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**MINISTER FOR EMPLOYMENT PARTICIPATION**

Parliament House  
CANBERRA ACT 2600

Minister, Thank you for inviting us, as a Job Network Provider, to offer suggestions and ideas as well as our views on the current programmes and services. May I also comment on the current model, with our opinion on those areas where we believe there needs to be improvements in both the Departmental understanding of our dilemma in delivering services, and our serious concerns with inadequate fee-for-service pricing?

Caloola has been delivering employment services since 1981, in particular under Labor's Skillshare programs from 1989 through to 1997 when it was de-funded by the incoming Liberal Government. Caloola was then awarded Job Network contracts (ISCA Case Management from 2000) and an Apprenticeships Support contract from 1997. We operate in the ACT, Employment Services Area (ESA).

**PREAMBLE**

Prior to detailing suggestions and ideas to improve services, we need to express our concern at apparent poor decisions being made by Centrelink in regard to job seekers. Whilst we meet regularly with Centrelink, and try to work closely with their staff, often, we find difficulties with inefficiencies in their administration, and staff making wrong decisions. Centrelink staff seems to "give-in" to shrewd New Start recipient job seekers who give incorrect information about themselves, and convince their Social Worker that they should not be referred for work, and subsequently remaining on benefits.

A large percentage of Participation Reports (PR's) that we submit to Centrelink are overturned with inadequate reasons on the reports for such action. The same job seekers contact us, "gloating" about how they won an argument and we, the Job Network cannot "touch them".

The ACT ESA has a very low unemployment rate – lower than the National average and likewise a lower number of referred job seekers. Of these low numbers, more than half of the job seekers are either on medical exemptions, or are difficult to service and resist our strategies to place them into full time work, and off-benefits – hence our having to

report a PR to Centrelink. The medical exemptions protract the times of engagement of the job seeker. It would be a positive step for government to identify the genuine medical conditions from the suspect ones being used by job seekers to avoid their mutual obligations such as getting a job.

Notwithstanding these difficulties, we work closely with all job seekers and engage where possible, those job seekers, who at first might resist, but subsequently accept the fact that they must find work. As a result, Caloola has achieved the highest performance record in the ACT – and one of the highest performers in Australia. Stability of staff in our organisation, together with an empathy for job seekers, who we consider disadvantaged, has resulted in high job outcomes in Caloola. Close networking with employers willing to take on long-term unemployed job seekers is one of the reasons for our success.

### **SUGGESTIONS FOR IMPROVEMENTS OR CHANGES**

The majority of Centrelink-referred job seekers do need skilling. Their willingness to be skilled is the key to success in Job Network. The current system does allow for limited early intervention, however it does not recompense providers for the hours of servicing and administration required to discuss with, and try to solve the issues and problems in the lives of these job seekers. Servicing revenue is low for the time involved and in cases of 0-3 month unemployed job seekers, our Fee-For-Service does not cover wages incurred.

It should be recognised that many of the unemployed referred to us require Intensive Support Case Management. However DEEWR refuse to increase the percentage of the total unemployed population who are recognised as being Highly Disadvantaged (HD) despite the fact that unemployment has reduced to its lowest levels in over 30 years. The people who remain unemployed are usually those who have the highest barriers to employment, ie those who should be HD. By DEEWR imposing an artificial 10% HD these job seekers are not receiving the intensive support they require for us to work with their barriers to employment.

DEEWR and Employment Services Providers can work well together but DEEWR impose high level of micromanagement by imposing stringent monitoring conditions, which are counter-productive to the end result for job seekers – a sustainable job, and off-benefits.

I have addressed briefly where I believe that significant savings can be made in employment services, at the same time improving the delivery of employment services.

### **Cost Savings**

1. Replace the 3 year Request for Tender (RFT) with a “Rewards-Sanctions” System based on a minimum baseline performance model. Employment Services Providers (ESPs) that perform above the baseline maintain their business share, and those that fail to reach baseline by 20% or less, have a percentage of their business re-allocated to high performing providers in the Employment Services Area (ESA). Where there are no high performing ESPs in the ESA or where a provider fails their baseline by greater than 20% (in these cases the ESP will lose ALL their business) and any such available business be released for limited tender to allow new entrants and existing high performing providers into that ESA. **Result:** The large amount of money spent on the contract tendering process and assessment by both the Government and the ESPs would be better spent in providing additional services tailored to individual job seekers to move them off Centrelink Benefits and into work. This would ultimately constitute cost savings for Government.

