



**TRANSCRIPT
OF PROCEEDINGS**

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PRODUCTIVITY COMMISSION

INDEPENDENT REVIEW OF JOB NETWORK INQUIRY

**PROF M.C. WOODS, Presiding Commissioner
PROF J. SLOAN, Commissioner**

TRANSCRIPT OF PROCEEDINGS

**AT MELBOURNE ON WEDNESDAY, 10 APRIL 2002, AT 9.37 AM
Continued from 9/4/02 in Newcastle**

PROF WOODS: Ladies and gentlemen, welcome to the Melbourne public hearings for the Productivity Commission Independent Review of the Job Network. I'm Mike Woods, I'm presiding commissioner for this inquiry. I'm assisted in this inquiry by commissioner Judith Sloan. As most of you will be aware, the commission received its terms of reference on 3 September last year and released its draft report on 7 March. The commission is requested to critically examine and comment on the framework for delivering labour market assistance arrangements and advise on areas where the model could be improved. Full terms of reference are available from our staff.

Prior to preparing the draft report, the commission travelled to all states and territories. We visited metropolitan, provincial and rural areas, talking to a wide cross-section of people and organisations interested in helping the unemployed. We talked to groups from a diversity of backgrounds, and met directly with many unemployed, listening to their experiences with the Job Network. We have also received over 50 submissions from interested parties. I would like to express our thanks, and those of our staff, for the courtesy extended to us in our travels and deliberations so far and for the thoughtful contributions that so many have made already in the course of this inquiry.

These hearings represent the next stage of the inquiry, with an opportunity to submit any final written views by 30 April. The final report is to be signed by 3 June. I would like these hearings to be conducted in a reasonably informal manner but remind participants that a full transcript will be taken and will be made available to all interested parties. At the end of the hearings for the day, we will provide an opportunity for any person present to make an unscheduled oral presentation, should they wish to do so. I would like to welcome to the hearings our first participants, Ms Sally Sinclair and Mr David Thompson. For the record, could you please provide your name and organisation.

MS SINCLAIR: Sally Sinclair, chief executive officer of the National Employment Services Association.

MR THOMPSON: David Thompson, chair of the National Employment Services Association.

PROF WOODS: Thank you very much. Do you have an opening statement you wish to make?

MR THOMPSON: Simply to say that the draft report prepared by the commission I think is enormously valuable. It provides an interesting and different perspective on a number of features of the Job Network. Quite a number of the

recommendations we think, if implemented either as they stand or in modified form, are likely to improve the effectiveness of the operation of the Job Network. I think, particularly in relation to those matters related to the industry dynamics and the way the Job Network is administered by the Department of Employment and Workplace Relations. We hope, both in this session and in a subsequent written submission that we will prepare, to provide some further information which might assist the commission in the preparation of the final report. The idea that there should be some sort of contestability in policy analysis in this context we think is enormously valuable.

PROF WOODS: Very good. Thank you. The commission has appreciated the extensive contributions that your organisation has made as part of this inquiry. We're very grateful for the several occasions on which we were able to meet with a wide range of your members through conferences, both before the draft and subsequent to the publication of the draft. Your submission and your more recent comments have been able to contribute greatly to our understanding of the process, as have your members, and we are very grateful for those contributions.

You've provided us with some commentary in more detail on the draft report. If we could address our questions in part to that commentary but also to seek some further clarification on your submission, that you provided prior to the publication of the draft - so we'll try and keep questions in broad areas of interest but they may wander from time to time and we will pick up your particular interests of Jobs Australia subsequent to this first session. Thank you very much. Your first area of commentary was in qualitative and quantitative data. You talk about recommending that comprehensive quantitative analysis be undertaken using the IES data. Do you have specific examples of what relevant data you have in mind?

MS SINCLAIR: Probably in a general sense as distinct from the sort of specificity would be to say that it became apparent through the process of the more recent forum that we conducted, with representatives of the commission and representatives from within the industry, that there was data available - which was perhaps going to be able to add to the analysis that had been undertaken by the commission and to inform its recommendations - that hadn't actually been accessed or hadn't been recommended to be accessed by the department. So the industry had indicated its preparedness to provide the commission with some more specific feedback on that. I don't have that today for you, unfortunately, but we can certainly provide that.

PROF WOODS: If you could provide that to us subsequently, and hopefully in a fairly timely manner, given that the clock ticketh.

PROF SLOAN: So this is mainly in relationship to the experience of job seekers?

MS SINCLAIR: Absolutely. It's actually - the reality is that they're very, very thoroughly tracked through the system and that there were clearly some circumstances where the commission's understanding was perhaps that that data wasn't there, yet it is.

PROF WOODS: We certainly received loud and clear messages from a number of people in Newcastle yesterday that they were tracked very thoroughly through the system.

MS SINCLAIR: Yes.

PROF WOODS: This would reinforce that point. I'm not quite sure everyone would agree on the consequences of that but it's a separate question.

PROF SLOAN: Just going off on a little garden path perhaps, but related to that, is that we seem to have been generating a degree of controversy about the issue of parking.

MS SINCLAIR: Yes.

PROF SLOAN: And of course one of the pieces of supporting evidence of parking is the fact that some of the job seekers seem to have rather patchy contact with their Job Network provider. In fact, some seem to have rather minimal contact with them. Is that the kind of thing that we might hope to get better evidence on?

MS SINCLAIR: Yes, and also I'd have to say, whilst we're transgressing slightly, the industry's feedback on the assumption underlying the analysis of I suppose that Twin Peaks graph, which has been considered to be representative or evidentiary of parking, is that in fact that's not the accurate analysis. The more accurate analysis is that the second peak reflects the length of time it takes to get that cohort of job seekers an outcome. So there is a cohort that you'll get a pretty quick outcome with and there's another cohort that it could take a lot more time to actually get results with. It doesn't necessarily mean they're being parked in the middle bit. There can be plenty of activity that's actually being undertaken but it takes a lot longer, given the range of barriers to employment that that particular cohort of job seekers will have, to get the outcome.

PROF WOODS: Let's pursue that while we're on that topic. Is there a coincidence that if you're a level A IA that that second peak occurs towards the back end of the 12-month period and if you're a level B IA, that it occurs at that later 18-month period?

MS SINCLAIR: I suppose you could draw a correlation in relation to that, in that

the theory behind obviously having a longer period for clients who are categorised as more difficult to place was that by definition it would take longer to achieve an outcome with a client that was characterised as having greater barriers to employment, hence, 18 months for a level B, 12 months for a level A.

PROF WOODS: The coincidence seems particularly strong, given that there's also discussion in the industry that the JSCI is not all that good at necessarily differentiating between As and Bs, particularly at the margin and, therefore, you wouldn't expect quite that level of coincidence. Also, if we were able to identify more clearly how many of the second peak comprised educational outcomes, one could then surmise whether as a last resort, people were being put on courses and getting a secondary outcome before they fall off the books - or is that unkind?

MS SINCLAIR: If indeed that data was to prove that hypothesis, it may simply be reflective of the fact that it is an endeavour to establish a pathway to employment for somebody. It may not be ultimately what the original objective and everybody's primary objective is and that is, to gain employment for the job seeker, but clearly an education outcome - secondary education outcome - is establishment of a pathway. So, by definition, it's positive progress.

PROF WOODS: Yes. Just happens to coincide with the last opportunity to put them on such a program.

MS SINCLAIR: Well, if you're looking at the 12 months, for example, expiring, then arguably, from the provider's point of view - working in the best interests of the job seeker - there is a desire to achieve an outcome and that's not necessarily and only for the purpose of actually being paid and having it count towards your star rating. That's from the point of view of the job seeker, that they're actually getting a result. They're moving forward. They're making some progress over the duration of the 12 months. I think, you know, realistically it's not reasonable or feasible to anticipate that every single job seeker that ends up in the Job Network in that allocated time slot is going to gain employment.

PROF WOODS: You're quite right.

MS SINCLAIR: We're all unique individuals and there are a myriad of issues that invariably come up during the course of that job seeker's engagement with their Job Network provider, which invariably have been in existence prior to their commencement, and there are things that happen throughout the course of that time period, whether that's 12 months or 18 months.

PROF WOODS: But would you concede that there are different levels of intensity of input to job seekers, according to some perception, by Job Network providers as to

whether an outcome may or may not be achievable?

MS SINCLAIR: Well, I think perhaps what happens, in terms of the definition of the intensity, is as much a function of a job seeker's motivation - for example, you have a cohort of job seekers come through. You might have 10 referred, for argument's sake, and you'll have 10 different job seekers, in terms of their own preparedness and willingness, to be engaged. Now, those who are prepared to be engaged very quickly will no doubt be responsive to a requested level of activity. Those who take - for whatever reason - more time to engage, to establish trust, to establish rapport - I mean, we could take young people, as an example of that, who we know characteristically can take a long time just to feel a level of trust and confidence in the individual who is their point of contact within the provider. They won't necessarily be so receptive at engaging in a required level of activity.

So, depending upon the provider and their particular organisational approach, arguably a provider may direct its staff to say, "Well, look, you're the individual who's responsible for providing an effective individualised service to this person. We trust you to take an approach which you believe is going to optimally get a result for the person." It may be that it takes therefore a lot longer to engage some individuals than others and, correspondingly, that looks like no activity.

PROF WOODS: We recognise that job seekers themselves have various motivations when they come to the process and your answer has directed that to that end, but my question was about the Job Network provider, not the motivation of the job seeker.

MS SINCLAIR: Yes, but I don't know that you can actually look at them in isolation.

PROF WOODS: No, but you've only looked at one part of it. Can we look at both bits?

MS SINCLAIR: Yes.

PROF WOODS: You've looked at the motivation of the job seeker. Can we now look at the motivation of the Job Network provider as well, because we can't look at them in isolation? What's your answer to the question of are there different levels of intensity of input by the Job Network provider, according to their perceived opportunity of getting an outcome from that person? We've done one side but, as you said, we've got to look at both bits.

MR THOMPSON: The providers have got to take a risk in investing some of their capital and some of their resources and the risk they take is that the intervention or

particular set of interventions may or may not lead to the job seeker getting an outcome.

PROF WOODS: Exactly right.

MR THOMPSON: I think it's probably more motivated by the provider's desire to increase their star ratings than it is by the financial considerations associated with - - -

PROF WOODS: That's a good point.

PROF SLOAN: That's to get the outcome at the end, you mean?

MR THOMPSON: Yes.

PROF SLOAN: I mean, I feel we've been misunderstood, because we're not trying to make a pejorative remark. In fact, we see there are incentives in the way the system is currently structured which result in a certain number of clients having, you know, not much activity directed to them and we're not denying that there are elements of self-parking in that. You know, we're not trying to cast aspersions on the industry. It seems to me that they in a sense act against their incentives very often because, if you were to take a very hard-nosed approach to this, it seems to me that you'd take the commencement fee and, if you assess that someone is really not going to generate an outcome, you'd send them down to the beach.

PROF WOODS: Indeed.

PROF SLOAN: I mean, we're not really suggesting that that happens. We're just wondering how the incentives could be tweaked to make sure that the most disadvantaged do get appropriate activity directed towards them.

MR THOMPSON: I think the construction of the particular regime of incentives is obviously a critical issue and I think, as I've observed in informal discussions with the commission, there are assumptions made about the way providers will behave which haven't necessarily been borne out in practice. The IA providers are all subject to quite rigorous and, in some cases it could be argued, onerous monitoring of their activities, of the frequency of their contact and nature of their contract with job seekers, the extent to which they're complying with their declaration of intent, which was a device set up in the second round of contracts to deal with that issue. In fact, I think if one looked at the data - to the extent that it's available - there's probably a lot more frequency of contact and a lot of depth of contact than might be revealed in a first blush look at the so-called twin peaks thing.

The other consideration which I think is also really quite important is that the IA providers have access to the commencement and then primary and secondary outcome fees to provide assistance over periods of up to 12 and 18 months. When one considers all the costs of their operation - the costs of establishing the infrastructure, the IT, the staffing, the marketing, everything that's associated with running one of these enterprises - it's arguable that there aren't in toto sufficient resources to provide highly intensive assistance for the 12 and 18 month durations. So that might lead you to a conclusion that it might be better to have a shorter period of assistance so that the resources are more focussed.

PROF WOODS: Focussed, yes.

MR THOMPSON: Now, I think to some extent there's some merit in that proposition, but the industry is telling us very clearly as well that there are quite a number of people for whom the six months mooted by the commission in its draft report will not be sufficient and that there will be a need for some of those people for a longer duration, but I think - - -

PROF SLOAN: So that's your point, Sally.

MS SINCLAIR: Yes.

PROF SLOAN: That, with the less able - not the less able, but - - -

MS SINCLAIR: Well, there are some people that require more intensive and - - -

PROF SLOAN: The ones that are less easy to place often require quite a lot of assistance which, by its nature, takes some time.

MS SINCLAIR: Yes. Look, engagement is a significant issue in that and I know that, you know, in this environment it seems difficult to imagine that it can take six months just to simply establish an effective connection, but if you're talking about a provider - and, again, I'll just use the example of young people, but it's not confined to young people - who's working with street kids, then it's going to be at least that period of time.

MR THOMPSON: One could imagine a regime where you could make a shorter duration to focus and concentrate up the resources and therefore the capacity of the providers to provide higher intensity assistance by making the normal period of assistance shorter. Now, whether it's six months or another number I think is debatable, but it strikes me that, at the other end of this, they go into intensive assistance for a particular period and then they have a close-off and, if the providers don't receive an outcome, the job seeker is exited.

I think there's another way of constructing it where the providers - even though the job seeker might formally exit the intensive part of the assistance, could stay connected with the provider so that there is an incentive for the providers for, say, another six months after the intensive part of the assistance has ceased to keep them actively job seeking and to actually secure outcomes. That in part also goes to the question of the requirement in the current contracts that providers claim outcomes within 28 days or they don't get paid and I think we agree with the commission that it's a most unusual industry where, if you don't invoice within 28 days, you can't get paid. In fact, the government and the taxpayers' interests might be better served by having, you know, 90 days or something like that.

PROF WOODS: Yes. We had an interesting experience yesterday where an unemployed person who did have a job and had let the Job Network provider know or, you know, had left a phone message to the effect that they had a job and then came in a month later and said, "Yes, I have had that job for a month," was surprised at the reaction of the provider who was very agitated at finding out a month later that this had occurred. What they didn't know about was the 28 day cut-off, but we did understand the reason for the agitation.

Going a little further into that six months though, to an extent there's not a great deal of cost to the provider in having an extension beyond six months if all that means is that in the middle bit they're making a couple of phone calls and keeping the person engaged and trying to think up a solution. So the marginal cost of keeping the job seeker on the provider's books is not high, but the opportunity for some marginal revenue is quite good, because hopefully during that time they may get a job, for one reason or another, some of which may be intervention or some of it may just be fortuitous. So I can understand that perspective that says, "The longer they're on the books, it's not costing a whole lot to have them there and we may or may not pick up an outcome due to a whole range of circumstances, some of which may be our good work."

From the job seeker's point of view, you know, once you're in that program - some of them go into attachment in effect and that's fine, "I'm on IA, I don't have to do much now," and life goes on or, "I'm on IA, but I'll still try and find my own job and do what I can," or, "The provider is helping me," et cetera. You know, I can't see the downside particularly of bringing it back to a six-month intensive period from the point of view of the system as a whole, but provided - and we discuss it in our report - an opportunity to say that if there is some investment happening with the job seeker, an extension of time can be sought in that process; so I think, if there's some flexibility. But I'm still not persuaded that, from the perspective of the taxpayer overall, the core period could be shorter. I think there's some merit in that, but provided there's some flexibility to allow for extensions of time where support,

investment, activity can be demonstrated.

MR THOMPSON: The alternative is - although I guess it doesn't actually work in practice, because there's a lot of people in intensive assistance for the second and third times, which is another issue - if they exited at, say, six months, then they will go back into a period of self-help job search and then, under the current regime, come back into intensive assistance at another juncture and I think - - -

MS SINCLAIR: Earlier.

MR THOMPSON: - - - there's an argument to say leave them with the provider and give the provider the opportunity, at marginal cost, to see what they can do (a) to keep them actively job seeking and supporting them in that process and (b) helping them in whatever way to achieve the outcome at their risk.

PROF WOODS: But doesn't that expose the taxpayer to the marginal cost to the taxpayer of a fortuitous job ending up as an outcome payment?

MR THOMPSON: Well, that happens within the six months as well.

PROF WOODS: It does, but - - -

MR THOMPSON: I think, for those who haven't achieved the outcome in that period, the probability of it being fortuitous as opposed to something else is diminished, one imagines. If the providers could exercise a judgment about whether they take the risk of continuing the attachment, continuing to make investment - even if it is at marginal cost - the very clear message we're getting is that, as Sally said, for young people, for some indigenous people, people in all sorts of circumstances, the process of effectively engaging them and getting them to a place where they can be meaningfully and productively assisted does take quite a lot of time and, if there were a cut-off at six months for all of them, there would be a significant - we don't know the number, but a significant or substantial number of people for whom a result will not be achieved and that wouldn't be a good thing for the taxpayer or for the job seeker either.

PROF SLOAN: I mean, the alternative or one of the alternatives for these groups that you'd see as being very disadvantaged and disengaged is that kind of milestone idea. I notice in your comments in response to our report you're rather lukewarm about that, aren't you?

MS SINCLAIR: Well, you know, as we said, I think there's sort of pros and cons in relation to the definition of "milestones". I mean it could work in the context of particularly looking at those very disadvantaged job seekers. The point that we were

trying to make is that - and I think actually I was going to make a related point about the challenge of prescribing flexibility, because - - -

PROF SLOAN: We don't mind you jumping about, because I jump about particularly.

MS SINCLAIR: Yes. Well, that's how my brain works. Because the issue really is not so much the concept, but it's in understanding what the practice ends up looking like and the level of prescription and the resourcing - - -

PROF SLOAN: Yes, "prescribed flexibility" might be an oxymoron.

MS SINCLAIR: Yes, and the resourcing required, you know. So I think what we're doing is perhaps taking current and more recent experience and projecting what that might look like and thinking, well, "My God, talk about sort of marginal cost pricing." It's basically marginal cost pricing minus, minus, minus once you start to look at invariably what the level of reporting regimes and compliance requirements are, supposedly, under that sort of framework. So it was more about how to actually - - -

PROF SLOAN: Yes. I mean, that's one of your themes.

MS SINCLAIR: - - - map and monitor it probably more - - -

PROF SLOAN: So if you think it's okay on average - I'm not saying we do, but let's assume you think it - even though there are kind of errors around that, it's easier to just have a kind of rule rather than say, "Well, let's make it another figure, but it's okay to extend people", but presumably you'd have to go through quite a lot of compliance red tape - - -

MS SINCLAIR: You would, yes.

PROF SLOAN: - - - to get individual cases extended.

MS SINCLAIR: That's right. Yes, the notion of flexibility, in its truer sense, doesn't actually translate in this framework. It starts out as a noble intent and it ends up looking incredibly - - -

PROF WOODS: Yes, tightened up by - - -

MS SINCLAIR: - - - sort of prescribed and compliance driven and so I think that, if we're appearing to be cautious, then it's more about how we see it being translated into practice.

PROF SLOAN: And is that also one of the reasons that underlines your hesitation at the milestone idea?

MS SINCLAIR: Yes.

PROF SLOAN: Yes. I mean, it seems to me to have a kernel of a good idea but, if you're telling me that these people are significantly disengaged, they don't trust those who might assist them and the like - and they've presumably got sort of personal life difficulties as well - then the milestone program seems to have a bit going for it.

MS SINCLAIR: Yes.

MR THOMPSON: I think in concept it certainly does, but in practice what we'd be talking about is defining and recording and reporting some quite difficult and intangible things. There's some work being undertaken by the Department of Family and Community Services in that area in relation to the achievement of soft outcomes, as they're termed, for participants in the new personal support program and some of the international research that's been done in this area basically says there's a need for a whole lot more research to try and nail down what those things might be.

But at every juncture, as you say, prescribed flexibility is oxymoronic - well, it has been termed "compliance creep". We're very wary of the costs to providers of sort of burgeoning compliance requirements, and the tendency of the department to be really so risk averse as to put too many costs associated with their compliance requirements on the providers. We're not for a minute arguing that there shouldn't be a high level of accountability and transparency and so on associated with the magnitude of spending the public money we're talking about.

PROF SLOAN: Although they're not very transparent about things like the star recently.

MR THOMPSON: Until very recently, indeed. Indeed. It will take me into another area but - - -

PROF WOODS: Not yet, please.

MR THOMPSON: I've been known to say that there is a risk that they will "sic the compliance Doberman on to the program chihuahua". The dimensions of the compliance requirements are really swamping the capacity of the providers to do the other things they need to do. I think the commission's observations in that area are very apposite and very helpful.

PROF WOODS: Can you hold that thought for a moment. Can I just try and tidy up the six months. You make a comment in there which puzzled me, and has puzzled some of our staff, which talks about if you go into a six-month time frame, "increasing the pressure on Job Network providers to breach individuals". I didn't understand that point.

MS SINCLAIR: I think the feeling was because you don't actually have the opportunity to provide the individual assistance in the way that is going to get the best result - and that is through the establishment of trust, rapport, respect, engagement, et cetera - your only recourse is to take the stick. If you don't have 12 months for some of the more disadvantaged groups - or even 18 months we've sort of discussed, but you've got a relatively small window - in order to get them in and get them to comply with your sort of activity requirements, then your only option is to have a punitive approach. So that's really what we were trying to say.

PROF SLOAN: So you don't think they'll get an outcome in the six months, so you breach them to get them off your books.

MS SINCLAIR: No, it's more about getting them to participate.

PROF SLOAN: Okay. Because they're not passing themselves.

MS SINCLAIR: It's actually forcing them to engage, as distinct from adopting an approach which is one of working in a positive and constructive way.

PROF SLOAN: So the boot camp rather than the sharing and caring.

MS SINCLAIR: Yes. There may be some proponents of the tough love approach who say, "Well, that's all very fine and why shouldn't it happen that way?" but I think anecdotally if you were to be talking to the large majority of providers, they'd say, given the choice of two options, the more effective option of actually getting a sustainable employment outcome for an individual is one where you've been able to work together with them to overcome whatever the barriers are, and actually sort of wielding the stick in the first instance is not necessarily a good way to establish rapport. In fact, what it does, invariably, is you're then trying to play catch-up all the time to try and actually get the relationship back to a position where you can get a sort of genuinely sustainable outcome.

PROF WOODS: That at least clarifies your thinking behind that point. Thank you. David, you were launching into the costs of compliance. You've acknowledged in our draft report we agree that compliance needs to have a risk management approach and shouldn't be necessarily intrusive. But we're still a bit lost for some hard data on what are the costs to providers of complying and what are the increasing costs that

are occurring as a response to the progressive tightening requirements.

MR THOMPSON: As I have observed in information discussions with various commission personnel, we're looking to collect some hard data to assist the commission to understand this as opposed, in more objective terms, to just the anecdotes. To give you a couple of illustrations: at a meeting of Tasmanian providers that I attended a couple of weeks ago, they were asserting that the cost of compliance and various administrative activity associated with that represented of the order of 15 per cent of their total costs. There's a lot of concern about the costs associated with special claims for intensive assistance that are made for various, and often frequently, good reasons after the 28 days.

A provider in Adelaide has given me some data that suggests that for the first contract round they had something of the order of less than five special claims. In the second contract round, in excess of 375, involving two people working full-time on the administrative paperwork associated with that. We recognise that we need to try and shed a bit more light on this to get some hard data for the commission, and we are using our endeavours to do that.

