



**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 SYDNEY ON MONDAY, 8 APRIL 2002, AT 10.32 AM

PROF WOODS: Ladies and gentlemen, welcome to the Sydney public hearings of the Productivity Commission independent review of the Job Network. I am Mike Woods, I am the presiding commissioner for this inquiry, and I am 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 to advise on areas where the model could be improved. Our 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 areas, but we also visited provincial and rural areas. We talked 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 the staff, for the courtesy extended to us in our travels and deliberations so far, and for the thoughtful contributions that so many have already made 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 will be delivered 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 I will provide an opportunity for any persons present to make an unscheduled, oral presentation should they wish to do so. I would welcome to these hearings our first participants from Joblink Plus, Ms Christine Betts and Ms Heather Sayner. Would you please identify yourself by name and title for the record.

MS BETTS: I'm Christine Betts. I represent Joblink Plus today. I am their employment services regional manager.

MS SAYNER: Heather Sayner. I'm the general manager of Joblink Plus.

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

MS BETTS: Yes. We have Employment Services contract in the western region and Upper Hunter. Our organisation thought that it was important that the commission heard particularly some of the implications for the regional areas. Some of our cities are larger cities, country cities being 50,000-plus, but some are very smaller country towns. We thought that the impact of perhaps not having job

matching as it is now - we have some thoughts that we would like the commission to hear.

PROF WOODS: Thank you very much. We do have some written material from you, and we're also grateful for the fact that you attended a conference of CEOs and others of Job Network providers recently in Melbourne where you also identified some of your views. I was wondering if we could start by you just outlining in a little bit more detail the services that you do provide in the Hunter, north coast and western New South Wales regions.

MS BETTS: Not north coast, just Upper Hunter.

PROF WOODS: Just the Hunter?

MS BETTS: Just Upper Hunter.

PROF WOODS: Yes, within that broader - - -

MS BETTS: We have Job Search training in Upper Hunter, the Keepit area and Orana. We have job matching in all of our sites, in all of the ESAs in western and Upper Hunter, and we have intensive assistance in the sites as well. We offer what will be the PSP, the now current CSP, in the western region as well.

PROF SLOAN: So what magnitude does that add up to?

MS BETTS: How many clients do we service in total?

PROF SLOAN: Yes, sites and clients.

MS BETTS: Nine sites in total. Numbers for PSP, or CSP as it currently is, are hard to say, because it just depends whether you've got the referrals or not. In towns like Tamworth we probably have a waiting list of over 100 people to come into it, so we have about 305 for the region in PSP. In Tamworth we have 451 numbers for IA, Dubbo it's 221, Muswellbrook 279, Moree 279, Bourke, Brewarrina, Cobar about 150, 160 perhaps, and I think that's it off the top of my head.

PROF SLOAN: We've got your star ratings, and there has just been a recent release there. So it looks as though you're on sort of between 3.5 and 4.5.

MS BETTS: That's correct. Some of our branches are four and a half, five. Others, where it's a little bit more difficult labour market area, probably down around three, three and a half.

PROF WOODS: That's a point I wouldn't mind pursuing just briefly. If you're an unemployed person, and you are asked to select between competing Job Network providers, and you find out - although I understand you can't actually find out through the touch screen - if you sort of endeavour hard enough back through the web site you can get that information, but you would only get the regional average, wouldn't you, whereas you very kindly made available some more detailed information and the star rating of the individual offices does vary; I mean, looking at intensive assistance; from two stars in one of your sites up to much higher stars in others. So if they found out the regional average, they still wouldn't really know what star rating the service has that they would be getting from that particular office, would they?

MS BETTS: No, I guess not. The labour market is particularly difficult out west and you might be a two star, because simply there aren't that many jobs out there. But it still, I think, is double the closest star rating next to it.

PROF WOODS: Yes, I'm happy to make that point as well.

MS BETTS: Yes. So I guess if they could get that comparison though, that would probably be good.

PROF WOODS: Yes, although you do have some other competitors.

PROF SLOAN: What is your view of the star rating system?

MS BETTS: I actually have a lot of questions to put to my contract manager on how mine went down when I've doubled outcomes and potential placements in some of my sites. I'm very interested to speak to him next week.

PROF WOODS: Does that mean that it's not transparent to you as to how it works?

MS BETTS: Absolutely not transparent, and we need as a business to be able to understand how they were arrived at. I've done some very nice graphs to present to my contract manager to ask him that, if in fact we've improved this many per cent, how can I regress in star ratings.

PROF WOODS: What efforts have DEWR gone to to clarify for you how the star ratings work? As you say, it's essential for your business planning. You need that certainty. You need to know that if you apply resources in a certain direction you will get a reflection of that in your star ratings. Why is there still confusion? This system has been around for several years now.

MS BETTS: I'm not sure. I would be happy to learn if anyone can help me on exactly what areas I need to develop. In particular, at my Dubbo site I went down a full star rating. My potentials are double, my potential placements are double, my interim outcomes are double, my final outcomes are double to the previous period and I lost a full star rating. If we're looking at outcomes and potentially placing our unemployed and working with them, and you've doubled your efforts, to go backwards in a star rating seems to be very difficult to me.

PROF WOODS: You would have noticed our recommendation to increase the transparency. I take it you support that?

MS BETTS: Absolutely, and I've done a lot of work in the last couple of days, since about 1 o'clock or 2 o'clock on Friday. When I became aware of them I was off sick, so I got in and we got some facts together, and I'm making an appointment to have our contract manager go over them and tell me why. I don't know if he can tell me, but I need to start somewhere and we need to be able to understand. It's very difficult, I think, to go back out to Dubbo and say, "Okay, you've done all of these good things, but obviously it's not good enough. You've got to work harder," but we need to know where to work and why it went back.

PROF SLOAN: What has your relationship been like with the DEWR contract officer?

MS BETTS: We have a wonderful relationship with our contract manager. They are very helpful, but I really need to know how these work, so I can guide my staff to achieving. It's not that we're not putting people into work, but our star ratings aren't reflecting the increased effort we've put in and the outcomes we've achieved.

PROF WOODS: From your understanding of the inherent objectives of star ratings, to correct for local variations in labour market and the like, do you think that provided it's transparent and provided you can find a sensible reason for some of these variations, that the star rating is worth pursuing? How else would you gain an assessment? Would you just do it on raw outcomes and would that have some problems or benefits?

MS BETTS: I think raw outcomes is a good way to look at it. After all, I guess that's why we have a contract. However, there's a lot of preparation work you do with clients. One instance that one of my case managers very proudly brought to me a few weeks ago is a third time one of our clients has rotated through our business in intensive assistance, and he has just reached eight months' employment during the last period. So effectively it's well over three years worth of intensive assistance and lots of different training, courses and motivation-building, confidence-building things that have happened. So really, if you looked at that particular client, and there

are many of them, in one 12 months, there's not going to be an outcome often in a 12-month period.

PROF WOODS: Would they have done two full 12-month IAs though, or would they have dropped out sometime prior?

MS BETTS: No. This gentleman completed two full 12-month IAs. He had a lot of barriers to employment, but now it has really paid off. So it was in our third time with intensive assistance that that gentleman has sustained long-term work, which is really good.

PROF SLOAN: Are there weaknesses though with the classifications that come through the JSCI? I mean, was that person essentially misclassified initially, do you think?

MS BETTS: Possibly there are, and when we start Australians Working Together on 1 July we will have that four-week assessment period. Four weeks, I sometimes wonder if it's long enough, but at least it's moving down the path that we may be able to have people reassessed for perhaps CSP, PSP or another place that is better for them, rather than preparing them for work straightaway. So that goes a little way down the path of trying to reassess.

PROF WOODS: We have put forward a proposal that entry into IA should be a matter of choice, either by the job seeker who may have been through it before but having been through it not feel that yet another 12 months of that is going to assist them to any great extent, and that they might prefer Work for the Dole or some other obligation, or by Job Network providers who may assess a job seeker and say, "Well, within our range of services we would be unlikely to receive an outcome that would be of assistance to them, let alone of a payment to us." Do you have any reaction to that?

MS BETTS: Are you saying that still clients would be referred to some program that's on offer?

PROF WOODS: They would still need to have some form of program, and if it's a CSP, a PSP-type thing then that's fine. If it's not, but if they've been through IA and don't want to go through IA again, that they elect for Work for the Dole or some form of community participation.

MS BETTS: I think to me it would depend on how that is passed on to the job seeker, or the client. If it's in literature, often they don't understand. It's my opinion that you send out a lot of stuff and it's just, "It's another letter," and choices, and they don't understand. It would have to be marketed and explained in a different way, I

think, to be successful. As I think with intensive assistance. We spend a lot of time speaking, ringing up and making appointments other than the letter that is generated through the system, forming relationships and getting our clients to come in and see us. Those letters are very cold. It's just like another letter from Centrelink, and that's now how, in all honesty, you start off a good relationship with our IA client. It's a lot more work than that. So if it's just done in literature and handouts and that sort of thing that they're used to, I'm not sure that it would be very successful.

PROF WOODS: Okay, so the presentation and the explanation is clearly important, and that's where having people within Centrelink, who can spend time individually with the job seekers to clarify their options and the like, becomes important. But how do job seekers choose? I go through Moree several times a year and I see your ads and I see other literature in those sorts of regions. They are smallish labour markets. How do they choose between, say, three providers out there? What incentive is there for them to choose?

MS BETTS: In all honesty I'm not sure many of them do choose, and if they do choose our organisation and we're full, they roll to the next one anyway. So probably they think sometimes that making the choice is not really making a choice anyway.

PROF WOODS: Would there be benefit in trying to create incentives for Job Network providers to increase their marketing? I mean, at the moment if you're full, you're at point-in-time capacity, there is absolutely no incentive on you to grow. You've gone as far as you can in your three-year period - - -

MS BETTS: You can't.

PROF WOODS: Why try and be better? I mean, you want to be good enough to roll over into the next contract, but there is no incentive on you to excel beyond that, other than the payment structure. You can't grow your client base. Do we need to break that open? I worry that it somehow creates limits on the incentives of providers.

MS BETTS: Yes. I don't know how you would handle that if it was broken open though.

PROF WOODS: Stop having caps on contracts? In fact, maybe stop having contracts and having people - as we put forward in our proposal, DEWR would assess whether you're a viable entity and had minimum qualifications. You would come into the market. If your star ratings fell below a certain level over a period of time, you would be back out and have to stay out until you could demonstrate a change of structure.

MS BETTS: Yes, I can see benefits in that, definitely, but the government is saying to us they want to have a competitive environment in several businesses, and if you had someone perhaps who was very clever at marketing and doing a good job with outcomes and things like that, you may find other businesses not attracting enough business to stay viable. It could be an issue, particularly in the smaller areas. It would be something to consider.

PROF WOODS: Yes, there's a difference, though, between actual competition and potential competition. In metropolitan areas you would have actual competition because the labour market is big enough and there are multiple providers. In the Morees, the Bourkes, the Cobars, you may end up with a situation where one becomes so good that it remains the only viable business in town and the others fold, but that doesn't stop potential competition - ie, if they start to fall down, then somebody else could observe that situation and enter the market as well. So as long as the barriers to entry aren't too high, maybe the same incentive structure in broad still works.

MS BETTS: It is interesting. We could certainly handle extra numbers in many of our sites from time to time. It's also interesting with the new Australians Working Together that if we refer people for Work for the Dole, that person is out of your loop for intensive assistance, but the number is still held open so that person can return back in. With Australians Working Together, if you refer people out to literacy and numeracy or on to Work for the Dole your working capacity and your case manager isn't actually working with that client at that point in time; they're out in another program but they're going to return later. So that's actually capped still to accommodate that person when he returns, but your staff aren't actually working with them as intensive assistance clients, and you aren't able to take another one in to fill it.

PROF SLOAN: Just think of this as a business. How would you compare those two models? At the moment you have a contract with a fixed case load, which I presume from time to time you might run a bit short of referrals. I don't know whether that's been a problem in your area. But there's a degree of certainty, isn't there, within that three-year period? How would you compare that with the model which is proposed in our draft report, which is this idea of having licensed providers but no fixed case load, so you could grow within the contract period? How would you compare those two models?

MS BETTS: We haven't ever had anything probably below 95 per cent referrals.

PROF SLOAN: So you don't have a referral problem.

MS BETTS: Not at all. I'm at 100 per cent, I would say, 99 per cent of the time in all of my branches all the time. If it was open for people to come and go, it would be very difficult, if you didn't get people coming through your door, to maintain staff levels, and qualified staff that are good at their job; if you became very popular, you'd have to make sure you had better people coming on board to handle them. It may be difficult, I'm sure, if that's the way it goes, but businesses will learn how to float with it.

PROF WOODS: Don't other businesses do that?

MS BETTS: Yes, they do. My husband actually has a private enterprise and, yes, they do. They do it very well.

PROF WOODS: They do learn the skills.

PROF SLOAN: In your email that you sent through to the Productivity Commission there's quite a lot of discussion about your views on job matching and how that's linked in with IA. Of course, our draft report recommends essentially the abolition of paid Job Match, so would you like to expand on those points.

MS BETTS: Yes, very much. Our branches that achieve four and a half, five stars are working open - or used to anyway. Actually, they still are, those ones. They're still doing all right. They work in an open-plan room like this. We have IA consultants who work with the client to address the client barriers and motivations, and why they may have been out of work and what skills they need to rebuild or gain to get into work. We have a team of job matchers who, when the client is job-ready, take on working with them to identify what sort of jobs they need to go into, and source and market those jobs for those clients.

The skills of my job matchers are very very different to the skills of my case managers. They both have excellent communication skills: one is a marketer, and they're out there and they're busy getting jobs; the other person has great interpersonal skills - talking to a client; building a relationship with that client; addressing what employment barriers there are, identifying them; finding out what we need to do to overcome them - and they aren't necessarily the skills that the job matchers have.

Essentially, when I have an IA client job-ready, I have the case manager and five or six job matchers all working for that person, all looking out for that person. They meet the job-matching team. The job matchers handle all the inquiries or source jobs from employers, and they are looking out to work for them. My teams work as two smaller teams within a large team. They have self-set targets and are really motivated to achieve different things within that environment. In the country

I've some points of view that we could form very good relationships with employment agencies, things like that.

I think we have one very small employment agency in Tamworth. We're a city of 56,000 people. If I were the lucky Job Network to be able to have a firm relationship with that person, that would be great. We are country towns. It isn't used greatly, the employment agency in our town. The towns either deal with the Job Network members who are out and active, or they still advertise in our local paper, very much word of mouth as well, so that's where my job matchers know what's happening in the town and they know what jobs are coming up and going. Dubbo is the same sort of sized city - one little employment agency. We're not like a Newcastle or a Sydney, where it would be great to be able to set those up and think, "Yes, well, I can just refer my job-ready people over there. They'll look after them." We don't have that option.

With job matching I know I can get my IA clients to a level where we're happy that they're going to be able to sustain work most of the time when we refer them and, with post-placement support, hopefully keep them in long-term employment. With job matching, I can keep my employers. As you can appreciate, in a small town if they knew the only people I was ever going to be able to send to them were people who had long-term unemployment problems and perhaps barriers to employment, it's a scale that I need to try and balance. Sometimes I can't find the right person from my town - that talks about everybody and everything very quickly if it goes wrong. I need to probably get a job-matching-only person or a job-matching person who's only been unemployed for two or three weeks, and that might fill that spot at that time.

