

Monday, 4 February, 2008

The Hon Brendan O'Connor MP
Minister for Employment Participation
Parliament House
CANBERRA ACT 2600

Dear Minister

Thank you for the opportunity to provide some feedback regarding the delivery of future employment services to deliver the objectives of the Government's Social Inclusion and Skills policies.

Firstly I wish to support the information and comments provided to you through NESAs. I believe that its document captures many of the essential issues identified by the Employment Services sector.

Having said this, I would like to take the opportunity to reflect on a number of issues that I believe are central to the achievement of the Government's Social Inclusion and Skills Policies. These comments are then followed up and supported by some specific issues raised by members of my staff.

The Role of Employment Services:

These comments are based on my experience of the delivery of Job Network Services in the Hobart ESA and the Tasmanian Region.

With the development of the Job Network in 1998, there was a clear focus on the delivery of sustainable employment outcomes for the jobseekers. Employment Services Contracts (ESC) One and Two were outcome focused and rewarded the achievement of employment and education outcomes. Whilst administrative process was recognised as important, jobseeker outcomes took precedent.

Coming on the heels of the Skillshare days, there remained a strong recognition of the value of education and training in the achievement of these employment outcomes in the first two contracts. As a result an education outcome contributed significantly to the calculation of star ratings and so Job Network Members focused strongly on training as a means of engaging jobseekers and preparing them for work. Admittedly, with unemployment remaining relatively high up until 2003, the ability to focus on training outcomes certainly helped many Job Network Members stay afloat and to continue to achieve good star ratings.

However, from my observations I believe that the benefits of all this were captured early in ESC3. As ESC3 commenced, unemployment levels dropped and the Job Network found itself responding to significantly increased demand for workers from employers. Many vacancies were initially easy to fill because the Job Network Members had a good selection of jobseekers with current and relevant training resulting from the work done with them by the Job Network in the previous contract.

As the demand has continued and time has passed, this pool of suitably trained jobseekers has diminished. The overall pool of jobseekers has also diminished with a much higher proportion of the individuals that the Job Network is servicing displaying significant impediments and barriers to entering the workforce.

The response of the former Government was to develop its Welfare to Work program that, whilst appropriately acknowledging the mutual obligation of the jobseeker to actively participate in response to receiving social welfare, became strongly focused on ensuring participation through, in some cases, draconian compliance requirements. As those compliance requirements became more onerous for the jobseeker, both the Job Network and Centrelink have been required to also meet much more stringent compliance hurdles.

Previously both these areas have had a greater degree of latitude to apply judgments in relation to an individual jobseeker's circumstances and ability to participate in jobsearch activities. During the last few years, DEEWR has become focused on ensuring that the aims of the Active Participation Model to drive jobseeker compliance and participation were being achieved (particularly by the highly disadvantaged, long term and very long term jobseekers who, during times of high unemployment, tended to be "parked" and allowed to "coast" on Newstart). The department has demanded much stronger administrative compliance by the Job Network and Centrelink as a means to ensuring this jobseeker compliance. Unfortunately this has resulted in imposing a strong focus on administration and process rather than on achievement of outcomes.

One of the consequences of this has been that the ability of the Job Network to provide individually tailored support and services to some of our most needy jobseekers.

The Government's establishment of the new department to be in charge of Employment Services (Department of Education, Employment and Workplace Relations) is encouraging as it indicates a commitment to the return to a stronger focus on education and training.

The development of a closer three-way partnership arrangement between DEEWR, Centrelink and the Job Network with a corresponding reduction in DEEWR's focus on administrative compliance by the Job Network will ensure that Job Network Members can focus their skills and experience on providing the individually tailored services required by some of our most needy and difficult clients.

Obviously as I observed earlier, one of the important factors impacting the Job Network's ability to deliver that personalised support is a much stronger focus on training and the value it can have in delivering the measurable social outcomes for this particular cohort of jobseekers. The achievement of these social outcomes are so important in this cohort's journey into sustainable employment.

