



Pathways to Employment

**MAXIMISING SOCIAL INCLUSION BEYOND 2008/9
USING PUBLICLY FUNDED EMPLOYMENT SERVICES**

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Introduction

This paper is written as a response to an invitation by the Minister for Employment participation the Hon Brendan O'Connor MP to contribute ideas on the current employment services model.

It suggests a radical streamlining of all Job Seeker related services and administration processes that deal with the Job Network. The recommendations if adopted can generate significant savings. These can be transferred to provide higher support for disadvantaged Job Seekers.

Review of the Current Situation

Labour supply

The current Job Network has had many positive outcomes and has delivered good results for a number of unemployed people. However at the same time it has failed to impact a range of significant groups.

It has had a reliance on a Work First approach to the unemployed essentially with an "any job will do" approach. Whilst this has worked there is little long term evidence to track long term sustainability of peoples placement into work or their progression towards stronger social inclusion.

Local and international research shows this strategy has not focussed or been effective in placing the most disadvantaged or those more isolated socially into work.

In essence significant groups of people have missed out on joining employment or achieving effective economic and social participation and this must be addressed.

The following groups face disproportionate problems and disadvantage in their job seeking under the current system.

- Those of working age 55-64;
- young people who haven't transitioned from school to work;
- people with disabilities;
- long term unemployed;
- migrants;
- people with mental health issues;
- Indigenous Australians;
- residents in highly disadvantaged communities;

- people with limited educational attainment;
- Sole parents;
- People in poor and or disadvantaged labour markets;
- People with low levels of formal vocational skills;
- People who are homeless.

Future policies will have to focus more on tailored responses to the above people groups than has been the case in the past.

Services will need to be directly targeted at these different groups and focus on individual barriers to employment.

Labour demand

It is clear in Australia there is a fundamental lack of skilled workers and the only way to address this is to import people with skills or train people to have the skills.

We would expect the new Job Network to have a significantly increased focus on skills acquisition and Human Capital Development and to be funded by program streamlining and administration cost savings.

Systemic Issues in the current employment services program model operation and management

- A focus on 'work-first' and 'job seeker activation' rather than a meeting specific job seeker needs particularly for very long term unemployed (VLTU) and disadvantaged job seekers;
- Poor focus on long term sustainability of employment
- Conflicts between Job Network performance drivers and employer expectations and disadvantaged job seekers needs;
- A high concentration of time on Mutual Obligation work simulation activities such as Work for the Dole with relatively poor outcome levels for job seekers;
- Poor integration between employment, training and apprenticeship programmes both Federally and between the Federal Departments and States and Territories; and
- An over emphasis on good performance at the expense of good practice.
- An inordinate amount of effort on administrative compliance as opposed to job seeker outcomes.

A framework and future strategies for employment services to maximise social inclusion from July 2009

Recommendation 1 is that a thorough review of the Job Network is undertaken over the next year and a new model be developed in consultation with the industry for implementation from July 2010.

Recommendation 2 is that the tender process for 2009 be delayed for one year to allow time for the new model to be developed and effectively implemented. Industry legal advice is that this is a viable option.

Underlying principles of the Service model going forward

Recommendation 3 is that one “Job Network” should provide services to all unemployed and non participating groups. The level of support to the job seeker should be provided based on barriers to employment that the job seeker faces.

All Job Seekers would be subject to an in depth review of skills and capabilities to work before determining the levels of support they should receive within the Job Network.

Each Person will be allocated into a specific Job Seeker Classification Grouping which will determine funding needs that will support that Job Seeker.

The Job Network will be funded to provide tailored services to individual levels of need based on the Job Seeker Classification Grouping the individual is in.

Recommendation 4 is that a sophisticated classification system is developed to determine the support needs of each individual to achieve employment outcomes and social inclusion outcomes.

Funding for delivery of Services will fall into two categories;

Development Funding –

To cover all costs needed to move the Job Seeker to a point of job readiness and or along a Social Inclusion continuum.

To cover training costs determined by local industry skill requirements

Outcome Funding – To pay success for service fees for outcomes in terms of:

1) Completion of the Job Seeker Classification and for placement into a Job Seeker Classification Grouping.

2) For movement towards social inclusion outcomes for determined Job Seeker Classification groupings.

3) Payments to be made on employment outcomes at 13 weeks and 26 weeks for all job seekers and 52 Weeks, 104 Weeks and 156 Weeks for the harder-to-place Job Seeker Classification groupings.

Essentially this model will allow use of work first/activation models where appropriate and also Human Capital Development (HCD) models linked with mentoring especially in the case of long term unemployed and disadvantaged job seekers. It will also allow Job Network providers to determine skills training based on local employer needs.

