



DEPARTMENT OF  
**FAMILY AND  
COMMUNITY  
SERVICES**

# **Submission to the Productivity Commission Review of the Job Network**

January 2002

## **1. Introduction**

The Assistant Treasurer, Senator Rod Kemp announced an independent review of the Job Network on 3 September 2001. The review is to examine and comment on the framework for delivering labour market assistance arrangements including the:

- application of the purchaser-provider model to employment assistance (TOR 5a)
- roles of the relevant players (TOR 5b);
- areas where the model could be improved (TOR 5c);
- possible scope for the model to apply, in full or in part, to other types of Commonwealth Government service delivery (TOR 5d).

In contributing to this Review, FaCS is reflecting on the Job Network in the context of its strategic objective to increase economic and social participation among income support recipients. FaCS recognises the importance of the Job Network in assisting people considered to be most at risk of long term welfare dependency. If these people do not succeed in breaking out of dependency, the consequences are reflected in costs to FaCS income support and other programs. FaCS is, therefore, very directly concerned with the success of the Job Network.

In addition, FaCS can draw on its practical experience as a policy department responsible for managing a large number of the Government's social policy programs. The portfolio expenditure for 2001-02 is expected to be \$57 billion a year – about 35 per cent of Commonwealth budget spending. These include employment assistance programs that integrate with the Job Network. FaCS also has a wide experience with funding and service delivery models, an experience which is relevant to the Commission's Inquiry.

This Submission is structured along the following lines.

- Section 2 describes FaCS' strategic goals and the Department's role in employment assistance.
- Section 3 discusses the different funding models and service delivery arrangements used across key FaCS programs.
- Section 4 examines implications of the Australians Working Together (AWT) initiatives on the Job Network, particularly linkages between Job Network and other employment services.
- Section 5 considers the operation and performance of the Job Network since its inception with emphasis on outcomes and incentives and access to assistance.

## **2. The Role of FaCS**

FaCS was formed in October 1998 with a vision of building a modern social safety net to bring about a fair and cohesive Australian society.

A modern safety net is seen as one which will effectively support people in real need while also seeking to minimise welfare dependency and promote the principle of mutual obligation. Due regard is paid to prevention and early intervention as well as remedial activities (which is where the Job Network largely applies).

The FaCS Strategic Plan provides a framework that directs the efforts of the Department towards three outcomes:

- Stronger families
- Stronger communities
- Economic and social participation

Underlying this framework are the following key drivers:

- the long term costs to community and the budget when large numbers of people become estranged from mainstream employment and from their local community;
- the important role that strong families and strong communities play in protecting and nurturing people in times of change;
- investment in prevention reduces outlays downstream; and
- that financial incentives implicit in program structures do influence behaviours and outcomes.

The Department put in place a new outcome and output structure in February 1999 that aligned the organisational structure with the three outcomes and related business strategies.

For Outcome 1: Stronger Families, FaCS provides the framework for the development and implementation of the Government's commitment to help support and strengthen families as a fundamental unit of society.

The commitment to Stronger Families is delivered through a combination of services and family-based approaches to income support, with an emphasis on government, community and family partnerships.

Under Outcome 2: Stronger Communities, FaCS seeks to build the capacity of communities to find local solutions to local problems. This is done by:

- encouraging the development of community capacity for self-help;
- helping to ameliorate the effects of pressures on and within communities; and
- facilitating partnerships between business, community groups and governments to achieve well-targeted and tailored solutions.

The commitment to Stronger Communities is delivered through a combination of services and community based approaches with an emphasis on bolstering partnerships between government, the community and business sector. The Stronger Communities outcome recognises the importance of ensuring that, as far as possible, service delivery arrangements do not disadvantage people, by virtue of their location, in their access to Government programs and services.

FaCS is also responsible for the Stronger Families and Communities Strategy which emphasises the prevention and early intervention initiatives for families and communities. This strategy includes a bottom up, community driven approach responding to the needs and ideas of the community and encouraging partnership on every level.

A key outcome is Outcome 3: Economic and Social Participation. The main objective is to maximise the engagement of all in society by encouraging independence and participation in the community through:

- encouraging increased participation by enabling access and promoting opportunities;
- fostering a culture of self reliance and planning for the future, including for retirement and provide an effective safety net; and
- developing partnerships with key stakeholders (other departments, business and community organisations and service providers) to improve the efficiency and effectiveness of services, identify emerging problems and develop appropriate policy responses.

The commitment to Economic and Social Participation is delivered through integrated services and income support policies, with an emphasis on supporting, strengthening and maintaining the engagement of all Australians in the workforce and in social aspects of community life.

These directions also underpin the recent *Australians Working Together* (AWT) package which is designed to encourage economic and social participation for people of working age. Initiatives cover extra program assistance, improved financial incentives for work, fair requirements for people on income support as well as improved partnerships with the community and business.

### **FaCS' Role in Employment Assistance**

The provision of employment assistance is an important part of FaCS' business. It contributes to the achievement of the three FaCS outcomes and in particular it is central to Outcome 3 Economic and Social Participation. The main types of employment assistance provided by FaCS are summarised below.

- Income support is provided through Centrelink to people most in need, subject to provisions including income and assets tests and waiting period requirements. Through activity test requirements attached to some payments and the design of the income test, clients are encouraged to take up available work including part-time and casual work. Participation in relevant activities/programs is required for some payments, in order to improve employability and contribute other activities of value to the community.
- Centrelink is also responsible for delivering services for the Department of Employment and Workplace Relations (DEWR), particularly in relation to the referral of job seekers to Job Network members. This is an area of integrated outcomes for FaCS and DEWR.
- FaCS manages complementary programs to provide assistance to job seekers for whom Job Network assistance is not currently appropriate or those who need extra assistance. Relevant programs include the Disability Employment Assistance Program, vocational rehabilitation through the CRS Australia, the Jobs Education and Training Program and, following the AWT reforms, the new Personal Support Programme, due to start in July 2002.

