



Response to the

**Review of Employment Services**

For the  
Hon Brendan O'Connor MP  
Minister for Employment Participation

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Presented by  
National Employment Services Association  
Level 8, 20-22 Albert Road  
South Melbourne 3205

Contact: Ms Sally Sinclair CEO  
(03) 9686 3500

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## Table of Contents

1.	<b>Preamble</b> .....	3
2.	<b>Executive Summary</b> .....	3
3.	<b>Background</b> .....	7
4.	<b>The Need for Change to the Employment Services Framework</b> .....	7
	4.1 Constraints of the Current Framework.....	8
5.	<b>Overview of Workforce for the Future - conceptual framework</b> .....	11
	5.1 Overview of Framework Dynamics .....	11
6.	<b>Moving Forward</b> .....	12
7.	<b>Moving Forward Principle 1 - An Improved Relationship Framework</b> .....	13
	7.1 The Relationship Culture .....	13
	7.2 Increasing the Operational Effectiveness of Administration Arrangements .....	16
	Interpretation & Implementation of Contract.....	16
	Consistency of Contract Management .....	16
	Clarity of Information to Support Compliance .....	18
	Singular, Centralised and Easily Accessible Information Portal.....	18
	Comprehensive Document and Version Control Mechanisms .....	19
	Responsiveness of Contract Management.....	20
	Efficiency of Compliance Mechanisms.....	20
	Industry Development.....	21
	Information Technology .....	21
8.	<b>Moving Forward Principle: 2 - More Support – Fewer Sanctions</b> .....	23
9.	<b>Moving Forward Principle: 3 - Access to the Right Service</b> .....	25
10.	<b>Moving Forward Principle: 4 - Individually Tailored Service Provision</b> .....	29
11.	<b>Moving Forward Principle: 5 - Building Human Capital</b> .....	32
12.	<b>Moving Forward Principle: 6 - Quality Service and Outcomes = Investment</b> .....	35
13.	<b>Moving Forward Principle: 7 - Stronger Collaboration – Industry Development</b> .....	36

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## Preamble

The National Employment Services Association welcomes the opportunity to provide feedback to the Minister for Employment Participation's review of employment services. This submission seeks to respond to the specific areas of interest outlined in the Minister's request including meeting the objectives identified in the Government's Social Inclusion and Skills policies.

The industry believes that without addressing the fundamental shortcomings of the framework as a whole, employment services cannot make an optimal contribution to social inclusion and skills objectives.

This submission provides feedback regarding broad issues relating to the employment services framework. There are more detailed areas of discussion which have not been included in this submission given the timelines. NESAs is currently working on a number of projects with the industry that will provide some clarity, direction and priorities on operational elements of the current model. NESAs will prepare and submit supplementary discussion papers which will include more specific areas of operational improvement which need to be achieved.

While this submission is focused on the employment services framework we are cognisant that social inclusion, skills development and employment participation strategies are impacted by a wider range of social and economic policy and related infrastructure. The industry acknowledges that reform to the employment services framework needs to be considered and developed in the context of other responsibilities and arrangements for areas such as childcare, health, Indigenous affairs, education, housing, social security legislation, transport, immigration and taxation.

The industry believes that once a general direction of reform for employment services is known it can and should have opportunity to make significant contribution to the design process. Incorporation of the views and experiences of delivery agents will strengthen transition to and the implementation of new arrangements. The industry looks forward to working in partnership with the Government to ensure that its policy objectives for Australian employment services can be met.

## 1. Executive Summary

The National Employment Services Association welcomes the opportunity to provide feedback to the Minister for Employment Participation's review of employment services.

In the Ministers request for submissions on employment services and meeting the objectives identified in the Governments Social Inclusion and Skills policies, the areas of interest outlined included:

- Early interventions to minimise the number of long-term welfare dependent Australians of working age(a review of the Job Seeker Classification Instrument)
- Employment services are relevant to the circumstances and needs of the job seeker;
- Job seekers with higher levels of disadvantage receive intensive assistance;
- Incentives for training which will improve the employability of job seekers(including incentives for long term training and education to address labour market needs);
- Job seekers receive appropriate training;
- Performance management principles (including star ratings and business reallocation) that support sustainable outcomes and promote quality service delivery and
- Minimising the amount of time and money spent on administration.

This submission seeks to respond to these specific areas of interest as well as other areas of the systems architecture and administration.

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As the Government considers the extent of reform it wishes to pursue the industry offers key principles it believes will assist moving forward. These principles should be applied in the design and support of a new framework or to reform of current arrangements. A number of recommendations are made in relation to each principle. These are as follows

### **Moving Forward Principle 1 - An Improved Relationship Framework**

1. Providers recommend that actions be undertaken to build upon existing frameworks to develop a more robust Relationship Charter focused on mutual accountability, transparency and respect.
2. That this Relationship Charter includes communication protocols and genuine consultative processes which reflect a collaborative business relationship and underpin effective change management and continuous improvement strategies.
3. Regular forums are established in which the providers and DEEWR identify and openly discuss relationship issues.
4. A formalised dispute resolution process is established which meets the needs of provider and purchaser and has the scope for independent mediator and/or arbitrator.
5. That a formalised evaluation process is built in to the relationship management framework which continually explores and addresses all stakeholders satisfaction and where possible measures positive outcomes to reinforce the relationship.
6. That there is a major review of all guides, policy documents and forms with the aim of improving consistency, clarity and reducing complexity and administration.
7. That there is a major and comprehensive review of the design of information portals' in close consultation with employment service providers and their industry representatives and the findings of the review are disseminated to stakeholders.
8. That arising from that review there is a restructure of the information portals to better support the information needs and which is easily accessible and has efficient monitoring functionality.
9. Benchmarks are established which clarify providers expectations for responsibilities and services to support employment service contracts from DEEWR.
10. There is a quality assurance strategy which assists to monitor and develop the responsiveness of DEEWR contract management and the satisfaction of providers.
11. That there is an ongoing commitment to the learning and development of providers.
12. Facilities such as LiveMeet should be available to providers at no cost to support the continuous development of the service framework and support consultative processes.
13. Reinstate providers with the option to utilise third party corporate interface systems with full upload and download functionality
14. Conduct a comprehensive of DEEWR IT systems with industry representation and input into the terms of reference and evaluation process
15. Review IT systems with a view to increased alignment and integration to meet the operational needs of employment service providers and Centrelink and to better support service users.
16. In consultation with industry review the priority of scheduled systems development
17. Review data recording requirements to identify information which is not regularly extracted and utilised which should be eliminated.
18. Functionality should be reviewed to identify areas that have not contributed to outcomes such as Vocational Profiling and Auto Matching and should be removed.

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## **Moving Forward Principle 2 - More Support – Fewer Sanctions**

19. Restore the capacity of providers to apply their professional judgments about job seekers circumstance in decisions to submit participation reports without the threat of recovery actions or quality sanctions.
20. Ensure that program rules facilitate providers support of job seekers individual circumstance and do not rely on compliance mechanisms to meet contract or performance measures
21. Review job seeker activity requirements to provide greater flexibility to reflect individual capacity and circumstance.

## **Moving Forward Principle 3 - Access to the Right Service**

22. Urgent independent review of the efficacy of the Job Seeker Classification Instrument including administration, practice in its application, IT support and review and amendment methodologies.
23. Review JCA policy and guidelines with particular regard to examining the tensions between making recommendations regarding interventions and work capacity assessments for income support determinations.
24. Uncap all programs and ensure there is access to the right service for those who require assistance
25. Incorporate the capacity to deliver comprehensive service based assessments across all programs

## **Moving Forward Principle 4 - Individually Tailored Service Provision**

26. Develop eligibility criteria for employment assistance which reflects individual service needs.
27. Increase the capacity for tailored individual intervention including removal of the continuum from the employment service framework and significant reduction in the prescription of service requirements.
28. Better support service models by reducing the transactional nature of the payment structure
29. Develop payment structures which provide adequate resources to provide for quality services.
30. Access to support through mechanisms such as the Job Seeker Account based on a more holistic understanding of and individual nature of interventions to overcome barriers to employment participation and social inclusion.
31. Revise contractual arrangements including compliance monitoring which is focused on quality of outcomes rather than process and activity. A distance travelled approach which reviews the contribution of service to the client development would better support social inclusion, human capital strategies and participation objectives.

## **Moving Forward Principle 5 - Building Human Capital**

32. Performance measures support and encourage human capital strategies and there is a review of the emphasis on speed to placement in the current model. This measure is a major disincentive and essentially penalises engaging job seeks into even short term skill development.
33. The performance and payment structure should reflect a higher value on human capital.
34. The performance and payment structure should offer greater recognition for combined education and employment outcomes.
35. Introducing incentives which provide a bonus payment for engaging job seekers in vocational training and education who are subsequently employed in an area of skills shortage
36. The model should offer substantive post placement support for those that need it which reflects the importance of human capital strategies to not only engage people in employment but also to advance their career and wellbeing (financially and socially) as well as develop the skills required to support the economy.
37. All services within the framework should offer equality in opportunity to participate in human capital strategies and should be resourced accordingly.

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38. That work experience programs are developed and provided with greater capacity and resources to deliver training. This needs to include incentives and recognition for engaging and transitioning participants into education or employment.
  39. That there is further development of work experience programs developed and including a STEPER type program for disadvantaged clients.

#### **Moving Forward Principle 6 - Quality Service and Outcomes = Investment**

40. In formulating the framework for tender the pricing structure should be developed in consultation with industry and include analysis of the cost of service delivery which reflect infrastructure requirements in an environment where business levels are not guaranteed and are highly variable.
41. Pricing models should include annual indexation across all fees to ensure they remain viable throughout the life of the contract.
42. Differential funding models should be applied to specialist and mainstream services
43. Differential funding model should be applied to service delivery in rural as well as remote locations.

#### **Moving Forward Principle 7 - Stronger Collaboration – Industry Development**

44. Conduct an independent review of the performance assessment models
45. Introduce a benchmarked performance assessment system
46. Discontinue rolling tenders as part of the business reallocation process
47. Business reallocation should only be pursued in exceptional circumstance and with appropriate formal notice
48. Review the term of the contract to better support long term strategies to achieve long term outcomes
49. Ensure that key performance indicators are clearly aligned to employment participation, social inclusion and human capital
50. Ensure that key performance indicators within and across programs complement and provide support to collaborative service strategies and the dissemination of better practice
51. Ensure measures are clearly defined and outcomes focused
52. Ensure that performance measures are transparent and that providers have access to timely data which enables them to manage and improve performance.

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## 2. Background

The National Employment Services Association welcomes the opportunity to provide feedback to the Minister for Employment Participation's review of employment services. NESAA is the peak body for Australian Government employment services. NESAA is the only National peak body which represents all providers including community, private, public and Government sector member organisations and which represents all Commonwealth funded employment service programmes.

In the early 1990's the Labor Government introduced an initiative to outsource selective employment services assistance. Competitively tendered Contracted Case Management services were delivered through Government, private and community sector organisations and administered through the Employment Services Regulatory Authority.

On 20 August 1996, the Hon Amanda Vanstone, Minister for Employment, Education Training and Youth Affairs, announced the release of *Reforming Employment Assistance - Helping Australians into Real Jobs*. This release signalled the impending restructure of Australia's employment services architecture. The most significant characteristic of these new arrangements was the establishment of procurement and operation of the Job Network in March 1998 as the primary delivery agent of Australia's employment services in an open and competitive market.

The ten years of operation of Australia's reformed employment services market has been characterised by continued change. Arguably, other than the creation of the market itself, the most significant and revolutionary change was the introduction of the Active Participation Model at the commencement of Employment Services Contract 3 (ESC3) in July 2003 and which continues today.

## 3. The Need for Change to the Employment Services Framework

Australia is facing a number of economic and social challenges. With an increasingly ageing population and skill and labour shortages there are a number of social and economic imperatives to improve Australia's workforce participation. While Australia has recorded 17 years of economic growth and achieved the lowest unemployment rate in 30 years, not all Australians have shared in the prosperity and entrenched social disadvantage persists.