The DEEWR, Centrelink and Job Network Partnership:

Currently Centrelink and the Job Network operate effectively as servants of DEEWR. There is no consistency in the way government legislation is applied to the organisations, resulting in poor information sharing, difficulties in achieving consistent management of jobseekers and misunderstandings and frustrations occurring between Centrelink and Job Network staff. This is exacerbated by poorly integrated computerised information systems and databases which result in the mismatch of information and staff of both organisations seeing different things on the screen.

A recognition that Centrelink and the Job Network are both working to achieve the one goal for the jobseeker (participation in employment related activities in response to the person's mutual obligation as a result of receiving welfare payments), supported by a uniform database and brokered by DEEWR as a partner in the process will result in significantly improved delivery of the goals of the Government's Social Inclusion and Skills policies.

This will be best served by the facilitation of:

- Integrated IT systems designed to meet the operational needs of both the Job Network and Centrelink (currently I believe that there is a heavy focus in the design of EA3000 towards providing DEEWR with strong forensic data analysis capabilities at the expense of operational capability for the frontline user);
- Consistent legislation and policy applying across the Job Network and Centrelink;
- A changed focus in DEEWR away from managing the minutiae around administrative compliance and encouraging operational guidelines that assist in the achievement of both social and economic outcomes for jobseekers. It is acknowledged that this will always be a balancing act as DEEWR also has a responsibility to ensure administrative process is robust enough to manage the risk of inappropriate behaviours. Currently, the management of our administration appears to be based on risk minimisation rather than optimising operational and management process.

Purchasing and Payment Arrangements:

The purchasing arrangements have been subject to endless comment, so rather than providing extended comment, I'll just make a couple of observations:

Purchasing arrangements need to reflect the cost of establishing and maintaining the infrastructure to deliver services in an environment where caseload sizes and makeup can vary over relatively short periods and across an ESA.

Employment Services Contracts have a three year time frame. The investment to establish and deliver services is high and high risk. The application of sanctions based on performance over 6 month milestones adds significantly to the risk, particularly given that depending on caseload sizes and makeup, performance can vary significantly over short periods of time. As a result performance measurement needs to be based on benchmarks rather than relativities between providers. If a provider meets the benchmark, then there should be no sanctions, but where the provider falls significantly short of the benchmark, then DEEWR must have the right to review contract arrangements.

Cost structures vary over a three year period - not only is there movement in the CPI, but caseload structures and sizes can and do vary over the life of the contract with the potential to significantly impact cashflows and income streams over the same period. To date DEEWR does not have a good record of predicting this variability over any extended period. The ESC should therefore contain the flexibility to vary cost and fee structures over the life of the contract (at least incorporating some form of CPI adjustment).

The administrative burden currently applied to the Job Network adds significant cost. The reduction in the level of administrative compliance will result in significant cost savings to Job Network Members. Currently I estimate that it costs the Job Network an average of around \$25 for every Jobseeker Account transaction. Given the millions of transactions that occur, a reduction of even 50% in this cost through changes in administrative arrangements will immediately show significant savings for the Job Network.

Performance Management and Star Ratings:

The failure of the Star Ratings system to effectively take into account the full range of variation that occurs across the nation resulted in a measurement system whose adequacy has always been questioned by those being measured. The algorithms used to calculate star ratings are complex and almost secretive. Job Network Members are unable to get regular, accurate, consistent and relevant data from DEEWR systems to allow effective management of star rating performance.

Early in the history of the Job Network the use of star ratings based on relativities between providers was useful in achieving a level of competition and driving an outcome focus and consistency in quality of service. However, as the Job Network has developed, the level of variation in quality of service has diminished significantly. At this time, the means of measurement and of reporting results has become counter-productive. It is now possible for two providers in the same ESA to be offering very similar levels of service, but as a result of caseload sizes and makeup and employment outcomes achieved over a relatively time frame, achieve very different star ratings.