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In addition to these employment specific programs, the other services and programs managed by FaCS, such as the child care and family support programs, also play an important role in helping people achieve and maintain employment.

More details about the FaCS' programs providing employment assistance are set out at Attachment A.

### 3. The diversity of FaCS funding and delivery arrangements

FaCS depends on a range of organisations, both government and non-government, to deliver its payments and services. Funding arrangements with these organisations include purchasing contracts, joint ventures, purchaser-provider arrangements, service level agreements, collaborations, grants and subsidies. These range in size from small grant programs (eg to community organisations) to the relationship with Centrelink. Overall, FaCS provides a total of \$2.5 billion to over 12,000 community organisations.

Key features of the main delivery and funding arrangements are summarised in [Table 3.1](#) below. The following discussion describes some of these arrangements in more detail, outlines recent developments and offers some general reflections on FaCS' experience.

#### Centrelink

Of all the delivery arrangements, the largest is the purchaser-provider/partnership relationship which FaCS has with Centrelink. Centrelink is the primary agency for delivering FaCS' income support and related services such as the disability employment gateway. In 2000-01, Centrelink delivered pensions, benefits and other services totalling \$51.8 billion at a cost of \$1.6 billion. FaCS work comprises around 90 per cent of Centrelink business in 2000-01.

The FaCS / Centrelink relationship is managed through a Business Partnership Agreement (BPA), a service arrangement under section 7 of the *Commonwealth Services Delivery Agency Act 1997*. The arrangement authorises Centrelink to carry out service delivery functions on behalf of FaCS. The current service arrangement covers the period 2001-04 and is reviewed annually. The BPA details the principles and corporate aspects of the relationship and identifies Centrelink's contributions to FaCS' outputs and outcomes. Performance is measured against Key Performance Indicators (KPIs) and more detailed output specifications. FaCS monitors the service delivery output provided by Centrelink, including through regular reports, meetings and statistical analysis.<sup>1</sup>

Centrelink was created in 1997 to integrate the administration of income support and employment services and to provide customers with 'one stop', flexible service delivery. It was intended to reduce inefficiencies in the previous arrangements and complement the creation of a competitive environment for the provision of employment services.

The nature of the FaCS-Centrelink relationship has evolved over the past four years. The current arrangement is one which blends elements of purchaser-provider responsibilities with elements of partnership. Emphasis is placed on developing a close working relationship between the two organisations recognising that the success of each is integral to the success of the other. The term "strategic partnership" concisely captures the essence of the relationship.

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<sup>1</sup> Centrelink reports to FaCS about the delivery of FaCS' programs and services formally through the Centrelink Quarterly Performance Report. In addition, Management and Performance Information on specific programs is provided by Centrelink Community Segments to their program branch head equivalent in FaCS, under the terms of the Management Information Protocol of the BPA and informally through regular bilateral consultation. FaCS also monitors Centrelink's performance through Centrelink Internal Audit reports, the ANAO and the Federal Privacy Commissioner.

**Table 3.1 Features of delivery and funding arrangements for FaCS programs**

<b>FaCS Program</b>	<b>2000-01 Expenditure</b>	<b>Service Delivery Organisations</b>	<b>Features of Funding-Service Delivery Model</b>
Income support and related services	\$51.8b	Centrelink	<ul style="list-style-type: none"> <li>• Purchaser-provider / Strategic Partnership</li> </ul>
Child Care	\$1.2b	9,900 private sector and community service providers	<ul style="list-style-type: none"> <li>• Parents choose service provider; government approves service providers; Family Assistance Office administers benefits through Centrelink or ATO</li> </ul>
Disability Employment Assistance	\$230.4m	415 non government services	<ul style="list-style-type: none"> <li>• Block funding / contract</li> <li>• Case-based funding trial</li> </ul>
Advocacy Services	\$ 11.1m	72 advocacy organisations	<ul style="list-style-type: none"> <li>• Recurrent grants</li> </ul>
Vocational Rehabilitation Services	\$102.3m	CRS Australia	<ul style="list-style-type: none"> <li>• Purchaser-provider, Block funding / Service Level Agreements</li> <li>• Assessment and Contestability trial</li> </ul>
Stronger Families and Communities Strategy	\$1.1m	Community service/charitable organisations	<ul style="list-style-type: none"> <li>• Community development processes</li> <li>• Grants / Funding agreement</li> </ul>
Service for Families with Children	\$7.5m	Community service organisations	<ul style="list-style-type: none"> <li>• Competitive selection</li> <li>• Funding agreement</li> </ul>
Family Relationship Support	\$24.4m	Community service organisations	<ul style="list-style-type: none"> <li>• Competitive selection</li> <li>• Grants funding</li> </ul>
Reconnect (youth homelessness early intervention)	\$12.7m	68 local community and local government organisations	<ul style="list-style-type: none"> <li>• Combination of competitive selection and community development processes</li> <li>• Funding agreement</li> </ul>
Supported Accommodation Assistance Program	\$158.5 m	1,207 community service organisations	<ul style="list-style-type: none"> <li>• Commonwealth and State/Territory partnerships – costs shared</li> </ul>
Emergency Relief	\$26 m	900 community service organisations	<ul style="list-style-type: none"> <li>• Grants / Funding agreement</li> </ul>
National Secretariat Program	\$3.2 m	20 Peak Bodies and community organisations	<ul style="list-style-type: none"> <li>• Grants / Funding agreement</li> </ul>

## **Disability Employment Assistance Program**

Under this program (\$230.4m in 2000-01), FaCS funds some 415 non-government organisations through 835 service outlets. Service providers offer employment assistance for job seekers with disabilities who require ongoing support to gain and maintain employment. Most of these providers are charitable, non-profit agencies. Many are likely to be funded from a number of sources and most have a long history of operating in this field. Competition in the selection of providers largely resolves around new or relinquished places rather than for funding associated with existing places.