The current framework does not adequately support those job seekers most in need. There has been a significant increase in the proportion of job seekers who now find themselves long term unemployed from thirty three per cent in 1996 to sixty one per cent in September 2007 (Social Policy – Welfare page 96: Parliamentary Library briefing Book Key Issues for the 42<sup>nd</sup> Parliament).

Providers of employment services have consistently raised concerns about the adequacy of the framework to support very disadvantaged job seekers. The figures reported in the parliamentary briefing papers on long term unemployment support providers' concerns but had not previously been released to the industry.

In addition to this there are the substantial numbers of Australian citizens who are without and want work but who are not counted in these official statistics. Many of these people have become disillusioned, and feeling that they are defeated, have become disconnected and are now considered outside the labour market.

In the Ministers request for submissions on employment services and meeting the objectives identified in the Governments Social Inclusion and Skills policies, the areas of interest outlined included:

- Early interventions to minimise the number of long-term welfare dependent Australians of working age (a review of the Job Seeker Classification Instrument)
- Employment services are relevant to the circumstances and needs of the job seeker;
- Job seekers with higher levels of disadvantage receive intensive assistance;
- Incentives for training which will improve the employability of job seekers (including incentives for long term training and education to address labour market needs);
- Job seekers receive appropriate training;
- Performance management principles (including star ratings and business reallocation) that support sustainable outcomes and promote quality service delivery and
- Minimising the amount of time and money spent on administration.

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This submission seeks to respond to these specific areas of interest as well as other areas of the systems architecture and administration. The industry believes that without addressing the fundamental shortcomings of the framework in total employment services cannot make an optimal contribution to social inclusion and skills objectives.

Australia's employment services framework has undergone significant and constant change over the last decade. The service structures have constantly been modified often adding new services and requirements for specific job seekers and providers. The framework has become excessively complex, compliance and process focused. The programs have become highly prescribed and transactional. Providers do not believe the current framework allows them to use the full capacity of their skills and expertise to improve workforce participation. Furthermore the current framework and the operating environment in which it is cast limits the capacity for innovation or flexible individual support that enables a person not just to find a job but to realise their potential and contribute to the individuals and nations wellbeing.

#### **4.1 Constraints of the Current Framework**

- As previously stated, the current model has become incredibly complex and transactional in nature. This has resulted in a rise in the proportion of administration requirements relative to service delivery. While much attention has been given in recent time to rebalancing the focus providers do not feel any real progress has been made. The industry considers that the core of this issue has been the increasing intensity in the prescription of services to be delivered.
- The complexity of the current model has also resulted in increased challenges for DEEWR as the purchaser. The delivery of timely, accurate and consistent support to providers through the Contract Management Framework has been an issue for some time. Contract Managers are increasingly pressed to provide accurate and timely contract interpretation information given the level of interdependencies and factors which they have to consider in their determination.
- The current model is highly reliant on information technology systems which have not kept pace with change and developments to programmes. The complexity of the current arrangements is such that the system is under stress. Development work including fixes for identified issues affecting programme operations are regularly taking a year to implement resulting in significant impacts on operating efficiency.
- There has also been a convergence of a number of employment services under the one portfolio. While this has been viewed as a positive opportunity to develop better programme synergies and complementary service arrangements it has added to the complexity of the services framework. There is an opportunity to strengthen the framework which can now also incorporate programs transitioned from DEST in the new administrative arrangements. This opportunity to remove silos and recognise the connection between education, training and employment is welcomed by the industry.
- While there is a range of programmes the mechanisms for ensuring that job seekers are referred appropriately is based on questionable eligibility criteria, rather than service need. Attachment of job seekers in less appropriate services reduces the quality of service to the individual, reduces programme effectiveness and performance, and represents in the long term poor allocation of resources.
- There is considerable overlap in the target client groups and service offerings of the various programmes.
- There is an absence of resources for comprehensive service assessments within all programs.
- An opportunity exists to remove structural barriers to vastly improve collaborative and parallel servicing arrangements between programs as part of an individually tailored response. There has been a continuous increase in the interdependency between programmes. While intended to improve the integration of programmes within the framework in practice it has resulted in bottlenecks and conflict between programmes. For example Activity Agreements in one programme overriding another, failure

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to complete mutual obligation resulting in an inability to commence the next phase of the Job Network continuum, and inability of a programme to achieve an outcome because of service limitations in another programme.

- The Active Participation Model applied to the Job Network prescribes service intervention based on the duration of unemployment. While some provisions are made for job seekers who are relatively highly disadvantaged to obtain high levels of service more quickly, these are inadequate. There is also an untapped opportunity to redistribute resources to provide stronger early intervention strategies to many more job seekers, which will contribute to improved employment participation and social inclusion.
- There is a strong belief that the most successful workforce participation strategies will result from flexible and tailored service provision. There has always been a stated intent to provide flexible assistance to job seekers and employers based on individual needs. However the reality is that the evolution of the operating environment has resulted in an extremely restricted capacity for providers to practice in this way particularly arising from the increased specificity and prescription of service requirements.
- The contractual arrangements of all programmes contain service requirements, objectives and key performance indicators which in the view of industry could be better refined to support employment participation, social inclusion and skills objectives.
- The Active Participation philosophy supports welfare to work and a work first approach however it has limitations in relation to broader objectives of workforce participation. The current model does not support human capital and workforce development strategies in the context of a full definition of workforce participation objectives including labour utilisation and productivity through addressing skills shortages or recognising the value of broader social inclusion. The framework is very focused on activation strategies reinforced by punitive measures which are not designed nor meet the needs of voluntary job seekers.
- The focus on work first is evident across programs. The restrictions to training in Work for the Dole, the inadequate resources for Personal Support Programme and Job Placement and Employment Training Programme who service those most in need and are among the hardest to help, are all examples of the lack of value placed on social inclusion and capacity development.

The employment services industry acknowledges that the degree of reform that can be implemented in 2009 will be restricted by a range of factors but particularly the time frame in which the purchasing process must be completed and fiscal restraints. While acknowledging fiscal responsibilities of the Government we need to be conscious that the last decade has seen a constant reduction in real investment in employment services while simultaneously increased service expectations from the current framework have been applied. The current framework is operating to its resource limits.

NESA commissioned William Buck and Co., Chartered Accountants to conduct an independent financial benchmark project in 2005 and in 2006 for Job Network which clearly indicates reduced viability of the industry. Providers are required to deliver services well above what they are compensated to deliver. There has also been significant cost shifting from Government to providers during the contract period which may not be immediately obvious.

While resources are tight reform should consider how resources are currently applied and could be better deployed within the framework to improve services.

In reviewing employment services and determining the need and scope of reform to be undertaken the industry contends that there are fundamental deficiencies in the design of the current framework and programme structures. This being said there are vast improvements that can be made which could lead us on a path to our desired future service model.

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We have attached a copy of our submission made to the Treasurer in January 2008 in response to his invitation of community sector input which identified reform to the current arrangements which could improve capacity to deliver on the objectives outlined in the request for feedback. Please see Attachment 1.

Providers of Australian government employment services are committed to the delivery of employment assistance which supports a more inclusive, skilled and prosperous Nation. Providers have unique experience, knowledge and expertise as the key delivery agents which should be heavily drawn upon in the consultative process to redesign the employment services framework. We offer the following submission as part of what the industry hopes is the beginning of a genuinely consultative and collaborative review and reform process. Providers are committed to working in partnership with Government to deliver improved employment assistance to the Australian community.

In 2007 through a consultative process with the industry which built on provider experience and local and international research Workforce for the Future a conceptual framework for employment services. This model provides a framework which supports an employment services model which embraces social inclusion and human capital strategies. Recent consultation indicates that this model is highly supported by the industry and has the desired features for moving forward. We offer for consideration Workforce of the Future as a desired framework for employment services. Please refer to Attachment 2 for full details. This conceptual framework has been developed based on the following preferred characteristics of the future employment services framework:

- ✔ Streamlined Programme Structure
- ✔ Mainstream and Specialist Capacity
- ✔ Demand driven client focused services
- ✔ Streamlined service requirements
- ✔ Increased capacity to provide individually tailored service interventions
- ✔ Capacity for improved flexibility of service delivery to suit job seeker circumstance and labour market conditions
- ✔ Integrated and collaborative service arrangements amongst programmes
- ✔ Increased connection between labour supply and labour demand
- ✔ Active and strategic employer servicing with a structured and resourced role in workforce and labour market development
- ✔ A framework which connects job seekers to active tailored assistance immediately to achieve the fastest possible engagement to the labour market with the highest possible contribution to skills and labour shortage
- ✔ Improved capacity to deliver work retention and advancement of outcomes that result in better labour utilisation, improved productivity and sustainable reduction in welfare dependency

## 4. Overview of Workforce for the Future - conceptual framework

The proposed framework includes recommendations which address service gaps and opportunities to strengthen performance and encompasses broader workforce participation and social inclusion objectives. While continuing to address welfare to work as we move forward we are cognisant that broader contribution to workforce participation must address improvements to labour utilisation and productivity of the workforce in addition to expanding the size of the labour force. Employment services providers are uniquely positioned, given the right structure, to add value to the range of Government initiatives being implemented to protect our continuing economic growth and prosperity. Ensuring that employers and job seekers are able to benefit through the capacity for increased workplace flexibility, improved education and training arrangements and the like will all assist to increase productivity and labour utilisation.

### The Conceptual Framework for Workforce of the Future



### 5.1 Overview of Framework Dynamics

This framework concept provides active assistance to both activated and voluntary job seekers within an integrated employment services network. This model is designed to maximise the enhancement of job seeker assistance through stronger connections and services to business and industry.

The proposed framework seeks to maintain and enhance current services both specialist and mainstream. It endeavours to minimise or eliminate some of the tensions between service areas and programmes which have hampered provision of services, particularly in the area of employer servicing. While streamlining the number of programmes, the framework seeks to retain the uniqueness of current service provision and the skills and expertise within the existing provider network. The four proposed contracted areas are denoted by colour in the diagram above. While this conceptual framework did not consider incorporation of the range of DEST programs now with DEEWR, within the model consideration was given to how this framework would support better connections with them.

### 5.2 Proposed Streamlined Programme Structure

#### Work Access Network (Inclusive of Work Preparation & Work Retention/Advancement)

##### Generalist and Specialist Streams

Transitioning – Job Network, Disability Employment Network, Vocational Rehabilitation Services, Harvest Labour and Job Placement

##### Work Experience Network

Transitioning: Community Work Coordinators- Work for the Dole, Community Work, Drought Force, Volunteer Work Initiative & Green Corps

##### Personal Support Network

Generalist and Youth Specialist Streams

Transitioning: Personal Support Programme and JPET

##### Enterprise Development Network

Transitioning: New Enterprise Incentive Scheme

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## **5. Moving Forward**

As the Government considers the extent of reform it wishes to pursue the industry would like to offer some key principles for moving forward. These should be applied in the design and support of a new framework or in any reform of the current arrangements.

### **6.1 Moving Forward Principles**

Providers consider that an employment services framework to achieve social inclusion and skills objectives should reflect Australia's economic, geographic and social diversity and be centered on the delivery of quality, targeted and tailored interventions. Central to achieving this are:

#### ***1. An Improved Relationship Framework***

Revised administrative arrangements need to be implemented to support an improved relationship between the purchaser and provider which reflects collaboration, partnership, mutual respect and shared responsibilities.

#### ***2. More Support – Fewer Sanctions***

Focus on the delivery of engaging and supportive tailored service regimes which build capability and facilitate long term and meaningful participation without the need for the over emphasis on the punitive management of job seeker activity.

#### ***3. Building Human Capital***

Replace the current 'work first' with a 'work-life first' policy approach to employment assistance that supports human capital investment strategies to overcome barriers to social and economic participation.

#### ***4. Individually Tailored Service Provision***

Increasing the relevance and responsiveness of employment services by ensuring individually tailored interventions is at the core of the framework and contracting arrangements. Remove excessively prescribed service requirements and overly process focused contract compliance measures which have resulted in a 'one size fits all' compliance driven employment assistance model.

#### ***5. Access to the Right Service***

Development of a service framework which offers access to services based on quality assessment of individual service needs. Job seekers should have equality of access to service and capability development opportunities and barriers preventing access to the most appropriate type and levels of intervention must be minimised.

