



CATHOLIC WELFARE AUSTRALIA

SUBMISSION TO THE

PRODUCTIVITY COMMISSION

INDEPENDENT REVIEW OF JOB NETWORK

APRIL 2002

Submission to the Productivity Commission Independent Review of Job Network

Catholic Welfare Australia welcomes this opportunity to lodge a submission in response to the Productivity Commission's Draft Report: *Independent Review of Job Network*. As a participating national provider in the Job Network, this organisation has been actively involved in consultations and public debate on issues associated with the effectiveness of labour market policy and the establishment of best practice in the delivery of employment and training assistance through the employment services system.

Catholic Welfare Australia recognises the significant research already undertaken by the Independent Review in producing its Draft Report. The aim of this submission, therefore, is simply to affirm, add to or challenge the views and findings expressed by the Productivity Commission concerning the operation and performance of the Job Network.

TABLE OF CONTENTS

Section One: Catholic Welfare Australia	3
Section Two: The Operation and Effectiveness of Labour Market Programs	5
Section Three: The Proposed Removal or Discontinuation of Job Matching	9
Section Four: Proposed Reforms to Intensive Assistance	11
Voluntary Participation in Intensive Assistance	11
Reducing the Duration of Intensive Assistance to Six Months.....	12
Increasing Activity Test Requirements for Intensive Assistance.....	13
The Re-direction of Intensive Assistance Clients	14
The Recurring Participation of Job Seekers.....	14
Section Five: Improving Client Choice in the Employment Services Market	16
Information Provided to Job Seekers on Referral.....	16
Scope for Job Seekers to Change Intensive Assistance Providers	17
Section Six: Quality of Service Issues in Intensive Assistance	19
Section Seven: Client Referral Issues	22
The Automated Referral System.....	22
The Job Seeker Classification Instrument.....	23
Centrelink Referral Practices	23
Section Eight: The Increasing Compliance Burdens faced by Providers	26
Section Nine: Particular Pricing Issues	27
Administrative Pricing	27
Intensive Assistance Payment Categories	28
Payments for Educational and Training Outcomes	29
Adjustments to Primary Interim Outcomes.....	29
The Verification of Outcomes.....	31
Section Ten: The Star Ratings System	32
Retention of the Star Ratings Model	32
Public Information on the Star Ratings.....	32
Education and Training Outcomes in the Model.....	33
Concluding Statement	35

Section One: Catholic Welfare Australia

Catholic Welfare Australia is the peak body representing the social welfare apostolate of the Catholic Church in Australia and is a Commission of the Australian Catholic Bishops' Conference. It is a national federation of Catholic social service organisations that operate in local communities and at a Diocesan level, including Centacare agencies. Catholic Welfare Australia is an organisation of the Australian Catholic Bishops' Conference and is responsible to the Catholic Bishops through a Board appointed by Conference.

The mission of Catholic Welfare Australia is to promote and advance the ministry of Catholic social welfare as part of the core mission of the Church to be a sign of God's kingdom in the world. It undertakes this mission by interacting with Catholic welfare organisations, governments, other churches, public institutions, business and all people of good will, and through the development of policies and programs that promote the inherent dignity of each person.

Early last decade, the Catholic Church's involvement in national employment policy debate and the delivery of government-funded employment services increased in response to growing levels of unemployment. On the eve of the recession of the early 1990s, it was clear that the unemployment rate would rise dramatically and that a growing proportion of unemployed Australians would be long-term unemployed.

At that time, the national network of diocesan and religious welfare agencies became more directly involved in assisting long-term and disadvantaged job seekers when the Keating Labor Government's *Working Nation* Strategy sought the involvement of non-government agencies to deliver Case Management services. It is also noteworthy that some of Catholic Welfare Australia's Member Organisations have been providing Government-funded labour market program assistance to vulnerable groups of job seekers since the mid-1970s.

Currently, 11 of Catholic Welfare Australia's Member Organisations provide Job Network services in 25 locations and through 60 service sites nationally. As such, they constitute one of the ten largest Job Network members. During 2000-2001, these agencies assisted over 50,000 seekers in various ways, including assisting over 13,000 job seekers directly into paid employment.

Key considerations of our Member Organisations considering involvement in employment services were that practical effect would be given to the Church's mission:

- to be in solidarity with vulnerable and disadvantaged people;
- to address the consequences of unemployment in the lives of affected individuals, families and local communities; and,
- to promote social and economic well-being through the provision of practical support (i.e. job placement, education and training) while recognising the broader social goals of full employment and the dignity of work through labour market standards of an adequate supply of secure and meaningful employment providing a living wage.

It is with these considerations in mind that Catholic Welfare Australia raises the following issues for the attention of the Productivity Commission.