The Government announced in its 1996-97 Budget, a broad reform agenda for disability employment assistance. This has resulted in trials of new or alternative arrangements for accessing and funding of disability employment assistance.

As part of the trial, FaCS consulted service providers and other stakeholders on the suitability of two funding models. One model was based on the Job Network funding model for Intensive Assistance (IA), with an up front initial payment and subsequent payments on achievement of outcomes. The other was the Case Based Funding model developed by a joint industry, consumer and departmental working group. This model makes the bulk of funding payable on a monthly basis and incorporates a capacity for an employment outcome time frame to be extended by six months or suspended while the job seeker takes a break from employment assistance. The trial found that the Case Based Funding model better accommodated some characteristics of job seekers with disabilities – eg that on average these job seekers took longer to achieve an employment outcome and due to medical conditions often required breaks in employment assistance.

An independent evaluation of the Case Based Funding model is currently underway with an initial report due in February 2002 and a final report in August 2002. Findings from the evaluation will inform FaCS about the success, or otherwise, of the funding model as well as any need for changes, prior to its national implementation in 2004-05. A major priority in the evaluation of the Case Based Funding model will be to ensure that the funding model contains the right mix of incentives for skills development and training as well as sustainable employment outcomes for job seekers with disabilities.

## **Rehabilitation Services**

FaCS provides vocational rehabilitation through 160 CRS Australia outlets at a cost of \$102 million in 2000-01, assisting some 31 000 people with injuries or disabilities each year. CRS Australia operates on a commercial footing, providing rehabilitation services through a purchaser-provider arrangement with FaCS finalised through a Service Level Agreement. Under these arrangements block funding is provided and outcome targets set for rehabilitation services to be delivered under a Service Level Agreement. FaCS is a macro purchaser of rehabilitation programs and CRS Australia a micro purchaser of rehabilitation services (at an individual client program level) and the sole provider of these Commonwealth-funded services.

In 2000, the Government approved the commencement of an Assessment and Contestability Trial to test, amongst other objectives, the capacity of the private sector to deliver vocational rehabilitation services. The contestability component will provide information on the capacity of the private market in terms of cost, quality and the ability to provide services for the full range of people with disabilities requiring vocational rehabilitation. The Trial commenced in August 2000 and is scheduled to provide an interim report to Government in February 2002 and a final report in August 2002.

## **Child care services**

FaCS provides funding for child care, including (i) payments to families to assist with the cost of child care and (ii) payments to services to ensure that services are established and maintained in all areas.

Payments to families are made by way of Child Care Benefit (\$1.03 billion in 2000-01 helping around 470 000 families through approved services) administered by Centrelink and taken either as a fee reduction or as a lump sum at the end of the financial year. Parents choose the child care service but only child care provided at Commonwealth approved services attracts the full rate of benefit.

The entry of service providers into centre-based long day care is unrestricted other than the requirement to meet Commonwealth approval requirements. Control is still exercised over the total number of places for outside school hours care and family day care. For these areas, the main element of competition comes through competitive processes to allocate new or relinquished places to providers.

Payments to services (\$170 million in 2000-01 supporting 9 900 services) are made for some types of child care services and in rural and remote areas to allow families in these areas access to similar types of services to those provided in urban areas. FaCS provides subsidies for establishment and ongoing support for areas identified as requiring child care by the National Planning System. FaCS assesses applications from providers against legislative requirements and program guidelines.

Quality Assurance (QA) FaCS supports the continued development of child care QA frameworks including implementation of the revised system for centre based long day care, implementation of a QA scheme for family day care and development of QA for outside school hours care.

## **Personal Support Programme**

The Personal Support Programme (PSP) will replace the Community Support Program in July 2002 catering for around 45,000 people by 2004-05. PSP will provide assistance for job seekers with multiple non-vocational obstacles to employment, including drug and alcohol problems, psychological conditions and homelessness. Overcoming these problems will enable affected job seekers to better utilise employment assistance.

While the PSP program design is similar in many ways to the Job Network model, it has been varied to suit the particular needs of its participants and providers.

- PSP will be delivered by a network of private and community organisations selected through an open and competitive selection process as well as targeted selection processes to fill gaps and encourage innovation. Contract rollovers are being sought over the longer term with consultations on this element to be undertaken next year.
- The PSP funding model will be a combination of input and outcome based payments. Two administration payments (commencement and exit) and two timing payments (at 8 and 16 months) will make up 60 per cent of total funding. The rest (40 per cent) will be linked to outcomes. In addition, there will be regional and interpreter loadings, early outcome payments and payments for re-engaging transient clients.
- Two kinds of outcomes may be obtained under PSP: economic and social. Economic outcomes include gaining full-time or part-time work or taking up education and training options. Social

outcomes could include accessing counselling and rehabilitation services, improving health and mental health, managing money better or a reduction in offending.

