



**UnitingCare Australia Submission to the
Productivity Commission's Inquiry into the
Job Network**

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About UnitingCare Australia

UnitingCare Australia is the national agency for the national network of Uniting Church agencies dedicated to providing assistance to individuals, families and communities. Through its national UnitingCare network of over 400 agencies, the Uniting Church is one of the largest providers of community services and residential aged care in Australia. UnitingCare Australia works to ensure the effective funding and delivery of programs to meet the needs of those in our community who require help and support.

The Uniting Church, and the constituent churches from which it was formed, has had a commitment to the provision of community services for many decades. The Church is a recognised leader in the introduction of new and innovative services in areas such as: ageing and aged care, employment, families, children, youth, and disability.

The provision of services is a significant industry in its own right and is accessed by most Australians at some point in their lives. The work of the UnitingCare agencies is based on an ethos of honouring the dignity of all people, working toward the social good in community, restoring human relationships, and advocating for those most disadvantaged in our society. UnitingCare agencies are committed to working towards justice, equity and participation for all Australians. To do so, the Uniting Church commits 60% of the total funding for its community services from its own resources and provides services to over one million Australians.

UnitingCare Australia's national reference committee includes representatives from all the Synods of the Uniting Church and the National Assembly.

UnitingCare Australia has a close relationship with Wesley Uniting Employment, a major Job Network Provider. Wesley Uniting Employment is also producing a separate submission to the Inquiry into the Job Network.

Table of Contents

Introduction: the purpose of Employment Services

A preliminary note on the Labour Market

Discussion of the Issues:

Employment Outcomes in the Job Network

Discretion

Funding in the First Round

Reasons for Low Outcome Payments in the Second Round

Some specific problems affecting the quality of assistance:

Access to Intensive Assistance

Job Seeker Classification

Listings of Vacancies

Costs for Job seekers

Selection of Job Network Providers

Concerns about Employment Services not limited to the Job Network

Concluding Remarks

References

Assistance to Job seekers as the purpose of Employment services

Introduction: The purpose of employment services

According to the Secretary of the Department of Employment, Workplace Relations and Small Business the Job Network is a success. It is often pointed out that it is a major change to a new system, where the government now becomes the purchaser of employment services, instead of the provider.¹ However, the radical nature of a change does not say anything about the quality of the change. It is this quality, in relation to those whom it is to serve – job seekers – that is important.

Fundamentally the main question regarding employment services is whether a particular arrangement serves the most disadvantaged job seekers. In evaluating any employment services this needs to be the primary question, with costs only being of secondary importance. If a program is successful the benefits will produce large savings in other areas, such as social security, the criminal justice system, the health system etc. However, if employment services are primarily judged by their price, cost shifting onto other areas such as social security, the criminal justice system and the health system is a possible result.

The purpose of labour market programs and employment services is to correct the structural inequalities in the labour market. This is particularly the case when there is a large pool of long-term unemployed people. Thus, in regard to the Job Network, the question is not simply whether the providers are good at matching those least disadvantaged to vacancies, but “whether unemployed people facing particular disadvantage in the labour market are able to obtain equitable access to assistance and to employment outcomes.”² The guiding question here, is thus whether the Job Network is able to help the most disadvantaged job seekers find sustainable and gainful employment.

A Preliminary note on the Labour Market

The official Australian unemployment rate has stayed around 7% for some years now, after dropping from around 11% after the last recession. There has been a trend of rapidly rising unemployment during recessions, and only a slow recovery of employment after the recession, never quite reaching pre-recession levels. According to the above levels of unemployment there are approximately seven unemployed people for every available job.³ It also needs to be noted that the above rate of unemployment is quite controversial, counting as employed any person who has worked as little as one hour in the previous week, and counting as unemployed only those actively looking for work. This leaves out those discouraged by fruitless job search, illness, or those who have some part-time or casual work, but who need regular full-time work in order to survive and to provide for their

¹ OECD, *Innovations in Labour Market Policies: The Australian Way*, OECD Employment Directorate, Paris, 2001, page 90.

² Tony, Eardley, David Abello, and Helen MacDonald, *Does the Job Network Benefit Disadvantaged Job Seekers?*, SPRC Discussion Paper 111, Sydney, 2001, page 13.