Section Two: The Operation and Effectiveness of Labour Market Programs

Before responding to specific aspects of the Productivity Commission Draft Report, Catholic Welfare Australia wishes to outline its overarching view regarding the operation and effectiveness of labour market programs. While this view has some similarities to those expressed by the Productivity Commission, there are also some differences. These differences have a significant bearing on the kinds of strategies that could be employed in the context of Job Network to improve its ability to achieve greater effectiveness in gaining employment outcomes for job seekers.

Catholic Welfare Australia agrees with the Productivity Commission proposition that, once displacement and substitution effects are considered, Job Network has had a very limited impact in reducing aggregate unemployment. The role of labour market programs has, for the most part, been concerned with assisting people who are unemployed into available job vacancies and skilling the available supply of labour. Over the past decade, as the phenomenon of long-term unemployment has emerged as one consequence of economic recession and labour market restructuring, employment programs have been geared to address the entrenched disadvantage of these job seekers and to increase their competitiveness in the open market.

The well-recognised 'churning' effect of labour market programs that results when employer demand is insufficient to guarantee full employment does have a positive equity effect of increasing the employability of disadvantaged job seekers and spreading the risk of unemployment. In the light of this important equity effect for disadvantaged and long-term job seekers, Catholic Welfare Australia questions the significant emphasis given throughout the Draft Report to an assumption that many job seekers would have found jobs for themselves even if nothing were done to assist them.

The poor prospects of employment for long-term and disadvantaged job seekers, extending well into periods of economic prosperity, results from:

- the loss of employment-related skills and contacts with the world of paid work;
- the tendency for employers to take a prolonged duration of unemployment as a negative 'signal' regarding the efficiency and productivity of the applicant; and,
- less effective job search as a result of repeated knock-backs and lowered self-esteem.

Without strong intervention by the state into the market place to address the needs of the most disadvantaged job seekers, they remain at risk of continued unemployment and further bouts of unemployment during future economic downturns. Clearly, many long-term job seekers would have little chance of finding work without intensive and active employment assistance.

Catholic Welfare Australia agrees with the Productivity Commission that the Job Network needs to be accompanied by complementary approaches geared to generating employment

and reducing aggregated unemployment if the system's full potential is to be realised. Vital questions arise in response to the key aim of the Job Network to quickly orient benefit recipients to jobs — *Where are the jobs? Where is the level of demand in the market that would enable the Job Network system to assist greater numbers of long-term and disadvantaged job seekers into paid work?*

The role of the Job Network to increase effective labour supply through assisting long-term and disadvantaged job seekers is generally limited by inadequate employer demand and the lack of any significant national strategy to spur that demand. The official conservative estimate of unemployment used by the Australian Bureau of Statistics shows there are approximately 650,000 job seekers. The fact that these job seekers are competing for only 86,000 vacancies highlights this limitation of inadequate employer demand. The challenge faced by the 152,000 people who are long-term unemployed in vying for these vacancies is great even before considering potential additional candidates for these positions from among over 400,000 part-time workers who say they want more hours of paid work. Nor do these figures include well over one million men and women who have withdrawn from the labour market but who want work.

On its own and unintegrated with policies geared to increasing employer demand, the Job Network remains a weak initiative offering limited solutions to long-term unemployment and even less in the way of achieving full employment. Indeed, both the Job Network and the full range of measures to be rolled out under the *Australians Working Together* strategy will be of limited benefit without significant increases in aggregate demand targeted to improve the employment prospects of the most disadvantaged job seekers.

Catholic Welfare Australia believes that an integrated national employment strategy is necessary if the current Job Network system is to more effectively address high levels of unemployment that are resistant to generally buoyant national labour market conditions. This integrated strategy would include:

- improved labour market program funding with a particular emphasis on improving the level of skills development and vocational training provided through Intensive Assistance;
- the maintenance, if not the improvement, of industrial and minimum wage protections for unskilled and vulnerable workers; and,
- direct job creation through sustainable public infrastructure and regional development targeted to labour markets experiencing chronically high levels of unemployment and low demand.¹

Employment services, placed in the context of this more comprehensive strategy, would no longer represent a limited reaction to unemployment. Instead, these services would operate as an important aspect of a preventative and pro-active policy approach to unemployment.

¹ Such a national employment strategy is outlined in greater detail in the attached paper entitled: *Long-Term Unemployment and the Employment Services System: Value Adding or a Trade in Damaged Stock?*

This suggestion of a national employment strategy is somewhat at odds with the Productivity Commission's notion of a complementary approach to reducing unemployment — namely 'welfare reform and changes to labour market regulation' (p.1.4).

