



13 February 2008

The Hon Brendan O'Connor MP
Minister for Employment Participation
Parliament House
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Dear Minister

Thank you for the opportunity to share our suggestions with you about the ways that employment services providers can assist the Australian Government to achieve its Social Inclusion and Skills policies. Interact Australia is a not for profit organisation, dedicated to improving the lives of disadvantaged people, including through the provision of the Australian Apprenticeships Access Programme, the Disability Employment Network, the Job Network, the Personal Support Programme and the Structured Training and Employment Projects Employment and Related Services and Jobwise initiatives. We also provide a variety of services on behalf of the Victorian and Queensland State Governments. These include adult day programmes and respite assistance for families as well as art and recreation services which assist people living with disabilities to participate in the wider community.

Our assessment of the range of current employment services programmes has identified a number of ways in which we believe they could better assist Australians to be economically and socially included. We have summarised these below, for your consideration.

1. Improve the assessment of unemployed people in order to facilitate their referral to appropriate services:

The current Job Capacity Assessment (JCA) process is flawed in several ways. These include:

- JCAs are based on a Treating Doctor's Report (TDR) as well as self-reports from the applicant. Some conditions and disabilities cannot be measured through a TDR, for example learning difficulties, and self reports are not necessarily accurate;
- Assessments are conducted under the pressure of time which means that a rushed and inappropriate recommendation may be the result;
- The high level of staff turnover in the sector has meant that it is difficult for Assessors to have an understanding of the current complex range of employment services and numerous providers. As a result, Employment Consultants often are obliged to train Assessors in terms of how to complete assessments and to advise them which services would be appropriate for the applicant;
- Assessments are conducted by people with a variety of qualifications. However, this may be inappropriate in some situations. For example, an Occupational Therapist assessing an applicant's mental health would be inappropriate;
- The system does not allow for the applicant to express a preference for referral to a particular provider or provider's site. This limits the applicant's choice;
- Referrals to Job Network do not require a JCA while referrals, re-referrals and transfers from one employment services stream to another require an assessment. This causes a disincentive for Job Seekers to be referred to programmes other than the Job Network;

- Referral to a Job Network provider is the default referral for all assessments. This also occurs when an applicant is unable to provide medical information. As a result, Job Network services receive referrals for which they are unsuited; and
- The process of assessing eligibility for employment services should be separated from income support assessments. The introduction of this policy by the previous Government in December 2006 resulted in a dramatic reduction of the number of people in receipt of the Disability Support Pension who volunteered to participate in employment services, thereby decreasing the number of people with disabilities participating in the labour market.

The development of a new assessment system, and its implementation across the entire range of programmes including the Job Network, would ensure that people are referred to appropriate programmes in a timely manner. Interact Australia would be available to participate in the development of a new assessment model or to participate in pilot programmes.

2. Consolidate employment services in order to simplify the number of programmes the Government administers:

One of the major issues with the employment services market in its current format is that it is complex and confusing, with several programmes providing alike assistance to unemployed people. We suggest that six of the existing programmes be consolidated into three.

The Personal Support Programme (PSP) and the Job Placement, Employment and Training programme both provide non-vocational assistance to people to address social and personal barriers to finding and maintaining employment. Combining both programmes into one would maximise the return for the Government from its investment in helping some of the most disadvantaged and at risk people in the community.

Currently, Disability Employment Network (DEN) outlets and Vocational Rehabilitation Services (VRS) provide very similar support. Interact Australia recommends that the Australian Government merge the DEN and VRS programmes. We are aware of examples of VRS sites with long waiting lists located in the same area as DEN providers with capacity on their caseload to assist new referrals immediately. Combining the two service streams into one programme would remove waiting lists and better utilise both programmes for the benefit of Job Seekers.

In addition, Interact Australia recommends that the DEN Capped and Uncapped services also be merged into one stream. Confusion exists in the community in terms of the services provided by each programme and the eligibility criteria for both. The DEN Capped and DEN Uncapped programmes are so similar they even share guidelines.

3. Remove the DEN's Disability Pre-Employment Instrument (DPI) and the Disability Maintenance Instrument (DMI):

The DEN is funded to place and then to maintain people with disabilities into employment. In most cases, prior to referral to a DEN, a Job Seeker would have had a JCA completed. However, four weeks into a Job Seeker's participation in a DEN programme, the provider must complete another assessment, the DPI, which sets a level for Employment Assistance payments.

