



December 17<sup>th</sup>, 2001

Professor Mike Woods,  
Commissioner,  
Productivity Commission,  
Independent Review of Job Network,  
PO Box 80,  
Belconnen ACT 2616

Dear Professor Woods,

The National Employment Services Association is pleased to enclose a formal submission to the Productivity Commission's Inquiry into the Job Network.

On behalf of our members, thank you also for the opportunity for informal discussions with you and your colleagues regarding the issues being considered by the Inquiry.

Please do not hesitate to contact me if further information is required.

Yours sincerely,

Sally Sinclair  
Chief Executive Officer



# INDEPENDENT REVIEW OF JOB NETWORK

Submission by: National Employment Services Association (NESA)

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## **1. Organisational Overview**

The National Employment Services Association (NESA) was established in 1997 as an industry response to the government's introduction of employment services reforms, most notably the Job Network.

The National Employment Services Association is the key voice of the employment services industry. It is an industry – led association dedicated to the development and improvement of the employment services industry across Australia.

NESA provides a national perspective on all aspects of the employment services industry, and brings together the full range of community, not for profit and private sector providers.

NESA is a national organisation with over 120 members and a network consisting of a further 350 organisations. Its members provide the majority of services delivered by the Job Network.

NESA's members also deliver a range of other federal, state and local government employment assistance programmes, including Community Work Co-ordinator, Work for the Dole services, the Community Support Programme as well as fee-for- service activities.

Member organisations range in size from small agencies operating single sites in local communities to large organisations with multi-site operations throughout Australia. Members also represent a diverse geographical base with operations from major metropolitan and regional centres through to operations in remote and rural communities.

NESA provides members with policy development and advice, industry services including information, education and training, and practice and professional development. We also regularly consult with member organisations to represent their interests to government.

NESA's Board of Directors is comprised of CEOs/Directors of small through to large providers, national and local operators, for profit and not for profit, representing geographical and locational diversity across Australia.

## **2. Introduction**

NESA's submission has addressed its response according to the issues outlined by the Independent Review and its Terms of Reference – in particular,

“Having regard to the guiding principles established by the Government, the Commission is to critically examine and comment on the framework for delivering labour market assistance arrangements including:

- a) the application of the purchaser-provider model to employment assistance
- b) the roles of the relevant players including:
  - Commonwealth funded employment service providers
  - Training providers utilised by the Commonwealth funded service providers
  - Centrelink
  - The Department of Employment and Workplace Relations,
  - The Department of Education Science and Training, and
  - The Department of Family and Community Services, and
- c) areas where the model could be improved”

Particular focus in this submission will be on the roles of Commonwealth funded employment services providers, which represents our constituency. We will address our members' experiences in dealing with the other stakeholders to be examined by the Commission in the context of the working relationship between providers and those various stakeholders.

### **3. Detailed issues for discussion**

#### **a) Quality of assistance and sustainable employment outcomes**

##### ***What were the problems in the CES and associated arrangements that motivated change?***

The CES had been established more than fifty years ago. In its latter stages, it had little capacity to respond flexibly to both the demands of today's modern labour market and its employers and to our most disadvantaged jobseekers. It was too process-oriented, not sufficiently outcome-oriented and adopted a one-size fits all approach resulting in relatively poor efficiencies and outcomes.

According to departmental analysis at the time, the establishment of contracted case management services had shown early indications of successful employment assistance, prior to the establishment of the Job Network. Jobseekers had tended to get lost under the previous CES and associated employment assistance programmes structure but a more individualised approach was considered to be much more effective in addressing their barriers to employment and helping them to secure sustainable employment.

The government's response was to build a system of employment assistance around a focus on the individual and where all participants in the market, including the publicly-funded provider would operate under the same competitive framework.

##### ***How should quality of assistance be defined and measured?***

Providers have frequently raised the issues of measurement of quality with DEWR in both ESC1 and ESC2, most particularly since the introduction of the performance star ratings. In response, DEWR's view has been that quality is inherent in the star rating, the underlying assumption being that you can't achieve sustained quantitative performance without quality inputs.

Whilst providers views vary on this, it would be fair to say that many providers believe that quality should be separately defined and measured, just as it has been in previous tendering arrangements. Therefore, our view is that there should be effective measures of quality as well as quantity.

Definitions of quality could, as outlined by the Commission, be interpreted in a general sense to relate to the quality of a person's Job Network experience (eg., the helpfulness of staff, the usefulness of the assistance delivered, and the quality of the information provided).

Measurement tools could include survey instruments and comprehensive quality auditing by DEWR. Whilst quality audits currently occur many providers report that DEWR's contract management sometimes confuses quality auditing with compliance auditing, and that better targeted training of DEWR's officers leading to improved contract management practices would result in quality audits that could positively contribute to measuring a provider's performance, as well as contributing to standards and practice improvement in the industry.

The exact nature of survey instruments, and any other quality measurement tools, would require careful consideration. For example, the methodology of measuring jobseeker satisfaction with Job Network members is potentially problematic given that Job Network members are expected to be both the police and lodge participation reports for non-compliance and, on the other hand, the "coach" through delivery of effective services that motivate the jobseeker.

