



Submission to  
Minister for Employment Participation

Provision of Employment Services 2009 and beyond

February 2008

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## **Introduction & Background**

This paper is in response to a request for submissions by The Hon Brendan O'Connor MP, Minister for Employment Participation and follows an earlier submission to the previous minister in 2007.

MAXNetwork, trading as MAX Employment, is a provider of Job Network, PSP, DEN (uncapped) and JPET services from 37 offices spread across every state except South Australia. MAXNetwork Pty Ltd is a wholly owned subsidiary of MAXIMUS Inc (USA) and has been operating in the employment services market since the creation of Job Network in 1998. We have established a strong performance base and have expanded both our geographical spread and range of services over the past few years.

We also operate related Health Services and Training companies which provide complimentary services, including a contract with Department of Human Services to deliver Job Capacity Assessments at most locations nationally. Our Health and Training services are heavily focussed on the belief that long term unemployed and disadvantaged job seekers require some level of intervention to successfully gain and maintain employment. These have been features of our services since inception and since 2003 have been largely funded through Job seeker Account. We regard much of our success in gaining employment for long term unemployed people to be as a result of the interventions, often in combination, we have been able to provide.

As a subsidiary of a New York Stock Exchange listed public company we operate as a commercial entity with a clear goal of delivering what our customer, DEEWR, is paying for. This paper does not come from a philosophical base or with any agenda other than wanting to deliver the best results against the objectives our customer determines. We have over 500 committed staff who operate with an underlying desire to make a difference in the lives of the people we assist but equally with an understanding that we are paid to deliver what government determines should be delivered.

Thank you for the opportunity to have input to the future direction of employment services. We have provided brief comments below on a number of proposed changes to services and contract frameworks. We would be happy to provide further information on these proposals if required.

**Michael Hobday**  
Managing Director  
MAXNetwork Pty Ltd  
February 2008

# Summary of Proposals for inclusion in ESC 2009

MAXNetWork does not believe the Job Network is broken; in fact it is internationally renowned as best practice. However, as it evolves and the labour market changes it could be refined in several ways that would not only deliver a better service to job seekers, but also ensure the ongoing sustainability of the industry through reduced administration and complexity.

The first set of proposals addresses policy and operational proposals that would enhance the current model.

The second section raises issues that should be considered in development of the tender and contract for 2009.

## 1. Policy and operational issues

### ***Revise the current Active Participation Model***

The Active Participation Model continuum was developed in different labour market conditions to those experienced today. While it is appropriate that the highest investment of resources is targeted at those most disadvantaged in the labour market, the market conditions now being experienced are the best in over 30 years.

A client who is unemployed for six months is now suffering a significant disadvantage and should become eligible for a higher level of servicing earlier through Customised Assistance. This assistance should be ongoing, including those periods when the job seeker is required to undertake mutual obligation activities, so that there is a continuity of effort to address underlying barriers to employment. Currently too many clients are not actively engaged in looking for work while they are participating in activities like Work for the Dole or long term training.

### ***Merge programmes***

With the improved labour market a number of employment service streams appear to be overlapping and inefficient. We propose a merging of services into three streams:

Pre – Vocational stream- PSP, JPET  
Employment assistance - JNM, CWC  
Special employment assistance - DEN, VRS

Contracts should be awarded across the three streams with providers able to deliver all service types or able to specialise in one or more streams. This would also remove the current confusing differentiation of DEN capped and uncapped contracts. Generalist providers would deliver all services as part of an overall merged programme of assistance with the differing levels being determined by assessed need.

This would also be an opportunity for the Government to reduce administration costs for DEEWR as well as providers.

### ***Revise treatment of long term education and training***

The current model provides little incentive for employment providers to direct job seekers towards longer term training to address skills needs. In fact, the star rating and payment models act as a disincentive to encourage job seekers to up skill. For example:

- Only intermediate payments are made for most job seekers who complete a semester of full time study.
- Star ratings give maximum benefit to placing job seekers in work as rapidly as possible regardless of assessed needs.
- Education and training is treated as an exemption from participation in employment services rather than ensuring job seekers are continually working with their provider to ensure the best possible employment outcome during or at the conclusion of the education or training.

### ***Revise Job Seeker Classification Instrument (JSCI)***

Every operator in Job Network describes current caseloads as more disadvantaged and featuring a higher proportion of difficult to place job seekers than ever before. This does not appear to be recognised by the JSCI index which is now set at a higher level of disadvantage before a full range of services are made available.