³ ACOSS Media Release, 29/04/2001.

families. Taking these into account unemployment may be around 13% with 12 people for every advertised vacancy.⁴

The drop in unemployment is due to the economic changes that have occurred on a global scale, although even now unemployment has not returned to levels before the recession of the early 1990s. The greater cost-efficiency of the Job Network has little to do with reducing unemployment, but is thus largely due to changes in the economic cycle⁵ The Job Network payment structures will need to be re-assessed if we enter a recession”

Discussion of the Issues

Employment outcomes in the Job Network: There is a general perception that the Job Network has a bias towards short-term outcomes, and unsustainable results. As providers are paid on an outcome basis there is much pressure for providers to achieve outcomes (any outcomes) as quickly as possible, and to neglect the quality and sustainability of the outcomes.

It would be preferable to define employment outcomes as “lasting employment, moving off benefit to sustainable employment.” It would therefore be necessary to look towards the long-term outcomes of placements. Providers could be encouraged to look for more lasting outcomes by providing an extra payment for any placed client that is still in employment 12 months after the initial placement.

Discretion: The Job Network is outcomes focused, rather than program focused. That means that it focuses on attempting to achieve employment outcomes, rather than merely provide programs to unemployed job seekers. There are three levels of job seekers for three levels of assistance: Job Matching, Job Search Training and Intensive Assistance. Intensive Assistance also has two separate funding levels, A and B, so there are effectively four levels of assistance. Providers thus have a large amount of discretion in regard to the services that they wish to provide to the individual job seeker. For Intensive Assistance the most funding is available, while for Job Matching the least.

The discretion of the provider can be seen as one of the strengths of the system as it potentially allows the provider to tailor programs for specific job seekers. On the other hand, this discretion also means that some job seekers may only be offered minimal assistance.

It is when this occurs that the Job Network fails those most disadvantaged. Because the providers are not required to provide certain forms of help, or programs, such as wage subsidies for paid work experience, which have proven to be particularly helpful for the long-term unemployed, the long-term unemployed sometimes miss out on the assistance they need..⁶ ACOSS put it this way, while the Job Network allowed providers “more freedom to offer services that meet individual needs ... the downside was that this more

⁴ Anglicare InfoBrief, May 2001.

⁵ Elizabeth Webster, ‘Job Network: what can it offer?’ in *Just Policy* 17, December 1999, pages 32 – 42.

⁶ ACOSS Paper 108, *Is the Job Network Working?*, ACOSS, Sydney, 2000, page 8.

“flexible” help was pitched at a relatively low level.”⁷ This is not necessarily the fault of the providers as it would first appear on first glance. The funding model involved encourages this practice and to some extent makes it necessary for providers to be commercially viable. Because providers are so dependent on outcome payments, it does not pay for them to help job seekers that have little chance of gaining employment: thus the discretion can often work against job seekers. The quality of assistance is thus severely compromised by a structural issue, where the fault cannot be placed on the provider or the job seekers. The structural problem would need to be addressed directly, by making services provided to jobseekers not as risky for providers.

Funding in the First Round: Studies, including the Department’s own evaluations, have shown that spending on training and wage subsidised dwindled, “partly because while agencies were feeling their way in the new system it was risky expending funds which might not be recouped as an outcomes payment. Many were also using upfront intensive assistance payments to subsidise underfunded job matching services.”⁸

ACOSS has criticised the current arrangements in that the payments for Intensive Assistance are far too low.⁹ One suggestion would be for services like wage subsidies to be treated separately, giving providers an extra payment for providing these services. As wage subsidies are of benefit to only certain groups of disadvantaged job seekers, providers can still individually tailor programs for individual needs, while not being constrained by low payments. If a provider wishes to place an unemployed person in high-cost program such as wage-subsidies, the costs are to be covered by the provider, with the high risk that the person may not attain employment anyway due to their disadvantaged status. Thus the payments for the first round of Job Network contracts for Intensive Assistance allowed a provider to receive funding between \$1,500 and \$9,200. On average providers received between \$1,500 and \$3,000. The current average is approximately \$2,500. The current payments range between \$1,000 and \$2,000 for the initial payment, with some additional fees of between \$500 and \$7,000 for subsequent outcome payments depending upon the providers success at getting job seekers into work

