



SARINA RUSSO JOB ACCESS (AUSTRALIA)

13 February 2008

The Hon. Brendan O'Connor MP
Minister for Employment Participation
PO Box 6022
Parliament House
CANBERRA ACT 2600

Dear Minister

Thank you for the opportunity to provide you with views on how employment services might be improved in Australia.

Background

Sarina Russo Job Access (Australia) is part of the Sarina Russo Group, a major private provider of employment, education and training services since 1979. We have been a provider of Job Network services since the commencement of the Job Network on 1 May 1998. Many of our Senior Management staff have been involved in Commonwealth Government employment services for over 20 years.

Sarina Russo Job Access currently provides the following services:

- (i) Job Network services in Queensland and Victoria;
- (ii) Disability Employment Network services in North Melbourne ESA;
- (iii) Vocational Rehabilitation Services in North Melbourne, East Melbourne, South East Melbourne, Bundaberg and Hervey Bay;
- (iv) Harvest Labour services in the North Burnett Region of Queensland (Hervey Bay) and the Yarra Valley Region of Victoria (Lilydale);
- (v) New Enterprise Incentive Scheme (NEIS) in the Brisbane Region; and
- (vi) Job Placement at all locations.

During this period of almost 10 years, we have seen significant changes in the labour market, job seekers and contract arrangements and the nature of the services being delivered. We have gained valuable experience and understanding of needs in working with a wide range of job seekers including those with major barriers to employment as well as with many employers and industries.

Sarina Russo Group



The basis for the establishment of the Job Network was set out in “Reforming Employment Assistance” in 1996 and outlines six general principles to be observed in the design of future labour market assistance:

1. The assistance to job seekers should be based on their individual needs and their capacity to benefit from it in terms of achieving a sustainable employment outcome;
2. Providers should have access to flexible forms of assistance that fit the needs of jobseekers;
3. The incentive framework should reward providers of labour market assistance primarily for placing job seekers in real jobs, with additional incentives for placing those most in need;
4. A competitive market for employment placement services should separate purchaser from providers and ensure that providers operate on the basis of competitive neutrality;
5. Conditions for payment of income support for unemployed people should be linked closely with active employment assistance measures;
6. Jobseekers and employers should be able to receive high quality and streamlined service from the agency and providers with which they interact.

The Employment Services model of today has moved significantly away from these principles and it is time to consider a return to at least some of these principles.

Key Principles

In considering the Policy Papers “Skilling Australia for the Future” and “An Australian Social Inclusion Agenda”, we have identified the following key principles which should apply to the enhancement of employment services in Australia:

- i) Proper assessment of jobseekers to ensure appropriate and timely provision of services combined with a review of the indicators of disadvantage;
- ii) Provision of tailored services to address the barriers and meet the needs of individuals including spending more time with jobseekers prior to and during employment placement periods;
- iii) Providing job seekers with access to suitable employment preparation and training opportunities to enable them to realize their potential;
- iv) Strong links with employers, industry and Skills Councils, community service organisations as well as training providers to provide appropriate pathways to employment and training; and
- v) A system which gives providers the necessary resources to provide quality client focused service without unnecessary administration; and
- vi) A focus on performance with clear and open measurables which reflect the priorities of the Government and sustainable outcomes.

Effectiveness of the Current Number of Programmes

In response to your specific question regarding the effectiveness of the current number of programmes and services, we offer the following comments:

- i) the current arrangements particularly with the APM, the continuum and the multitude of programmes are very confusing for job seekers and result in many people being “bounced” around between Centrelink and providers of different programmes, often with little understanding of why they are there;
- ii) we support the consolidation of 9 employment and related services programmes to fewer programmes as suggested by NESA in Workforce of the Future. We strongly believe that more emphasis should be placed on individual jobseeker assessments including a better JSCI tool with a strong vocational guidance component to ensure the right programme mix to achieve the right outcome matching jobseekers capacities and abilities. A better multidisciplinary approach is required between all Government and contracted stakeholders. There is a need to assist the longer term unemployed jobseekers and their families to break free from their cycle of unemployment and poverty through providing them with opportunities to upgrade their skills for jobs that match industry needs and provide access to better paid jobs. It is suggested that employment services providers work directly with Industry Skills Councils to match jobseekers to a range of identified training and placement opportunities with Industry through local employers and training providers.

The key services required are a mix of personal support or soft skill programmes to assist job seekers not currently ready for open employment. These skills will help with motivation and mentoring with elements of jobsearch, work experience and entry level skills training tailored to individual needs. Job seekers would then be moved into training and work experience relating to local employment opportunities in skill shortage areas.