#### ***6. Quality Service and Outcomes = Investment***

Ensuring that funding structures provide adequate resources to deliver quality targeted and tailored employment assistance interventions. Funding needs to reflect the implications for cost of delivery related to job seeker disadvantage, specialist service requirements, geographic diversity and local economic circumstance;

#### ***7. Stronger Collaboration – Industry Development***

Contractual arrangements must reflect the commitment to social inclusion and skills development which require human capital development strategies. The framework needs to include purchasing and performance mechanisms which support collaboration and sharing of better practices. Continued over engineering of competition will maintain a very short term focus at the continued cost of the medium to long term welfare of job seekers, community, economy and capability development of the employment services industry.

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## 6. Moving Forward Principle: 1

### An Improved Relationship Framework

*Revised administrative arrangements need to be implemented to support an improved relationship between the purchaser and provider which reflects collaboration, partnership, mutual respect and shared responsibilities.*

#### 7.1 The Relationship Culture

The relationship between purchaser and provider is fundamental to the delivery of effective and efficient employment assistance to Australian job seekers. Continuous improvement relies on collaboration from all stakeholders. Flowing from a constructive relationship is the capacity to identify and fully realize opportunities for improvement. This is particularly important given the dynamic nature of employment services contractual arrangements and level of ongoing change and development.

The critical importance of employment services to the lives of Australian job seekers, economy and the wider community should drive a partnership based provider – purchaser relationship framework. It is the view of the industry that over recent years this has not occurred and needs to be rectified moving forward.

There has been deterioration in the purchaser - provider relationship which is impacting on the delivery of effective employment assistance. Rather than partnership based and collaborative arrangements which see the free flow of ideas and solutions providers characterize the relationship as inequitable and as one of command and control. The nature of the relationship between the provider and purchaser needs to be strengthened and recast in a partnership framework. Purchaser and provider roles and responsibilities are interdependent and the nature of the relationship permeates on to operational effectiveness and efficiency. The impacts of a weak relationship do not stop with the purchaser and provider but flow through to service users and other stakeholders.

The purchaser and provider require a strong partnership based relationship to support an efficient and effective employment service framework. These relationship issues have been well documented previously and presented repeatedly without resolution. While acknowledging the frameworks that currently exist to support the relationship providers consider that a concentrated effort needs to be made by all parties to ensure that improvements are made. Providers consider there will be continued limitations to their capacity to deliver on government objectives regardless of the scope of reform to the service framework without it being cast in a partnership relationship.

The National Contract Management Framework (NCMF) outlines the roles and responsibilities noting that ‘Providers of Australian Government Employment Services have a focus on achieving employment outcomes for job seekers. They communicate directly with clients and provide quality, innovative services. Providers should also have a focus on continuous performance improvement taking into account and working on feedback that is received from Account and Contract managers during performance feedback and monitoring conversations’. It should be noted that providers had no input into the development or content of the NCMF.

It notes that DEEWR State and Regional Office Staff roles and responsibilities are to manage contracts with providers by building transparent relationships with them and providing relevant and consistent performance feedback and operational support. The NCMF notes that it is the role of DEEWR National Office Staff to manage the purchasing of employment services and arrange contracts and developing contract management support and information tools. National office is also responsible for support to State, Territory and Regional Offices and providing quality assurance and programme policy support.

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There are 5 principles that underpin the National Contract Management Framework (NCMF)

**PERFORMANCE** - in line with Government policy and objectives, maximising outcomes of contracted services is the most effective way of achieving real and sustainable jobs for jobseekers and improving employment opportunities, prospects and growth for individuals and communities;

**QUALITY** - providing high quality services to jobseekers and employers and a commitment to continuous improvement of quality services;

**INTEGRITY & COMPLIANCE** - promoting high standards of ethics and ethical behaviour and ensuring appropriate checks and safeguards are followed and contractual obligations are met;

**RELATIONSHIPS AND OPENNESS** -working openly with industry and stakeholders for improvement; internally, we focus on the quality and openness of the relationship between NO and State Offices;

**CONSISTENCY** - a common approach to contracts management across services and locations, while recognising the nature of individual service streams.

In addition to the National Contract Management Framework DEEWR has a service charter which outlines its objectives to maximise the ability of working age Australians to participate actively in the workforce; and improve the productive performance of enterprises in Australia. In support of the objectives DEEWR's service charter outlines the following commitment:

“In our dealings with you, we will apply our department's key behaviour statement of RESPECT:

- Responsiveness - provide accurate, consistent, reliable, timely and clear responses to requests
- Ethics and Integrity - upholding the APS Values and Code of Conduct
- Service – be client focused to achieve high level outcomes
- Professionalism – be open, honest, respectful and courteous and provide well researched information and advice
- Enthusiasm - demonstrate commitment, energy and drive
- Creativity – always look for better ways to do things
- Teamwork –work with job seekers, employers, employees, interested organisations and members of the public.”

It is of note to the industry that while providers are involved as a key stakeholder they are not specifically mentioned in the principle of Teamwork. Accompanying the NCMF is the Assurance and Compliance Framework which sets out DEEWR's general approach to preserving the integrity of its employment programmes and provides information on specific priorities.

The document states that “the department will continue to build robust relationships with our providers to ensure that their compliance practices including corporate governance, internal controls and the training of their staff are strengthened”.

There has been ongoing tension between performance management and the general principles of flexibility, cooperation and reasonable contract compliance requirements. The Productivity Commission Report on the Job Network noted in 2002 it felt that in some cases this had already gone too far and recommended that in ESC3 if the relationship continued on unequal terms, that the establishment of an independent monitoring authority might be necessary.

Providers acknowledge and are supportive of the intent of the NCMF principles and service charter although we believe that it should be strengthened to reflect partnership. Given that this is the framework for relationship management between purchaser and providers we believe it should better reflect:

- Both the Provider and Purchaser have a vested interest in ensuring high quality, performance and the integrity and compliance within employment services. These objectives are best achieved within a collaborative, responsive and respectful business relationship.

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- The relationship underpinning performance and quality improvement strategies should recognise that providers have been awarded and maintain their contract on the basis of their expertise to deliver employment services and demonstrated achievement of outcomes.
  - The principles of Relationships and Openness as they relate to providers have had insufficient emphasis.
  - In the industry's view this has largely been derived from an emphasis on risk management based on a strong presumption of poor provider ethics and integrity. This emphasis underpins contract management and compliance mechanisms and permeates through the wider relationship.
  - There is a lack of transparency in the relationship which prevents meaningful consultation and collaboration. The industry contends that a major deficiency in arrangements has been a lack of transparency. Access to employment service data has not been made available to stakeholders including the service providers to support continuous improvement or informed debate. This lack of transparency has also eliminated opportunity for genuinely independent evaluation or robust development of alternative propositions which include appropriate modelling. Access to data is critical to ensure that all stakeholders can contribute to robust discussion and development of employment services.

Providers consider that within the current relationship there is insufficient genuine consultation. Providers experience is that while they may have the opportunity to outline a view their perspectives do not receive adequate consideration in implementation. The exchange of views is characterized by a reluctance to accept feedback and excessive levels of energy are required to demonstrate the legitimacy of issues rather than developing solutions. Providers have also become increasingly cautious about participating in consultative forums which are used to legitimize change which was not endorsed by representatives.

Providers consider that there has been an opportunity lost by underutilizing their potential operational expertise in the development of systems, strategies and initiatives. This lack of engagement has been consistent in the development of new as well as the development of existing frameworks.

It has been commonplace for providers to inherit an initiative without the opportunity to inform development or for their contribution to be ignored. It is also commonplace that when such initiatives fail at implementation responsibility falls to "provider behaviour". To name a few, industry strategies, systems development generally and specific functionality such as the Vocational Profile and Auto Matching, Commonwealth Work Experience Programme, and the Job Seeker Account are all examples of where provider input could have preempted and avoided implementation issues.

- The publishing of the framework is said to demonstrate DEEWR commitment to ensuring the accountability and integrity of these important employment and related services. However providers note that the current relationship offers no formalised mechanisms to ensure mutual accountability. Providers note the following omissions:
  - The Assurance and compliance framework indicates a one sided learning approach focused on DEEWR strengthening provider practices and controls rather than a reciprocal approach.
  - There is no formal mechanism for providers to input into the NCMF
  - There are no established performance benchmarks by which providers can hold DEEWR accountable for responsibilities supporting employment service contracts such as timeliness of responses, accuracy of information and data, provision of deliverables (i.e.: publications, IT)
  - There are no formal mechanisms for providers to give feedback as to DEEWR performance against NCMF principles or their service charter.
  - There are inadequate and ineffective dispute resolution processes. The current dispute resolution process relies on strong relationships, equity and trust being present.
  - There are no formal requirements for genuine consultation or negotiation

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## Recommendations:

1. Providers recommend that actions be undertaken to build upon existing frameworks to develop a more robust Relationship Charter focused on mutual accountability, transparency and respect.
2. That this Relationship Charter includes communication protocols and genuine consultative processes which reflect a collaborative business relationship and underpin effective change management and continuous improvement strategies.
3. Regular forums are established in which the providers and DEEWR identify and openly discuss relationship issues.
4. A formalised dispute resolution process is established which meets the needs of provider and purchaser and has the scope for independent mediator and/or arbitrator.
5. That a formalised evaluation process is built in to the relationship management framework which continually explores and addresses all stakeholders satisfaction and where possible measures positive outcomes to reinforce the relationship.

The Department of Finance and Administration has developed the Australian Government Policy Principles for the Use of Public Private Partnerships (PPP) and guides for Developing and Managing Contracts which the industry believes offers some best practice guidance for Contract Management of employment services. There are principles incorporated within the following elements which could underpin a Relationship Charter. These are attached in Appendix 1.

## 7.2 Increasing the Operational Effectiveness of Administration Arrangements

Performance and compliance are intrinsically linked. DEEWR has stated that it firmly believes that performance, service quality and compliance are indistinguishable. The industry agrees and further believes that where compliance mechanisms do not operate efficiently and effectively they detract resources and weaken service quality and performance.

The provision of employment services compliant with contract conditions are dependent on the appropriate identification and application of policies and processes related to the Contract. These are contained in a range of documents, policy guides, job aides and the like published across a range of information sites. These documents are supported by Contract Managers, Account Managers, State and National Office DEEWR representatives providing clarification and interpretation of contractual requirements and implementation of policy.

In order to support compliance, protect the integrity of all stakeholders and reduce the administrative burden it is imperative that clear and consistent requirements are outlined in a manner which is easily accessible. To this end the industry has repeatedly requested:

- Unambiguous guidelines to support interpretation and implementation of the Contract;
- Comprehensive and transparent documentary evidence requirement guides.
- Singular, centralised and easily accessible information portal; and
- Comprehensive document and version control mechanisms;

## Interpretation & Implementation of Contract

### Consistency of Contract Management

Clear transparent guidelines are required to ensure and support the compliant delivery of employment service contracts and the equitable application of compliance measures. The industry has, for many years, raised that the issues of complexity and inconsistency in the interpretation of contract and policy requirements is critical. Management of compliance requires substantial resources and contributes enormously to current administration costs for both the purchaser and provider.

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Inconsistency in management of contracts and compliance in a competitively tendered and comparative performance managed market raises serious concerns regarding fairness and equity. Providers cannot be confident compliance requirements and standards are consistently and fairly imposed. Current arrangements lack transparency and there is a high degree of variability in contract interpretation and in the application of compliance measures. It is apparent that the contract manager brings with them individual standards and preferences which they overlay on contracted requirements.

There are undisputed commercial and competitive impacts on providers related to the selective imposition of additional service requirements and documentary evidence standards via compliance measures. The criticality of clear and consistent contract interpretation and compliance measures must be considered in context of the direct and indirect consequences. Providers risk losing entire service and outcome fees as well as performance recognition where a compliance failure is noted. An increase in recovery actions will subject them to further surveillance and compliance monitoring. Excessive recovery actions may result in Key Performance Indicator 3 – Quality clauses being applied to remove all or part of the providers' business share.