Make no mistake, every job that comes through our door, we look at our pool of IA and eligible clients first, but we need to keep our employers happy so that next time we've got an IA person ready for work they're going to take them on board. We don't put a practice in that we send IA clients out who are going to fail simply because they're not ready for work. We work very hard to make sure that they get some long-term work behind them. If we need to put someone else in - to keep an employer who might employ 20 or 30 IAs over the year - to work, then that's the way it works in the country for us. We find it works very very well.

PROF SLOAN: What's your view, though, of the prices paid for JM then?

MS BETTS: Prices paid for job matching?

PROF SLOAN: Yes.

MS BETTS: I'd go broke if I had to live on it. It takes a lot of effort and a lot of

hard work for \$536, or whatever it might be, GST. Our job-matching staff are really stretched because you've got constant phone calls, people in a hurry; they've got to look at this pool of people, look at that pool of people. You put a lot of work in to making sure you get the right people in there. If we're sending some IA clients in, we bring them in; we run through interview questions; what they're to expect; things like that. The case manager has a talk; the job matchers have a talk because they have the relationship with the employer. There's a fair bit of preparation work that goes into that, and you'd never get your money back.

PROF SLOAN: Effectively, there's cross-subsidisation that goes through the IA outcome payments.

MS BETTS: I'm not sure I'd call it cross-subsidisation because of the depth of work my job-matching staff actually do with the IA client.

PROF SLOAN: I'm not trying to make that a pejorative term, but is there a sense in which you see the fee as essentially bundled?

MS BETTS: I could probably answer that. In some of my sites, yes, and I guess it depends on the size of the town. In Tamworth and Dubbo our job-matching sections actually stand alone and pay their own way. In smaller towns - and it's definitely population - you get to the point and, yes, it will break even or it will go because you've got enough industry and enough jobs. I'd say you're looking at around 50,000 people plus and it's okay, but smaller, no; it definitely has to have both to survive.

PROF WOODS: Do you try and achieve exclusive relationships with particular employers?

MS BETTS: Yes, we do.

PROF WOODS: You've got in Dubbo and Tamworth at least three other competitors, from memory, on the figures.

MS BETTS: Correct.

PROF WOODS: Is that an awful lot of overheads then happening in those towns - having four different providers all trying to have exclusive relationships, and carving up the market, and each one duplicating what everyone else does?

MS BETTS: Absolutely. Yes, it's difficult.

PROF WOODS: Is that very efficient?

MS BETTS: Probably not.

PROF WOODS: What's the answer?

MS BETTS: Probably less competition, but then that's probably not what we want, is it?

PROF SLOAN: Leaving that description aside, there does seem to be a recurring theme that in the name of competition the department has in a sense - the contractual arrangements have led to an overservicing of regional areas.

MS BETTS: Yes.

PROF SLOAN: And you've got too many providers in smaller areas that in fact a more normal market wouldn't throw up.

MS BETTS: That's correct. If you were trying to put a job-matching stand-alone business into a country town, businesses in the country, they're not used to using employment agencies, labour hire companies; things like that are quite foreign to them. I guess we're doing quite a good job with the Job Network of giving it to them, but we're giving it to them for free. If a private enterprise came in - - -

PROF WOODS: Isn't that exactly the point, though - that what we're doing is providing a free service, whereas the employers up until a few years ago were able to do it quite successfully themselves as part of their own cost structure? Go back one: you make a very valuable point, that in metropolitan areas there are particular labour hire companies, or other recruitment specialists, who you could have relationships with and, therefore, may not necessarily need to have that function to the extent yourself, but in country towns there aren't those companies, and that's quite valid.

But in country towns there are different dynamics happening; the employer is well known. If the employer has just won a new contract and is going to put on 30 new people, everyone in the town knows it, and all those who potentially could get a job there would know to front up on day one, when and where. The networks are very good, let alone the local newspapers, the radio stations. You go through these towns and the radio stations have their segments on jobs available, and there's a lot of information that happens in those towns, whether they are the larger ones like Dubbo; the mid-sized ones, the Morees; or the smaller ones, the Bourkes. I'm just wondering why is government in there contributing to an information flow that is already fairly extensive, well developed, and used to be a cost to the employer which employers were willing to pay.

MS BETTS: I guess I'm relating my job matching always back to my intensive assistance, and those clients are probably not necessarily the ones who are networked, who get the papers; wouldn't have access to radio; possibly sometimes aren't out of bed in time to be getting in that line-up to be going to be getting one of those jobs. I need to have the employer's faith that the people that I might be sending out for them and routing out - - -

PROF WOODS: Are broad range.

MS BETTS: - - - are broad range. They may not necessarily be, if they're tagged that they're just long-term unemployed and that's all that's going to come from Joblink, then they mightn't even get a look through the door.

PROF WOODS: No, we understand your point, and it's a point that's been made to us by a number of people - that the core justification for Job Match is to help IA people get into jobs and to be treated as, you know, an eligible employee who you've assessed as being relevant for that position. But you're then making the point, to achieve that, you need to have a broader pool of Job Match so that you can always meet the employer's need, of whom some are IA.

MS BETTS: Yes. The other issue I guess we need to look at is that in Tamworth recently we've had a large industry close down and 100 employees will be going; another industry is making redundancy offers or transfers to Canberra of another 100 people. Some people can relocate easily and some people can't and choose to stay in the town. So within the next probably six weeks we're going to have 200 folk looking for work - highly skilled in work. Some of them are mid-age. Some of these clients end up coming in to us because they can't get another job.

It doesn't take very long - when the banks were running around some two years ago, or 18 months ago making managers and middle management redundant, we had a lot of ex-bank managers come into us job-matching eligible because they're more senior people. Motivation decreases very very quickly when somebody who has been a bank manager finds themselves unable to get a job. If they have no service like job matching to work with them, and this gentleman that I'm referring to - and there were many like him - hadn't been looking for a job for 25, 30 years. They haven't been to an interview for that length of time and have been in a position of some standing and now have nothing and it has very quickly become long-term unemployed people.

If the job-matching service isn't there those folk - I'm not sure how he would have got on. It sounds silly but he didn't know how to prepare resumes and letters of application, though he'd had a position of quite some standing. So that's the thing. I guess we might see it a little more because we know these people; they're the

people we bank with, we talk with them all the day, then they end up in our unemployed folk.

PROF WOODS: But is that a subsidised Job Match function, or is that a Job Search training function?

MS BETTS: He came to us job matching only first.

PROF WOODS: But if they're unemployed for three months - - -

MS BETTS: And then he became job matching - - -

PROF WOODS: - - - they do run through JST anyway. So if he'd been out for three months he would have picked up a three-week course - - -

MS BETTS: That's the point: you then get into three months and, you know, when you're 55 or whatever he was, then it just gets worse and worse. The more quickly - if job matching weren't there - we were lucky enough to get him a job before his three months went around.

PROF WOODS: Does that, say, though, bring forward Job Search training rather than have both?

MS BETTS: Possibly.

PROF WOODS: I mean, some of those skills that you're talking about - and we can quite understand those situations where people have been in stable employment for a very long period of time and of course they wouldn't have had or developed those skills - but I'm not sure that you need Job Match to provide those skills. Maybe you need to provide Job Search training or some mini-variant of it very early and still keep maybe the three-month program which has other benefits. Your views on that are always welcome. Thank you.

Your clientele includes indigenous Australians, I would take it. Again, having travelled through that region myself I am aware of the diversity of people that you would have there. How relevant is the Job Network to the needs of some of our indigenous Australians?

MS BETTS: Very very relevant. We have quite a few indigenous staff, which has helped us. We go probably out into the communities a lot more than we used to, particularly to - - -

PROF WOODS: More than used to, as in the last 12 months compared to - - -

MS BETTS: No, in the last - - -

PROF WOODS: Or are you talking about the previous life of Joblink?

MS BETTS: No, probably the previous life of Employment Services.

PROF WOODS: Right, okay.

MS BETTS: Our staff, particularly in Moree and Bourke and Brewarrina, travel to the missions, explain the letters - because people don't have phones and they don't have licences and they don't have cars. They are difficult to contact, but the indigenous staff that we have know them and they go out into the communities and they explain what the meeting is about and sometimes bring the people back into our offices. With indigenous clients it's a matter of earning their trust and respect and, once we've done that, they come in quite happily by themselves. But when they just get a letter from Centrelink it probably doesn't even get opened, to be honest. So we do a lot of our sign-ups and a lot of hard yards travelling into their communities and forming those relationships with each family or each group. Often it is a family issue, too, not just the client that we speak to.

We have had some very successful outcomes with our indigenous folk in Moree and some in Bourke and Brewarrina. Although they are quite small in numbers, they are successes when they happen. Job Network probably has a long way to go. We're still developing work with indigenous - as probably Australia does. We still have some prejudices with employers that we address and we're overcoming that. I think we're doing that quite successfully in Moree now, but it's slow - one step at a time.

PROF WOODS: The relationship of Job Network as provided through your services with CDEP: do you have any interface there between the two?

MS BETTS: We go to the CDEPs. We meet the elders. We meet the management. Some of the Aboriginal - and I can't put everybody into one basket - some of the people who are participating in CDEP want to be active in intensive assistance and want to be finding work; others are quite happy to just remain on the CDEP, which is okay. They don't have to become active job seekers in intensive assistance. I know that the CDEP in Bourke has just closed. That means all of the clients will now have to be eligible. I think there's about 800 people, so it's going to have to be taken up in a couple of hundred numbers in intensive assistance only. So I don't know what's going to happen out there.

PROF WOODS: No. Presumably some of the CDEPs are a bit reluctant to let

some of their better workers go and enter into Job Network as well - or not?

MS BETTS: I don't think they understand the implications if they enter into intensive assistance. It means that we are really actively going to be looking for work for them. So when they find that out sometimes there's a choice to remain on the CDEP, yes.

PROF WOODS: Now, because you do the Morees and the Bourkes, you'd also do the Mungindis and other bits and pieces in between - - -

MS BETTS: We outreach to Mungindi.

PROF WOODS: - - - not that I'm describing Mungindi as a bit or piece for those who live there.

PROF SLOAN: You're an expert in the geography of this area.

MS BETTS: It's really good. I'm glad someone in the room knows where I'm talking about - it's right up on the middle of nowhere.

PROF WOODS: I've travelled through all of that area and I love it, and thank you for coming. There are no labour markets there. You've got a general store that's been in family hands for however long and things, but what do you do in those situations? It's too far to travel into Moree. I mean, we are talking quite a distance. For those who haven't got licences or the car is not exactly roadworthy and other situations, how do you help them? What do you do?

MS BETTS: There is seasonal work with cotton.

PROF WOODS: We might get on to that one in a minute, yes.

MS BETTS: So at least with that, there is probably - depending on the season, rain, drought and all the rest of it - sometimes between six and nine months of good work for locals. At Bourke we're really lucky now because there's some good fruit picking as well, so you can probably nearly run from the cotton into the fruit. You'll probably get 10 or 11 months of work.

PROF WOODS: It's an odd concept, isn't it - fruit picking at Bourke?

MS BETTS: Yes. Actually there are a lot of grapes and a lot of oranges and things out there now.

PROF WOODS: Yes, indeed there are.

MS BETTS: So it is becoming quite good. Mungindi is a really sad little community and there really isn't a lot of prospect. When you talk about cars, if they have a car, no, they're not terribly roadworthy. Certainly if they've got a car they don't have a licence and they've probably got - I don't know - \$20,000 worth of fines and they'll never pay them off, so whether they should be driving the car is another issue altogether. That's my problem with most of my clients: they don't have licences and they have a lot of fines and they'll never work them off. If we can overcome other barriers, there's a huge financial problem with them paying off a loan, to get a licence to travel to work, when they live that distance from any town. I would say almost 100 per cent of my indigenous clients would have that problem.

PROF WOODS: What is the value of putting them through IA, rotating them through 12 months after 12 months after 12 months?

MS BETTS: The good thing is that we can start to change some of the cultural ideas that it's too hard, that, "We can't do that." It's a big thing for an indigenous person, if they are a family in Mungindi, to relocate perhaps to Moree, but we have done a couple of those things quite successfully. I think, as I said earlier, it's a long time in making that actually come through to fruition. But little courses that they might come down and do, and then go back to their community and take some knowledge back with them under the IA, have been another thing we've tried.

We're taking laptop computers out to their communities and teaching them how to access our Internet sites and look at our jobs and things like that as well, and we're also doing a lot of literacy and numeracy ourselves with them when we visit their communities, in the hope that just when the season comes up for picking and things like that, they can read the fliers that we send out and be on the spot and go. We often take a bus up and take them out to those sites. I think, yes, it's worth the slog, because if we weren't doing it I don't think they'd go at all, because they're unaware. They're not in the business of knowing what's happening.

PROF WOODS: They're very isolated in those small towns.

MS BETTS: They are very very isolated. There aren't a lot of services. Mungindi is an eye-opener to anybody. If you've got a challenge to try and find work for people, then go to Mungindi. We have quite a few intensive assistance clients there.

PROF SLOAN: Did you have a view about the recommendation of the abolition of the Harvest program?

MS BETTS: I could see that - I wouldn't argue that you would have to keep it, no.

PROF WOODS: It struck us as a very large subsidy for a very small group who do have other arrangements and that primarily - would it be your experience that primarily those who get the jobs are not those who are long-term unemployed, that the majority would be the backpackers and other itinerant workers?

MS BETTS: Absolutely. We don't want to get into the tax issue, but a lot of people have different tax file numbers and things and different names out there, too. There may be other people who are eligible people, but when they register out there, we don't know that.

PROF WOODS: No, okay.

PROF SLOAN: You make a point or so in your email about our recommendation that only final educational outcomes count, and you might like to expand on that point, because it's quite an important one.

MS BETTS: I guess I'm referring again, very selfishly, to the smaller regions that we work in.

PROF SLOAN: Yes.

MS BETTS: Sometimes we subsidise with TAFE to prepare a course that would suit some indigenous clients that we have in Bourke and Brewarrina, because the grape picking might be coming up or something. So we design a course that's going to give them the skills to go and get work in that fruit pick, perhaps. Now, it doesn't need two semesters. It's the labour market that's there. It doesn't even need a certificate, although they do get one. But it is only one semester. They go out; they do a little bit of this; they do a little bit of form filling and things like that and then a little bit about how to do the things right. We get some horticulturists to talk to them.

You know, it's lucky to fill one semester to be honest, but that's what we've designed, but we do a lot about turning up for work, going every day and, if you're not going to go - because 99.5 per cent of them are indigenous clients. We do a lot of that sort of thing, as well. Letting people know if you're not going to be at work, whether it be us or whether it be the contractor you're working with, but certainly it doesn't need to be two semesters and it is relevant to the labour market that they are working in.

If we can get that going I don't see any reason that our client won't go back the next year and the year after and the year after, because most of those clients will stay living in their home town. They won't move away. Most of their children will stay living in that town and they won't go away. We use mentors sometimes if we know one of the family of our indigenous clients who does work - whether it be in their

community or in another - we use them to mentor with that person if it's the first time they've worked, because it is a new way of life for a lot of indigenous folk and, if we can get a parent starting then the child will see that as well, so it's a long, long term result but if we can get those sorts of things recognised and happening then the children of those people see it too, so we see benefits in that sort of training.

