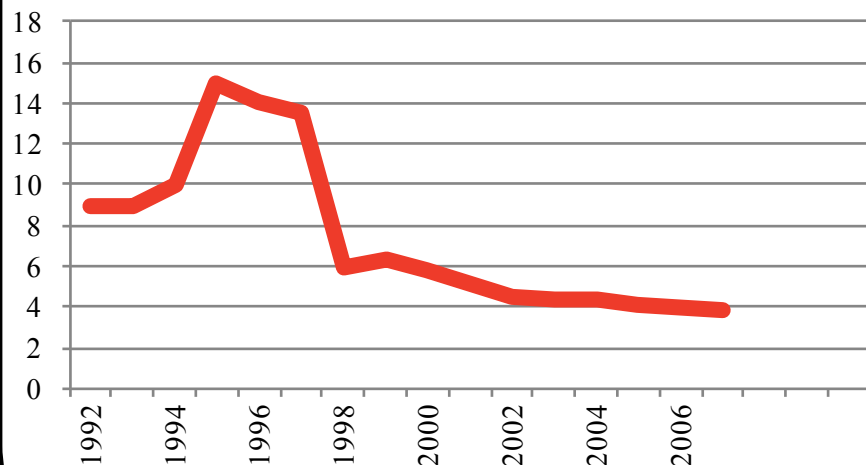


Done well, PPP can improve outputs and reduce costs



Done poorly, PPP can create perverse behaviours

Australia: cost per employment outcome fell after outsourcing in 1998 (in \$1,000 AUS)



Source: DoE

**Deadweight
Displacement
Creaming
Parking**

These risks also exist in publicly managed services but become more 'transparent' with cash payments to contractors

'Smart' procurement can help buy a quality service



Clear objectives and outcomes



Publish performance data

Have a high level view of what the service to deliver these outcomes will look like

Robust, independent audit

Performance manage providers against agreed outcome and quality targets



Avoid over prescribing, encourage flexibility

Clear, evidence-based notion of 'cost-drivers'

Clear measurement of outcomes

Longer contracts, larger flows encourage higher provider investment

Link payment to results - funding based on sustainable job outcomes

Base contracts on quality not price (i.e. best outcomes with, a fully costed model)



Join-up planning and funding between government agencies & departments to avoid duplication





Smart procurement also means the purchaser looking strategically at likely implementation challenges



DO

- ✓ Hire **talented staff** with the right skills to write and manage contracts
- ✓ **Pilot** first to inform performance and payment benchmarks and identify delivery challenges
- ✓ Create a **framework partnership agreement** to allow appropriate contract changes if needed
- ✓ Create a **learning culture**



DON'T

- x Ignore how **welfare systems**, jobsearch obligations and benefit sanctions will impact on the design of contracts
- x Confuse **customer choice** with **competition** – can fragment market
- x **Rush**. Incremental progress works best to create a sustainable market – **‘evolution’ not ‘revolution’**.

The balance of risk between purchaser and provider depends on the type of contract

Cost-Reimbursement

Payments for expenses incurred, budget agreed at procurement → high risk for public agency

Process measures

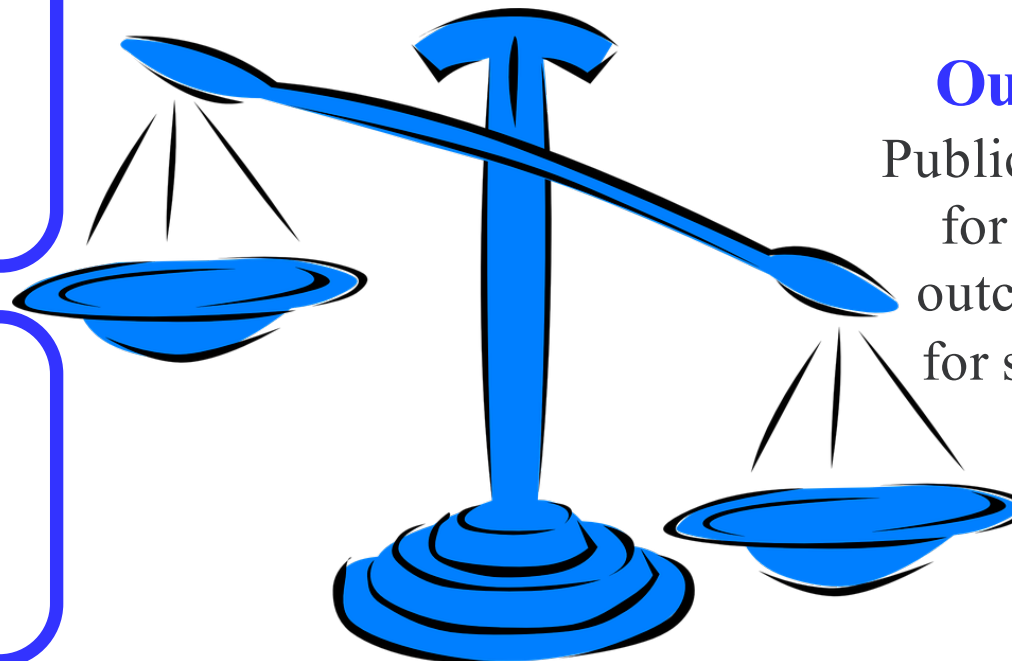
enrolments, assessments, accuracy of referrals, participation in job-search activities/training