Unfortunately, the Draft Report does not spell out the details of this welfare and labour market reform approach in terms of its job creation potential or the long-term prospects of job seekers in the market. Without these details, it might be assumed that the Productivity Commission's suggestion of further changes to labour market regulation refers to measures aimed at increasing the functional flexibility of low-skilled labour (e.g. the elimination of unfair dismissal and other no-disadvantage provisions) and reducing its costs (e.g. the restraint or reduction of regulated minimum wages). This strategy is commonly known as the 'low-wage' approach.

It is the view of Catholic Welfare Australia that a low-wage approach to job creation is unlikely to promote a more skilled and efficient work force in a manner that improves Australia's economic performance over the long-term, preserves the value of work and increases standards of living for the most vulnerable. Many jobs created in low-skill sectors will be unsustainable during future recessions with the result of vulnerable workers rejoining the unemployment queue with the associated costs to general revenue.

More immediately, it is a concern that this approach would simply cheapen the costs of labour and utilise employment services and the activity test requirements of the income support system and low-cost mutual obligation schemes to drive individuals harder in low demand markets and into low-paid jobs.

This assessment of the complementary approach broadly outlined by the Productivity Commission seems to be confirmed by the over-emphasis given throughout the Draft Report to the compliance effects of the Job Network system. This is seen in recommendations for:

- increasing activity test requirements on job seekers participating in Intensive Assistance;
- the exiting of vulnerable and difficult to place job seekers from the Job Network system to Work for the Dole and other compliance-based programs; and,
- proposals seeking to limit unsuccessful job seekers' access to further Job Network assistance according to a supposedly poor or non-existent capacity to benefit.

In all of these proposals, emphasis has been placed on the ascriptive characteristics of job seekers (e.g. skill, motivation, propensity to attachment, capacity to benefit) when explaining the likelihood of achieving an employment outcome or their failure to achieve. Other than a focus on regulated minimum wages, little regard seems to have been given to structural features of the labour market, such as lack of available opportunities, that would explain seemingly poor personal performance or under-achievement in winning a job.

As a result of this approach, the Draft Report tends to recommend the limitation or withdrawal of support in the very circumstances in which strategies of job creation and the intensive assistance provided through the Job Network should be applied. The argument is regularly raised that job seekers who are unlikely to receive a job outcome should not receive

'ineffective interventions' but should be referred elsewhere. This argument may be regarded by the Productivity Commission as having potential for broader application across entire regions. Paraphrasing the Department of Employment and Workplace Relations submission, the Draft Report states:

And with respect to IA, it said that its effectiveness may not be as great under more depressed economic conditions, in which circumstances there may be merit in greater use of the Work for the Dole program. (p.5.9)

It is of most immediate concern to Catholic Welfare Australia and its Member Organisations that the views of the Productivity Commission on the operation and effectiveness of the Job Network as expressed in the Draft Report seem to focus on the compliance effect of labour market programs.

In some instances, the recommendations emerging from this compliance focus may be to the detriment of the original focus of active employment assistance policy to pursue more positive strategies of engaging job seekers in the labour force. It is feared that this compliance approach will in fact increase the demoralisation of the unemployed, creating a greater barrier to finding sustainable employment.

Section Three: The Proposed Removal or Discontinuation of Job Matching

The Draft Report describes the current Job Matching provided by the Commonwealth Government through the Job Network as a redundant service. It recommends that the job matching service is reserved for disadvantaged job seekers who are eligible for Intensive Assistance and that non-disadvantaged (i.e. non-IA eligible) job seekers be limited to accessing the vacancy database via Centrelink touchscreens and other self-help facilities (Recommendation 7.1). As a consequence, the current funding arrangements of a placement fee would cease at the end of the second contract period.

Catholic Welfare Australia believes that these recommendations, were they to be adopted, would represent the next step in the Commonwealth Government's withdrawal from the responsibility to provide and maintain a universal, fee-free labour exchange. In 1997, the Government effectively privatised and contracted out this important function of the Commonwealth Employment Service to the reformed employment services market. Although this service has been generally maintained through current contractual arrangements with Job Network providers, the effectiveness of this service has been challenged and proposals have been made at various times for limiting access to the service and introducing user-charges.

This organisation holds to the position that the labour exchange service provided through the Job Network must be maintained at a level that ensures prompt, equal and universal access for all unemployed Australians to a basic level of employment support that is free, provides some personalised support and that is guaranteed and protected against market failure. The removal or discontinuation of this basic level of Job Matching would represent the Government's abrogation of its responsibility to all people who are unemployed and further undermine a long-established citizenship entitlement that Australians have come to expect.

