

A  
SUBMISSION  
TO  
THE PRODUCTIVITY COMMISSION

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INDEPENDENT REVIEW OF JOB NETWORK

*A Response to the Independent  
Review of Job Network, Productivity  
Commission by :*

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## **A Brief Background of our Organization**

We were established as the Innisfail Community Youth Support Scheme in 1981 to address the issues of youth unemployment in our shire (Johnstone Shire). We are a non-profit community organization, managed for more than twenty years by a voluntary management committee that represents local industries, small business, welfare, education, police, local government, unions and service clubs. We became incorporated in 1987 under the Associations Incorporations Act (Qld) and we currently trade as the *Innisfail JOB Centre*.

Our charter is to address the problem of unemployment within our community, and to assist local jobseekers (particularly disadvantaged jobseekers) to find paid work. We were funded originally by DEET as a CYSS project (youth focused) and later as a SkillShare project (for all ages of jobseekers). With the cashing-out of SkillShare and the closure of the CES, we contracted and became part of the Job Network (as a means to continue offering assistance and support to unemployed and disadvantaged jobseekers in our community).

## **Our Experience – the negatives of the contracting processes**

*In Contract One* of the Job Network we tendered for Flex 1, Flex 2 and Flex 3. We were only successful with our bids for Job Matching and Job Search Training, despite having had a proven track record in delivering the fore-runner to Intensive Assistance, which was ESRA's Case Management Services. Without Flex 3 it was to prove a financial disadvantage, particularly to a non-profit community organization like ours. This was exacerbated because our competitor (Employment National) not only received government financial backing, but had also been successful in winning the lucrative Flex 3 contract. We felt a distinct 'second player' because of our small community base, our lack of financial resources and inability to compete with large National and/or even Regional providers.

In retrospect, we believe:

1. All tenderers should have had to bid for all three services, and if successful they should have had to provide all services. This would have ensured a more level playing field and made for more viable and effective Job Network Services.
2. If Government had wanted honest competition, then the financial resources that were provided to the Government's own provider (ie. Employment National) should also have been extended to all successful tenderers on a per site basis. This would have provided better quality Job Network Services and fairer competition.

*In Contract Two* things got worse. Despite our best efforts we were only offered a Job Matching contract. Also, in its wisdom the Government awarded Job Network contracts for three (3) other providers to have sites located in Innisfail. Within the Cairns ESA four (4) other providers were able to offer outreach services to our 4860 postcode. This effectively has meant that we now have a total of *eight (8) Job Matching providers* operating within our shire which has a population of approximately 17,000 people. The main township of Innisfail has a population of approximately 8000, and on average there are only approximately 15-20 new vacancies in any given week within the district. In short, this is an example of where the government's competition policy becomes detrimental rather than beneficial, as the situation becomes unprofitable and operations become non-viable, particularly for organizations with only a Job Matching contract.

In retrospect, we believe :

1. Again, that successful tenderers should have been offered all three services (for reasons already explained above).
2. Common sense should have prevented unrealistic competition (ie. Eight providers servicing 15-20 new vacancies per week). This worked against effective Job Network Services, as providers were forced to operate with less staff and to cut costs, which inhibited their ability to respond to the needs of employers and jobseekers.

### **The loss of 'community' in Job Network**

The policies adopted in Contract One and Two (as explained above) have had a tendency to force out local community non-profits, and replace them with the better resourced out-of-town for-profit operators. This is unfortunate because locals understand their community the best and bring a commitment and concern that extends beyond the profit motive. In our opinion, people and organizations who are part of a community, are best placed to deal with issues such as those associated with high levels of unemployment. The current situation detracts from community involvement and discourages the community from participating. The incentive becomes solely a monetary issue, rather than being about contributing to the well-being of a community. In the case of Job Matching, this situation has also drawn attention away from those disadvantaged jobseekers that are harder to place, because it is more difficult to generate a quick financial return. Bringing outside organizations into small communities also takes financial resources out of that community and prevents it being re-invested or recycled (as in the case of community non-profits) back into addressing community unemployment problems.

Currently our operations have reached a stage where our entire staff work part-time hours. Both our staff and our voluntary Management Committee have become disillusioned with Job Network and the way it has been implemented. Our Job Network operations only continue because the organization has subsidised its Job Matching services with funds that are generated through other sources. Perhaps it has reached the stage where we believe small non-profit community organizations are no longer valued as part of the Job Network, and current Job Network policy has actively encouraged the larger contractors at the expense of community operators.

### **Star Rating – what is it measuring?**

1. The fundamental premise that an organization that tenders for a Job Network contract is solely responsible for its performance against its contracted milestones (ie. Star Performance Ratings) is flawed. This is because it can no more accurately predict economic circumstances three (3) years ahead than government policy makers are able to do. In essence Job Network contractors are being held to ransom over a milestone figure over which they have very limited control. The Star Performance Rating system is grossly unfair for this reason. If, for example, two providers win contracts for the same locality (sites). One has predicted a milestone figure of 100 outcomes for job matching, while the other has estimated a milestone figure of 250. If they both achieve 95 outcomes, then one will have a five star rating, and the other a one or two star rating. Which one is the better performer?

Which one will potential clients be most likely to gain employment through? The reality is that they have performed equally in terms of outcomes achieved.