If JNMs were not required to perform the policing function then any consequent adverse impact on measurements of customer satisfaction would be significantly reduced.

However, it is acknowledged that Job Network members bearing responsibility for participation reporting does result in jobseekers exiting the system as a consequence of more rigorous compliance monitoring and reporting.

***Does Job Network deliver better quality of assistance to unemployed people compared with previous arrangements?***

Various studies have drawn comparison between this system and previous arrangements, and DEWR has consistently surveyed unemployed people on their overall satisfaction with the quality of employment services delivered.

Through industry feedback we believe that the quality of assistance is better. Whilst outcomes are continuing to improve it is fair to say that more disadvantaged jobseekers are receiving individualised assistance than ever before and the trends show that outcomes are continuing to improve for these jobseekers.

However, much confusion still exists for jobseekers around the different services with a frequent assumption being that all jobseekers in the Job Network will receive individualised assistance. Therefore, there is dissatisfaction from those jobseekers who incorrectly perceive that they are entitled to a level of service that they are not assessed as being eligible for.

Overall satisfaction with the quality of services delivered by the Job Network can be measured through DEWR's surveys of unemployed people.

***Has its performance varied significantly for different groups of unemployed people, for different job network providers, by type of assistance or by region?***

Evidence derived from performance star rating information indicates that specialist providers perform particularly well with the exception of those providers who are working with indigenous jobseekers. Results achieved for this group continue to be poor compared to employment outcomes for jobseekers generally.

NESA has established an Indigenous Special Interest Group with representatives from the industry, DEWR and ATSIC who have been working in partnership to address industry performance issues for this group of jobseekers. However, the industry is concerned that the star rating regression model may not be effectively taking account of labour market variations and the degree of difficulty of securing employment for some jobseekers, including indigenous jobseekers, particularly in rural and remote communities.

***How should the term "employment outcomes" be defined and measured?***

There has been much discussion within the industry over the past six months regarding the definition of employment outcomes for performance measurement and payment purposes.

Reflecting a concerted focus on measuring sustained employment DEWR has, in its most recent review of the star ratings, increased the weighting applied to the achievement of six month outcomes by providers.

Employment outcomes for job matching are defined as fifteen hours or more of work over five consecutive days. Given that short term employment is effective in leading to more permanent employment we believe that this is an appropriate measure of employment outcomes for job matching.

However, this measure should not be included in weighting for intensive assistance performance as it is a measurement of process rather than outcome for this service. Job matching is but one of many different processes adopted by providers to achieve sustainable employment for jobseekers receiving intensive assistance.

In considering what duration is appropriate to measure sustainable employment it's interesting to note that there is a shift towards longer term client management and post placement support over two years or more, with corresponding funding, in the U.S. and the U.K. Such an approach hasn't, as yet, been extensively tested in Australia.

***Compared with previous arrangements, does Job Network offer better and more sustainable outcomes? Do short term outcomes endure into the longer term?***

Much has been made of the comparison between the CES and the Job Network, however this is not a completely reliable comparison in that the CES performed some functions now carried out by Centrelink as well as job matching and case management whereas other programmes were contracted out as they are now.

Comparisons of job matching and intensive assistance (as a more sophisticated iteration of case management) indicate that a competitive model has been more effective than the previous model, but not substantially. This may be a reflection of the relative infancy and immaturity of the new arrangements and, therefore, assessment of performance following the next three years, as the industry matures, may be a better indicator. Also, more is definitely being achieved with less and it would be interesting to see what impact increased funding per participant would have on performance. (This, of course, would assume base line funding increases for each element of the Job Network).

At this stage, it is difficult to address the question of Job Network employment outcomes, as currently defined, enduring into the longer term, due to the absence of meaningful longitudinal data.

***What, if any, has been the effect of Job Network on overall unemployment?***

Clearly, Job Network has had a substantive impact on overall unemployment by ensuring that hundreds of thousands of unemployed people are engaged in meaningful employment as a result of Job Network interventions.

The Job Network enhances equity and efficiency but does not have a substantial role in creating jobs.

***How can the influences of Job Network on outcomes be distinguished from the plethora of economic and social factors that continually interact to affect employment outcomes? What economic and social factors indicate that the measured outcomes of Job Network either understate or overstate its true impact? How well would Job Network perform in different phases of the economic cycle?***

The reality is that it is difficult to distinguish Job Network's impact on outcomes from economic and social factors. In relation to programme delivery alone there are other programme measures that contribute to Job Network's programme performance. To a greater extent than now, programmes should be better integrated, in order to more effectively reflect performance as well as providing a more seamless and integrated service to jobseekers.

The impact of Job Network on Centrelink's breaching rates has come under intense scrutiny in more recent times and the impact of increased breaching levels has had a significant impact on the social and economic hardship experienced by disadvantaged jobseekers, according to the main welfare agencies.