### **Community programs delivered by non-government organisations**

In addition to the organisations involved in the delivery of disability employment and child care services, FaCS relies on non-government organisations (NGOs) to deliver community services. These NGOs include community, religious and charitable organisations. Many of the services they deliver fall under the Stronger Families and Communities Strategy or are peak bodies or advocacy groups funded under the National Secretariat Program and the National Disability Advocacy Program. There are also a range of other family relationships and counselling programs<sup>2</sup> as well as programs targeted at youth at risk<sup>3</sup>. Organisations are also funded to assist people in financial crisis under the Emergency Relief Program. FaCS is also responsible for the Supported Accommodation Assistance Program, a joint Commonwealth and State/Territory government program which supports 1 200 agencies to provide support and accommodation services for people who are homeless or at risk of becoming homeless. Many of these programs, through their emphasis on prevention and early intervention, play a role in supporting workforce participation.

Many of the organisations are funded through a grants process. This works in one of two ways. The government will offer support for a broadly defined area of program need with NGO's proposing projects within this broad area and applying for funding. Alternatively, the government will identify specific services that are needed and invite providers to submit proposals to supply these services. These grants processes build upon FaCS' strategy of building community capacity and developing the Government's goal of a social coalition of NGOs working with each other and with Government in order to deliver policy and service delivery advice.

### **Reflections on FaCS' experience with a diversity of delivery/funding models**

As outlined above, FaCS has considerable experience with a wide range of delivery and funding models. The appropriate model for a particular set of circumstances - and hence the right relationship between FaCS and the service provider - will vary according to factors such as the services being sought, the client group, the nature of the service provider and whether Government has any additional or complementary objectives.

- For example in child care, parents are in the best position to choose the provider of services for their children. There are many potential providers and they, individually, can enter or leave the industry without any significant impact on the program. In this situation, competition promotes efficiency. The role for government here is essentially that of ensuring that services are affordable and that providers meet accreditation standards.

FaCS is moving to introduce elements of outcomes payments in more of its programs where this is appropriate eg Disability Employment Assistance and the PSP. Determining what might be "appropriate" circumstances for the application of competitive or outcome funded models, however, bears further reflection.

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<sup>2</sup> Family Relationships Services Program, Parenting programs, Commonwealth Financial Counselling Programs.

<sup>3</sup> Programs for youth at risk include the early intervention program Reconnect, Youth Activities Services, the Youth Liaison Workers program and funding for services under the Strengthening and Supporting Families Coping with Illicit Drug Use.

Many FaCS programs are targeted at vulnerable and disadvantaged people. The objective is for the integrated social support system to improve the economic and social participation of these people over time. This is in keeping with what has become a major theme of government policy of recent times including AWT – of individualising the service response with a view to building capacity and self-reliance. To do this it is necessary that providers of particular services see their role as one part of a broader service network with outcomes being driven by the network as a whole and where people are cross-referred to the service most appropriate to their circumstances. Design issues can be complex, including questions around who cross-refers and on what advice. The importance of integrated service responses is however increasingly clear. This was highlighted in the recent Youth Pathways report.<sup>4</sup>

“Our institutions and services often focus on providing a specific service to young people and fail to respond to their overall needs. Consequently there is no consistent and coordinated response to the breadth of issues facing young people today. This failure of services to operate as part of a cohesive system is at the core of the weakness this Taskforce has identified.”<sup>5</sup>

This has implications for the choice of delivery/funding model.

- Services required to achieve the desired outcomes may not be available from a single provider or there may be a need to engage a provider over a lengthy period of time. Desired outcomes for disadvantaged and vulnerable people are likely to be complex. The outputs to be produced may change over time and may not be known in advance. Specification of outputs in a single contract may be very difficult.
- In these circumstances a more complex relationship with some service providers may be necessary than applies with competitive or strict outcome funded models. A balance between input, output and outcome funding may therefore be the best option.

There can also be limits on the usefulness of strict commercial models in areas where building community capacity is an objective. Through the grants process with community organisations, FaCS seeks to build ongoing relationships with existing NGOs and support the formation of organisations to fill identified gaps in community representation. Work done with communities through programs such as the Stronger Families and Communities Strategy (funded through a grants process) to identify community needs is important in order to build the capacity of that community to deliver needed services. This capacity building role need not be inconsistent with achieving value-for-money. Over time, broad judgements can be made about value-for-money based on a range of more general criteria and expectations, and arrangements ceased on the basis of non-performance.

Another observation that FaCS makes from its experience concerns the importance of consultation in designing appropriate policy and delivery mechanisms. The importance of consultation at the local level with clients, potential clients and community organisations was demonstrated to us during our involvement in the AWT consultation process where community organisations provided practical advice on how the initiatives might be implemented effectively.

Also important feature in designing appropriate delivery/funding models is the capacity for consultation with providers. This is true when designing new programs and initiatives as well as in an ongoing sense. Depending on the nature and complexity of the service to be delivered,

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<sup>4</sup> Prime Minister’s Youth Pathways Action Plan Taskforce, 2001.

<sup>5</sup> Similar sentiments can be found in other recent reports on aspects of social policy. See for example the Report of the Family Law Pathways Advisory Group, (Depts of Attorney General and FaCS, 2001, p 11)

there can be advantages in ongoing feedback from the service provider to the purchaser. A culture of continuous improvement is being built into the PSP program whereby feedback from both providers and community will feed into future program design.

The importance of this feedback has become increasingly evident to the Department as the relationship with Centrelink under the Business Partnership Agreement has evolved. At inception the FaCS / Centrelink relationship was characterised as a purchaser provider relationship with a separation of policy from delivery. While FaCS continues to develop a more business-like relationship with Centrelink, in practice policy and delivery have never been kept fully at arm's length. Close day to day contact between the two organisations and the need to work together to serve government and community have necessitated a proximity of policy and delivery. Separation has however highlighted to the Department the risk of losing a program implementation and delivery perspective in the policy development process. Our response has been to strengthen the partnership/alliance aspects of the relationship. These recognise, amongst other things, the strong interdependence between the two organisations, working with the other to serve the government of the day, being open in communication and the importance of contributing and being committed to the other's success.