Compliance failures place all employment services providers and the Government at risk of public scrutiny. The industry has experienced the level of public interest where there is a question about the integrity of process and knows that impacts on reputation are not restricted to those directly involved. Overly complex and unclear requirements increase risk of inadvertent errors and failures more than they prevent deliberate fraud. A lack of clarity and consistency in contract interpretation information to providers has significantly contributed to major recovery actions which have received media attention. However insufficient effort has been made to rectify this core issue than has been applied to monitoring providers' compliance behaviour.

While DEEWR has always indicated a willingness to review specific instances a broad approach is necessary to resolve this systemic and ongoing situation. DEEWR has acknowledged in the context of providing timely clarification that policy interpretation is highly complex with a wide range of variables needing to be considered in determining the correct interpretation in a given case. As such it is not surprising that there are misinterpretations made by providers and there are inconsistencies in Contract Management.

Inconsistencies are noted at various levels of Contract Management and not restricted to the front line monitoring process. Variation in the interpretation and application of contract and policy guides occurs between individual Contract or Account Managers, including within and between States. Current protocols to escalate issues to Account Managers do not appear to be sufficient, particularly in the instances when it is the Account Manager who is responsible for the misinterpretation

The level of inconsistency is most observable when one reviews the evidence within files and Contract Management monitoring reports. Inconsistency is also evident from an analysis of documentary evidence that is approved or rejected. The industry is concerned that there appears to be no centralised mechanism for conducting such analysis which includes the provider held evidence base on which to assess the accuracy of the interpretation and consistent application of compliance measures. Centralised analysis of consistency and accuracy is vital to informing improvement.

It is considered central to this issue that providers do not feel there is adequate accountability for the provision of accurate information regarding contract interpretation. DEEWRs Quality Assurance and Compliance Framework outlines that it will manage provider quality and compliance. However the industry has not been informed of any processes by which DEEWR assesses and assures its services in relation to supporting a quality and compliant employment services industry.

Even where providers have been able to demonstrate they were acting on advice from DEEWR recovery actions have been pursued. This is most notable when there is a change in Contract Managers and files, work processes, service requirements and documentary evidence reviewed and approved by the previous Contract Manager become subject to new compliance standards. Provider efforts to dispute such actions have been routinely dismissed.

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## Clarity of Information to Support Compliance

The industry believes that comprehensive guides and information should be available to providers which clearly articulate compliance expectations. DEEWR have maintained a supportive stance for principles based guides and verbalised an objective to be removed from the 'minutia' of service delivery. However, currently this is an ongoing issue in compliance monitoring practice and insufficient clarity of evidentiary requirements continues to keep this at the forefront of the relationship.

Inconsistency in the interpretation of documentary evidence has been reported to DEEWR consistently over the years. Administration is a large budgetary expense and human resource commitment. Clear consistent guidelines reduces red tape and assists providers to more efficiently and effectively meet responsibilities and focus on service delivery.

The complexity and prescriptive nature of current arrangements are compounded by the lack of clarity in operational and policy guides. The deficiencies in current arrangements are also contributing to the escalating level of service time consumed by administration. The complexity and uncertainty related to documentary evidence requirements; also has other direct impacts on service quality. It has been necessary in the current environment for providers to become increasingly process rather than practice focused to ensure they are managing their risk. Unclear guidelines and compliance measures have resulted in restricted service and support to job seekers with resources such as the Job Seeker Account underutilised.

In considering the next iteration of employment services the development of more effective operational and policy guides should be introduced.

## Singular, Centralised and Easily Accessible Information Portal

The industry has repeatedly called for a centralised and easily accessible information portal, however little progress has been made. The industry is aware that following representation an external consultant was contracted in 2007 to conduct a limited review of information portals. The report and findings of this review have not been made available to providers however we understand change has been recommended but not yet commenced.

The need for industry input into the design of information portals to meet its operational needs and to be user friendly and accessible to staff has been overlooked in previous developments. The industry was optimistic that the restructure of the secure site would address the key issue for industry to ease the burden involved in managing information and monitoring changes. However the changes introduced in July 2006 have not eased the issues raised by the industry in relation to the identification and location of relevant documents.

There are currently a number of information portals in which providers need to search for information relating to the compliant implementation of the Contract such as:

- ECSN
- Workplace.gov.au
- Bulletins
- Toolboxes
- Knowledgebase
- National Policy Clearinghouse

Within each portal there are also multiple locations where individual documents or clarifications may be lodged which providers need to keep abreast of. There are significant resource requirements to monitor notices and ensure that all guides are kept current and compliant. To illustrate, the Job Network secure site has thirteen categories and in Information Resources/Participation Compliance category alone there are some thirty-eight documents.

Of primary concern in the systems design is that currently, there is no effective search functionality to support providers seeking specific information which comprehensively searches each individual or all portals collectively. Knowledgebase was created in recognition that it was difficult for DEEWR Help Desk to keep abreast of the constant stream of information and provide consistency of response. (LiveMeet Knowledgebase session) While Knowledgebase provides search functionality it is not comprehensive. Answers in Knowledgebase are not consistently linked to, or referenced to the location of primary documentation. As such, in practice Knowledgebase adds to rather than brings together the range of information portals.

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To better support employment services moving forward it is imperative that this issue of easily accessible information is addressed.

**Recommendations:**

6. That there is a major review of all guides, policy documents and forms with the aim of improving consistency, clarity and reducing complexity and administration.
7. That there is a major and comprehensive review of the design of information portals' in close consultation with employment service providers and their industry representatives and the findings of the review are disseminated to stakeholders.
8. That there is a major and comprehensive review of the design of information portals' in close consultation with employment service providers and their industry representatives and reviews findings are disseminated to stakeholders.
9. That arising from that review there is a restructure of the information portals to better support the information needs and which is easily accessible and has efficient monitoring functionality.

**Comprehensive Document and Version Control Mechanisms**

The current index structure does not contain adequate document control mechanisms to support providers managing the high volume of documents and guides on the system. In response to ongoing representations there has been an improvement to DEEWR document and version control but more needs to be done to support employment services access to accurate information.

Mechanisms to identify and track currency of information should be considered as a basic element to any quality controlled structure supporting compliance measures. Compounding the impact of the number of locations that information is published for employment services is the lack of a consistent and clear document and version control mechanisms.

The complexity and lack of appropriate document control reduces the value of DEEWR information systems. As it is time resource intensive to locate documents and there is a significant risk of non compliance associated with access to the incorrect document or version, this has influenced many providers to centralise communications. The secure site should be a valuable resource for employment service workers and increasingly providers are discouraging staff from directly referring to it. This has implications for use of other support systems such as the Learning Centre.

Most providers dedicate resources to monitoring ECSN, identifying and incorporating any changes or clarifications. As documents may be published in multiple locations and there is no comprehensive notice system, this is an excessively resource intensive administrative burden. The inadequacy of document and version control mechanisms increases the risk of non compliance and should be prioritised for rectification.

Given the number of documents and nature of delivering employment services, providers tend to download documents and use these to inform their policy and procedures. Without transparent update alerts there is an increase in the risk of non compliant practice as a result of referring to superseded documents. This was illustrated in the case of the updated requirements to the Change of Circumstance Guide in 2005 which were not listed on the secure site notice board.

In practice, as there is also no consistent process to notify providers of all changes or updates and given not all the actual documents are dated, providers are left with little option than to periodically open and review each document to ensure they have the current version. There are a significant number of documents which must be reviewed and again this is an unnecessary drain on provider resources which could be addressed by more efficient document control mechanisms.

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## Responsiveness of Contract Management

In the delivery of employment services there is heavy reliance on the relationship between provider and Contract Manager. The Contract Management relationship demands clear accountability of providers to the purchaser. The provider is given direction about action requirements, timelines for responses and related consequences. However there is no reciprocal accountability to DEEWR for their responsibilities to the provider.

The responsiveness of DEEWR has been a consistent issue with providers noting lengthy delays and in some cases no response to requests for assistance. Such inequity in accountability, particularly where there is no alternative to DEEWR in getting the request completed, undermines the relationship.

Providers note inconsistency in the practice and efficiency by which Contract Managers undertake activities such as accepting or rejecting special claims, exits and override requests. Responsibilities for delays in responding to requests are often passed between the State and National office. Providers are also reluctant to challenge delays as they are concerned that requests will be rejected without due consideration. It is clear that the level of assistance that a Contract Manager will offer a provider is highly variable. Without clear expectations and more equitable accountability this situation is likely to continue.

Without a system which monitors and measures responsiveness to providers requests how can DEEWR be confident it effectively manages its performance on service deliverables? Providers are not given any formalised service benchmarks on which to base service expectations. There is no formal process or system to address such issues and many providers feel disempowered in the process. Providers experience is that there is a considerable risk if they challenge non responsive contract management support, requests may be dealt with quickly but without due consideration and result in an increase of request rejections.

There has also been an issue with a lack of access to Contract Managers for face to face meeting in rural and remote locations. This denies providers equal access to information and support.

Providers would strongly note that it considers that a central issue for the responsiveness of contract management is the level of resources and support they have to do what they are directed and the outcomes sought from them. Providers note that Contract Managers appear to be in an equally demanding and complex environment and are responding and continually reacting to directives. The high level of turn over in employment services staff is also anecdotally evident in DEEWR Contract Management.

### **It is recommended that:**

10. Benchmarks are established which clarify providers expectations for responsibilities and services to support employment service contracts from DEEWR.
  - Processing of special claims
  - Processing of requests for exits
  - Processing of system overrides
  - Providing contract interpretation information (National and State Offices)
  - Access to publications – i.e. Job Network rights and responsibility booklet for job seekers
  - Information Technology – System fixes, enhancements, Fault notices etc
11. There is a quality assurance strategy which assists to monitor and develop the responsiveness of DEEWR contract management and the satisfaction of providers.

## Efficiency of Compliance Mechanisms

As has already been noted compliance requirements are time intensive. The need to provide DEEWR with responses to individual files identified through compliance monitoring visits and desk top auditing is substantial. Where requests to respond are unwarranted it is inefficient and highly frustrating. Inefficient demands are not respectful of providers' time and resources and do not reflect mutual responsibilities.

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Providers have routinely reported that there have been requests for additional information which could have been provided at the time of the audit if requested or was in the client file and available to the contract manager at the time of the audit. Providers also note that while little advance notice is given before a monitoring visit the delay to receive monitoring reports can be lengthy. This may result in providers continuing insufficient documentary evidence practice for longer periods.

The industry fully supports DEEWR's use of both survey and desk top audits to monitor and protect the integrity, equity and fairness of the employment services market. However, it strongly believes that these processes should be well developed to maximise identification of non-compliance with a low ratio of compliant files being identified and generating requests for response which add to the administrative burden.

Providers have also raised concern that they have been required to submit considerable responses to issues which DEEWR have been able to clarify directly through desk top auditing. DEEWR should be able to identify such information directly using desktop audit processes and only request written responses to those cases where there is no explanation within the system.

It is also a grave concern to the industry that fraud investigation strategies are extreme. This is not to say that the industry believes that fraud should not be dealt with harshly and severely, it does. However when fraud investigations repeatedly result in no actions being pursued and individuals and organisations left traumatised from misplaced suspicion one must question the veracity of fraud detection and investigation mechanisms.

## **Industry Development**

Providers believe that there is a shared responsibility between DEEWR and providers to contribute to the development of the industry and the capacity of staff. The Learning Centre has been a major step forward in recent years in the development and delivery of training. The collaborative and consultative nature of the development process was highly positive and constructive and continues in improvement strategies.

### **It is recommended:**

12. That there is an ongoing commitment to the learning and development of providers.
13. Facilities such as LiveMeet should be available to providers at no cost to support the continuous development of the service framework and support consultative processes.

## **Information Technology**

In designing future models of employment services consideration must be given to information technology systems. The introduction of ESC3 saw the cessation of upload functionality from third party software solutions. These industry specific programs were designed and implemented in order to improve the efficiency of administration and performance management systems. The industry was advised that EA3000 would be a self sufficient leading edge system to support employment services.

The system is process and compliance driven rather than supportive of effective case practice and has significantly influenced the way in which employment assistance is provided. EA3000 has been developed with little regard to the business needs of providers or employment assistance practice. Client records, in particular client relationship management of employer clients or post placement support for job seeker functionality, are not included. EA3000 and the other platforms based on EA3000 such as the Specialist Support Application fail to deliver effective case note functionality. While providers are required to enter considerable data they cannot retrieve information effectively. There is limited report functionality to support providers manage their services and performance.