The argument for raising the level of disadvantage was that in a buoyant labour market, employers will be employing people more readily than may have been the case, as there are less job seekers to choose from. This is not borne out by market experience and staff within Job Network are frustrated by their inability to properly assist job seekers, including single parents, who clearly require and deserve a higher level of assistance than we are currently funded to provide.

## ***Modify the Job Seeker Account***

The Job Seeker Account has been a successful tool for assisting clients but has created a massive administration and compliance workload for both JNMs and DEEWR.

We propose that the amount allocated to JSKA be halved with the balance diverted into JNM service fees. JNMs would then be precluded from using JSKA funds internally. This would remove a major element of risk, reduce administrative overheads, still make the JSKA available for JNMs to provide effective value add services and encourage greater use of the JSKA as the current level of compliance is a disincentive to use.

The additional service fees would also encourage a higher level of ongoing support for Very Long Term Unemployed job seekers who currently receive minimal “formal” ongoing intervention after the second period of ISCA.

## ***Increase Job Placement fees and performance recognition***

The current labour market and skills shortages are creating a higher level of demand from employers. The current Job Placement fee and JNM contract structure are geared towards achieving equity for the long term unemployed and disadvantaged clients, not addressing labour market skills shortages.

The fee structure provides a disincentive for JNMs to refer the most skilled or employable applicants to jobs as these attract the lowest fees and star rating recognition. A fee structure and/ or star ratings credit that provided greater incentive to address employer needs would encourage JNMs and Job Placement Organisations to put greater focus on employers’ needs and build the reputation of the Job Network as a service employers want to use as we understand the importance of putting the right person into the job, whether they be shorter or longer term unemployed.

## ***Use the star ratings to manage performance.***

The star ratings system is a highly effective tool in managing JNM performance. The introduction last year of additional “qualitative” measures outside of the star ratings has confused the market and is a much less effective method of managing market performance as it is less transparent and creates more administration, as quality

benchmarks are not clear and constantly changing. Any desired quality outcomes should be included and appropriately weighted in the star ratings.

While there is some attraction in a move to a benchmarked system, rather than the current modified bell curve, we support a system which drives provider performance and gives clear signals of what outcomes are expected.

The major concern with the current star ratings system has been where arbitrary judgements on future business have been based on prejudged levels of performance. For example, providers had business removed in some cases where sites were operating at 3 star levels of performance. While this is marginally below industry average we cannot accept that this warrants forced removal of business in an environment where 44% of sites MUST be given 3 stars or less. Industry concern over the use of star ratings was far less where decisions on future business were more clearly linked to very low performance.

### ***Create a Pre-Vocational stream that replaces PSP and JPET***

There should be a pre-vocational stream within the JN that allows JNMs to work with clients that have barriers to becoming job ready. PSP is currently under resourced, has a huge waiting list and many clients are participating more than once in the programme without success, or falling through the cracks while waiting for a place on the programme.

Not all JNMs provide this service so there are not good transition rates between PSP and Job Network or employment and there is no incentive for the JN to continually work with these clients.

This service should also be tailored, not a two year programme. Eg; if someone needs stable accommodation, get them set up and then into training or job seeking as there is no need for them to stay in PSP for two years

### ***Work for the Dole and Community Work Coordinators***

Work for the Dole should be reduced to a three month interval and have a greater vocational skills training focus. This would compliment the change in Customised Assistance commencement (see above) and condense the timeframes in the first year of registration.

The current six month timeframe conveys a message that the client is not expected to get a job for that period of time. The work

experience undertaken during Work for the Dole is valuable only if the job seeker is simultaneously connected with the labour market. The current labour market provides greater opportunities for work and this should be reflected in creating an expectation that job seekers will gain employment rather than commit to the duration of a six month Work For the Dole activity.

Further, the current system requires a job seeker to complete an amount of activity before becoming eligible for training credits. Merging the funding of training into the activity or Job Seeker Account would provide a more immediate recognition of the benefits of training in future employability and provide a greater purpose to the activity. We believe Work for the Dole should be delivered by the “Job Network” provider as part of an ongoing programme of activities aimed at getting the job seeker employed.

### ***Integration of fortnightly lodgement***

One of the most difficult tasks for employment services providers is to keep job seekers engaged. Half of all appointments are unattended, resulting in significant levels of Participation Reporting. While the Participation Reporting process occurs, job seekers are often not actively engaged with employment service providers.

Currently Centrelink requires most job seekers to lodge a statement of activity and income each fortnight, to ensure they are reporting income and they are job searching as required under their Activity Agreements.