Member Organisations of Catholic Welfare Australia raised the following comments and questions in response to the Draft Report's recommendations concerning Job Matching:

- Job Matching should be retained as a service, if only for the strong linkage and benefits that derive from the symbiotic relationship that assists clients, employers, Job Network providers, and DEWR in achieving set outcomes.
- The proposal fails to take into account the swelling number of underemployed workers who approach this service for vacancies that would increase their hours of paid work and meets their need to find job opportunities with more than one employer.
- There seems to be a perception in the Draft Report that Job Matching services are only used by low-skilled or semi-skilled job seekers and those searching for manual work. This is not the reality of many Job Network providers of this service. A proportion of our clients are skilled. The system does not encourage full use of the Job Matching facility. There is a flawed view that disadvantaged unemployed people are only interested in the semi-skilled and manual labour jobs.

- There is a mismatch between skilled (or non-disadvantaged) unemployed people's expectations of the employment market and the perception on the part of employers of what Job Matching can and does do. The value of the Job Matching service would be enhanced if this mismatch was addressed.
- Job Matching is used by small to medium employers on a significant basis. These employers would find it difficult to engage job seekers without this resource. Will employers want to list their vacancies direct on AJS, take the resulting phone calls, screen applicants, and prepare shortlists before carrying out each job interview? Little consideration seems to have been given to the costs that would be incurred by small and medium enterprises under this proposal.
- To improve opportunities for Intensive Assistance clients, Agency Consultants need a large pool of employers across a wide range of industries and sectors to ensure the best and most sustainable placement of job seekers. The Job Matching function provides an additional motivation and opportunity to increase employer networks to the benefit of all stakeholders (including job seekers, employers and Job Network service providers). There is a strong connection between the Job Matching Consultants' skills and the Intensive Assistance Consultants' skills that benefit long-term and disadvantaged job seekers significantly.
- The database for the Job Matching is critical for people who sign up as it provides them with immediate access to employment recruitment services. The net social loss if this were to be removed or downgraded would be very large.
- There is a question as to whether the Productivity Commission's proposals regarding the Job Matching service would result in a situation where only job seekers in receipt of benefits would qualify for Job Matching services. If this is the case, the proposal would be counterproductive as job seekers would have to wait a qualifying period for benefits without additional resources to help them find work. It would be preferable in this case, to allow Job Matching services to be available to the job seekers from the time they apply for benefits and would otherwise qualify, or, become unemployed.

Member Organisations of Catholic Welfare Australia providing Job Network services recognise that, while this activity takes up a lot of time and resources and often for little return, the Job Matching service does assist in the maintenance of a viable database of employers for job seekers coming to their agency, whether or not they are referred by Centrelink onto the agency's case load. Therefore, it is regarded as a program that also provides a valuable community service to all job seekers.

Section Four: Proposed Reforms to Intensive Assistance

Catholic Welfare Australia premises its responses to the Draft Report's proposals for significant reforms to Intensive Assistance with a short comment on the rationale behind its Member Organisations' involvement in this initiative.

The establishment of employment services to assist the most disadvantaged in the labour market is a fairly recent addition to the traditional welfare and family services offered by the welfare agencies established among the dioceses and religious orders of the Catholic Church in Australia. The focus of Catholic Welfare Australia's Member Organisations in the delivery of active employment assistance has been in the provision of personalised support and tailored assistance to the particular needs of long-term and disadvantaged job seekers. The Intensive Assistance component of the Job Network cluster of services is therefore the most important aspect of our agencies' engagement in the provision of Job Network services.

It is from this context of 'mission', as well as the practical knowledge of the program's operation and expertise in assisting disadvantaged job seekers, that Catholic Welfare Australia comments on the following proposals for reforming Intensive Assistance.

Voluntary Participation in Intensive Assistance

The Draft Report recommends that the entry of eligible recipients into Intensive Assistance be made voluntary, provided they participate in some activity that meets their mutual obligations when choosing to opt out of Intensive Assistance (Recommendation 8.2). It is proposed that alternative participation in a facet of mutual obligation would be mandatory and Work for the Dole is suggested as such an alternative (p.8.12).

Catholic Welfare Australia sees some value in the proposal to offer eligible clients some choice concerning participation in Intensive Assistance. Voluntary entry may ensure a higher level of motivation among clients who are referred onto providers Intensive Assistance caseloads.

However, there are two major concerns emerging from this proposal. The first concerns the risk that job seekers will not have adequate access to a level of information that would enable them to make an informed choice and that, as a result, they will end up receiving an inferior mutual obligation service that is unable to address the level and full extent of their barriers to employment.

