

17 October 2001

Productivity Commission
PO Box 80
Belconnen ACT 2616

Independent Review of Job Network

Dear Commissioner

Subject: Independent Review of Job Network

Mt Gravatt Training Centre Inc. (MGTC) would like to thank the Productivity Commission for giving it the opportunity to comment on, and enabling it to make this submission to the Independent Review of Job Network.

As a not-for-profit charitable group MGTC is generally in favour of the recent trends that have resulted in the Job Network allowing it (and many similar organizations) to assist unemployed people by placing them into paid work. MGTC would also like to place on record the assistance provided by the government department responsible - DEWRSB.

There is, however, a severe inequity in the current break-up of Job Matching (JM), Job Search Training (JST), Intensive Assistance (IA) and the New Enterprise Incentive Scheme (NEIS). It is on this issue that MGTC would like the independent review of the Job Network to consider its concerns. It is a firm belief that this is an area where the Job Network model can be improved by introducing some form of equity, particularly in the allocation of IA.

The vast majority of current JM or JST providers also have a contract to provide IA to clients. The number of JM firms who only have JM is minimal. In the first round of the Job Network, MGTC had a contract for both JM and IA. Despite achieving a 5-star rating in IA, MGTC was not offered any IA in the last contract round. As a result of not receiving any IA, the financial and operating performance of the centre's Job Network contract has not been anywhere near that envisaged.

The Australian Services Union advised the centre in early 2001 that providers who have only JM or JST contracts (i.e. those who have no IA contracts) have been severely disadvantaged, and that one Job Network office per week was closing and a further Job Network office per week was advising the union that they could not afford to pay award wages to employees because of their perilous financial states.

Whether DEWRSB or successful contractors admit it or not, substantial cross-subsidization of funds occurs between IA and JM and/or JST. An example of the value of IA in comparison to JM fees can be ascertained from the Sydney Morning Herald article written by Laura Tingle (Political Correspondent) on the 28th June 2001 where it states “Industry estimates are that LGA (Leonie Green & Associates) won Job Network contracts worth \$4.4M for JM, \$5.7M for JST and \$102M for IA for jobseekers”.

When comparing our JM performance levels to other providers, MGTC performs as well as most other JM providers as far as placement percentages against target are concerned. It is interesting to note that half way through the whole (i.e. Australia wide) JM contract, only about one third of the forecast JM contract placements have been achieved. This percentage has not improved significantly in the last six months.

When asked at performance meetings to identify the differences between what we are doing and what our competitors are doing differently (so that we might learn from the others), DEWRSB staff are constantly advising the centre that the only difference between us and our competitors is that our competitors are able to cross-subsidize from their IA contract, whereas MGTC can not. Off the record they concur that it is extremely difficult to achieve a positive financial outcome from a JM contract only.

The solution to this dilemma seems to be reasonably simple. MGTC recommends that each JM or JST provider also be allocated a base level of IA. This base level of IA should be a pre-determined percentage rate of their JM or JST contract numbers. The better operators can be allocated a percentage of business in excess of this base, but every contractor should receive a base amount. Contractors should be monitored on their IA performance, and contractors not performing can risk being sanctioned below their base level of IA.

If the recommendation of MGTC is introduced, a much more level playing field will be introduced for all Job Network members. Equity would clearly be achieved and the vast financial discrepancies that are currently the case between JM only providers and JM and IA providers would disappear.

A further option, could be to pay a higher placement rate for a JM only provider than the rate paid to a provider who also has IA. This is however a less attractive option than the previous option because it can be claimed that some providers would be paid one rate and other providers a different rate for the same work. The difference in rates would recognise the cross-subsidization that does occur.

In summary, MGTC believes the Job Network operation can be improved by the simple allocation of a base level of IA to all JM and JST providers. This base allocation of IA would mean that all contractors providing services under the Job Network are treated equitably, something that is not the case at the moment.

If IA was accessible through all JM providers there would be many more staff assisting those unemployed with the greatest need. At present providers without IA can offer only limited assistance to those people.

MGTC would like to thank the commission for allowing it the opportunity to make this submission and for taking the time to consider this submission. Implementation of the recommendation would improve the equity and performance of the Job Network.

Yours faithfully

Noel Watson
Chairman
MGTC Management Committee