The Information Technology systems do not fully provide functionality to meet programme and policy requirements. This results in the continual need for manual processes to be implemented and inefficient support for practice and performance management. As such providers are currently conducting extensive double handling of data to ensure that they have the information they require to deliver and substantiate

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services. While bulk download facilities have assisted providers in itself this has not substantially addressed double data entry requirements. DEEWRs estimated timelines for system development deemed critical (as defined by DEEWR) is estimated at 2.5 years.

There is generally good reporting in relation to basic systems outages however, when more complex systems faults are detected timely and systematic communication with providers needs to occur. For example a fault was detected where the system was not crediting all eligible job seekers with Job Seeker Account Credits. As providers became aware and individually raised issues it became apparent that DEEWR had been aware of the issue for a considerable time and they dealt with enquiries as they were made. No formal notification regarding the existence of the systemic issue was initiated until it was escalated by NESAs.

It is clear that the more complex the framework and the higher the level of transaction the more heavily reliant the efficiency of the framework is on IT systems. Reducing complexity of the framework and prescriptive service requirements should flow into more effective and efficient IT systems designed to support practice. The industry believes that the level of continued investment in the IT infrastructure could be reduced and better support services to job seekers by stripping away unnecessary complexity. As it stands today IT drives policy rather than policy driving IT. For example Vocational Rehabilitation Services are unable to refer job seekers to Work for the Dole as policy permits because systems are not in place.

There are also issues arising from an adequate level of integration of information systems between Centrelink and employment service providers. These issues do not only impact on quality and efficiency of servicing they also minimise fraud detection mechanisms.

#### **Recommendations:**

14. Reinstate providers with the option to utilise third party interface systems with full upload and download functionality
15. Conduct a comprehensive of DEEWR IT systems with industry representation and input into the terms of reference and evaluation process
16. Review IT systems with a view to increased alignment and integration to meet the operational needs of employment service providers and Centrelink and to better support service users.
17. In consultation with industry review the priority of scheduled systems development
18. Review data recording requirements to identify information which is not regularly extracted and utilised which should be eliminated.
19. Functionality should be reviewed to identify areas that have not contributed to outcomes such as Vocational Profiling and Auto Matching and should be removed.

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## 7. Moving Forward Principle: 2

### More Support – Fewer Sanctions

*Focus on the delivery of engaging and supportive tailored service regimes which build capability and facilitate long term and meaningful participation without the need for the over emphasis on the punitive management of job seeker activity.*

Providers believe that there has been an overemphasis on the management of job seeker activity in a manner which is punitive rather than supportive. The Commonwealth Ombudsman's Report Application of Penalties under Welfare to Work December 2007 details many of the procedural fairness issues relating to participation reporting and the over zealousness in applying penalties.

Providers support the notion that as a condition of income support welfare recipients have reciprocal responsibilities. However current arrangements fail to reflect and fully encompass the individual circumstance. While providers consider that activity requirements can assist in the delivery of services the emphasis on managing job seeker requirements has been excessive. The emphasis on monitoring activity requirements is most notably evidenced by the increased resources consumed by Participation Reporting.

NESA benchmarking report conducted by independent chartered accounts William Buck noted that the time spent in participation reporting between 2005 and 2006 increased by 50%. Providers' feedback indicates that the time dedicated to participation reporting continued to rise in 2007. The Commonwealth Ombudsman's Report on Application of Penalties under Welfare to Work Dec 2007 indicates that approximately 12,100 participation failures were being reported weekly which represents over 600,000 per year. While there is an obvious administrative burden the more important issue is the impact on the provider – client relationship and the ongoing support of the job seeker. Current requirements undermine a positive relationship in which the job seeker feels their circumstance is ill regarded and the provider takes on a compliance rather than assistance role.

Since the introduction of the Active Participation Model and more recent welfare reforms, service requirements imposed on providers severely limit the extent to which they are able to exercise professional judgment in relation to decisions to submit a Participation Report. Unless providers can offer sufficient documented evidence about a job seekers circumstance related to a specific participation failure they are required to submit a participation report. Even where the provider is aware of circumstance such as homelessness, mental illness or ill health evidence must be present to justify non-reporting of participation failures. This includes where such issues are recorded by Centrelink in vulnerability indicators.

Directives to providers have been that it is a Centrelink responsibility to determine whether a failure has occurred or not. The failure of providers to meet these compliance requirements has resulted in recovery of entire service fees for that job seeker and implications for ongoing business under Key Performance Indicator 3 – Quality. In addition there are also participation reporting drivers built into programme requirements which disadvantage the provider if a participation report is not lodged. To illustrate if a Work for the Dole participant does not supply documented evidence of their reason for non attendance the provider and job seeker are not credited with the hours. As such a participant report must be lodged even where it is likely to be overturned or else performance assessment will be affected.

The focus on punitive activation measures is compounded by a lack of alignment between DEEWR policy, provider requirements, Centrelink policy and work processes (often set in legislation) and the lack of integrated information systems. There are substantial and unnecessary resources expended by all stakeholders and which impact on relationships. More importantly these issues also impact on service delivery to job seekers and increase the risk of unwarranted participation reports being submitted.

It is of concern to providers that anecdotally many job seekers receiving non payment period penalties do not return to income support or service. While there has been an assumption by Government in the past that these people have found employment, no evidence has been provided to support this. There is a concern that many affected job seekers become reliant on family, friends and welfare agencies for support or turn to other unsatisfactory means of survival.

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While activity requirements and participation reporting can contribute to engagement, offering more support to those that face barriers to participation is required. Improved processes are required to identify those individuals facing such barriers as undiagnosed mental illness in the determination of participation failures. It is counterproductive to have high levels of expectation on the job seeker and not to provide equal incentives to participate. Active participation should be matched by active servicing.

**Recommendations:**

20. Restore the capacity of providers to apply their professional judgments about job seekers circumstance in decisions to submit participation reports without the threat of recovery actions or quality sanctions.
21. Ensure that program rules facilitate providers support of job seekers individual circumstance and do not rely on compliance mechanisms to meet contract or performance measures
22. Review job seeker activity requirements to provide greater flexibility to reflect individual capacity and circumstance.

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## 8. Moving Forward Principle: 3

### Access to the Right Service

***Development of a service framework which offers access to services based on quality assessment of individual service needs. Job seekers should have equality of access to service and capability development opportunities and barriers preventing access to the most appropriate type and levels of intervention must be minimised.***

Access to employment assistance in the current employment services framework is determined through eligibility criteria primarily based on income support determinants. In addition there are a range of criteria to ration services. While these criteria may be effective in rationing services they are not adequate to ensure that job seekers access the most appropriate service to meet their needs. Program eligibility based on income support type and arbitrary rationing rules must be addressed if effective strategies to assist disadvantaged job seekers and address social inclusion and human capital development are to be pursued.

Centrelink remains the critical gateway to employment services. It is at this point of registration that it is intended that income support recipients are directed to the most appropriate employment services to meet their need. Referral of job seekers into services is largely dependent on the Job Seeker Classification Instrument (JSCI) and Job Capacity Assessments. It is a critical issue of concern that job seekers do not have eligibility to services based on their individually assessed service needs.

### Job Seeker Classification Instrument

Of central concern to providers is that a relative measure of disadvantage rather than an absolute individual measure is used. Providers believe that to achieve the best economic and social contribution from employment services this should be addressed in the design and development of assessment strategies for future frameworks. The industry welcomes the Government's commitment to a review of the JSCI. The industry believes the review should be comprehensive and include its composition, administration and review mechanisms. ***The industry considers that in order to achieve an effective service system we need to adopt an assessment tool which reflects individual assessment of service requirements opposed to relative measures of disadvantage.***

The Job Seeker Classification Instrument (JSCI) is a relative measure of disadvantage and is used to classify job seekers access to services. Highly Disadvantaged (HD) allows job seekers immediate access to Intensive Support Customised Assistance and additional resources through the Job Seeker Account (JSKA). The JSCI is also used as an economic lever to control expenditure with DEEWR periodically reviewing the JSCI factors, scoring and adjusting the threshold scores to qualify as HD. In Job Network Employment Services Contract 1, 33% of job seekers were permitted to receive higher level services (3.2 and 3.3 classifications). In ESC2 25% were classified in the higher Level B service classification. Since the commencement of ESC3 in 2003 the proportion of the annual flow of job seekers permitted to be classified as Highly Disadvantaged has been reduced to 10%. This has occurred during a period when unemployment has reduced from 8.6% to 4.2%. Arguably the proportion of job seekers permitted to be classified as Highly Disadvantaged should have increased.

The continued reduction in the proportion of job seekers eligible for highly disadvantaged has been on the premise that the labour market is easier to penetrate. The industry's experience is that despite improved labour market conditions job seekers with complex barriers still require intensive service delivery to enable sustainable workforce participation and social inclusion outcomes to be achieved. This is borne out by the increased proportion of long term unemployed that has emerged over the last decade.

In the current environment, welfare to work measures are bringing an increased number of disadvantaged job seekers into the employment services system particularly indigenous job seekers, parents and people with a disability. To illustrate of the 26,000 parents referred to Job Network since July 2007, only 23% have been classified as HD. Using a cap on the proportion of job seekers permitted to be classified as highly disadvantaged in an environment of increased disadvantage and reducing unemployment has a compounding impact.

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Providers experience is that an increasingly high proportion of job seekers are being displaced and denied the level of service they need to achieve economic and social participation outcomes. It is commonly reported by all providers and particularly Job Network Specialists that high needs clients are most affected and being denied appropriate service and support to meet their needs. For example, a Job Network provider with a hearing specialist contract has noted that the proportion of profoundly deaf clients achieving HD status has dropped markedly.

To provide a quality service which assists such clients achieve social and economic outcomes individualised services and the resources to access support such as interpreter services are required. A decreased proportion of HD job seekers not only results in reduced services but also reduced support available through the Job Seeker Account.

It is a continued concern that the current JSCI practice is not the most robust to elicit the sensitive information that is required to best measure disadvantage and best assess job seekers service requirements. In contrast to Centrelink who are permitted to complete the JSCI based on job seeker disclosure the Job Network providers have the capacity to review the JSCI and record newly disclosed or changed circumstances as long as they can meet considerable administration and documentary evidence requirements associated. It is the experience of many providers that job seekers are willing to disclose sensitive information such as offending history, addiction or indigenous heritage when a relationship has developed but do not wish them recorded. Given the sensitivity of the issues involved it is also problematic that the majority of JSCIs, as we understand it, are completed by Centrelink in initial claimant phone interviews.

It has been observed that the system supporting the JSCI administration at the gateway is rigid. For example as we understand it there is insufficient capacity to flag a job seeker for face to face administration if the job seeker states that they do not want to answer sensitive questions on the telephone. In such instances the response is recorded in the negative because the job seeker will not specify the factors affecting them as required by the system, thus denying them appropriate service levels. There is also concern that Centrelink call centre personnel often do not fully appreciate the impacts of the JSCI questions on program streaming decisions.

Employment service providers have noted that the JSCI has not proven to be a comprehensive tool in assessing the impact of barriers and characteristics on job seeker employability. Furthermore there have been ongoing concerns about the administration of the JSCI at the gateway (Centrelink and Job Capacity Assessors) and its lack of capacity to fully accommodate consideration of a range of issues which can significantly impact on employability.

Examples of such issues not currently considered include structural factors such as access to transport through to broader issues of service participation factors. Service participation factors such as a high level of non compliance, history of reported incidents, periods of service exclusion or special service arrangements, or intensive service requirements are not considered in the JSCI. In providers experience such factors are often indicators of more complex issues such as undiagnosed mental health conditions which require more individualised services. Similarly, while the JSCI takes into consideration recent work history it does not consider length of workforce attachment or reasons for detachment such as repeated dismissals.