For various reasons, currently around 30 per cent of Job Network referrals to Intensive Assistance fail to commence. It would be a major concern to this organisation if the voluntary participation proposal were implemented in such a way as to render job seekers' non-attendance at initial interviews as amounting to a consumer choice to opt-out of Intensive Assistance - thereby clearing eligible clients immediately off Intensive Assistance caseloads and out of the Job Network system.

Anecdotal evidence gained from Intensive Assistance Consultants suggests that, in many instances, job seekers reporting to an Agency after failing to attend an initial interview are more likely to engage in the Intensive Assistance program once the benefits of participation are outlined to them. Such instances of initial non-attendance would suggest that the current inadequacies of the referral process from Centrelink should be addressed prior to any consideration of applying the 'voluntary entry' proposal to non-attending clients.

The second concern is that such a proposal will be adopted with the expectation that the most disadvantaged and demoralised job seekers would self-select out of Job Network and that this would lower the overall budgetary cost of the Network's operation. As a matter of principle, this organisation is opposed to the generalisation that seems to have emerged in anticipation of the *Australian's Working Together* strategy that Intensive Assistance eligible clients with entrenched barriers to employment require different solutions that can only be found outside the Job Network in a growing raft of mutual obligation programs such as Work for the Dole and the Participation Support Program.

While the mutual obligation programs may provide some remedial support in lifting job seekers' motivation and addressing some pre-employment issues, ultimately Intensive Assistance should remain the focus of employment assistance for long-term and disadvantaged job seekers.

Reducing the Duration of Intensive Assistance to Six Months

The Productivity Commission recommends that the period of assistance afforded to Intensive Assistance clients should be limited to six months (Recommendation 7.3). This proposal is based on the Commission's findings that the Intensive Assistance program's activity with jobseekers is most intense at the start and the end of the program, with weak activity at other times. This trough in activity levels is referred to as "the 'hole' of inactivity" (p.9.18) and is seen largely as a consequence of Job Network providers 'parking' clients on their caseloads.

The Draft Report states that limiting the duration of Intensive Assistance would compress much the same level of activity under current arrangements into a shorter period, and would arrest some of the de-motivation that stems from inactivity. It also proposes that, where a job outcome is not achieved in the six-month period of assistance, job seekers would be exited to mutual obligation schemes such as community work, Green Corps and Work for the Dole. The Draft Report assumes that these programs will enhance social participation and produce a return to the community. (pp. xxvi, 7.21)

As stated above, Catholic Welfare Australia holds some reservations about the espoused ability of the mutual obligation programs to address the employment related needs of long-term and disadvantaged job seekers. Under this proposal it is obvious that, where employer demand in a given labour market is inadequate to provide Intensive Assistance clients with employment outcomes during the prescribed period, it is the job seekers who bear the bulk of the costs of further unemployment and the compliance regime of mutual obligation.

It is a shame that consistent references throughout the Draft Report to a supposed propensity on the part of job seekers and Job Network providers to 'inactivity' are not extended to give

any real analysis of inactivity on the demand side of the market in relation to these job seekers.

It is unclear from the Productivity Commission's Draft Report exactly what activities are being considered when concluding that there are substantial levels of inactivity in the middle of the Intensive Assistance period. Much activity may be being undertaken during that period which is not recorded in DEWR's database. Such activity would include training being received from external providers in order to improve job readiness.

Other comments by Member Organisations of Catholic Welfare Australia included:

- This proposal does nothing to address the needs of the more disadvantaged job seekers who clearly need more than six months to find sustainable employment. The Job Network has many examples of Intensive Assistance clients who have taken one to three years of working with Intensive Assistance Consultants before gaining an employment outcome. This is particularly true for our Indigenous clients.
- The capacity to work with the most disadvantaged of job seekers by skilled Intensive Assistance Consultants can frequently take six months or more to gain their confidence and gain 'permission' to work through the barriers to employment.
- From our experience, there is clear evidence that the most challenged clients benefit from a longer-term involvement in Intensive Assistance.
- The Draft Report fails to recognise or accept the wider social issues beyond job matching and skills training that have to be dealt with appropriately in the context of Intensive Assistance.
- This recommendation to reduce the period of IA to six months could encourage those agencies seeking profits ahead of client benefits to work on easier placements.

Increasing Activity Test Requirements for Intensive Assistance

In the interests of increasing the compliance effect of the Job Network overall, it is recommended in the Draft Report that Activity Test requirements for Intensive Assistance participants be increased to the standards that apply under other labour market programs (Recommendation 7.4). The Productivity Commission believes that increasing these onerous requirements would be effective in maintaining the job search intensity of participants and that this strategy would improve the outcome performance of the system since a high emphasis on job search reduces the 'attachment effect' of programs and is one of the main predictors of getting a job (p.5.17, 7.22).