This is an inefficient system as the Job Seeker is assessed twice for the same issues: firstly during the JCA prior to referral and again shortly after their commencement in the DEN programme.

It also distracts the DEN provider from focussing solely on preparing the Job Seeker for placement, because the initial focus is on gathering evidence for a DPI. In addition, departmental monitoring visits include a focus on whether a DEN provider has enough evidence for the DPI level they obtained.

The DMI is conducted later into the person's participation in the programme and is based on the type and amount of support provided to the participant after they commenced employment. Despite the fact that a JCA is valid for two years, this additional assessment is conducted in order to set the fee levels for Maintenance payments.

The DPI and DMI system may also be open to manipulation by agencies. Removing both assessments would lower this risk.

A possible solution would be to set a standard amount for Employment Assistance fees, rather than four levels. Also, Maintenance fees could be set at a percentage of the Employment Assistance fees. Implementing these strategies would further reduce the administrative burden for both the provider and the Department.

4. Provide the DEN with performance information:

DEN was included on the EA3000 database in July 2005. However, to date, there are very few performance reports available on that database for use by DEN providers. More recent programmes, like VRS, have access to more performance reporting than the DEN does. Also, the DEN Health Check Reports are distributed infrequently by the Department, and have been recalled on occasion due to inaccurate information.

Improving the provision of accurate and timely information to the DENs would assist providers to monitor and improve performance, to the benefit of the programme's participants.

5. Remove the cap on the PSP:

We are aware of long waiting lists for commencement in the PSP in many locations. In some cases, Job Seekers are waiting 6 months or more to participate in the programme. During this period, these disadvantaged people are not receiving any structured, timely or appropriate assistance to reduce or remove their barriers. Removing the caseload cap from this programme would ensure that people receive the assistance they need as soon as their need is identified.

6. Refocus the Job Network to encourage early intervention so that people receive more assistance prior to becoming long term unemployed:

The current Job Network performance assessment system discourages services from assisting the short to medium term unemployed. Providers are encouraged to focus their energies into placing Job Seekers who have been unemployed for more than one year. Providing more assistance to Job Seekers who have only been unemployed three to 12 months would ensure that less people reach the twelve month benchmark for intensive assistance.

7. Improve the Australian Apprenticeships Access Programme (Access):

The Government's focus on the provision of appropriate skills based training is an important element in ensuring that workforce participation is increased. As a Broker of the Access Programme, Interact Australia believes that it should play an important role in improving the skills of unemployed people.

However, there are a range of issues which need to be addressed in order to improve the programme:

- Access's profile needs to be raised with businesses and with unemployed people so participation is increased and performance is lifted;
- Courses addressing local skills shortages need be eligible for Access as the skills shortages lists are based on national issues;
- Artificial barriers to employment services providers maximising the benefits of Access courses need to be removed. This includes how Access programme outcomes are credited to the providers referring the Job Seekers;
- Many Job Network providers use their Job Seeker Account to fund their own programmes, which sit outside of the Access system, so incentives must be provided to encourage them to use Access funding instead; and
- Also, introducing Access into the EA3000 system, removing it from the AIMS database, may also remove other barriers to a wider range of employment services providers utilising Access.

8. Reform of Welfare to Work and Participation Reporting:

Interact Australia recommends that the Welfare to Work policies be reviewed in order to improve the current environment in which we perform our roles. It is the opinion of Interact Australia that the creation and maintenance of a cooperative relationship between a provider and a programme participant has a more positive result than the current punitive system.

9. Improve the range of tools available to employment services to encourage businesses to employ disadvantaged people:

At the moment, the Government funds a range of incentives and strategies which could be improved in order to achieve better results for Job Seekers who need more intensive assistance. These include the Work Experience Programme, the Job Seeker Account and Wage Assist.

The Work Experience Programme is one of the DEN's options for assisting Job Seekers. It has been utilised to a certain degree since its introduction in January 2006. However, it would be more effective if it were enhanced to include paid work trials. This would allow providers to encourage businesses to place people in trial positions in order to prove that they can do the work successfully. It would also be useful to allow other employment services to access this programme. Job Network is able to provide paid work trials to employers through the Job Seeker Account, which creates an inequitable situation against which a DEN provider, assisting people with disabilities, cannot compete.

