

# **Business Enterprise Centre Mersey Inc.**

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Submission to

**The Minister for Employment Participation  
– The Hon. Brendan O'Connor, MP**

Review of Commonwealth Employment Services Model

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**February 2008**

## CORPORATE PROFILE

Business Enterprise Centre Mersey Inc. has been a high profile provider of services to Government since 1990. It has variously contracted to government across a wide range of business and employment related support services (including DEEWR) under the trading names:

- **Business and Employment** – for Job Network Services, Community Work Coordinator Services and Australian Apprenticeship Support Services; and
- **CHOICE Employment** – for Disability Employment Network and Vocational Rehabilitation Services.

In October 2007, Business Enterprise Centre Mersey Inc. launched the **O Group**, a community business partnership that brings together the services of **Business and Employment**, **NGT Tasmania**, **Findstaff.biz** and **CHOICE Employment**. The idea being that by working together we can achieve more in employment, training and business services for all Tasmanians.

Business and Employment, NGT Tasmania, Findstaff.biz and CHOICE Employment continue to trade in the Tasmanian market individually whilst coming together under the corporate banner of the O Group. Together, the O Group has 8 offices throughout Tasmania and employs 130 staff.

Further to those outlined above, the O Group provides services which include:

- Group Employment
- Training – registered and non-accredited
- Training – skills and personal development
- Private Recruitment
- Temporary Placement
- Small Business Start-Up

Collectively, the O Group delivers a unique mix of employment, training and business-related services. We are solely Tasmanian focused in our operations and, as such, have a detailed and intricate understanding of the Tasmanian market and the conditions under which it operates.

## INTRODUCTION

The O Group welcomes this opportunity to contribute its views and perspectives to the Federal Government's review of the current range of employment services operating throughout Australia.

As a major provider of Job Network and other related services throughout the State of Tasmania, the O Group is well positioned to represent the experiences of job seekers and service providers in this State.

It is our belief that many of the programs operating under the existing employment services model do so under extremely challenging circumstances, where the appropriateness of the model to the current circumstances and requirements of job seekers, and the broader community, is now in doubt.

The current compliance-centric system, from both the job seeker and service provider perspective, does little to provide the flexibility or responsiveness necessary to facilitate the successful transition for disadvantaged individuals from long-term welfare dependency to active participation in the labour force.

Many job seekers attached to our services are unable to readily move into the workforce due to a range of demographic and personal-based issues.

The O Group posits that any changes made to the existing employment services delivery model must be done so for the purposes of enhancing the ability of service providers to improve the employment prospects for disadvantaged job seekers. Whilst our submission covers a range of relevant factors, the broad thrust of our argument is that improvements to the system should focus upon:

- Greater emphasis on early intervention for disadvantaged job seekers
- Ensuring that those job seekers receive the most intensive and lasting assistance
- Placing greater emphasis on preparing people for sustainable jobs
- Enhancing the integration of employment services and education and training
- Reducing the compliance centricity currently imposed on providers and job seekers

In championing such an approach, the O Group does so with the viewpoint of the eminent (and Tasmanian) economist, Mr. Saul Eslake, in mind.

In a recent presentation to the Brotherhood of St. Laurence (September, 2007), Mr. Eslake noted that "Now more than ever, the objectives of economic and social policy are inextricably intertwined."

There is now a moral and economic imperative, and a unique opportunity, to address the interests of those on the margins of our society. For them, the benefits of employment extend beyond mere financial rewards to instilling confidence and the development of self worth.

As Mr. Eslake noted in his address, "It seems clear from recent experience that....a rising tide does not necessarily lift all boats. Lack of confidence, experience and skills, lack of access to transport and affordable child care, and in some cases prejudice and discrimination, prevent too many people from participating in the current period of economic prosperity." (Eslake, 2007)

## **THE TASMANIAN EXPERIENCE OF LONG-TERM UNEMPLOYMENT**

While Tasmania has recorded a significant improvement since 2001 in a number of important labour market aggregates, the long-term unemployed continue to represent a large proportion of the total unemployed. The gap between Tasmania and Australia has widened on this measure since the late 1990s, although it began to narrow in 2002-03.

The share of total unemployment accounted for by the long-term unemployed in Tasmania has remained above 30 per cent since 1982 and has been consistently above that of Australia over the past 20 years. On a 12-month moving average basis, the rate in November 2004 was 32 per cent in Tasmania, compared with 21 per cent in Australia.

Whilst the total number of long-term unemployed has declined since the 1990s, it is likely that some of that decline is attributable to the outward migration of long-term unemployed Tasmanians. In the five years to June 2004, just over 70,000 persons migrated interstate, a proportion of whom were likely to be long-term unemployed persons seeking employment opportunities interstate.