PROF WOODS: Good. That would be appreciated. We've talked to a number of providers and sat in their offices and seen the paperwork required, and some say, "Yes, it is a burden but here's how we do it and it works," and others say, "We're swamped by it and it's distracting us from our primary purposes." So there's no one view coming through other than "best is better" - we understand that view - but anything you can do to help clarify - - -

PROF SLOAN: Do you think there's a differential effect on - it seems to me that the bigger operators with the numbers and size of staff can build a system to deal with compliance. But if you're a small operator, you're more likely to feel swamped, aren't you?

MR THOMPSON: Indeed. We can provide the commission with some material on this as well. But if you look at the employment services contract, as varied now for the sixth time, it's arguable that keeping track of the construction, meaning and implications of just the contract itself requires significant resources - (a) because it's so enormously complex; (b) because it's so uncommercial and onerous and one-sided; and (c) because it's an incredibly complex construction as a document.

PROF WOODS: All right. That would be helpful. While we're talking costs, you make some comment about IT, and again that's an area where, you know, we would land in some providers, and the first thing they wanted to tell us about was the system and all that has to be done and how dreadful it was, but others - you know, you would say, "And IT?" "A bit of an issue but" - and so again we're getting mixed

comments. But you make some specific comments here in your sheet.

MS SINCLAIR: Yes.

PROF WOODS: And again if we could get some magnitude of costs. I guess one of the things we were interested in is the barriers to entry into the business. As you know - and we'll get onto later - the question of tendering versus a more dynamic marketplace. But if there are high barriers to entry for particularly small players in local country towns and the like, or even in metropolitan areas, then that's important to understand. So we really do need to have a feeling for what are the set-up costs? What are the ongoing costs? What are the changes in costs? You know, every time that the system evolves, how much of it is compensated? There has been some compensation during the process and yourselves and providers have acknowledged that DEWR has come to the party at times. If you could elaborate on that for us, both now and in subsequent material.

MR THOMPSON: The basic entry level costs in terms of IT associated with all of this for a small operation will be the costs of a current - it has got to be at least a Pentium 3 PC that's capable of operating Microsoft Internet Explorer, a broadband Internet connection, either through ADSL or satellite, or through other more expensive means, such as Frame Relay and so on. The cost of the associated software, all of which doesn't stack up to be a significant cost, would be of the order of less than \$5000, one would imagine, for a single PC to do that in a single site. If that were a barrier to the entry of a provider that has got to do all sorts of other things, then I suspect the other things - if they couldn't do that, they're probably not capable of doing the many other things associated with contract administration and marketing and HR and all that sort of stuff.

I think what's more difficult is the department in effect is a service provider to the providers, but it doesn't reflect that in any way, shape or form in terms of the useability, the utility, the functionality, the reliability of their system, and it hasn't to this date accepted the proposition that they should operate as a provider and be accountable for levels and quality of service in that context. The industry is still suffering the problems associated with the continued poor performance of Telstra's ADSL network and whether they're purchasing their communication services through Telstra or any one of the various resellers around the system continues to suffer significant outages and unreliability and undoubtedly is having a significant effect on the productivity of the providers that are having to deal with that.

To some extent the need for broadband is dictated by the enormous complexity in the business rules in the contracts and the tender and so on and it's hard from the outside to fathom how such enormous quantities of data are needed and we're certainly hoping that in the next iteration of the system, as they move to a system

based on XML, that there will be a need for less data to be transferred up and down and for less reliance on higher bandwidth communications, but there's no doubt that providers, those who are using the A2000 software, have lesser cost than the others, but those that are using software developed by third-party vendors in some cases have made many, many, many millions of dollars worth of investment.

We're about to have dialogue with the department, that will go for some time, we think, about the extent to which they're going to facilitate the continued operation of third-party software in the industry and the extent to which they're going to mandate the use of their own software products, the extent to which that might impose costs on providers and the extent to which it may promote inappropriate and perhaps less than helpful convergence in practice. Many of the providers have very different business systems which they've built, which we greatly value and think it's enormously important that there be diversity and continued scope for innovation and so on. As I said, it remains to be seen whether the next iteration of the system, which undoubtedly are going to be subject to some fairly substantial change, are going to do the trick for the providers in terms of giving them flexibility, keeping their costs to a minimum, and so on.

PROF SLOAN: But is this again another area which is easier for the bigger providers to handle than the smaller ones. I suppose some of the bigger ones might have made some mistakes.

MS SINCLAIR: Actually I think in the context of IT probably it's the bigger providers that experience the greatest impact of the department's propensity to drive the agenda as it sees it, as far as the appropriate IT - or what they regard to be the appropriate - for a structure, because the smaller providers to some extent are actually happy to have the solution provided for them, notwithstanding the associated costs with that, but it's the larger providers that will by virtue of their focus on the establishment of systems which give them an edge as far as how they administer the contracts, how they actually run and manage their operations, when - if you look at what is now being proposed as far as the next contract is concerned - there's a suggestion about a complete framework change that may actually result in a complete change to the landscape as far as the utilisation of third-party software.

Those have invested heavily up-front, actually at the department's bequest to ensure an effective connection with the corporate interface at the beginning of the second contract, are actually looking at having to completely reinvest in a whole new framework and infrastructure. So I actually think for the larger providers the impact of the IT issue is probably comparatively greater. I mean it's great for everybody but in different context, but certainly they have grave concerns about what is being purported, but it has been an ongoing issue in the context that - as David says - the department doesn't necessarily see itself as a provider of services in this area. It sees

itself as being the prescriber of the solution.

MR THOMPSON: I think as the industry matures we may get to a place where these things can be approached differently but at the time of the introduction of the Job Network the sort of concentration of competition in the air and in the atmosphere and in the ether is very substantial. The idea that providers might in the absence of knowledge about whether they were going to get a contract at all, or what size contract, we did try, certainly in the non-profit sector, to get providers to cooperate and share the cost of some software solutions that might be mutually beneficial, but the best endeavours of a number of people came to nought on that and people went off and did their own thing. But the assumption that's built into the government's thinking or the department's thinking on this is that the many millions that might have been invested in particular third-party software products will be costs that will be amortised over the duration of this contract and the reality for the providers, I think, is very, very different from that.

As I said, we're about to have - the department has released a document, which was previously the subject of confidentiality agreements, setting out its ideas about proposed new system architecture and software, bearing in mind that the system that we currently have is a sort of a cobbled together adaptation of the mainframe used to administer the CES, and the department is only now getting to a place where it's able to deploy its IT resources in a different way. But if it means that the providers have got to completely write off the investment that they have in existing alternative products then somewhere somehow that's going to impact on their ability to provide the services to job seekers and employers. So it's an issue of great interest and concern to us.

MS SINCLAIR: Can I pick up that point.

PROF SLOAN: I agree with you. I mean we've landed these Job Network providers thinking that we're going to talk about bigger issues, perhaps, but I'm not suggesting IT isn't, but it's a source of considerable disgruntlement in the industry, isn't it?

MR THOMPSON: Yes.

PROF WOODS: It does raise the question of investment by providers, and you talk about the need for reasonable certainty and viability for providers, which takes us to our proposition that you could move progressively to a more dynamic and open market. In our draft report we suggested you could jump into that straightaway. Many people are cautioning us that maybe that's the right direction but that several steps might be more appropriate. Even ACOSS the other day were saying, "Well, yes, there's a direction there that we can support but maybe not get to that point at

this stage." Your views on that?

MS SINCLAIR: I think it would be fair to say that would also be our view. I think the great concern about it having an immediacy, or a sort of a short-term nature about it, is that if we just look at the considerable degree of angst and anxiety that the performance star rating system has actually sort of created and the fact that it's - I mean it has now just been the subject obviously of an independent review and the latest star ratings have come out - not surprisingly, not everybody necessarily thinks that it's still quite right.

PROF WOODS: We have talked to a few providers who have been puzzled by some of their offices that have dropped a full star and they've had better performance.

MS SINCLAIR: Yes. As we know measurement instruments - it's very difficult to get a precise measurement instrument, but I think the reality is that the industry's view would be that we're just not quite there in terms of the sophistication of measuring and monitoring that one would perhaps require to ensure that it is a sort of robust licensed framework.

PROF WOODS: Okay, but if we could take the components of it: so there would need to be greater transparency and what they would see as objectivity of the star ratings.

MS SINCLAIR: Yes.

PROF WOODS: So that if that was to be a measure by which you retained your licence, that they felt certain that it was doing what it purported to do, could you start by breaking open or at least putting some upper level on the current cap of capacity, so that you tended or had a rollover capacity, anything up to 20 per cent, but beyond that was fair game. But, if so, you'd need the obverse and that is that the 85 per cent best endeavours point in time capacity would have to drop down to maybe 50 or 60 per cent.

MR THOMPSON: I would use the term more organic management, but dynamic I think fits that. Having been involved in numerous discussions over the life of the current contract with the department and with ministers in relation to their best endeavours to keep providers at least at 85 per cent point in time capacity, if we've had over the life of the contract - you know, at the regular meetings - 20 meetings and at 18 of those meetings it would have been a major item for discussion. The situation where there is no capacity - you take a situation where job seekers exercise choice, which most of them don't under the current arrangements, except in the streamlined referral pilots - - -

PROF WOODS: But not a lot of incentive for providers at a capacity to want to

get them to choose them, anyway.

MR THOMPSON: No, exactly. Where in a particular location job seekers have opted to choose a particular provider and that provider is full, there is no choice for them. There is no choice. I think there is a risk that some providers at least will become quite passive in the sense of just sitting there and waiting for the job seekers to be sent to them.

PROF WOODS: The auto referral will deliver all.

MR THOMPSON: Including an awful lot of participation reporting and all the other things that go with that.

PROF WOODS: True.

MR THOMPSON: So an appropriate or a possibly appropriate next step along the path to a much more open sort of system as you propose, would be to have a lesser best endeavours keep you at a lesser figure and a concomitant - well, you can go over, and I think if that was done the providers would be a lot more responsive and a lot more active in terms of seeking to get job seekers to choose them. If one goes back to the rhetoric and the framework on which all this is based, which is reflected in the government's Reforming Employment Assistance document, which was published in the 1996 budget, the whole system was predicated on the notion that job seekers would have choice and would exercise that choice and that would play an important role in the dynamics and the operation of the market.

PROF WOODS: Yes.

MR THOMPSON: We know the reality is that less than 20 per cent of them are exercising choice; that the streamlined referral pilots which had been conducted in a number of Centrelink offices where there is personal referral and active encouragement for job seekers to make choice, that number has increased to something in excess of 80 or 90 per cent - the department has the figures. Importantly, the average duration between referral by Centrelink and - being seen at Centrelink and actually turning up as a Job Network member goes from 37 days down to less than two, which is very good and is what you need if you're talking about active engagement and keeping people active and keeping them engaged.

PROF WOODS: On that basis, you can see a pathway and would support - - -

MS SINCLAIR: See a pathway, yes.

PROF WOODS: - - - some progressive development.

MS SINCLAIR: However, in addition to what David said, I think another reason perhaps for people exercising caution is the effectiveness of the gateway in relation to ensuring that such a dynamic arrangement operates dynamically. There have clearly been considerable challenges in terms of the process of referral between Centrelink and the providers. Even looking at the streamline referral pilot - which clearly of a pilot of nine sites is demonstrating some very early positive signs of a system that could work quite effectively - and then perhaps articulate into something which in a prover context would be perhaps more dynamic, that is one thing in relation to nine sites. To roll it out through the entire Centrelink network is not something that I - you know, looking at it as an immediate or a short-term shift in the framework, I think that people feel confident it would actually be deliverable.

PROF SLOAN: I presume, though, that the industry's views are significantly influenced by the fact that we've now moved to this system of rollovers. I mean, surely there would be a lot of concern about going back to full-blown tender rounds. I mean, that strikes me as having extraordinarily high transaction cost.

MS SINCLAIR: Yes.

PROF SLOAN: And a kind of paralysis during the tender period.

MS SINCLAIR: Totally.

PROF SLOAN: Yes.

MR THOMPSON: I've been known to say you can identify people who were associated with the second tender because up to six months later they were still twitching. But I think the evidence - - -

PROF SLOAN: No-one would be recommending we go back to that.

PROF WOODS: No.

MS SINCLAIR: No.

MR THOMPSON: Absolutely not. I think the data that the department supplied to the commission - and it has been widely available elsewhere - suggests there is not just huge transaction costs, there are huge efficiency and effectiveness costs associated with the industry's preoccupation with the process and then the substantial dislocation associated with massive changes in the segmentation of the market and share of market of different providers and hundreds of thousands of job seekers going from one provider to another.

PROF SLOAN: As far as we could gather there was a bit of a shifting of the deck chairs around the deck in the sense that a lot of the workers, you know - and Job Network providers - effectively shifted from one Job Network provider - - -

MS SINCLAIR: That's right.

PROF SLOAN: - - - who didn't succeed in the second round, to others. So in a sense you wonder what the point was.

PROF WOODS: We thank you for your views and support for the idea of progressive evolution of the marketplace. I think there are some positives there. It reminds me of the Chinese saying of crossing the river by stepping on one stone at a time. If we can identify what those stones are and make that more clear then we can all take part in that journey, so that would be quite good.

MR THOMPSON: But if I could just briefly go on - I think the current arrangements don't promote any positive or negative growth during the life of a contract. I don't think in the long run that's good for the market and indeed, it's not necessarily keeping providers on their mettle in terms of - - -

PROF WOODS: Exactly.

MR THOMPSON: - - - the extent to which they seek to attract job seekers.

PROF WOODS: There has to be some upside for good performance.

PROF SLOAN: Absolutely.

MR THOMPSON: Absolutely.

PROF SLOAN: And then you're really relying entirely on the star rating.

MR THOMPSON: But I was talking yesterday in Sydney with a provider that operates about 70 sites, who was saying, "It would be much more difficult with that sort of flexibility because I won't know exactly how many people I'm going to get." I said, "Well, indeed, that's how every other business in the country operates."

PROF WOODS: Welcome to the marketplace.

MR THOMPSON: But if it goes too far and too fast - - -

PROF WOODS: Yes, we are hearing that message. What we're trying to identify is the stepping stones.

PROF SLOAN: Yes.

MR THOMPSON: You've correctly observed the notion of price competition in this market. It doesn't actually work as it was envisaged. I think we would be worried that the rational response to a more risky environment might be to put a premium on price to take account of and help accommodate the risk. I think there is a risk under the current arrangements, if they were to continue, that the providers wouldn't factor in a premium for the risk and that would be somehow reflected elsewhere in the level and quality of service that people would get.

PROF WOODS: So although you haven't mentioned that - or that I noticed - in your supplementary comments, you're generally supportive of the proposal to have administrative fees, and that they be marginally adjusted from time to time according to perceptions of whether they're keeping the industry as a whole - not individuals - viable?

MR THOMPSON: Indeed. The current contract has a provision and it's something to the effect that the government may, at its sole discretion and in the event that there is something that affects the industry as a whole, consider providing a price increase. In the life of this contract, it's provided a couple of adjustments to deal with IT costs and so on. I think we support the idea of administrative price fixing, but on the basis that it be transparent - - -

PROF WOODS: Yes.

MR THOMPSON: - - - and that it be undertaken in consultation and with appropriate input from the industry and appropriate transparency from the industry about its costs as well.

PROF SLOAN: On that issue of dynamics, it occurs to me that the people who are attracted into this industry - manage this industry - actually probably aren't the sharpest business people anyway. I mean, maybe there are exceptions. So that response that you got from that provider I wouldn't have thought was terribly atypical. The other point is does it not take time for people to develop a kind of business-like skill of working with variable numbers of customers and the like?

MR THOMPSON: Yes, indeed. I think it does.

PROF SLOAN: I mean, this has presumably been a bit of a revolution for a lot of the players out there.

MS SINCLAIR: Yes, it has been.

MR THOMPSON: On the other hand, I think the uncommercial nature of the contract - and we'll be providing you with some legal opinion about that - is such that some people in the business - sort of the more mainstream business of recruiting - are on the public record as saying that it's not sufficiently attractive, that the compliance costs are too onerous, that it's administratively too complex, that the contracts are too onerous to make it appropriately commercial.

So, while I think we would accept crossing the river step by step and taking more risks and being more dynamic and being more sort of market responsive, what we need from the government is a willingness to adopt a much more commercial approach in its contracting and its contract management as well. The term "partnership" is sort of bandied around a lot as reflecting the nature of the relationship between the providers and the government in the enterprise that is the Job Network. That doesn't actually stack up all that well when one looks at the terms and conditions of the contract and associated tender.

I'm not saying for a minute that we don't accept that there's a high degree of accountability required when we're involved in the stewardship of so much public money and involved in sort of interfering or intervening in the lives of so many citizens. I mean, we accept that that puts a higher onus than might apply to somebody running a hotdog stand down in Collins Street, but there are limits to that, we think, as well.

MS SINCLAIR: Just one other point too - just before we move off looking at the whole question of contracting, licensing and pricing in relation to that - I have to say that there is a concern within the industry and it's currently emerging around marginal cost pricing and I think a lot of the concerns are where people say, "Well, hang on a minute, how am I going to be able to map and manage my business if I don't know how many people I'm going to get through?" It partly sort of relates to what seems to be a sort of very rapid drift into a marginal cost pricing framework and probably, at this particular juncture, the view is that - I mean the IA contract is probably the only contract where you can actually generate a surplus - - -

PROF WOODS: Mind you, it's the biggest one.

MS SINCLAIR: Yes. However, when you do the analysis on the pricing - and, whilst I appreciate the inquiry obviously doesn't relate to some other program areas, clearly what's coming through with some of the more recent tenders in other dual programs and also FaCS-funded programs and in state programs as well is that this whole issue of marginal cost pricing is actually already forcing some providers out of those areas of the market.

PROF WOODS: But that's why we'd have administrative prices and there'd be some transparency in the process.

MS SINCLAIR: Yes. So I suppose it's just an additional point to this - - -

PROF WOODS: And we can solve the loss making on job matching quite simply by abolishing the program. We'll get on to that in a moment.

PROF SLOAN: I was just going to make the point that we heard a couple of women down in Tamworth on Monday and I thought they gave a very compelling account of their operations, including in some pretty out-of-the-way places.

PROF WOODS: Mungadi. We'll get onto that, yes.

PROF SLOAN: I mean, basically the way they described it is that the more is eaten out with the compliance costs, the fewer resources available to assist the job seekers.

MS SINCLAIR: That's right.

PROF SLOAN: I don't think they thought there was any magic - I mean, there's no sense in which the kind of altruism can be exploited, because even the not for profits are required to cover their costs and build a sustainable service model.

MS SINCLAIR: That's right.

MR THOMPSON: I can say something about this later, but the non-profits have a problem that they're having great difficulty in getting access to capital in the way that others can. So there are some other propositions in there as well. The economics of job matching - the industry's sort of accepted wisdom, so to speak, is that the costs that are tendered and that are subsequently contracted are far less than the actual cost of delivery of it.

MS SINCLAIR: Yes.

MR THOMPSON: But I think it actually goes deeper than that, in that the job matching function involves registration and then provision of assistance to job seekers, for some of whom they will achieve an outcome and generate payment, but for many job seekers there will be nothing and the providers have got to provide the term "swing of the door". They've got to provide facilities for job seekers to come to be received, to be recorded, to do all those sorts of things and they've got to try and recoup the costs of that with the outcomes they get from those that are successful in

job matching.

As a consequence, I don't think - unless they've got the IA contracts to give them and the resources to do so, they can't provide effective, certainly very cheap Job Search support and assistance, genuinely providing assistance with resumes, genuinely providing counselling support, guidance and encouragement in the job search area. So we've got the sort of job matching, get an outcome, 15 hours over five consecutive days for some people and you'll get a payment and, at the next juncture, you've got three months job search training. If the providers are to be in a position to provide, I think, what arguably ought to be - and could be - quite cost-effective, low-level Job Search support, then it's got to be arranged in a different way.

PROF WOODS: Are you saying that the cost of doing that effectively is higher than the payments currently being tendered?

MR THOMPSON: Indeed.

PROF WOODS: So, if Job Match was to continue, you would argue that the fee for Job Match should be significantly higher.

MR THOMPSON: Or, alternatively, that there be another fee - it would be quite low, one imagines, and probably not of the same order as the average job matching fees payable now - to provide the service to the job seekers.

PROF WOODS: An additional fee?

PROF SLOAN: This is for, you know, the free labour exchange bit.

PROF WOODS: Yes.

MS SINCLAIR: So you just segregate the service fee from the outcome fee.

PROF SLOAN: The trouble is the stand alone JM model just doesn't work, does it? So you're getting kind of IA providers essentially cross-subsidising their JM function.

MS SINCLAIR: Yes. And those who have only JM contracts or JM and JST contracts - you know, talk about marginal cost pricing, minus, minus.

MR THOMPSON: But they are there, one could argue somewhat quite irrationally, and some of them are really struggling, especially some of the smaller organisations in difficult labour markets, because they have the hope - whether it's a

soundly based one or not - that, in another iteration of this, they might get one of the juicy IA contracts and I think in some cases, for private sector organisations, burning their own capital to do that, in one sense to the benefit of the taxpayer in the short term but probably not in the long term and, in the non-profits' case, chewing up the surpluses that they might have been sitting on to be able to do this.

PROF WOODS: Can we explore some models of that, because we may not have got it perfectly right on first draft. Also can we throw into the debate the perspective of the job seeker. One perspective there that I'd like to add is that before there were all these Job Network providers who rushed around and formed alliances with employers, the employers - and you talk about small businesses, and they don't have HR departments and things, but let's go back five years. An employer either used a recruitment agency or a labour-hire company or put an ad in the paper and asked around the local community or knew people who they might want to approach. So there was a process.

MS SINCLAIR: They did the use the CES.

PROF WOODS: Or used the CES, indeed. The CES, even at its best, is still only a small percentage, not by any means a majority.

MR THOMPSON: Less than 20 per cent.

PROF WOODS: We are talking less than 20 per cent. So 80 per cent of jobs as of now still are got through non-Job Network or CES processes. The job seeker - there are a lot of them very frustrated that they now have to go through a provider. They have to register with that provider if they see a job and it's active then, but they may not have registered with that provider previously. They've got to go, you know, 20 kilometres somewhere to register and pay the public transport and catch the bus and spend all day doing it and all of those things; but also they never know whether their application is one that's actually been forwarded to the employer as part of the select group and they don't get told at the back end whether they were or weren't successful. Now, they are some generalisations but there are instances that we can quote where they don't know what's happening to them any more and they can't get themselves in front of the employer.

MR THOMPSON: Which is partly what I was getting to in the context of the providers not having the resources unless they contribute them themselves to be able to provide that Job Search support that the job seeker - there are issues about the multiple registration thing which I want to come back to, but the job seeker will see a job that they think is suitable, that they might be suitable for or might be encouraged to apply for. They apply. The provider - if they're to do it all properly and we would like them to be able to do it properly - needs to come back to them and let them know

what's happened, et cetera, all of which has a cost. If they're going to do it on the phone - and our people, our consultants cost something of the order of \$100 plus of minus \$20 of \$30 an hour in toto.