Providing details of those star ratings to jobseekers without a clear explanation of the factors influencing the calculation of the results, impacts on jobseeker flows - often unfairly. Subsequently this can further impact the poorer performing provider's (based on the calculated star ratings) ability to change those star ratings.

With a much greater level of consistency in service delivery, it is time for the measurement of performance to be based on benchmarks. The use of complex algorithms which attempt to provide consistent measurement across Australia should be discontinued. Rather measurement needs to be simplified and transparent, with the provision of consistent and relevant data to enable Job Network Members to manage their performance against consistent, clear and measurable benchmarks that relate to the local labour market.

Jobseeker Account:

The Jobseeker Account was created at the commencement of ESC3. The aim was to quarantine a portion of funding that was previously part of the Job Network's service fees as a means of ensuring that Job Network Members were spending appropriate amounts on directly supporting jobseekers.

However in doing so, DEEWR has introduced a level of complexity and rules around the use of the Jobseeker Account that has impacted its effectiveness. In the early contracts, when this funding was incorporated in Job Network Service fees, the provider could use the funds in any manner it saw fit (as long as it was in accordance with contracted responsibilities). As a result, providers often cross-subsidised many of their activities, such as aspects of service delivery and employer engagement, as well as often providing individualised and focused financial support to jobseekers. The rules around the Jobseeker Account limit this flexibility, add a huge level of administrative burden and limit the Job Network's ability to provide individually focused support for jobseekers.

I believe the Jobseeker Account funding should be split, with a portion of the funding being retained in a Training Account with similar arrangements to the current Jobseeker Account. This funding would be available to Job Network Members to fund training consistent with the Government's Social Inclusion and Skills policies. The remaining portion of the current Jobseeker Account funding should be included in Job Network service fees, to be used as the provider sees fit. Simple guidelines around the type of support to be provided to jobseekers that doesn't bring the network into disrepute could be included in the contract. Beyond that, the use of the funding should be at the provider's discretion to allow maximum flexibility in achieving individually targeted support for jobseekers and service delivery. This will also assist in minimising the administrative burden on providers.

Specific staff comments relating to aspects of service delivery are appended below

Yours sincerely,

Norm Adamczewski
General Manager

RESPONSE TO REQUEST FROM BRENDAN O'CONNOR MP (MINISTER FOR EMPLOYMENT PARTICIPATION)

WORKSKILLS (5th February 2008)

Early interventions:

- The 3 month waiting period for JSS job seekers before they can get any financial assistance from a JNM is a disincentive for both parties. Job seekers that lack the skills to undertake independent job seeking activities become disenchanted, lose the momentum to get into the workforce and become cynical about the usefulness of the JN system.
- Early Access to JST job seekers who undertake JST become motivated to look for work. These job seekers have difficulty understanding the reason why they cannot receive the type of assistance that other jobseekers do. This is particularly important for those interested in undertaking skills training, but do not have access to the JSKA for this. For younger jobseekers that have finished formal schooling with limited skills and no employment experience this is a particularly important issue. More incentives need to be available to get them into skills training and/or work experience to increase their chances of gaining meaningful employment.
- With no IS start date for many of the jobseekers there is also no incentive for JNMs to find them suitable employment.
- Employment Preparation is achieving limited measurable outcomes. Most eligible job seekers receive limited assistance. It doubles up on services provided in IS anyway.