2. The application of Star Performance Ratings on a Regional and/or ESA basis also unfairly compares single site organizations, such as ours, against providers with multiple sites within the Region and/or ESA. If outcomes in a major city affect the overall outcomes for an organization's lesser performing regional or rural sites, it gives an inaccurate comparison against a competitor operating as a single site within the same rural area. In other words, a Two Star operation in a regional town may become Four Star because of the better performance of its sister city site.

### **The Positives for Job Network**

There is little doubt that overall the Job Network is more effective than its forerunner, the CES. There is a choice of providers offering competitive services for both employers and job seekers. Recent reports indicate that successful Job Network providers have well motivated staff, and jobseekers exercise their right of choice by supporting those providers who are most effective at meeting their needs.

The involvement of community and church organizations in the provision of Job Network services has gone some way to ensure that job seekers are not just another commodity with simply a \$ value. Though we see that maintaining this balance should be a priority for the on going success of the Job Network. This may involve a "rethink" of how providers are awarded contracts, or at the least, making sure that the for-profit motive is not the sole market determinant.

### **A Suggested Alternative Delivery Model**

Organisations like ours do not have access to the normal lines of credit. This is because of our non-profit and charitable charter and that we cannot expect ordinary members of the community to risk their personal financial security because they are on our voluntary management committee. Nor could we justify accumulating assets to provide security for credit. This means we are restricted in our ability to access capital funding.

*If* organizations that submit tenders are required to have demonstratable financial reserves, then small community groups are disadvantaged both in the tendering process and in their ability to establish and provide effective infrastructures. Yet, we believe many of these organizations can offer a great deal of practical experience, commitment and knowledge to the delivery of labour market services including the Job Network. From a financial viewpoint, current tendering requirements discourage these organizations and restrict their ability to successfully compete for tenders. We also express concerns about the complexity of the tendering process which requires a substantial investment in either consultants or staff expertise and time, to compete effectively. This also restricts non-commercial organizations in being able to compete for Job Network contracts, even though they may have excellent skills in delivering labour market/Job Network services.

We would like to see a new model for delivery. Essentially this would allow for the following considerations:

1. That as a minimum the three (3) main Job Network Services be contracted together. That is Job Matching, Job Search Training and Intensive Assistance, so that a successful tenderer would deliver all three services if their bid was successful.

This would ensure a far better economy of scale, and use resources far more efficiently. It would also ensure more financial stability and better services for jobseekers and employers.

2. That consideration be given to a funding model that incorporates a base level “infrastructure funding” based on the size of the contract, and that fees paid for outcomes, still be paid as an incentive, but at a reduced level. Savings on fee payments could be used to help fund the infrastructure payments, yet fees would still provide enough incentive to achieve optimum levels of outcomes.

This would ensure that in difficult economic circumstances when the number of vacancies fall and businesses are struggling, the flow-on affect to Job Network providers doesn't cause a retraction or downgrading of Job Network services because of poor financial returns. Ironically, the Job Network has more job seekers to provide assistance for when businesses face difficult economic circumstances, and outcomes (and income earning potential) are harder to achieve. The Cairns ESA is currently facing this dilemma with a crisis in its tourist markets, airlines etc.

3. When contracting business, our proposed model would consider the likely impact of unreasonable levels of competition (ie too many providers at any given location). While we acknowledge a healthy level of competition is a good thing where levels of business (and income) justifies the numbers of providers, “flooding” a limited market for the sake of competition, sets providers up for failure.
4. We also believe that a healthy “mix” of providers, which includes commercial (for-profit), community non-profit and cultural and church organizations, should be a consideration when contracting out business. This will help ensure that there is a balance of priorities between profit, as well as cultural and community needs. We believe it is essential that governments encourage local communities to be involved in the Job Network, partly because for-profits take money out of the system while community organizations reinvest “profits” back into employment services. The other reason is that communities are best placed to understand their own employment priorities and we believe it is healthy for communities to accept some responsibility in addressing these needs.

5. Performance assessments should be based on the following :-

- *40% weighting* - Outcomes achieved compared to other providers in the *same location/town or postcode (Not ESA or Region)*
- *20% weighting* - Feedback from local Contract Managers
- *20% weighting* - Success with more difficult target groups
- *10% weighting* - Numbers of employers and jobseekers utilising the service
- *10% weighting* - Feedback from jobseekers and employers

## **Conclusion**

We appreciate the opportunity of submitting our suggestions. While we acknowledge that our arguments are based on our own experiences and needs, we are hopeful that they will provide another view for the commission to consider.

It may appear that we have an anti-competition policy bias, but in fact we regard healthy competition as beneficial in keeping providers “on-their-toes”. Our criticism has been focussed on the implementation of the policy, which in some circumstances has created an unfair and counter-productive environment, which damages rather than enhances, what the Job Network seeks to achieve.

Like-wise, we welcome genuine performance assessment, but it must not just be an “instrument of convenience” for Government bureaucrats to provide a “number”. It must instead be a comprehensive process that measures the widest possible samples of opinions and results, and compares providers on a locality basis that allows for fair comparisons.

Finally, we have continued to promote the idea of community participation. Communities should be provided with the tools necessary for them to actively participate in addressing their local unemployment needs. This is particularly important in regional and rural communities where a “sense of community” and therefore ownership is a valuable resource that the Job Network could better benefit from than it does at present. Communities are supportive of their own. They understand their own social and economic priorities and are best placed to deal with their own unemployed jobseekers.