The average duration of periods of long-term unemployment in Tasmania is also much higher than that of Australia generally and has widened since the late 1990s. In 2003-04, the average period since a Tasmanian unemployed person held a full-time job was 86.4 weeks, compared to 50 weeks for Australia. When measured from the time since a job of any kind was held for at least two weeks the results in 2003-04 were 77 weeks for Tasmania and 46.8 weeks for Australia.

Improvements in the Australian and, more recently, Tasmanian economies has lead to a greater demand for labour. In Tasmania, this increased demand has been met by the shorter term unemployed, and by a growth in the labour force, at rates stronger than that for the national average. This has meant, more than ever, that Tasmania's long-term unemployed and disadvantaged job seekers have been pushed ever further to the fringes.

# SUBMISSION

## ON SOCIAL INCLUSION

The O Group welcomes the new Federal Government's stated policy to tackle social inclusion and to invest in the most disadvantaged in our country by bringing social and economic policy together to complement each other.

As it relates to finding employment for the long-term unemployed and disadvantaged amongst our population, attempts to enhance the inclusion of people into broader society must address a raft of significant and very challenging barriers.

The O Group's experience in working with the more marginalized members of our society has revealed that such barriers often include, but are not limited to:

- relative levels of education
- access to affordable childcare
- societal and employer attitudes to disability and mental illness
- access to affordable and reliable transport
- the availability and affordability of rental accommodation and housing
- the posture of government and support services toward the marginalized
- the presence and degree of discrimination
- the availability of work opportunities

As our submission goes on to discuss, achieving meaningful employment outcomes for the long-term unemployed and for disadvantaged job seekers can not be realized without the implementation of serious and appropriately-coordinated initiatives across the full range of government, community and private sector support services.

## ON EDUCATION AND SKILLS

There is now overwhelming evidence, both in Australia and globally, of the inverse relationship between educational attainment and the various measures of disadvantage. There is little, if any, argument that the employment prospects of job seekers improve as they increase their levels of educational attainment. In May 2006 the unemployment rate of those having completed Year 12 was 8.3%, over 3 percentage points above the national average at the time and around 3½ times the rate of those with a university degree (Eslake, 2007).

The impact of such statistics (and harsh realities) are no more obvious than in the O Group's own State and area of operations, Tasmania. For a variety of reasons, not the least being educational attainment, the proportion of working-age Tasmanians in employment stands at only 57 per cent, some 5 percentage points below the national average. The proportion of Tasmania's working age population with no post-secondary qualifications is 5.3 per cent above the national average whilst the proportion of Tasmanians that have not completed Year 12 is more than 10 percentage points above the national average.

Such low levels of educational attainment are thus apparent in the proportion of Tasmanians working in high-skill occupations (3 percentage points below the national average) and in low-skill occupations (approximately 3 per cent above the national average).

It is not then difficult to understand why the productivity of employed Tasmanians is the lowest of any State (15 per cent below the national average) and why Tasmania has, by a wide margin (almost 15 per cent below the national average), the lowest average household disposable incomes in the nation.

This is the very challenging environment in which the O Group, and other Tasmanian employment service providers, operates.

As previously stated, the O Group supports further integration of employment services with those relating to education and training, particularly as this relates to the long-term unemployed and disadvantaged job seekers.

In recent years there has been substantial pressure placed on employment services providers, through the star ratings system, to adopt a “work first” approach to assistance for the long-term unemployed and disadvantaged job seekers. This approach transmutes to a “any job” strategy which, whilst achieving short-term performance and financial returns, invariably leads to the job seeker’s return to the ranks of the unemployed.

“A focus on obtaining employment outcomes that deals with barriers to employment only to the extent necessary to ensure a job seeker’s entry to the workforce *may* lead in the short-term to more jobs and higher performing Job Network providers. Nevertheless, if the ultimate objective is to achieve better and more sustainable employment outcomes, and to ensure that job seekers do not end up becoming long-term unemployed, then this points to the need for a changed approach and one that recognises that some barriers to employment are likely to be stubborn and ongoing.” (Thomas, 2007)

The O Group concurs with many other commentators that the pathway to meaningful work for the long-term unemployed and for disadvantaged job seekers is one that by necessity must be focused on the various skills sets necessary for securing and maintaining employment.

However, skills development must be pursued with purpose and must be focused upon a meaningful end. There seems little purpose in training disadvantaged job seekers in technically-based vocational skills unless they first are provided the skills to become employable, maintain their employability and to address the necessary prerequisites for being able to deal with a life whilst working.

To this end, the O Group supports the adoption of a skills development continuum that would see the job seeker move from employability skills first, life skills second and technically-based work skills next. Effective service delivery planning would enable a number of skills development activities to be bundled, thus streamlining progress and the timeline to employability.