- iii) If the APM Continuum is retained, we recommend the timeline be revised to more realistically reflect the current labour market for example people unable to find employment after a period of 6 months generally display a number of barriers to employment. The definition of LTUE should be reduced to a period between 6 and 12 months, 12 months for VLTUE and JST should be programmed at 6-8 weeks to allow some time for those transitional jobseekers to move back into employment before the need for more intensive job search support. This would provide more timely support and incentives to jobseekers identified by an appropriate Vocational Guidance Profiler such as the Employability Skills Profiler (ESP) while they are better motivated and with the right combination of support and assistance can move into a Skills Australia training place relevant to industry needs.

Achieving the Government's Social Inclusion and Skills Policies

Our recommendations for ensuring the future model for employment services achieves the Government's Social Inclusion and Skills Policies are:

- a. *Early interventions to minimise the number of long term welfare dependent Australians of working age.*
 - i. We believe that the initial assessment of jobseekers to identify their specific employment barriers and vocational training needs is very important;
 - ii. JSCI should be revised or replaced by a more appropriate and effective tool including a redefining of indicators of disadvantage;
 - iii. JCA function should be reviewed to facilitate a more collaborative approach between JCAs and employment services providers to ensure that selection of ongoing services better match the real needs of jobseekers;
 - iv. CALD persons should be on exemption from Job Network if learning English;
 - v. Currently the Job Network is the default for any jobseeker not referred to other programmes or when places are unavailable in other programmes eg PSP. This can result in JNM caseloads containing persons who are not now or never may be appropriate for employment. Job Network providers could manage a separate caseload of these jobseekers until they either exit the labour force or are ready to enter into an appropriate program including Job Network services.
 - vi. We are directly involved in delivering both the Job Network and Australian Apprenticeship Support Services and consider there are real benefits to the Commonwealth in better integration of these programmes to achieve both improved participation in skills training and meeting industry skills needs.
 - vii. We advocate that specifically targeted jobseeker groups should be matched against targeted skill shortage occupations as part of a Government Social Inclusion policy. For example young jobseekers from families with a history of long term unemployment, lone parents, Indigenous and public renters.
 - viii. Provide incentives for outcomes achieved through placements in skill shortage areas similar to AASS programs;

- b. *Employment services are relevant to the circumstances and needs of the jobseeker.*
 - i. We believe assisting youth into employment is vital to the future of the country and the service should include:
 1. An upfront vocational assessment for all youth registrations;
 2. Where appropriate a pre-employment work placement which combines work and training in specific skill shortage areas with labour markets;
 3. UK experiences demonstrate that providing continuity of support or mentoring for troubled under 25 yo jobseekers increases sustainable outcomes.

- ii. Work for the Dole should be focused on providing training and work experience (on-the-job training) for jobseekers where a more formal training arrangement may not be appropriate. Work for the Dole should be used where job seeker's needs identify a training and work experience opportunity as the most appropriate intervention at a particular time for that individual rather than prescriptive time frame – based on timing relevant to jobseeker and not programme timelines;
 - iii. We suggest that Job Search Training component be expanded to a work preparation programme. This could incorporate flexible job search practical and theoretical training as well as basic/entry level vocational training and would be selected and delivered as a flexible option based a proper professional vocational assessment on registration. The fee should reflect the provision of job search training and vocational training and structured according to individual job seeker needs. It is recommended that the early access to this work preparation programme be extended for certain special groups such as Persons with Disabilities and human refugees with the provision of outcome fees for Job Network members.
 - iv. Currently over 55 year old jobseekers do not have to undertake more than 15 hours a week voluntary activities or part time employment and indeed are often advised by Centrelink not to do more than they need to comply with their Mutual Obligations. It is recommended that changes be made to the Social Security Act and other programs such as a combination work and retraining program be implemented into a revamped WFD;
 - v. Mature Aged jobseekers may benefit more from special assistance such as cheap business loans being made available to become self employed either on a full or part time basis to supplement any NEIS assistance.
- c. *Jobseekers with higher levels of disadvantage receive intensive assistance.*
- i. We recommend that 13 weeks of supervised activities currently provided in Customized Assistance be upgraded to included weekly contacts with appropriate increase of service fees – most PAGES would already provide these unpaid services;
 - ii. Customised Assistance commencement fees should be on a scale that recognizes the degree of services required to match real special needs – review of JSCI if retained and the revoking of the JSCI tool as a ration tool for funds to special disadvantaged unemployed;
 - iii. The recommendations of the Mental Health Council of Australia report “*Lets get to Work A National Mental Health Employment Strategy for Australia*” should be considered. Our Australian experience reflects that in the UK where jobseekers with mental health issues require sustained specialised services to achieve outcomes. This would include paying for more frequent contacts during the case management stage, more flexible use of Jobseeker Account to provide tailored interventions by professional qualified staff at any stage and ongoing mentoring support over the full 26 week outcome period and perhaps beyond.

d. Jobseekers receive appropriate training.