#### **4. *Australians Working Together* (AWT) Initiative and the Job Network**

In the 2001-02 Budget, the Government announced the *Australians Working Together* (AWT) package of reforms to the social support system for working age people costing \$1.7 billion over four years. Initiatives included extra program assistance, improved financial incentives for work and changed participation requirements for some groups.

The Government introduced the package in response to concerns about economic and social changes in Australia including:

- changes in the labour market and the resultant new mix of required skills and work patterns;
- changes to family structures; and
- the ageing of the population.

People can find it difficult to leave the welfare system because there are few financial incentives and other supports to do so. There is a danger that the growth in jobless families and communities with few jobs may result in entrenched economic and social disadvantage.

Long term unemployment not only wastes people's skills and potential but can result in them becoming isolated and excluded from their communities. This is particularly the case for people with disabilities, mature age workers, Indigenous Australians and parents returning to work.

These problems may also lead to unsustainable levels of expenditure by Government over the longer term.

The AWT changes will have implications for the Job Network particularly in how Job Network services are articulated with other employment services as part of the integrated social support system. Providers will also have a greater up-front role in assessing people initially referred to Intensive Assistance (IA) and greater emphasis will be placed on an expanded range of clients beyond the traditional unemployed.

Under AWT, Job Network providers will have a greater role in assessing customers referred to them for IA. Providers will have a period of up to four weeks to assess customers and will be able to refer them to other assistance if appropriate. This assistance could include language, literacy and numeracy programs, Work for the Dole and PSP. At the end of the assessment period, if no referral is considered necessary, the customer would commence in IA.

The introduction of Centrelink Personal Advisers (PAs) will also result in a greater emphasis on individualised assessment and referral in the context of participation planning for their customer groups. (These are mature age customers, parents and new job seekers who are indigenous, exempt from the activity test or recently released from prison.) Personal Advisers will be responsible for developing participation plans. An open style interview will assist Personal Advisers and customers identify goals, barriers and to make appropriate referrals. Personal Advisers will be able follow-up customers to check on progress and will have a key role when people finish interventions without achieving a successful outcome.

It will be critical that PAs have a good knowledge of local resources and the wide variety of available program options. Knowledge of the respective strengths and capacities of local Job Network providers will be a key part of this knowledge base. Job Network providers will also need to work closely with Personal Advisers, particularly where a customer returns to the Centrelink PA for further assistance after failing to achieve an outcome from IA. The Job Network provider will be

able to provide valuable feedback and/or recommendation on options for future assessment or assistance.

Similarly, Job Network and PSP providers will need to develop good relationships to assist customers moving from PSP to IA. PSP providers will provide transition support to participants entering Intensive Assistance and other employment- focused programs.

Under AWT, the linkages between the various levels of employment assistance will be improved. Entry into Job Search Training (JST), IA and requirements to undertake Mutual Obligation activities will be standardised with most job seekers starting in JST after three months on unemployment payments. Mutual Obligation activities will be required for job seekers aged under 40 after six months duration on payment while access to IA will be assessed for unemployed job seekers after twelve months on payment. IA will continue to be available earlier, however, for job seekers with high JSCI scores.

This basic structure of assistance means that the intensity of assistance will generally increase as unemployment duration increases.

### *Expanded range of clients*

In looking ahead, the key pressure on the welfare system is the vulnerability of people with disabilities, parents and older people to welfare dependence. It is for these groups that future action to reduce welfare dependency will need to be focused.

The AWT package included measures to help each of these groups. Changed participation requirements and payments options for parents and mature age job seekers will result in a broader range of customers seeking Job Network assistance. An enhanced focus on the capacity of people with disabilities is also expected to result in greater numbers seeking Job Network assistance. Providers will no doubt want to be well positioned to meet the particular needs of these groups, for example in terms of the type and intensity of assistance offered and to make linkages to other forms of assistance at their local level.

## 5. The operation of the Job Network

### Outcomes and Incentives

In a report of earlier this year, the OECD remarked that the Job Network delivered results comparable to the previous approach but at significantly less overall cost. It also remarked that it might have been possible to improve some results (eg concerning the reduction of longer-term unemployment) faster during the recent economic upswing.<sup>6</sup>

More detailed outcomes data are shown at Table 1, Attachment B. Other relevant findings include the following.

- A recent customer survey<sup>7</sup> of job seekers indicated that they generally viewed their participation in IA favourably. Overall, three quarters of respondents felt participation had improved their work prospects and half thought they had learnt useful skills. People who had undertaken training-type activities and people with lower levels of educational attainment were even more likely to report having learnt useful skills.
- DEWR's net impact study<sup>8</sup> found that 31 per cent of job seekers who left IA in August 1999 were no longer receiving unemployment benefits three months later. This compares with 21 per cent for a similar group who had not participated in IA in the previous 6 months.
- The Job Network evaluation<sup>9</sup> found that groups with consistently low levels of employment outcomes tended to be those with significant levels of disadvantage, including older job seekers, those with unemployment durations of two years or more, those with low levels of education, indigenous job seekers and people with a disability.

In any system designed around outcome payments, providers will work to the incentive structure built into the contract. Ideally therefore the contract should incorporate all important outcomes. This is not always easy to achieve. For example, it may be difficult to specify or measure an outcome or to balance one outcome against others.

FaCS' interest in the subject of provider incentives and behaviour relates to the Department's interest in the success of the Job Network. In particular FaCS is concerned that the Job Network provides fairly for disadvantaged job seekers. There are particular challenges in meeting the needs of this group. For example, both DEWR and the OECD have noted that very few providers offer services that address underlying labour market barriers, such as language classes, counselling or assistance with vocational training.<sup>10</sup> This may reduce the ability for some disadvantaged job seekers to achieve sustainable employment.