Job Network has been performing well during a period of sustained economic growth. Real concerns exist regarding the industry's capacity to perform under current payment and other arrangements in an economic downturn. Job matching providers who, arguably, may already be delivering an unviable or very marginally viable service would be unable to sustain performance and, if only contracted for job matching, their existence in an economic downturn.

Whilst intensive assistance is a viable programme, as it is heavily oriented towards outcome performance, this programme could very quickly become financially unviable with caseloads remaining static as a result of reduced outcome performance while more jobseekers wait in the queue for assistance.

***What have been the effects of the Job Network referral process on the incentives of unemployed people to seek work prior to actually utilising Job Network services? Has Job Network encouraged, or discouraged unemployed people to seek work, compared with previous arrangements?***

This is an area where the Job Network has, anecdotally, been very successful. Job Search Training providers report referral to commencement ratios of around 25% with around 37% of people referred finding employment prior to programme commencement or deciding for other reasons to opt out of the income support system.

Similarly there is a high number of exits from intensive assistance (approximately 40%) prior to commencement and many providers report that the system of participation reporting again results in jobseekers deciding to exit the system.

One of the challenges for Job Network providers with the referral process is that jobseekers frequently attend the providers' initial interviews demotivated and disengaged with employment services. The industry believes that there should be a greater focus in positively promoting the Job Network and its members to jobseekers at the referral gateway.

***What are the key success factors of the Job Network? Are there examples of innovative practices put in place by Job Network providers? What have been its major pitfalls?***

The key success factors of Job Network are the innovation and efficiency that arise from the competitive framework. Providers now have much more flexibility to tailor interventions to clients' needs, particularly in relation to intensive assistance, that will result in clients overcoming barriers to employment and lead to successful employment outcomes.

Such interventions may range from practices as simple as providing new clothes for interviews through to purchasing substantial vocational training.

The main pitfalls with the system include business rules and contracts that are far too complex and disintegrated service delivery.

***What changes would improve the quality of assistance and the outcomes of Job Network?***

As previously indicated, the current emphasis on compliance monitoring should be balanced against a systemic, quality-oriented analysis of providers with quality audits being principles based and the definitions of quality measurements subject to agreement with the industry.

For example, prior to the last tender DEWR required all providers to submit a Declaration of Intent for their intensive assistance bids. These DOIs are one of the measures of quality of assistance by the provider.

In relation to the other Job Network services, in particular job matching and job search training, unless purchase prices are increased, additional quality will be difficult to achieve. Currently, an average job matching service is being bought for around \$350 - \$375 per jobseeker and job search training for approximately \$750 per jobseeker (which includes substantial infrastructure investment). As a benchmark the average fee for service for an office placement in the recruitment industry is around \$3,000 – a ten fold variation, with lesser administrative requirements to substantiate the fee.

Costs associated with administration, compliance, information and communications technology and infrastructure are comparatively high and, if reduced, would result in better outcomes through applying the savings to improved service delivery.



***What elements of assistance should the government be purchasing on behalf of the unemployed – e.g., training, preparation for employment, job search, referral to educational institutions? What elements should most emphasis be given to?***

In essence, the government is already purchasing all of these services on behalf of its unemployed clients, with the greatest suite of assistance being available to the most disadvantaged. “Cashing out” of labour market programmes into the intensive assistance fee was designed to put the purchasing power with the people who knew best how to address the individual jobseeker’s needs – the provider.

When programmes were cashed out there was probably an expectation that there was going to be a greater level of vocational training and wage subsidies provided under intensive assistance than currently occurs. However, whilst these actuals may vary from forecasts jobseekers **are** receiving training, preparation for employment, job search and referral to educational institutions relative to their individual needs.

Most emphasis should be given to real and sustainable jobs, as reflected in the current policy settings.

***To what extent does training and intensive assistance improve the quality of assistance and of outcomes? What improvements in such arrangements should be made?***

The industry’s view is that intensive assistance is an optimal model for service delivery because it provides an individualised focus for the most disadvantaged jobseekers.

Vocational training can be effective for some clients as a pathway to employment. However, the provision of training should not be regarded, of itself, as improving the quality of service delivery. There are plenty of examples under previous policy frameworks which demonstrate that vocational training which was not suitably targeted did little, if anything, to improve the employability of jobseekers.

The proposed training credits to be introduced under Australians Working Together will be a targeted method of delivering training to jobseekers where the need is directly related to their employability, and represent a step in the right direction.

Job search training assists jobseekers in focussing on the task of job search and, as such, improves the likelihood of employment. This is reflected in the government’s policy response under Australians Working Together to make job search training available to jobseekers once they have reached three months unemployment rather than six as is currently the case.

Improvements to arrangements would see a further expansion of programme funds available for both job search training and intensive assistance so that programme interventions can take place at an earlier point in the jobseeker’s cycle of unemployment. We also propose that all jobseekers should be entitled to intensive assistance once they reach twelve months of unemployment, as well as those who are identified as “at risk” prior to twelve months unemployment, and that fees should be increased for working with very disadvantaged groups.