Even the clerical skills that we do over one semester out there - for the types of jobs that are available, they are quite suitable. We've just lost three of our indigenous staff from our Bourke office who have been head-hunted by government departments out there. They've all gone and I've got to start again, but maybe we could be classed as a good employer out there, but there are some good jobs if you can start them off.

PROF SLOAN: That's true.

PROF WOODS: That's excellent. Would you consider the payment level for intensive assistance at least sufficient to meet the costs when you average out the commencement fee and the outcome payments when you do achieve them and your average of outcome payments over your total commencements?

MS BETTS: I would always say no to that, because there is so much more training and more work we can do with our clients, dependent on the money. I know it's not an endless supply, but some clients come in to us and we see them and talk to them and they may have relatively small problems and they don't take a lot, but some of our clients need a lot more time and attention and, if we had a little bit more money, we could see the clients more regularly. We could do a little bit more with training or referrals to specialist help and then bring them back, and I think it would probably work a little bit better.

PROF WOODS: Would that be true across - I mean, you deal with other providers - providers generally? Is there a concern that if you applied more money that sometimes they would be getting paid for outcomes that would happen anyway and, at other times, there's the chance of making greater surpluses because some people you're never going to be able to help and why would you invest the funds?

MS BETTS: I don't know that in IA there are many people that were just going to get a job anyway and keep that job. Our post-placement support program is probably as busy, if not busier, than the case manager's side. Once somebody is placed into work we have heavy contact with that person and their employer, and it goes on and on and it never stops.

PROF WOODS: That may be different in country towns - - -

MS BETTS: I don't think so.

PROF WOODS: - - - to the dynamics of metropolitan areas. No?

MS BETTS: I don't think intensive assistance works without post-placement support.

PROF WOODS: We've just had other situations where other employers are - and job seekers, who now have jobs, don't show a lot of interest in keeping up a relationship with the Job Network provider, but who does have a strong interest in keeping a relationship with them, at least for 13 weeks and, hopefully, for 26 weeks.

MS BETTS: I guess that's in a relationship building.

PROF WOODS: There seems to be a bit of disparity in interest.

MS BETTS: I think I heard in Melbourne that some job seekers have said, "You know, the Job Network didn't have anything to do with me getting a job." I know my clients forget a lot about what we do and what we've done for them and, when you understand their backgrounds, that's fine, and if somebody said, "Who was Chris Betts?" six months down the track, they would probably say, "Who the hell? I don't know," and they probably don't care, but certainly the case managers who work with them work very closely and try and build that relationship and I know that intensive assistance clients are there for a reason - sometimes several reasons - and the post-placement support, whilst they might forget very quickly, happens weekly, bi-weekly, fortnightly, however long, and is done not without their consent to do so, so certainly all our clients are aware of what we're doing and we speak with employers and we assist all the way along. It costs probably as much to do that part of the program as it does any other part of it.

PROF WOODS: So you don't have any problems getting the sign-off for employers that this person has been employed for 13 weeks?

MS BETTS: Yes, we do.

PROF WOODS: Why is that?

MS BETTS: We're getting really tied down to having to have a lot of proof that wasn't asked for really when we were given our contracts. My contract manager now wants wages, times. If 100 per cent reduction isn't being shown on the claim screen he wants wages, times, all those sorts of things. Employers - I think they think the Taxation Department is going to come rushing down and they wonder why do we want all this. "Yes, we're happy to give your clients jobs and we're happy to speak to you people and we're happy to say, 'Yes, they've been here and they've been in

full-time employment,' but why do you want all of this other information?" I have to say, "Well, look, I don't know why I need it either."

We are probably being constricted all the time those goalposts keep moving back. Initially we needed this for proof of a claim. Now it's a little bit more and now it's a little bit more. It seems to be our contract manager has changed things. We just get something down pat and think that's easy, and they'll give us something else. I can understand. As I said, my husband has got a couple of businesses in Tamworth and, if people came to him and kept saying, "I want you to give me this" - about your wages and about your hours - you're paying somebody. Why is somebody else interested? I don't know.

PROF SLOAN: We make quite a bit in our draft report of this problem of parking. That there does seem to be a certain number of the IA clients for whom not much is done. Do you see parking as a - - -

MS BETTS: Why do you make that statement - that there seems to be a lot that nothing is done?

PROF WOODS: We've got statistics to show that large numbers don't get to see their provider more than once a month. They come out of it, saying, "I've had monthly or less contact over the period of 12 months. I never went to an interview. I never went to a training course. The few times I saw my contract manager - my provider case manager - we had a five-minute conversation" and then they walk out, and the statistics we've got - they're official sources. They're not something that we have created.

MS BETTS: Our initial appointments with any new referral would be a minimum of an hour long. I mean, I can't speak for everybody, but a minimum of an hour long. All our new referrals come to us from the minute they're signed up - the very next course that we're running for new IA people. They come daily for three weeks; that's written into their agreement. I know other organisations work differently, but this is the way we work and that's why I say I'll always have some more money. We put a lot of effort into identifying needs and whether people are actually in the right place and which case manager they should probably work with, because some are better with different client groups.

We just have drop-in. You come in. We have set appointments in the morning and our case managers are free in the afternoon, so we educate our clients that way. "If you just want to call in we're free in the afternoons." As free as you can be. You're doing other work obviously, but there aren't other scheduled clients with you, so you can see somebody. We have computers and a workroom where you can come in and drop in, have a coffee, do some applications, talk to somebody. There would

always be somebody there to see you.

PROF WOODS: We understand all that, but we have still got official statistics that we have included there that show a lot of people aren't getting much service. They get a lot at the front end because partly the providers are very keen to work out who they want to invest particular amounts of time or resources into and those for whom they don't.

MS BETTS: You're talking about the graph that goes up and along and then up again.

PROF WOODS: Yes, well, then you get your outcomes, which show the first three months and the last - - -

MS BETTS: Absolutely, and sometimes it takes, like I said, three years of working with somebody before you address lots of those but, I mean, I think, off the top of my head, that gentleman was unemployed for 12 or 15 years. You can't fix that in one year. We do pretty well to fix it in three years.

PROF WOODS: No. I understand those particular cases but - - -

MS BETTS: But there are lots of those, as well. What is unemployment average? Around about 9 per cent now.

PROF SLOAN: For Australia?

PROF WOODS: 7 is the - - -

PROF SLOAN: 7.

MS BETTS: Some of my area is a little higher, I guess.

PROF WOODS: Yes, there are regional variations.

MS BETTS: Then there will certainly be some of our intensive assistance clients that it doesn't matter how good a case manager you've got working with them they will remain unemployed for some time. It might take a long, long time to work with them to get them a job, so whilst ever there is unemployment there will be some who you work with that you won't get a job. I think we're working on around 25-35 per cent outcomes in most of our branches, and that's pretty good.

PROF SLOAN: That has been excellent. It has been very helpful having your particular perspective of the region you come from because you do canvass a wide

range of issues. Are there any final comments that you want to draw to our attention?

MS BETTS: I would like to apologise to the floor for not being able to hear. I thought these were microphones and I thought you could hear. I am a little bit under the weather with a cold, as well, so it has probably not been the best for you, and I might have bored the city folk to death with country news, but it is unique and that is where we have to work.

PROF WOODS: We're very grateful for you coming along.

MS BETTS: Thank you very, very much for the opportunity to speak. We appreciate it.

PROF WOODS: Thank you. I'll just call a brief adjournment for a minute or two.

PROF WOODS: If we could call our next participants, Megan Mitchell and Peter Davidson. Could you please identify yourselves and your title and organisation.

MS MITCHELL: My name is Megan Mitchell. I'm the director at the Australian Council of Social Service.

MR DAVIDSON: Peter Davidson, senior policy officer at ACOSS.

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

MS MITCHELL: First of all we wanted to, from ACOSS's point of view, congratulate the commission for the work it's been doing, and in particular for moving the debate to something that looks at actually the effectiveness of the system and the policy solutions to making it a more effective system, rather than questioning the existence of the system itself. So we think that's a very positive contribution to the debate around the Job Network and provision of the employment assistance generally.

We noted an article in the Fin Review the other day, and we wanted to say to you that we don't believe at all, as you don't, that you're being too market oriented in terms of the draft report. In fact, we might even suggest that maybe you've been a little too soft on the expectations of intensive assistance and of the providers who provide it. So that's just a general point we'd like to make.

There are two overarching issues that we wanted to bring up with you. One is to re-emphasise what we consider to be the importance of intensive employment assistance for those who are most marginalised and most disadvantaged, and we consider that there are significant returns that can be made by governments and society in investing in people who are marginalised in the employment market, and we've got some material we'd like to put forward to support that view.

MR DAVIDSON: Yes, if anything, our main criticism of the commission's approach is that you may have been too conservative about what can be achieved and expected of intensive employment assistance, both in regard to the outcomes that can potentially be achieved and the range of people who can potentially be helped if flaws in the funding system are addressed - and we'll come to that when we go into the detail.

Australia is almost unique within the OECD at the present time in not offering substantial numbers of long-term jobless people a higher level of assistance than intensive forms of coaching and Job Search help, such as wage subsidies and more substantial forms of training.

PROF WOODS: Which aren't excluded under our arrangements.

MR DAVIDSON: No, but a basic premise of our submission is that employment outcomes could be significantly increased by improving the funding structure. We think it's possible to improve employment outcomes in intensive assistance, for example, by 5 to 10 percentage points - that is net employment outcomes - which is a bit of a problem because we don't know exactly what the net employment outcomes of intensive assistance are at the present time. We only have information on net benefit outcomes, which is a different thing.

We believe that the international evidence, and evidence from past experience in Australia, suggests that outcomes could be significantly higher and it's worthwhile for government to invest more in intensive assistance than it is at the present time. We're concerned that the mantra since the Job Network was introduced has been, "Let's achieve the same outcomes for less." We'd like to set our sights higher; we think higher outcomes can be achieved if a well-targeted investment is made.

The material we'd like to give you to illustrate that point is a potted summary of labour market assistance outcomes - net employment outcomes for employment assistance schemes worldwide. This is a very ambitious effort, as you'll appreciate. It's a piece by Michael White from the Policy Studies Institute in the UK, and it was fed into a seminar on evaluating the Welfare to Work programs in the UK. The range of net employment impacts that he argues emerge from evaluations across OECD countries are from around 3 to 8 percentage points from advisory interviews, through to 10 to 18 percentage points for work experience and temporary employment assistance.

We consider that if there was a greater focus on the latter, especially wage subsidies and other mainstream work experience, that outcomes could be significantly improved.

PROF WOODS: We'll take it up with you later but the question is, what prevents that happening? And the answer is, nothing other than the incentive structure. But we'll pursue that - - -

MR DAVIDSON: We'll come to that.

PROF WOODS: Thank you, and we'll incorporate that material as part of your submission.

MS MITCHELL: The second major concern that we'll also go through in a little bit more detail is the reports apparently leaning towards rationing of assistance, and

in ways that we're concerned might lead to additional parking of groups of people - or dumping of groups of people in programs that don't have a work outcome focus. We wanted to - - -

PROF SLOAN: Is this about the proposal that your Job Network provider does not accept someone for IA?

MS MITCHELL: Yes, or accept them back. In particular, we wanted to draw your attention to schemes like CDEP, which is probably the world's biggest lot, apart from the M25, and where the work focus has been lost a long time ago, so the opportunities for those people for long periods of time become very limited and they become quite excluded. Peter has some other information about that. Also we're thinking about some of the disability programs that also might provide an example of that.

MR DAVIDSON: Yes, my example relates to disability programs. Disability employment services, at least the best of them, are very ambitious about what they can achieve with people who have significant social and personal barriers to employment. We think that that approach ought to be applied to a greater extent within the Job Network, rather than giving providers incentives to refer people on to somewhere else from where they might not ever emerge into employment.

We don't doubt that a significant proportion of long-term jobless people have major personal and social barriers to employment. That is especially so at this point in the business cycle, where the people who have been left behind include a higher proportion of that group as distinct from, say, one or two years out from a recession. However, the history of attempts to park that group in programs without a strong employment focus has been a history of policy failure. In the 70s it was the invalid pension; in the 80s it was special benefit.

The latest scheme is the new Personal Support Program, which at least offers assistance that might lead people into employment, but even then we don't think the government has got it right there, in particular. There are too few resources invested and there isn't a clear employment focus in the medium to long term. That's why we've suggested to the commission in our submission that rather than transferring people into a completely different type of program where those barriers are identified, that a milestone approach be adopted. That is, you don't lose sight of the employment goal. It may be two years or three years away but, as with the best of the disability employment assistance programs, you never lose sight of that objective and it's structured into the funding arrangements and incentives.

Indeed, one option with that group would be to leave them on the books of IA providers while they are participating in a different form of assistance, so that they

can continue to receive help with job search where appropriate and so that, once they come out of that other form of assistance, they can be helped towards employment. That won't work for everybody but we fear that any system in which providers can choose to refer difficult-to-place individuals into another program is potentially problematic. The history of previous efforts along those lines demonstrates that.

The material I want to table in regard to this, which I don't think we've submitted before, is an article on employment assistance other programs for people with intellectual disability who are generally quite difficult to place in employment. It compares the costs and effectiveness of post-school options programs which, in our view, have become a place to park school leavers with intellectual disabilities, with programs that have a stronger employment focus. Once again, this material is only illustrative. It doesn't prove our point.

PROF WOODS: Thank you very much. Does that conclude your - - -

MS MITCHELL: Well, we had four areas that we wanted to discuss. That's the targeting of intensive assistance - this is specifically where we will turn: pricing issues and pricing structure, the contracting issues that are raised in the report and in our submission, and job matching and Job Search training, which follow the information that we provided last week. We do a bit of a tag team thing.

PROF WOODS: That's fine, so do we.

MS MITCHELL: So shall I go through those one by one?

PROF WOODS: Yes, if you could sort of cover the material that each deals with, and then we'll go into some specific questions on it.

MS MITCHELL: I'll start with the targeting area, and some of it we've just been talking about really. All these issues are interrelated. Basically our premises are fourfold in terms of targeting of intensive assistance; that is, of the type provided through the Job Network. We consider that long-term unemployed people and those most at risk, or those who are assessed as such, should receive intensive assistance unless they have employment barriers that require more specialised help - for instance, from a disability provider or specialist provider - to overcome some sort of personal or social barrier.

One of the problems we have is that we're concerned that with the current assessment tools it is possible to front up, to be able to accurately predict the kind of help particular individuals will require until there's a period - and we've suggested there's a period that people are familiar with the person and their attributes and their capacities over a period of time. So we consider that a period of assessment is

required beyond the initial gateway assessment, in particular to target the most resource intensive help that's required.

As we just talked about, we don't think it's good policy for people who are employable but have a distance to travel - not physically but otherwise - should end up indefinitely in remedial programs, in no workplace programs that don't have an employment objective. A lot of that is to do with the conditions at the time, the economic conditions, the person's circumstances in their life, whether the initial assistance was any good or not. All sorts of things can change: they might be work-ready at one point in their lives and they weren't at another point in life, and to be stuck in a program where they're not going to get an employment outcome is not particularly an effective outcome.

The policy implications from our point of view - and we have put this many times as the other side of the coin of mutual obligation - is that long-term unemployed people should be guaranteed intensive assistance, or other help. We'd support the JSCI to target intensive assistance, but we're also concerned about increasing the number of outcome payment categories because again we think that that should happen later in the process, where you have a proper opportunity to assess the capacity of an individual, and that the first three months of intensive assistance should be the gateway period when their needs are assessed, and that you can refer out of intensive assistance during that period, but it would be strictly monitored.