In this connection the OECD<sup>11</sup> drew attention to the changes to the second tender for Job Network services which sought to ensure that providers would offer substantial assistance and improve the job readiness of clients. It went on to suggest that these efforts should continue. FaCS is interested in the balance between the short-term placement of job seekers and longer-term sustainable employment. One possible way of achieving more sustainable outcomes could be an increased

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<sup>6</sup> OECD 2001 p20.

<sup>7</sup> Wallis 2001

<sup>8</sup> DEWRSB, 2001c

<sup>9</sup> DEWRSB 2001a

<sup>10</sup> DEWRSB, 2000a, p.80. OECD 2001 p118.

<sup>11</sup> OECD 2001 p19.

focus on quantitative and qualitative performance measures, including the durability of employment and job seeker and employer satisfaction.

A feature of the Intensive Assistance fee structure is the relatively high initial commencement fee for each client. As is noted by the OECD<sup>12</sup> a consequence of this feature is that profitability of Intensive Assistance work is guaranteed, so long as not too much is spent by the provider on ongoing service provision.

In the most recent round of Job Network tenders, the Government has sought to improve the level of accountability required of providers through:

- requiring tenderers to include a Declaration of Intent in their tender bid describing strategies and services they expected to provide; and
- introducing Intensive Assistance Support Plans (IASP) which detail the services and strategies to be provided to job seekers who have not started an appropriate activity within 13 weeks of commencing in IA.

FaCS will remain vitally interested in the Job Network arrangements ensuring that all clients, particularly those with greater labour market barriers, receive appropriate assistance.

In this context, there may be a case for reconsidering the size of the commencement fee for IA. The main rationale for providing 30 per cent of total funding as commencement fee was to enable providers to set up business and establish the necessary infrastructure. As the employment services market was undeveloped at the time, this policy was necessary to nurture service providers. It may be that with a more mature market this level of up-front financial support is no longer required in all instances although some flexibility may be required in areas of market failure.

- The new PSP funding model's approach to this issue is to provide an administrative payment of 10 per cent at commencement with a further 20 per cent made on production of an Action Plan jointly developed and agreed by provider and participant.
- The use of milestone payments as currently being considered for disability employment assistance could also be considered further, particularly for clients who could be expected to take longer to achieve an employment outcome. This approach is also being used by the PSP with 'timing payments' paid at 8 months and 16 months.

Associated with the introduction of the assessment by Job Network providers for all customers commencing IA under AWT, there will be greater capacity for people to move out of IA than at present. Based on their assessments, Job Network providers will be able to make referrals to other forms of assistance either instead of, or concurrent with, IA participation. As some Job Network providers would also be providers of these other services, appropriate safeguards will need to be in place to ensure that inappropriate 'internal' referrals are not being made. DEWR and FaCS are currently exploring whether the best way to do this would be through contractual arrangements with Job Network providers or through Centrelink having a role in endorsing referral changes.

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<sup>12</sup> OECD 2001 p24.

### *Responsiveness to the needs of all job seekers*

FaCS is also interested in the Job Network being as responsive as possible to the diverse range of job seekers seeking to access its assistance. These include both short term and long term unemployed, people with disabilities, Indigenous people, young people, including some who are not receiving income support, and parents and others on non-activity tested payments.

This latter group will become even more significant after the implementation of AWT initiatives from mid-2002. These changes are expected to result in a greater number of mature age people and Parenting Payment recipients seeking assistance from the Job Network.

- The new Transition to Work program will provide transitional assistance for people with significant needs who have been away from the workforce for a long time or who have never had paid jobs. It will combine the existing Return to Work program and the pre-vocational elements of JET. While this program will help a proportion of the mature age people and parents affected by the changed participation requirements, some parents and mature age jobless will be more appropriately assisted by existing IA arrangements.

Increasingly Job Network system design will need to cater for both the activity tested job seekers, who have to participate in order to continue receiving income support, and for job seekers, such as sole parents, whose participation in Job Network is largely voluntary. One issue would be the current outcome structure. Some sole parents, in particular, may be seeking a lower level of part time work than the 15 hours a week currently required for an outcome payment.

Other job seekers may need to take breaks from assistance for medical and other personal reasons. This is an important issue for job seekers with episodic medical conditions and those with drug and alcohol dependencies who may need to take time off to attend to these problems. This example illustrates the need for flexible system design.

### **Access to Assistance**

FaCS has a strong interest in disadvantaged job seekers' access to assistance through the Job Network. Access to assistance encompasses issues about selection, geographic coverage and job seeker participation in the Job Network. These issues are discussed below.

### **The Job Seeker Classification Instrument**

The JSCI is used to determine the relative labour market disadvantage of job seekers and thus to stream job seekers into appropriate Job Network services. How a person is assessed under the JSCI is, therefore, a key factor in determining their access to the Job Network, particularly to Intensive Assistance.

### *Selection rates*

About 90 per cent of all job seekers are assessed under the JSCI. Included amongst those with lower than average rates of selection for JSCI assessment are groups with labour market disadvantages. These include young people not receiving income support (74 per cent), Indigenous

job seekers (77 per cent), sole parents (82 per cent) and mature job seekers (82 per cent) (See [Table 2, Attachment B](#)).<sup>13</sup>

Evidence from the Stage 2 evaluation report suggests that selection rates can be dependent on the geographic location of job seekers with rural and remote locations tending to have low selection rates.<sup>14</sup> This and other possible factors accounting for variations in selection rates are of interest to FaCS.