The O Group acknowledges the demand for higher level qualifications in today’s workforce and beyond, and welcomes the Government’s emphasis on Certificate III or above qualifications in the programs which it funds. We do advocate a degree of caution, however, in not moving to an over-emphasis or over-reliance upon the long-term unemployed for addressing the nation’s skill shortage crisis.

Similarly, we are eager to ascertain the likely obligations of Employment Services and Disability Employment Network providers toward training and skills development. We note that the Federal Government has already indicated that Employment Services providers will “.....play a critical role in an overhauled training system.” and that “Job Network providers will be required to work with industry to ensure training is directed to those outside the workforce in most need of training.”

Significant consideration must be given to the type and degree of support that will be required to successfully pilot disadvantaged job seekers effectively through a Certificate III level qualification, particularly where they have:

- little education/study experience and achievement
- little or no relevant work experience
- multiple barriers to employment (e.g., disabilities etc.)

It will be imperative to ensure that available support services effectively sustain the study placement rather than undermine it through ineffective intervention and support measures. If a job seeker is to secure and maintain employment through such a pathway, they will often require long term support after placement. As a Group Training Provider also, the O Group has considerable experience in post-placement support, placing much emphasis upon the role of “coaching” placements to successful completion of their qualification and to retention of employment.

*Recommendation No.1*

*That the Minister and the Department consider the adoption of a skills development continuum for the long-term unemployed and disadvantaged job seekers that would move them from the development of employability skills, through to life skills and then to technically-based work skills.*

## **ON EARLY INTERVENTION AND LONG-TERM WELFARE DEPENDENCY**

The O Group strongly urges a review of the current Job Seeker Classification Instrument (JSCI) and its applicability to the targeting of intervention services for the unemployed.

The current JSCI processing system seldom adequately identifies or considers relevant client barriers, particularly in those instances, which are ever more common, when a job seeker presents with multiple barriers.

The Government also adjusted the Job Seeker Classification Instrument (JSCI) ‘to account for relative improvements in some labour-market regions’ while lifting the threshold at which job seekers were classified as highly disadvantaged.[91] These changes effectively meant that fewer job seekers would be classified as highly disadvantaged, resulting in a reduction in average funding for Job Network providers.

Job Network providers were highly critical of the changes, variously arguing that the Welfare to Work measures would effectively increase the number of disadvantaged job seekers while the changes to the Job Seeker Classification Instrument would simultaneously reduce the number of job seekers that could qualify for the necessary higher levels of employment assistance, and reduce the funding available to providers for use in assisting disadvantaged job seekers to overcome their barriers to employment.[92]

(Thomas, 2007)

It is our experience that whilst the Government has from time-to-time adjusted the Job Seeker Classification Instrument the JSCI fails to account for compounding “situational” barriers at a micro-regional level including factors such as:

- seasonality and short-term nature of work

- severe lack of public transport
- endemic low levels of educational achievement
- endemic high levels of illicit substance dependency
- lack of specialist intervention services

It is commonly accepted that Tasmania faces many of the nation's most challenging situational / geographic conditions. Indeed this is, at least in part, evidenced in the substantially higher proportion of long-term unemployed in Tasmania, when compared with the national average data.

Tasmania has the highest percentage of its population living outside its capital city (Dept. of Health and Ageing). Generally, capital cities have had lower unemployment rates than regional areas (Working for Australia's Future, 2005). Tasmania has amongst the highest, if not the highest, proportion of welfare recipients as a percentage of its total population in Australia whilst at the same time facing the challenge of having perhaps the greatest degree of disadvantage arising from situational/geographical barriers.

As discussed, these multiple barriers compound the personal-related issues that job seekers present with and contribute to the very high comparative levels of long-term unemployed and disadvantaged job seekers in Tasmania.

As at September 2007, DEEWR's own data showed that Tasmania had a proportionately much larger percentage of its Job Network population in the 12-24 months and 36 months or greater unemployment duration categories than for the nation as a whole.

If ever there has been a case in point for justifying a refined approach to the targeting and resourcing of early intervention services aimed at reducing the level of dependency on welfare, then this is clearly it. The inescapable fact is that employment service providers in Tasmania face a monumental challenge in helping to bolster the national labour force, reducing the rates of long-term unemployment and reducing the overall levels of welfare dependency. And yet, ironically, there has perhaps never been a better opportunity to do so.

It is our experience that early intervention and fast connection to the most appropriate service is critical to, and has proven benefits for, job seekers and employment outcomes. However, in many cases the Job Capacity Assessment system does not support this objective. Too many clients continue to be referred to inappropriate services due either to an error within the JCA process or, as in many cases, due to the lack of available places in the preferred service.