- i. It should be possible to allocate an amount of funding for special disadvantaged jobseekers from the Jobseeker Account into specifically tailored employment packages. These would combine work and vocational training together with daily or weekly mentoring minimising individual detailed excessive documentation and monitoring. Packages should be assessed on activities relevant to job seekers and outcomes rather than unnecessary compliance and record keeping. Our experience shows that properly researched and co-ordinated employment and training packages are successful particularly in conjunction with apprenticeships and traineeships and are providing outcomes based payments and links to skills councils.

We have been successful in developing and implementing specific training packages to address industry shortages sourcing targeted disadvantaged jobseekers and utilizing the Australian Apprenticeship Access Programme. In 2007, we conducted 18 programmes with over 223 people participating in training, 67% of participants were subsequently placed in employment and 75% achieved a 13 week outcome with further outcomes still expected. The success of these programmes is due to our Business Development Manager working closely with industry to identify the employment and training opportunities and the provision of dedicated staff to provide intensive support and mentoring during the training phase and post-placement on-the-job. We recommend funding for this type of intervention be project based as with the DEEWR Employment Demand Demonstration Project (EDDP) funding to reduce the level of administration required to justify expenditure and put the focus on activities resulting in sustainable outcomes.

- ii. DEEWR consider a further outcome payment category which will provide a loading for placing the Intensive Support low skilled disadvantaged jobseekers into above entry level positions with recognized training that provides entry into higher paying jobs and increases sustainable outcomes and reduces social exclusion of identified groups.
- iii. We agree with NESAs that the best model to assist jobseekers into sustainable outcomes is the combination of work and training rather than the current predisposition towards work only. We suggest funding special tailored training and work retention programs for up to 12 months for identified long term unemployed or special disadvantaged groups with previous or no attachment to the labour market.

Performance Management Principles

An Annual Performance review is valid to discuss potential re-allocation of business share with rewards and sanctions but we also believe that it can become too disruptive for piecemeal tenders to be called after every milestone or within 12 months of the end a contract period. The application of Star Ratings over the last ten years has resulted in the turnover of the bottom 19% of sites which did have the initial effect of filtering out poor providers not in touch with the market forces. Provider numbers have declined from over 300 to approximately 100 equally split between commercial and not for profit providers. However, the current management system whereby proportion of provider sites have to fail because of their position in a standard definition “Bell Curve” becomes an unnecessary negative factor over time and simply leads to churning. An alternative model should identify site’s performance and then work with those organisations to address the various issues but still giving the Department the ability to bring in “new” players to ensure that innovative ideas are continually fostered to match jobseeker needs, changes in the labour markets and uncertain economic times.

The current performance management system has become increasingly complex and the Star Ratings system has many variables which are not readily understood. For example, the measurement of regional/local issues and speed of placement are not transparent and many experts would challenge the current regression model which is utilised. The Star Ratings system should be reviewed and a performance benchmark system considered.

Because of the increased focus of contract management within the Department on “process” rather than outcomes, the relationship between providers and the Department has become increasingly adversarial. The focus needs to be clearly on performance and achievement of results rather than “process’.

Administration Minimisation

The major proportion of Consultants’ time in the Job Network is spent on administration including maintenance of the continuum, tracking and monitoring job seekers and in the administration of the Job Seeker Account. Our estimate is that up to 60% of consultants’ time is spent on administration. This must be reduced if we are to achieve real improvements in client servicing with minimal increase in fees. We suggest that 50-60 percent of Jobseeker Account funding be rolled back into service fees to provider for effective mentoring and reverse marketing of jobseekers while the remaining 40% of Jobseeker Account used for training, wage subsidies and transport. There have been a number of studies indicating the lack of flexibility in Job Network servicing of very disadvantaged jobseekers has resulted in less than satisfactory services being provided, including the November 2007 paper “Lets get to work – A National Mental health Employment Strategy for Australia”. In delivering a real employment service to especially disadvantaged jobseekers, a funding mechanism is required that allows greater flexibility and freedom for Job Network members to fund different types of interventions and encourage innovation in achieving sustainable outcomes.