***Are current arrangements flexible enough to meet the varying needs of the unemployed, including those of clients with low jobseeker motivation?***

Ideally, all jobseekers would benefit from individualised assistance similar to that provided by intensive assistance or youth-oriented programmes such as the Jobs Pathway Programme as well as group job search support either in the form of job search training or programmes such as work for the dole. This would, indeed, be a quality system of employment services delivery.

Better articulation of pathways between programmes, as is proposed under Australians Working Together, coupled with greater resources for individualised and group job search support, would result in a very comprehensive and quality focussed employment services framework.

Clients with low jobseeker motivation will be better assisted once the Australians Working Together initiatives are introduced on July 1st next year, as it will allow for better articulation between programmes such as Intensive Assistance and Work for the Dole, the latter which is considered as being effective in improving jobseeker motivation.

A more integrated programme framework should further improve the opportunities for assistance for those jobseekers with low levels of motivation.

***Does the Jobseeker Classification Instrument perform well in categorising people appropriately? What changes, if any, should be made to the instrument or its utilisation to improve the efficiency of allocating job Network clients?***

Much confusion exists regarding the function of the JSCI thus resulting in frequent ongoing criticism of its reliability as an instrument. There is a widespread belief in the industry that it is an assessment tool whereas it was designed to be, and is used as, a streaming tool.

Therefore, the question of how well it does its job as a streaming tool lies in such measurements as the rate of exits prior to programme commencements which are very high for both intensive assistance and job search training, a significant proportion of which are exits, particularly in the case of intensive assistance, where the provider feels that the jobseeker would be more appropriately referred to a different programme. This may be as much to do with the criteria for eligibility for each programme as it does with the absolute reliability of the JSCI as a streaming instrument.

Feedback from the industry indicates that it is not simply the JSCI itself (which is also the subject of a current review by DEWR, Centrelink and industry representatives) but, rather, the application of the instrument by Centrelink personnel. There appear to be widespread variations in how the instrument is administered and varying experience levels of officers involved in applying the instrument. As it is an instrument which requires some level of sensitivity and skill in encouraging full disclosure by the jobseeker to ensure correct classification only experienced and well –trained personnel should be involved in its administration.

***To what extent, if any, does Job Network help those who do not need assistance to find work? Can the assistance provided by Job Network be better targeted?***

In today's competitive labour market Job Network provides an essential service for all eligible unemployed Australians. Job matching is, essentially, a basic service which provides access and match up to vacancies for people seeking employment.

The industry believes that a more, comprehensive streamlined job matching service, with higher fees per placement and incorporating job search support, would provide an early intervention strategy that would result in fewer people requiring intensive support.

It is difficult to see where Job Network coverage could be more tightly targeted. There can always be, however, a greater level of assistance provided to those who are particularly disadvantaged in the labour market. Suggested ways of achieving this have already been outlined in this paper but include better articulation across employment programmes reflecting a focus on employment as the outcome, and a continuing emphasis on additional assistance to those groups that are particularly disadvantaged in the labour market such as indigenous jobseekers, mature aged jobseekers, young people, clients of non- English speaking background and people with disabilities.

The government's training credit policy for two of these groups, indigenous jobseekers and mature aged jobseekers, as part of the government's Australians Working Together reforms are a welcome step in this area but more can be done. Young people have also been addressed through the government's "Footprints to the Future" policy but there has not, as yet, been any substantive adjustment to current budget allocations in this area.

**b) Purchaser rather than provider**

***Participants are invited to comment on the tendering arrangements for Job Network, and discuss areas for improvement. The particular areas covered could include:***

- ***How often should tendering be undertaken***
- ***Who should be eligible to tender***
- ***The role, if any, for pre-registration***
- ***Tender selection criteria***
- ***The administrative and compliance burdens raised by the process***
- ***Which services should providers be required to provide and which should be optional***
- ***How many providers should be selected? Is there an optimum size for a provider? Should preference be given to providers that can offer services in many different regions or local groups?***
- ***Ensuring probity in tendering and selection.***

In the interests of industry stability and given the industry's current level of development five year contracts are proposed. In particular the substantial infrastructure investment, particularly in information technology, makes contracts of less than five years particularly difficult to manage from the perspective of providing a cost effective service whilst accounting for full depreciation on infrastructure costs. The reality of the current system is that providers bear the cost of substantial investment over and above the three year contract period and, therefore, have to assume a significant commercial risk if not re-contracted.

Tender selection criteria should include: weightings for demonstrated performance; quality of service delivery; strategies for employment assistance; organisational competence (to be measured against the size of the bid); and price.

One of the great strengths of the current system is its diversity. No one organisational formula has emerged as the definitive approach to structuring service delivery, rather it is dependent on the quality of an organisation's management and its people. Therefore, big, medium and small organisations, nationally, regionally and locally located, have a relevant place in the constructed market for employment services. A risk in future purchasing is that this diversity may be lost through consolidation.