On several occasions, clients completing their placement in the Personal Support Program (PSP) would still benefit from ongoing PSP participation, however, program guidelines do not allow those clients to return to the program within 12 months of completing their previous placement. As a consequence, clients are referred to less preferred service options where those providers are often inadequately equipped to address the client's presenting issues.

*Recommendation No.2*

*That an urgent review of the current Job Seeker Classification Instrument (JSCI) be undertaken focusing on its relevance to the targeting of intervention services for the unemployed.*

**Recommendation No.3**

*That an urgent review of the current Job Capacity Assessment system be undertaken with the view to rectifying deficiencies in the timeliness and relevance of referrals to support services and to address any unnecessarily restrictive referral guidelines.*

**ON THE RELEVANCE OF EMPLOYMENT SERVICES TO JOB SEEKERS**

During ESC3, the characteristics of unemployed persons accessing the Job Network system changed considerably. Strong labour market conditions have meant that many job seekers are able to find employment without assistance from Job Network providers. This has generally meant that those requiring assistance from the network are those job seekers who are more likely to have significant barriers to employment and more substantial personal issues.

The O Group cites a number of concerns relating to the relevance of employment services under the current system to job seekers. Indeed, as partial evidence to our concerns, we note that between May 1998 to July 2003, the Federal Department of Family and Community Services (FaCS) reported a 40 per cent increase in the number of income support recipients who had been unemployed for five or more years. (Working for Australia’s Future, 2005).

Some of our particular concerns relating to the relevance of the current system of employment services to job seekers are briefly explained below:

- It is our view that under the existing employment services system contractual restrictions relating to timeframes for accessing and receiving services, on many occasions, does not reflect the support required by individuals especially as this relates to disability employment.
- The prevailing “any job” philosophy does not address the many long-term employment issues and barriers facing the long-term unemployed. High job failure rates are often the result, thus further compounding the job seeker’s lack of self esteem and the likelihood of them again having a negative experience through their labour market participation.
- Disincentives exist within the existing employment services model which acts to restrict the entry of grandfathered DSP clients into the labour force. A substantial number of DSP clients who self refer to a service do not continue with their application on becoming aware of the requirement to undergo a Job Capacity Assessment. Subject to the results of that assessment, clients are often faced with the risk of having benefits withdrawn. Under such circumstances, those clients face severe financial disadvantage simply as a consequence of participating in the search for work.
- Clients choosing to continue with their search for work often become disillusioned by delays in undertaking a Job Capacity Assessment with Centrelink, in many cases sufficiently so as to ultimately compel them to withdraw from the labour force.
- The current employment services delivery model uses negative reinforcement as the only apparent method of incentive for the long-term unemployed and highly disadvantaged job seekers.

The O Group does not believe that *radical reinvention* of, or for that matter unnecessary disruption to, existing services is warranted where those services are effectively integrated, well-resourced and have already proven to function well, despite the many onerous obligations that have accrued to them over the years.

Services such as Community Work Coordinator Services and Work for the Dole are just one example of how the O Group has been able to effectively integrate service provision to job seekers and to build up high quality stocks of specialist expertise in addressing many of the intractable barriers faced by the long-term unemployed and disadvantaged job seekers.

Matthew Thomas' (2007) review of the Job Network on behalf of the Parliamentary Library of Australia noted that:

“Addressing underlying barriers to employment while also meeting skills in demand and tackling workforce shortages would appear to demand a greater role for Community Work Coordinators and Work for the Dole providers. This could entail their either being brought within the Job Network itself or, being given a greater collaborative role in providing services to job seekers. In either case, funding for customised assistance services would need to be increased.”

Given the levels and degree of expertise that has been developed through the CWC and Work for the Dole programs, the O Group maintains that there is an important role in any proposed restructuring of these programs for new initiatives, such as the introduction of private sector placements, to be ‘dove tailed’ through the existing and effective coordination system, thus enabling the program to ensure that those jobseekers most ready for work are progressed through to placement rather than all, including those with significant ‘barriers’, moving directly into the world of private enterprise.