Outcome measures

job placement, retention or job sustainability, hours, earnings, particular client group

Fixed-Price

Paid agreed fee regardless of actual cost or performance → public/private risk sharing



Outcome-based

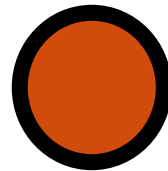
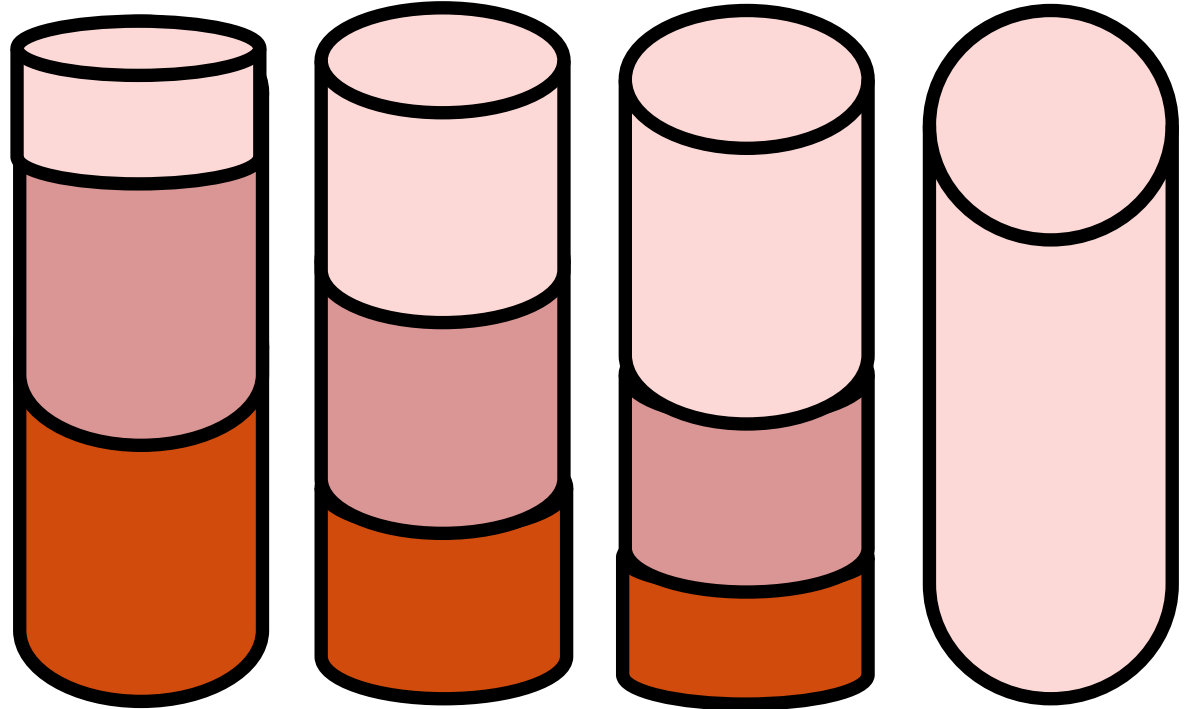
Public agency only pays for job placements/ outcomes → high risk for service providers

Pilot project phase

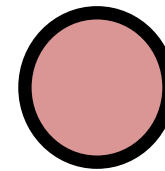
Mature outsourcing phase

Intermediate phase

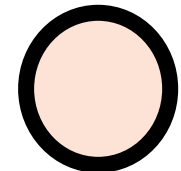
As the evidence base grows, risk can be shifted from the purchaser to the provider over time for outcome based payments



Initial payment



Job placement



Sustain payment

Freedom of choice for employability services sounds great, but is not straightforward



yes

- Clients say they like to have choice
- Politically popular in reforming public services like childcare



maybe

- Choice is generally a good thing, but can be achieved in many ways
- Better to focus at first on offering choice within contracts e.g. through wider supply chain?

no

- Decisions not always rational
- No evidence of higher outputs
- Unlimited choice can lead to sub optimal volumes and lower quality

Quality



Purchasers should establish independent evaluation, publish performance results and allow market shift to encourage quality and competition

Ingeus is independently audited by global and national quality standard bodies

Certified B Corps

We meet rigorous standards that show the interests of our employees, communities and the environment are embedded in our organisation