Again, we want to stress that we're keen for IA providers not to have an incentive to shunt people - hard-to-place people - to other programs, and Peter has outlined one of the options for that - keeping people on the books - and this would be a stepping stone into another employment milestone, assistance milestone. We oppose the arbitrary limits on the number of times that people can receive intensive assistance.

PROF WOODS: I don't recall us putting forward an arbitrary limit. We'll pick that up. I won't disrupt your flow.

MS MITCHELL: Certainly in some quarters it's been interpreted as such.

PROF WOODS: Yes, I understand that.

MS MITCHELL: But we'd be very concerned about that, although employment history is an important issue. If you think about it, people could be unemployed for lengthy periods of time and to just be shunted into nearly - - -

PROF WOODS: I didn't want to disrupt your flow, I just wanted to correct the

record.

MS MITCHELL: No, and that's it about targeting of intensive assistance. So did you want to - - -

PROF WOODS: I think because all the things are so interrelated, perhaps if you could - do you want to tackle that area first and then go on to the others after?

PROF SLOAN: Yes, I think.

PROF WOODS: There's enough there that we can kick off a conversation there.

MS MITCHELL: If we pick up other things, we'll just go over them.

PROF WOODS: Do it as we go.

MS MITCHELL: Yes.

PROF WOODS: Can I clarify: you talk about long-term unemployed people should be guaranteed IA. Are you saying, therefore, it's mandatory that if you've been unemployed for 12 months you must go into IA, even for those who have experienced it, found that it wasn't meeting their needs and that they would prefer Work for the Dole, or some other obligation?

MS MITCHELL: Our view is that it's an offer of intensive assistance.

PROF WOODS: It's just that your language - I was getting a little confused. At times you talk about "should receive", "should be guaranteed". I just wasn't quite sure where on the spectrum you were as to, "Therefore, everyone shall go through 12 months of IA," or - - -

MR DAVIDSON: In the ideal system other programs such as Work for the Dole would be integrated with IA. It makes little sense, in our view, to have them running parallel; it's separate to it. So we would see IA as the gateway to other forms of assistance, and in theory IA is merely a shell: you can fill it with anything you like; it can be chocolate-coated, or whatever. We do think people should be guaranteed access and be required, given that the present system is a mandatory system - - -

PROF WOODS: Be required to be in a program but not necessarily in the IA program?

MR DAVIDSON: In the IA system, unless - - -

PROF WOODS: So you're defining that more broadly than is currently interpreted.

MR DAVIDSON: Yes. We're assuming everything is integrated, unless they have been identified as requiring specialised assistance; for example, through - - -

PROF WOODS: A PSP, CSP-type - - -

MR DAVIDSON: Or a disability - yes.

PROF WOODS: Although you do make the strong point that even that - and perhaps that's one of the benefits of that program compared to some others - still does have an arrow pointing back towards employment, and that seems to be a recurring theme through your submissions, that ultimately the aim is to overcome the barriers and move back into a situation of employment. Now, you also make a couple of points: one is that there should be more resources put to the needs of the unemployed. You start to say that these resources should be directed to enabling providers to identify case managers for job seekers. You talk about, "Extra resources should be available to act as wage subsidies." You talk about resources being able to provide more intensive training. But these are what the Job Network providers can and should be providing for the unemployed within the existing arrangement. I don't understand your perspective, when that's exactly the menu of options available to Job Network providers now.

PROF SLOAN: While at the same time keeping the employment focus.

MR DAVIDSON: Most do provide case managers - they're called "consultants" - but I think your report indicates that only a minority are receiving more substantial, more expensive forms of assistance above and beyond intensive Job Search training, coaching, and so on. The reason for that, as you say, is a pricing problem, as we see it.

PROF WOODS: You've identified it as needing more resources, but don't we need to identify the current incentive structures and the pricing systems at the moment to see whether we can overcome those within the level of resources before we start arguing for more resources?

MR DAVIDSON: We think that the evidence suggests from labour market assistance in Australia in the past and from international experience that a greater investment in assistance that's not being offered at the present time would yield higher outcomes, and we don't see a great deal of scope for achieving that by way of greater cost efficiencies elsewhere in the system, because apart from anything else the majority of IA providers bid at pretty well the minimum price in this round of funding and, given problems with the pricing structure, we believe that's likely to continue to occur until the system is changed.

PROF WOODS: In fact, you don't disagree with our idea of having a minimum administrative price, I notice.

MR DAVIDSON: We support it. That would address part of the problem.

PROF SLOAN: The IA providers aren't actually complaining about that price, which suggests that maybe it's the right price on average. It goes back to Mike's point about the structure. You're generating outcomes with that price, but simultaneously you're getting the issue of parking. Now, one answer is to up the price, okay - in other words, the resources - but that would clearly involve quite a lot of deadweight loss because those outcomes were being generated with the previous price. It seems to me it's your point about more careful targeting and, indeed, perhaps some of your ideas about milestone arrangements for the most disadvantaged.

MR DAVIDSON: It's a combination of targeting and pricing. Certainly, a great deal can be done by improving the targeting regime, in particular by giving providers a period of, say, three months to assess needs more precisely, and then giving them another bite of the cherry, so to speak, at the end of that point.

PROF WOODS: Subject to the moral hazard of thinking, "You do really need our latest institute program on - - -"

MR DAVIDSON: Yes, well, that's where we would change the pricing structure, and I suppose everything is interrelated, but we would ask the providers to share in the costs of that additional assistance, and so that addresses the moral hazard problem. It would have to be finetuned very carefully. In other words, the providers are being offered additional funds to make more substantial investment in regard to those who are still in IA at the three-month point, and are presumably harder to place, but they're also being asked to contribute part of that cost themselves. Presumably, the main reason they would make that investment, that extra investment, under those conditions is the prospect of higher outcomes payments.

If you carefully adjust that combination of input based payments and outcome based payments, then I think you'd get the incentives about right, and both moral hazard and deadweight problems would be minimised. They will never be eliminated, especially if you aim to achieve higher net outcomes than at present. You will increase deadweight loss because there's no perfect system of targeting expenditure, as you know, in employment assistance. But we believe that's worth the risk to government in order to raise outcomes by 5 to 10 percentage points and get large numbers of people off benefits over a three, to four, to five-year period.

PROF WOODS: You'll note in our report that we did actually float your funding model and have sought reactions because there underlies an idea worth formulating, although I worry about your phrase "will require a degree of finetuning" as being a euphemism for, "It's a good idea, but we're not quite sure how it's going to work," and I think we're a bit in that same boat at the moment.

MR DAVIDSON: That was the story with the Job Network when it was first introduced. If you don't take those kinds of risks, then you won't improve outcomes for jobless people. The things that would have to be very carefully considered are the actual levels of prices and the proportion of the cost that would be shared. We think that the structure we're proposing is a good one, and at the very least, even if there was in the worst case scenario a very large deadweight cost, assistance is being provided to job seekers, and providers will learn from the experience of offering that more substantial level of assistance - and some do already, of course - but it's not generalised.

PROF WOODS: I guess I worry about cost shift under that scenario, though. We have a range of providers - some who are excellent, some of whom are at the other end of the spectrum. There are many who are able to find room within their payment structure already to be offering skill based training, wage subsidies, and the like. What I wouldn't want to see is that for the current level of resources it just reverts to a front end, "How are you?" and talk for an hour to a new case manager, and then keep in contact every fortnight, and only do these other things through these new additional resources, and your mixed funding model has some incentive structures to try and cope against that. But I still am concerned that there would be on the part of some providers a view that you could now cost shift all of that activity into the new pool.

MR DAVIDSON: You would have to guard against the basic assessment, coaching and counselling-type services being financed in that second round. Those kinds of services would have to be specifically excluded. It would have to be a higher level of service, or a different kind of service - relocation assistance would be one example - without specifying what the provider should and shouldn't offer.

PROF WOODS: That then is the problem of getting too input-oriented and, therefore, people are unnecessarily going through programs that aren't relevant to their circumstances, but you're still keeping the menu concept open, aren't you?

MR DAVIDSON: Absolutely.

PROF WOODS: So there's still some flexibility of identifying what program individuals need, so you're avoiding some of the worst of the input focus.

MR DAVIDSON: Yes. We would simply argue that the minimum services that IA providers ought to be expected to offer everybody would be excluded from that arrangement, otherwise there would be a problem with cost shifting. Beyond that there would be very few limits, except a limit on the overall level of public assistance in regard to any client and the suggestion we float is that that be based on, say, one year or two years' unemployment benefits.

This is a suggestion that was floated in the OECD report and it's based on the assumption that, if somebody doesn't benefit from employment assistance and achieve a job outcome, they are going to cost government a year, two years, maybe more, in unemployment benefits and, in addition to that, that there would be social costs attached to that. So we have suggested that, in order to place a limit on the cost to government of this model, the level of assistance to any one job seeker in IA, depending whether they fall within the A or the B level, would be based on, say, a year's unemployment benefits or two years' unemployment benefits. We're also advocating a minimum level of assistance - - -

PROF WOODS: Yes, I noted that.

MR DAVIDSON: - - - which in some ways runs up against the flexible approach, open-ended approach, that has been taken thus far, but we think people are entitled at the very least to regular access to a consultant and - - -

PROF WOODS: That's what your Job Network provider is meant to be, I had assumed.

MR DAVIDSON: That's right, but there is - - -

PROF WOODS: That's what they're currently being paid for. They get a commencement fee and, if they're successful in the person getting a job for 13 weeks, they also get an outcome fee or go through a training course. They're being paid now to do that.

MR DAVIDSON: They are, but it isn't consistent.

PROF WOODS: Do you want to pay them more to do what they're already supposed to be doing?

MR DAVIDSON: No. We wouldn't be offering more. We would just be saying that, for the money that the Commonwealth is providing, a minimum level of assistance has to be offered.

PROF WOODS: You draw attention to that through the increase in tightening by

DEWR of the various guarantees - statements of intent, et cetera - that are now required of providers. Are they doing that or are they intending to do that but not achieving it?

MR DAVIDSON: It's more the latter, I think. The government has made a series of interventions to attempt to directly regulate what the providers do which have, by and large, generated higher administrative costs for providers, without achieving their objectives. Intensive assistance support plans would be one example and, to some extent, declarations of intent would be another. We think a system of a transparent and simple system of minimum standards should be introduced that involves a minimum of paperwork, but where the standards are clear enough and definite enough that they're binding.

PROF WOODS: But I am still not clear. Are you saying that you should not do what is currently being done in terms of the guarantees and the declarations of intent but replace them with something else? Is it purely for administrative simplicity? Is it to make them more comprehensive? Is it to have a centralised system so that everyone has to include certain components that are mandatory for all providers to have to achieve? I'm not quite sure where you are at.

MR DAVIDSON: Certain minimum standards of service or requirements, yes, and then you may be able to ease back on the present regulatory regime, but we haven't worked out exactly what - - -

PROF WOODS: Okay. I just don't want to reinvent the wheel around other layers.

MS MITCHELL: Within a contract we would be recommending minimum standards and, yes, I think they would be more comprehensive, but they wouldn't have detailed specifications, such as an IA support plan or whatever, but perhaps support plans more generally as something that's a minimum requirement, so that's a good example. You mightn't need to have the administrative specification, but a standard that, "This is an expectation," like any set of minimum standards or accreditation really, like a gateway.

PROF SLOAN: At a big-picture level - I mean, the intention of the system was really pretty outcome-focused, but over time it has become more of a mix.

MR DAVIDSON: Yes.

PROF SLOAN: So you've got more micro-management, which basically involves trying to sort of specify and control the inputs. Where are your proposals sitting? Are we moving even further to input controls, or you're trying to improve the input management of the system?

MR DAVIDSON: I think most of the work is being done here by the changes to the pricing regime rather than an attempt to micro-regulate. We don't think a great deal of improvement can be achieved through factors such as minimum standards. We just want to ensure that everybody does get a minimum level of service. Most of the work is done by the changes to pricing and the sharing of the cost of that additional assistance for those who don't get a job within the first three months. That's where most of the action is, I think.

PROF SLOAN: I'm surprised in a way though - and maybe I am wrong in characterising this position of ACOSS - the support for a return to a sort of full-blown system of job subsidies. At the end of Working Nation, basically every low-productivity, low-paid job that moved was subsidised, and that was creating serious distortions in that segment of the labour market and it involved extremely high displacement, so it was subsidised workers who were being taken on at the expense of non-subsidised workers and it involved high levels of churning because at the end of a subsidy period workers were put off for employers to seek out further subsidies. There is a kind of issue of morality, isn't there, about that kind of system and the sort of fiscal costs that that involves, given those high rates of displacement and churning?

MR DAVIDSON: We're not arguing that every long-term unemployed person should have a wage subsidy, but we think that, that kind of assistance could benefit, say, 20 per cent of them and that providers should have both incentives and resources to offer that assistance to those whom they believe it will help, but we do think that there is scope to expand that form of assistance and it comes down to an equity argument. We know that wage subsidies aren't going to generate large numbers of additional jobs. We know that there will be displacement, but we are supportive of the displacement of short-term jobless people or people who choose to move from one job to another by people who would otherwise not stand much of a chance of breaking back into the labour market. We think that is both equitable and, in the long run, efficient to do so.

PROF SLOAN: But you're not going to get net income effects of 18 per cent out of that kind of subvention, are you?

MR DAVIDSON: Previous Australian studies have suggested that Job Start had net impacts around that level. Some doubt has been cast on that. I think it's realistic to expect that outcomes would be improved by something of the order of 10 per cent or more and, if that is possible and the present system is achieving net outcomes of say 5 per cent, then that's a benefit.

PROF WOODS: Are you talking about that 10 per cent after taking into account

displacement?

MR DAVIDSON: After taking into account deadweight.

PROF WOODS: Deadweight but not displacement.

MR DAVIDSON: Yes, not displacement.

PROF WOODS: No. If you are going to argue on equity grounds, so that there are less long-term unemployed and therefore more short term but maintaining some contact with the labour market, I can understand that argument. Then there's an argument, "At what price do you achieve that?" but don't confuse it with an argument that that's actually going to go out and create more jobs. They're two different arguments.

MR DAVIDSON: No, we haven't said that.

PROF SLOAN: What you are essentially saying is that if you place a high enough valuation on the equity associated with placing the long-term unemployed in employment, even if that is at the expense of the short-term employed, then this might be worth doing.

MR DAVIDSON: In the vast majority of OECD countries that is uncontroversial. Money is invested in employment assistance programs targeted at long-term jobless people on the assumption that many of them will displace others.

PROF WOODS: But we already spend half a billion dollars basically doing that at the moment, don't we, because the current intensive assistance program has net program effects closely approximating zero? Have you got the third stage evaluation figures at this stage? No. Neither have we.

MR DAVIDSON: No. We're waiting with bated breath.

PROF WOODS: I am sure you're pushing the department to release them as soon as possible.

MR DAVIDSON: Yes, repeatedly.

PROF WOODS: Very good.

MR DAVIDSON: Because we don't have a lot of faith in net benefit impact studies; for example, a net benefit impact includes somebody transferring from Newstart allowance to a disability pension.

PROF SLOAN: So what is your preferred measure - net employment?

MR DAVIDSON: Net employment. That's what we're interested in.