If they're to do that stuff properly, it's all got to be done on the basis of resources that come at less than proper full cost from the job-matching outcomes that are achieved for some of the job seekers. I think there are compelling arguments for saying the fact that many providers don't have the resources to get back to the job seekers actually works against effectively engaging, encouraging the active job seeking that we'd want them all to be involved in. That's sort of the kernel of the argument that says the Commonwealth's interests and the public interests would probably be better and more efficiently served by paying a fee, a modest fee, to better provide that service, rather than - - -

PROF WOODS: Can we just be very clear what service? There are two services. One is making information available about jobs. Then there's a second service that is about coaching, training, helping people write CVs - almost a mini Job Search training type function - that needs to be done when somebody wants to apply for the job and, "Let's check your CV, we'll tell you whether we've screened your or not screened you. If you've moved into the next stage of getting interview we'll talk to you before the interview to make sure you're prepared and know the background - here's what the firm is like, this is the sort of job they're looking for, these are their employer practices - and send you off all scrubbed up and shiny and ready to have your interview." Can we differentiate those two services? Are you saying you'd have a fee for each but that they'd be different prices? Can you elaborate for us?

MR THOMPSON: I think what we need to get to is a situation where - what the providers would like to get to is a situation where providers have the resources available to do the sorts of things you talk about.

PROF WOODS: The second part of the first part as well?

MR THOMPSON: Both.

PROF WOODS: The public information component and the - I mean, it was put to us, a nice little phrase of "being the job seeker's advocate", which they don't see that they are at the moment. Job seekers see the providers as being the employer's advocate. What we'd like to do is turn that around and say that they're helping the job seeker get the job, not look after the employer.

MR THOMPSON: Currently they've got to do that on the basis of the extent to which they're successful in achieving the last bit of the process, rather than reflecting the cost of the actual service delivery. Providers are bearing significant costs

associated with the requirement - as are job seekers, and I think the government recognises this. Some job seekers are required to register with quite a number of providers and to - - -

PROF WOODS: How do you solve that one?

MR THOMPSON: By connecting them with one provider; and you're still going to run into the problem of closed versus open vacancies.

PROF WOODS: Yes, exactly right.

MR THOMPSON: I guess we need to exercise our minds about how that might be overcome.

PROF WOODS: If you could that would - because that is one of the compelling bottlenecks.

MR THOMPSON: The providers that are wearing the transaction costs associated with people coming in and out of their doors because they're required to register with them - probably, in many cases, to no seriously good purpose other than sort of meeting the requirements - is a significant cost to providers, much of which is not reflected anywhere in the payment structures. It's a huge cost to job seekers, because they've got to bear the time and other costs associated.

PROF WOODS: They've got to fill in their diary, which shows that they've applied for X jobs, so they're running around trying to get signatures from all sorts of people to confirm.

MR THOMPSON: The irony of that is job seekers will tell you that the last thing they would do, if they're serious about a job with a particular employer, is to go near that employer with the diary because it just works absolutely against what they want, which is a job for them.

PROF SLOAN: It seems to me that what's emerged is that you've got one model where for Job Network providers which have relatively big IA contracts with Job Match, there is a certain equilibrium. I can understand why, if you're in the IA game, you want to probably be in Job Match because, by developing links with employers, you can sort of slip in your IA clients, presumably without trying to label them, actually. So I can understand that. The worry for me is that the Job Match - or even Job Match and JST - stand alone. This is not a kind of model that's so obvious.

MS SINCLAIR: I think that certainly an optimal model would be one of, if you like, an integrated pathway sort of service delivery. I think if we go back to

reforming employment assistance, initially the idea was that we would have providers who would be able to provide all levels of service. Now, with the way that it was then constructed and the tenders and the outcomes, et cetera, we've had this outcome where we've got some who are job matching only, some who are job matching JST, some who are job matching IA, et cetera. In an ideal world, you'd be able to, if you like, have a pathway of service delivery.

PROF SLOAN: So presumably our ideas of continuity. I think Mike's absolutely right to make this point because it's very easy to see all of this from the point of view of the industry and we don't spend enough time thinking of it from the point of view of the job seeker. There are some serious elements of frustration and being - - -

MS SINCLAIR: They're the same elements of frustration by the industry, if you look at - I mean, the industry has long advocated a more streamlined pathway oriented approach for the job seeker because it makes a lot more sense for everybody, quite frankly. Just in relation to the issue of job matching and picking up your point, Judith, about how it can be effective who have an IA caseload, I think the reality is at the end of the day, looking at it from the job seeker's perspective, anybody who's unemployed is disadvantaged at some level. There are degrees of disadvantage and the more disadvantaged, or the very disadvantaged, will end up in an IA caseload.

I think there is an argument to say that assistance, employment assistance, to unemployed job seekers, will enhance their opportunities for employment as distinct from letting them, at the frictional end of the market, letting them help themselves. There is also that issue of, if you are only working with disadvantaged job seekers, and you're endeavouring to develop that relationship with employees - - -

PROF SLOAN: I see that point.

MS SINCLAIR: There is a big labelling issue around all of that. As David quite rightly says, for any job seeker, you will get feedback from them which says, "Look, if I'm really serious about the job, I don't show my diary." They don't necessarily feel confident or comfortable about their prospective employer knowing what the depth and breadth of their unemployment experience has been. So having a broker involved in that process is very effective.

MR THOMPSON: And the more desirable outcome I think might be one where they connect with one provider of their choice, with options for opting out of that choice where it doesn't work but appropriately protecting the taxpayers' interests in that, not paying on numerous occasions for the same thing, and dealing with the question of - so they wouldn't then be having to navigate the maze but then separately deal with the question of how you reward providers that are securing the

vacancies that these people are eventually matched to. Under the current arrangements, providers will not refer people that they haven't seen and screened themselves because to do so would potentially damage their relationship with employers.

On the other hand, if you imagine a job seeker just down there in Fitzroy or somewhere, that's rattling around between say four or five job matching providers, registering, looking for jobs, applying for jobs on occasion and so on, those providers aren't being paid to do that, except for the lucky one that happens to get an outcome. I think it's enormously inefficient, inefficient for the job seeker, confusing and so on.

PROF WOODS: If you live at Newcastle and you've got to register with a provider in Gosford and a provider in Maitland and a provider in Cessnock because that's where some of the jobs are, that's a challenge.

MR THOMPSON: Much is made of - or much is asserted about the benefits of having in excess of 2000 Job Network outlets, I suspect the theory being that there's more choice for employers, more choice for job seekers. We know job seekers don't exercise a lot of choice under the current arrangements. I suspect at the other extreme - take the case of a small country town that might have three or four job matching providers - they might eventually become a bit of a pestilence for employers as well, because they're all pursuing a small and finite number of the same vacancies. That, to the extent that choice goes that far, may also promote some inefficiency as well.

PROF WOODS: There are also multiple registrations of the one job, which adds to the frustration of the job seekers. I have some familiarity with some small towns. You go into the site, which I've done, and you see a job and it's advertised by an employer. Then you see a job, not quite the same wording, advertised by a Job Network provider but you know it's the one job but it appears that there are two jobs and so the job seeker dutifully trundles off in several different directions and gets very frustrated.

MR THOMPSON: Indeed. On another point, the Commonwealth is currently spending - I don't know the exact number, but a substantial amount of resources providing self-help Job Search facilities in Centrelink. I personally - and I think a lot of my colleagues in the industry would support my view that it's probably - it would be likely to be more productive to deploy those resources in the Job Network rather than in Centrelink, for a number of reasons, not least to sustain this sort of lower level Job Search support that we're talking about but also to focus more clearly the locus of job seeking and Job Search assistance and so on as being located in the Job Network rather than in the place you go to get your income security matters sorted out.

I think some commission personnel attended some seminars we conducted - of Jobs Australia and ACOSS conducted last year with Prof Dan Finn. He's an adviser to the UK government on some of this. He too is of the view that those activities are better separated so that there's more focus and more clarity of focus on the active Job Search and Job Search assistance. So one of the ways that the Commonwealth, if it were to go down that path, might resource that would be to provide those facilities in Job Network agencies and to remove the requirement that there be any requirement for multiple registration and to somehow otherwise deal with the problem of how the providers are screening the referrals to the vacancies that Job Match get.

PROF WOODS: I don't think we've solved Job Match this morning. We've explored some options and we would certainly appreciate a thoughtful, early piece that sets out either your view or your views, and we're happy to - - -

MR THOMPSON: Just a couple of other points on the point - the department's own report published last week on Job Match suggests that it is doing the sorts of things - Judith, your own research, I mean, the National Institute for Labour Studies supported the contention. Getting job seekers access to part-time and casual jobs, any jobs, is going to increase their chances of securing long-term employment and to that end, there's some public interest in resourcing this activity. I recall and reflect at the time - shortly after the introduction of the Job Network, when Employment National then and a number of other providers said to employers, "We're going to now charge you for some of the services that you've previously been getting for free."

I recall a major series of articles in the Australian newspapers where employers were voting with their feet to opt out of the system and there were some photos in Military Road, Mosman, of "Help wanted" signs in a whole lot of small business shopfront windows. It may be arguable in the long run that the service that's currently provided through Job Match is a cost that ought to be borne by those businesses. On balance, we think there's some merit in the idea that the Commonwealth pays - well, it's currently paying less than it's costing to do it - because it helps us promote greater equity for people who are unemployed as opposed to other people. I guess there's a similar argument, certainly not as compelling, with respect to harvest labour because, as we know, the great majority of people that are engaged in harvest labour are not benefit recipients, so there's a far less compelling case.

PROF WOODS: You don't have any objection to us proposing that be abolished?

MR THOMPSON: There's great merit in the argument.

PROF SLOAN: That's a yes.

PROF WOODS: We'll quote that.

MR THOMPSON: One imagines, however, that the government could come to an alternative view.

PROF WOODS: I think we could stop the quote at the first bit. Could I just ask a couple of tidy-up questions. One is on the code of conduct. You were very gentle there. You talk about, "The code of conduct requires clarifications but work is in progress." We've heard from a number of job seekers who have some distressing stories about their engagement with the system. Then we say, "Well, show us your complaint," and they say, "I'm not going to put my head up. I'm not going to be identified because then, you know, the wrath of the provider and the system will come down upon me and I'll get breached. I've just got to play the game. I can't afford a breach because this is all the money I've got. I've used up all my savings. If I don't get this money in every fortnight, I really have nothing to fall back on other than meal tickets from charitable organisations," and that's fairly demeaning for some people to have to do that. So they're frightened of the system; they're totally dependent on getting that fortnightly payment; for them, then, the complaints mechanism is just not an option. What do we do about that?

MS SINCLAIR: Looking at the issue of the code of conduct as distinct from looking at the issue of whether to make a complaint or not, it's clear that the code tries to do lots of things and is quite ambiguous. It endeavours to have a code of conduct or practice around the providers. It specifies, but not necessarily exhaustively, what the job seekers' rights are, and even enshrines some of the things that are essentially contractual requirements; also there's a code of conduct for the Job Network, but there are other programs now that obviously come under the broad umbrella of employment services.

We've been working with the department to essentially look at a principles based code, and we call it a code of conduct or a code of practice - it's really semantics - but one where we're looking at what essentially the principles are that are enshrined in the delivery of Commonwealth funded employment services, then - and it's been the subject of discussion; there's no formalised agreement at this stage - actually having a statement of rights for the job seeker, the standards the job seeker could expect to have delivered if they went anywhere within the employment services framework, and also service standards for the relevant service provider under that particular program. So it is something that's been identified as being a flawed - well, not flawed, but not necessarily an optimal model, and we have been actively engaged in discussion with the department.

As far as the job seeker's approach to making a complaint, one would hope that when their rights are specified a lot more clearly and unambiguously that they may be better educated in terms of being able to make a complaint.

PROF WOODS: But they know how to make them; they're just frightened of doing it.

MS SINCLAIR: I was going to say that the behavioural issue is another one in its entirety, and I'm not sure I actually have the solution to that at this stage.

PROF SLOAN: That's part of the issue about them not exercising choice. It's all about disempowered, demoralised people.

MS SINCLAIR: Correct.

MR THOMPSON: And not enough done in a number of ways in the system to promote their sovereignty as consumers in the system.

MS SINCLAIR: Yes.

PROF SLOAN: That's very quotable.

MR THOMPSON: It won't be one single measure, it will be a whole lot of things - like promoting more active use of job seeker choice with a more dynamic market and opportunities for positive and negative growth; providing a better standard of the sort of Job Search support activity, "If you apply for a job with us, we'll let you know how you went," that sort of stuff; and in a number of ways trying to promote them as having a bit more power in the system than they currently have.

There's another element of this that I think is a bit more problematic, and it is from their point of view - and this is a big issue for the industry itself as well - the extent to which the whole mechanism, the whole thing, is designed to monitor, secure and report on their compliance with their activity test and mutual obligation, et cetera, and the extent to which it's there to provide active assistance to them to get a job.

PROF WOODS: Certainly that's the heart of it.

MR THOMPSON: If the balance shifts too much to the compliance monitoring/reporting regime, then that will make it more difficult to some extent for us to actually achieve the outcomes that we need by empowering them and getting them where they need to be. We understand the need for those activity requirements, support the contention by and large - although there's some debate in the industry about this - that activity test requirements should operate during the course of

intensive assistance.

PROF WOODS: And we're promoting that that continue.

MR THOMPSON: To get that balance, a lot of our employees wouldn't want to work in this industry if it were perceived as being something that was really there just to put the wood on them and that's all, rather than balanced off with active assistance as well.

PROF WOODS: Can you also then reflect in your further submission on what are the current elements that support or go against a level of sovereignty by the job seeker and what changes you might make, so change the locus of your consideration just for that bit; deal with all the other issues we've dealt with, but pick that up as a particular topic and seek where the strands are currently.

MR THOMPSON: As I said, my hunch is that the solution to this will be a number of measures.

PROF WOODS: Precisely. That's what I'm talking about - multiple strands that need to be drawn together.

MR THOMPSON: And promoting and providing capacity for more active job seeker choice, so the personal referral process, the provision of better information, capacities for providers to have more flexibility in terms of whether they're at a particular point in time or another one. That's a more dynamic model.

PROF WOODS: You have the incentives to do it.

MR THOMPSON: I think one of the challenges is everyone talks about intensive assistance, which is this thing that job seekers are supposed to get. What does it mean? It's not, and nor should it be, a particular defined and prescribed product. I suspect there are expectations out there that it's a whole lot more intensive than - - -

PROF SLOAN: Yes, it's possibly the wrong name.

MR THOMPSON: That's part of it as well.

PROF WOODS: I'm conscious of the time, but I've got one short and one slightly longer question, and then, Judith, if you've got anything else that you want to raise? The short one is our proposition that an educational qualification really isn't of any value unless you've passed it. I notice in your commentary here you're still talking about supporting the process of education, and the process of education has value, we agree, but an employer wants to know that the person actually has achieved the standard that was required, not just turned up in class.

MS SINCLAIR: I think perhaps to put that into context, that was probably most particularly looking at the rural and regional remote service provision. It's a matter of how a provider looks at it.

PROF WOODS: You're getting on to my longer question, which is that whole topic.

MS SINCLAIR: If we're looking at achievement of outcomes, and thereby what do we define an outcome as being, if you're looking at the provision of service in regional and rural Australia, the provision of an outcome to the same level in terms of expectation to metro areas on an absolute basis, if it's employment only, it doesn't compare. The labour markets are characteristically not as robust. So from the provider's point of view in those regional and rural areas really what they're saying is, "In order to achieve an outcome, an outcome by definition isn't only employment because we have some labour markets that are so totally depressed that at least to get the person into education would be the pathway."

Now, that begs the question around what's measured, how it's measured, what's paid, how it's paid, et cetera, and what the payment and pricing structures are. Throwing all of that into the mix, if there was a way of averaging - and effectively averaging - those labour market factors, then I think you'd perhaps be looking at a more consistent approach nationally from the industry, which says, "Yes, we know that the employment outcome is ultimately the outcome that we're all striving for." It's just what are the competing tensions in relation to the service delivery model; how we're assessed; how we're paid, et cetera, et cetera, and that's particularly relevant for regional and rural Australia.

PROF WOODS: But if we can just pick up metro education at the moment, do you have any difficulty with the proposition that the employer actually wants to see that they pass their course, that they have that skill?

MS SINCLAIR: I think from the employer's point of view obviously the more skilled and more competent the job seeker is, the greater their propensity is to engage them in employment.

PROF WOODS: I don't want to prolong that one, but I guess that's as close an answer as I'll get.

MR THOMPSON: The commission's proposition is entirely logical and reasonable.

PROF WOODS: Thank you. That's helpful as well.

MR THOMPSON: There's a debate, however, happening about the relative merit and value of secondary education outcomes as opposed to employment outcomes, and the assertion, which I think has some merit, is that one will lead to the other. So, for some people, getting the qualification will be another step on the road to reducing their probability of long-term unemployment and increase their probability of getting a job. I think what the government ought to do - and the industry would support this - is to do some longer-run monitoring of the extent to which the short-run education outcomes are actually increasing the chances of getting long-run employment outcomes, which is the debate that's no doubt going to be had.

PROF SLOAN: I'm sure you know where we're coming from and the incentive seems to derive some distortions in this area.

MS SINCLAIR: Yes.

MR THOMPSON: And it's puzzling - - -

PROF SLOAN: You know, you're getting sort of people enrolling in courses which may not in fact be in the least bit effective.

MS SINCLAIR: Absolutely, yes. Certainly, as any principle - I mean, we support the focus on employment, and education is a pathway to the achievement of that and should be customised to the needs of the individual in terms of enhancing their overall employability.

PROF SLOAN: But I do take the point about the regions. I mean, we were hearing on Monday that, you know, for some groups to enrol in a one-semester course is a big achievement.

MS SINCLAIR: It's a substantial issue.

PROF SLOAN: Yes.

MS SINCLAIR: So, in terms of your question, our comments really related to regional Australia.

PROF WOODS: Sure. I understand. Although it argues against my own view on this, yesterday in Newcastle we came across a large number of people who were enrolled in a museum-related course. Now, not all of them were likely to be successful in getting the probably one or two jobs that may pop up in that area - and they recognised that - but this particular course and whoever was running it, they were very grateful to them because they were treating them as a real person and giving them broader hope and interest in education and, you know, they saw it as a

very positive experience even though they knew that they weren't all going to get jobs in museums.

MS SINCLAIR: Well, that's looking at the milestones and soft outcomes, isn't it?

MR THOMPSON: But I think we'd be keen to know what happens to them in the long run and - - -

PROF WOODS: Absolutely.

MR THOMPSON: - - - whether that actually achieves the result.

PROF WOODS: Yes.

MR THOMPSON: On the rural and regional question - - -

PROF WOODS: Can I conclude then, while we're heading that way, which is a slightly more reflective question of we have the one Job Network system that applies nationally, but in rural regional areas you've got the vexed question of how much competition can some of these country areas sustain. You don't necessarily have active labour markets; the question of availability of TAFE courses, the interface with CEDP; you don't have recruitment firms that you could develop relationships with but, on the contrary, you do have very good networks about jobs. You know, if a local firm wins a contract and is going to put on 30 people, everybody in the town knows about it - - -

MS SINCLAIR: Knows about it.

PROF WOODS: - - - so you don't need the other sorts of networks. So there are contrary offsets in this process but, you know, there are a whole range of factors. Is the "one model fits all" relevant, which can then lead on to where you were heading, David?

MR THOMPSON: I think, if one considers the sort of worst long-term unemployment black spots in some of the regions - north-western Tasmania, Hervey, Wide Bay, Burnett, around there, perversely, or strangely, some parts of metropolitan Sydney - south-western Sydney - - -

PROF WOODS: Newcastle.

MR THOMPSON: Indeed. In the event that the economy isn't generating jobs for these people to take up, there logically seems not a lot of point in trying to get them to a place where they're ready to be employed when there are no jobs or not

sufficient jobs for them. That goes to questions about the way the economy is managed to get the growth to generate the jobs, as opposed to not doing so, and there are bigger questions. The Job Network doesn't generate jobs, except maybe a tiny bit on the margin, but I think there are compelling arguments for saying there is a point at which you don't continue to try the Job Network model - and you go to some of that in your draft report - or where the government needs to consider other interventions.

I don't think we would find satisfactory the notion that somebody living in Burnie or Hervey Bay or somewhere like that - somebody who's 25 or something - should just spend the rest of their life on having annual-six month episodes on Work For the Dole as the only alternative. There need to be some other alternatives, but currently - and this will just go some way towards this - there are strictures in the employment services contract about the amount of out-of-region placements there can be. Now, the people that designed the market did that because they worried that the nasty Tasmanian providers - who were going to get paid more than the Melbourne providers, because it's a more difficult labour market, diseconomies of scale and so on - would seek to place Tasmanians in the Melbourne labour market and get higher prices for it than the Melbourne providers would get for the same thing.

I think there's a compelling argument for saying take those strictures away altogether and a compelling argument to also say that, for some of those people in some of those circumstances, there ought to be access to some sort of mobility assistance to help them move from job poor to job rich areas. On another level, I think the theory is the money that the CES used to have under the program called the Relocation Assistance scheme is theoretically in the fees - it's cashed out and in the fees that the IA providers get. That theory is based on all of those programs collapsed into this single one and it's a matter for the providers' discretion as to whether they do that or not, and we would argue that the providers simply don't have access to the sort of - - -

PROF SLOAN: No. It was only ever a small program. If you average that across the fee, it was only ever likely to be important in a small number of areas.

PROF WOODS: So is this an area where you could have sort of a more input focused program that was separately funded that they could draw on if it was appropriate in the circumstance of that particular job seeker?

MR THOMPSON: In some way, yes.

PROF SLOAN: It's quite a vexed program you have. I mean, you tell someone to leave the region that they've grown up in and their parents live and their grandparents

live.

MR THOMPSON: Which is why I was careful to say for some of those people in some of those circumstances. And while I think in some sort of nostalgic, idyllic, pastoral sort of view of the world, all of those towns - those 56 towns the National Australia Bank is closing its branches in - are slowly but surely shrinking.

PROF WOODS: And other rural areas are growing.

MR THOMPSON: Indeed. We need to facilitate - to the extent we can, maximise the chances of getting the economy generating jobs in some of those localities, but recognising also that some of those people are just going to have to move.

PROF SLOAN: Well, I think by and large people have to recognise that though, don't they?

MR THOMPSON: They do, but where we could usefully and responsibly give them some assistance to make that happen, I think that's a worthwhile investment.

PROF WOODS: Right, but could you again - given the time available today - in your written response, reflect on whether the one size fits rural regional as well as metropolitan?

MR THOMPSON: I think, if you take the hypothetical case of the, say, 50-year-old retrenched from the paper mill in Burnie in the early 80s, they have probably been on - well, they might be in their third go of intensive assistance now.

PROF WOODS: Yes. We've met some three-timers on IA.

MR THOMPSON: But they will also have been through a number of Working Nation programs and a number of other - - -

PROF WOODS: They can show you folders of certificates of where they have attended a course and they say, "Look, that's nonsense."

MR THOMPSON: "I've got PhD in Job Search."

PROF WOODS: "I've got this folder of, 'Congratulations, you have successfully attended 15 days at - - -'"

MR THOMPSON: And the commission questions the value of having repeat goes at Job Search training. Now, if you're talking about - - -

PROF WOODS: IA.

MR THOMPSON: There are similar arguments about IA, indeed, and I think we need to be engaging in debate with the government and/or with the parliament about what other options there might be, but for compliance reasons, because of the magnitude of compliance effects of Job Search training, you might say you require people to participate in something that requires them to turn up every day for three weeks, but I think it's a nonsense to suggest they should go through the same training every time they undertake that. We'd have a nation, as I said, of unemployed people with PhDs in Job Search.

PROF WOODS: Are there any final questions?

PROF SLOAN: That's fine.

PROF WOODS: Are there any final points that you wish to cover as NESAs?