While job search intensity is one of the main predictors of a job outcome, it is not the only one. The ability of the Intensive Assistance initiative to provide skills development and some level of vocational training that extends beyond the immediate functions of job matching and job search training are essential in reintegrating long-term and vulnerable clients into the effective labour supply. The role of Intensive Assistance to upgrade the skills and training of

disadvantaged job seekers is of vital importance to increasing the attractiveness of job seekers to employers in the open market.

It is feared that the kind of proposal outlined in the Draft Report to increase the compliance effect of the program through a mandated increase in activity testing might undermine this longer-term focus and reduce Intensive Assistance to a glorified job matching service.

Catholic Welfare Australia proposes that the Draft Report's recommended increase in Activity Test requirements should not be applied to Intensive Assistance where individual Preparing for Work Agreements establish that the provider and client are engaged in processes of skills development and training that would be hindered or undermined by the undue emphasis on increasing the intensity of job search.

The Re-direction of Intensive Assistance Clients

The Draft Report recommends that Job Network providers be given the ability to redirect job seekers at any time to Centrelink for re-referral to other programs, such as the mutual obligation programs, where it is considered that particular job seekers are unlikely to achieve an outcome (Recommendation 9.5).

Catholic Welfare Australia has already raised concerns about the emphasis that is given in the Draft Report to proposals which entail the exiting of clients from Intensive Assistance into mutual obligation programs that are unlikely to address the full range of barriers faced by this client group. Additionally, with regard to this particular proposal, Catholic Welfare Australia is particularly concerned about:

- the possible incentive effects it has on some providers to engage in the practice commonly referred to as 'creaming'; and,
- the potentially unilateral nature of provider decisions that could be made under such an arrangement.

For the sake of transparency and fairness, it is suggested that provider decisions under this proposal would need to be referenced to Recommendation 8.3c) which requires mutual consent between the job seeker and provider before re-direction occurs. Additionally, there should be a process of review introduced into this Recommendation to ensure there is some equilibrium in negotiations between provider and client and mutuality is apparent in the final decision. As it stands, Recommendation 9.5 fails to recognise a power imbalance that may exist between the service provider and client.

The Recurring Participation of Job Seekers

The Draft Report recommends that consideration needs to be given to preventing the 'wasteful recurring participation' of job seekers in labour market programs that have not benefited them in the past (Recommendation 9.7). The Productivity Commission argues that, where

outcomes are unlikely, it is inappropriate to provide ineffective Job Network services and that job seekers should be referred elsewhere (p.3.15).

Given that the Draft Report already recommends that personalised Job Matching services should be collapsed into Intensive Assistance (Recommendation 7.1), and because it sees some value in Job Search Training's compliance effect even after repeated participation (p.9.35), it could be reasonably assumed that this recommendation to limit recurring participation is squarely aimed at the Intensive Assistance program.

If this is the Productivity Commission's position, Catholic Welfare Australia questions the value placed in recurring participation in Job Search Training – a one-off curriculum concerning self-presentation and search techniques – while further Intensive Assistance which lends itself to long-term skills development is to be denied.

It is obvious that the Productivity Commission values the potential compliance effects of the Job Network. It is again apparent the demand side features of the market that overwhelmingly contribute to prolonged unemployment and recurring participation in labour market programs has not been accounted for in this review.

Those Catholic Welfare Australia Member Organisations engaged in the daily struggle to place disadvantaged job seekers into scarce jobs make the following points with regard to this proposal:

- The Draft Report refers to other options as an alternative to recurring participation in labour market programs – What options?
- Throughout the Report, the only alternative offered appears to be Work for the Dole projects. This is not a real choice or a beneficial option for many clients.

In concluding this section's response to the recommendations for the reform of Intensive Assistance, Catholic Welfare Australia wishes to restate its concern over the Draft Report's focus on the compliance effect of the system. This focus is to the detriment of other potential approaches for improving the effectiveness of the Job Network as highlighted above.

Section Five: Improving Client Choice in the Employment Services Market

Catholic Welfare Australia agrees with the proposition that there is greater scope for informed choice on the part of job seekers when engaging in the Job Network and accessing services (p.xxv). While consumer sovereignty is obviously limited in the controlled market conditions of the Job Network, there is clearly an unfulfilled need for clients to have the required information that would allow more informed decisions on their part.

Information Provided to Job Seekers on Referral

The need for improved consumer information is most obvious at the front end of the Job Network system when clients are offered the opportunity to choose which provider they would prefer to have serve their needs. The Draft Report cites Centrelink data which estimates that currently only around 20 per cent of job seekers choose their own provider. The vast majority of eligible job seekers are referred to Job Network services through the automated referral system (p.8.3).