PROF SLOAN: Is that all you want to say about pricing?

MR DAVIDSON: There are a few more points on pricing. Although we think the star rating system motivates providers very strongly to lift their game or whatever, we have our doubts that such a system is capable of accurately measuring net impacts at a local level. Now, of course, that's the ideal. Ideally, one would fund to net impacts and not gross impacts and, in a sense, the star rating system attempts to do that, but all of our experience and understanding of the evaluation of the effectiveness of labour market programs here and overseas suggests that it's very difficult to get a handle on net impacts at a national level, let alone at a regional level.

One way around that problem would be, as you suggest, asking the providers to bid on the basis of a certain level of gross outcomes and paying them a lot more if they achieve them and penalising them if they don't achieve them. That's worth considering in our view, though there are a lot of risks with going down that track, as you would be aware, one of which is that there are many factors that contribute to gross outcomes.

PROF WOODS: Yes.

MR DAVIDSON: They have nothing to do with what the provider is doing, and that includes the state of the labour market generally, and of course it would create very large incentives to cream - much greater than in the present system. The other difficulty with the model you are putting forward is that people would have a choice to either be funded on that basis, or to be funded on - - -

PROF WOODS: The average.

MR DAVIDSON: - - - a safer basis. I think there are problems with that.

PROF WOODS: An administratively set price, yes.

MR DAVIDSON: I suppose that while our cost-sharing proposal doesn't get around that difficulty in measuring net outcomes, it at least targets assistance to those who are likely to be the most disadvantaged and it at least ensures that providers will be experimenting with substantial investments in people; whereas if one simply doubled outcomes payments it's not clear whether or not that would occur.

The other point I'd like to make on pricing - it's not really a pricing issue actually - is that if we're right and more substantial forms of assistance - whether it's paid employment experience or training, or combinations thereof or whatever - do boost outcomes significantly, then six months is not going to be long enough for providers to offer that kind of help, especially if the gateway part of our model was adopted, and for the first three months people didn't have access to that kind of help. The optimal length - all things being equal - of a wage subsidy placement is roughly six months, and under the previous system the government experimented with all manner of alternatives, and that was the conclusion they reached. The optimum level of subsidy is roughly half the minimum wage on the basis of past Australian experience, by the way.

Assuming the job seeker has been in IA for three months at least before such a placement commences, you've got another six months after that, and then another period beyond that to reassess needs and consider the next step, because we don't think people should simply be dumped once they're out of intensive assistance. Some consideration should be given to where they go next. It looks to us as though the present system has got it about right; that a year is optimal; longer than that is problematic in terms of parking, wasting of resources or whatever, except where the milestone approach we're suggesting is adopted, where there's a personal or social barrier to be overcome. But less than a year is not optimal, in our view, unless - - -

PROF SLOAN: Is that with the three months? One of the reasons that we suggested that this be truncated was that if you look at the evidence on the activity, there's a flurry of activity initially and then there's a flurry of activity at the end, and there's really nothing much in the middle. This is obviously particularly for the parked clients. I mean, the flurry of activity does lead to quite a bit of success initially. So our view is, why prolong the period of inactivity?

MR DAVIDSON: Because we plug that gap with the cost-shared assistance after the three-month period. They wouldn't be inactive over at least the following six months or so for that reason; in the absence of that, then we might agree with you. I suppose it goes to the issue we raised right at the beginning, and that was why we raised it. It depends on your assessment of how much can be achieved by an additional investment at that point and, of course, it depends on whether you get that pricing structure right.

PROF WOODS: Is a halfway house to have six months but if, within that six months, you find a subsidised employment placement or a training program that is allowed to carry through for whatever period - maybe up to six months more - and allow in the pricing a couple of weeks of post-placement support after the subsidised period so that they have six months to work with the client if they achieve something

during that time, that in itself goes beyond the period that is catered for in the pricing; if not you terminate at that point.

MR DAVIDSON: Part of the problem with the present system is that the expectations of providers as to what can be achieved through investment in job seekers has been lowered.

PROF WOODS: Yes.

MR DAVIDSON: It's been lowered by the cut in overall expenditure and the way in which the prices were set in the first round, administratively, at what we regard as a very low level, and it's been lowered by the mantra that, "Thou canst achieve the same outcomes at lower price." I suppose this is part of the baggage that goes with moving from one system to another system. In order to defend its decision to do away with the Working Nation programs, the government had a need to criticise wastage within those schemes, which was real, and to argue persistently that, "Well, a whole lot can be done at very low cost."

We think as a result of that, over a period of five or six years, that we've gone too far the other way and that expectations have been lowered and are now too low, and that providers are not ambitious enough as to what they can achieve or, where they're ambitious, they don't have the resources to do it. So if you limit them on the face of it to six months, I think you're sending that message again, that, "Well, we really expect that within six months you can do whatever can constructively be done with somebody and, above and beyond that, there's not much point," and I just think that's the wrong message to send. It's all a matter of degree, of course, and we think a standard that's beyond a year is probably excessive.

MS MITCHELL: Shall we move on?

PROF WOODS: Yes, I think contracting is - - -

MS MITCHELL: Some of this we've also covered. Basically, our views on contracts or contracting are that ideally the system as we see it for employment assistance would be one where government contracts providers to both provide services and achieve outcomes - thus, our mixed model - and we don't believe that that service quality can be assured in this particular model with a pure outcome based on the system, especially for those that have more disadvantages connected with them, and so for that reason we're concerned that contracts specify minimum standards and avoid detailed specification, as we discussed before. This both ensures that government gets a basic value for money and it also empowers consumers in terms of being able to negotiate around expectations of a certain level of service and to negotiate on top of that anything more than that, so that they understand their

position in that contracting environment, which I don't think they do.

PROF SLOAN: It's a sort of funny assumption, though, in a lot of what you're saying in that. You're assuming that the clients love an input, that there's some good in the fact that an input will be provided, whereas if you look at some of the evidence on what the participants think, a lot of them are sick of being churned through training programs.

MS MITCHELL: I think it's more about that there's an expectation on behalf of the client that they have entered into some sort of contract as well, that they're part of this, and that there is an expectation that they can expect to have offered to them a certain degree of assistance should they require it.

PROF SLOAN: Even if that's wasteful and they don't want to do it?

MS MITCHELL: I don't think it should be wasteful. The minimum standards would be about things that everybody should get anyway, that aren't wasteful, that we know aren't wasteful - they might be in some cases. But if they've come to intensive assistance, they're already in need of something, and I think you can, through minimum standards, specify very broadly what those things are. Without going into the detail, that's where it's up to the clients and the provider to negotiate and have a shared ownership of where they're going. I'm not thinking it's just an input and to have things done to people. I think it actually is an arrangement whereby there is some sort of partnership emerging.

MR DAVIDSON: It would include some of the things that are already listed in the code of conduct, for example. We're not suggesting a heavy-handed approach.

PROF SLOAN: But I'm wondering whether it ends up with the system of, "Send Percy to training," tick, you know.

MR DAVIDSON: No, absolutely not, but Percy should have access to a consultant, that providers shouldn't operate on the basis of, "Don't call us, we'll call you, and we'll only interview you once a month," and that's the deal. It includes things like a basic minimum level of contact with someone who has been assigned to their case, and the research that's currently being done by the department on what works clearly indicates that the more contact there is between a consultant and a job seeker, and the more power and resources the consultant has at their discretion to spend on that individual, then the better the outcome. So it's steering providers into a certain direction, but not saying - - -

PROF SLOAN: Although that causation may run the other way with that, of course.

MR DAVIDSON: But it's not saying, "This is the kind of intervention that you should adopt." It's nothing like that at all.

PROF WOODS: But that's not an argument for any new resources or any new arrangements. That's just an argument for putting best practice of what some providers currently do, making it more widespread. We're talking currently about the contract between the provider and the job seeker. If I can go up a level to the contract between the department and the provider, I was a little surprised that you wanted to hold on to some form of three-yearly, or some period, contract. There's not a lot of dynamics in the industry at the moment.

If you're in the contract for the contract period, there's an understanding that the government will use best endeavours to fill up your point-in-time capacities to at least 85 per cent or more. You know that you're viable for that three-year period; in fact, they may even manipulate the numbers that flow through to try and pick that level of business up. You know who your competitors are because no-one else can get in. If you're full, you don't even have to advertise or try and encourage job seekers in because you can't service any more than your current levels. All of that is a very manipulated quasi-market structure.

Why haven't you come out in strong support of the idea of having a more dynamic industry, where there are incentives on providers to not only achieve best practice but to be able to promote it; to allow the best, who are good at delivering to the unemployed, to grow even further; for those who are able to, to come into the market during a period? I just don't understand why you haven't moved to that step.

MS MITCHELL: I think we recognise that it is a quasi-market and to some extent we accept that it is and will continue to be.

PROF WOODS: Well, need it continue to be, I guess is what I'm challenging.

MS MITCHELL: I think we consider at this stage that it probably should, but be finetuned so that it relaxes some of those constraints.

PROF WOODS: So we're talking about a path rather than an end point then in your perspective?

MS MITCHELL: Yes. For instance, on the issue of the 85 per cent, one option could be to ease that downwards so that there's more - - -

PROF WOODS: And ease the cap upwards?

MS MITCHELL: Possibly, in order to give more of that flexibility and to allow other players potentially to be part of that equation. But we do think that at this point three-year contracts are desirable because of the stability issues involved. There needs to be, obviously, a review and we also propose somewhat of a revision of the star rating system so that you've got good quality assurance and review mechanisms that support that as well.

In terms of the evolution of where the Job Network is at, that's our position at this point about how you get maximum stability. You've got very vulnerable clients as well, so you do need some level of stability and it is a quasi-market. It is something funded by the government and not the purchaser, as it were, and there's a direct taxpayer interest in what goes on, so your quality assurance issues are very important, and the level of availability of places and the stability of that market is quite important at an accountability level.

PROF WOODS: But you'd be prepared to see a direction of movement towards some opening up over time but stocktakes at various intervals to see whether that's appropriate?

MS MITCHELL: At the moment others can come into the market. The issue is the extent to which those entrants would be subject to the quality controls or standards setting that - - -

PROF WOODS: Obviously that would be part of it.

MR DAVIDSON: It's finding that balance between stability in the system and stability in the infrastructure available to job seekers and job seeker choice. We think there's scope for greater job seeker choice - - -

PROF SLOAN: So do we.

MR DAVIDSON: - - - and for greater incentive for providers to go out and seek market share, but that if you move to a system of licences in which anybody could enter the market at any time, then there would be a loss of stability and also it would be more difficult for government to impose contract requirements on providers, because in return for those requirements all they are getting is a key to the door.

PROF WOODS: No, they'd be issued a licence which would be only granted provided they could demonstrate minimum capacity at the front end - you know, financial viability, skilled personnel, et cetera. Then that licence would only remain current provided several things: (1) their star ratings were above a minimum; (2) that they met the minimum guarantee service provisions, et cetera. So the licence could be withdrawn as well. But I guess, to summarise this so that we can move on to

other issues, you're saying that's too big a step at this point but that you can see a little bit of market flexibility could be introduced and then evaluated, and move another step.

MR DAVIDSON: Yes, we think that step could be taken in conjunction with a major change to the present referral system to both IA and Job Search training. The present system of automated referral is seriously flawed and it is the major reason why job seekers are not exercising choice. It's not the point-in-time capacity problem; it's the fact that people are getting letters in the mail, rather than direct guidance from Centrelink and a direct referral at that point in time.

PROF WOODS: We followed some of the pilot where, in fact, they are getting more intensive focus and placed - awareness training.

PROF SLOAN: And need to be supported - that sort of movement, with greater information available to their clients, and also they'd have the chance to change their mind about that and make another choice within a period.

PROF WOODS: I was a little concerned at the wording in your submission which talked about, "Referrals to AI and JST should be made by Centrelink." Then in your dot points, "Job seekers should be referred directly and personally from the Centrelink interview." But I notice in your document the obligation is mutual. You clarify there that you are actually talking about choice exercised by the job seeker, and then that Centrelink take the job seeker to their preferred provider following an interview, and not the letter process. It's amazing how low is the ratio of referrals to actual commencements on things like JST. We're talking less than a third of people who are referred to JST who actually front up at the door of the provider. Maybe it's not surprising.

MR DAVIDSON: Taking a look at what that proportion was before auto-referral, it was a majority before automated referral, so this is not a compliance effect. This is predominantly an artefact of the system of referral. There's a compliance impact in there but the bulk of that effect is a flawed referral system and we believe that could be turned around very quickly by changing it.

PROF WOODS: There are pilots and there's progress being made in that area.

MS MITCHELL: Which leads us to the last area, which is job matching and Job Search.

PROF WOODS: I thought you didn't agree with us.

MR DAVIDSON: A few people didn't agree with you.

PROF WOODS: Anyone else we forgot?

PROF SLOAN: Some did.

MR DAVIDSON: Well, basically the reason we didn't agree with you was that we considered that many disadvantaged job seekers - people who are unlikely to go out and get a job straightaway in the absence of help - need personalised job-matching assistance - that is, more than a touch screen - and that although the Job Network only occupies, say, the bottom one-third of the job-matching market, that's the market in which disadvantaged job seekers are attempting to compete, and we don't think it's likely that employers are going to pay for some form of personalised job matching for that group. If we assume they need it, then who will pay it?

One fear that I have is that commercial providers might start to offer that service on a fee-for-service basis to job seekers and that those who are more disadvantaged in the labour market will feel compelled to pay. Otherwise they're competing in a system that's, in a sense, loaded against them because they're people who almost by definition are not as competent at Job Search. If the only form of assistance you offer people to overcome that problem is three weeks of training three months after they became unemployed, we feel that's too little too late for that group.

Indeed, there's a case for a better integration between job matching and Job Search training. This notion that Job Search training is something that's offered at a point in time for three weeks and then it's goodbye and you assume that the individual is now a competent job seeker, we think that's a nonsense. Very many disadvantaged job seekers need an ongoing level of support with their job search, and the most effective intensive assistance providers, for example, do offer that in IA. But we think there is value in investing in that kind of help earlier on because it need not cost a great deal, especially if it's piggybacked onto a job-matching service. Then you're not doubling up on infrastructure costs.

So we think there's a case not only for subsidised, personalised job matching but also subsidised Job Search training, for want of a better word - or "support" is probably a better word - on a voluntary basis for people who haven't yet qualified for IA, particularly those who haven't yet reached the trigger points at which they're assessed for IA. It need not cost a great deal. Such assistance was offered, for example, under previous arrangements through the SkillShare network at quite low cost and we think that kind of help is a worthwhile low-cost investment.

We note that only a small proportion of the total Job Network funding is devoted to job-matching assistance. If it was much higher than that we'd be raising some of the same questions that you're raising about its value, and we also think that

it's presently inadequate that a large number of people are not getting a lot of help out of job matching in terms of assessment of their employability and actual personalised matching, and the provider actually getting back to them after they've failed to obtain a job, to give them some feedback - that kind of thing.

PROF SLOAN: You wouldn't at that price though, Peter, would you?

MR DAVIDSON: Exactly, and that's the problem. This is another example of competitive pricing reducing the level of subsidy to a suboptimal level.

PROF SLOAN: But then you said you didn't want more resources devoted to Job Match, so in a sense you can't have it both ways.

MR DAVIDSON: No, we do want more resources devoted to it. We simply say that within the scheme of things it's a much lower level of investment than, for example, intensive assistance, and it should continue to be.