MR THOMPSON: There are no doubt many and, as I said, we'll be providing the commission with a written submission. There's an area I just wanted to briefly - I don't propose to provide any additional - I'm happy to answer or discuss any issues.

PROF WOODS: No, it's just that I'll swap from NESAs to Jobs Australia in a minute.

MR THOMPSON: As far as most of these issues go, our views are in common. If you have any particular issues or any particular questions about the nonprofit providers in the sector I'd be happy to address those.

PROF WOODS: Yes, thank you.

MR THOMPSON: I just want to touch briefly on the choice thing again. It's a minor issue, but it's a big issue for the providers whom it affects. I'm not sure that we've provided any input to the commission on it. It is about the place of specialist IA providers in the system. Many of them - not all of them - struggle to get sufficient referrals to make their business viable. The reason they struggle is that despite the fact that we know that most job seekers don't exercise choice, Centrelink is not able to recommend to people for whom an NESB service, or a disability oriented service, or an indigenous service is the best and the right one for them, because that would be untowardly influencing their choice and sort of upsetting the level playing field. So there is a high proportion of people with particular and special needs who might arguably be better assisted by specialists which the system is irrationally sending to the generalists in the name of choice, which is sort of like a mantra that is not actually being exercised.

PROF SLOAN: Then the generalists don't have any incentive to re-refer them, do they?

MR THOMPSON: It's almost impossible.

PROF SLOAN: Impossible, yes. We saw a place here which was dealing with ex-prisoners and they were having real trouble getting the referrals.

MR THOMPSON: The government is likely - one imagines, in the context of this budget and future budgets and future iterations of this - to like to see the Job Network, for example, providing much more assistance to some people with disabilities, to providing much more assistance to mature workers and so on. We would all like our performance of this system overall to be doing much better with indigenous people. I think there are compelling arguments for having the specialist provision there, but the nonsense that we have in the name of the competitive playing field, the level playing field - we've got to starve some of these specialists of the job seekers. It just seems crazy.

MS SINCLAIR: Interestingly, just to follow that up anecdotally, just last week we were with a meeting of specialist providers of services to people with disabilities. Every provider that actually participated in the group had examples of circumstances where - even where a job seekers had actually exercised choice to be referred to them, they ended up on a generalist's case load. Again, we come back to clearly some substantive problems at the gateway.

PROF WOODS: All right, thank you. We look forward to your further submission. I think that can conclude the evidence from National Employment Services Association.

PROF WOODS: I welcome David Thompson, as chief executive of Jobs Australia.

MR THOMPSON: Thanks.

PROF WOODS: David, are you likely to be long?

MR THOMPSON: No, just a couple of minutes; just a reiteration.

PROF WOODS: Please can you identify yourself and the organisation you represent?

MR THOMPSON: David Thompson, chief executive, Jobs Australia Ltd.

PROF WOODS: Do you have any opening statement you wish to make?

MR THOMPSON: Simply to say that - to reiterate that much of what is in the draft report produced by the commission I think is very useful, and provides a useful basis for further development of the Job Network and further improvement of its services to job seekers and employers.

In terms of the segmentation of the market we think there's an important role both for profit and not for profit providers. The current diversity and segmentation of the nature of the service providers - small, medium and large not for profit and for profit with a public provider in there as well and the diversity of that mix - is a good thing for the market and likely to be a good thing for the ongoing development of the Job Network. The remarks that I would seek to make and we will do this in a formal submission to the commission - - -

PROF WOODS: Thank you. My understanding is we don't as yet have a formal submission.

MR THOMPSON: No.

PROF WOODS: We have an indication of your views, but - - -

MR THOMPSON: Go to those questions which were canvassed in the previous session about the way the system can be better tailored and more responsive to the needs of job seekers; those questions about the better and more effective provision of Job Search support, about promoting more active choice and so on. Those matters will be covered, and some other related issues, in a formal submission which we will get to the commission before the end of the month.

PROF WOODS: If that occurs in a timely way we would be most grateful. That will canvass the issue of access to capital?

MR THOMPSON: Indeed, and I guess we need to canvass some of the issues associated with the differential tax treatment of some nonprofit organisations.

PROF WOODS: Yes, you've read out our discussion of that.

MR THOMPSON: Yes.

PROF WOODS: Are there any areas where you sort of have particular diverging views?

MR THOMPSON: I think much of the benefits of differential tax treatment were removed. Much of what was beneficial to nonprofits was removed when their exemption to wholesale sales tax was abolished.

PROF WOODS: Yes.

MR THOMPSON: I should inform the commission that I represent the Australian Council of Social Service on the Australian Tax Office's Charities Consultative Committee.

PROF WOODS: We have also had evidence from ACOSS as well.

MR THOMPSON: Yes. The remaining substantive benefit perhaps is the access to now capped exemption from fringe benefits tax, or rebated fringe benefits tax for some classes of organisations. Those matters are the subject of - well, inevitably will be the subject of consideration by government as it considers the report on the charities definitions inquiry conducted last year, the report of which is before the treasurer and the assistant treasurer, and we need to see how the government responds to that.

It might be claimed that there are some benefits to be derived from the non-payment of income tax. I suspect - not being familiar with the accounts of many organisations - that any surpluses they are generating wouldn't be taxable in the same context anyway. I think the other thing we will explore in the written submission is the extent to which many of these organisations are then providing other services, which are not funded by government, to communities and the extent to which they should be accountable for doing that as part of any beneficial tax treatment they might get. But there are some bigger and more fundamental questions associated with some of those issues.

PROF WOODS: Thank you. We look forward to receiving those. Before you leave the table can I on behalf of the commission formally welcome Francis Thompson to the commission's proceedings and to place on record his model behaviour as somebody attending the commission and we're very grateful that he was able to come. Thank you very much.

MR THOMPSON: Thank you very much.

PROF WOODS: We will have a very short break and then we will call forth WISE Employment.

PROF WOODS: Thank you. If we can resume and welcome our next participant, David Haynes from WISE Employment. Can you please provide your name and organisation.

MR HAYNES: My name is David Haynes. I'm from WISE Employment. We're a not-for-profit company based in metropolitan Melbourne. We do a variety of Job Network services but originally started doing some work for the Department of Family of Community Services helping people with disabilities. So I guess we sort of see ourselves as a placement agency rather than employment agency in the sense that we don't like job matching, I suppose, is the shorthand version of that.

PROF WOODS: We can pursue that in a minute. In fact do you have an opening statement that you want to make?

MR HAYNES: I guess if I was to say anything I think a lot of the difficulties involved in the Job Network are to do with its essential structure, that what's regarded as successful is an employment outcome, and I have this terrible feeling that if you compare a thousand people who have been assisted with intensive assistance with a thousand who haven't that the marginal improvement in their success is not as significant as perhaps people might think.

PROF WOODS: You've been through our report and noticed that we conclude the same?

MR HAYNES: Yes, and it didn't actually surprise me particularly.

PROF WOODS: You're happy with that conclusion?

MR HAYNES: I'm happy with the conclusion, to the extent that there isn't that much of an improvement, but I don't know that that means that it has been a failure or that the services that are provided aren't value-added, so I think it's a question of maybe we're measuring the wrong things. I mean it's neat in an economic model to say what we essentially want is people to go off a benefit and so that, by definition, is employment but, as has been mentioned, we look at about 20 per cent of the opportunities that are there and that's basically what the CES did as well. And if you look at the definition of what's a successful employment outcome, that has changed over the life of the Job Network anyway. It used to be 15, it's now 30 hours.

It has got to be full-time, and it's starting to become even less and less relevant when you look at the types of jobs that are happening in the economy anyway, where there's a lot more casualisation, a lot more short-term employment, and so to be successful in the Job Network we're progressively having to squeeze ourselves into fewer and fewer outcomes which are less and less relevant to what's going on in the

economy anyway. It makes the model look better but I don't think it actually achieves what it sets out to do. I'm interested in your views that perhaps we ought to be looking from the perspective of the long-term unemployed rather than the business, or both.

PROF WOODS: Both, but we're just trying to make sure we do cover all views.

MR HAYNES: Do both, yes, and I would be interested in sort of focusing, I guess, on that, because a lot of issues in the sense of choice - it seems obvious to me that a job seeker ought to be able to choose more than one intensive assistance provider if they thought they were going to get some value out of that. There are obvious restrictions now in terms of the contracts.

PROF WOODS: We don't want to pay too many commencement fees though, do we?

MR HAYNES: Then maybe you don't. Maybe you say that a provider can have up to 50 per cent on their contract capacity but not get the commencement fees for them. So if there was a specialist provider next door to us who dealt with people who had a specific physical disability and I had somebody on my caseload who had that physical disability then why shouldn't I be able to do the deal and say, "Well, we will split the success fees if you will do that sort of stuff." It's something you can't do now but it sort of seems blatantly obvious that it's something that could be done relatively simply, and it goes very much towards some of your recommendations, that why have a limit on your contract capacity anyway because we're being restricted. We have some offices - - -

PROF SLOAN: We heard at the very end about the problem with the specialist providers getting sufficient referrals. It seems to me that the generalists, if you had a sort of different system, they might be prepared to take some of the specialist services.

MR HAYNES: Yes.

PROF SLOAN: There's not much cooperation.

MR HAYNES: There's not, and I guess half of something is better than all of nothing, is I guess how you would hope the providers would look at that, but there are so many restrictions from a job seeker's point of view. You have freedom of choice but you have it when you don't actually understand what the system is and as soon as you get involved in the system and understand it and realise you've made the wrong one, well, it's bad luck, and you've got to stay with that provider for 12 months or 18 months, or whatever, and there are so many institutionalised

problems inherent in the model.

PROF WOODS: But what's driving that?

MR HAYNES: Ease of administration. The government has to be in a position to justify what's spent in this area, and quite rightly so. It's the Commonwealth - it's the taxpayers' money, and along with every other taxpayer you don't particularly want it to disappear up the side of a wall or - but I think there's a lot of history. I mean public servants probably have had a lot of exposure to the CES and the way that things used to be and I don't know that right at the outset - when it was established - that people were brave enough to look at sufficiently different things. I don't think we're an employment industry, for example. I mean we are by definition looking at a very small proportion of the jobs that are available and by definition dealing with the hardest people to place in the economy because you guess that if they've been out of work for a long period of time then they do have additional barriers to employment.

So to say the appropriate model for us to use in the Job Network is therefore employment services seems to me a sort of a very brave call. It's certainly one we're comfortable with and certainly one that you can administer fairly neatly because you've had lots of practice with the CES or with Employment National, or whoever it is, but I don't know that it necessarily implies that success or benefits to the most disadvantaged in the community are what has actually driven the structure of that.

PROF SLOAN: But presumably what you're saying is that because of the emphasis on hard outcome measure at the expense of some of the softer outcomes, which are quite appropriate for the client group you're dealing with, does that also mean - and I mean I sort of hate to raise this issue - that there are some incentives to give some people not a lot of attention.

MR HAYNES: For somebody to come here and say, "No, is to be disingenuous about the whole thing - of course.

PROF SLOAN: I don't think we're trying to make a pejorative statement. It just seems to me that's how the incentives stack up.

MR HAYNES: I would go back and say that's a function of the model.

PROF SLOAN: Yes.

MR HAYNES: It doesn't actually make an organisation a bad organisation.

PROF SLOAN: No, exactly.

MR HAYNES: If the contract specifically disassociates payments from a job seeker - I mean it is quite clear that you get an up-front payment but we don't expect you to spend that money on that job seeker - you have the flexibility to do with that money what you think is most effective. Elsewhere in the contract it says you've got a responsibility to maximise your outcomes. Why would you spend money on somebody who might not get what's defined as an outcome? So I think the inherent problems are with the contract. If employment is the only outcome that you're interested in, then you have some difficulties, and you start looking at some of the real problems associated with educational outcomes or secondary outcomes or something which lead to stars which lead to rolled-over contacts. Then all the industry is doing is doing what it's asked to do by its purchaser, but now we're starting to sort of look over our shoulders because we're supposed to have complied with the spirit of the contract, which is - - -

PROF SLOAN: Squeaky.

MR HAYNES: Yes. Everybody is experienced, so it's just an interesting structure and I don't - I mean I think it's - - -

PROF WOODS: We actually conclude that the structure inherently has some merit. The alternative of going back to an input focus that says, "All right, we will pay you but we will pay you to deliver this training, this activity, et cetera."

MR HAYNES: I don't think necessarily it's one or the other. I mean I think inherently being rewarded for finding employment for somebody is a terrific thing. Why necessarily should that be restricted to the Job Network though? If you have a whole community infrastructure out there, a lot of whom assist people with specific disabilities, then if an organisation that deals with somebody who has got an intellectual disability, and that's what its focus is, but knows a friend somewhere else who has got a job and places somebody into employment and gets them off the benefit, why shouldn't they get the benefit?

I'm arguing against my financial viability here because I've got through the gap, did a lucky tender, and got some business from the government, and I want to keep hold of that and I want as much rolled over as possible because we do a lot of intensive assistance, but from a community's point of view why wouldn't you have - well, we want our whole community to focus on finding people employment, because that's a good thing for them. Why do we have to have that managed in a particular structure like the Job Network when in fact we could pay for services, as you were talking - you know, providing training courses or doing Job Search training or preparing people's resumes - but where a hard outcome happens, somebody goes off the benefit, then whoever can be shown to have contributed to that can get some of the benefit? Now a whole series of new problems are there.

PROF WOODS: Yes.

MR HAYNES: Which interestingly we face anyway. It's a battle to have got your job, to have claimed that job-matching outcome before anybody else can get in before you, and there are all of those issues that go on at the moment. My former father-in-law was a doctor in the country and used to describe, when somebody dislocated their shoulder, the importance of speed being absolutely of the essence when you're treating people like that, because if you don't get to them quickly the shoulder goes back in by itself and you can't actually charge Medicare for the procedure to put the shoulder back. It's a bit like that with job matching.

PROF SLOAN: No death without diagnosis.

MR HAYNES: It's a bit like that with job matching. The whole nature of that is that a lot of people will find jobs themselves.

PROF WOODS: We are trying to reduce deadweight costs.

MR HAYNES: It's an interesting thing. It's one or the other. I think you could actually sit there and say, "Well, if we want the whole community, or every not-for-profit organisation, or any organisation for that matter, to be involved in finding somebody who's disadvantaged employment, then why shouldn't just that activity per se be rewarded by the community?" We've chosen to do it within one structure. I'm not sure that that's the right way to do it.

PROF SLOAN: We hear about self-parking too; it would be foolish to deny that exists. Is that also interacting with the incentives the Job Network provider faces? If someone looks reluctant and is not actually keen to help themselves, you then don't devote resources to that person.

MR HAYNES: Yes, that obviously happens. Self-parking, I sit there and think, if I'd been out of work for 12 months and had been knocked back for - - -

PROF SLOAN: I'm not trying to be judgmental, I'm really not.

MR HAYNES: No, neither am I, and I guess I'm trying to say that I'm not.

PROF SLOAN: I can understand it. I'd be like it myself, too.

MR HAYNES: There's a certain psychological necessity to sit there and say, "Well, I'm comfortable with my lifestyle at the moment. I don't actually want to look for work."

PROF WOODS: "Provided I don't get breached."

MR HAYNES: Exactly. But people who have lived in those circumstances and then luck out and find a job, or get good assistance from an IA provider, or whatever, and find a job, you would ask them six months after they've been working, "Could you ever imagine going back to the way that you were?" and of course they couldn't, which says a lot about how flexible human beings are and their ability to cope with various circumstances.

But is it a failure to allow people to self-park? I think if the community thinks that you can do better by having work and having a reliable income, then if people have got used to not having that because they haven't been successful in finding work, then their view would be, "I don't want it anyway," but in fact there may be some benevolent requirement for society to say, "No, you could do better for yourself. We want you to be seen by somebody regularly," and perhaps those are the services that the community ought to be purchasing, rather than just the results.

PROF WOODS: I wonder if in a lot of cases it is actually self-parking or it's a way of coping with the ongoing failure, and so in part it's a resignation but an underlying desire still to get back in, but this is how they self-justify and self-cope. We've talked to people who have been unemployed for 10, 12 years, and they're still looking for jobs and still putting in applications and still going through the process. They've got to go through some processes because they don't want to get breached because this is all the money they've got, but outside of that they're still picking up the paper, putting in the application, looking for the job, because this isn't a very good lifestyle but they're having to cope. I asked one guy who had been out for 10 years, "What does the next 10 years of your life look like?" and he was finding that very hard to come to grips with.

MR HAYNES: I think to survive you would sit there and say, "But it doesn't really bother me," otherwise you'd go mad.

PROF WOODS: Precisely. It's a self-coping mechanism.

MR HAYNES: I agree. People in employment do that too. A lot of people work in jobs that they hate and do that every day for 20 years. Now, that's not terribly sensible, but because they're in a job, "We can look down our noses at people because at least we're not a drain on the community," whereas if you're on unemployment benefit - and the environment has changed. There's a lot of policing that the Job Network is expected to do. The department - and I've mentioned the phrase in my submission - expects us to shake the tree. There are people who have jobs.

PROF WOODS: Yes, I have highlighted that phrase.

PROF SLOAN: Is a lot of it - and I'd like it from the perspective of your organisation particularly - undermining the scope for experimentation and innovation, the fact that increasingly the department is monitoring pretty much every activity of Job Network providers? Has it been your experience that the early phase of experimentation and innovation has been ground down?

MR HAYNES: I think it's much harder to take a risk now. Stars are a really frightening six-month thing to look forward to.

PROF SLOAN: Particularly when you don't understand them.

MR HAYNES: Yes, and particularly in the environment where the department says, "We don't actually like these things being included in the stars, and we tried to convince you that they shouldn't be, but we haven't been able to say we have, but we're going to ignore them when it counts anyway." So you actually think, "Well, I know I've got my stars, but they mean diddley-squat actually."

PROF WOODS: Could you elaborate on that?

MR HAYNES: There were some discussions - I'll ask the audience to help out too - over about the last four or five months, when the department was conducting this review on stars, and they approached people in the Job Network asking what their preferences were, from memory, there were three options given: that there be no changes; that they discount them altogether - essentially, the general view was that, no, we didn't want them changed yet again. And the department said, "Our preference was that we actually discounted those secondary outcomes," but that's not what the general view of the Job Network was, "And being so cooperative and partnership based, we of course won't change them, but you know how we're thinking."

PROF SLOAN: I detect a hint of irony in your voice.

MR HAYNES: I think it wasn't even unstated irony. I could probably find documentation where the department says, "We will be fixing up the stars the next time because there are unintended consequences." I remember a meeting in Melbourne where there was somebody from ANES who was given a terrible serve about this. We're not an organisation that puts lot of people into those training courses but, equally, I couldn't put my hand on my heart and say that's not good for people to do.

There's a lot of unfairness in the way that things are being measured at the moment, and so in that sense it's a question of how seriously you want to take it all. There are going to be services of some description, and the community is going to spend some sort of money. If you do the right thing and you're lucky, then you'll probably keep your job for a while, but it's not sufficiently developed as a system to

be confident that what you're doing is state of the art stuff or that it can't be retrospectively reviewed as something that you shouldn't have been doing. In that environment, it's a very brave person who is innovative. I'm sure people who have run foul of the department would say, "Well, we were just trying to be innovative." It covers a whole range of behaviours.

PROF SLOAN: Some of those don't work out, those innovations.

MR HAYNES: Yes. We were innovative earlier. We sat down with all of our staff and said, "Nobody is going to make a mistake in the first six months. In the seventh month we'll look at things that we probably shouldn't have done, but they won't have been mistakes because nobody knew any better at this stage." We tried to keep to that. We didn't actually yell at terribly many people. No, there's not an encouragement for that, and it's contract based. Essentially, it's not an industry. The government is contracting people out to do public service, to provide a service.

PROF SLOAN: Presumably, though, you're in favour of the system of rollover. Have you been turned around?

MR HAYNES: Yes.

PROF SLOAN: You've survived.

MR HAYNES: We've survived. We'll end up having to do both. Realistically, most organisations would sit there and say, "Well, you've some good sites and you'll have some bad sites, so you'll probably get some rollover and you'll probably lose others", and so you'll have to tender to win those other ones back. Now, that means we have to do both. It's nice to say that it's going to be rollover and it will be easy for everybody but I mean you're kidding yourself if you expect that the department is going to say - - -

PROF WOODS: You'd be a lucky organisation to be rolled over.

MR HAYNES: You'd be very lucky to be guaranteed that your existing sites will all be rolled over.

PROF WOODS: The majority will still go through the trauma of the tender.

MR HAYNES: Of course.

PROF WOODS: But at least the risk won't be all or nothing. So it's a different risk.

MR HAYNES: Yes, if you've got seven out of 10 of your sites going, or whatever,

then it's not going to be the end of the world but you still have to put the same amount of effort in, whether you're going to bid for three sites or seven sites.

PROF WOODS: It just doesn't have quite the same ultimate consequence.

MR HAYNES: It ameliorates some of the effects, that's all. But this idea that rolling over is going to solve all of the problems is just - - -

PROF SLOAN: That's an important point, I think. It doesn't actually eliminate the transaction costs for probably anyone.

MR HAYNES: No, it's not going to and it's - at the moment, I suppose, it's described as doing that and I don't think it will unless they decide to roll people over on an organisational basis. Then it's very tough for a department to sit there and justify an organisation which has a site that's only at two stars, whereas next door there might be a smaller organisation that has an office with five.

PROF WOODS: But you don't know? You don't know the rules yet?

MR HAYNES: No.

PROF SLOAN: What's your view on Job Match? You've got some - do you do any Job Match alone?

MR HAYNES: Yes, we have one site that won it in its own right. All of the other Job Match that we have has been tied to the fact that we do intensive assistance or JST. The history - we essentially ignored it in the early part of the second contract. Again it's, I guess, part of the measurement. When the stars came out, one of the things the department chose to measure was the number of IA clients placed into job matching outcomes. So we had to actually have owned the vacancy and placed our client into that. Now, we didn't know that until after the stars came out, so, "Oh, my God, no wonder we haven't got very good stars." So straightaway you turn the organisation around and you focus on - - -

PROF WOODS: When you say it wasn't transparent as to what the stars would be - - -

MR HAYNES: No, there were early discussions with various industry associations but they didn't actually filter through to the organisation until, "Well, how come we only got this many stars?" "Well, this is how they're measured." "Oh, well, we weren't focusing on that, that and that." So the second lot of stars, we did better, but it's learning on the fly, I suppose. When you write a tender you sit there and show that that's how innovative or flexible you are as an organisation and hope that you

can sort of run a pretty good snow job that, you know, it will be all right on the night. Again, it's not an industry, it's not established, and to pretend that it is, to pretend that we've got ways of measuring what's good and what's appropriate is to be misleading.

I honestly think that the focus at the moment - you know, that there's such an emphasis on those employment outcomes - is misguided at this stage. I think you're getting messages from the department that they agree to that, that there will be more than the stars. "It will be some measure of quality. There will be something else that we'll look at," and "Trust us." And, well, you do. I mean, you have to.

PROF SLOAN: What about the price paid for JM, though?

MR HAYNES: It's inadequate for what they want. Again, it's because of the nature of the payments. It's a success fee. So if you're going to be successful one time in five, you have to do an awful lot of work for which you're not going to get paid, whereas perhaps if they changed the way - if it was an administrative payment, that "We want to have 3000 sites around Australia that will provide basic resume preparation and accessibility to touch screens and whatever", then it may be a much more effective way of providing those services around Australia.

PROF WOODS: This comes back to the idea of doing a mini-JST early in the person's period of unemployment, or some variation or picking up - - -

MR HAYNES: Yes, I'd accept about a three-month milestone then put somebody through a JST and have - but it seems to me that as a community, it would make much more sense to have touch screens at every council and every library and every shopping centre.