Reasons for Low Outcome Payments in the Second Round: In the second round of contracts this funding may well have gotten tighter. Because the Government is the single purchaser of goods, all providers have to bid to that purchaser and are thus in severe competition with each other to sell their services to this purchaser: if this one does not buy them, no one else will. In order to ensure that this purchaser contracts your services you have to undercut your competitor’s prices, even if this comes at the expense of providing less services. In this way low payments result from the competitive process, which is dominated by a single purchaser.¹⁰ The setting of a floor

⁷ ACOSS Paper 108, *Is the Job Network Working?*, ACOSS, Sydney, 2000, page 8.

⁸ Tony, Eardley, David Abello, and Helen MacDonald, *Does the Job Network Benefit Disadvantaged Job Seekers?*, SPRC Discussion Paper 111, Sydney, 2001, page 11.

⁹ Peter Davidson, ‘Employment Assistance for the Long-term unemployed: time for a re-think’, *Paper presented to National Social Policy Conference*, Sydney, 2001, page 13.

¹⁰ Peter Davidson, ‘Employment Assistance for the Long-term unemployed: time for a re-think’, *Paper presented to National Social Policy Conference*, Sydney, 2001, page 13.

price during that tender round helped this somewhat. It would however be useful if there was an increase in the floor price for Intensive Assistance Level B, in order to ensure that services such as wage subsidies can effectively be provided.

While the evaluations of the Job Network have shown that the outcomes for especially Job Matching and Job Search Training are similar to those of previous arrangements, Intensive Assistance has not been as successful in a labour market with more favourable conditions.¹¹ ACOSS has identified in particular the previous Jobstart and Jobskills programs, singling out the Jobskills program as achieving similar results as Intensive Assistance for a much more disadvantaged group of job seekers.¹² It is this outcome that is particularly disappointing as this affects the most disadvantaged Job Seekers and is thus the very purpose of employment assistance.

Some specific problems affecting the quality of assistance:

Access to Intensive Assistance: Access to Intensive Assistance has been a controversial issue with some studies showing that only some of those eligible for Intensive Assistance getting access to it. In the first contract round, 37% of those who were not unemployed for more than 12 months received Intensive Assistance because they were at risk of becoming long-term unemployed. While this is not a concern in itself, it does become a concern when it comes at the expense of those who are already long-term unemployed. Thus “less than half of all job seekers who were or became long-term unemployed over this period obtained Intensive Assistance.”¹³ This data indicates that this most intensive form of assistance was not being made available to those who needed it most, thus further perpetuating the structural inequalities in the labour market.

Job Seeker Classification: Job seekers are classified for the Job Network by Centrelink. For this Centrelink uses the Job Seeker Classification Instrument, which is based on self-disclosure by the person who is unemployed. There are several problems with this method of assessing what services job seekers require, as well as some concern about how the instrument is administered.

One problem is that not enough time is allocated for the assessment process. There are only 15 minutes allocated for each interview, and are staff often inadequately trained. It is important that job seekers trust the person they are disclosing personal information to, but a 15 minute interview is unlikely to be enough to build up a relationship of trust to a Centrelink officer. This may lead job seekers to choose not to disclose certain information, such as their residential status or substance abuse problems, as they may feel that it would impact on their ability to find work.

A longer term strategy may be necessary to successfully classify the job seeker. One suggestion would be to allow for a four week period in which the

¹¹ ACOSS Paper 108, *Is the Job Network Working?*, ACOSS, Sydney, 2000, page 7.

¹² ACOSS Paper 108, *Is the Job Network Working?*, ACOSS, Sydney, 2000, page 6-7.

¹³ ACOSS Paper 108, *Is the Job Network Working?*, ACOSS, Sydney, 2000, page 6. See also Tony, Eardley, David Abello, and Helen MacDonald, *Does the Job Network Benefit Disadvantages Job Seekers?*, SPRC Discussion Paper 111, Sydney, 2001, page 20.