ISO 271001

Independently audited and accredited for our developed Information Security Systems

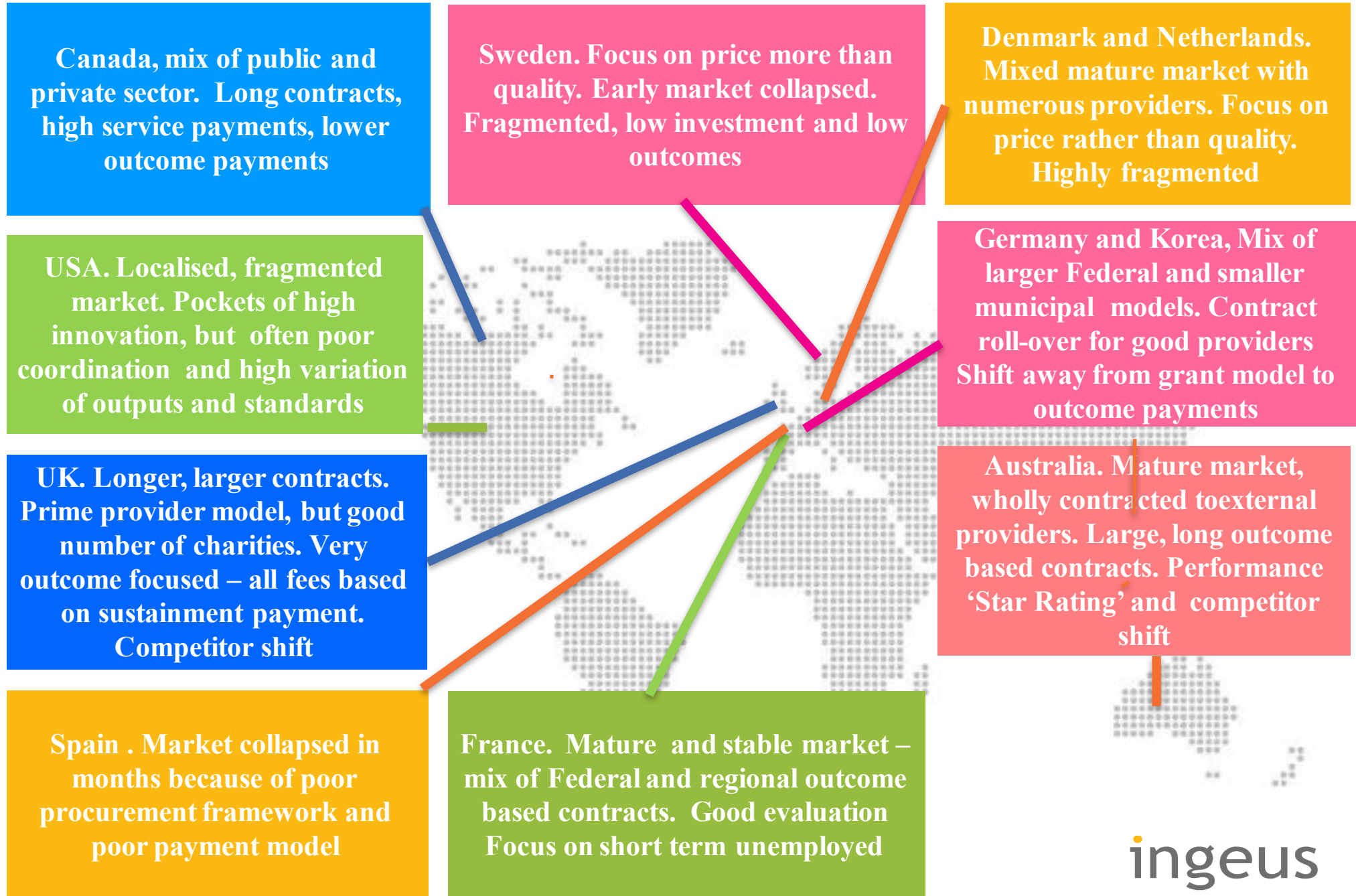
Merlin Standard

Awarded 'Excellent' Merlin Standard for the positive way we work with organisations in our Supply Chain

Matrix Quality Standard

Awarded Matrix mark for the excellent quality of our advice services

Despite growing evidence about what works and what doesn't when procuring employability services, there are wide variations of approach



What does the future look like?

Creating a more effective customer focused Employability Service



- ✓ More dynamic profiling to identify needs, using Artificial Intelligence and linked to more complex channels strategy to manage volumes, sequencing of service and costs
- ✓ More diverse range of local supply chain partners to empower advisors and clients to get the right support
- ✓ Compatible IT systems, reporting and performance across the supply chain
- ✓ More customer insight and involvement in the design of the programmes they are asked to participate in
- ✓ More use of interactive IT and social media but face-to-face service remains crucial (and cost effective) for some groups