PROF WOODS: You'd still have the problem of the jobs being locked up by the providers and having to register.

MR HAYNES: Yes, in the current arrangements. I mean, you'd have to do something about that.

PROF WOODS: What would you do? I'm not getting yet a very complete vision of where you'd head on Job Match.

MR HAYNES: I don't think in itself - I think I'd change the nature of it entirely.

PROF WOODS: Spell it out for us.

MR HAYNES: Understand that it's only 10 or 20 per cent of all the jobs that are available and increasingly less relevant when you look at the technological changes

that are going, in terms of Internet matching and all of those types of things. So if it was good 20 years ago, it's probably not as good as it is now. I think honestly that to provide a community service, to make a community service available where people can be given access to advice on job searching techniques and "We'll help you out with your resume and access to the Internet, to the jobs that are advertised externally, because we don't" - you know, the Job Network doesn't create jobs. It gets in quickly and finds them before somebody else does if it's good. So in that sense, there's a lot of effort going into something that's not inherently valuable or doesn't inherently provide service to anyone.

If you take that aspect out of it and say, "Well, the jobs are still going to be there somehow but perhaps we'll advertise them in a way - you know, we'll find them wherever they are." I don't think job matching in itself is a particularly robust model. Certainly the funding is insufficient to do what the government wants it to do. And if the government actually just wants people to provide services, then much better pay an organisation to do it for a job seeker once rather than me having to register with Job Network member A and doing a short registration and being able to be matched to their jobs, but then if I want also to be matched by Job Network member B, then I have to go through their process again and maybe have to go through four or five separate Job Network members to be registered with all of them to be compared with their grasp of whatever jobs are available - you know, it's just not a terribly strong model.

PROF WOODS: Could you end up instead giving job seekers, when they register with Centrelink, a voucher that entitles them to one or maybe two training sessions of no more than a couple of days' duration to help them prepare for, you know, putting a CV in and - - -

MR HAYNES: If you licensed a number of providers to offer that service and on registration at Centrelink you were provided - "Okay, here's the list of organisations. You choose which one is going to train you in job searching technique and this is what you can have in the first three months of your unemployment, or whatever it is. Thereafter we'll put you into something else and thereafter we'll do something else. overlaying all of that, whoever manages to get you into employment or get you off the appropriate benefit has the right to expect some sort of a success fee, but you don't need to have all of that - - -"

PROF WOODS: By keeping the second bit, though, you're still doing the lockout of jobs. My problem with that is that you're still going to have, therefore, Job Network providers, multiple providers, being the interface between the job seeker and the employer.

MR HAYNES: Yes.

PROF SLOAN: Because of that ownership of vacancy. Mind you, it seems to me that - I'm not sure you'd need to do the first bit necessarily if you've got rid of that exclusivity because isn't part of the trouble that if you own a vacancy, so to speak, you then become rather fussy about who's going to apply for that because you've got a broader reputational issue?

MR HAYNES: Only if you're in breach of the contract because we all have to sort of put the job straight onto the system and make it available to everybody, which of course everybody does.

PROF SLOAN: Well, we have ways.

MR HAYNES: Well, yes, you're a bit slow when they're yours and you make certain that there aren't any intensive assistance clients on your books or at your office and then at neighbouring offices of yours and then maybe JST clients and then maybe job matching clients. Then if all else fails then as long as it's within a reasonable period of time, you put it on the system. I mean, I'm not saying that's what they do but it wouldn't surprise me if organisations out there were doing stuff like that. So inherently, that ownership aspect creates a whole lot of administrative burdens, which cost us a lot of time but, more importantly, make it hell for the job seekers. I mean, you don't know if you're not registering at three different places for the same job, and who wants to do that? It's just such a waste of the community's resources.

PROF WOODS: And you don't know what's happening to you in that process, either.

MR HAYNES: Yes, because there's simply not the resources to be able to do - no Job Network member or nobody who works in the Job Network likes not telling somebody, "Bad luck you weren't successful and maybe if you think about doing X, Y and Z, you might be more successful the next time." You'd love to be able to do that. But if you know you have to get X number of placements a week otherwise you're going to lose your job if it continues that way for more than a month, then - it's the niceties that fall off and that's a normal business decision, and I guess organisations that have a lot of intensive assistance have more latitude in that sense.

You know, you tend to have a relatively smaller number of people and you do get more money and you can maintain that sort of relationship, and if people are self-parking and there aren't really a huge number that you're looking at, then you can - you know, there are all sorts of trade-offs here that the government has benefited from. I mean, if you look at the amount of money that's actually spent in the Job Network now compared to what was spent delivering equivalent services five

years ago it's in the order of 10, 20 per cent, or something like that. The government has made significant trade-offs in the way that it's restructured things, and you could actually reasonably think that there are enough problems out there now and lots of inherent structural issues, and disadvantages facing job seekers, that perhaps we ought to look at letting the pendulum swing back a bit more; maybe there ought to be more money in this industry now, as soon as somebody in the Job Network says that you're accused of feathering your own nest - - -

PROF WOODS: What would happen if you just abolished Job Match but in its entirety. In our draft report we floated the idea that you'd keep Job Match as such for IA, but why not get rid of it totally, and wouldn't the provider then have to work out strategies to get their IA client before the employer, or the employer's representative if they chose to use some recruitment agency or something? They would have to refocus and say, "How can I get this person? Do I attach a wage subsidy? Do I get them skilled up? Do I work on them and their CV? How do I get them to be accepted, at least for interview and, hopefully, for a job with the employer?"

MR HAYNES: I think that has a lot of value, that model, that idea. You look at a lot of the administrative processes that we're bound to comply with at the moment - it's so that the government doesn't accidentally pay us something that they don't think we're entitled to. If a job seeker actually did find their own job, then the department doesn't want to pay a success fee for that event.

PROF WOODS: But it happens. There's a lot of deadweight cost.

MR HAYNES: Occasionally it does, but you spend a lot more time justifying legitimate claims than you do - there's just no point in trying to do a dodgy one because you will be found out.

PROF SLOAN: I presume you don't mind the 28 days going.

MR HAYNES: I wouldn't mind that at all, yes. Interestingly enough, if the intention of the government is to get people off benefits or engaged in the community, or something like that, then does it really matter where the job came from? If it's saying there is such a loss to the community by having somebody who's not working that we will make this bounty available regardless when somebody goes off benefit, and it could go to a Job Network member or - - -

PROF WOODS: You've got to demonstrate that they've contributed to that process. Otherwise, every time an unemployed person gets a job, somebody puts their hand up for a bit of taxpayer money to say, "Terrific. I showed them the ad in the paper."

MR HAYNES: But, realistically, I don't think it's a business opportunity that I'd consider, "I'm going to make myself unemployed for two years so that I can get a

payment for 5000 bucks."

PROF WOODS: No, not you unemployed but you canvassing a whole range of unemployed people and saying, "If you get a job, tell me first, and then I'll split with you the success fee of getting the job, because you won't get it in your own right. But if I can show that I've done something, I'll get it, and I'll go you halves."

MR HAYNES: If at the end of this somebody who has been out of work for two years, for whatever reason, feels, "Now I can re-engage in the community by doing something a little bit dodgy," it makes - - -

PROF WOODS: That's not so good.

MR HAYNES: Not dodgy, "but makes me feel like I haven't lost it, I've actually pulled the wool over somebody's eyes; I don't actually know who it is but I've got a job now", isn't that what you want?

PROF WOODS: No, you want people to get jobs.

MR HAYNES: Yes.

PROF WOODS: You don't have to have them go through some dodgy process. You want them to get jobs.

MR HAYNES: I agree, but after 12 months of trying, if you presume that's what people were doing - - -

PROF WOODS: Or 12 years.

MR HAYNES: Or 12 years, yes, then to be churlish about not paying 3000 bucks for somebody who's been out of work for 12 years getting a job, I think that's a risk that the government could run. You talk about cost benefit and transaction costs, and whatever. It's the public service fear of paying something that's not justifiable. It's the Herald Sun test: if it appeared on the front page of the Herald Sun - - -

PROF WOODS: Efficient and effective with taxes.

PROF SLOAN: There may be some efficiency gain in that if you're an IA provider and you don't engage in general job match, then the only kind of persons that you're referring to employers are known to be disadvantaged; whereas if you're in the broader game, then - - -

MR HAYNES: Although we are an intensive assistance provider, and I said at the start we didn't focus hugely on job matching, we do a bit more and we're right out

there with our contract and milestones, and we've probably got better stars in job matching than we have in intensive assistance. Okay, figure that. But we wouldn't change the way we operate. Whether we got paid for job matching or not, we still look to get those relationships with employers.

PROF WOODS: Exclusive relationships?

MR HAYNES: If they're available. I mean, the perfect employer is somebody who picks people for three and a half months, doesn't care who they employ and has a high turnover of unskilled - - -

PROF WOODS: Abattoirs.

MR HAYNES: That sort of - and tanning places, you know. Now, is that actually something that you want? It's a game and it's because there's a focus on an employment outcome: got to be 30 hours a week or 15 hours a week or whatever it is, got to get somebody off benefits, and that's hugely successful then. Now, I don't know that it is. And so you get back to: are we sufficiently certain that the employment outcome is the most important thing? Clearly it's one. Clearly it's very important.

PROF SLOAN: Or "that" employment outcome is more to the point, I think.

MR HAYNES: Yes, but it may be that as a community we also have a responsibility to provide those benchmark services, the services that will raise self-esteem, the services that will engage people in their community, and if it's other community organisations that do that then why shouldn't they also have the opportunity to get paid for providing those services? It's a very limited selection of options that we've taken to create the Job Network and we're fussing around at the moment to fix up the loose edges, but it may be that there could be a better - - -

PROF WOODS: We have received from you a submission which is, as you say, a collection of views of various of your thoughtful staff, and we're very grateful for that, but now that we have put out our draft are you contemplating bringing some focus to the issues and responding?

MR HAYNES: Yes, we could do that.

PROF WOODS: That would be very much appreciated.

MR HAYNES: We, along with a lot of other organisations, have been doing lots of tenders at the moment, but I'm sure we can find people who would be interested in - - -

PROF SLOAN: I think we'd be interested in your views about the industry dynamics, recommendations, this idea of shifting to - well, two things I suppose. There is a licensing model in there, but we are also canvassing the kind of intermediate position of some capped growth within contract periods as a possibility.

MR HAYNES: Yes. I think that idea that if I've got a caseload of 200, I ought to be able to blow it up to 300 - - -

PROF SLOAN: If you're doing well, yes.

MR HAYNES: - - - if I do joint deals or something like that. We have had some sites that have had difficulties getting up to their contract capacity, we have had some that have had waiting lists and we can't get people to see our organisation, so that's a strange thing. But, equally, the department spends an awful lot of time trying to guarantee that people get up to 85 per cent of their contract capacity.

PROF WOODS: You make that point. You say the department is under immense pressure to keep providers up to their capacity. That seems silly in itself.

MR HAYNES: And we have to claim individually each time for each person. You have to claim within 28 days. You have to do all this type of stuff. You sit there and you think, "Well, hang on." In other programs that they deliver, like a community support program or whatever, we get paid 80 per cent up-front, each milestone, and unless you drop below a certain level, you keep getting that level of payment - huge administrative savings. You would still need to do the activity agreements and the plans and the whatevers for an individual, but why do you necessarily have to restrict or tie your payments process to that individual basis when in fact the funding is not linked to the individual in the first place?

PROF WOODS: You did change your incentive structures though.

MR HAYNES: Yes, but if you're releasing resources from having to do administrative stuff into presumably directing them towards getting outcomes, that might be a net benefit to the Job Network.

PROF WOODS: We are trying to track down what the costs of compliance are and anything you can add to that, we would be grateful.

MR HAYNES: So "too much" isn't sufficient, I guess.

PROF SLOAN: What about that idea of how do we empower the job seeker more? It seems to me that, on the face of it, with the pilot on giving the job seekers greater

choice over the provider, it seems to have the other advantage or the other effect of reducing that period of time between referral and commencement. Is that a source of frustration? There's really quite a large drop-out rate from - - -

MR HAYNES: Yes, from the time that people - - -

PROF SLOAN: Yes.

MR HAYNES: And, look, I think that was partly to do with the fact that it was a new game too, and people traditionally don't answer letters from Centrelink. Now we're in an environment where it's much more expensive to do that and so I think the time frames are squeezing you. It's not so hard to get people to come in to do what they have to do, but equally, once they have done that, then they can elect to park or they can be parked by organisations or they can choose the level of involvement or engagement that they want. And there are people who have jobs and who are on benefits. I could make a guess, but nobody is going to actually tell me that that's the case. It's just Twin Peaks. A lot of people get a job very early on. Now, it may be just good luck, but it may also be that they have just been caught out.

PROF WOODS: A new focus. All sorts of reasons.

MR HAYNES: So that gets back to that "shaking the tree" administration that they want, and I think that's an unpleasant part of being involved in the Job Network. You're expected to do some of that stuff, and that's at the cost of your relationship with the job seeker essentially, when you're having that compliance stuff contracted out by Centrelink to you.

PROF SLOAN: That's fine. I liked your submission and if you've got some more points - - -

MR HAYNES: We'll have a go at another one.

PROF WOODS: Yes, please.

MR HAYNES: Do we have a week?

PROF WOODS: You do have till the end of the month, but obviously the earlier, the more considered we can be about the matters that you've raised and any feedback.

MR HAYNES: Yes.

PROF WOODS: While you're there, for those others in the audience who aren't providing oral evidence today but have been sparked into points of interest and

concern, if you would like to send us an email with some thoughts, however long or short, we would please encourage them to do so. Are there any other points that you wish to raise?

MR HAYNES: I don't think so. I mean, you always think of them just as soon as you - - -

PROF WOODS: That's all right. You can come back to us.

MR HAYNES: But I've got email, so I can send it to you later.

PROF WOODS: Yes. It's been a fruitful discussion. We've wandered around a whole range of topics that do need to be explored, so we're very grateful to you for coming.

MR HAYNES: Thank you for your time.

PROF WOODS: Thank you. We will adjourn until 1.30.

(Luncheon adjournment)

PROF WOODS: Ladies and gentlemen, we'll reconvene our hearings into the independent review of Job Network and our draft report. Next participant Sally James from the Melbourne City Mission. Can you please state your name and title for the record.

MS JAMES: My name is Sally James and my position is actually different to what's been recorded. It's general manager of community development for Melbourne City Mission.

PROF WOODS: Thank you very much. Our attention was drawn to Melbourne City Mission by some comments in the press, amongst other things. Do you have an opening statement you wish to make.

MS JAMES: I'd just like to open by talking about Melbourne City Mission's philosophy to service delivery - - -

PROF WOODS: Thank you, that would be helpful.

MS JAMES: - - - and the fact that Melbourne City Mission is not a Job Network provider and deliberately not so. After much dialogue that we had internally, we decided that we wouldn't tender for the Job Network because we thought it was such a radical change at the time that we really needed to stand outside of it, outside the service system, to take on a watching brief. We felt that if we did begin to deliver it, if we were successful in the tender to start off with and did deliver it, that we'd be too busy delivering it and we'd move away from our core business and our core values of advocating for disadvantaged, unemployed people. So that's the reason that we decided not to tender. That's basically my opening statement. Do you want me to proceed with some other views?

PROF WOODS: Well, why don't I let you run the agenda at the front end and then we'll pick up things that I'd like to pick up at the back end. Where do you want to start?

MS JAMES: From making that decision, we thought if we're going to truly advocate on behalf of unemployed people, particularly disadvantaged people, that we really need to - how do we stay in the loop, around information, and how do we provide a voice for unemployed people? What we decided to do in the first instance is, in 1998 we teamed up with Hanover Welfare Services and we interviewed I think about 250 unemployed people, older unemployed people and young people, people who were in housing crisis about the impact of the Job Network on those people themselves. So it was early days in terms of the Job Network being delivered.

We found that most people were confused and frustrated, particularly young

people; that the assessment procedure at the time through the JSCI was flawed through under-reporting of homelessness and housing issues and also the weighting of the JSCI factors around homelessness and the other barriers, the associated barriers with homelessness and in terms of gaining employment. They are, you know, transport, contactability and a range of other things.

PROF WOODS: Yes, if you don't have the phone on, it's a bit hard to be rung up about a job.

MS JAMES: Exactly. It's not rocket science, just basically some basic issues there. So at the time we recommended to government - we had a number of discussions with Canberra at the time and with people who were involved with the JSCI at the time. They were actually evaluating it. They have changed it since then, which is great, and moving towards a better tool but still not right, as you've said in the report. Obviously, most of the people - particularly young people - were confused about that tool and feel that they had to do well, so they're not quite sure what it all means, therefore they're not divulging their true situation.

PROF WOODS: And the Centrelink person can't elaborate on the question and all of those issues and try to address all of that.

MS JAMES: They try; and I think it's a training issue there, too. I mean, you've got to - the customer service officers, the first port of call at Centrelink. You know, they assess the person and after that, if the assessment is not right - it depends on how that person is referred.

PROF WOODS: A whole lot of factors.

MS JAMES: That's right. So we recommended at the time that the government lean on other agencies - you know, there's SAP agencies, the Homeless Persons Services agencies and other community agencies that already have a trusting relationship with disadvantaged people, people who often don't have their own family networks or social networks - and that those agencies be mandated to do an assessment first of all using the factors of the JSCI. Then, obviously with the person's consent, make recommendations to Centrelink about that assessment and work together with Centrelink about the next step for that person. They could do another afterwards, but that would be obviously a free service.

We're talking about that in this climate and it would be about then linking in with the other community agencies in the local area and it would assist the resource issue at Centrelink. There seems to be one still, around the time that they can spend with people and just the training. That's still on the table, in terms of a recommendation around using those other agencies to develop that assessment. The

other recommendation that came out of that was obviously to - there should be a broader range of specialist services for people who are homeless and severely disadvantaged in this particular area. That's something you've obviously talked about in the report anyway.

From there, we worked on lobbying government and talking to government about those recommendations at the time and a couple of years slipped by. In 2001, we teamed up with Dusseldorp Skills Forum and Brotherhood of St Laurence and Hanover again and ourselves and we employed - we just thought we still needed to investigate how the employment services system was impacting on - particularly disadvantaged young people, this report was about. It's called Negotiating the Maze and it was an analysis of the employment services system. We employed a research project worker to do that six-month project. What came out of that report was there's a fragmented service system; that here was a fair bit of work being done at the school end with young people, education end, but not in the employment end - there are some real gaps there; and that there needed to be - there's also the restrictions between programs themselves that were problematic.

You know, you could do this program but you couldn't do that and there wasn't sort of a joined-up approach and obviously then not a holistic approach to young people who were unemployed. Again, we had a range of recommendations about that and we talked to DEETYA at the time, who were doing some investigation themselves, obviously through the Footprints report but also just more broadly. They agreed that there needed to be some trials around programs working together and the restrictions between programs. They basically said, "We'd like to implement a trial, a collaboration trial in Maribyrnong." This is really just to alert you to what's going on at the moment.

PROF WOODS: I was just checking. That report looked familiar. I was just confirming, yes, we have been through that and we've got a copy and have taken it in account.

MS JAMES: Good. Further to that report is implementing I guess some of the views in the framework that we've put up in a micro way in Maribyrnong Council.

PROF WOODS: That makes sense.

MS JAMES: So that's what we're doing right now. We've gone through, we're just about to finish stage 1. We've interviewed young people, young people again who - about 50 young people in Maribyrnong. The reason Maribyrnong was an area that the federal government thought would be good to trial it was because it had the highest amount of young people who were on Youth Homeless Allowance in the country, there in Maribyrnong. We interviewed young people again who were

disconnected. The same sort of things were coming up: they felt that they were being judged a lot of the time by the Job Network; they were confused; they had basically no confidence in the Job Network itself, weren't quite sure what it was about; there was a lack of work experience opportunities and employment opportunities; and also the cost of training and education came up.

That informed the trial - and what we decided and what the agencies in Maribyrnong have decided to do is that there should be multiple gateways. Obviously, what we're looking at in terms of this pilot is to make sure it's portable if successful, that you can lift it and take it somewhere else. So it's about those agencies working together as gateways. The agencies at the moment are Centrelink in Footscray, Salvation Army Job Network provider, VUT - which is Victoria University of Technology, TAFE - they also provide education training as well as Job Network, Job Pathways program providers there, another community agency - Migrant Resource Centre, and ourselves.

It's a concept like the Neighbourhood Watch concept. You know, you have a logo on your front door and everyone knows what that means. So young people know what that means and this goes for Centrelink as well, so there are guaranteed levels of service to those young people. There's a young people's advisory group that's checking on that too. So it's got to be youth friendly, whatever that means - and the young people will be vetting that and going to each agency. Obviously, it's about providing a seamless service system for young people, so they don't fall between the gaps - that they will receive a guaranteed face-to-face immediately - and this will be a challenge for Centrelink, but they're willing to look at it.

Then they'll be provided with information and that service, if that's what that agency does. If an agency doesn't provide that service, then they will provide supported referral to the next step. That could be Melbourne City Mission or whatever. We're trying to cover all bases here in terms of services being provided. So we're about to go into the second stage, which is implementing the gateway system. We've got an interdepartmental committee here in the state that's overseeing that and they're looking at how we can relax program restrictions a bit. So testing out some of these protocols we might do what we suggest in the first report with Hanover, around other agencies being involved in the assessment, so we're going to try a whole range of different things and the government departments are willing for us to do that.

PROF WOODS: Is this interdepartmental within Victoria but also intergovernmental, given that - DEWR and FaCS and - - -

MS JAMES: Yes, Department of Family and Community Services. It's very difficult to get DEWR there. We're probably not alone. Just to try and get them

involved in what's going on - they seem to be fairly single-minded about the Job Network.

PROF WOODS: But FaCS are embracing it?

MS JAMES: Yes. So what we've done is, we're going to have a linkages worker, an advocacy worker making sure that young people don't fall between the gaps of this little experiment we're doing locally. We don't want to set young people up too. That person is going to be based at the area consultative committee. We thought that's one way of getting the - well, informing the Department of Employment about what's going on. There's a national steering committee that oversees these trials, too, but I think they've found it quite difficult to get DEWR there on an ongoing basis, also.

PROF WOODS: And your area consultative committee is quite active for that region?

MS JAMES: They are now, yes. They haven't been previously but they are now, in the last six months.

PROF WOODS: We've visited and had submissions from various ACCs and there's a little variability in that but generally they're sort of focusing on the right things. It's a matter of what resources they can bring to bear and how active they can be; but that's good.

MS JAMES: Yes. So I just wanted to let you know that they'll be going - that the second stage will begin probably around May, June and that will go for 12 months. Obviously it's being evaluated. The local university is following it in terms of some action research to let us know what's happening. Then we'll be feeding that up to government. It will be about working on short-term issues, the gateways. Hopefully we'd roll it out to all agencies in Maribyrnong. They'll get a little bit of money in the beginning to help them establish themselves around - if they don't have a youth-friendly space, that they do that and that they have a knowledge base about what's happening locally because that's been an issue, too, just knowing who does what and when.

PROF WOODS: That's excellent, thank you.

MS JAMES: Just a couple of other things I'd like to say. Obviously, if you're looking at some principles to underpin the Job Network, I mean, people need to be more empowered so I liked some of the stuff in the commission's report around choice, around mutual obligation activities. I think that's a good idea for people to choose; and individuals need a lot more guidance support, which you've already

talked about too, around real choices, around different Job Network providers and what they can do for them. We believe there should be more accountability around expenditure of Job Network moneys to unemployed people.