We have attached a paper, provided previously, which canvasses the option of funding employment service providers to be the point of lodgement for these fortnightly statements. This provides a better connection between the payment of allowances and job searching and enables employment service providers to more effectively engage with clients. We believe this would result in significant savings in administrative costs to Centrelink and also in overpayments of allowances. See [Attachment A](#)

## **2. Tender and contractual issues**

### ***Five year contract periods***

Job Network has evolved over a number of years and has featured a number of contract renewal phases. These periods are characterised by major dislocation in the industry, reductions in performance over the contract renewal phase, loss of staff from the industry and major administrative cost to DEEWR.

The current three year cycle is a significant impediment to investment in product development as the cycle is too short for research, trial, development, testing and delivery of service innovations.

We propose extending the contract period to five years as a means of creating a more stable environment to foster research and development. We believe this would assist the development of services to better assist job seekers. The milestone review and business reallocation processes could provide a continuing method of addressing performance within the contract period.

### ***CPI Reviews***

All PAGES contracts should include an annual adjustment for CPI increases on all fees. The efficiency of Job Network has improved substantially however providers no longer have the capacity to absorb annual cost increases while revenues remain fixed.

The costs of retaining the skilled staff required to service an increasingly complex client base do not remain static and a fixed term price would jeopardise the quality of service delivery by limiting providers' ability to retain staff in a highly competitive labour market.

An additional performance incentive in this would be to link CPI increases to performance levels. E.g. a 5 star provider may be entitled to a CPI plus 2% increase while a 1 star provider may not be entitled to any increase. This would provide an additional tool for managing provider performance.

### ***Fixed Price contracting***

We believe the current model of prices being fixed is sound and should be retained. A price competitive model has the potential to drive down quality by forcing providers to cut costs to remain competitive.

## ***Viable business levels in purchasing***

With the reduction in unemployment rates and overall caseload numbers we would expect that the number of sites in some areas cannot be sustained. We would expect that where contracts are awarded for multiple sites at any location, these are all at viable business level size which does not jeopardise the ability of providers to cope with the inevitable peaks and troughs in business levels.

## **Conclusion**

Overall we believe the current model, with the changes outlined in this paper, can continue to deliver quality services and employment outcomes for jobseekers. While markets have changed, and there will continue to be changes in client populations and needs, the range of services and overall structure provide a sound basis for future service delivery.

The changes we have proposed to integrate the current range of programmes will provide a better basis for managing the progressive delivery of complimentary services rather than the current model which sees providers of different services competing for the same job seekers and requiring a continuity of exclusive “right” to that job seeker to meet their contractual and financial needs.

In addition to the changes proposed above we would like to enter discussions on a risk rating regime which may enable a reduced compliance cost for providers operating at a low risk level. While we do not have a firm proposal on this topic, the administrative and compliance burden has long been discussed as an issue and we believe the most effective way to reduce that burden is to give providers an incentive to reduce their risk.

**PROPOSAL TO IMPROVE JOB NETWORK EFFICIENCY ARRANGEMENTS**

January 2008

MICHAEL HOBDAY, MANAGING DIRECTOR, MAXNETWORK

# Improving Job Seeker Service Delivery

## PURPOSE

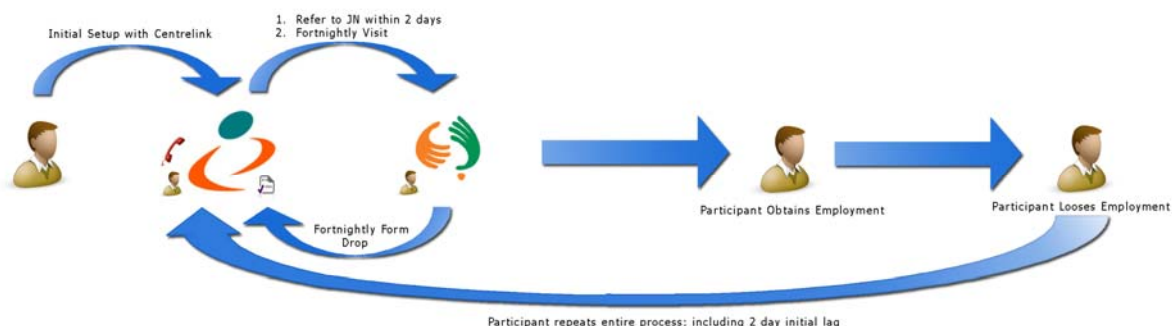
This proposal streamlines existing Job Network arrangements to improve employment outcomes and reduce the Commonwealth's costs. The proposal would put the Job Network in a position to manage a job seeker on a fortnightly basis and provide continuity of contact if a successfully placed job seeker subsequently loses employment and requires another position.