The current arrangements for reviewing the JSCI scoring to reflect the probability of employment for job seekers is also problematic. The methodology for reviewing the probability of employment does not consider service participation. To illustrate, high levels of outcomes have been achieved for job seekers with a disability in Customised Assistance. As a consequence it is conceivable that the JSCI score for disability may be reduced. This could result in less people with a disability gaining immediate access to Customised Assistance even though it has proven to achieve better off benefit net impacts than other reported Job Network Program evaluations.

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The JSCI may also be reviewed by Job Capacity Assessors (JCA). Currently when a JCA submits an assessment report the system will indicate when a JSCI has not been completed and one is required but does not indicate if a review of an existing one is necessary.

The policy regarding JCAs conducting a JSCI review is preventing their completion. Guidelines state that a JSCI can only be conducted on the submission of the report if the job seeker is present. JCAs inform us that it not appropriate or practical to t ask the job seeker to wait while they confirm any issues, type the report and submit it. For example, in many cases the JCA will need to follow up with treating doctors and the like post the job seeker assessment, to complete their recommendations and submit the report. As such we are informed by JCAs that a JSCI review is rarely completed.

The JCA guide indicates if the JCA cannot complete the JSCI review they should not take any further action as the Job Network member can complete a review. DEEWR inform us that many of the issues contained in the JCA assessment report are automatically taken across to the JSCI by the system. While we have not received precise clarification on what factors are automatically updated in the JSCI by the system we do know that there are limitations. For example, while a Job Network member has the functionality to review a JSCI they do not have functionality to apply an impact for personal factors. As such incompleteness of the JSCI review by JCA where appropriate, will in many cases result in job seekers not receiving the correct service level to meet their need. We are aware that where personal factors are indicated, unless the JCA completes the review with an assessed impact of these factors on the job seekers ability to undertake employment, they do not contribute to the JSCI score.

### ***Job Capacity Assessments***

Job Capacity Assessors (JCA) have a complex and challenging role in assessing work capacity based on legislative requirements of the Social Security Act and determining the service needs of the client. Amongst the objectives identified in the request for tender, JCAs were intended to provide a holistic assessment of clients' barriers to work participation and the interventions and assistance they need to help improve their current and future work capacity. It is clear that the policy setting and provider guidelines do not permit JCAs to conduct a holistic assessment or refer to employment services on the basis of the assessed need. It is also clear that they are inadequately resourced to fulfil all that is being asked of them particularly in the light of the increasing complexity of policy settings and administrative requirements.

Job Capacity Assessors are allied health professionals with a wide range of skill and expertise. Common feedback from assessors is the degree they can apply these skills in making service recommendations is highly limited. While it is understandable that to manage Australia's welfare system and income support entitlements a strict criteria must apply. It is unclear why it was decided that a path of linking service eligibility to income support type ensures that an individual will receive appropriate service provision. International experience has been that such eligibility models have been ineffective.

With the current rigidity of processes JCAs report that they often make service recommendations they do not professionally support but are consistent with guidelines. NESAs has presented a number of case studies to DEEWR for review and in each case while it is clear that the service needs of the job seeker are not going to be appropriately met the recommendation was correct according to policy. The industry considers that it is the policy and guidelines to which the JCAs are subject that are problematic and have resulted in decisions which have brought their professional qualifications into question.

The rigidity of process and guidelines is reinforced by performance monitoring which includes a number of measures of their referrals to employment services against profiles. The industry considers it is highly problematic that any performance measures are used which influence the integrity of the individual recommendation based on assessment.

In the context of workforce participation and social inclusion objectives it is counterproductive to have a policy in place which requires potential job seekers to risk income support in order to receive assistance to seek work. Current legislative arrangements are creating barriers to workforce participation which are clearly illustrated by the reduction in DSP recipient's volunteering for assistance. This situation requires urgent review.

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### ***Programme Rules***

Program eligibility rules which prevent job seekers gaining access to the most appropriate service according to individual need should be reviewed. This should include reviewing arrangements for capping programs and addressing significant waiting lists for those clients who are often the most disadvantaged.

If job seekers are to have equality of access to service and capability development opportunities programs should be demand driven. In order to ensure that employment services demonstrate a commitment to social inclusion, rules which limit access to services through imposing rigid assistance periods and service exclusion periods and which do not reflect individual disadvantage need to be removed.

In examining the need to reform employment assistance one of the issues identified as hampering the delivery of employment services through the Commonwealth Employment Service and in Contracted Case Management was an inappropriate fit of job seekers needs with the service framework. While this issue was to be addressed in the design of Job Network the problems of clients being referred to services and at service levels inappropriate to their needs persists. It is unsatisfactory that clients with a recommendation to specialist services such as PSP, DEN or VRS are referred to the Job Network because there are no places available. It is further unsatisfactory that these clients with identified specialist need are most often only eligible for the most basic level of services. For example we are advised that only 30% of clients who are on a PSP embargo period (with a current JCA recommendation of PSP) enter Job Network as highly disadvantaged.

### ***Service Based Assessment***

The industry considers that service based assessments are better practice across all programmes and should be incorporated into arrangements in future models of employment services.

The key objective of an assessment directly at the service engagement point is to ensure that the most effective and efficient allocation of resources occurs which assist the individual achieve the desired outcome. Assessments are most effective when they are connected with the intervention. A better understanding and relationship develops through the process and avoids the information disconnect that requires the job seeker to re-tell their story. This also ensures that the provider has the information about the job seekers circumstance to ensure they can tailor service provision and activity requirements.

A service based assessment process is currently in place and an effective part of the Disability Employment Network and Vocational Rehabilitation Services. An examination of the service requirements and funding for contacts will clearly indicate that the Job Network and other complementary programmes such as PSP and JPET are not adequately resourced to conduct a robust service based assessment.

### **Recommendation:**

23. Urgent independent review of the efficacy of the Job Seeker Classification Instrument including administration, practice in its application, IT support and review and amendment methodologies.
24. Review JCA policy and guidelines with particular regard to examining the tensions between making recommendations regarding interventions and work capacity assessments for income support determinations.
25. Uncap all programs and ensure there is access to the right service for those who require assistance
26. Incorporate the capacity to deliver comprehensive service based assessments across all programs

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## 9. Moving Forward Principle: 4

### *Individually Tailored Service Provision*

***Increasing the relevance and responsiveness of employment services by ensuring individually tailored interventions is at the core of the framework and contracting arrangements. Remove excessively prescribed service requirements and overly process focused contract compliance measures which have resulted in a 'one size fits all' compliance driven employment assistance model.***

The current framework is characterised by a high level of service prescription which limits the employment services industry's ability to deliver truly tailored interventions to meet job seekers needs and to deliver on government objectives. The Government has stated in its social inclusion policy clear principles for a properly designed employment service framework including:

- Providing services that are relevant to the circumstances and needs of the job seeker;
- Ensuring job seekers who are struggling the most get the most intensive assistance;

The industry believes that to enable the provision of best practice and leading edge service delivery, individually tailored services should be at the core of future employment services frameworks. A Case Management approach to employment assistance services is required. Following a comprehensive assessment an intervention plan should be negotiated with the job seeker and implemented. Intervention plans and scope of service should reflect social inclusion and skills objectives and assist people overcome barriers and achieve aspirations. An individual client centred model is most appropriate to the provision of both generalist and specialist services.

The current arrangements are considered by many to have recreated the bureaucracy which limited the Commonwealth Employment Services performance. These requirements have also shut down the innovation and flexibility that was sought from a new employment service system. This has been an issue of note for some time raised not only by providers but also through more independent evaluation.

As the Productivity Commission concluded in response to what it saw as an increasing level of compliance and regulation ***"In an outcome based system the purchaser does not need to pre-specify the intensity of the intervention, but rather set funding levels, payment structures and performance measures appropriately"***(Independent Review of the Job Network, Productivity Commission 2002)

Despite such independent expert evaluation, the implementation of the Active Participation Model introduced highly prescriptive service requirements. While the stated policy intent was to ensure there are flexibilities in the current delivery arrangements this is not translated into practice. The Productivity Commission made a number of recommendations in their report to support more effective compliance systems which had a less invasive approach on provider practice. This included consideration to the establishment of a regulatory authority if required.

The complexity and prescription within all employment service programs has led to a one size fits all model of service delivery. While the prescription in the service delivery framework supports rationing of services, compliance of providers and activity requirements for job seekers, there is little basis to regard the requirements as delivering best practice. Why for example is it optimum to deliver 100 hours of job search training to every job seeker who is unemployed for three months? Other than offering a compliance impact on job seekers no other rationale for introducing this level of Job Search Training into the framework has been noted.

Providers must demonstrate compliance against each highly prescribed component and contact in employment service programs. This prescription dictates frequency of contact, length of contact and process requirements within each contact. Theoretically a flexible approach to job seekers need should be accommodated. A major issue is the need for providers to justify and provide supporting evidence to satisfy compliance and contract monitoring each time there is a deviation from delivering the standardised services.

There is a constant threat and risk that if the documented evidence does not present a persuasive enough case for the deviation service fees will be recovered and KPI -3 sanctions may apply. So, it is not surprising that providers generally do not risk deviation the standard prescribed service.

The prescription of services in Job Network has been exacerbated by the Job Seeker Account expenditure principles and compliance mechanisms which disallow expenditure on services otherwise provided under the contract. This principle assumes that the funded level of service meets all job seekers needs, which is clearly not the case.

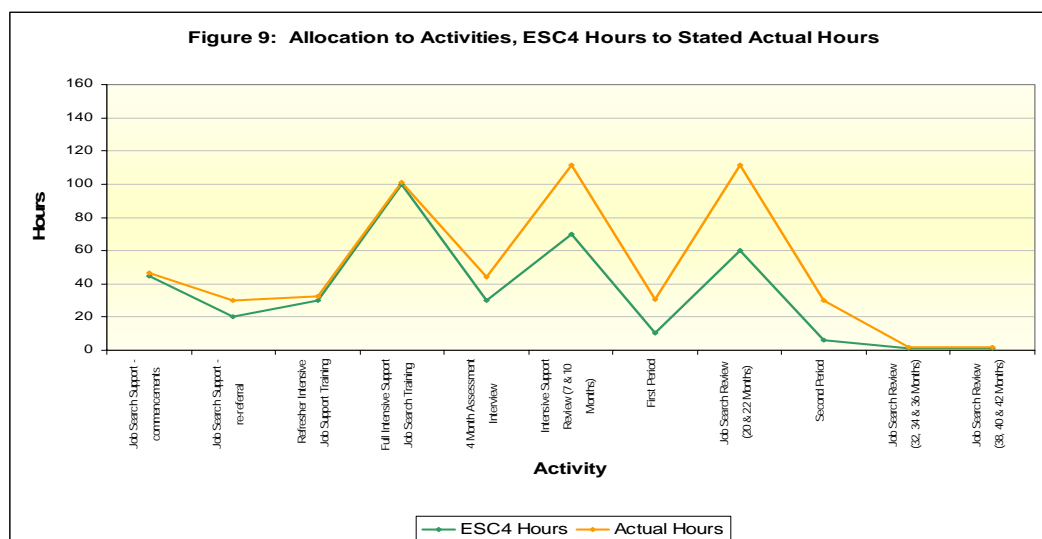
Investment in various forms of assistance for job seekers has been a notable feature of Job Network since it commenced in 1998. Providers experience demonstrates that support as simple as a hair cut, clothing or glasses can have a dramatic impact on individual job seeker outcomes. Prior to the introduction of the Active Participation Model in 2003 providers regularly supplemented contracted service requirements in order to tailor service delivery and address individual barriers to employment and funded education, vocational training and personal development. In previous contracts providers drew this investment in job seekers from service fees and outcome revenue.

The introduction of the Job Seeker Account, as part of ESC3, quarantined funds to reimburse providers for additional assistance to job seekers in a notional bank. 20% of service fees were redirected to the notional bank as credits to the Job Seeker Account. The creation of the Job Seeker Account has now extended accountability and risks for both the government and provider. In previous contracts while significant investment in job seeker support was made the provider assumed the risk and was individually accountable. Since the introduction of the Job Seeker Account, it often costs the provider more in administration for which they are not compensated, than the value of the actual purchase. The compliance monitoring costs for both provider and Government are extensive given the high volume and transactional nature of the Account.