Probity in tendering and selection is a necessity to ensure objectivity in contracting decisions. However, it is important to achieve probity with common sense and to ensure that the process does not result in an illogical outcome.

***To what extent should tender assessment be based on price? And on quality?***

The issue of market-driven prices for Job Network services (with the exception of intensive assistance) seriously undermines the capacity to construct the best quality services.

The lack of a floor price in services, in particular job matching and job search training, means that providers may operate these services, at best, as marginal operations. Indeed, in the case of job matching many providers would attest to running the contract as a loss leader.

A constructive response would be to examine the issue of pricing and to develop a floor price for each service that would ensure an underpinning of quality of service delivery that meets a minimum acceptable standard for government.

Quality of service delivery should also be a determinant in tender assessment. Weightings used in ESC2 are a good guide to determining the weightings for quality (75%) and price (25%).

***Should prices be nominated by government in advance of tendering, at least to some extent? If so, how should these prices be initially determined, and how should they be updated over time?***

As previously indicated a floor price for all services is recommended in order to ensure minimum quality standards. Prices should be determined through industry consultation and based on Departmental knowledge of current pricing to establish a floor price at which quality services can viably be delivered.

Prices should be annually indexed to reflect cost increases. In addition, contract variations introduced during the life of the contract which require additional administration or incur other costs should have an additional fee attached to them which should be set through consultation with the industry.

***What changes to present tendering arrangements are needed? What are the advantages and disadvantages of "rolling over" at least some existing contracts?***

Taking into account the financial, performance and stability costs associated with tender processes, in order to ensure industry stabilisation a substantial proportion of contracts should be rolled over in the next tendering round. However, to ensure that new entrants are afforded the opportunity of entering the market and existing high performers are provided the opportunity of bidding in new areas a maximum 70% roll over is recommended.

***How can contracts best be specified to ensure that providers meet their commitments? What quantitative and qualitative measures should be included in Job Network contracts?***

Contracts are currently very clearly specified to ensure that providers meet their commitments. There is strong feedback from the industry which indicates the need for a much higher level of consultation by DEWR than previously undertaken in relation to the development of contracts.

The industry believes that the current contracts contain too many highly complex business rules, and that contracts should be reviewed and agreed with the industry prior to being adopted.

Key performance indicators are currently included in contracts and are used for benchmarking purposes but their application is unclear to the industry.

***In what other ways can the government ensure that Job Network providers deliver value for money? What changes are desirable to monitoring and reporting requirements? Are current risk management practices satisfactory? Are improvements in transparency desirable?***

The industry frequently refers to excessive compliance requirements and the proportionally high amount of time that is spent on dealing with administration. Monitoring and reporting requirements are regarded to be onerous and divert funds away from service delivery to jobseekers in order to satisfy bureaucratic requirements.

During the course of the current contract providers have watched their total pool of money that they can spend on jobseekers dwindle progressively as they are required to spend proportionately increased amounts of money on compliance and administrative issues arising from the contract variations introduced.

The industry's view is that DEWR needs to ensure that its risk management practices are satisfactory so as to achieve an effective compliance regime without so much emphasis and associated cost on detailed reporting or record-keeping.

Improvements in transparency for the industry can be achieved through qualitative and quantitative studies focussed on good practice. However, it is difficult to determine how one can achieve absolute transparency regarding providers operations without compromising the principles of competition and related competitive advantage.

***What changes, if any, to the current specification of contracts would be desirable?***

The process of contract variations, including relevant authorisation levels, requires improvement. To date the industry has had the opportunity for input into initial discussions but has not been subsequently consulted at the drafting stage.

***Are there undesirable incentive effects associated with pricing arrangements of the Job Network and how are these manifested? How can any such effects be best overcome?***

Much has been discussed in relation to the practices of "parking " and "creaming" in the delivery of intensive assistance in order to optimise outcome payments. This is, on an absolute basis, a potentially undesirable incentive effect of the intensive assistance pricing arrangements. However, given that contract roll-over will be dependent upon the performance star rating achieved these ratings control for manipulative performance by placing higher weightings on achieving outcomes for disadvantaged jobseekers.

Therefore, if a provider is only working with the easiest to place in order to optimise income their employment services business will be short lived because their star ratings won't compare as well to those organizations that deliver services equitably to all clients.

The critical factor in all of this is the validity of the star ratings model and the methodology used. An independent review has been proposed by the industry and is currently under consideration by DEWR. A review will assist with determining the reliability of the model and its data production particularly as it relates to controlling for different labour market areas. It is important that the industry is informed of the Terms of Reference of any such review so that there is absolute transparency.

***Are there other improvements in pricing structures that should be made (such as the distribution across the various staged payments)? Would a change in emphasis between the various assistance elements be desirable?***

The improvements in pricing structures that could be made would include flexibility in distribution across various staged payments in intensive assistance in the event of an economic downturn.

Overall, it is not so much a change in emphasis between the various assistance elements but the need for an increase in the level of absolute funding, including minimum price levels, for job matching and job search training.