Currently, only the Job Network has a Job Seeker Account. Programmes like the DEN use their own funds to provide training, equipment and other items in order to assist Job Seekers to increase their skills and return to work. This assistance may be provided on an ad hoc basis and at the discretion of the provider. Having an Account would encourage services to invest in the development of their Job Seekers and would allow the Government to assess the effectiveness of the use of the funds. It is important to note that Job Network are underutilising quarantined Job Seeker Account fund, while other employment services providers do not have access to any funding of this type.

Job Network is also able to provide several different types of wage subsidies which are not available to other employment service providers. For example, Job Network providers can offer employers \$4,600 (GST inclusive) over a 26 week placement, with additional amounts up to a 90% of the wage cap from the Job Seeker Account. In comparison, a DEN provider which assists Job Seekers who are more disadvantaged in the labour market, may only offer \$1650 (GST inclusive) over a 13 week period. This is another example of an inequity in the services and incentives that programmes can provide compared to the Job Network.

10. Extend parallel servicing:

Currently, some programmes are able to provide parallel servicing to a certain degree, allowing Job Seekers to be supported through what might otherwise be a difficult transition from one programme to another. Further strengthening of parallel servicing between these programmes would result in higher outcome levels.

In addition, allowing Business Services clients to transition to a DEN would increase the number of people with disabilities who participate in the labour market. Currently, Business Services clients must decide to leave their employment with their current provider in order to be referred to a DEN. This is a risk for them as they may not be referred to an appropriate programme due to the issues with JCAs outlined above. Also, the period of time they might participate in a DEN prior to placement might be extended which means they are further disadvantaged through no longer being part of the Business Service. Allowing parallel servicing would increase the cooperation between providers and the amount and type of support the Job Seeker requires.

11. Provide incentives for Job Placement Organisations (JPOs) and Job Network services to place disadvantaged people into long term jobs, more quickly:

Currently, JPOs are paid for placing people into short term positions. The most disadvantaged people are often excluded from applying for these vacancies. It would be more effective to offer incentives for JPOs and Job Network services to place DEN, VRS, PSP and JPET participants and for making longer term placements.

12. Refocus Work for the Dole on vocational placements:

Work for the Dole has a negative reputation with many employers, service providers and Job Seekers for a variety of reasons. One of the major objections to that programme is that the type of training and placement provided does not necessarily ensure that a participant's skills and work readiness is enhanced. One possible solution would be to make the programme more vocationally based: for example, placing people into social enterprises which would provide Job Seekers with increased work skills in a supportive environment. Another option would be to provide businesses with incentives to take Work for the Dole participants for extended work experience placements, thereby improving their vocational skills, gaining them references and potentially increasing the number of placements achieved by the programme.

13. Revise the Disability Employment Services Quality Assurance (DESQL) system:

The DESQA was developed to ensure that agencies that assist people with disabilities protect their clients, assist them to participate fully in the process and to have access to the wider community. However, the same service standards exist for the DENs as exist for day service programmes or Business Services. Providers. This is inappropriate as employment services provide different assistance, and are also obliged to administer the activity test which can be in conflict with the current standards. An additional issue is that, although Job Network and other employment services assist people with disabilities, only DENs are required to be certified. Interact Australia recommends that the service standards be revised and that all employment services that assist people with disabilities be required to be accredited against the new standards.

Thank you again for the opportunity to provide you with our recommendations. Please do not hesitate to contact me, if you require any clarification about any of the information outlined above.

Yours faithfully,

GEOFF PASCOE
Chief Executive Officer

13 February 2008

The Hon Brendan O'Connor MP
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Dear Minister

Re: Innovative service delivery approaches to improve Australian Employment Services

Thank you for your recent letter and invitation to comment on the effectiveness of the current employment services model and how it may be improved.

The current employment services model is a 'work in progress' and there is considerable scope to increase the model's effectiveness by learning from the lessons of the past and by taking into consideration recent overseas and Australian evaluations on high performance models.