The duration of support is expected to operate for a period of two years during which regular reviews of progress would be assessed on progress in achieving the planned social outcomes for each individual.

At the end of two years job seekers would be re assessed and their levels of difficulty re estimated and they would commence another two year service period.

The development and outcome funding models would be kept as simple as possible to minimise administration and compliance complexities that presently significantly reduce the efficiency of the current Job Network program.

Overview of the Proposed Employment Services Model for 2009 – 2012

Future Role of Centrelink

Recommendation 5 is that Centrelink be responsible for benefit payments and allocation of Job Seekers to Job Network providers.

Mutual Obligation and job seeker compliance

Recommendation 6 is that Mutual Obligation would remain as a corner stone of the model. For more disadvantaged groups, however, obligations in this area could be waived for limited periods where considered justifiable as part of the back-to-work- strategy for each job seeker.

Recommendation 7 is that a suitable compliance and discipline regime would remain in place to encourage participation in seeking and maintaining assistance.

The proposed system to encourage participation and compliance would centre on rewarding appropriate behaviour with the immediate restoration of benefits and that there would be a scaled approach to reductions in benefits incorporating a proportion of benefits and duration for which they are withdrawn.

Major systemic or repeated non compliance would result in a strict income management regime being put in place for a sustained period of time

Community Work Coordinator/ Work for the Dole

Recommendation 8 is that CWC be replaced as a function to be delivered by Job Network providers

Recommendation 9 is that Work for the Dole and Green corps be terminated as a program and replaced by the following services managed by Job Network providers

- 1) Mandatory job placement programs with private and community sector employers
- 2) Funding for social enterprises that focuses on delivering on the job training via social enterprise with a wage subsidy equivalent to Newstart payments.

Each of these programs should be full time for 25 hours per week and should contain a significant component of accredited vocational training that is relevant to the local labour market and fits with the back to work goals of the job seeker

Personal Support Program

Recommendation 10 is that the Personal Support Program be terminated and support be provided under our recommended model for Job Network service provision.

Disability Employment Network

Recommendation 11 is that the Disability Employment Network be terminated and support be provided under our recommended model for Job Network service provision.

Vocational Rehabilitation Services

Recommendation 12 is that the Vocational Rehabilitation Services be terminated and support be provided under our recommended model for Job Network service provision.

Job Capacity Assessors

Recommendation 13 is that the function of Job Capacity Assessor be delivered by Job Network providers as part of the Job Seeker Classification Grouping process.

Indigenous employment programs

Recommendation 14 is that urban and rural indigenous job seekers join the Job Network system that we have outlined.

Recommendation 15 is that a complete review be carried out to define a model to manage remote indigenous job seekers and that the future of the RAS, RAS ER, STEP, STEP ERS and CDEP programs be determined following that review.

JPET and IYEC

Recommendation 16 is that JPET and IYEC be terminated and incorporated into the Job Network model that we have defined or follow the youth pathways outlined below.

Harvest Trail

Recommendation 17 is that the Harvest Trail program be terminated and incorporated into the Job Network model that we have outlined.

Apprenticeship Programs

Recommendation 18 is that the ACC program be retained and that the Access program be integrated into the Job Network system we have outlined.

Strategies for Specific Target Groups

Youth

A national youth agenda

Recommendation 19 is that a National Social Inclusion Agenda for young people be established across Australia involving both federal and state levels of government.

This model should incorporate implementation of a tracking system for all youth to ensure they are either in education, employment or training until the age of 18.early intervention programs should be commenced at any point of disconnection

Recommendation 20 is that specialist youth Job Network contracts be let in LGA areas of high youth unemployment. This would use the same model of Job Network as adults but purely focus on high need youth. Youth pathways and Links to Learning Programs would be integrated into Specialist Youth and Generalist Job Network programs as proposed.

Recommendation 21 is that a review be undertaken of the service models currently being operated by charities in Australia to meet the needs of the most disadvantaged youth, particularly those that target increased social inclusion. This is shown to currently be an area where there is little government funding available and activities in this area are currently funded by charities and business sectors. The review should assess their effectiveness, estimate the level of unmet demand, examine what financial constraints exist and explore future needs.

Unemployed Mature Age Job Seekers on Newstart Benefits or Aged Pensions

Recommendation 22 is that an advertising and education campaign be developed to target employers with information on the benefits of employing mature aged workers.

Recommendation 23 is that full participation requirements be extended from 55 to 60 years of age for both men and women for those on Newstart benefits.

Parenting Payment pension recipients

Recommendation 24 is that consideration should be given to the provision of additional child support payments to parents returning to the workforce.