PROF SLOAN: I go back to the point that I'm surprised that ACOSS is so keen on all these inventions which involve subsidising employers. You know, employers recruit workers because they're valuable to their firms and, in fact, recruitment costs are often quite high and employers rationally bear those costs. It seems to me that the effect of these inventions is to basically relieve employers of a lot of expenses they might otherwise incur and, of course, they grow pretty fond of them. Although it's not true that recruitment firms are completely absent from this market; there are labour hire and recruitment firms that specialise in the kind of unskilled, semiskilled market, and indeed they're bleating quite loudly about the impact of the Job Network on their businesses. I'm kind of surprised that ACOSS go for systems which involve such redistribution of resources to employers.

MR DAVIDSON: I suppose the same thing could be said of wage subsidies.

PROF SLOAN: Yes, definitely.

MR DAVIDSON: And quite justifiably. But we support it for the same reason; that by supporting employers in that way, equity can be improved in the labour market, otherwise we wouldn't see any point in doing it.

PROF SLOAN: So it's that kind of the washing machine effect? You know, the ones who don't need the help actually mixed up with the ones that do, and through that system - - -

MS MITCHELL: I think we recognise there are some issues there about potential waste. We wouldn't support it ad infinitum.

PROF SLOAN: No.

MS MITCHELL: So it's the time-limited nature of it, and a transitional nature of it in fact, and that work experience is absolutely critical for making a big difference to those people. So it's about good targeting, good controls, so that people don't get used to something that does go on ad infinitum, and for any job and for any person.

PROF SLOAN: Yes.

MS MITCHELL: It's difficult, but we think it's worth it to reconnect people into the labour force.

PROF WOODS: Is Job Match for everybody, or are you mini-Job Search training for those who can be identified as targeted for - that they might potentially lapse into long-term unemployment?

MR DAVIDSON: Well, if only we could identify - - -

PROF WOODS: I mean, the JSCI has lots of faults, but it's the best that there is at the moment and we've suggested some ways to improve some of that.

MR DAVIDSON: Yes.

PROF WOODS: But I'm wondering why do we hang on to Job Match as such? Why can't we look at trying to pick out some of those things that you're identifying as being needed, and maybe delivering those to those who need them, but not do a subsidy to employers for a lot of activity that they always used to do?

MR DAVIDSON: Yes - - -

MS MITCHELL: There's still an efficiency argument there about the matching. There's an efficiency argument there, matching people to skill.

PROF WOODS: Yes, but newspapers do that pretty well, the Internet is getting better at it, and the local community in the country towns is not bad at it.

MR DAVIDSON: I think the argument is a powerful one when you're spending large sums of money, for example, through IA. To apply a screening mechanism like JSCI to people as soon as they walk through the door, in order to assess whether they should receive a low level of assistance, like Job Search training or personalised job matching, I think takes it too far, because there is a high risk that people will fall through that net, because those survey based instruments are imperfect.

PROF WOODS: They get picked up at three months although, as somebody made the point earlier, three months may start to entrench their loss of skills and disconnection from the labour market et cetera, so we need to take that into account as well.

MR DAVIDSON: I just don't think that the kind of assistance that we're proposing is all that costly to government, so the need to ration it very tightly really doesn't exist.

PROF WOODS: We're talking \$100 million a year on Job Match. It's not small.

MR DAVIDSON: It's not small, but it's a large number of people being assisted.

PROF WOODS: Okay.

MS MITCHELL: There were just a few other issues and then whatever remaining questions.

PROF WOODS: Yes, sure.

MS MITCHELL: One thing we wanted to emphasise: we're very keen to ensure that Centrelink's benefit payment and gateway functions remain intact, because the policing function and the legislative underpinnings of that are just fundamentally linked and it becomes a very very difficult multiple personality that job providers potentially could be forced to take on. I don't know that they have those mix of skills, or could ever have them, and it's better for them to focus on the business that they are there for - - -

PROF WOODS: In a sense, they can only recommend breaching and it's Centrelink who actually makes that decision.

MS MITCHELL: Yes, and that so many are overturned, because they're so wrong most of the time.

PROF WOODS: Well, yes.

MS MITCHELL: I mean, for them to get that right it would be a very different set of people, skills and history. You know, that's the public sector part. That's very much a public sector function, that part, the regime of breaching and compliance. Another issue that we want to take up is that we believe that the detailed assessment of the job seeker's labour market support needs, and the provision of those services, should be located, carried out, by those employment providers, assistance providers. I think you would support that. We support, in principle, the establishment of an

independent evaluation monitoring and service development body, as we have for a long, long time.

PROF WOODS: You have.

MS MITCHELL: That gives us regular data - - -

PROF WOODS: We would all like regular data, but we're just not quite sure we need the overheads of having somebody separate from DEWR to achieve it.

MS MITCHELL: I'm sure DEWR would put that point of view as well.

PROF WOODS: I don't think we need to debate that particular issue.

MS MITCHELL: There are just so many ways you can use statistics, and it's good to have it as far away from politics as - - -

PROF WOODS: That's why it needs to be transparent, arm's length, regular detail, timely. I think we agree on what needs to be achieved. How it gets done is a small matter of debate.

MS MITCHELL: So those are the main points.

PROF WOODS: Excellent, thank you. Any other things you want to raise, Judith?

PROF SLOAN: No, and I look forward to reading those further papers.

PROF WOODS: Yes. Can I say that we're very grateful for the amount of time and effort that ACOSS has put into assisting this inquiry, both in terms of initial discussions that we had, the submission that you've put forward, the points that you've raised and coming along today, plus some very long conversations with our staff. We have appreciated it. I trust you note through the draft that we've flagged several areas and put up for questioning and comment from others some of your ideas that we ourselves are still trying to work our way through. Thank you. Are there any concluding comments you wish to make?

MS MITCHELL: Just congratulations to you two for doing this work and putting these issues on the table. We think they're important.

PROF WOODS: Thank you, very much.

PROF WOODS: We have prompted a couple of people in the audience to come forward as participants, and I will be encouraging even more to do so at the end. Could I first call Jules Vandyke from the Leichhardt Community Youth Association to come forward, please? Thank you, very much. For the record, could you please state your name and the organisation you are representing?

MS VANDYKE: Thank you. My name is Jules Vandyke and I am the chief executive officer for an organisation called Leichhardt Community Youth Association, and we trade as Innerskill.

PROF WOODS: Very good. You would like to make a presentation to the commission?

MS VANDYKE: Yes, I would, thank you. If I could, Mr Woods, I would like to start by saying a little bit about the organisation that sets it in context.

PROF WOODS: Thank you, that would help us.

MS VANDYKE: Innerskill is an organisation that is community based. It's a not-for-profit and a stand-alone organisation. We're not linked to any consortium or larger group. We have a single site for our Job Network operations. In fact, all of our work is done from this site. It is located in Rozelle and sits in the inner west ESA. We are a generalist intensive assistance provider, and this is the core business of our Job Network. In addition to Job Network we also run a number of youth programs, JPET being the main one, targeted at homeless young people, but we have a particular interest in working with young people, so have tailored a specialised service to young people, even though we are only a generalist provider.

We have a very large intensive assistance site and this is one of the issues I would like to discuss today. I myself bring 25 years worth of experience in employment services to the table, and I have been working with my current organisation for 18 years. During that time I also spent nine years as the ASU delegate on the national tripartite SkillShare consultative committee. I say those things, because I bring here not just a local provider perspective but also a perspective of the industry as a whole, and have an enormous interest in the industry as a whole.

The issues I would like to canvass today: first of all, it's so great to have an opportunity to talk with you in this way. I also have read the report in great detail and I think it's an incredibly wonderful piece of work about a very very complex system that we operate in. The main things I wanted to talk about today were things that you've highlighted in there, such as parking. In doing so I would like to refer to the Twin Peaks diagram, or graph as we refer to it, and also the survey that was

completed regarding contacts with clients.

I would also like to talk about some of the recommendations you've made, in particular the six months' recommendation, the change to activity testing, the change to JSCI and, more importantly, the implications of the packaging of some of those implications if they all come out, if you understand what I mean. I would like to talk briefly about the star rating system, also about licensing and payments.

PROF WOODS: Start at the top.

MS VANDYKE: Start at the top. In relation to parking, I think it's a really important issue, but I also am not entirely sure that the information that you have been able to access has necessarily given you enough to draw the conclusions that seem to have been drawn by both the commission and also the department in respect to those two things. It seems to me we have taken the Twin Peaks diagram, which is very interesting in itself, and married that with the contact survey to produce a view of what is happening there. I suppose I have as many comments as also some questions about that, but it seems to me that it would be very important to unpack the survey to some extent, and I'll talk more about that in a second, before such implications and inferences could be drawn.

I note that, let's say, around half of the Job Network participants, the intensive assistance participants surveyed said they don't have very much contact with their provider. Look, I couldn't possibly sit here and say that I know what all providers are doing out there. I only know what we're doing and we certainly pride ourselves on not only a depth-of-service provision, but also on the ethics under which we deliver our services, which of course does not stretch to the parking of any job seeker.

What I'm talking about in respect to the survey is this: we don't have the information about what was in that survey, right, so that's very difficult for me to work out, but I would ask that the commission try and unpack this a little bit for us in your final report. For instance, those people who reported not much contact with their Job Network provider, have we gone the next step that I believe needs to be taken to have a handle on this and understand and find out of those people how many times were they asked to see their provider? How much contact was made from the provider end, because if in fact it turns out that those are the people who I'll say parked themselves, then the inference that is being drawn in respect to providers parking them and the flow-on effects of those inferences are quite seriously, possibly flawed.

PROF WOODS: We understand parking can come from both ways.

MS VANDYKE: Yes, I know, and yet that didn't come incredibly strongly through in the report, and I think that is for some people, certainly for some of us who are working at the opposite end of that, a little bit difficult for us to take.

PROF WOODS: Point taken, yes.

MS VANDYKE: But also I think that unless we actually unpack those job seekers and find out what level of contact was being required of them, then it's hard to make any inferences in respect of that contact survey and the Twin Peaks graph. We did our own work on trying to reproduce that Twin Peaks graph and we produced our own. We don't have that second peak, and I would also ask the Productivity Commission to unpack that second peak for us a little bit - - -

PROF WOODS: Would you submit to us your analyses of your site?

MS VANDYKE: I will.

PROF WOODS: That would be very helpful if you could.

MS VANDYKE: Yes, I'm very happy to do that. That's what I'm working on just at the moment.

PROF WOODS: Thank you, very much.

PROF SLOAN: There is a kind of third inferential piece of evidence though of course, and that is how the commencement, outcome payments and the parameters do create an incentive whereby, at least for some Job Network providers, they would take the commencement fee, work out the probability of getting this person an outcome, assess the outcome as being too low in order to justify the investments in relation to the outcome payments, hence the parking, okay?

MS VANDYKE: Evidence based?

PROF WOODS: We did a lot of travel to establish that. We went to every state and territory and we went to metro, rural, regional areas talking to providers as well as the unemployed, and a number of providers went through with us the process they go through in their initial interviews. They said that's the crucial one. That tells them whether (a) to re-refer back to Centrelink for a new assessment; (b) to put them on the books but assess them, and assess them as having a high probability of getting a job and therefore what needs to be invested in them; or (c) not much chance.

MS VANDYKE: Okay, that's very interesting. I can't argue with what providers have told you, of course. That's certainly not the process that I - - -

PROF WOODS: That's not statistically based, but that's a lot of travel.

MS VANDYKE: Okay, but it's still anecdotally based to a certain extent.

PROF WOODS: Yes.

MS VANDYKE: I heard very clearly your views in terms of transparency which included the extending of data to be available to organisations such as yours and I agree with it entirely. This is one of the biggest bugbears and biggest things which is bogging us all down - is not being able to provide that information to external people such as yourselves. But if we go back to that I have a particular view regarding - and I suppose it's related to payment, it's related to contracting, but it's definitely related to parking, okay. It's this: I believe that in 1997, when the Job Network was being formulated and mooted to us and we were being consulted about it, there was a very strong message that "bigger was better". It was put out there and I think the providers translated that into thinking "bigger was better" at the organisational level.

When we moved to the second contract tendering arrangements the big message then was geographical coverage, right? Again, people thought of this as "bigger is better" at the provider level; coverage means lots and lots of sites. So what has happened in terms of the organisations' tendering and contracting arrangements is that there are a lot of people with very small sites. The only way to work with long-term unemployed people is to tailor a service to the individual client's needs and then you must have resources to apply to helping address those needs.

It's my belief that the government themselves, having constructed the market and having designed the whole thing from scratch, would have had a reasonable - well, I think it's reasonable for me to have an expectation on the government that they would know what sort of dollars needed to be applied to job seekers in order to get outcomes and they would also, having 50 years' experience in the CES and putting the onus on us to come up with high level IT systems, et cetera, what the infrastructure for such a site would be.

I believe that the government has been remiss in contracting organisations for small sites, because after they have paid for their infrastructure, after they have employed appropriate staff, after they have the compliance costs dealt with, then these small sites do not have money to apply for resources. This is what is causing, in my view, some of your parking problems. The implications, of course, in terms of pricing are quite far reaching because, you know, if for instance I am right and if for instance the government chose to look into that, then in order for them to have the same level of coverage that they have nowadays, they would have to apply substantial extra dollars to the Job Network intensive assistance market to increase

the robustness of those sites.

PROF WOODS: Or allow some sites to fall by the wayside and others to grow.

MS VANDYKE: Exactly. If they are prepared to suffer that. One of the things they are priding themselves on is, "We've got greater coverage than we had before" - you see, and perhaps we look at what is driving them. You know, is it the pride thing or is it, "Can we deliver a robust quality service that produces the outcomes that we've designed it to do?" We thought about this a little bit differently. We didn't believe bigger was better at the organisational level; we believed it was at the site level. We knew that if we applied it in that way we would have resources to spend on job seekers and that would allow us to have the depth of service that we wanted to have and that we now can pride ourselves on. We currently have a star rating of three and a half stars. That is very good for Sydney.

In respect to the star rating system, my first question would be: why would the most robust labour market in the country be producing the lowest star rating for all Job Network providers in the country? But in the absence of the data available - sorry, not available in respect to what lies underneath the stars, I can't really comment more on it - other than that.

I suppose I'm asking the commission to consider this issue in respect to site size. I think it's a very very important issue and I don't believe either - I mean, as somebody said to me, "Oh, that's a contracting on Job Network provider's issue" - I don't agree. It's my view that the government should take responsibility or are as much complicit in this issue as any provider - in fact, I believe more. I think they have a responsibility to contract responsibly and to ensure that when they are contracting that it is feasible that those people can produce the quality of service that they say they can produce.

PROF SLOAN: I think the timing was critical on that, wasn't it, because with the second round, it was when the discussion about the regions and - it was kind of tight. So I think the effect has been to probably generate almost excessive geographic coverage and excessive number of providers in regions, quite small regions.

MS VANDYKE: I agree.

PROF SLOAN: Now the industry looks kind of ripe for rationalisation, if you know what I mean, but that's obviously going to come at some cost.

MS VANDYKE: Exactly. You could say, you know, make the sites bigger - that's more money - but if you close some, then maybe it rationalises out. The only other way of dealing with it is to increase the price, but it would need to be quite

substantial in order to get the benefits that you were looking for, for these very small sites. When I say "small" I am not thinking eight, you know; I'm thinking 300. Right? This sort of thing, okay? Anyway, I've said that. Am I allowed to ask questions?