PROF WOODS: Breaking open the black box.

MS JAMES: Well, yes.

PROF WOODS: The provider doesn't then become prescriptive as to what they must do with the money because you lose some of that tailoring to individuals. If you start to say, "You must do three days of this sort of training and you must take them on that sort of a course and you must" - then you're doing the one size fits all routine and we don't want that.

MS JAMES: Absolutely. You wouldn't go that far. But I think you need to probably spell out how much is expected to be spent on assisting.

PROF WOODS: You would have a minimum that you would spend on an individual but you would then still have the flexibility to direct your resources to those whom you thought would benefit most.

MS JAMES: Yes, I think that would be fine. I also think that the whole way the Australians Working Together policy framework talks about, you know, personal support program providers and Job Network providers working together developing the activity plan, the action plan together - I think there should be more of that across programs like the JPET and Job Pathways program - - -

PROF WOODS: Yes.

MS JAMES: - - - and for that to be mandated. In a way, that would keep the Job Network provider honest about what's happening, too. I mean, the Job Network provider could still get the money for taking that person on. The key worker could be the JPET worker, if that's where the young person is at, that they need that sort of support. But programs like JPET and Job Pathways really need access to employment and employment vacancies and expertise of the Job Network providers around that assessment around employment needs, that real vocational assessment and that could be a resource saving too.

Eventually, if the person gets the job, then the Job Network provider would get the money for that; but it would be good to get access to some dollars around training as well, because, as we know with JPET - the way we run ours, anyway - we actually subsidise a lot of young people's training, TAFE costs and training costs. That's what's coming from the young people themselves. They feel that they have limited

access to training, particularly if they have to pay for it and that's where the dollars are at the moment, with the Job Network, and it would be good to have that little bit of overlap between the other programs.

PROF WOODS: Are there any other matters on your particular agenda before we launch into ours?

MS JAMES: They're some of the main things, I guess, just around the complaints mechanism as well. We feel that people - and what we've heard from unemployed young people is that they don't feel like they're empowered to make - they feel like they're not in a power position to make complaints and maybe then again, use other agencies in the community around that sort of advocacy. You know, if someone has a legitimate complaint about a Job Network provider, they go with someone to assist them to try and work them out.

PROF WOODS: So you're talking about creating a network of support?

MS JAMES: Absolutely.

PROF WOODS: But it has to be coordinated, because otherwise - - -

MS JAMES: It has to be coordinated and it also has to be formalised and mandated by government to do this because you just can't leave it up - unfortunately, at this point in time, you can't just leave it up to - look, it happens in some communities really well but it's hit and miss and it shouldn't be.

PROF WOODS: Part of their social capital, those that have these organisations that are integrated and work well?

MS JAMES: Of course. Yes, that's right. The networks are there then and everyone is working together, everyone knows when their job starts and finishes and the people who need the services know where to go and know what to expect, so of course it's all those sorts of things. To use the other agencies there - and sometimes these things need to be formalised, like the collaboration trial in Maribyrnong. That just needed to be formalised, a project, a bit of an injection of money - hopefully at the end of the day they won't need any more money because the whole system will be working better - but to put the focus on coordination and collaboration to start off with. If you get those, if you have a departmental direction around these sorts of things - I don't like to be too prescriptive and I wouldn't normally go down this track but I think at this point in time you need to: around ensuring that that coordination happens and that the young people get the service that they need.

PROF WOODS: You were saying at the front end that Melbourne City Mission

chose not to be part of Job Network because you didn't want to, in effect, destroy your relationship with people. You wanted to continue your advocacy for unemployed and others in need.

MS JAMES: Yes.

PROF WOODS: Some of our thinking could be looking at ways of promoting and giving incentives for that advocacy, including perhaps Job Match is sending the wrong signals and the wrong incentives and it's forming closer relationships between providers and employers rather than providers and the job seekers. Do you have any views on that?

MS JAMES: Yes, I think that what ends up happening is that - we are part of a group called Job Futures so we stay in the loop.

PROF WOODS: Yes, we've talked to Job Futures.

MS JAMES: It's interesting. It's not just about Job Futures. Obviously we attend those meetings so we can hear what's happening from the Job Network providers themselves and understand some of the technicalities of delivering it, too, because if you're not - if you don't know, how can you properly advocate because you don't have all the information.

PROF WOODS: Very commendable.

MS JAMES: We do that and it's interesting because, yes, a lot of the discussion is around employers, the relationship with employers. Unfortunately, sometimes not everyone talks about job seekers, unemployed people, in a positive light. I think your whole - because you need to have your star rating up and need to watch the next tender and need to - - -

PROF SLOAN: Into the right language.

MS JAMES: That's right - and that's what ends up happening. I think that can happen to the best agency, with very good values. You can be seduced in that way, around being part of the main game in town, which is Job Network, and ensuring that you'll get the next tender because a lot of agencies now depend on it. It's part of their core business now and if they lost that money, that might be the end of that agency. So it's really quite critical to survival for a lot of groups and they'll do anything to survive.

For Melbourne City Mission, we were lucky enough to be able to have the luxury to make that decision. We weren't a small, community-based agency. It's not

about small community-based agencies. They needed to make the decisions themselves. A lot of SkillShares went under at the time as we know, because they - some said, "Look, we're not going to do it and we'll go." Others decided to and they were the decisions that they made and sometimes I think it has taken them in other directions. If you talk to them, and we do, they wish they hadn't because it has - but now it's part of what they do and they've got bigger and better and, you know, they're all CEOs. So it's all part of that.

I think there is a move away from unemployed people having a voice. Particularly in this state, a lot of the advocacy services were defunded many years ago now, so there is a gap there to support unemployed people, for them to have a voice. That's what we try and provide as best we can through focus groups and research and just keeping in touch with young people who are coming through our doors. Obviously we run a lot of pilots ourselves and test different models of service delivery to try and fill those gaps but it's stop-start type stuff, it's not really sustainable.

PROF SLOAN: You wonder whether the providers end up like, well, you know, you're talking to someone but you are going to see one job seeker as outcome payment or not outcome payment or - - -

MS JAMES: Yes, or an investment is needed here.

PROF SLOAN: It would be hard not to. Even with very good intentions I suspect it might be hard not to, for your behaviour to be affected.

MS JAMES: That's right, and we did go into the Ezra case management employment service.

PROF SLOAN: Did you? Yes.

MS JAMES: We learnt from that. We learnt that we would have had to change our whole approach to remain financially viable and we'd really need to concentrate on making sure that we're getting those dollars coming in. If we did that, then we were losing our advocacy arm and what we were trying to do to some people, unemployed people, to ensure that we got that dollar coming in wasn't great. So we've learnt along the way and it was probably from delivering. We got out of Ezra. We moved out before Ezra finished up because of those reasons. I think any agency that's working in the welfare area really needs to examine what it's doing constantly because there's a lot of changes out there and I think you really need to work out what your core business is, to be true to your values and other agencies are out there - I mean, there's other agencies who could do this sort of work better than us anyway. Maybe it's best for the Drakes and the others to do this sort of thing. Why should we

be doing it? Our role is around identifying the gaps, supporting disadvantaged people and assisting them to get a fair go.

PROF WOODS: Are you in a position to be able to write some words on this advocacy issue?

MS JAMES: Yes.

PROF WOODS: I don't want to give the impression that the commission is moving away from the employers because they're fundamental in the process. If they're not offering a fair go to disadvantaged job seekers, then we're not going to make any progress at all. So we need their support. We need them to understand that, although they might be unemployed and disadvantaged unemployed because of long-term or other barriers, that they should still be assessed and carefully looked at. So we need that support but we're also interested in this advocacy role for the job seeker and if you could spell some of that out for us.

MS JAMES: Certainly, yes.

PROF WOODS: The press reaction from Melbourne City Mission when our draft came out was, "said the recommendations were extremely disturbing". Was that just a first reaction because I'm not getting that flavour from - - -

MS JAMES: That was response to the leak. No - that's right, there was a leak, it was in the Age.

PROF WOODS: Yes, we do remember it well - not our choice.

MS JAMES: We were responding directly to that. I think we did say in that interview that we hadn't seen the report and we were just responding to what was already published in the Age and that was it. So that's where that came from; but it got us here, so that's the main thing.

PROF SLOAN: The report just talked about slashing expenditure in this area.

PROF WOODS: Yes, slashing and axing.

MS JAMES: Maybe they were responding to reduced assistance to - - -

PROF WOODS: The Job Match?

MS JAMES: Well, it's three months you're talking about, too, isn't it, in the intensive assistance?

PROF WOODS: No, from 12 down to six for IA. We're very pleased that you've come along and been able to take part in a debate on the draft itself.

PROF SLOAN: We've got thick skins anyway.

PROF WOODS: Absolutely, but we also partly encouraged you to come along because if there were particular things that you didn't agree with, we wanted to flush those out as well, and we had some of that, but also where you can see some merit in some of the things being floated - - -

MS JAMES: Yes.

PROF WOODS: Are there other issues? I mean, you're not in Job Network as such, so there are a whole range of things that we do explore with particular providers; but your perceptions on how to fundamentally overcome some of these barriers to unemployment and how to connect people back into their community and the importance of a job, they are important perspectives that we need to appreciate, so I'm very glad that you've come and given some of that flavour. As I say, we do have a copy of that report and we have been through that; but now that you've got this Maribyrnong trial going - what's the time frame of that?

MS JAMES: We'll be documenting it as we go but the time line would be - the second stage will begin, like I said, in May, June, we're looking at this stage, and that will be for another 12 months. So that's the time line. I don't know what your role is beyond this report, in terms of the Job Network.

PROF WOODS: We have an ongoing research role and labour market issues and unemployment issues and the like fit in with that so we're entirely happy to keep connected into that. So, if you could, keep us informed as the various aspects of that trial evolve.

MS JAMES: Sure.

PROF SLOAN: I just want to ask you a couple of questions about - one of our recommendations is that there be some limits placed on job seekers reparticipating in these programs. It seems that there are a lot of people, including some we met in Newcastle yesterday, who, you know, they've been through intensive assistance once, twice, three times, and in fact have a history of involvement in Working Nation and even before then. Is this the way forward?

MS JAMES: I hope not. I just think that's very sad that that's happening. We know it is. We really should - you know, people going through programs, and it's a

complex issue. There could be a whole range of reasons why. You know, at the moment there is a bit of a sense of just keeping people busy and not building on people's experiences and what their next step is. From one aspect it could be just that it's about, "Well, you should be still doing something else. You're still not employed. You're still not doing anything that we think is satisfactory, so off you go again to Work for the Dole or intensive assistance." I think it depends on what your approach is at the time. This seems to be the approach at the moment so people don't even get a choice sometimes around Work for the Dole. So they might be interested in maybe working in computers but they might be sent off to - and we hear this again and again - to a gardening Work for the Dole. That sort of stuff should not happen.

PROF WOODS: Post polling.

MS JAMES: Yes, and it really should be around "Let's build up," and you've said in your report, too, "a case history. Let's build on this. Let's keep moving forward." I think if those sorts of things are happening - that's not, you know, we're not building on. They're falling between the gaps. They're starting again, people don't know them, they don't know their history. I think if you had this sort of coordination at a local level around the programs working together and you know the expertise of JPET might be a whole range of different things - social, personal support, developing and understanding of the person - then with the Job Network I think it could really improve the outcomes for these people who could become welfarised for the rest of their life.

We don't want that. We want them to be part of the community. We want them to be connected to mainstream community. That's what our job is at Melbourne City Mission. If we were supporting someone for a number - I mean, there's also the balance of a long-term commitment. These things, there's no quick fix as we know; but it's being clear that we are moving forward with this person and we're not just trying to, we're not creating a dependency. You need to really analyse what you're doing constantly around that, because these people need to be kept engaged at the same time. You don't want them to disappear. There's all that balance around doing that.

I think if we're talking and working together around these issues, around the person, then we all will be moving forward and we're all clear about what we're doing. So it's just that groundwork that really needs to happen and it needs to be formalised to some extent like we've done a bit with the Maribyrnong collaboration trial. We'll see. Obviously, there's going to be some massive teething problems but we'll just see how that works for a start.

PROF SLOAN: Just on that issue of reducing the 12 months to the 6 months, maybe I can just defend ourselves a bit. In a sense we were doing that I think partly

to what, on the face of it, looks like a kind of long gap of relative inactivity. So the people enter IA, there's a flurry of activity and at that point a proportion actually get employment. They then seem to, you know, mope around and not much happens to them. There's not much intervention. Then at the end, there's kind of another flurry of activity. In fact, quite a few seem to be sent off to training courses, educational courses and the like. Our view is that if you reduced the period to six months, then you kind of avoid that long period of inactivity.

I suppose the providers don't like that because it then reduces the period of time when an outcome might just happen. We weren't actually recommending the price change, but for them having the period longer there is not much cost because they're not doing much, and if someone happens to get a job that would be good. I hear the view that some people - you know, quite a few people have got quite systemic problems but I'm wondering whether 12 months is then actually the right period of time for that. It seems to me if you've got serious personal and social issues I'm not sure even 12 months is going to be long enough.

PROF WOODS: Maybe you could take them out of Job Network and put them in PSP, as it will be.

PROF SLOAN: Yes, I'm wondering whether that's the right program for them.

PROF WOODS: And then back in, but still keep IA at only the six months. But if they need some other intervention - - -

MS JAMES: Yes, that's right. I think that's what really the bottom line is, the type of intervention.

PROF SLOAN: It seems to me - well, the Job Network provider is kind of sort of benefiting from the inactivity because of the chance that someone might get a job. They can't see how the participants, the job seekers are - - -

MS JAMES: No, that's right.

PROF SLOAN: It's a bit of a mixed message there for them, isn't it?

MS JAMES: It depends what is going on, because we know there are a lot of young people that often could be signed up with a number of Job Network agencies - not in terms of intensive assistance, but have the core one - they just don't hear from them. What they end up doing - and this is from talking to someone the other day, a young person - is they just sit at home and think it's their fault and they're a failure again and no-one is really interested in them. You know, it sends a message of not necessarily, "Great, I can sit at home and be a lounge lizard," or whatever the view

may be - but often the case is that young people want to work and "What is wrong with me?" And "I'm not good enough and I'm never going to be employable."

That's not a good message for them. People want to be active. What they end up doing is dropping into places like Melbourne City Mission or a range of other agencies, where they can just sit and have a chat about it. I think, again, a coordinated approach would assist that. It probably would shorten the period of time in terms of intensive assistance if it's PSP or whether it's - whatever it is that's there, whether it's a community jobs program. There is a whole lot of state stuff that's going on here, too. There are a whole lot of things people would want to be doing and getting involved in and most do. They want to be active and they want to be contributing something positive. To sit back like that is not good, and to not know what's going on is not good for people's self-esteem, that's for sure.

PROF SLOAN: And presumably - yes, it can be quite damaging.

MS JAMES: They take longer again to become employable.

PROF SLOAN: It's interpreted in a very negative way. Of course, if they're JN clients they probably wouldn't hear from a provider, so they'd register with a - it's the likelihood of them hearing anything, I think.

PROF WOODS: Are there other matters that you wanted to raise with us?

MS JAMES: No, that was it. They were the main points.

PROF WOODS: Thank you. If you could follow up on those couple of points and drop us some lines - - -

MS JAMES: Sure.

PROF WOODS: You've got our contact details.

MS JAMES: Yes.

PROF WOODS: That would be excellent.

MS JAMES: Okay, good, thank you.

PROF WOODS: We'll take a short break until the Salvation Army - who are our next participants.

PROF SLOAN: This is the public hearings on the independent review of Job Network and seeing Mike Woods has had to go back to Canberra, to go to Jakarta, I am asking our assistant commissioner, Ralph Lattimore, to come and help me. I get lonely up here. I know Ralph has a few questions of his own. If you could state your name for the record.

MS GALLET: Wilma Gallet.

PROF SLOAN: And your organisation?

MS GALLET: I'm the national general manager of the Salvation Army Employment Plus.

PROF SLOAN: Thanks very much for coming along. It's often a help if people just make a brief presentation of the main points. We have your original submission.

MS GALLET: I guess there are four points that I just wanted to concentrate on today and I expect that what we'll do is put together a further submission commenting on the final report. I think the Productivity Commission has done a magnificent job. I think you've clearly got across all of the issues and understood what Job Network is intended to do and what it is in fact doing.

The four main areas that I'll focus on today - I want to talk a little bit about job matching and the definition of disadvantaged job seekers. The Salvation Army is particularly concerned about vulnerable job seekers and disadvantaged people and I want to spend some time talking about the activity test issues and perhaps how an increase in activity might then manifest itself in terms of participation reports, breaches, sanctions, penalties and so on, and what effect that might have. The only other two items that I was going to just talk about briefly today was the whole issue of contract compliance and monitoring and appropriate risk management and then, finally, a little bit about the privacy, the data sharing and the IT systems.

If I could just turn to job matching for a start, we absolutely agree that government resources, public moneys, should be focused on or targeted towards those who are most in need and most likely to need early intervention or support at the end where they become very disadvantaged. The comment that most frictionally unemployed people seem to find their own jobs very quickly - the issue, I guess, is that in order to access income support - it's becoming more difficult to access income support now there are new rules, as I understand it, around applying for income support which mean that people have to use up any rec leave or long service leave before they're actually entitled to apply.

If we were to wait until people had been on income support for three months

before we actually provided any public funded intervention, we might actually be talking about people who have been unemployed for six months or even longer. There is also the issue of the barriers facing people in the labour market, where you're looking at a labour market where unemployment is diminishing. Generally people who then have to rely on income support for that period in between jobs - when you've got very low unemployment it's usually a signal that there are other barriers. In other words most people who have good marketable skills walk out of one job into another and particularly in some areas of Sydney where you're looking at 2 and 3 per cent unemployment, people actually have a job lined up before they leave.

So if we're to say that no provisions of services would be given to people until they had been on income support for a certain period of time, we might actually be missing an opportunity to intervene in providing early assistance to people who are at risk. A way of addressing it, of course, would be to have some sort of measurement or tool that actually identifies disadvantage. We know that the job seeker classification instrument seeks to do that. Whether that's able to do that as well, or whether we actually need to look at labour market - other factors, bring other factors into the JSCI, to look at that early intervention, it's very clear that we need to be working at the early stage to prevent people falling into a downward spiral of loss of self-esteem, loss of confidence, where finally we start providing them assistance when they've already reached that point of almost giving up.

PROF SLOAN: If you'd been here earlier - I think we did discuss some of those issues, which is in fact - it may be a kind of mini-version of JST is almost required earlier on, and I hear your point - okay, that's after three months, but you're telling me that people may have in fact been out of work for six months.

MS GALLET: Absolutely. There are people who are - - -

PROF SLOAN: Or even longer, maybe.

MS GALLET: Yes, because of those issues.

PROF SLOAN: :But I suppose my concern is that the Job Match, or certainly the pricing of Job Match doesn't actually give Job Match providers really the incentive or the financial wherewithal to give much of - we heard about these people being registered with a series of Job Match providers and never hearing anything, and then being - for which they're not really paid, I might add, the providers - but being demoralised by that process.

MS GALLET: Absolutely. We made that point in the submission; the fact that the construct of the job matching funding arrangements at the moment is not providing

that up-front assistance to job seekers; it's focused on the placement end. Where you've got job seekers encouraged to register at a number of providers, and only the provider who does the placement gets the fee, there can be a reluctance or a reticence to actually put the investment in to assisting the job seeker. That definitely needs to be rethought.

Our suggestion would be that a mini form of case management or JST but an intervention occur very early on with specific providers being targeted to assist those job seekers to make sure that they do actually get assistance as opposed to the method at the moment. I think you're absolutely right - everybody is responsible and therefore no-one takes total responsibility and people sometimes get the assistance they need, but sometimes they don't.

DR LATTIMORE: So who would get the benefits of that mini JST program - everybody, or would it be targeted at particular individuals?

MS GALLET: I think it ought to be targeted at people who are disadvantaged in the labour market, but I would argue that in times of low unemployment most social security recipients are disadvantaged in the labour market. They're not always the people who can go to some of the executive placement companies and get that sort of support and assistance.

PROF SLOAN: I hear what you say on that point.

DR LATTIMORE: The JSCI, as you say, has limitations, but is it possible for you to determine the risk factors. You know, when you see clients can you say, "These people are at risk and they're not being picked up by the JSCI"?

MS GALLET: Yes. I think most of the Job Network providers would have lots of anecdotes of people who come in who have been tagged as only eligible for Job Match and they have serious barriers that haven't been picked up at that initial interview, or through the JSCI, either because the JSCI has been applied by telephone or through a quick interview- or whatever the process was during that particular period. But there are people who have no eligibility or entitlement to the more comprehensive interventions, who need - - -

DR LATTIMORE: But one of the things we did address was this issue of substantial disclosure problems during the implementation.

MS GALLET: Yes.

DR LATTIMORE: Hopefully those could be overcome, but apart from that, there would still be a need for some sort of assessment, outside of the JSCI, at this early

stage, you think.

MS GALLET: Yes, or revisiting the JSCI. We encourage - and I know that lots of youth workers and other significant support people for unemployment young people in particular, would go back to Centrelink and ask Centrelink - we would encourage them to review the JSCI. But I don't know that it's universally known that that option is available, and so I think there are lots of - particularly young people out there who should be getting assistance who don't realise that they're able to.

PROF SLOAN: I think there is a kind of dilemma in the system that, I suppose, one's natural tendency is to not disclose - I mean, maybe it's embarrassing but, you know, things that are putting you at a disadvantage. I can understand why if someone says to me, "How long have you been off drugs?" I might say, "Actually I've never been on drugs," but I am not sure that it is made clear enough to people that they're actually doing themselves a disservice by failing to disclose.

MS GALLET: Yes.

PROF SLOAN: I don't think people realise that. I think they think they are actually protecting themselves.

MS GALLET: And I think it is fair to say that there is a general lack of confidence in what you disclose to government officials.

PROF SLOAN: Yes.

MS GALLET: And some of these issues only come out over the period of a developing relationship and they don't always come out on the first interview with the provider - it's over a developing trust in relationship - but, yes, there are issues of self-disclosure, but I think another area is also the training and - - -

PROF SLOAN: The training of the Centrelink staff?

MS GALLET: - - - and resourcing of the Centrelink people, too, to give them opportunity to perhaps identify some issues that may be triggers to go further in actually identifying the person's need of intervention and support.

PROF SLOAN: Have you got any Job Match only sites?

MS GALLET: No.

PROF SLOAN: So they're all linked in with your IA?

MS GALLET: With intensive assistance, yes.

PROF SLOAN: And do you see that as being an integral part of IA?

MS GALLET: The job matching?

PROF SLOAN: Yes. Whatever you say, if it weren't separately funded, would you conduct a separate sort of Job Match? Some information we have is that it is kind of a separate role, so they would have case managers dealing with the job seekers and trying to help them, but then they would have other staff who liaise with employers and the like.