**Recommendation No.4**

*That any restructuring of Community Work Coordinator Services and Work for the Dole (e.g., to incorporate the introduction of private sector placements) be ‘dove tailed’ through the existing and effective coordination system already established so as to ensure that jobseekers most ready for work are progressed through to placement rather than those with significant ‘barriers’ being inappropriately directed into the world of private enterprise.*

**Recommendation No.5**

*That an urgent review of the Job Capacity Assessment system be undertaken with the view to separate the income support assessment function from the support services referral function.*

## **ON HIGH LEVEL DISADVANTAGED JOB SEEKERS AND INTENSIVE ASSISTANCE**

Predictors of long-term unemployment include:

- Being older
- Having a disability
- Lower educational attainment
- Poor English language and literacy
- Living in a region with high unemployment
- Being a lone parent

- Being an Aboriginal or Torres Strait Islander
- Having been imprisoned
- Not having a telephone
- Being homeless or lack of secure accommodation
- Not having recent full-time work experience
- Not having any vocational qualifications
- Being from a country which has very high unemployment rates

Against many of these significant barriers to employment Tasmania is often, and widely, regarded as the worst positioned State or Territory in the nation.

Disadvantage is often intergenerational in nature and widely recognized to be predetermined by factors including location (ALP Election Policy – Julia Gillard MP and Senator Penny Wong: *An Australian Social Inclusion Agenda*, 2007)

In light of these barriers, the Tasmanian Labor Government’s own submission to the Department of Employment and Workplace Relations in 2003 raised the need to provide greater intensive assistance to job seekers and to improve resourcing and government coordination. Whilst changes to the Job Network have been made, beginning in July 2003 with the introduction of the Active Participation Model, the O Group posits that many of these changes have simply led to greater restrictions on delivery flexibility and imposed even further administrative and compliance burdens on an already over-regulated system.

The outcomes-based payment structure of the Job Network was designed to increase the cost effectiveness of the system and to promote assistance for difficult to place job seekers through higher outcome payments for this group however, somewhat perversely, it also introduced unintended incentives to ‘park’ ‘difficult’ job seekers in Intensive Support.

“It is generally recognised that achieving successful employment outcomes for these people is very expensive. Nevertheless, even at the highest level of funding available under the first employment services contract, payment for Intensive Assistance services were insufficient to either improve the employment outcomes of disadvantaged job seekers or to encourage providers to invest in such assistance.”

(Thomas, 2007)

Therefore, the increased financial pressures placed on providers from reduced up-front funding levels and cash flows for Intensive Support Services in ESC2 and ESC3 further compelled providers to focus resources and efforts on easier to place jobseekers or to attempt to place Intensive Support Service clients in “any job”, usually proving to be unsustainable and detrimental to the job seeker.

The reduction in the “greater reward for greater effort” Intensive Support Service payments placed further financial strain on organizations as they battled to remain viable through multiple (and resource intensive) low-fee, easier-to-place outcomes.

Phil Murray observed in his 2006 discussion paper ‘*A Job Network for Job Seekers*’ that it should be of considerable concern that employment service delivery models are becoming financially unviable.” (Murray, 2006)

“Ultimately, the only reward for providers is for outcome *quantity*. Potential rewards from financial incentives for outcome *quality* (*speed, sustainability and equity* of outcomes) perversely cancel each other out.” (Murray, 2006)

## ON INCENTIVES FOR TRAINING AND JOB SEEKER EMPLOYABILITY

From a research perspective, it would seem that the jury is still out on the relevance and effectiveness of subsidies and incentives in assisting the long-term unemployed and disadvantaged job seekers to secure and maintain employment.

Whilst there are bodies of research indicating that in the present environment, where remaining jobseekers are mostly disadvantaged and attached to special needs groups, subsidised training programs are likely to have some success, not all commentators are as convinced of the lasting effects of subsidised training programs.

Elizabeth Webster, in her 1998 report '*Microeconomic Evaluations of Australian Labour Market Programs*' posited that the post-program effects of training subsidy programs are more variable than those of wage subsidy programs. In Australia, research has found that those effects tend to be positive and sustainable over a six to twelve month period. However, overseas studies provide more mixed results and suggest that the Australian benefits may be smaller if methods to account for unobservable characteristics are employed.

Supporting this position, the House of Representatives Standing Committee on Employment, Workplace Relations and Workforce Participation (2005), quotes the Melbourne Institute of Applied Economic and Social Research's observation that wage subsidies have the greatest impact in terms of getting people into work, whilst training programs appear to have the least impact.

Dr. Webster adds that whilst there is no doubt that the offer of a wage subsidy will get people jobs, in terms of program outcomes, people participating in a wage subsidy program are only ten per cent more likely than their control counterpart to be employed after the completion of the program.

“At the end of 18 months there is probably the same probability of two identical people having a job when one has done the program and one has not.” (House of Representatives Standing Committee on Employment, Workplace Relations and Workforce Participation, 2005).

Citing evidence from overseas that employers are suspicious of people who need a government subsidy to gain employment, the Centre for Independent Studies does not believe that employer subsidies work as a general strategy and maintains that this money could be better spent.

However, based on our own practical and day-to-day experience, the O Group supports the introduction of a combined program of carefully targeted wage subsidies and intensive placement support services to address the needs of long-term and disadvantaged job-seekers.