***Do present arrangements permit long term viability of successful Job Network providers? What changes would enhance that prospect?***

Contract rollover based on a valid measurement model and reasonable price adjustment, taking into consideration adherence to quality standards, would improve longer term viability of successful Job Network providers. Longer contracts allowing for commercial decisions regarding infrastructure and resourcing would also enhance the long term viability of providers as would a funding model that ensures underpinning viability.

***What are the advantages and disadvantages of the participation of both the for-profit and not-for-profit providers in the Job Network? What problems does each group face? Do the tendering arrangements favour not-for-profit providers relative to for-profit providers, or vice versa?***

Having both the for profit and not for profit providers participating in the Job Network ensures that there is a benefit to the industry through the learnings of private organizations whose origins lie in human services delivery such as the recruitment or the rehabilitation sector, and also the contributions of organizations who have traditionally delivered a range of human services to disadvantaged clients in the non-profit sector.

Much criticism has been levelled at the private sector for its profit motivation in the delivery of a social service. What is missed in the philosophical argument is the incredible contribution that the vast majority of these providers are making to the service delivery framework that is currently being developed by their willingness to trial new approaches and challenge traditional paradigms. Much comment has been directed at having private providers participating in tax-payer funded human services delivery but, of course, there are many examples of private organizations or individuals delivering complex human services in a very effective and high quality manner. Characteristically, private providers participating in this industry are triple bottom line-oriented.

Many of the non-profit organisations have similarly demonstrated great innovation and, in general, the leading organizations that are reflected in the recent performance star ratings released come from both the for-profit and the not-for-profit sectors, demonstrating that the defining characteristics of organisational success, as confirmed by the Department earlier this year, are quality of management and people rather than sectoral representation.

***How well do present arrangements lead to adequate provision of services in non-metropolitan and small regional areas? What, if any, changes, should be made?***

Administrative frameworks and pricing structures are not sufficiently robust to account for differences in service delivery between metropolitan and non- metropolitan areas, resulting in reduced service delivery capacity in regional and remote areas compared to metropolitan areas.

***What are the relative advantages and disadvantages of the smaller community based groups and the larger state or nation- wide organizations in providing services in rural and remote regions?***

The question is not so much one of which service provider is better but ensuring that if a provider says that they are delivering a service to a particular community that they have some presence within that community and that they can demonstrate local community connection. Concerns have been raised among local providers where large organizations have based themselves in a regional centre to service a broad geographical area without providing local services in more remote locations.

This is an issue which should be considered in tendering, including the capacity for the provider to structure their services more flexibly (for example, through outreach) rather than following a prescriptive infrastructure model such as the requirement to establish a full-time office. Sometimes prescriptive requirements work against more comprehensive service delivery as organisations choose not to establish themselves in a remote location because it is not commercially viable.

**c) Alternative delivery models**

***What are the possible advantages and disadvantages of alternative delivery models compared with existing Job Network arrangements?***

The existing Job Network arrangements provide the structural underpinning of a service delivery model with an emphasis on the client. In order to ensure that the model delivers the service that it was constructed to deliver, changes to the policy settings and programme delivery framework should be made according to the recommendations outlined.

Continuous process improvement is a defining characteristic of any successful system or organisation. Job Network should continue to be regarded as a "work in progress" rather than the absolute model. For example, the inclusion of more, and possibly all, employment services under the Job Network framework is but one example of how continuous process improvement will deliver an even better service to individual jobseekers.

**d) Role of competition and choice**

***Why do so few clients exercise their choice? Is the information provided to them to make the choice adequate: for example, the "success rates" of various providers for people with particular needs?***

It's possible that so few clients exercise their choice because information is not consistently provided about the local providers at the Centrelink interview. Centrelink officers demonstrate great reluctance to involve themselves in any recommendations, even where based on performance data, because they do not want to be accused of favouritism.

Early indications from the current streamlined referral pilots are that a much greater number of jobseekers choose a provider when there is a more comprehensive interview by Centrelink accompanied by manual referral to a provider.



***What are the advantages and disadvantages of competition and choice in relation to improving the quality of assistance to unemployed people?***

Competition and choice are beneficial in improving the quality of assistance providing clients are allowed to make an informed choice. A sheet of providers names with street address and generic description of services is insufficient to make an informed choice. More performance data as well as information on the range of services provided would enable some jobseekers to make a better informed decision. More assistance from suitably skilled Centrelink employees would also assist clients, providing the advice was balanced and fair.

Such a system previously existed under the CES structure when referrals were made to providers of various employment programmes. Whist corruptibility is a risk when human intervention is allowed history would demonstrate that providing there is an adequate audit trail the advantages outweigh the disadvantages.

***Does competition and choice lead to better and more sustainable outcomes? Could it be expected that outcomes would improve further if a greater proportion of the unemployed exercised their right of choice, rather than being "randomly" allocated to a Job Network provider?***

Anecdotally, competition is leading to better outcomes. Sustainability has not, as yet, been effectively measured nor has client choice given its relatively low level in the current and previous systems. Certainly, if clients were provided with informed choice one would expect better outcomes because there would be better matching of clients to services provided based on the needs of the client.