Catholic Welfare Australia agrees with the view that job seekers should be given more information that outlines the comparative performance of Job Network providers in any given Employment Service Area and additional details regarding the particular aspects of each service that might be of value to job seekers in making an informed decision. It is not only because client choice has potentially positive effects on the performance of providers and in engaging job seekers in the assistance relationship that the provision of more accurate and accessible information should be provided. The provision of such information should be regarded as a right or entitlement of unemployed citizens when entering the system.

The Draft Report notes that current barriers to clients' ability to exercise choice include the lack or poor quality of information. The context in which this information is conveyed has also been criticised. Little assistance is given to job seekers to help them make choices about the most suitable Job Network provider. Language, cultural and literacy barriers have also been identified as a significant barrier to the provision of information. Job seekers are not given adequate comparative information on various job network providers etc. (p.8.4f)

Catholic Welfare Australia fully agrees with the recommendation that the provision of information about the Job Network and the associated referral system should be enhanced (Recommendation 8.1). Basic marketing material produced by competing agencies as well as comparative data on the performance of each provider should be offered to job seekers at their initial interview and classification session with Centrelink. Centrelink should provide personalised assistance in helping job seekers to understand the referral process and decipher the information provided.

The debate concerning the limitations on choice and information access to job seekers also indicates that there is a poor motivation by many Job Network providers to promote themselves in the market. It is agreed that the balance between the choice made by job

seekers of a preferred provider and the obligation to be involved needs to be more evenly established.

While individual Job Network agencies may decide to market their services publicly through various media, Catholic Welfare Australia considers the initial interviews carried out by Centrelink prior to referral as the most appropriate venue for provider information and impartial explanatory advice to be provided to job seekers.

Scope for Job Seekers to Change Intensive Assistance Providers

This submission has already addressed some concerns regarding the proposal for voluntary participation in Intensive Assistance.

The Draft Report recommends that job seekers be given the ability to change their Intensive Assistance provider at the commencement of assistance, where the provider has failed to meet certain standards of service and where mutual consent is given for the change (Recommendation 8.3).

The Draft Report qualifies its proposal for providing consumer choice in this area by suggesting that arrangements would need to be set in place to prevent some job seekers from trying to escape rigorous activity testing by switching providers or using the threat of moving to gain concessions from the current provider. The following comments on this proposal by Member Organisations of Catholic Welfare Australia do recognise such a potential. Interestingly, however, their concerns are less focused on any additional administrative burdens on their agencies or the potentially opportunistic practices of job seekers. Concern is instead focussed on the potential behaviour of their competitors in the market.

Their views on this proposal were as follows:

- There is some anecdotal evidence to suggest that job seekers themselves could abuse the system. Would the change then create anything better for them in terms of the quality of service received or the likelihood of achieving an outcome, or would it just move the problem along?
- It is clear that, in the ‘spirit’ of the best interests of the job seeker, it is a good idea to offer this flexibility. However, this proposal is open to manipulation and could easily unfairly advantage those organisations that choose to go for the quick dollar profit and high turnover.
- It would have to be ensured that any change of Intensive Assistance provider was undertaken with mutual consent. It is feared that this proposal could provide some profit providers with an opportunity to unload their “too hard basket” onto other agencies so they can retain clients they can work with and place quickly.
- It would need to be ensured that there was consent by both the job seeker and provider to prevent any unscrupulous providers from re-referral for better targeting / higher payments.

- The other concern over this is in relation to cost recovery. Some unscrupulous agencies 'poach' clients once an investment has been made in removing barriers to employment. This already occurs where agencies less interested in providing the full range of support to job seekers refer clients to come and use our free service on the computers, resume and fax facilities.
- The increased scope for Intensive Assistance clients to change Job Network providers does introduce more user choice. This is regarded as a potentially positive move for job seekers. However, it could also mean a lot more paper work and it could generate unnecessary grievance issues. Providers would need to be very proactive in the type of agreements they negotiate with job seekers if they want them to remain.

Section Six: Quality of Service Issues in Intensive Assistance

One of the purported benefits of the Job Network system that emerged from the cashing out of labour market program funds and some Commonwealth Employment Services functions on a 'jobs outcome' and price competitive basis has been the latitude given to contracted providers to use diverse approaches in tailoring services to different client groups. Particularly in the Intensive Assistance area, there has been relatively little regulation placed on the methods adopted by providers to motivate clients or the way in which funding is applied to increasing the employability of job seekers.