PROF WOODS: You are indeed. Whether we answer them is a separate question. No - please.

MS VANDYKE: Can you tell me, in respect to that second peak, right, on the Twin Peaks diagram, I hear the department say that we are magicians and miraculously at the last minute we're able to suddenly get these people who we previously couldn't get into a job, not only into a job but they can keep it for 13 weeks, and I don't apply a subsidy. This is to me like pulling a rabbit out of a hat and I wish I had such a hat.

PROF WOODS: Okay.

MS VANDYKE: But I'd also like to say that it's beyond me and maybe I'm just missing something, but it seems to me there's no incentive for anybody to do that, even with difficult to service clients. The incentive - - -

PROF WOODS: It's your last chance to get a payment, isn't it?

MS VANDYKE: Yes, but if you can get it on that day - - -

PROF WOODS: Yes, why not get it earlier?

MS VANDYKE: - - - why wouldn't you get it in month one, month two, month three?

PROF WOODS: Yes.

MS VANDYKE: If you can get it then when they've languished on the vine all year, why wouldn't you get it then?

PROF WOODS: Good question.

MS VANDYKE: The onus is to get people off, the incentive for - business incentive, if we go to the business end now, is to get people off your books as fast as you can into an interim outcome, because that's where the money is, and if they are a B the incentive is even more, right? So there is no real business incentive for anybody to do this. So I'd like to tell you what I think about the Twin Peaks diagram, even though I don't have two peaks on mine, okay? That is this: that first

peak I believe, and I do get that one, that is about the clients who we can initially engage in. I can tell you it makes no difference whether they're an A or a B, or how many barriers they have it. It is an attitude we are dealing with here. It is an attitude of, "I will do the right thing" or, "I will take some action on my part" or, "I can do that." Okay, right? This is it.

These people come in and we initially engage with them, we work with them well, and they work with us, and so we get early runs on the board for those people. There are other people - what we call the initial noncompliant people - we spend two months trying to get those people in and the level of activity on behalf of providers to do it is unbelievably high. We're writing letters right, left and centre; we are making telephone calls; we are sending Centrelink letters and our letters; we're breaching people, right? And lo and behold after a couple of months and a couple of breaches finally we get to see the client. Well, we're three months in now, guys, right? We're three months into the 12-month IA relationship and we only just got to clap eyes on our client. Well, it's going to take some time for us to build some rapport with that client and once we've built it, then they will start participating.

We are trying to change people's behaviour, right? This does not happen in five minutes. It cannot happen in five minutes. The more barriers and the longer those people have been - and the more depressed they are - the longer it takes. So we spend three months getting to meet them. Then we spend a month or so trying to build rapport. Then we get our program organised and those clients start to - participants go off and work through those programs. When they come back and we are ready to do the Job Search end, then we have a placement program that we work through, and then they get a job. Then we've got to wait three months to get an outcome. Do you understand? Okay.

I'm saying it in such a longwinded way because I believe the six months' recommendation is a very very scary one and I believe it will produce much, much, much lower outcomes for the Job Network intensive assistance overall than it currently produces, and it is already not good enough; nowhere near good enough.

PROF SLOAN: That initial point you made, I think, rings very true with us in our travels around. The Job Network providers tell us that the key to someone in IA getting a job is their attitude.

MS VANDYKE: That's right.

PROF SLOAN: Someone who comes in and says, "Well, it's your job to get me a job" - that doesn't work.

MS VANDYKE: Okay, but if we know their - - -

PROF SLOAN: It has to be a mutual activity.

MS VANDYKE: Exactly. For instance, our organisation response to the Australians Working Together - you know, this business of assessing people up-front - well, we believe personally - I'm not one of the people who thinks they get the wrong clients, IAs for long-term unemployed people with multiple barriers - they're my clients, okay? So we are not of the view that assessing people up-front will produce very many people moving out of our IA program, because we also have a very rich program. We're assessing how our program will work for those clients. What we've done with that is we've tried to say, "Okay, we're going to get to assess people. We're going to use that as a benefit for us." So we're currently conducting a pilot in respect to applying some assessment tools up-front to see if this improves the basis upon which we can work with our clients from then on. Okay, so does it give us better information up-front? Of course, if we cut it back to six months then we have just shot ourselves in the foot because now we've got too much information and not enough time - if you know what I mean - to do the work.

Okay, back on the six-month thing. I personally believe - I agree with the recommendation to increase activity testing for people in IA. I can see no reason why they should have a lower level of activity testing and I take your point that people rest on that and perhaps that makes them park themselves a little bit harder.

PROF WOODS: It's what we call the attachment effect.

MS VANDYKE: Exactly. Thank you. But I personally believe that that on its own, altering that on its own without shortening the duration of intensive assistance would help us. But if we do that and we change the JSCI to get more difficult people into IA, or more appropriate people into IA, but more difficult than they have been currently perhaps, and we cut it back to six months, then really these things packaged together will turn us into a lean, mean, breaching machine and that's it - right?

Your own report highlights that the highest performing providers have the lowest breaching rates, okay? Honestly, if you make it six months we'll be breaching every day. We'll be getting up in the morning and going, "Who are we going to breach today?" The list will be long, because of the people who it takes some time to get to engage with. I believe the long-term and greater implications of that recommendation, the six-month recommendation for intensive assistance in unemployed people, would have a really abysmal effect and I'm scared of it. I'm not talking business here, okay? I'm not talking business and finances; I'm talking about our ability to do the work with the clients that intensive assistance was originally targeted for.

You ask any behaviouralist psychologist, "How long does it take to change people's behaviour?" Well, I used to be unemployed. I used to have a lot of the problems that my clients have and I can tell you it takes a long time. That's even if you are working on it yourself and have the educational capacity to deal with it. It takes a long time, okay? If we start to try and cut it back - we will be nothing. We would simply be a breaching machine.

PROF SLOAN: I think that Twin Peak - I think they have got a chart which is not just employment, but you see, it's how the star rating system, which I think you were going to talk about, feeds back into that incentive because there's an incentive to get an educational outcome.

MS VANDYKE: So this is my question: are they the educational ones?

PROF SLOAN: That's my point.

PROF WOODS: There is a component there where they throw them into a training course at the back end. In the absence of anything else - the amount of training that happened over Christmas because of the star rating period - I don't know if any of yours went through, but an awful lot of people did an awful lot of training over Christmas.

MS VANDYKE: I've made it very clear I don't believe in making jump-start responses to star rating systems because they distract us from our primary purpose. My belief is that if we are going to ever make a - I believe the fundamental basis of Job Network is very sound and I regaled against it in the early stages because of the complexity of it, and that we may end up in these sorts of situations where we have - well, let's not go into it. I believe the foundation is very sound, but if you're going to have such a complex system you have to have something that everybody believes in, and the star rating system will never be believable for all providers because it's a regression-analysis system, which means that for one person to get a star somebody has to lose one, so we are never going to have a situation where people are satisfied with a star. Okay?

PROF WOODS: Would you be supporting greater transparency or do you understand how it works?

MS VANDYKE: I don't, no. I wish I did. It's my belief that we should be ranked, performance should be ranked against the KPIs and the contract, and that all of those KPIs should be measured. KPI1, for instance, for intensive assistance, is about the number of people who get an initial start, who get an initial job, and yet we only measure that much or that much of it, because we only measure a minute amount of it because we only count the job-matching paid placements.

Well, that's okay for people who have job matching as a prime strategy but for people like me who have it as an end strategy, then this is not a useful benchmark for me at all. More than 50 per cent of my job seekers get an initial start. Okay? Now, it's not measured. It's not counted. I think the simplicity of what I'm talking about - and I must say also that this is the position that NESAs has taken for some time - is that if we take those KPIs, which we all designed our service to deliver, and we measure all of them, it would be the same for everybody. Then we have a simple system that we all knew about up-front that was the underpinnings of our design anyway and makes it so simple.

There is no reason in my mind for the government to have a national ranking system when all business is awarded at the ESA level - all business is awarded at that level - so why do we need to compare a provider on the West Coast with the East Coast? Why do we? Only so the government can - I'm drawing an inference, I guess - they need a system that allows them to say, "Well, we're going to roll 50 per cent over this time. We're going to roll 20 per cent over this time" - that they can choose that from a regression-analysis system but, to me, that is the only use that they could actually apply it to in any meaningful way.

PROF SLOAN: If we unpack our recommendations - can I go through some of them?

MS VANDYKE: Please.

PROF SLOAN: What would be your attitude to the idea of administrative pricing? You complain about the complexity of the system.

MS VANDYKE: I'm not complaining about it. I'm just highlighting it as something that - sorry?

PROF SLOAN: You've got used to it?

MS VANDYKE: Yes. I mean, that's fine. I have got used to it. I believe they should be set administratively, I honestly do, but I believe in doing so the government should consider the other things that I've talked about here today, and that is about the size of a site and the robustness of the sites to allow people to spend money and so they either adjust that at the site level or they adjust it at the price level, if you know what I mean. I believe they should be set administratively. I can see no reason why the government should enter into competitive arrangements around this sort of thing.

I also think it's a flaw in the system to consider that Job Network is a normal,

commercial type of enterprise. I mean, when I'm selling computers, I'm selling something everybody wants. That's the first thing about business, a commercial business - is you sell something that everybody wants. If you're selling computers you don't have the computer regaling against being carried in the door, do you? You understand what I mean. You don't have them regaling against being carried through the door; in fact, it's my experience that they clone themselves in the office next door. Honestly, I can't see that it can be seen as a normal competitive commercial marketplace. It's a constructive market and I do believe that in order to establish at least a benchmark for quality that the price should be set administratively and it should be robust enough to take consideration of the fact that we need X number of resources to produce behavioural change for people who are long-term unemployed.

PROF SLOAN: So what about the idea of moving to a licensing arrangement and ditching the fixed three-year contracts with fixed capability?

MS VANDYKE: I have mixed feelings about it. I don't have a strong standpoint on it. I understand why you guys have put that forward. I understand it very clearly and I think there are some great benefits in it. My fears are similar to that of ACOSS and previous speakers, Job Plus, in that the potential effect in terms of stability in the market would be very very great. I will talk to you a little bit about it in terms of - look, any business, whether commercial or otherwise, or any labour market program that I have ever had anything to do with, unless you run it for five years and really run it, you're really not going to get a benefit.

As providers we need to have some comfort zone in terms of stability ourselves and robustness: that must exist for us to start to flex a little bit internally in terms of trying new programs, trying new strategies. It is also essential in terms of us being able to start talking to each other again and to share our best practice and be able to derive the economies of scale and benefits from linking together organisations, joining together to produce outcomes for clients, and while we are in this very competitive market - and the licensing arrangement will make that even harder actually - then this is never going to happen.

People are always going to be sitting at home, either hoarding funds - although I don't think there's much of that going on - or frightened in any way to spend it because they don't know whether they're going to be here next year, next year. As these ladies pointed out - you know, you start putting off your best staff because you're worried about your finances and then in two months' time you need them again. What about the implications of the international economy and our own economy on our ability as a commercial arm of delivering human services?

PROF SLOAN: But that effect has only been kind of ameliorated now with the rollovers of the contracts. Before it was all or nothing. You came to the end of the

three-year period and, if you failed to get another contract, you were out of business, so it was fine in the contract period. It was kind of potential disaster if you - - -

MS VANDYKE: Yes. I believe that going back to tender would be a disaster for everybody. I, quite frankly, think that - - -

PROF SLOAN: Full tender?

MS VANDYKE: Sorry?

PROF SLOAN: Full tender.

MS VANDYKE: Full tender. I think it would be a disaster for everybody. I very much support the rollover of contracts for high-performing providers or good-performing providers, provided that the methodology by which that is done is sound. I think they're starting to get a little bit more acceptance of the stars. I suppose if you have had something rammed down your throat long enough you start to digest it a little, but they're starting to become a little bit more acceptable of it, I suppose.

PROF SLOAN: Is there some intermediate position here though? There does seem to be something morally wrong within a three-year period, continuing to refer job seekers to clearly badly performing Job Network providers.

MS VANDYKE: I agree.

PROF SLOAN: And whether you can have some kind of like 20 per cent over the cap or, you know, there might be something intermediate we should think about?

MS VANDYKE: Yes.

PROF SLOAN: Some room for growth within contract - - -

MS VANDYKE: Somewhere between tendering and licensing?

PROF SLOAN: Yes.

MS VANDYKE: I would like to think there was, I really would, and I suppose my belief was that the intended interim thing was we would roll them over and then there would be some business which is there open for people to apply for. I believe that's the best. That way we have some stability and the organisations who are being rolled up have some stability in terms of being able to project, being able to plan, being able to design. They need to be able to see at least three years into the future and

know that there's going to be a reasonable level of stability around there in order for them to be able to do a good job of that, otherwise we have people only making ad hoc responses because they haven't been able to plan a - whatever you want to call it - program in the middle of their IA that is going to go for this amount of time and to - you know, what about research and development? If we had that capacity we may be able to make a big difference.

PROF WOODS: But if you had rollovers but started to broaden the limit so that you could exceed your cap and maybe the guaranteed base wasn't quite so high, you could some steps.

MS VANDYKE: Yes, I think so, and I read some of your recommendations in regard to payments and, yes, I think some of the - with your interim payments - taking a shorter step along the way will have benefits for job seekers and is also an incentive for providers. I think that's true.

PROF WOODS: Okay. How is your list going? Are you getting through there?

MS VANDYKE: I'm pretty well through my list, yes. In relation to licensing: the stability issue worries me. The issue of marketing to job seekers worries me because that's not necessarily going to have an enormous impact. Job seekers' attitude is still going to be pretty much the same. It's no good marketing to somebody who doesn't want to come anyway. They're still not going to choose. I don't know how the pilots are going. I believe they're working well, but I don't know enough about how they are designed to know whether competitive neutrality and these issues are being well dealt with in there, and I think that's very important. Incredibly important.

PROF WOODS: That's interesting in itself - that as a participant in the marketplace that there is not enough information coming around to providers as to what the trials are; how they're being conducted; what the rules - - -

MS VANDYKE: That's right. It's interesting. We come full circle. At the very beginning for contractor case management, for instance, we used to be able to go down to Centrelink and market ourselves. They had case management service meetings for job seekers. You could go down there. You could talk to them, blah, blah, blah, blah. Then they took that away because they said it cost too much money, and went to this thing of brochures, and now it seems that we're wanting to try and come back the other way to try and address these issues, but again you will still have issues about competitive neutrality, et cetera, because those issues will still - - -

PROF WOODS: Yes, I understand all that.

MS VANDYKE: I'm sorry, I will try and not take up too much more of your time.

PROF WOODS: No, please. We're available to go through all the issues.

MS VANDYKE: I think I have already highlighted this. The stars are just trying to do too many things. They're not trying to rank us. They're trying to rank us and they're trying to rank this person with this person over here. Certainly we've had some feelings that they're trying to push people in this direction or that direction. I understand government does this and they use all sorts of tools to do it, but the thing is it is no good pointing us that way today and that way tomorrow.

PROF WOODS: Or tell you that you should have been pointing that way - - -

MS VANDYKE: Exactly, and I go, "Oh, my God. I've been tilting at the wrong windmill."

PROF WOODS: Yes. We have had feedback from very many providers on that particular issue.