## BACKGROUND

The Job Network program has produced positive benefits for government and the economy with over 600,000 job seekers successfully placed into employment last financial year. The current state of the economy has now produced the lowest level of unemployment in 30 years. As DEEWR manage the delivery of services it engages Centrelink to manage benefit administration, while the Job Network is the delivery arm whose objective is to reduce unemployment through the provision of effective services to job seekers (including those not on benefits).

Centrelink manage the benefit eligibility determination and ongoing benefit compliance returns, while Job Network is focussed on servicing the employability needs of job seekers. Currently a Job Seeker is required to maintain contact with Centrelink through the regular lodgement of SU19 forms for ongoing benefit administration, while Job Network maintains regular engagement for ensuring job seeker obligations are being met in relation to job search activities. While Centrelink lodgement is a requirement for ongoing receipt of benefits, there is significant loss of productivity and administrative compliance within the Job Network industry in managing large non-attendance levels in support of their job search obligations, this would be overcome if Job Seekers benefit compliance was coordinated through their Job Network visits rather than through Centrelink.

An illustration of the current process is as follows:



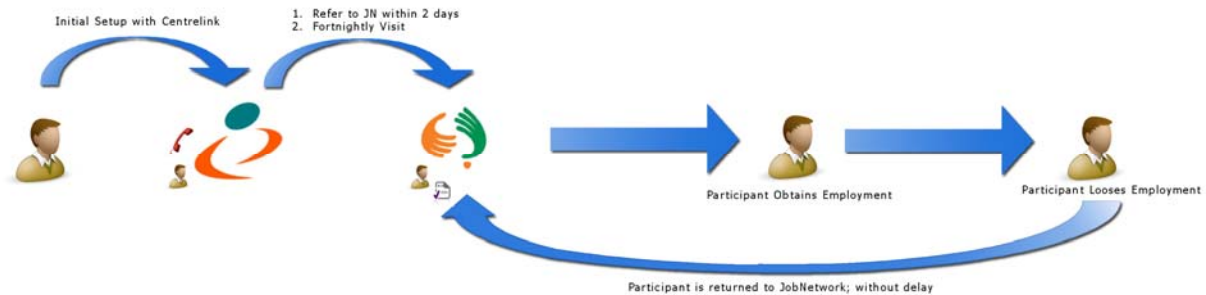
## PROPOSAL OVERVIEW

Our proposed solution recognises the importance of Centrelink in benefit determination and eligibility management, while recommending that Job Network, Centrelink, DEEWR and the Job Seeker could substantially benefit from a streamlined ongoing management of job search and benefits compliance management.

The approach can be characterised as follows:

<b>Centrelink</b>	<ul style="list-style-type: none"> <li>• Manage the initial eligibility and determination process</li> <li>• Manage any changes to determination</li> </ul>
<b>Job Network</b>	<ul style="list-style-type: none"> <li>• Manage Job Network service delivery</li> <li>• Collect, Scan &amp; Process SU19 benefit compliance forms on fee for service basis</li> <li>• Manage any benefit reconnection after loss of employment</li> </ul>

An illustration of the revised approach is as follows:



## BENEFITS

While a full empirical study has not been undertaken the implicit benefits to this approach are seen as universal to all stakeholders as follows:

<b>DEEWR</b>	<ul style="list-style-type: none"> <li>• <b>Reduced administrative costs in benefit administration through a lower fee level for Job Network to deliver these services</b></li> <li>• <b>Expected reduction in costs of Benefits through improved speed to engagement of Job Seekers and ultimately quicker employment outcomes</b></li> </ul>
<b>Centrelink</b>	<ul style="list-style-type: none"> <li>• Reduced risk of fraud as Job Network can ensure appropriate declaration of earnings</li> <li>• Reduction in administrative and related costs</li> </ul>
<b>Job Network</b>	<ul style="list-style-type: none"> <li>• Substantial reduction in non-attendance and administrative effort supporting participation reporting processes</li> <li>• Improved recurrent revenue position supporting SU19 processing activities</li> </ul>
<b>Job Seekers</b>	<ul style="list-style-type: none"> <li>• Improved customer service through only needing to engage with one stakeholder in the ongoing case management process</li> <li>• Reduction in job seeker travel and related costs</li> <li>• Reduction in red tape and administration leading to a reduction in job seeker disillusionment.</li> </ul>

Centrelink would not need to be paid its existing full fee to arrange payments as the Job Network agency would do most of the work.

## NEXT STEPS

MAXNetwork would be pleased to assist DEEWR with further detailed analysis and assist with wider industry consultation on this proposal.

January 2008