We maintain, as is suggested in the research quoted above, that carefully targeted wage subsidies are an effective means of assisting the long-term unemployed to secure work opportunities. That said, however, as distinct from the provision of subsidised training etc. we also maintain that the provision of intensive placement support services, which may well contain a skills development and training component, is more effective in helping this particular cohort to maintain their employment.

The O Group further supports the introduction of measures to increase the incentive for welfare recipients to move into employment. Reducing the prevalence of reliance on income support is widely regarded one of a number of important factors in addressing the level of participation in paid work. Whilst there are a number of direct means to address the issue, the O Group again

proposes a combined approach, where the disparity in effective marginal tax rates is reversed and a range of targeted specific “in-work” incentives are provided.

Other financial assistance options that we believe would be of additional assistance include:

- Access to DNAWS is critical to increasing VET opportunities for people with disability. As DNAWS is the major access point for people with disability entering Australian Apprenticeships, it is critical that access is enhanced.
- The temporary wage subsidy available to employers who engage workers with a disability has not increased for over ten years. An increase in the subsidy would improve the competitiveness of people with disability in the labour market.
- Financial assistance to meet the costs of participation in the workforce (transport, equipment etc)
- Increasing the Mobility Allowance.
- Funding for computers & necessary equipment for people with disabilities to undertake training

**Recommendation No.6**

*That the Minister and the Department consider the introduction of a combined program of carefully targeted wage subsidies and intensive placement support services to address the placement and retention needs of long-term and disadvantaged job-seekers.*

**Recommendation No.7**

*That the Minister and the Department consider the introduction of measures to reverse the disparity in effective marginal tax rates and to implement a range of targeted specific “in-work” incentives for the long-term unemployed and disadvantaged job seekers.*

## **ON EMPLOYMENT SERVICES PERFORMANCE MANAGEMENT**

Increased caseload complexity inarguably means greater delivery costs and represents an increased threat to the effectiveness of services provided to job seekers and to the ongoing viability of service providers. If continued high performance of the Job Network is to be expected by the Government then it is imperative that incentive systems are relative to this changed environment.

“The Star Ratings and Outcome Fee incentive systems for the Job Network, that drive provider behaviour, demonstrate sharp variations in “effective” incentives. The incentives are biased strongly towards particular outcome types and job seeker groups but in many cases these are incompatible with the comparative likelihood of achieving outcomes for these types/groups. Therefore, the incentives inadequately support job seekers’ needs and goals and Government expectations for providers with respect to assisting job seekers.” (Murray, 2006).

Instead, the current incentives encourage some providers to:

- delay services and placements....
- pursue shorter term placements....
- secure poorer quality placements....
- place fewer very disadvantaged job seekers....

(Murray, 2006)

In this context, the comparative measurement of provider performance through the Star Ratings system, where some providers focus more heavily on bottom-line results whilst others focus more on the Government's intentions for the program, is flawed insofar as there is no commonly accepted approach throughout the network to the viability/service delivery quandary. It goes to say, therefore, that business allocation and re-allocation on this basis is equally flawed.

The current practice of isolating certain service indicators as flags of “good performance” and questioning any “poor performance” (relative to whom and to what), has created great concern for services that have been forced to change their processes to “improve” performance in these areas, often to the detriment of successful job placements

The O Group supports the Catholic Social Services' call, in its 2006 discussion paper ‘*A Job Network for Job Seekers*’, for the revision of outcome fee structures and star rating weightings to encourage and advantage providers that achieve both high quantity and high *quality (speedy, sustained and equitable)* employment outcomes for job seekers.

“Poorly defined outcome definitions and the strong competitive drive for outcome *quantity* have led to questionable practices aimed at manipulation of recorded outcomes. These questionable practices distort comparative provider performance measurement .....

Whilst the financial weighting of earlier achieved outcomes when compared to the weighting of Interim Outcomes applied to job seekers further along the continuum is reasonable (i.e., lower payments for outcomes achieved early on the continuum, and higher payments for those unemployed longer), the performance weighting applied is not.

More specifically, the outcome conditions and requirements for achieving a 0-12 month outcome are identical to those undertaking ISCA1 and beyond (i.e., 100% reduction of an individual's benefit over 13 consecutive weeks and remaining in paid employment each fortnight for an activity tested job seeker). Yet, a 16 per cent weighting is applied to 0-12 month group, as opposed to 40 per cent for those who are in or have passed the first Customised Assistance Gate.

The O Group maintains that the same weighting should be applied to a 0-12 month Interim outcome as is applied to all Interim outcomes – i.e., 40 per cent.