The industry has always maintained that the quantum of funds redirected from service fees to the Job Seeker Account was excessive and has left the service payment structure insufficient to meet the cost of contracted requirements. The industry was offered no evidence to support the basis of determining the proportion of funds to be quarantined or evidence that investment in job seekers was not occurring prior to the introduction of the Job Seeker Account. Such information was not recorded in systems or accessible without consultation with industry and this was not conducted.

NESA commissioned William Buck, Business Advisors and Chartered Accountants to conduct an independent financial benchmarking analysis of Job Network. The following graph produced by William Buck demonstrates that the current provisions fail to adequately resource contracted service requirements.

***ESC Contracted Hours–v- Average Actual Hours invested per Job Network Service***



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This may seem to be irreconcilable with the fact that the Job Seeker Account continues to be under expended. *It should be strongly noted that the credits in the Job Seeker Account are desperately needed to improve service delivery to job seekers particularly those most disadvantaged.* However, the administrative burden associated with the Job Seeker Account exacerbated through compliance monitoring practice has created barriers to its use which despite industry feedback has not been addressed.

Central to the concerns about service prescription is the service continuum in Job Network. The continuum reflects a compliance based approach which is focussed on activity not quality service. The continuum reflects a philosophical position prioritising potential return on investment rather than the needs of those most marginalised and disadvantaged. The industry would like to see any evidence that suggests that job seekers follow a linear path during periods of unemployment or that following a structured linear path of services is effective. In general, providers do not consider that the continuum should be included in future models of employment services.

Providers generally consider that employment assistance models should be developed using evidence based practice. There is little support that acknowledges that the prescribed requirements in our current framework are better practice. Support from international research for elements of the current model is centred on the work first impact of activation strategies. However providers contend that what benefit can be derived from such activation strategies has been lost as a result of the excessive and punitive manner in which they have been applied.

### **Recommendations:**

27. Develop eligibility criteria for employment assistance which reflects individual service needs.
28. Increase the capacity for tailored individual intervention including removal of the continuum from the employment service framework and significant reduction in the prescription of service requirements.
29. Better support service models by reducing the transactional nature of the payment structure
30. Develop payment structures which provide adequate resources to provide for quality services.
31. Access to support through mechanisms such as the Job Seeker Account based on a more holistic understanding of and individual nature of interventions to overcome barriers to employment participation and social inclusion.
32. Revise contractual arrangements including compliance monitoring which is focused on quality of outcomes rather than process and activity. A distance travelled approach which reviews the contribution of service to the client development would better support social inclusion, human capital strategies and participation objectives.

### Building Human Capital

***Replace the current 'work first' with a 'work-life first' policy approach to employment assistance that supports human capital investment strategies to overcome barriers to social and economic participation.***

In implementing policy consideration needs to be given to how the need for training is defined and assessed. Recognition of a need for training should reflect what skills the job seeker requires to engage in the labour market as well as maximising their contribution, particularly in the areas of skills shortage. Up-skilling of job seekers to meet individual aspirations, improve labour market attachment and income earning as well as maximising skills needed in the labour market should be considered.

Employment services providers are highly concerned and are keen to work alongside Government to address skills shortages and avoid further contribution to the growth in the number of working poor. The rigid Work First policy of the previous administration has left a legacy of under investment in job seeker skill development. With an over emphasis on speed to placement many job seekers are in positions which underutilise their potential and places them in work which offers limited opportunity for advancement given their current skill levels.

Reflective of the work first policy a critical element of the performance assessment model is speed to placement. This performance measure emphasises rapid placement of job seekers into a job, any job. This measure penalises providers the longer a job seeker is in assistance prior to placement. Length of time in assistance can reduce the value of an outcome by up to 30% regardless if that time was taken to improve skills through training and education. Such measures do not reflect best practice research which emphasise disclosure, assessment and individual development as key elements of successful sustainable employment outcomes.

It is critical to reflect the realities of work based training activity undertaken by business when addressing the role and future direction of employment services. The Business Council of Australia (BCA) notes that the increase in the average population age necessitates a range of training measures to head off future broad based skills shortages (EWRERC, 2003: 12-13). The Australian Chamber of Commerce and Industry (ACCI) cite skills shortages as one of the most significant barriers to business investment in Australia (EWRERC, 2003: 12). Lack of investment in developing the skill base of the unemployed has been compounded by a continued decline in investment by the business community in the training and development of workers.

The Australian Industry Group found in its background research paper *Skilling the Existing Workforce (March 2007)* that the higher and broader the skill requirements, the more likely it is that a person would receive training. Those people less likely to receive training in the workplace are the lower skilled, part time or casual employees; people from non-English speaking backgrounds and people with language or literacy deficits. Smaller enterprises, the main employer groups who use employment services to source staff, are the least likely to invest in training and skills development.

These findings are supported by the *Australian Bureau of Statistics survey of structured and unstructured training investment by business 2001- 02*. Over half (59%) of all employers did not provide structured training to their employees. These figures include structured training requirements associated with traineeships and apprenticeships. Such data indicates the need for a labour market intermediary approach which can assist to support employers with training needs and assist to create a change in the appreciation and value of training.

Currently employment services providers are not appropriately rewarded for investing in job seekers potential through education and training. There is little structural support or recognition that education and training can and does lead to more meaningful employment for the individual, improved potential for long term financial independence and better contribution to highly demanded skills required by business.

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In the current model employment service providers are assessed more highly for placing a job seeker quickly into an entry level position with little hope of advancement and tentative workforce attachment than if they take the necessary time to develop skills which enable job seekers to establish a career and better meet our Nation's skill needs.

As part of an early intervention strategy where a job seeker is assessed as having skill deficits that prevent them from achieving workforce participation access to accredited training should be encouraged. In the present arrangements there is little opportunity or resources to support job seekers with training and education prior to them becoming unemployed for twelve months or more.

Good skills development strategies should incorporate adult learning principles and combine experiential and structured training/education opportunities. Planned interventions should reflect local labour market needs to ensure that the training provides real improvements in employment opportunity to the job seeker.

The increasing incidence of part-time and casual work presents significant additional challenges in this regard. Opportunities to benefit from training and development while in the workforce is restricted for the many Australians employed in casual employment as the Senate inquiry into Current and Future Skills needs noted *"the growth of a large casual and contingent workforce increasingly locked out of opportunities for skill formation, career progression and economic security"*. A career advancement model which provides for long term assistance to job seekers post placement could assist in developing Australia's skills base. Similar models used overseas deliver, support and assist which enables career progression for approximately two years after placement. Such a model could incorporate eligibility based on job seeker profile and/or area of vocational placement which provides a career pathway to areas of skills shortage. A career advancement model would enable job seekers to be connected with the labour market quickly while demonstrating a commitment to their long term financial and social wellbeing.

Community Work Coordinators have repeatedly called for stronger capacity and investment to support training delivery to enhance employability and vocational skills of project participants. Increasing the opportunity for training in Work for the Dole projects could substantially improve CWCs ability to engage participants in learning and career pathways.

Project based work experience such as provided in Work for the Dole activities offers a unique and supported environment in which to reengage participants in education and training. Increased opportunity for training in project based activity has the potential to tailor projects which increase participant awareness, interest and skill in areas where there are identified shortages and good employment prospects. Work for the Dole also offers valuable opportunity to connect participants with others in their community and to services. Within the current model restrictions are applied to the upper level of funds which can be invested in accredited training however there is no minimum amount which needs to be expended. Tailoring training requirements to suit the nature of the project enhances the participants work experience.

**In designing future models of employment services it is recommended that:**

33. Performance measures support and encourage human capital strategies and there is a review of the emphasis on speed to placement in the current model. This measure is a major disincentive and essentially penalises engaging job seekers into even short term skill development.
34. The performance and payment structure should reflect a higher value on human capital.
35. The performance and payment structure should offer greater recognition for combined education and employment outcomes.
36. Introducing incentives which provide a bonus payment for engaging job seekers in vocational training and education who are subsequently employed in an area of skills shortage
37. The model should offer substantive post placement support for those that need it which reflects the importance of human capital strategies to not only engage people in employment but also to advance their career and wellbeing (financially and socially) as well as develop the skills required to support the economy.

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38. All services within the framework should offer equality in opportunity to participate in human capital strategies and should be resourced accordingly.
  39. That work experience programs are developed and provided with greater capacity and resources to deliver training. This needs to include incentives and recognition for engaging and transitioning participants into education or employment.
  40. That there is further development of work experience programs developed and including a STEPER type program for disadvantaged clients.

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## 11. Moving Forward Principle: 6

### Quality Service and Outcomes = Investment

*Ensuring that funding structures provide adequate resources to deliver quality targeted and tailored employment assistance interventions. Funding needs to reflect the implications for cost of delivery related to job seeker disadvantage, specialist service requirements, geographic diversity and local economic circumstance;*

Essential to achieve improved employment participation, social inclusion and skills development is contractual conditions which provide the appropriate context and resources.

There has been inadequate consultation or analysis applied in the determination of pricing of employment services. Fixed pricing has been applied to contracts which have been subject to ongoing variation without scope for negotiation regarding increased service requirements or cost shifting. Contracts have also been extended with little variation to the funding structure. For example Job Network 2003 – 2006 contracts were extended to 2009 with only a 4.2% increase to service fees (excluding the job seeker account). This does not reflect the increased costs of delivery over the same period and reduces the industry's viability and compromises service quality.

The notional service time on which the fees are based do not reflect the true time to complete prescribed service requirements. In addition to the required service delivery there are additional resources absorbed managing the organisations compliance and contract management which are not accounted for and continually increasing.

The funding model must reflect the diversity of client needs which is not reflected in the one size fits all funding that models have been applied to generalist and specialist services. The resources applied to programs are not consistent with the nature of their clients needs. The Personal Support Programme for example is identified as assisting those who are among the most disadvantaged yet they receive the least resources for services. Specialist Job Network members receive the same funding as their generalist counterparts regardless of the additional service costs involved such as those servicing a high level of job seekers requiring hearing and language interpreters.

There has been inadequate regard for the differential services costs related to servicing non metropolitan communities. Loadings applied to support rural and remote areas have been variable across programs. The criteria used to define areas eligible for rural and remote loadings have also been extremely narrow and insufficient.

The funding models applied to employment services have become highly transactional requiring greater levels of administration and compliance. In CWC the funding for Work for the Dole has become tied to utilisation rates. This not only affects the provider but has had a direct impact on sponsor organisations who are being asked to absorb more of the costs associated with managing participants in community projects.

### **Recommendations:**

41. In formulating the framework for tender the pricing structure should be developed in consultation with industry and include analysis of the cost of service delivery which reflect infrastructure requirements in an environment where business levels are not guaranteed and are highly variable.
42. Pricing models should include annual indexation across all fees to ensure they remain viable throughout the life of the contract.
43. Differential funding models should be applied to specialist and mainstream services
44. Differential funding model should be applied to service delivery in rural as well as remote locations.

### Stronger Collaboration – Industry Development

*Contractual arrangements must reflect the commitment to social inclusion and skills development which require human capital strategies. The framework needs to include purchasing and performance mechanisms which support collaboration and sharing of better practices. Continued over engineering of competition will maintain a very short term focus at the continued cost of the medium to long term welfare of job seekers, community, economy and capability development of the employment services industry.*

In an environment which reviews comparative performance every six months with a potential of partial or complete loss of business the performance management system is the driver of behaviour. The insecurity of current arrangements necessitate that providers apply their efforts and resources to those strategies which will deliver the highest volume of outcomes in the shortest period of time. This is often at the expense of those who need more assistance and the quality of outcomes achieved.

In this highly competitive environment it is important to maintain an advantage in the market and sharing of better practice and innovation is minimised. Collaborative strategies which can be beneficial to job seekers, employers and community development are difficult to negotiate.

Providers consider that competition in employment services has been over engineered. A comparative performance assessment model such as the Star Ratings based on a forced distribution has been applied to all programs in one form or another. Providers have a number of concerns with how comparative assessment is assessed and in use of the forced distribution.

General industry feedback indicates that a forced distribution model in a mature market is nearing the conclusion of its effectiveness.

Providers have suggested that a benchmark model of performance assessment or a hybrid of comparative and benchmark are considered. Such calls for discussion continue to be fuelled by providers' observations of what appears to be a narrowing differentiation in actual performance.