The factors that are considered central to improving the current model include:

- Targeting of assistance
- Centrelink's performance of its 'gateway' functions
- Fee structure
- Availability of Performance Information for DEN Providers
- Reviewing the performance assessment arrangements
- Strategic approach

1. Targeting of assistance

The current approach of targeting relies too heavily on the accuracy of the Job Seeker Classification Instrument (JSCI) to determine a job seeker's relative likelihood of remaining unemployed and eligibility for Intensive Assistance. The JSCI is important in determining the level of disadvantage that job seekers face, but is not the optimal means of determining the most appropriate form of assistance to address this disadvantage.

Improved accuracy in targeting would ensure that employment services are relevant to the circumstances and needs of the job seeker and that job seekers with higher levels of disadvantage receive appropriate levels of Intensive Assistance.

Recommendations:

- 1.1 Improve JSCI process through better data gathering and adjustments to the instrument's weights as well as reviewing the thresholds for classification of 'Highly Disadvantaged' and eligibility for Intensive Assistance.

- 1.2 Introduce tighter targeting arrangements that take into consideration job seekers' attitudes and the type of assistance required. Informed by job seekers attitudes, providers could better allocate assistance to the job seeker on the basis of the available attitudinal information.
- 1.3 Develop additional screening tools on top of the JSCI to ensure that all barriers are appropriately identified and the best form of assistance is enlisted.

2. Centrelink's performance of its 'gateway functions'

The Australian National Audit Office's 2005 assessment highlighted problems in the quality of the information that is provided to job seekers to help them make an informed choice of a Job Network Member.

The extent to which job seekers exercise an informed choice when selecting a Job Network provider is still unclear. There is anecdotal evidence to suggest that there is an over simplification in informing job seekers of their choices by limiting discussion to a providers most recent Star Rating. This approach may not lead to informed job seeker choice as it does not take into account any recent performance trends since the latest Star Rating results nor does it consider any other important information, such as adherence to the Employment Services Code of Conduct and Job Network Service Guarantee and overall quality service delivery to both job seekers and employers.

Recommendations:

- 2.1 Consider a gradual relaxation of the current provider marketing restrictions within Centrelink offices along with a nationally consistent DEEWR / Centrelink approach to marketing within all Centrelink offices.
- 2.2 Review current DEEWR / Centrelink Business Partnership Agreement and introduce more objective measuring indicators and service standards to ensure job seekers have greater opportunities and resources to make a more informed choice of service provider.
- 2.3 Review current contract 'stretch capacity' limits to allow for greater flexibility in user choice.
- 2.4 Investigate the possibility and effectiveness of gradually devolving some of Centrelink's 'gateway functions' to Providers of Australian Government Employment Services and/or other specialist private providers.

3. The fee structure

The Job Network fee structure has not been revised since 1 July 2006. In addition, the current financial and Star Rating incentives for Job Network providers to direct job seekers towards skills training, in line with Labor's Skills for the Future policy, is low.

Furthermore, the buoyant labour market, and the introduction of the Welfare to Work reforms, has increased the proportion and number of difficult to place and highly disadvantaged job seekers in the Job Network. The average cost to place the current cohort of job seekers into work is higher than that of the same cohort of job seekers in 2006 or earlier.

Combined with the 2005 increase in the threshold for a job seeker to be classified as highly disadvantaged, many Job Network providers are receiving less income and spending more per job seeker, stretching resources and profitability to the point where some providers are struggling financially.

Recommendations:

- 3.1 Revise the fee structures of all Australian Government Employment and Related services to include incentives for providers to direct job seekers towards skills training and subsequently employment.
- 3.2 Review the fee structure of the Job Network to ensure that services are adequately funded to appropriately recognise the level of assistance provided to difficult to place and highly disadvantaged job seekers.

4. Availability of Performance Information for DEN Providers

The Department should give consideration to expediting the availability of more performance statistics for the Disability Employment Network. At present there are no readily available performance statistics via EA3000. The Department has previously indicated that 'Site Health Checks', similar to those available for the Job Network, would be made available, however it is unknown when this will occur.

The availability of this information will allow DEN providers to regularly assess their performance relative to ESA, region and national averages and adjust service delivery accordingly, rather than wait until a Star Rating release to discover their performance level. The availability of this information will also give providers the opportunity to make informed decisions regarding resource allocation.