Job Network provider can conduct a thorough investigation of a clients labour market situation, and recommend a different classification if necessary. While this is possible now it often comes at the cost of providers, therefore discouraging them from referring job seekers back for another classification. In order to encourage the better classification of job seekers it may be necessary for Centrelink to cover the cost if a job seeker is indeed reclassified.

Listings of Vacancies: Many job seekers and staff have reported that listings vacancies on the linked computer systems is often inaccurate, causing great hardship to job seekers. Sometimes jobs are only listed, once they are filled to avoid other agencies placing their clients in these jobs, whereas other times employers list their vacancy with several agencies. Job seekers have no way of identifying these problems.¹⁴ A central system would allow for improvements here, and would allow better quality service for job seekers.

Costs for Job Seekers: The Job Network has often led to increased costs for job seekers. Participating in training courses, even if these are paid for, still costs much in transport costs, which job seekers have to fund themselves. This is a particular concern in rural and regional areas, but also in the wide metropolitan area such as western Sydney, where public transport is often very poor, and one has to travel long distances.¹⁵ Job seekers have complained about having to attend interviews far away, where they know they do not have a chance of getting the job. If they do not attend the interview, then they are breached. Yet often this means that job seekers have to travel for hours to attend at their own cost as many Job Network agencies do not re-imburse job seekers for these costs. It would be important for DEWRSB to check during audits whether providers do this. In particular for job seekers in rural and remote areas this presents a problem. For example, one agency reports that a job seeker was forced to approach it for emergency assistance as the family was forced to spend its discretionary budget on petrol instead of food in order to travel two and a half hours to a job interview.

Selection of Job Network Provider: A further concern is the lack of assistance that job seekers are given in selecting the Job Network provider, where that choice is available. It can cost substantial time and stress to 'shop around' for a provider, if you have only been provided with a list of organisation names by Centrelink. It further can cost substantial funds for a job seeker to travel to a provider to find out more information.

Concerns about employment services not limited to Job Network: Discrimination, although not limited to the Job Network, is another practice that has been able to persist. Often agencies are told by employers that they only want job seekers of a certain description such as 'female, under 30', even though this form of discrimination is illegal. As an agency they may choose, illegally, to comply by screening their candidates, or lose the employer.

¹⁴ Tony, Eardley, David Abello, and Helen MacDonald, *Does the Job Network Benefit Disadvantages Job Seekers?*, SPRC Discussion Paper 111, Sydney, 2001, page 34.

¹⁵ Tony, Eardley, David Abello, and Helen MacDonald, *Does the Job Network Benefit Disadvantages Job Seekers?*, SPRC Discussion Paper 111, Sydney, 2001, page 42.

A similar concern, again one that is not limited to the Job Network, is that job seekers have on occasions been discouraged from contacting employers, as they would be unnecessarily 'badgering' them. An independent complaints mechanism and monitoring authority must be available here, for job seekers to be able to address these quality of service issues and act on job seekers' behalf.

Concluding remarks

While the Job Network clearly provides a cheaper service to Government, reportedly halving the costs of providing employment services, this comes at the cost of helping the most disadvantaged job seekers. Services for the less disadvantaged are comparable to those of previous systems, while those most disadvantaged are not being served better, and in many ways are worse off than previously.

Recommendations

- Provide more payments to providers for offering services and programs to the most disadvantaged in order to remove the risk they face when advancing their own funds; along with more funding for providers require more assistance to the long-term unemployed: the structural problems affecting providers need to be addressed.
- Require Job Network Providers to arrange cost compensation for travel costs for interviews etc for Intensive Assistance clients.
- Require Centrelink to provide better information on available Job Network providers.
- Develop a more centralised computer system that is able to recognise multiple job vacancy listings.
- Ensure that all those eligible for Intensive Assistance and not requiring more intensive help are actually placed and commence Intensive Assistance.
- Set up an independent monitoring authority able to act on job seekers' behalf, working as a independent complaints system/mechanism/forum.
- Allow more time to assess job seekers with the Job Seeker Classification Instrument.
- Encourage re-classification of job seekers who have been wrongly classified, by not making the Job Network Provider pay for successful reclassifications.

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