Providers note that slight differences in performance between sites within the same ESA and with similar client profiles can lead to substantial differences in performance ratings. While we acknowledge that such analysis is crude compared to the rigours of a regression analysis, the existence of wide differentials in performance distribution has not been adequately demonstrated to providers by DEEWR.

The regression model which underpins the comparative performance model is a highly complex statistical analysis which is performed at the conclusion of the performance period. While indicators of performance are available to providers; they are inadequate to support accurate prediction of star ratings and therefore performance management. The lack of transparent labour market and other comparative data during the milestone continues to hamper provider strategies to manage and improve comparative performance. Providers also report that this lack of transparency also impacts on Contract Managers' ability to reliably assess and provide feedback on performance during the period.

While it is clear that regression analysis is a sophisticated statistical process its ability to adequately account for variance is highly reliant on the use of variables and data which are robust and comprehensive. While DEEWR have previously initiated an independent review of the Star Rating model, there have been many changes that occurred including the introduction of Star Ratings for other programmes. More recent reviews related to the transition to a rolling two year model for Job Network but did not include in the terms of reference broad examination of the job seeker or labour market variables or other data measures, despite industry advice to the contrary.

In any model which seeks to compare and rank performance, the ability to account adequately for all factors which influence variation other than provider performance is fundamental. Only once all external factors are accounted for can you attribute variance in performance to the provider. A number of issues in relation

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to the data used in the regression analysis have been raised however have yet to be satisfactorily responded to. For example in Job Network these include:

### **Labour Market Variables**

Labour market variables are largely derived from Australian Bureau of Statistics (ABS) data which is collected at the Statistical Local Area. These areas do not match Employment Service Areas (ESA) and represent large areas often containing geographically, socially and economically diverse areas. The industry has been advised and is aware that this is the best available data. Nevertheless, the industry continues to raise concerns that this data does not contain sufficient granularity to account for differences in the local labour markets in which providers operate and therefore may be unsuitable in a comparative performance model.

The robustness of labour market variables continues to raise issues and disincentives to provide services outside regional centres either by establishing sites or through outreach. It is considered those providers operating in country Australia particularly outside the regional centres are most disadvantaged by use of limited labour market data.

The industry has requested that some case study analysis be conducted to explore this issue but despite previously identifying and naming areas of interest we have yet to have any such case study provided. The industry has asked for demonstration of how the current variables account for labour market differences. It has been suggested that a comparison of the contribution made to the Star Ratings for a given job seeker with only a change to their residential address would indicate how the regression model accounts for differences in relation to access to the labour market in different parts of the same ESA, between ESA's, regionally and nationally. In addition a comparison of how the expected outcome levels for a site would alter with the same caseload but different postcode may prove useful. Such analysis would assist to demonstrate if current variables do or do not adequately account for variance in performance as a result of quality and access to labour markets.

The industry also understands that the local unemployment rate is a significant variable used in the regression analysis which can significantly alter the calculation of expected outcomes. The industry has a number of concerns about the use of unemployment rate data including:

- Substantial numbers of job seekers with activity requirements are not counted in the unemployment rate as they have minimal employment (one hour or more paid or in kind).
- Many job seeker cohorts to whom Job Network are required to deliver services are not counted in the determination of the unemployment rate including CDEP participants and non activity tested job seekers.
- The unemployment rate in absence of other moderating variables such as average duration of unemployment, percentage of the local population on income support may not yield a true reflection of local labour market disadvantage.
- The unemployment rate is not an exact measure and is often derived from sample data. The ABS acknowledges that this sometimes results in significant variation in the reported rate. They also note that in rural labour markets this often results in the most substantial variations between report periods.

While it is argued that these issues affect all labour markets, it is clear that they do not affect all labour markets equally. It is feared that rural and economically depressed areas may be the most disadvantaged. It is clear from a review of the Informational Portal that there are comparatively high concentrations of indigenous people or sole parents in some geographic areas which are likely to make the calculation of the unemployment rate more fragile and susceptible to error.

Furthermore it is considered that the use of the unemployment rate in the absence of other moderating data which can assist to compile a more robust assessment of the economic buoyancy of a labour market is inadequate. To illustrate, the industry is aware of a number of depressed labour markets in rural areas with reported unemployment rates which do not adequately reflect the lack of local opportunity. A review of factors such as average duration of unemployment, proportion of the income support recipients, the proportion of income support recipients reporting minimal income from partial work, proportion of the income support recipients living on a family farm (who are thus unlikely to be counted in a measure of

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unemployment) and numbers of people involved in local CDEP programs give rise to quite a different evaluation.

### **Speed of Placement Measure - Days in Assistance**

Providers have previously been advised that the impact of days in assistance is calculated in the context of the job seekers circumstance. As such the time taken to place a job seeker is considered in comparison to other job seekers with the same/ similar characteristics. In the latest release of the two year model it is apparent that the days in assistance measure is more arbitrary. While it is acknowledged that the job seekers' circumstance adds to their weighting, speed of placement is measured in isolation of circumstance.

It is a concern that potentially this means the greater the impact of employment barriers the more substantially the provider will be disadvantaged in the performance system by this measure. This is further impacted by the bluntness of some factors. Another factor which is bluntly measured is inadequately distinguishing the length of time job seekers such as parents have been disengaged from the labour market.

It has always been the stated intent of the performance assessment model to positively reward achievement for placing disadvantaged job seekers. The impact of days in assistance as a measure of speed of placement applied without consideration to job seeker characteristics may undermine this objective.

### **Job Seeker Variables**

Providers are of the view that job seeker variables used in the regression model to assess performance could be more holistic. There is a central issue that sometimes the individual factors will not reflect the challenges faced by the individual or the level of support they need. Difficulties in the current framework to capture factors related to issues such as mental illness which is undiagnosed and untreated continue to undermine confidence in the model.

While the example illustrates the case for Job Network similar issues exist across employment service program performance models. To illustrate the performance model for the Personal Support Programme does not measure the availability of community services which is fundamental to the success of the programme. In CWC similar labour market variables are used to Job Network including the unemployment rate even though it is not a key performance indicator to place participants in work.

In addition to questioning the strength of the regression model in accounting for all factors affecting performance the industry questions using forced distribution which insists that 30% of providers are considered poor performers. Continuation of a forced distribution model will not support social inclusion or skills objectives. Providers need the security of the contract period to plan and achieve results rather than focus on short term outcomes. Providers believe that a five year contract period is preferable to three but a six month business reallocation system is untenable. Experience to date is that business reallocation processes and particularly rolling tenders have been highly disruptive to job seekers and the broader industry.

### **Recommendations**

45. Conduct an independent review of the performance assessment models
46. Introduce a benchmarked performance assessment system
47. Discontinue rolling tenders as part of the business reallocation process
48. Business reallocation should only be pursued in exceptional circumstance and with appropriate formal notice
49. Review the term of the contract to better support long term strategies to achieve long term outcomes
50. Ensure that key performance indicators are clearly aligned to employment participation, social inclusion and human capital
51. Ensure that key performance indicators within and across programs complement and provide support to collaborative service strategies and the dissemination of better practice
52. Ensure measures are clearly defined and outcomes focused

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53. Ensure that performance measures are transparent and that providers have access to timely data which enables them to manage and improve performance.

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## Appendix 1

### Policy Principles for the Use of Public Private Partnerships (PPP) and Developing and Managing Contracts - The Department of Finance and Administration

The Department of Finance and Administration has developed the Australian Government Policy Principles for the Use of Public Private Partnerships (PPP) and guides for Developing and Managing Contracts which the industry believes offers some best practice guidance for Contract Management of employment services. There are principles incorporated within the following elements which could underpin a relationship framework.

#### 1. Cooperative Partnership Approach

The PPP principles emphasise that a **cooperative partnership** in contract management is a key objective. The achievement of such a partnership with the contractor will reduce costs through more efficient resolution of issues as they arise.

A partnership focus should be maintained during the project life cycle, as often face-to-face discussions with the contractor area more effective means to resolve a project issue as opposed to revisiting contractual negotiations.

#### 2. Communication

Successful contract management is dependent upon **regular and effective communication** with all stakeholders (e.g. through regular meetings and progress reports), and all relevant communications, actions and decisions relating to contract delivery being fully documented. Ensuring good information flows between the agency and the contractor and ensuring that all parties have **a clear understanding of each other's responsibilities, capabilities and expectations** are central to achieving a successful PPP.

**Consultation and communication are crucial** in ensuring that underlying differences and disagreements are understood and if necessary addressed.

#### 3. Effective Contract Management

The following factors will assist an agency to achieve effective contract management:

- **A trust-based relationship between the agency and the contractor** should be a priority;
- The **contract manager should receive the necessary support and resources** and have a good working knowledge of the project and its history;
- Project managers (who report to the contract manager) should have sufficient authority for day-to-day management;
- Disputes must be handled effectively and in a **diplomatic** manner;
- Continuous improvement should be applied to the tendering and contract management process;
- Robust knowledge and information management has to be established; and
- Succession planning is of crucial importance, given the long durations of PPP projects as well as their complex and specialised nature.

#### 4. Performance Management

Performance assessment is undertaken on the basis of information collected during the monitoring process. It is important that during this process **feedback is provided in relation to good and poor performance**, and that any performance **problems are addressed promptly**.

Performance management should ensure that **standards and targets** are met on time and within budget. It should also **contribute to, not distract from, the contractor delivering contract outcomes**. All performance **indicators should be accompanied with related targets and performance standards**. As measuring performance can be both time consuming and costly **measures should be considered carefully taking into account the costs and benefits involved**.

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**In defining contract deliverables there should be an emphasis on outcomes rather than on inputs and processes used by the contractor which allows for operational flexibility and innovation.**

## **5. Managing Delivery Improvements**

For the government to gain continual improvement in PPP delivery, it is important that it work on the **continual improvement of general staff skills** in delivering value for money for the government (e.g. awareness of risk management and **expertise in contract management**). This was also cited as important to maintaining a **consistent approach**.

**Contract management processes need to be kept under constant review** to make sure that they remain effective in achieving their objectives. Project circumstances will inevitably change overtime, given the long-term nature of PPP contracts. It is therefore important that contract management tools and processes are updated at regular intervals.

An APS State of Service Report indicated that contract management capability was identified as a difficulty by over one-third of relevant agencies—with large agencies much more likely to have reported it as a difficulty compared to medium and small agencies—and yet of these agencies less than one-third reported having used contract management training as a means of improving capability. While training is only one of the means of addressing such a problem it appears that some agencies could be investing more in training as a means of maintaining the required level of skilled contract managers they need to support and drive their outsourcing arrangements.

## **6. Contract Flexibility**

Contract variations will generally be based upon specific major issues raised by either party or be the result of newly enacted legislation that impacts on the contract. **Contract variations can be costly and should be minimised.** It is inevitable that change will be required to the contract at some point in time due to the very long-term nature of PPP agreements and the number of variables that will change over this period. The existence of **agreed variation procedures** allows change to be managed effectively and helps in keeping disputes to a minimum. Flexibility within a typical PPP contract ensures:

- The agency is able to accommodate changes in the public sector's requirements over the life of the contract.
- Flexibility should be balanced with incentives for government to reduce scope changes to the extent possible, as these can lead to significant cost over runs.
- In order to facilitate a long-term partnership and ensure the contractor continues to provide services at the required standard for the life of the project, there may be a need to re-negotiate certain aspects of the contract should economic circumstances change significantly
- Where a request for change results in dispute the resolution procedure provided in the contract should be followed

## **7. Dispute Resolution**

An established dispute resolution plan within the Project Contract should lead to a quick resolution and provide a range of associated benefits, such as reduced costs and minimal negative publicity. Available dispute resolution approaches include:

- Discussion between the parties;
- Fast-track resolution process;
- Dispute Resolution Board;
- Expert determination;
- Mediation or conciliation (i.e.: alternative dispute resolution); or
- Arbitration or courts.

Contract managers need to be open to the possibility of agreeing to resolve a dispute through a mechanism that is not provided for in the contract. Agencies should remain focussed on the fact that the arrangement is a partnership and both parties need to work together to achieve the desired outcomes.