#### *Weighting of JSCI factors*

The JSCI provides a measure of a job seeker's relative labour market disadvantage. Measurement is in terms of the risk of a job seeker becoming or remaining unemployed, using definitions of unemployment similar to those of the ABS. Enhancement of this measure is ongoing. DEWR, in consultation with a number of agencies including FaCS, is currently reviewing the JSCI components. Relevant to this ongoing review process is both an evolving technical understanding of labour market disadvantage and the changing focus of government policy. With regard to the latter, FaCS notes the increasing emphasis in policy of reducing welfare dependence not only of people encompassed by official measures of unemployment, but also of others such as parents and older workers who are not included in such measures. FaCS is interested in this broader understanding of labour market disadvantage.

Like any other assessment tool, the effectiveness of the JSCI is dependent on the willingness of job seekers to self-disclose. Anecdotal evidence suggests that many job seekers do not disclose information they consider personal but which is essential in determining their level of disadvantage. Job seekers may be reluctant to discuss issues, such as drug and alcohol dependencies, with the same officer assessing their eligibility for income support.

Under AWT, a Personal Adviser (PA) interview will complement JSCI assessments for PA customers. While the JSCI is an instrument designed to assess a person's eligibility for employment assistance, PAs will undertake a broader assessment which will include non-vocational barriers. The PA interview will focus on drawing out information that may be difficult to gauge in other Centrelink contacts but that may have a real impact on someone's ability to participate both economically and socially.

PAs will not be responsible for administering the JSCI in the first instance, although they will have access to the customer's JSCI and, where appropriate, may undertake a re-classification of that score.

#### **Access in rural, remote and indigenous communities**

Because they may live a long distance from their nearest Job Network member, people in rural, remote and indigenous communities can experience difficulties in accessing employment assistance.

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<sup>13</sup> These numbers include only people who have registered as a job seeker. Many others, particularly those not on activity tested payments, such as sole parents or young people not receiving an income support payment, are not included in these figures.

<sup>14</sup> For example, around 60 per cent of the eligible population in the Top End of Australia did not have JSCI scores. (DEWRSB 2001, p.70)

A DEWR initiative in respect of Indigenous employment, which is strongly supported by FaCS, should help address these sorts of locational disadvantage. From February 2002, DEWR will fund CDEP schemes to take on a new role as Indigenous Employment Centres in towns and cities where employment is available. Indigenous Employment Centres will work in partnership with local employers and Job Network members to find job seekers work and help them keep it. These centres will assist up to 10,000 participants to move from work experience into paid employment and will assist with job search support and access to training.

### Referrals

The referral system is the lifeblood of the Job Network as it determines the flow of job seekers and, ultimately, the viability of providers.

At the commencement of Job Network in 1998, referrals to service providers were done manually by Centrelink. In April 1999 an automatic system was implemented to streamline the referral process and increase the number of referrals made to Job Network members. The underlying principles of the automated process were to maximise access to assistance and to balance job seeker choice with the overall viability of providers in having sufficient job seekers to meet contractual requirements.<sup>15</sup>

Under the new arrangements, job seekers are able to make a choice of provider but a relatively small proportion take up this option. Currently, where job seekers do choose providers, it seems the decision is often based on the locational convenience of the provider rather than on how appropriate they are for that job seeker or their proven track record in helping people with a similar set of needs. A useful avenue of investigation by the Commission would be to examine the scope for the increased exercise of informed choice by job seekers in selection of service providers. This is of interest to FaCS because there may be potential in this area for boosting the achievement of employment outcomes.

Job seekers have up to 20 days to nominate preferred providers. Job seekers who don't nominate a preference with Centrelink after this time are referred to providers with spare capacity. Once referred, providers are required to give job seekers up to 10 days notice for the initial assessment interview.<sup>16</sup> DEWR's evaluation showed that this has contributed to long waits for many job seekers both before referral and before commencing with a Job Network provider.<sup>17</sup>

To address this issue, DEWR, in conjunction with Centrelink and FaCS, are trialing a new approach in the Streamlined Job Network Access and Referrals Pilot. As part of this pilot, appointments will be made for job seekers to see providers during their initial claim interviews. Such an approach is similar to that used for the Preparing for Work Agreements (PFWA) where job seekers are required to sign an agreement on the day of interview and have only two days to effect changes. Likewise under the Case Based Funding Trial for Disability Employment Assistance, Centrelink has, where possible, been making appointments for customers during their initial assessment interview.

The start of new AWT programs in 2002 has implications for the current automated system. The greater focus on individual assessment with the introduction of Centrelink Personal Advisers for some groups of job seekers will result in more targeted referrals for these customers. It will be

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<sup>15</sup> DEWRSB, 2001a, p.36.

<sup>16</sup> DEWRSB, 2001a, p.18

<sup>17</sup> Even where providers have spare capacity, it often takes up to a month between referral and commencement. For job seekers who do not indicate a preference, the wait could be longer (DEWRSB, 2001a, p.18).

important that appropriate service standards are introduced within Centrelink to ensure that Personal Advisers do not unnecessarily delay referrals to the Job Network.

### *Streaming between Job Network and programs for people with disabilities*

A JSCI assessment can trigger a further assessment using the Work Ability Tables (WATs) of the impact of a person's disability on their ability to work. Job seekers whose disability is assessed as having a low to medium impact on their ability to work are referred to the Job Network. Those whose disability has a medium to high impact on their ability to work are referred to either a disability employment assistance provider or to CRS Australia, depending on their needs and preferences. Job seekers who, due to their disability, require ongoing support to maintain a job are streamed only to disability employment assistance providers.