***What choice is available to people in smaller towns and regional areas?***

Dependent upon tendering decisions there can be too many providers in some areas thus providing great choice for the jobseeker but unviable sites for the provider. Conversely, some areas provide limited choice for jobseekers with few, if any, local services.

Lack of programme integration is also a major issue in rural and remote communities with many instances of intensive assistance being available but not Work for the Dole or Community Support Programmes, and vice versa.

***How can the complaints procedures be improved?***

Current complaints procedures are considered to be adequate. There are clear and unambiguous guidelines for complaints handling by providers which have been established by DEWR.

More public reporting regarding the volume, nature and resolution of complaints would be welcomed.

***What additional costs, if any, do current arrangements impose on unemployed people? For example, do clients incur additional costs in shopping around for assistance? Is there any wasteful duplication of service?***

The costs of public and other forms of transport are a significant drain on the funds of jobseekers. The requirement to register with up to five job-matching providers is a substantial cost to the jobseeker. Registering with one provider should be sufficient for activity test compliance.

***What scope is there for diffusing best practice among Job Network providers and what are the impediments to such diffusion? Would sharing the secrets of success result in competitive disadvantage?***

As previously indicated the way forward, in the short term, for diffusing best practice is through industry-initiated studies on best practice in service delivery with particular client groups and across different programmes. As the industry matures a more sophisticated approach can be developed which would enable benchmarking to become a reality but this isn't envisaged for several years hence.

The Stegley Foundation supported a benchmarking training programme, facilitated by Deakin University, for NGOs who were employment services providers but this information wasn't widely disseminated. A more concerted approach in this area would bring significant benefits to the industry when providers are ready to participate.

At this point in time providers do view sharing secrets as resulting in competitive disadvantage although interestingly some of the higher performing providers are more open about collaborating which was, incidentally, one of the defining characteristics of high performance in the DEWR study of high performing Job Network members. Such providers don't view information sharing as giving away their trade secrets as such because they believe that the secret of success is in the way they run their organisation, the quality of management, rather than what they do.

The most recent NESAs conference was very successful in achieving sharing of good practice. In particular, a session which involved networking roundtables where participants gathered in groups of ten to discuss practice in relation to various programme challenges met with enthusiastic participation and a great degree of sharing of information. The industry conference is certainly a platform to continue to develop the industry's approach to the sharing of practice through workshops delivered by industry practitioners and speakers who provide examples of practice that substantially impacts on performance.

NESA has also established five Special Interest Groups to date – indigenous, mature aged, IT, Rural and Remote, and NEIS. One of the functions of each of these groups is to enhance industry performance through the sharing of good practice and the development and dissemination of information that will lead to improved industry performance.

For example, The Indigenous Special Interest Group has been developing a tool kit for provider personnel working with indigenous jobseekers based on aggregating information regarding current practice and services being delivered. This has been developed by GROW, the Sydney ACC, with funding support from DEWR.

***Are capacity restrictions an appropriate constraint? If not, how could they be effectively remedied?***

Currently there is limited flexibility to improve capacity if performance demonstrates the ability to handle it. Therefore, flexibility to increase contracts by up to 20% if performance warrants would be a way to overcome such a problem.

An example of this issue has been the recent discussions that have taken place between the industry and DEWR in relation to implementation issues around Australians Working Together. The industry suggested increasing the contracted capacity for intensive assistance providers by a standard percentage to compensate for referral flow issues arising from the programme pathways encouraged by Australians Working Together.

The proposal to open up the programme flexibility of job matching in ESC3 is welcome.

***What are the advantages and the disadvantages of the contract lock-in to the provider? What would be the effects on providers on a change in this period? Do providers have incentives to game aspects of the Job Network – such as breaching?***

Currently, the issues of contract lock-in and variation are one-sided. Contracts are offered on a take it or leave it basis. Until recently, there has not been any recourse to the industry for the legal vetting of contract variations.

**e) Funding**

***What have been the main areas of cost savings compared with previous arrangements? Has cost effectiveness and value for money been improved? To what extent, if any, have cost savings been at the expense of "quality"?***

Cost savings have been achieved right across the board for the government with contracted organizations delivering similar services compared to previous policy regimes, at substantially reduced costs. Job search training is an example – the average fee for job search training in the current framework would compare to about 50 % of the fee for Job Clubs.

Cost effectiveness and value for money have been improved and the issue of quality, as previously indicated, is difficult to comment on because measurement has focussed on quantity as an implied measure of quality.

***What, if any, reallocation of funding (for example with relatively more going to training and intensive assistance) is likely to improve the quality of assistance to unemployed people, with better and more sustainable outcomes?***

Improving the funding for all programmes would, arguably, improve results. However, the reallocation of the funding base will not necessarily achieve the overall results of improving quality of assistance as the funding for job matching, consequently, would become grossly inadequate. Many providers already regard job matching to be an unviable programme.