2. Reduce micro-management of ESPs by DEEWR Contract Managers and adopt a risk management approach to the application of the Employment Services Contract (ESC3). Contract Managers should be available for Policy advice and for macro-management of the Contract. **Result:** Less DEEWR Staff = cost savings for the Government.
3. Reduction of the levels of “Red-tape” processes for ESPs. It is currently estimated that to administer the Employment Services Contract ESPs spend over 60% of their time in administration and less than 40% of their time working with job seekers. Administration in ESC2 was measured at approximately 20%. Some of the “red tape” that is required by Contract Managers include employment verification, wages paid, absences from the workplace, change of employers, etc which is currently collected by both Centrelink and ESPs. For example Job Network Members (JNMs) are required to check the JRRR Screen within EA3000 for information collected in regards to employment declarations made to Centrelink, and then check with the employer that the information is correct before they can claim an outcome.
4. A number of functions within EA3000 have no or little “value added” to the process of getting people into work despite the fact that they are labour intensive and underpaid by DEEWR to JNMs. An example is that every job seeker is required to register with an ESP, complete a Vocational Profile, and access services, including auto-matching to jobs using the Vocational Profile to assist them into employment. Auto-matching and the Find Staff functions of EA3000 do not work, and as 60% of job seekers get work before they have access to Intensive Support the work done, on Vocational Profiles is wasted.
5. People who are identified as having barriers to employment should have immediate access to Intensive Support for early intervention processes. Part of this strategy should include identified skills training for the job seeker as a high priority. This would result in those job seekers being placed into employment earlier, their dependence upon Centrelink Benefits shortened, and their ability to contribute to the economy by means of Income Tax revenue would commence quickly, and therefore contributing to cost savings AND contribution to the finances of the Government.

### **Duplication of Services**

6. Both ESPs and Centrelink service job seekers and obtain the same information from job seekers regarding employment. Considerable savings could be made for Government by eliminating this duplication of services. A separation of the needed services could be easily achieved by making Centrelink responsible for aspects related to the actual determination of the correct payment for job seekers and the ongoing payments related to the Benefit, including determinations of Participation Reports. ESPs would be responsible of all job seeking activities and the reporting of those activities including:
  - a. Fortnightly lodging of the Job Seeker Diary with ESPs thus ensuring:
    - i. Better engagement of the job seeker in looking for work,
    - ii. Ensuring the suitability of jobs being applied for, and
    - iii. More tailored job search activities leading to faster referrals to any suitable jobs.
  - b. The lodging of suitable job search activities to Centrelink via EA3000 (new screens to be designed and implemented) to activate the job seeker’s

fortnightly benefit payment. ESPs would be compensated by a Fee For Service arrangement for this activity but the costs would be far less than is currently paid to Centrelink.

- c. The determination of any exemptions from job search activities.
- d. A single source for the collection of employment information including job details, permanent or casual status of the job, full or part-time work (and the ability to continue to work with those in part-time work to increase their hours) and wages. This would improve the relationships between ESPs and employers who are frustrated with both Centrelink and ESPs “hassling” them to get employment verification. This in turn can lead to increased employment opportunities with employers for future job seekers.
- e. Younger job seekers who are not eligible for Youth Allowance due to parental income to be registered as Fully Job Network Eligible directly by ESPs and hence avoiding the “yoyo affect” of having to visit both ESPs and Centrelink to obtain access to Employment Services. Under the current arrangements large proportions of these young people give up on seeking work and become chronically unemployed.

This reduction in duplication of services would lead to both ESPs (who are specialists in employment functions) and Centrelink (who are specialists in Welfare Payments) being able to concentrate on their areas of expertise. It would also mean that Centrelink would require less staff therefore creating considerable financial savings to the Government.

Risk Management strategies would need to be implemented to ensure this proposal operates effectively and efficiently.

### **Fairness of Payments**

- 7. ESPs should be paid in accordance with the Contracted Services at a fair price for services provided. Under the current Contract (ESC3) Job Network Members have received one increase of 4% on 40% of their business equating to a 1.6% increase over the past 4.5 years, during which CPI is estimated to have risen 12%. ESP funding should be indexed to CPI to ensure financial viability. Several organisations have closed their doors, resulting in some highly skilled staff leaving the industry. Other organisations have also lost staff due to the frustrations associated with dealing with both Centrelink and DEEWR. It is through maintaining these staff that high performing ESPs offer better servicing to job seekers and obtain sustainable long term employment for these people.
- 8. Unemployed people who have significant barriers to employment need to be classified as highly disadvantaged (HD). We disagree with the current artificial limits determined by DEEWR specifying that only 10% of the unemployed population are highly disadvantaged. This means that many job seekers do not have access to the services required to improve their employability. Also programs such as Personal Support Programme (PSP) are capped. Currently there are approximately 40,000 people waiting for access to PSP and not receiving servicing by any other program. Early intervention programs such as additional HD places and PSP (if expanded) would result in significant longer term cost reductions for the Government due to:
  - a. increased employment rates for people requiring these services
  - b. decreased times for people to (re) enter employment

- c. less welfare dependence and less requirement for Centrelink Benefits
- d. less staff required for Centrelink with reducing unemployment numbers
- e. tax inputs via PAYG contributions
- f. lower health costs (there is considerable research available that shows that unemployed people use the health system at a higher rate than do employed people), and
- g. lower social costs, including criminal justice costs, domestic violence, family dysfunction, community damage, etc (again research supports the fact that unemployed people are over-represented in these issues).

We trust that this information is of use in your considerations. We are willing to meet with you and discuss our suggestions with you at any time. We would also like to extend to you an invitation to visit our sites at your convenience.

Yours faithfully

Graham Baumgart  
General Manager

12 February 2008