Work is underway to assess the effectiveness of current streaming arrangements through an Assessment & Contestability Trial for People with Disabilities being undertaken by FaCS in cooperation with DEWR. A component of the trial involves the assessment and subsequent referral to appropriate interventions of up to 500 Job Network IA job seekers by FaCS assessors. Trial participants referred to IA providers will be periodically monitored to determine their levels of activity and participation. Trial findings will be provided in the interim trial evaluation report in February 2002.

### **Specialist services**

Some groups of job seekers experience particular needs that are best addressed by organisations with specialised skills and strategies. This was recognised and catered for in the second tender round of the Job Network tender when provision was made to allow IA providers to bid to specialise and deliver services to specific job seeker groups. As a result, 35 providers were contracted to provide specialist services from 110 sites.<sup>18</sup> (See [Table 3, Attachment B](#))

Following its introduction in 2002, the expanded PSP will pick up customers with multiple personal problems such as alcohol and drug dependencies. Although this new program will be larger than the Community Support Program it replaces, it will still have a limited number of places. The Job Network will still be responsible for job seekers with a mix of both vocational and non-vocational barriers.

- FaCS will work with DEWR to ensure there are clear guidelines for IA providers regarding the differences in the client groups for the PSP and IA programs

Within the Job Network, there is likely to be practical limitations on the number of specialist providers that can be established to service specific groups. It may be more effective to encourage mainstream providers to improve their ability to assist a wider range of job seekers than just the most job ready.

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<sup>18</sup> DEWRSB, 2001a, p.75

## Description of FaCS employment related programs

### Labour market assistance payments

Labour market assistance payments provide income support to working age people in need whilst encouraging self-reliance through paid employment. Labour market assistance payments include Newstart Allowance, Youth Allowance (other than full-time students), Parenting Payments (single and partnered), Mature Age Allowance, Partner Allowance, Widow Allowance and Special Benefit. These payments are provided through Centrelink to people most in need, subject to provisions including income and assets tests and waiting period requirements. Through activity test requirements attached to some payments and the design of the income test, clients are encouraged to take up available work including part-time and casual work. Participation in relevant activities/programs is required for some payments, in order to improve employability and contribute other activities of value to the community.

### Disability Employment Assistance Program

The Disability Employment Assistance Program provides assistance for people with disabilities to enhance their economic and social participation. The services provided are:

- Open employment services to assist job seekers gain employment or to become self-employed.
- Supported employment services to provide both assistance and employment to job seekers through services, work crews and/or contract labour arrangements.

### Rehabilitation Services

FaCS funds CRS Australia to provide rehabilitation services to people who have a stabilised disability or injury and need rehabilitation to gain or retain unsupported paid employment or to live independently.

### Jobs Education and Training Program

The Jobs Education and Training Program (JET) improves the financial circumstances of eligible customers by assisting with skill development and/or aiding their entry or re-entry into the workforce and thus reduce income support outlays over the longer term. This is achieved by assessing the customer's barriers to entry into the labour market (including education, training or child care issues); developing a plan to achieve labour market readiness which would include actions to overcome those barriers; and providing ongoing support to achieve labour market entry.

Under AWT, from July 2002, JET will be integrated into the new measure 'Helping Parents Return to Work'. Under this measure, Centrelink Personal Advisers will provide support and assistance to help Parenting Payment customers and other JET eligible customer groups to prepare for a return to work. There will also be the Transition to Work program which will incorporate DEWR's existing Return to Work program and the pre-vocational training elements of JET.

Personal Support Program

The Personal Support Program (PSP) is one of the AWT measures announced in the 2001-02 Budget. It is due to start in July 2002. PSP will help people who face many severe non-vocational barriers to getting a job or being involved in job-related activities. PSP will address these non-vocational barriers so participants are able to move to employment programs and other economic-focused activities such as work, study or training.

Table 1: Labour force status of job seekers three months after assistance by type of assistance, May 1998 to September 2000

Outcome	Job matching	Job Search Training	Intensive Assistance		
			Funding A	Funding B	Total
Employed	69.7	38.4	40.1	24.7	35.4
<i>Full-time</i>	42.6	19.8	18.9	10.6	16.3
<i>Part-time</i>	27.1	18.6	21.3	14.1	19.1
Unemployed	26.8	52.0	43.3	55.0	46.9
NILF	3.5	4.7	13.7	17.5	14.9
Further assistance	-	4.9	2.9	2.8	2.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Education/training	10.0	13.6	8.5	7.3	8.1
Positive outcomes <sup>19</sup>	72.9	47.1	46.8	31.1	41.9

Source: DEWRSB 2001a, Table 4.1, p. 44

Table 2: JSCI selection rates for selected groups of job seekers, - May 1998 to September 2000

	Proportion with JSCI score
Indigenous job seekers	77.2
Non-English Speaking Background	87.7
People with disabilities	88.8
Sole parents	82.7
Mature job seekers (55+)	82.8
Young people on YA	93.8
Young people not on YA	74.2
<b>All Job seekers</b>	<b>89.7</b>

Source: based on Table 3.5, DEWRSB 2001, p 33

Table 3: Number of specialist providers by service type, Employment Service Contract 2.

Customer Group	Number of Job Network contracts	Number of Sites
Indigenous	11	41
People from a non-English-speaking background	5	29
People with a disability	11	24
Young people	5	11
Other	3	5
<b>Total</b>	<b>35</b>	<b>110</b>

Source: Job Network Evaluation Stage 2: Progress Report, Table 2.2, page 14

Note: 'other' includes people living with AIDS and those with substance abuse.

<sup>19</sup> Positive outcomes include employed and education/training outcomes, but are not the sum of these two outcomes because some job seekers can achieve both an employment and an education outcome.

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