## **f) Role of the relevant players**

### ***Comment on the roles of the relevant players.***

#### **Department of Employment and Workplace Relations**

NESA has established effective working relationships with the Department of Employment and Workplace Relations. As an organisation we meet regularly with key Departmental representatives. There are two formal meeting structures – a quarterly meeting with the Minister For Employment Services and the DEWR executive. In the intervening period there is a Working Party meeting where operational heads within DEWR meet with a sub-group of the NESA Board to discuss policy issues and to work through the operational impacts on the industry of such issues.

Indeed, many of the suggestions for improvement to the framework reflected in this discussion paper have been presented to DEWR and are currently in the process of being reviewed and refined to take account of industry concerns. Some aspects of performance star ratings, and contract management and associated risk management strategies, are examples of issues that are currently being examined taking into account industry feedback.

#### **Centrelink**

The industry's relationships with Centrelink have been much more informal than with DEWR. Consideration needs to be given to structuring agreement(s) between the industry and Centrelink to ensure that standards of performance in service delivery are maintained that have a material impact on the day to day operations of Job Network members. There is a Business Partnership Agreement between Centrelink and DEWR but the concern by the industry is that this loses some impact at the coal face, and that operational success is heavily contingent on the cordiality of relationships with the local Centrelink office and the corresponding performance of that office.

A very positive development in the working relationship between all three parties has been the establishment of the Partnership Programme. This is a joint industry initiative involving Centrelink, DEWR and NESA. Following two pilots early this year the decision was made to formalise the programme. Since then two more programmes have been held.

Areas across Australia are selected (five in each Programme) and Job Network members volunteer to participate. Each Programme focuses on a particular issue such as referrals, and there is substantial insight gained from the observations of programme participants regarding the areas for process improvement. This is done through an executive feedback day where the key executives of each participating organisation are present.

Policy refinement and development has also occurred following the outcomes of these programmes. The intention is to build on the success of the Programme next year.

## **Other Departments**

Relationships and interaction with other federal Departments such as Family and Community Services and Education Science and Training have been less formal or frequent than with DEWR.

The recent transfer of the responsibility for the Personal Support Programme (currently the Community Support Programme) from DEWR to FACS has resulted in extensive consultation by FACS regarding the design of the expanded programme. This was widely appreciated by the industry.

***Are current IT arrangements effective? How can they be improved? What are the cost implications?***

***Are the costs imposed on providers reasonable? Do they act as barriers to entry for smaller providers?***

***What changes, if any, would improve the benefits arising from Australian Job Search?***

Earlier this year the industry commissioned an independent review of IT requirements by PA Consulting Group. It made a number of recommendations regarding possible improvements to current and proposed IT arrangements.

NESA has established a Special Interest Group for IT to consider these recommendations and future developments as they relate to ESC3. The Group, under the SIG's Terms of Reference, proposes issues for consideration by the NESA Board to be further advanced in meetings with the Minister and DEWR executive.

Issues arising from this Group are also taken up with DEWR through a joint NESA/DEWR IT Committee.

IT is one of the most important threshold issues for providers. Whilst DEWR has demonstrated a strong commitment towards consultation with the industry around IT issues there is still a residual view amongst Job Network members that they are too frequently on the receiving end of DEWR decisions that are very costly for them as providers.

This concern exists right across the industry from small through to larger organizations but, certainly, the costs associated with IT based on minimum configurations that are now required could make it cost prohibitive for small providers to enter the market.

DEWR's commitment to consulting with the industry and incorporating industry feedback in relation to future purchasing policy, and any IT implications, is critical.

## ***Area Consultative Committees***

The ACC's and their ongoing role in identifying regional job opportunities has now been transferred to the Department of Transport and Regional Services.

NESA believes that the role that ACC's have previously been funded to fulfil in facilitating discussion between Job Network members at a regional level could be effectively managed by the industry association. Facilitation of such forums aligns with NESA's operational objectives in ensuring a high level of member consultation.

#### **4. Summary and Conclusions**

Overall, the industry supports the government's policy initiatives in the establishment and development of the Job Network.

The architecture of the Job Network reflected the advice of many previous providers of labour market programmes regarding the actions that needed to be taken to establish and develop a better framework of service delivery to unemployed jobseekers and to employers.

With ongoing refinement the system should develop into an international best practice model for efficient and effective service delivery for employers and unemployed jobseekers. Clearly, if performance continues to improve consequent with such refinements it will provide a sound model for consideration of government purchasing in other areas of services delivery.

Given the radical nature of the changes introduced challenges in the development of the framework were going to be inevitable. However, providing that the government is responsive to industry concerns, as it has demonstrated that it has been to date, such challenges should be at the margins.

The government's clear intention is to ensure the delivery of high quality seamless services to jobseekers and employers, and the National Employment Services Association looks forward to continuing to work with the government in achieving its objectives in this regard.

In conclusion, the Inquiry into the Job Network should be considered in the broader context of welfare reform and give due regard to the importance and centrality of effective employment services delivery in contributing to ensuring the success of the government's Australians Working Together initiatives.