Future Contract Arrangements

It is recommended that contracts be awarded for a period of 5 years with an option for an extension of 2 years or at least a 3 year term with options for another 3 years subject to continued satisfactory performance. This would allow for proper investment in human and capital resources and continuity of service delivery for PAGES and DEEWR.

The strength of the Job Network and related employment services has been the diversity and mix of providers both private and not for profit, large and small, national and local as well as specialists. This mix has provided a unique range of models and servicing arrangements which has been a key factor in the high levels of performance and innovation over the past 9 years. We strongly support the continuation of this provider mix with the focus being very much on what providers can bring to the delivery of services including proven performance, capability, expertise and innovation. This will ensure that jobseeker and employer clients will continue to have a choice of provider that best meets their needs.

Provider viability

The Job Network has delivered significant savings to the Commonwealth in service delivery and average job placement fees. The Job Network can continue to do this whilst it remains financially capable of that service delivery. Margin will vary between providers. Significantly, it is important to understand the nature of the revenue and cost base and as the majority of the cost base is labour cost, just how sensitive provider viability is to small movements.

Revenue Sensitivity:

Two issues affect revenue:

1. Volume of referrals from Centrelink
2. Mix of those referrals and consequently, caseload.

Impact: 5% Reduction in ISCA Commencements / 5% increase in 4-12 commencements:

If ISCA commencements drop by these ranges the impact revenues can be summarised as follows:

| Impact of 5% movement in mix from 12+ to under 12 mths unemployed in caseload mix | | |
|---|---------------|---------------|
| If ISCA commencements drop by these ranges the impact on revenues can be summarised as follows: | | |
| | Revenue \$'s | Profit \$'s |
| 1. Net of 12mth+ Commencement Revenue reduction and JST increase | -1.40% | -7.10% |
| 2. Net all in 13 Week CA outcome and 4-12 outcome increase | -0.30% | -1.40% |
| 3. 26 Week outcomes loss | -0.30% | -1.40% |
| Total Impact | -2.00% | -9.90% |

This means that a 5% change in the mix between 4-12 and 12+ caseload will cause a 2% fall in revenue but a 10% fall in net cash flow. Or, the net cash impact of a 2% reduction in revenue is a 10% fall in net cash. This is a result of the fee and model structure. These figures are modelled through our current actual operating business.

Assume 3.5% inflation - Cost Pattern: Base Year:

Table below demonstrates the increase in the cost base over a base year and the impact of inflation over 4 years at an inflation rate of 3.5%.

| Cost Pattern | Base Yr | Base Yr+1 | Base Yr+2 | Base Yr+3 | Base Yr+4 |
|-----------------------|---------------|---------------|---------------|---------------|---------------|
| Marketing Expenses | 1.2% | 1.3% | 1.3% | 1.4% | 1.4% |
| Operating Expenses | 11.9% | 12.3% | 12.8% | 13.2% | 13.7% |
| Property Expenses | 17.5% | 18.2% | 18.8% | 19.5% | 20.1% |
| Staff Expenses | 69.3% | 71.7% | 74.2% | 76.8% | 79.5% |
| Total Expenses | 100.0% | 103.5% | 107.1% | 110.9% | 114.8% |

Note: The table shows that in Base Yr+1, the cost base would be 103.5% of Base Yr, and in Base Yr+4 the cost base would be 114.8% the base. In a fixed fee environment, the cost base significantly erodes the viability.

There has been no increase in outcome payments since 2003 and a once only 4.2% service fee increase in 2006. This has resulted in a real increase of only 2% in fees over 6 years from 2003 to 2009. The payment system has not been maintained at a level commensurate with the Consumer Price Index or relative to the increases in staff costs through wage increases and on costs. In order to maintain the level of service and specialist interventions required to assist clients with increasingly complex needs, fees must be reviewed during the contract period to reflect real increases in costs.

Conclusion

We believe that the current system can be significantly enhanced to support the achievement of the objectives identified in the Government's Social Inclusion and Skills policies. Our recommendations have been developed to support this.

We believe that many of these recommendations can be implemented at little or no cost with the redirection of resources to areas of greater need; the better targeting of appropriate levels of servicing to the needs of individuals; achievements of higher levels of outcomes and therefore reduction of welfare dependency; and a reduction in jobseekers being "recycled" through the system.

We are happy to meet with you or your representatives to provide more detail of our recommendations.

Yours sincerely

Kevin Ayre
Chief Executive Officer