The component of Star Ratings whereby each provider's performance is compared to the relative performance of the market, and weighted accordingly is complex and difficult for providers to understand. The end result is that providers perceive this as not transparent and treat it with an air of suspicion and uncertainty. Adding to this confusion is the inability of providers to accurately predict with any certainty what they need to achieve to ‘survive’.

The comparison of performance against so called ‘similar Employment Services Areas’ is also problematic as the variables that effect performance are vastly different across the country (e.g., where two labour markets may have a similar unemployment rate however their geographical variables may be completely different). Compounding this further is the absence of any information available to providers detailing which ESA's they are being compared with and the terms of any comparison.

Whilst sanctioning providers and redistributing business away from those that do not perform is, in theory, reasonable in terms of ensuring that ‘the best providers remain’, in practice this is seldom the outcome. A struggling Employment Service Area is a struggling Employment Service Area. All too often a deemed “poor provider” has been replaced by another provider who invariably employs many of the same staff, inherits the same caseload of job seekers and in some instances the same buildings as its predecessor, only to perpetuate the same ‘poor performance’

The O Group posits that greater emphasis should be placed on local labour benchmarks within ESAs. The current practice of sanctioning or closing sites that are performing significantly worse than other sites within the market is reasonable, provided that this is applied within ESA’s and not across ESAs. Labour market conditions within an Employment Service Area can vary significantly. This factor is not considered under the existing employment services performance management regime.

Whilst the quality of service delivery is considered to be a Key Performance Indicator, in reality it has no effect on the provider’s percentile ranking and, in turn, their star rating. If a provider, or particular site, is scored favourably in terms of quality indicators whilst outcome performance is not, it seems reasonable to suggest that factors outside of the direct control of that provider may be in play. The O Group maintains that this rather fundamental reality should be considered when ratings are allocated and where there is to be a resultant reallocation of business.

A significant and growing proportion of expenditure by the Department has been iteratively deployed on prescriptive and unnecessarily burdensome micro-management of provider administration and compliance. Not only is such an approach both wasteful and unproductive, the increased regulation and prescriptive oversight of services experienced throughout ESC3, and through the implementation of the Active Participation Model, has led to a diminishing scope for innovation in service delivery by Job Network providers. It would seem to the O Group that this detracts from the overall effectiveness of the employment services framework and runs counter to the Government’s stated objectives.

*Recommendation No.8*

*That an urgent review of outcome fee structures and star rating weightings be undertaken with the view to more significantly encourage and advantage providers that achieve both high quantity and high quality (speedy, sustained and equitable) employment outcomes for job seekers.*

*Recommendation No.9*

*That an urgent review of the star ratings system be undertaken so as to ensure that the same weighting is attributed to 0-12 month Interim outcomes as is applied to all Interim outcomes – i.e., 40 per cent.*

*Recommendation No.10*

*That an urgent review of the star ratings system be undertaken so as to ensure greater emphasis is placed on local benchmarks within ESAs, for comparing and assessing the relative performance of service providers, as well as to ensure that greater transparency is introduced into the comparison and assessment process.*

## ON THE ADMINISTRATION OF EMPLOYMENT SERVICES

Our service has experienced a substantial increase in administrative and compliance burden, to the point where it has become detrimental to the delivery of responsive and effective services to our client base. Increases in the number of prescribed services and regulatory guidelines has placed additional and onerous administrative and compliance obligations upon our organisation and tested the ongoing viability of service delivery in certain program areas

The growing administrative burden on service providers, driven by government requirements, is diverting resources away from direct service provision. The O Group believes that there is scope to reduce the administrative burden without jeopardising the risk management approach to service provision and contract management.

In the end, over-regulation reduces the benefit that government derives from the funding that it provides. To deliver improved outcomes providers need the flexibility to innovate. The more that their behavior is constricted by complex guidelines and rules the less they are able to do so.

In many organizations throughout the employment services network, the loss of ‘job control’ resulting from these unnecessarily bureaucratic impositions is recognized to be a major factor in their high staff turnover rates. Similarly, the employment services sector itself is losing decades of knowledge and experience as these frustrated workers exit the sector entirely.

The current regime of breaching and non-payment periods continues to fall short in effecting behavioural change in individuals with multiple barriers to employment. In many instances, such punitive measures exacerbate an already difficult situation. On the whole, the intimidation of at-risk or disadvantaged job seekers has had no proven or lasting net benefit to the labour force or to the individuals involved.

The incorporation of DEN services into DEWR’s employment services has resulted in a substantial degree of overlap between the compliance regime imposed by Disability Service Standards Quality Assurance and the National Contract Management Framework. This double audit creates an unnecessary administrative burden for providers and reduces efficiency.