MS GALLET: Yes. I mean, the way we have developed our model, we have developed it as an integrated service model, but taking up that issue - when reforming employment assistance was first put out for public consultation our view was that contracting out the services to help more disadvantaged people - that is, the case management services - was certainly something that had merit and there were lots of specialist providers who had the expertise to work with disadvantaged people and people from specialist target groups. We were less convinced at that stage that contracting out the labour exchange function was the best approach. We really felt that that should have stayed in the public domain, but that's going back four or five years ago, so what we have done is an agency has developed the model in a way that it is integrated and supported, but I would expect that people who are only eligible for job matching get less of a service than people obviously who - - -

DR LATTIMORE: Do you think you need job matching for IA clients though? I mean, in a sense, I suppose, the question that some people have put to us is that you need job matching for everybody in order that you can then place the IA job matching clients - - -

MS GALLET: I think people are confusing job matching with employer servicing. I mean, if you are doing intensive assistance only you certainly have to develop relationships with employers, absolutely, and you would probably target employers who are most likely to employ the group of people you are working with, so, no, I don't believe you need job matching to service your IA candidates. You absolutely need employer servicing and working with employers, but I don't see the construct of job matching and IA as being the only way that you can actually work with employers.

PROF SLOAN: Although you have got a good brand, haven't you, to leverage off?

DR LATTIMORE: I presume he developed it.

MS GALLET: Yes.

PROF SLOAN: Over many years.

MS GALLET: 143. I think I was there at the beginning.

PROF SLOAN: It feels like it.

DR LATTIMORE: So your concern about the question of who is going to get what we broadly call "job matching services" was really about another service which, at the moment, isn't really that well provided, so in a sense a position one could take is abandon standard job matching, introduce an earlier form of Job Search training, if you like, that is somewhat targeted at "at risk people", and then have JST and IA. Would that be the sort of thing that you have in mind?

MS GALLET: Yes. It would be looking at providing immediate assistance for job seekers, who are at risk of becoming longer term unemployed, and some of those specific groups may include young people but also older people who get retrenched, and in particular that group of job seekers who may have to use up some of their redundancy payments for long service leave before they can even come in and get access to resume assistance and Job Search assistance, so I think we need to look carefully at providing a more comprehensive assistance for that group earlier on to prevent longer term unemployment..

PROF SLOAN: Does that involve links with the employer at that stage?

MS GALLET: It would. It would be a whole service where you work with the job seeker and help them to understand how they market themselves and so on and how you operate in a labour market in the 21st century if the last time you went for a job was back in 1970 - the differences and so on - so Job Search techniques and actually looking for positions for them, so yes, it would involve work.

PROF SLOAN: You wanted to talk about breaching?

MS GALLET: Yes. I particularly wanted to concentrate on - I think it was - recommendation 7.4, where the commission talked about increasing the activity or the mutual obligations - "mandate the activity test requirements for intensive assistance participants consistent with activity tests that apply under labour market programs", and I wasn't really quite sure exactly what was meant by that. The Social Security Act obviously is a complex piece of legislation and I don't know that it is well understood throughout the Job Network, and certainly our organisation and a number of others have been concerned about the increases in breaching, both from an employment agency's perspective but also from the perspective of providing

emergency relief to people who can't pay bills and so on, and often we discover it's because of non-attendance at an interview with a Job Network agency, even though the excuse seems reasonable.

PROF SLOAN: That really comes out of our concern that IA seems to generate what I thought was a rather nice term - it's called "the attachment effect". When Ralph told me about the attachment effect I thought it was the job seekers falling in love with their case managers and they didn't want to leave, but he tells me that that is not actually what is meant by it. It's basically that the view is when someone is in IA the stringency of the activity tests or, you know, the kind of requirement to actively seek work seems to be a little less than before they were on IA. I am just saying that that is the proposition.

MS GALLET: I guess what we need to look at here is why people are in intensive assistance and the reason they are in that is generally they have been detached from the labour market for at least 12 months, often a lot longer, and there are lots of issues there around loss of confidence, self-esteem, skills atrophy, lack of other supports and so on. And the whole process of intensive assistance should be about moving people along a continuum towards self-sufficiency ultimately through paid work, but when that paid work occurs obviously depends on the person's ability to be able to enter and maintain paid work, and I think that's where we really have to trust the employment consultant, adviser, case worker that they are actually working with the individual and helping them address all of those other issues in their life that are going to affect their ability to hold down a job, whether it's dependency issues or legal issues, health issues, housing issues, relationship issues. They all impact adversely on a person's ability to find and keep a job.

I absolutely agree that we should be working with people actively to help them overcome the barriers or the challenges that are in the way of helping them find permanent employment, but that's an individual approach. For some people, it means knocking on doors and getting as many job interviews as you can. For others, that would just set them back forever. To be asked to apply for 10 jobs a fortnight - first of all, it's not even practical in some labour markets or for some people who are not job ready - who don't have the skills - and that would just further disenchant not only the job seeker, but also the employer. So there's got to be a degree of confidence that the people working in the system understand where job seekers are at and help move them along.

DR LATTIMORE: I guess the concern about activity testing arose out of the parking issue as well, namely that a variety of job seekers don't end up with either of those two options of either being engaged in active job search on a frequent basis or assisting them overcome those obstacles that prevent them in the first place from engaging in serious job search. You know, I guess the intention was that if you had

some sort of testing facility in place, at least they'd be engaged in Job Search and they'd see their role in IA as getting a job. I mean, I think we accept there are some limitations there, but in a sense the problem that's occasioned here is the one that some people don't necessarily receive much of either form of assistance.

MS GALLET: Yes.

DR LATTIMORE: So what do you do about that?

MS GALLET: Well, I guess the issue for me there is that the responsibility is then being put on the head of the long-time unemployed person. There is a responsibility for the agency here to make sure that they are actively working with job seekers and endeavouring to positively engage with the job seekers in a way that keeps them engaged and keeps them moving forward. I mean parking gets mentioned often in the press. I don't know how much research has been done into that.

PROF SLOAN: We didn't dream up the term, I might add.

MS GALLET: No.

PROF SLOAN: It's an industry term.

MS GALLET: Absolutely, and I think it came out of media - - -

PROF SLOAN: We got into trouble, but we didn't dream it up.

MS GALLET: But I think more needs to be done to find out the extent of parking and, if agencies are being found to be parking people, for whatever reason, the discussion needs to be held there to work out what the issues are, to see whether it is an issue of only working with people who are capable of achieving a quick outcome or whether it's an issue of engaging with people and moving them forward slowly, which doesn't mean that you send them out looking for 10 jobs a fortnight. It means that you're currently working with them to address the issues around their drug and alcohol problem, for example.

PROF SLOAN: But we wouldn't call them parked. You see, that would be generating activity. We're really concerned about the ones that seem to have very minimal contact with their Job Network provider.

MS GALLET: And that's coming from job seeker surveys.

PROF SLOAN: Yes.

DR LATTIMORE: I mean, if you were to look at the transcripts yesterday in Newcastle, we had a variety of job seekers who reported minimal contact with their Job Network provider and certainly they perceived an extraordinary indifference in their particular case - and they may be very atypical in this instance - but there clearly are instances of it.

PROF SLOAN: In some ways maybe I can understand the hostile reaction of the industry to the proposition of parking. I mean, my take on it would be that actually there's a lot less parking than you might expect, given the incentives, and it seems to me that - - -

MS GALLET: I mean, I can't comment on the behaviour of other agencies, but certainly within our - - -

PROF SLOAN: Yes, because the incentives are very focused on helping people who would generate an outcome payment.

MS GALLET: Yes.

PROF SLOAN: What about that idea about reducing the IA period from 12 to six months or whatever level? Did you have a reaction to that?

MS GALLET: I am surprised that we would reduce it to six months, particularly given that many of us are working with job seekers who are having their third period in intensive assistance. So, after two years of intensive support, they are still not quite ready for work, one would assume, if they're still in intensive assistance.

PROF SLOAN: One of our aims, I think - you know, with the Twin Peaks diagram - was to kind of shift the Twin Peaks to the point where we didn't have a kind of gap in the middle.

MS GALLET: I think that point was made during the public discussions that we had recently and many of the providers talked about the fact that we are spending time working with people. So the fact that there is a peak towards the end of the 12-month period means that the case worker has done their job in helping the person get to the point where they are ready for work, but my sense would be that we would need to leave it at least 12 months. In reducing the period of intensive assistance to six months, I think - for very disadvantaged job seekers - wouldn't be giving enough time with one agency to actually work through all of the issues.

DR LATTIMORE: We should be able to pick that up using the IES data presumably. Is that right? We'll be able to pick up the activity that takes place? I mean, in other words, the Twin Peaks data has the problem that it's actually outcome

data and I think the supposition is that in fact underlying those two peaks and outcome is actually quite a lot of activity that's not shown in the intervening period. There should be data available on the system to enable us to detect that.

MS GALLET: There should be job referrals and placements. Short-term placements would be available in the system - - -

DR LATTIMORE: But they're not going to tell us.

MS GALLET: - - - but I don't think the system has the capacity of recording other interventions.

DR LATTIMORE: Right. So, in a way, it's going to be difficult to confirm empirically at the moment whether the Twin Peaks is, you know, the consequence of investment or an indication of its lack.

MS GALLET: I mean, you would really need to sample some files in several agencies to actually look at - there are a whole lot of other interventions that would get recorded in case notes, either in the organisation's own IT system - and that certainly happens in our organisation - or on file notes that don't go into IES, but my understanding of IES is there's a - - -

DR LATTIMORE: Do you have a Twin Peaks in your organisation?

MS GALLET: We haven't done that sort of analysis.

DR LATTIMORE: Right.

MS GALLET: The philosophy is to just work with people and move them as far forward as you can during the period that you're working with them and ideally into a job, but definitely further along the continuum to where they were when they started so that there is - - -

PROF SLOAN: I mean, that probably is the research methodology, because if you were to - well, unless you could get the job seekers to kind of fill out some longitudinal diary, you've got real - - -

DR LATTIMORE: Recall problems.

PROF SLOAN: Yes, and the attention given to them or the lack of attention given to them over a period of time will be very influenced by their more immediate experience - - -

DR LATTIMORE: Outcome.

PROF SLOAN: - - - and their outcomes too.

MS GALLET: Just to go back, the main point that we'd be keen to make is that we're very careful about not increasing the burden on people who are already vulnerable. Many of the people in intensive assistance do require a lot of interventions before they can get into work and, if it was simply a matter of saying they now should apply for 10 jobs a fortnight or whatever the activity was, that wouldn't be the best way of supporting vulnerable and disadvantaged people and the concern would be then what would be the penalties if they weren't able to apply for 10 jobs a fortnight.

PROF SLOAN: But is IA the program for those people? I wonder whether there's a kind of misdirection.

MS GALLET: I think it is absolutely the program.

PROF SLOAN: You do? Okay.

MS GALLET: I mean, I think, if we go back through history, that's what case management was in Working Nation. It was the program for the most disadvantaged in the labour market and it's the way that I've always viewed intensive assistance, as being the support for job seekers who need a whole lot of extra supports. It's not the support for people who are immediately job ready. One would assume that's what JST is there for - and this earlier intervention that I would be advocating.

PROF SLOAN: It's just that I think we're heaping a lot onto what is, after all, a kind of labour market program.

MS GALLET: In terms of?

PROF SLOAN: In terms of trying to deal with people's personal, social, other disadvantage issues.

MS GALLET: I think it's all wrapped up together.

PROF SLOAN: I suppose it is. But isn't the point that you can ask too much of one program?

MS GALLET: Yes, and within each community ideally there should be the supports that people could be referred to, and in some communities there are, and Job Network agencies would hopefully work closely with other agencies. In other

communities there aren't, and particularly in the area of mental health, where there are people who are in intensive assistance, who perhaps do need other supports, but if they're not there in the community - yes, it does raise another issue.

PROF SLOAN: Yes. We had some women from Tamworth who deal in that western New South Wales area, and they were talking about some of the Aboriginal communities who, for reasons that weren't entirely clear to my middle-class way of thinking, seem to wrack up extraordinarily high levels of fines with the police, and the idea that intensive assistance - which is an employment program - is going to help them when they're \$25,000 in debt to the police with all these driving offences and the like, I was thinking, this is asking a lot of this program.

MS GALLET: From our agency's perspective, those are the issues that we would deal with, because that's our view of this program. This program is to help those who are most disadvantaged to overcome whatever barrier it is, and if that means helping them with fines or debts or licensees, that's the way we understand the funding model to work, given that all other labour market programs - well, the majority have been cashed out into this program, so this is the SkillShare, the Job Club and everything else that was there, and that has always been our view of it - that we're expected to work with people across all of those issues.

The issue that you raise about other supports is absolutely a valid one. Sometimes they're not there, and so people are taken care of in intensive assistance as best the agency can. It's an issue that, I guess, the new Personal Support Program is expected to help address.

DR LATTIMORE: On the breaching issue - there's the activity testing but there's the associated issue of breaching and other forms of compliance - what we documented was that there were very different practices, if you like, across Job Network providers, such that the highest breaching recommendation rate was eight times more than the lower ones and, it has been recognised that the threat of breaching has some beneficial compliance effects but of course it has costs as well, particularly for disadvantaged people. You have indicated a concern about activity testing because it would invoke such a regime, but would you have any concerns about the existing system and the way it affects the efficiency and equity of the Job Network arrangements that you want to discuss?

MS GALLET: I guess the issue is that Job Network members are supposedly only recommending- or they're reporting - to Centrelink that some haven't complied with activity requirements. The issue for us is, how much investigation then goes into what were the reasons for that noncompliance? I think that's where sometimes there isn't enough investigation. Certainly from our own agency's perspective, breaching is absolutely a last resort. We try to work very positively with people and

proactively, and engage with them in a way that will gain their confidence and in a way that we will be able to work with them, and I think the data on our agency shows that our breaching rates are fairly low - very low in fact - and yet our performance is reasonably high.

It does raise issues of inequality in the system and that also raises issues of knowledge of the system, where some of the Job Network members feel that if somebody doesn't turn up for an interview it is their responsibility to notify Centrelink, where in fact it's their responsibility to find out why the person didn't come in and find out whether or not there were mitigating circumstances. Those are some of the issues. Of course, you're aware that there is another independent review into breaching and there's a fairly comprehensive report, and some very useful recommendations, I think, in that they're looking at particularly vulnerable groups of job seekers.

We know that homeless young people, or young people who maybe have dependency issues, are less likely to remember an appointment, and there needs to be some way of identifying these people within the system and working at engaging with them in a more sensitive way than currently exists. I don't know that every agency is able to do that.

Much has been said about the compliance effect of Job Search training and how the rate of commencements is far below the rate of referral. There seems to be a suggestion around that these people were obviously working and that the need to have to attend a program for 14 days or 15 days in a row has brought them to the point of acknowledging that they have got income. I'm not convinced that that is the case, and I think we do need to do some more research into what the reasons are behind those non-commencements. Some of them are people who are no longer eligible for reasons of going overseas or going onto a different benefit. I would also like to find out what happens to the others. I don't know that we know, and I think we need to do some social research around what happens to those people.

PROF SLOAN: I don't think anyone is suggesting that the gap, the complete gap, between referrals and commencements are an indication of compliance. Everyone acknowledges that people don't commence for a variety of reasons. It's just seen as an indicator - - -

MS GALLET: Yes.

PROF SLOAN: - - - that a proportion of those non-commencements - probably it amounts to them being up-front about what they were doing or a sort of wake-up - - -

DR LATTIMORE: The duration between referral and commencement can be

quite long - - -

PROF SLOAN: Yes, something turns up.

DR LATTIMORE: - - - such that it's just the normal process that you can get a job.

MS GALLET: Yes.

PROF SLOAN: And the sort of wake-up call - "Oh, God, I've got to go to this course. I'll see what I can find out."

MS GALLET: I think there certainly are some motivational effects there, but I think there's a danger, if we use language like "the compliance effect", that there develops a sense that people are already out there working and, when they're required to come to programs, suddenly they've found a job. Those comments have been made from time to time in the media, and I guess it perpetuates a view that - it could be seen to be stigmatising people who are unemployed and it gives rise to some of those pejorative remarks about people who are unemployed. It's sometimes very ill informed.

The third issue: I was very pleased to see the commission's understanding of the contract compliance, and some of the micro-management that has crept in, as a way of trying to address some of the perceived problems. But the biggest danger is, in trying to ensure that agencies are accountable, we could overly bureaucratise the system to a point where it's no longer a service delivered to unemployed people and to employers, but rather a process of filling in forms and going through steps to comply with either a contract or an activity test regime.

When we first looked at this concept of individualised assistance, it certainly was the notion that focusing on the individual and working with them on a personalised basis was the best way to achieve outcomes and results for the individual, and the need for accountability, and absolutely there has got to be accountability, public accountability, because there's obviously a lot of government money going into this program, but the danger is that that just shifts the focus away from helping unemployed people to getting the paperwork right, and your computer systems, and so on. There's also a danger too that some of the departmental officials might actually start advising some of the workers in the field as to how to do it better, and that's not their role, and it actually interferes with the agency's own service model when the departmental official tells the worker, "This is how you should have done it."

So I was very interested in the comments there. I don't know the answer, other

than obviously a sensible risk management policy. The idea of comprehensive quality audits interests us, where the department comes in and does a total and extensive review of the organisation and assures itself that the organisation has the right ethos, the right policies, the right processes, the right systems, and so on, and programs that they're prepared to fund. I guess the last issue - - -

PROF SLOAN: But clearly our point is about the kind of growing compliance cost and micro-management by the department, which is more of course focusing on an input side and arguably antithetical to the original model. I mean that obviously rang a note of truth with you.

MS GALLET: Absolutely. I mean I remember very well when we first talked about this model and concerns were raised then about people buying jobs or people doing things to just buy short-term jobs, and the sense then was, well, any job will help an unemployed person and the way the fees are structured if an agency chooses to buy jobs then it's probably not a very sensible financial management approach, and given that the government was prepared to pay for outcomes the sense was that the market would look after that.

I guess it's the concerns raised by some of the job seekers themselves, who haven't felt that they've been supported as well as they could have, that has seen some of these interventions, but what it has seen is a plethora of rules and complicated processes where it gets to the point that this is a very difficult job to work in because you need to be a great bureaucrat, you need to be a great administrator, you need to be good with IT systems; you have to be a terrific recruitment person and a placement person and a good social worker, and, you know, personal adviser. So the skill set that is required to do the job just gets bigger and bigger and more and more difficult.

DR LATTIMORE: Does it have any consequence on the type of case managers you can actually hire? I mean in the sense that in a sense an outcome oriented system and a process oriented system might actually attract rather different types of case managers.

MS GALLET: I think that's true because sometimes they are different skill sets. People who are able to develop empathy with individuals or work really closely with employers and then have to spend a quarter of their time at the computer making sure that the things have gone in can be a frustration. So from an employer's perspective of employing staff it requires a lot of development and training of your staff and getting the right skill mix within each of your officers so that they work to the strengths of the team, but it is a pressure area.

PROF SLOAN: We're talking about this industry as a kind of opportunity and we

decided that you would have to high taste for compliance if you wanted to go into this industry and probably bear a degree of regulatory risk as well.

MS GALLET: Yes.

PROF SLOAN: Because there's kind of six versions now of this current contract arrangement.

MS GALLET: And it does seem to get more complicated each time, and obviously Job Network agencies have to understand all the other legislative requirements around financial management, Privacy Act, EO Act, et cetera, et cetera - Social Security Act - so it does become a very complex area. I mean obviously you train your managers in those sorts of issues but the people that you employ to work with job seekers and employers, ideally you're employing people with those sorts of skills and strengths and interests and passions. People are comfortable, obviously, with a level of paperwork. I mean it goes with any job, recording and documentation, but it's becoming increasingly complex.

PROF SLOAN: Is it difficult to recruit good case managers, or are you an employer of choice?

MS GALLET: I guess that's what all of us would seek to be, an employer of choice, and, yes, there are a lot of issues around the internal climate that go towards recruitment and retaining staff.

PROF SLOAN: We have heard that they're quite a stressed group though, in general, the staff at Job Network providers.

MS GALLET: Again that's an organisational issue.

PROF SLOAN: Yes.

MS GALLET: I mean you need to really work with those issues, make sure that you've got appropriate staff development and occ health and safety and those sorts of - - -

PROF SLOAN: That's probably easier if you're big though.

MS GALLET: Yes, certainly larger organisations have the capacity to develop those sorts of programs and supports for their staff.

PROF SLOAN: And then roll them out. Did you want to ask some of those questions? You might have to take them on notice, I think, Wilma.

DR LATTIMORE: Yes, it was just the sense in which we were trying to grasp the opportunities for contact between case managers and clients, and that's based on a combination of what price you get in the contracts and how many clients a case manager can deal with. So it's issues like what's the average caseload per case manager, how much time they have to spend on administrative tasks and talking to employers, compared to talking to the clients? Issues like that. We're trying to grasp something about it in a sense that the - - -

MS GALLET: I guess that's assuming that everybody uses one use manager model.

DR LATTIMORE: Indeed.

MS GALLET: And different agencies use different models.

DR LATTIMORE: As some have indicated; precisely. I think the point made to us in one instance is that it's very hard actually to have a lot of contact with the client if you use the orthodox case management approach, so I suppose we're trying to get an understanding of that perspective. Clearly if you have a situation where you've got 14 people in front of you and a case manager who deals with a particular issue for them you can have a lot of contact hours relative to somebody who is on one on one, but I suppose we're just trying to get an understanding of what is typical in terms of the use of case managers. You might want to take that on notice.

PROF SLOAN: Are you going to tell us there's nothing typical?

MS GALLET: We have a different approach. It's a team approach. I don't know across the industry. Certainly under the old Working Nation there was a sense that it was one to 100. I think it would be less than that across this. It would need to be less across this industry, or the sector this time, but I don't know that it's that clear in organisational set-ups and structures because a team approach means that you work to the skills of the team and it's not necessarily five people working with their own personal caseload. It could be a whole range of different service approaches and some of that goes to leading edge and best practice and what works well with, in particular, labour markets and with particular groups of job seekers.

DR LATTIMORE: Do you tend to adopt a similar approach across all your sites?

MS GALLET: Similar, yes.

DR LATTIMORE: Yes.

DR SLOAN: But within those teams does anyone escape the compliance burden?

MS GALLET: In terms of - - -

DR SLOAN: Can you say, "Well, look, Joe, you're our compliance officer in this team."

MS GALLET: In terms of the recording and the monitoring and so on?

DR SLOAN: Yes, or is that just not feasible - that everyone has to be involved?

MS GALLET: I think different teams do actually look at different approaches to this but, generally speaking, everyone would use the computer systems, but there may be some people who may do more keying in than others - of certain transactions or certain activities - and that would just depend on the skill sets of the teams.

DR SLOAN: I presume on just some of the little nuts and bolts you don't mind the 28 days going. That's one of our recommendations.

MS GALLET: Yes.

DR SLOAN: I can't see anyone is going to get too - but what about, perhaps more controversially, the issue of the education outcomes and the interim education outcomes counting? Maybe you'd like to also talk about the star rating a bit in there.

MS GALLET: Yes. The focus has to be on helping the unemployed person and looking at what they need - what sort of interventions they need to get them into work, and if your focus is to get as many people into sustainable employment as possible, the star ratings or whatever measurement the department chooses to use will look after itself, so that's our view of the star ratings, because we know that's what the intent of the contract is, to get as many people into work as possible.

The issue of educational outcomes counting or not counting: we would be keen to ensure that that doesn't mean that Job Network members then stop paying for courses. That would be the one concern we would have. If it didn't count, would that then affect behaviour, in that people would stop buying training? But from our own agency's perspective it wouldn't make very much difference because whatever happens, it would level the playing field anyway.

DR SLOAN: That's a good point.

DR LATTIMORE: And we're not suggesting getting rid of secondary outcome payments, just secondary interim outcome payments, when you haven't got a

certificate, because it's a requirement that it be a two-semester course, so you haven't completed the course, nor necessarily even passed it, in order to get the interim payment. I suppose our concern was what value in an employment context would be a failed or uncompleted course.

MS GALLET: Yes.