Recommendation 25 is that a pre Newstart assessment and career guidance service aimed at planning and implementing work skills acquisition or refreshment twelve months prior to entering Newstart for PP recipients be provided through the Job Network.

Disability Support Pension recipients

Recommendation 26 is that disability support pension recipients are required to go through the Job Seeker Classification Grouping and if they fit a group be required to follow the Job Network model as outlined.

Overseas evidence is that this approach has significant positive social inclusion outcomes for a large number of DSP recipients

Impact of differential benefits

There are significant levels of difference between DSP and Newstart benefits both in terms of payment levels and also in terms of health and medical, transport and other support services.

This differential leads to significant levels of fear of DSP recipients and significant levels of resistance to participating in the labour force.

It is essential that research be undertaken as soon as possible to identify the barriers that prevents DSP recipients from voluntarily seeking and maintaining

employment and that strategies be put in place to overcome these barriers and incentivise them to actively seek and maintain employment.

Once fair and equitable conditions have been established for DSP recipients to seek and maintain employment, it is recommended that the current population of 700,000 DSP recipients be prioritised in terms of the likelihood to be able to work more than 15 hours per week and that they be assessed as to their work capacity and moved towards employment.

Recommendation 26 is that continued promotion be undertaken with employers to overcome their barriers to employing people with a disability.

Rural and remote job seekers

Recommendation 27 is that competition be reduced in rural communities by restricting the number of Job Network providers firstly to deliver economies of scale and secondly to develop stronger synergies with the local employment markets.

Providers of employment services in these markets find it difficult to be financially viable due to the relatively poor flow rates of job seekers and jobs.

Undoubtedly, further research needs to be completed on methodologies of building the economic capacity of rural and remote communities in order to generate more local employment.

The financial funding criteria for employment services programs located in rural areas going forward need to be carefully set in order to compensate providers for the differing market conditions.

To further assist local job seekers and providers it is recommended that the criteria on serial placements are withdrawn where rural and remote seasonal work is concerned.

Tax Incentives for employers of disadvantaged groups

Recommendation 29 is that similar to indigenous job seekers, a tax incentive be available to employers who employ the disadvantaged job seekers detailed above and assessed as such by the classification system.

Efficiency of employment service delivery via program rationalisation

These recommendations create a significant streamlining and reduced administration costs associated with the current suite of employment services programs and will allow Job Network contractors to provide a more cost effective service to the Government. Cost efficiencies achieved by streamlining and administration reductions should be transferred to fund development costs in our Job Network model.

Adjust purchasing and governance strategies to improve the efficiency and outputs of Active Labour Market Programs

Administration reduction for DEWR and providers

There has been an increasing negative impact on provider and purchaser efficiency and effectiveness that is occurring as a result of the progressive increase in administrative procedures, associated compliance being introduced to active labour market programmes, and the associated management framework.

Recommendation 30 is that provider audit and compliance functions be totally remodelled.

Quality Assurance work should no longer be completed by DEEWR but be provided by a requirement that all providers meet standards of service provisions to be agreed by the Australian Standards board and to be audited by private sector quality auditors at the providers cost.

Failures to meet quality standards would mean loss of contracts unless remedied within 6 months.

Financial Compliance audits should no longer be completed by DEEWR but be provided by professional assurance firms using standard financial auditing tools. Providers will be required to meet the costs of private sector auditors providing an opinion on their compliance with the contracts financial requirements.

Failures to meet financials standards would subject the providers to fines and potential loss of business.

We believe significant cost savings of several hundreds of millions of dollars can be achieved for providers and DEEWR by following this approach.

Recommendation 31 is that contracts are let on five year terms and that adjustments to contracts be made during the term of the contract by termination of contracts where provider sites fall below two stars for a period of 18 months. That the current model of sanctions and rewards and rolling tenders be terminated.

Again we believe this will provide significant cost savings for DEEWR which can be transferred to program delivery.

Minimise the conflicts between Job Network performance drivers and employer expectations and need

Speed to placement and Work first strategies for the most disadvantaged

A common issue for Job Network providers currently centres on the tension that exists between employer needs, and the quality and availability of suitable referrals from providers.

Operating in a work-first/activation environment where the speed of placements and outcomes impacts star ratings of Job Network providers, they are continually balancing spending time and resources preparing job seekers for sustained employment with strategies aimed at more rapid referral to employment.

All the financial and the star rating performance drivers also focus on achieving sustained placement of the most disadvantaged job seekers into employment.

This conflicts with employers who want the best person for the job, when so often the most disadvantaged is not the best person for the job.

Recommendation 32 The report recommends that the current performance drivers of Job Network be reviewed to ensure that the conflict between employer needs and programme performance outcomes as measured by the star rating is minimised, especially for the more disadvantaged job seekers.