MS VANDYKE: Okay. I think that's probably all I have to say, except to express my concern that I suppose you guys put your report out and we've got a budget coming out in May and I have a fear, I suppose, that some of these things have already been decided upon and allocated against, et cetera, and so to what extent - or when you guys think your last report's recommendations might start to kick in.

PROF WOODS: We encourage government to always wait for our final report because the draft is deliberately - - -

PROF SLOAN: Exactly.

PROF WOODS: - - - in our processes, a draft to expose for debate. We are not in control of the destiny of decision-making, but we do constantly reinforce that we have a transparent process. We deliberately put out a draft. We have meetings like this so we're held accountable for our thoughts, but we're also open to have them tested and to make some changes if the logic doesn't stack up or if there is new data or different analyses.

PROF SLOAN: All I can say is, don't throw the draft or the final report away because our reports have a history of having a long shelf life and oftentimes when governments immediately reject our reports you'll find over the longer term - - -

PROF WOODS: Over the long haul they can, yes.

PROF SLOAN: - - - or even over the medium term they say, "Not such a bad idea

after all."

MS VANDYKE: I'm certain that will be the case with this one.

PROF SLOAN: I think, as you and other participants have pointed out, there is a lot of value in having that analysis there in one spot and I think a lot of people will find a lot that rings true with them in the report.

MS VANDYKE: Yes, absolutely. Again thank you very much for the opportunity.

PROF WOODS: No, it's great, because it gives us more sort of on-the-ground feedback. Thank you very much.

PROF WOODS: There is one further member of the gallery who has asked to come forward. Chris England, regional manager, Wesley Uniting Employment.

MS: (indistinct)

PROF WOODS: That we visited.

MS: Yes.

PROF WOODS: It's all in the draft at the back. I haven't actually physically counted them up, but we have a list of - - -

PROF SLOAN: If you look in appendix A, so Informal Discussions and then - yes.

MS: And how were they selected?

PROF WOODS: A combination of things. Some rang us and said, "Come and talk to us," so we did: others, we went to the area consultative committees and said, "Who in your area do you think we should go and have a talk to?" and they nominated people. The purpose of those ones is to give us a feel for what is happening. They don't influence our decision-making. The submissions, the analysis, et cetera, is the formal process but, at the front end, we like to just wander the field and make sure we talk to a whole range of people. We did visit every state and territory and made sure we went into the rural regional areas, as well as metro areas to get that diversity, but that is just to give us an understanding of what the issues are and what the broad spectrum is, as distinct from the analysis and the detailed submissions, et cetera, that we base our draft on.

Then we have situations - again this is part of our ongoing analysis, so your input is now on transcript. It will go up on our web site and everyone can look at it. Some will come into us and say, "Hey, we really agree. We've got the same situations," but others might say, "Well, that bit is right, but we disagree with this for a different reason" and, if they put that in writing to us that will also go up on the web site and you can have a virtual conversation with them, as some do. Does that help?

MS: Yes.

PROF WOODS: If I could welcome our next participant, Chris England, Wesley United Employment. If you could, for the record, state your name and your position, please.

MR ENGLAND: Chris England, regional manager at Wesley Uniting Employment

and I cover part of the Sydney metropolitan area within my company.

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

MR ENGLAND: I wish to address just two points: issues relating to parking and issues relating to a six-month period of assistance for intensive assistance. I believe that fax within your report proves both of your positions on them wrong.

PROF WOODS: Go ahead, please.

MR ENGLAND: So let me work through that and I'll see if you have got a come-back on it. There are two issues there: one is the issue of parking. You've acknowledged already that your evidence for that is anecdotal.

PROF WOODS: No. We've acknowledged the various sources, some of which was anecdotal, but we're not constrained to anecdotal.

MR ENGLAND: Okay. What I see in the report is anecdotal evidence from ACOSS, from Uniting Care Australia, from the Office of the Public Advocate and from DEWR, none of whom are actually providers of the service. I see them saying parking occurs. I read the NESAs contribution, which is from providers of the service, that say parking is actually counterproductive for these reasons. So there is my opening statement. The industry thinks that parking is counterproductive. Now, let me attempt to prove to you - - -

PROF WOODS: Thank you. That would be good.

MR ENGLAND: - - - that, though parking may occur in random instances, it is in fact not actually a widespread problem within the Job Network. You reach conclusions on parking through anecdotal and through a comment about a survey that said some people are only seen once a month or less by their providers. According to the numbers in your report, the number of people that are seen less than once a month by their providers is about 20 per cent for the most disadvantaged groups - for people with disabilities, for ATSI, for NEIS. For those groups it is only 20 per cent. For the people who are easier to work with, you would assume it is even less. For those groups - that's 20 per cent out of everybody - you have to take into consideration a couple of things, and one is that if the person is actually in work or in training full-time it is counterproductive for them to come into the office more than once a month and, at any point in time, roughly 20 to 30 per cent of all people in intensive assistance are actually in full-time work or training.

PROF SLOAN: Probably not of those groups though.

MR ENGLAND: No, not of those groups.

PROF SLOAN: No.

MR ENGLAND: For those groups it will be slightly less, but you have a look - okay. There are two arguments there: one is we can attempt to discuss whether parking is more widespread with disadvantaged groups. Is that your position, because I haven't seen that in the report?

PROF WOODS: No. We're just trying to follow through your line of argument at the moment, so please proceed.

MR ENGLAND: Okay. I'm saying over 20 per cent of people will be in full-time employment at any point in time. Your survey shows that only 20 per cent of people come in once a month or less. Ipso facto you have got an immediate answer for that particular - - -

PROF WOODS: Continue on.

MR ENGLAND: Okay. My claim is that very few people are actually seen once a month or less when they will be productively seen more than once a month. What conclusion you draw from that and from your Twin Peaks chart is that providers actually stop in some sense, or park people from about six months on. Is that a correct understanding?

PROF WOODS: What it is showing is the outcomes that are being achieved tapers off after the first three-month flurry and then there's a whole range of mainly secondary outcomes at the back end.

MR ENGLAND: Sure, that is what the chart appears to show and therefore you can draw the conclusion again that parking occurs. What the chart doesn't show is that, say, you have 100 people coming to your assistance in the very first month. Now, each month roughly 10 per cent of people will leave to change programs, to go overseas or to drop off your program. You start with 100, but roughly 10 per cent disperse for all sorts of reasons each month, so by the sixth month you only have 50 or 60 of those 100 people left. So the first thing to remember when you look at that chart is that outcomes achieved at nine months are based on half the size, half the pool of clients that you had at the start. That's the first reason you would expect the slope to taper off, because you actually have less clients you are dealing with.

PROF WOODS: Harder to place, less clients.

MR ENGLAND: That's right. My argument is that in the last six months of intensive assistance, the last six months that you're proposing to drop, is when the actual real work of intensive assistance happens. The first six months you get people into jobs that they could get anyway.

PROF WOODS: Yes.

MR ENGLAND: Providers get people; they would have got jobs anyway. We give money for them. Those last six months, the outcomes you get there are the outcomes that providers have done real work on and actually achieve the real aim of intensive assistance, which is to work with people intensively and get them over barriers they wouldn't have got over themselves. So I am arguing that in the last six months that's when the actual real work is done. Not only that, but you get roughly the same proportion of people into lasting outcomes - the network, as a whole, does - in the last six months than it does in the first six months.

Controversial, yes, if you just look at your graph that goes like that - a big peak and then tapers off - but you have to remember that at six months you are only dealing with half as many people. I will submit to you in the formal 30 April deadline the maths for this, but the maths show that at five months - four months and five months - 7 per cent of the people left in your case load get an interim outcome. At six months and at seven months it's still 7 per cent. It's exactly the same as your peak when you actually do it as a proportion of people who are left.

At nine months it drops to 6 per cent and at 10, 11 and 12 months it drops to 5 per cent, so the only difference between when you claim that we're working on people and when you claim we are parking them is 7 per cent to 5 per cent. Now, that says to me that parking is not happening. The 7 per cent drop to 5 per cent simply reflects the fact that you are now dealing with harder clients - they are all you have got left - and it's harder to get outcomes from them. Parking does not occur on a widespread thing in the Job Network because you would be getting significantly less than 5 per cent outcomes out of everyone that's left for the last four months, but for months 8, 9, 10, 11, 12 it's 5 per cent consistently. Months 5, 6, 7, it's 7 per cent of the people who are still left in assistance. Does that - - -

PROF WOODS: Yes, we would certainly welcome you elaborating on that in a written submission. In doing so, it would be helpful if you could give some basis for the statement that it's the 20 per cent who are in jobs or in educational programs that are the 20 per cent who aren't making contact. I don't know of the basis for your evidence for saying that. If you have a basis for evidence that would be good, but I don't know - - -

MR ENGLAND: I agree. I don't have a basis for that, but what I am saying is that

you have constructed an argument on no facts, no numerical - no hard data. There is no hard data that you can point to that says parking occurs. You say in your report - - -

PROF WOODS: We could have a lengthy debate on that and I'm not sure that it is helpful making statements of such a categorical nature.

MR ENGLAND: All right.

PROF WOODS: If we can have a useful discussion on these points, that would be quite helpful.

PROF SLOAN: Can I just make a point. In a sense I think you have got the wrong impression - that we were trying to, in some sense, malign Job Network providers - - -

MR ENGLAND: No.

PROF SLOAN: - - - and I don't think we were. What we were actually in fact pointing out is that there are probably some flaws in the pricing arrangements, which will induce some Job Network providers to park very difficult to place clients. Indeed, the fact that there is not much more parking suggests that in fact you are all a wonderfully altruistic lot, by and large.

MR ENGLAND: No, because as the NESAs report said, it is actually in our interest to keep working with the hard to place people. Not only altruism, but continuing contract provision means that we can relatively easily get 20 per cent of the people in the city, or 10 or 15 per cent in the country, into jobs. It's the difference that sets us apart because the stars are based on how far ahead or behind the pack we are.

PROF SLOAN: Yes, we agree with that.

MR ENGLAND: So what I am saying is it is actually the work you do with those hard to place people that will make the difference between you keeping a contract or not.

PROF SLOAN: It probably helps though if people understand how the stars work better.

MR ENGLAND: Sure, but I'm not arguing about any of those points.

PROF SLOAN: Because people might not quite understand how the stars work

and it may be that if you do spend a lot of money trying to deal with these clients who otherwise would be parked, you still get a kind of star rating that surprises you.

MR ENGLAND: Clients aren't being parked. You can smile. You can smile.

PROF SLOAN: But there is differential activity.

MR ENGLAND: There is. There is differential activity; no argument about that.

PROF WOODS: All right.

MR ENGLAND: The implication of parking is that providers put people aside. They say, "We can't achieve anything with them. We'll see them once a month for the sake of it." That's parking. That is not happening to a significant degree.

PROF WOODS: You are happy to use differential levels of activity.

MR ENGLAND: Absolutely.

PROF WOODS: Okay, good.

MR ENGLAND: That is not what you are discussing here. Right?

PROF WOODS: That was an industry term, not ours, by the way.

MR ENGLAND: I know that that's an industry term and it's an industry myth. I'm saying those facts prove that it's a myth. Parking is not happening because - - -

PROF WOODS: As we have requested, if you could set that down, that would be - - -

MR ENGLAND: Sure.

PROF WOODS: But there are a couple of areas where, if you can clarify the relationship because I am a little confused by it at the moment - - -

MR ENGLAND: All right. Let's recap. I'm agreeing that differential levels of service do happen - not every client is treated the same. You would expect that in any industry.

PROF WOODS: Yes, I agree with that.

MR ENGLAND: Granted.

PROF SLOAN: But what we want to know is, is there some systematic bias whereby the more difficult to place within the classification actually do get fewer resources devoted to them rather than more?

PROF WOODS: And can that be corrected through some change in the program?

MR ENGLAND: Sure.

PROF SLOAN: So we could call this "creaming" or "cherry picking", too.

MR ENGLAND: No. There is still an assumption there. Your assumption now is that more difficult people within a bandwidth get lesser teaching.

PROF SLOAN: Yes.

MR ENGLAND: You have got an assumption that it is a widespread practice that needs to be addressed - because you asked for feedback for it.

PROF SLOAN: Yes. You're giving it.

PROF WOODS: We do. That's why we put out a draft.

MR ENGLAND: You say in effect that within a band harder clients within that band get less resources.

PROF WOODS: It's a question.

MR ENGLAND: They don't.

PROF WOODS: Thank you. You're providing an answer.

MR ENGLAND: Okay. The reason they don't is that you still get results from them - eight, nine, 10 months, 11 down - okay, so we'll leave that. The reason I'm coming on strong is because you don't actually ask for feedback on whether the period of intensive assistance should be six months.

PROF WOODS: We put this out as a draft for feedback.

MR ENGLAND: Sure. As I follow it, your logic went - people get parked for the last six months; therefore providers are getting paid for work they don't do; no benefit to the clients; the clients could get better outcomes for themselves somewhere else, therefore make the threshold six months. That I understand is your logic. I

need to say as strongly as I can that that last six months is the most productive for the reason that all of us are doing this job and if you chop it from 12 to six months you're stuffing up the people that most need it and you're stuffing up genuine outcomes that do occur.

PROF WOODS: Okay. You had a second issue?

MR ENGLAND: No. Those were my points. The first one was proof of parking. The second one was the six months.

PROF WOODS: Okay.

PROF SLOAN: And that is a point that DEWR has made, which was that the first ones are those who probably help themselves. Okay, that's the first peak. It then takes quite a lot of time to get these people to the point where they might generate another peak.

MR ENGLAND: Yes, that's right, and that is actually happening and I think the numbers prove that it is actually happening.

PROF WOODS: Are there any other matters while you have the floor?

MR ENGLAND: No. I'm happy to take questions from you at this - - -

PROF SLOAN: I do re-emphasise the point that we weren't really making these points in a pejorative sense at all.

MR ENGLAND: I understand but, nonetheless, the way your report reads is that the six-month thing wasn't even something you were interested in feedback and, sure, that's perception.

PROF WOODS: Not in the sense of asking a deliberate question, but the point of putting out the whole draft report is to say, "Please, it's exposed for view."

PROF SLOAN: Yes.

MR ENGLAND: Yes, and that's the opportunity.

PROF WOODS: And we're grateful you have.

MR ENGLAND: I'm happy to take questions from you, but I have no other significant points.

PROF WOODS: We have probably explored them as we went through. Are there any others - - -

PROF SLOAN: No. If you could - particularly that issue of the maths of it - our staff leader, Ralph Lattimore, would be very happy - - -

MR ENGLAND: Sorry?

PROF SLOAN: Ralph Lattimore, who is our staff person in charge of the report, would be very pleased to see that. I think also what we need - it may be that in that table 6.5 they take out those who have employment, but I don't know that, you see.

MR ENGLAND: Sure.

PROF WOODS: Excellent. Thank you very much.

MR ENGLAND: Okay.

PROF WOODS: Are there any others who wish to come forward while we are here to make their views known? We are of course very open to further submissions. We encourage people who are prompted by today who may wish to make some comment, in which case you know our site and we do strongly encourage people to give us information analysis and their views, because we take it all into account in preparing our final report. If I can't encourage anyone else to come forward I will adjourn these hearings. Thank you.

AT 2 PM THE INQUIRY WAS ADJOURNED UNTIL
TUESDAY, 9 APRIL 2002

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