Relevance of employment services to the circumstances and needs of the job seeker:

- Inappropriate referral by Centrelink of job seekers with multiple issues and/or barriers preventing them from complying with the requirements of the JN system creates unnecessary compliance and administrative issues for JNMs. Much time is spent updating JSCI details not adequately completed, referring to JCA appointments, and then following up Assessments. Many of these job seekers are not suited to JNM services.
- The other main issue in relation to job seekers with multiple barriers is the amount of time spent waiting for a referral to PSP or JPET programs. For many this waiting period exacerbates those issues impacting on their health and well being, and erodes their confidence.
- A review could also be undertaken of those programs currently offered to those people who are not suited to participation in JNM services. Alternative programs should also be considered as current programs not necessarily the best option for some people. Consideration should also be given to removing from the JN system those job seekers undertaking alternative programs.

- Aged 55+ NSA jobseekers who are meeting their activity requirements through part time or voluntary work should be able to exit the JNM system if they choose. At the moment they sit on our case loads and cause administration headaches and confusion.
- Full-time Work for the Dole cancels the opportunity to use Wage Assist for Very Long Term Unemployed jobseekers.

Intensive assistance for job seekers with higher levels of disadvantage

- Not all parents returning to the workforce after long absences are being placed into Intensive Assistance. This makes it difficult to fund appropriate skills training for these job seekers, which in many cases is required to enable them to apply for jobs in the current labour market.
- VLTU job seekers who have completed ISCA 2 are only required to attend appointments every 2 months. Service fees and additional Jobseeker Account funding is not available for this cohort. This makes it difficult for JNMs to adequately address their needs.
- Job Network service is always the default option for clients when nothing else is available (often due to capping of the recommended intervention). This is despite the client being unable to comply with the requirements.

Minimisation of time and money spent on administration

- DEWR compliance requirements and proof of servicing are too onerous and the amount of time and money spent on administration is taking JNMs away from their primary role of finding employment for people.
- In the past job seekers could sign Activity Agreements electronically but this is no longer the case. This means copious amounts of paper work needs to be kept on file, which in most cases is unnecessary as there is already evidence recorded in EA.
- A great deal of frustration occurs because EA and Centrelink electronic systems are not aligned. This creates the need for excessive amounts of phone calls from JNM to JNCO to check information that should be readily available.
- Post Placement Support could be made simpler by recording in EA the number of hours worked that job seekers declare to Centrelink. This is particularly important for Parenting and DSP job seekers or those who have low hours requirements whose outcomes are determined by the number of hours worked, rather than the amount of money they receive.
- Systems should be simplified and more consistent. An inordinate amount of time can be spent by staff trying to decide how to apply the guidelines. This is further exacerbated when conflicting interpretations can be given by DEWR staff and Centrelink staff. Ongoing frustrations occur because EA can be showing conflicting information to the Centrelink system and therefore the job seekers can be receiving different messages.

- The value of Outcome claims should be appropriately linked to part-time as well as full-time work. Intermediate claims should not just be one payment if JRRR showing over 60%. Some job seekers could be showing 90% and only attract the same fee as a 60% job seeker. Ideally payments should be on a sliding scale from 60% - 100%.

Labour market issues

- The casualisation of the workforce exacerbates problems with the enforcement of regulations relating to regular hours of work requirements for Outcomes. Many Casuals are in fact working regular hours over extended periods of time, which should entitle them to be classified as permanent. However many employers refuse to do this, which can make it difficult for JNMs to claim Outcomes via special claims if the job seeker has been off sick, or has to go back on Centrelink benefit during shut downs etc.
- Alignment of Centrelink and Job Network IT databases is necessary to allow consistent and simplified tracking of jobseekers' reported employment details.
- The definition in the contract of what constitutes remaining in employment needs to be reviewed.
- Restrictions on claims for re-occurring jobs also make it difficult for those job seekers who are involved in seasonal work (e.g. shearers) and may keep returning to the same employer (and therefore cannot be claimed).
- Another major problem is with Labour Hire Companies. A job seeker may have a number of different jobs over a period of time, but if they are directly employed by the LHC they are not claimable, as they are considered to be re-occurring. These could be completely different employments (e.g. cleaning, garbage collection, trades assistant, labourer, driver) but with the LHC as the employer in all cases.