

# **ARA Jobs Pty Ltd**

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## **Independent Review of Job Network**

### **Productivity Commission Submission**

ARA Jobs Pty Ltd provides Job Network services (Intensive Assistance and Job Matching) at three locations in Metropolitan Adelaide - Kilkenny, Salisbury and Modbury and at one location in country South Australia - Gawler. The Intensive Assistance service includes both a general service for all eligible jobseekers and a specialist service for jobseekers of non-English speaking backgrounds (NESB).

In 1995 the Australian Refugee Association Inc. (ARA) won an Employment Case Management contract with the Commonwealth Government to assist non-English speaking background unemployed people. In 1998, ARA won a Job Network contract, set up ARA Jobs Pty Ltd and opened offices at Kilkenny & Salisbury. ARA Jobs, working under the umbrella of ARA, was a very successful provider in the first round, winning a five star rating for its Intensive Assistance service. (It was among the top 5% of performers in Australia in terms of employment outcomes).

In the second Job Network round which commenced on 28 Feb 2000, ARA Jobs won an expanded contract. It now has offices at Kilkenny, Salisbury, Modbury and Gawler

The industry has developed rapidly since the introduction of Job Network in 1998. There have been significant improvements in the quality of service and range of outcomes for jobseekers, efficiencies in service delivery and transparency in contract management as well as in the targeting of particular needy groups.

This growth has led to what is now an effective, productive efficient system for the provision of employment services, integrating assessment, training, job finding and placement and follow-up support.

ARA Jobs welcomes the opportunity to contribute to this Review as a way of offering suggestions for the further improvement of the operation of Job Network.

The topics we wish to address are:

- Key Performance Indicators
- Contract management
- Fee indexation
- Rolling Contracts

### **Key Performance Indicators (KPI)**

Complexity. The Key Performance Indicators which provide the basis for the star rating system are extremely complex. The formula used to arrive at a performance rating is so complex that it is not a practical tool for providers. In any contractual arrangement involving the outsourcing of services, KPIs are set and benchmarks within those KPIs are negotiated between the parties. In the case of the Job Network this has not occurred. In fact, KPIs have been changed and amended throughout the contract period without any real negotiation. This makes them very difficult to work with.

Transparency. It could further be argued that "hidden" KPI's are also used to evaluate the performance of Job Network Providers (JNPs). That being the case it creates a great deal of uncertainty and anxiety within the industry. The lack of transparency also makes it difficult for providers to determine the appropriate action to be taken to ensure an improvement in performance.

Lack of independence. The current system by which Centrelink refers candidates to the Job Network providers (JNP) has a direct impact on providers in terms of performance ratings and cash flow/profitability. This means that indicators are based on external factors (in this case, Centrelink performance) and do not truly reflect the Job Network Member's performance. Yet there is no accountability required of Centrelink within the informal tripartite arrangement. ARA Jobs would like to see formal agreements drawn up between Job Network providers and Centrelink with built-in performance requirements. Some form of penalty should attach to failure to meet these requirements. There would need to be particular reference to the so-called "inappropriate referrals" that clog up caseloads, generate an immense amount of administrative work and distract providers from their core tasks and do not provide any income for JNPs.

KPI benchmarking is a critical matter that needs urgent attention and at the latest must be incorporated in the next contract by way of a proper, simplified and fair system.

### **Contract management**

Negotiation on contract variations. The current contract is clearly not a true outsourced service provision arrangement. There is no provision for negotiation of changes to the contract, nor is there any opportunity to negotiate additional fees for undertaking extra services or other work. The extent of the work needed for providers to meet IT

requirements was neither envisaged, foreshadowed nor spelled out at the time of signing the contract. The extra work now proposed in relation to the Australians Working Together program is another case in point.

Any requirement on providers to perform additional tasks or to provide extended services, incurring extra administrative and other costs, must be accompanied by some form of compensation for the cost of doing so

One possible solution may be for all proposed contract variations to be discussed with NESAs as the representative organisation of job network providers. NESAs are in a position to assist DEWRSB in drafting its proposed variations in such a way as to take account of the providers' perspective and to be aware of the likely consequences and implications for its members. NESAs could also provide background information and recommendations to providers which would enable JNPs to conduct their individual contract negotiations with the Department on an informed basis.

### **Fee Indexation**

The fee structure requires overhaul and linkage to some form of indexation (perhaps CPI). Given that no one can predict the future, the current arrangement of committing to income streams (in the case of the current contract - nearly 4 years out) is commercially unsound. The flow-on effect may well be a reduction in expenditure on candidates in later years of the contract which in turn is likely to lead to lesser outcomes.

### **Rolling Contracts**

There are certain parallels between the Australian automotive industry and the Job Network. Within the automotive industry there is great uncertainty regarding contracts between car manufacturers and suppliers. The contracts are very short term and in many instances suppliers are reliant on the manufacturer's contract for their existence. The result is that it inhibits investment of capital by suppliers into infrastructure, staff, IT, expansion and growth, etc. as each supplier is only as viable as its next contract. This is not dissimilar to the Job Network industry business model.

A recent overseas study (Luxemburg) identified an arrangement between automotive manufacturers and suppliers that has overcome those problems and has been very successful. As a resolution to the issues described above, manufacturers have provided suppliers with five-year rolling contracts that incorporate KPIs with strict benchmarking expectations. The performance of suppliers is reviewed annually and a performance at or above benchmark results in another year being added to the contract. A sub-standard performance results in a year being deducted from the contract. However, suppliers have an ability to regain that year by improved performance in subsequent years. The results have been very positive, with increased profitability, quality and outcomes and have generated greater stability within the supplier market.

It is our opinion that the Job Network faces a similarly uncertain market and limited future resulting in reluctance to invest in infrastructure, staff, IT and expansion. Such an environment further creates uncertainty at operational level resulting in a downward trend in performance, as staff can become more concerned about keeping their jobs than about doing their jobs.

ARA Jobs believes that a 5 year, performance based rolling contract, with penalties for non-performance, would create greater stability within the industry, encourage investment by providers, attract quality staff, attract new entrants into the market and deliver superior outcomes to government and customers. This, we believe would be a true outsourcing partnership arrangement and would also provide for the further development of a competitive market.

ARA Jobs would be pleased to provide further comment on these issues if requested. The company is committed to providing quality services and to continuous improvement in all aspects of its operations. This submission is made in awareness of the essential role that Job Network plays in employment services and with a desire to generate improvements in the quality and quantity of outcomes for all stakeholders.

For further information or comment, please contact Kevin Liston, Managing Director, ARA Jobs Pty Ltd on Tel: (08) 8354 2951 or email: [kevin.liston@arajobs.com.au](mailto:kevin.liston@arajobs.com.au).

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