### Recommendation No.11

*That the Minister and the Department urgently adopt measures to reduce the unnecessary and disabling administrative and compliance burden placed upon providers.*

## SUMMARY OF RECOMMENDATIONS

### *Recommendation No.1*

That the Minister and the Department consider the adoption of a skills development continuum for the long-term unemployed and disadvantaged job seekers that would move them from the development of employability skills, through to life skills and then to technically-based work skills.

### *Recommendation No.2*

That an urgent review of the current Job Seeker Classification Instrument (JSCI) be undertaken focusing on its relevance to the targeting of intervention services for the unemployed.

*Recommendation No.3*

That an urgent review of the current Job Capacity Assessment system be undertaken with the view to rectifying deficiencies in the timeliness and relevance of referrals to support services and to address any unnecessarily restrictive referral guidelines.

*Recommendation No.4*

That any restructuring of Community Work Coordinator Services and Work for the Dole (e.g., to incorporate the introduction of private sector placements) be ‘dove tailed’ through the existing and effective coordination system already established so as to ensure that jobseekers most ready for work are progressed through to placement rather than those with significant ‘barriers’ being inappropriately directed into the world of private enterprise.

*Recommendation No.5*

That an urgent review of the Job Capacity Assessment system be undertaken with the view to separate the income support assessment function for grandfathered Disability Support Pension recipients from the support services referral function.

*Recommendation No.6*

That the Minister and the Department consider the introduction of a combined program of carefully targeted wage subsidies and intensive placement support services to address the placement and retention needs of long-term and disadvantaged job-seekers.

*Recommendation No.7*

That the Minister and the Department consider the introduction of measures to reverse the disparity in effective marginal tax rates and to implement a range of targeted specific “in-work” incentives for the long-term unemployed and disadvantaged job seekers.

*Recommendation No.8*

That an urgent review of outcome fee structures and star rating weightings be undertaken with the view to more significantly encourage and advantage providers that achieve both high quantity and high *quality (speedy, sustained and equitable)* employment outcomes for job seekers.

*Recommendation No.9*

That an urgent review of the star ratings system be undertaken so as to ensure that the same weighting is attributed to 0-12 month Interim outcomes as is applied to all Interim outcomes – i.e., 40 per cent.

*Recommendation No.10*

That an urgent review of the star ratings system be undertaken so as to ensure greater emphasis is placed on local benchmarks within ESAs, for comparing and assessing the relative performance of service providers, as well as to ensure that greater transparency is introduced into the comparison and assessment process.

*Recommendation No.11*

That the Minister and the Department urgently adopt measures to reduce the unnecessary and disabling administrative and compliance burden placed upon providers.

## CONCLUSION

The O Group submits that not only has the time come for a considered review of the framework under which the Commonwealth Employment Services Model operates, but equally that there has never been a more opportune moment for such a review to take place.

Changed economic, labour and social conditions have for some years now impacted significantly on the efficacy of employment services in this country. The O Group's experience, as of many other providers in the employment services network, is that rather than evolving to address these changes the regime under which the services operate has iteratively become more and more prescriptive and compliance-centric and, as a consequence, less and less focused on the appropriateness of the outcomes derived relative to the needs and circumstances of the unemployed clients which it services.

The recent change in Federal Government presents not only the opportunity, but equally the imperative, to address these environmental changes and the many systemic changes which have for some time now burdened the employment services network.

While the O Group does not contend that the model is inherently dysfunctional we do, however, contend that the appropriateness and effectiveness of many services have become impaired over time.

As outlined in our introduction to this paper, the O Group posits that any changes to the employment services delivery model must be done so for the purposes of enhancing the ability of service providers to improve the employment prospects of job seekers. Indeed, it is a simple reality that many jobseekers can not make the successful transition to work without the support that providers such as we can offer, derived from many years of real experience and a substantial levels of skills, knowledge and expertise acquired.

Whilst addressing a broad range of relevant factors and recommendations we have fundamentally argued that improvements to the systems must be focused upon:

- greater emphasis on early intervention for disadvantaged job seekers
- ensuring that those job seekers receive the most intensive and lasting assistance
- placing greater emphasis on preparing people for sustainable jobs
- enhancing the integration of employment services and education and training
- reducing the compliance centrality currently imposed on providers and job seekers

The O Group believes that it is well positioned to contribute to the ongoing development of strategic responses to this review of employment services in Australia.

Although comparatively a smaller provider (when considered against the few national providers) we are indicative of the multitude of providers within the network. Yet, at the same time, we are of sufficient scope and size to apply substantial resources and expertise to addressing the many issues facing the network of providers as it stands. To this end, we would welcome any approach to discuss our submission further and to provide additional perspective to the review in order to contribute to its ultimate relevance and success.

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