DR SLOAN: And so we were kind of worried about everyone being sent off to dodgy courses in order to lift the stars. It seems to me that we're not after a Holy Grail, there is no perfect system. It's just that when the parameters yield what on the face of it don't look particularly desirable outcomes; you might want to tweak it, basically.

MS GALLET: Yes, certainly - I don't have any problems with interim secondary outcomes, because the focus should be on courses that would actually see people move forward into sustainable employment.

DR SLOAN: You wanted to talk about data and IT.

MS GALLET: Just around privacy issues and so on. Obviously we would be very, very concerned to ensure that job seekers' rates and dignity and privacy is protected at all costs, but there are issues around supporting and providing services to people that mean you require additional data or might mean you actually acquire additional data, and we need to be careful to make sure that the issue of privacy doesn't actually get in the way of supporting and helping people.

DR SLOAN: Because that may be an issue with our case history recommendation, whether it may be a bit of a problem with privacy legislation, because if you collect it, there's a kind of consent - whether you're actually then entitled to hand that information on - - -

MS GALLET: Yes.

DR LATTIMORE: I think you'd require a consent provision from the client that they were happy for the data to be portable between nominated providers.

DR SLOAN: You won't have to do that every time.

DR LATTIMORE: That's an issue we're obviously interested in.

MS GALLET: Yes. The issue for me is more the data that we collect - you know, being allowed to - and if we develop the relationship with a job seeker and the job seeker gives consent and is happy for us to use that data, then responsibility needs to

be that agency's, not implied by the contract or through the contract, that there are some things that you can't do because of privacy. There have been instances where we've actually visited job seekers in their homes to try and engage with them because we haven't been able to get them in, and there's been some sense that that might be actually breaching their privacy, but in fact what we're trying to do is allot them to job opportunities or to make sure that they're not going to lose their benefit, to make sure they know the importance of coming in.

I think there are some issues around there. We just need to be clear about what the Privacy Act does state, particularly when you're looking at human services and trying to work with people who have often multiple barriers. There's also issues of data that Centrelink might have that we might need to know about for the protection both of the job seeker and of our own workers. I think there is some work being done around that sensitive data, but we need to keep working with the privacy commissioner to make sure that the privacy regulations don't actually then mean that we can't effectively work with disadvantaged people.

DR SLOAN: Yes. We heard of that group in western New South Wales going out to the Aboriginal communities because if you write them a letter and ask them to come in, you may as well ask - first of all, they probably won't read the letter, and then you may as well ask them to come to Mars as - - -

MS GALLET: Yes, you absolutely do, and Centrelink have been doing that, having outreach services and so on, and for some groups of job seekers it is the best way to engage with them, to meet them either at a place where they are most comfortable - and I think there's sometimes some issues around whether or not that is acceptable within the confines of the Privacy Act.

The IT systems: I guess the only thing that we'd be encouraging is that they are user friendly and that they actually provide the opportunity to effectively work with the job seeker and the employer, and I know that the department is doing some work on IT systems.

DR LATTIMORE: Are you caught out by the next refinement in the process? We had a discussion this morning with NESAs in which they indicated that to some degree the problems associated with the continual changes to IT is actually more adverse for the large chains, like yourselves, than for the small operators.

DR SLOAN: Who are kind of followers anyway, I think.

MS GALLET: We're not really sure. We've developed a system that is very comprehensive and it supports our service model and provides us with data, both case notes on job seekers and also helps us to work with job seekers and employers.

At the moment we use the corporate interface and it works very well for us because if the interface is down our workers can keep working on the system and so on.

We're not totally clear about what the future development will entail but we're very keen to work closely with the department to see whether or not we are able to maintain our own systems, or else have the department develop a system that is as effective as the one we've currently got. I think there have been some issues over the last two years with speed of the departmental system and its capacity to do what different agencies would like it to do, that would actually provide productivity tools, functional tools for their workers.

DR SLOAN: While I've got you glued to that chair, I'd like to know what your reaction was to our recommendation that the sort of sustainability and dynamics of this industry are best handled through some licensing arrangement rather than the current arrangements which are based on tender contract and retendering, subject now of course to the rollover arrangements. Okay? And if you don't like the licensing or certainly don't like the licensing in the short term, what would be your reaction to some intermediate arrangement whereby there would be some ability for some growth in numbers for individual Job Network provider sites, I suppose, above the contracted capacity?

MS GALLET: I am not really clear about how a licensing system would work but, if we're saying it's a form of accrediting organisations, where some sort of rigorous process is undertaken to assess capacity, systems, services, programs, accommodation and so on, I think that that would be a positive step forward. A tendering arrangement where those claims are made on a tender doesn't give the department any more confidence - well, gives the department actually less confidence than actually coming into an organisation and checking that it does have the staff and the premises and so on, so I think there is definitely merit in moving to some sort of system, and that would be similar to what happens in aged care or - - -

PROF SLOAN: Yes. It would though, I think, change certain features of how Job Network providers operate. They would be then really much more in the game of marketing their services to potential clients and trying to increase their numbers. At the moment, as we understand it, there is not much marketing about because with the fixed caseload and the auto-referral system, the incentives are just to sit back and watch them come through the door.

MS GALLET: Yes. I mean, when we first tendered we assumed that it was that sort of model because the tender and the contract didn't guarantee any numbers, so even though you had a contract for X amount of service delivery, there was no guarantee of \$1 unless you actually attracted those job seekers, and then you wouldn't get paid any more money unless you actually placed them in work, so that

was always the way we expected to operate; in fact there are issues, in my view, around the automated referral that has actually precipitated many of these sort of breaching issues and so on.

PROF SLOAN: Notwithstanding the fact that they are a disempowered group I wonder whether the auto-referral system is actually a means of further disempowering them. You're not actually really asking them to make a choice and because the Job Network providers aren't there sort of marketing - maybe you don't like the term "marketing", but you know promoting their wares, so to speak.

DR LATTIMORE: And differentiating themselves.

PROF SLOAN: And differentiating themselves.

MS GALLET: Yes.

PROF SLOAN: Then it does remove an element of choice, which - - -

MS GALLET: Yes.

PROF SLOAN: We are not trying to overplay - I mean, we're not saying that these are kind of like rational sovereign consumers going into Myers, but it seems to me that we have underplayed the role they could play, including the role that Job Network providers could play in differentiating marketing their services.

MS GALLET: I mean, it's certainly an issue that we've had some discussion with the department on because when we first went into this area of work it was always our understanding that we were there as the Salvation Army Employment Plus, a member of the Job Network, but that was the agency and it was our responsibility to market that agency, both to employers and to unemployed people and we were quite active in that area. I think there were several agencies that saw that as their role, and that has fallen off of late because of the order of referral system.

PROF SLOAN: Yes, so some interim arrangement where there can be a growth in caseload within a contract period - that will obviously be okay by you?

MS GALLET: Yes.

DR LATTIMORE: And administrative pricing instead of competitive tendering?

MS GALLET: Yes.

DR LATTIMORE: What's your view on that? I mean, we have suggested

effectively that because so many prices are at the floor anyway - or close to it - and because of concerns anyway about signalling quality that administrative pricing might be superior, but what are your views on that matter?

MS GALLET: I hadn't come along prepared to discuss the report to this level and I was hoping to study it this weekend.

DR LATTIMORE: No, no, that's all right.

MS GALLET: The administrative pricing is basically fixing the cost, isn't it?

DR LATTIMORE: Yes.

MS GALLET: I would agree with you that - - -

PROF SLOAN: You end up not making that a kind of feature of the different contract proposals in effect.

MS GALLET: Yes, so then it becomes the same price - - -

PROF SLOAN: Would it be true - and we're not trying to bamboozle you - certainly there has been a big learning experience from everyone and there have been mistakes made in terms of pricing, presumably particularly in the JM area - there was some kind of serious misforecasting about the costs.

MS GALLET: Certainly, yes. If someone was awarded a job-matching only contract, it was clear that that wouldn't be financially viable unless you were an executive placement organisation and that was an add-on.

PROF SLOAN: Or you were diversified in other areas.

MS GALLET: Yes, but as a sole business, job matching certainly wasn't priced in that area, and I don't think it was intended to be anyway. I think initially there was a sense that many of the recruiting companies would get in and just do job matching as an add-on, but obviously that didn't happen and some smaller community agencies sadly got caught out with job-matching only contracts.

PROF SLOAN: Were there other points that you wanted to make?

DR LATTIMORE: There is just one and that is the issue of wage subsidies. ACOSS in their original submission raised the issue that they considered wage subsidy to be quite useful as a mechanism for getting jobs for disadvantaged people, but suggested that the incentives and payment levels in Job Network were not

sufficient to do that. Do you want to comment on whether you used them, when you used them and what role they might play?

MS GALLET: We have a program that we call skills development program that is sort of a wage subsidy, but our preference is not to call it a wage subsidy. It's aimed at helping more disadvantaged job seekers get some additional on-the-job training - we'll negotiate that with an employer - and it's reasonably modest. I think the issue - in fact, if you go back to our submission on reforming employment assistance back in 1996 we talked about wage subsidies still being available but outside the system, so the Job Start program going on outside the Job Network and being universally available, or perhaps even targeted at people who had been three years unemployed or, you know, you set a particular differential, if you like.

In the same way government has introduced more recently the indigenous employment wage subsidies there may actually be scope to look at a wage subsidy program that actually sits outside the Job Network funding for specific target groups. I think the way subsidies work now within the Job Network is complicating the whole arrangements because the rules are set by different agencies and, from our employer perspective, I guess it would get a bit confusing if one agency offers you a wage subsidy of X amount and another doesn't and so on, so there are issues around what messages that sends to employers.

PROF SLOAN: It seems to be one of the advantages of the current system though that wage subsidies are likely to be used rather sparingly by the Job Network providers and therefore tightly targeted at those who have the greatest disadvantage. In the final days of Working Nation pretty much every low-wage, low-productivity job that moved in Australia was subsidised and that was creating some very serious distortions in that bit of the labour market and employers were increasingly demanding subsidies for taking on people they would have taken on anyway and that becomes very expensive for the taxpayer. I would have thought that for an organisation like you it carries a rather mixed message. "You're not actually really worth this," you know.

MS GALLET: And that's why we don't call it wage subsidy. We call it a development program, because there are issues around the stigmatising and so on.

PROF SLOAN: One of your - well, I don't know whether I can call them a sister organisation but a nonprofit organisation will use golf clubs and shopping vouchers and stuff to try and entice employers to take on people. Maybe this just shows you my narrow middle-class background, but I think there are some moral objections to that - that this person is worth a bag of golf clubs.

MS GALLET: Did you want me to comment on that?

PROF SLOAN: When we had Sally from the Melbourne City Mission, she covered some of these issues - that there are serious moral issues in dealing in this human service area, and you can't completely discount them and you have to take them into account in terms of how you operate.

MS GALLET: Those sorts of approaches certainly wouldn't be approaches that our organisation would be looking at using. We do need to remember that this is a human services program; that we are working with people. I don't know that the issue of wage subsidy is the same issue there. If we're saying that a very disadvantaged person is almost there for the job but the employer is preferring this other one, that the wage subsidy might make a difference - - -

PROF SLOAN: An acknowledgment of their low productivity - initially anyway.

MS GALLET: Initially. But there also has to be a lot of positive rhetoric and encouragement that then goes with that placement. Judith, you made the point that presumably Job Network agencies are providing subsidies for the most disadvantaged. I'm not sure that is - the way the structure is at the moment, it could be - - -

PROF SLOAN: I think they're used sparingly.

MS GALLET: Yes.

PROF SLOAN: Did you want to make any other points? We didn't really want to - the thing is that, when you're involved in an inquiry, you get very excited about the detail.

MS GALLET: Yes. Thanks for the opportunity. I apologise that I'm so ill prepared, but it's been a crazy two weeks.

PROF SLOAN: Not at all. It didn't come across that way at all.

MS GALLET: Thank you. We will certainly look at some of the recommendations in more detail and I'll provide some extra written material.

DR LATTIMORE: Thank you.

MS GALLET: Thank you very much.

PROF SLOAN: Thank you. Thank you very much to the participants who have come here today, and I'll now bring the public hearings to a close.

PROF SLOAN: I will now recommence the Melbourne public hearings of the independent review of the Job Network. If you could state your name and organisation for the record.

MS BURSIAN: I'm Olga Bursian, and I'm a researcher contracted by WorkPlacement to do some research about young people's experiences of the Job Network. We made a contribution to the inquiry and I'm continuing on with the research interviewing 10 young people over a period of three months, so tracking their progress over three months. I just wanted to make some informal comments.

PROF SLOAN: That would be great.

MS BURSIAN: I was particularly enthused by the scepticism that you showed at the beginning of the proceedings about the Twin Peaks phenomenon, and why wouldn't six months be just as effective as 12 months and the whole vexed issue of parking, and are we providing the right incentives and so on, and value for taxpayers' money? It seems to me that a piece of the puzzle that's missing is an understanding of the needs of the majority of IA clients, so my comments are directed at IA clients. I would put it to you that the majority of IA clients are not seriously disadvantaged - mental health problems or homelessness and so on. Those kinds of people often do get referred to the community support programs anyway. To be in IA you need to be long-term unemployed, and very ordinary people can become long-term unemployed.

PROF SLOAN: Of course there is Wilma's important point: I think it's 12 months on benefits but you can have had a period of inactivity well before you get on benefits.

MS BURSIAN: Exactly. That's right. If you're long-term unemployed, it means that at the very least your confidence is eroded. Now, for different population groups - whether you be a young person or a woman trying to get back into the workforce or an older worker, or people with disabilities or people from migrant backgrounds - there will be different reasons and issues in your loss of confidence. The meeting of the needs of a person who has the minimal level of disadvantage that is always associated with long-term unemployed - that is, loss of confidence, often isolation - to work on just that very issue requires skill.

My background is as a social worker, and I think it would be really useful for the commission to understand the complexities of working with people; working with people who have just the minimal level of disadvantage and that is what I was just saying before. Long-term unemployed people can have more serious disadvantages because of being long-term unemployed, and that is their finances can be in a mess, their families have become stressed, their marriages have become

stressed, and these are normal people. They're not the most severely disadvantaged. There are also problems in the world out there, in the labour market, so it's not just a matter of people's deficiencies and the need for their confidence and their motivation to be bolstered; there are systematic barriers in the labour market.

A few years ago the Kennett government put in place a very very effective campaign about productive diversity, encouraging and promoting employers to engage newly-arrived migrants and some companies were showcased as being very good employers and spoke about the benefits to their organisation of employing people who come from overseas and who are able to really expand markets and so on. I don't know if you're familiar with that campaign, but it certainly pointed to the fact that a lot of employers have a barrier themselves about employing migrants.

For example, I had a client who had a degree in engineering from Oxford University, a PhD from Oxford University, and he was long-term unemployed. He was very angry by the time I saw him. He wasn't able to get even a job as a technician in a university department. He came from Sudan; he was the wrong colour. This is all to say that the process of providing employment assistance to people who are long-term unemployed is a complex one. And that gets back to what you were saying earlier on about the need to really untangle what happens in the service, what happens in a black box; what are the services that can be provided?

I would put it to you that from my perspective, my experience is that there are more staff members in Job Network agencies who do not have the kind of training that is required and the kind of skills that are required than those who do. That's my personal experience. I wonder whether we can look at standards of skills development, and that may well be something that you want to consider in the licensing.

PROF SLOAN: That is an issue which we haven't paid much attention to, which is the skill profile of the workers in Job Network providers.

MS BURSIAN: Yes.

DR LATTIMORE: There's not much information about that.

PROF SLOAN: No. Do you have any results, even preliminary ones, from your research?

MS BURSIAN: Yes, I do.

PROF SLOAN: These are young people who are in the Job Network?

MS BURSIAN: Yes, young people who have had extensive experience with the Job Network. We made sure that these were young people who could comment about going through the system. We found that these young people were from average families; three-quarters had the VCE; one had a university degree; most had healthy, warm relationships with their families and their families were available for support, and yet they became long-term unemployed. These are not particularly disadvantaged young people at all; just run of the mill perhaps lower middle class, working class, young people.

As far as I can tell, the staff that they have come in contact with - and they have been in constant contact with all the system because who wants to live on \$150 a week? Who wants to be stuck at home alone? Who does? - there haven't been the skills in the system to really deal with the issues of transition, all the issues of transition of young people either getting out of school at the right time - say, at the end of year 12 or earlier - or even young graduates. Young graduates can also become long-term unemployed. These are actual complex processes, and often the assessment process, the gateway - and that has been mentioned before by a lot of the people here - is so inadequate that it just bars people from access to services.

The JSCI for example: none of the young people that I spoke to had a clue that they could be allocated more money and more resources to assist them if they would admit to - this is a person that, "Yes, I have a problem with not having somewhere to live" - they didn't know that.

PROF SLOAN: That is coming through clearly.

MS BURSIAN: That's right.

PROF SLOAN: In fact, I think they think there are some advantages in hiding these things, apart from natural pride.

MS BURSIAN: That's right. They think it will be held - - -

PROF SLOAN: It would be sort of held against them.

MS BURSIAN: That's right. There's a confusion between the link with DEWR and Centrelink, and the Job Network is confusing for people.

PROF SLOAN: Did you have any information, though, on the kind of attention given to them over time?

MS BURSIAN: Yes, I do.

PROF SLOAN: You're making the point that there are inadequate skills on the providers' part.

MS BURSIAN: Yes, and in Centrelink. I agree with, I think it was Sally or Wilma - - -

PROF SLOAN: Sally, yes.

MS BURSIAN: - - - and the fellow from WISE, who suggested that perhaps the assessment process needs to be contracted out to agencies who have the skills to assist people's needs. An assessment is a very skilled process. I certainly do have information about how many times they would be seen by their case manager. One fellow, for example, said, "The agency was really good. They were really great. Yes, I saw the person twice in six months" - you know?

PROF SLOAN: That's an interesting issue in itself. I'm not sure people who are parked realise they're parked.

DR LATTIMORE: Well, the providers have told us that.

MS BURSIAN: That's right.

PROF SLOAN: I mean he thought that was pretty good - twice in six months.

MS BURSIAN: That's right. I think it's very pleasing that you have looked at the incentives and the need to perhaps tweak the incentives so that they work in the right direction, because organisations obviously have a need to survive and so they can, even with the best of goodwill, be prevented from providing an intensive service to people because it costs money.

PROF SLOAN: Is there any generalisation that you feel - I mean, in terms of how they feel they've interfaced with the Job Network providers?

MS BURSIAN: It's a very small sample that I have here, but I would suggest that apart from the issue of staff skills and understanding of what it takes to move people on. I think there is also a problem with outcomes. I think it is good to have an outcomes based system; the problem is with the way the outcomes are defined currently. I'm not suggesting at all a return to a process-oriented system. The current definitions of outcomes is inadequate; I mean, you don't have to define an outcome as "any job", you can define an outcome as hard data in terms of perhaps a permanent job. Perhaps you could have some parameters defining an adequate outcome as it being in the field of the young person - concerned with the young people here - a young person's choice, or the migrant person's background and skill

level.

PROF SLOAN: That, I think, would raise the bar tremendously, and of course there is evidence that people can enter the labour market through the stepping stone of temporary or casual work.

MS BURSIAN: Yes.

DR LATTIMORE: But you could recognise, I suppose, different quality of job outcomes through different levels of payment. It would be another way rather than only recognise - - -

PROF SLOAN: Yes, that you have the chance to progress.

DR LATTIMORE: Yes, just more diversity of outcomes could be recognised.

MS BURSIAN: I haven't got the figures but I would suggest that a lot of short-term jobs don't necessarily lead to permanent careers - entry into careers.

PROF SLOAN: The evidence is it's mixed. I mean, what happens with some casual and temporary jobs it leads to permanent outcomes and good outcomes, but there's no doubt that others lead to intermittent periods of unemployment - - -

MS BURSIAN: That's right.

PROF SLOAN: - - - interspersed with more periods of casual and temporary work.

MS BURSIAN: That's right.

PROF SLOAN: I mean, that's the reality.

MS BURSIAN: The young people in my sample actually had had lots of casual jobs and none of them were able to enter into the field of their choice and a lot of them were giving up on their dreams. Some of those dreams can be really modest, such as wanting to be a hairdresser.

PROF SLOAN: You make a valid point.

MS BURSIAN: So I think there is a lot of promise in something you mentioned earlier, that in FaCS there is some work being done on specifying indicators of service.

PROF SLOAN: Yes, the milestone program. I might have attached weight to

some softer outcomes or with someone who has a serious disadvantage. That, of course, is moving more to inputs in the processes.

MS BURSIAN: Well, I haven't got my thinking sorted out around milestones but I would suggest that it would be useful to define outcomes in a way that is meaningful, just to add some dimension. For example, a long-term unemployed young person who has always wanted to, say, be in the media field, through intensive assistance to gain entry into an accredited, say, TAFE or university course in media studies is a very meaningful outcome because it means entry into sustainable, long-term employment. I'm just suggesting that perhaps you look at it. That's a hard indicator. That's not - - -

PROF SLOAN: Well, educational outcomes do count, yes.

MS BURSIAN: Yes. So I could send you the interim report.

PROF SLOAN: That would be absolutely great.

MS BURSIAN: Okay.

PROF SLOAN: Did you want to ask Olga anything?

DR LATTIMORE: The only comment, I suppose, is the role of personal advisers. I mean, under Australians Working Together personal advisers will have a role for indigenous and mature-aged workers but they're not actually going to have a role for youth. In the UK, under the New Deal arrangements, it's actually the other way. Obviously with finite resources you can't do everything.

MS BURSIAN: No.

DR LATTIMORE: What is your view about personal advisers and the role they might play in Centrelink for different people?

MS BURSIAN: I think personal advisers are the right direction, and it's really about, you know, people having someone to discuss, you know - whether you use the term "mentoring" or personal adviser or a case manager. Young people in particular for whom the transition process is difficult, I think need to have someone that they can rely on, who will guide them through the difficult transition process. So I think the model should also apply to young people.

If I can just make one last comment relating to your interest in how to empower the job seekers. I think if the incentives can be - and if the system can be tweaked so that there can be a greater focus on ensuring that the job seekers are

assisted towards sustainable employment of their choice and with the recognition of what this entails, then I think that in itself would be empowering to the job seeker, because then the services are there to assist them to achieve their goals and I don't know of anybody really who is not interested in having a fulfilling life, doing what they enjoy, being able to earn some money and - - -

PROF SLOAN: Doing what you feel passionate about.

MS BURSIAN: That's right, yes.

PROF SLOAN: All right, Olga, if you could be in touch with Ralph or Dominique about that, there are few areas - notwithstanding the huge public interest in this area - where there are kind of research gaps.

DR LATTIMORE: In the long run, skills.

MS BURSIAN: Yes.

PROF SLOAN: So thanks very much for participating.

MS BURSIAN: Thank you.

PROF SLOAN: Is there anyone else who would like to - are you sure? You know, final chance? Okay. I now call the public hearings to a finish.

AT 4.12 PM THE INQUIRY WAS ADJOURNED ACCORDINGLY

INDEX

	<u>Page</u>
NATIONAL EMPLOYMENT SERVICES ASSOCIATION SALLY SINCLAIR DAVID THOMPSON	177-216
JOBS AUSTRALIA DAVID THOMPSON	217-218
WISE EMPLOYMENT DAVID HAYNES	219-236
MELBOURNE CITY MISSION SALLY JAMES	237-250
SALVATION ARMY EMPLOYMENT PLUS WILMA GALLETT	251-275
WORK PLACEMENT OLGA BURSIAAN	276-282