A separate letter has been forwarded, outlining in more detail, opportunities for the improvement of the current DEN service system.

Recommendation:

- 4.1 Expedite the expansion of the information available to DEN providers via EA reporting to include detailed caseload, placement, outcome, referral, diary and performance information.

5. Reviewing the Performance Assessment arrangements

In order to meet the concurrent objectives of maximising employment outcomes whilst providing high quality assistance and ensuring value for money, it is recommended that a full review of the current performance assessment arrangements be undertaken.

The current approach to assessment of performance relies too heavily on Star Ratings performance. The Department has previously maintained that Star Ratings alone are not the only measure considered in a provider's overall performance assessment. Other measures, such as quality service assistance to both job seekers and employers, along with contractual compliance, are also important considerations in the overall assessment process.

The current Departmental Quality KPI measures the delivery of services in compliance with the Employment Services Code of Conduct and the Job Network Service Guarantee. However, assessments against this KPI are limited to a pass or fail judgement.

Furthermore, most of the commitments in the Code and Service Guarantee are not clear, measurable standards of service requirements. As such, this approach does not enable DEEWR to measure progress against the objective of the Quality KPI, to 'maximise the delivery of high quality, ethical, employment services'. This approach also fails to provide a mechanism for DEEWR and customers to distinguish between quality service providers and make informed decisions around provider choice.

Interact Australia is supportive of the performance management framework that underpins the requirement for high performance in achieving sustainable employment outcomes. We also understand the need for business reallocations and sanctions, however we believe a more holistic assessment approach that considers quality assistance and contractual compliance is essential to the future health of the employment and training services model.

Recommendations:

- 5.1 The most recent Star Rating trends should be considered in the overall final assessment of performance. There have been instances where providers have been sanctioned by the Department and have improved their performance by the end of the next Contract Performance Period but the previous sanction remained imposed. This has often meant business closure for a provider that has demonstrated both a commitment and capacity to meet its contractual obligations.
- 5.2 Review the current Star Rating model and its weightings against a new set of performance criteria relating to achievements against the Government's Skills for the Future policy.
- 5.3 Broaden the current Quality KPI beyond the simple pass/fail judgement to include a more detailed objective assessment of a provider's proven performance to deliver high quality and ethical employment and training services.
- 5.4 Formal end of Contract Performance Period reviews should include comprehensive assessment and feedback that considers Star Rating performance as well as Quality KPI and contractual compliance.

6. Appropriate Strategic Approach

It is clear from the lessons learnt over the life of the Job Network and from recent international and Australian studies that a new and more appropriate strategic approach is needed to the provision of employment and training services.

Interact Australia has identified an opportunity to pilot a new innovative 'business cluster' approach to delivering connected employment and training services in the Melbourne region of Greensborough.

There is a significant redevelopment planned for the Greensborough central business district which will see Centrelink, the Council Offices and other large businesses re-locate to new premises.

Interact Australia is prepared to participate in a pilot 'business cluster' service delivery model that would incorporate shared and connected premises with Centrelink, Job Capacity Assessors, GPs, Job Network providers, DEN, PSP, JPET, school Counsellors, LLEN, RTOs, Australian Apprenticeships Access Program, Work for the Dole, mental health specialists, alcohol and other drug (AOD) specialists and occupational psychologists.

We believe that this 'business cluster' approach would assist in successfully addressing some of the areas for improvement identified in this letter through a more integrated and collaborative approach to service delivery.

This approach will also meet a number of other important objectives important in an active society model. Job seekers will be more encouraged to meet their mutual obligations because the services will be conveniently accessible, connected and relevant to their specific needs, including skills training and employment placement.

Interact Australia, in partnership with its current local networks in the Greensborough region, is willing to lead the planning and implementation of this pilot.

In conclusion, I would like to extend to the Government, Interact Australia's willingness to be involved in future discussions on improving the current employment services model in line with the Government's Social Inclusion and Skills policies or specifically to discuss our proposal to pilot and evaluate a 'business cluster' approach to delivering a suite of inter-connected employment services.

Yours faithfully,

GEOFF PASCOE
Chief Executive Officer