However, there are a range of pressures emerging from systemic flaws in the Job Network system, concerned with price competition, that have been exerted on providers that seem contrary to the equity focus of traditional labour market programs. These pressures have, in some instances, undermined the full potential of the system for adding value to long-term and disadvantaged job seekers in terms of skills development and improving their general attractiveness to employers.

Funding constraints that limit the available resources providers can allot to each client have been highlighted in a number of Job Network evaluations. While the floor price in the price competitive tender for Intensive Assistance services in the second Job Network contract was established to maintain a basic quality of services, this price was much lower than previous fixed rates of Intensive Assistance funding. The practice, highlighted by ACOSS (p.10.1), of tenderers bidding down to this floor in order to guarantee business reveals that, in many such instances, quality concerns may have given way to prices. At the same time, it needs to be recognised that this floor obviously prevented tenderers' estimated costs falling below this established minimum level.

A significant risk to quality comes with the exposure of welfare and training services to price competition. In a system that gives providers significant discretion in how they allocate funds, those seeking to maximise profits or to execute low-price bids are likely to provide substandard support and deny assistance to those who lack a potential dollar value through the achievement of an outcome. The maintenance of Intensive Assistance clients on caseloads while withholding assistance, perhaps in the hope that the client will find employment of their own accord, is a significant focus of the Draft Report. The Productivity Commission notes that:

Parking is most acute for severely disadvantaged job seekers and raises some more important equity and efficiency issues. It undermines the expectations that IA helps the most disadvantaged job seekers, and sometimes damages their morale. For such clients IA is a pretence of aid.' (p.9.14)

The Draft Report cites the initial DEWRSB evaluation of Job Network which revealed that 'in many cases, a service which went beyond the basics would be provided only if it were judged that it would make a critical difference to the person's employability' (p.6.22). Similarly, ACOSS noted that, in the past, only a minority of Intensive Assistance job seekers received substantial training beyond job search techniques. Unlike the Productivity Commission,

however, ACOSS regards this phenomenon as a structural flaw in how the Government funded Intensive Assistance which acted as a disincentive for providers to invest in more costly, but potentially more effective forms of assistance. (p.14.29)

Similarly, Catholic Welfare Australia regards the price competitive arrangements introduced as the basis upon which contracts would be won as a core feature of the Job Network. Any negative consequences of these arrangements on the quality of service received by job seekers is a criticism of current structural organisation of the system. It must be recognised that the system by its nature may give the signal that the less spent on clients, the greater will be agency profit; in many cases reducing Intensive Assistance to a job matching level of service.

Catholic Welfare Australia holds the view that the Draft Report tends to investigate the dilemma of 'parking' only to the extent of highlighting the undesirable practices of Job Network providers. Unfortunately, its analysis of poor quality services and under-investment in long-term and disadvantaged job seekers does not extend to a full investigation of price competition and deregulated provider expenditure as a likely cause of this problem. Of even greater concern are the range of recommendations made by the Productivity Commission which both fail to address the structural flaws in the system and risk depriving Intensive Assistance clients of the potential benefits of this service.

For example, the recommendation to limit Intensive Assistance to a duration of six months on the basis that the so-called 'hole of inactivity' will be removed from the current 12-month period of Intensive Assistance is likely to limit any possibility of skills development activity that requires more than six months to complete. This proposal could effectively limit the skill development interventions aimed at increasing the effective labour supply to the level of Job Search Training.

It is important here to note that the graph on page 7.21 of the Draft Report which the Productivity Commission uses as a basis of its recommendations to combat 'parking' is based on outcomes, not activity. Hence, this graph is likely to overestimate the degree of this problem. The gaps between the peaks in the graph are taken as an indication of parking. The first peak describes clients initially engaged with Job Network provider but does not judge the severity of the barriers to employment faced by these job seekers. If other clients take longer to engage with a provider, the six months cut-off period would then penalise them. It is suggested that the information on which the Productivity Commission bases its findings on the parking issue gives limited recognition to those Job Network Providers that do assist the most 'challenging' clients.

Additionally, the recommendations to lift the Activity Test requirements on Intensive Assistance clients, to target Job Matching services to disadvantaged job seekers in Intensive Assistance, and to re-direct those with reduced prospects of an outcome to mutual obligation schemes potentially represent a further reduction on the capacity of this program to engage in the longer-term processes of skills development and training.

These examples suggest that the Productivity Commission solution to the problem of parking and inadequate investment in long-term and disadvantaged job seekers is simply to remove the capacity of the system to adequately invest in long-term and disadvantaged job seekers.

In concluding this section, it is important to mention the range of initiatives introduced by the Commonwealth Government since the end of the second contract period under the banner of 'managed competition'. These initiatives included:

- the previously mentioned floor price moderating price competition for Intensive Assistance;
- the requirement on tenderers to submit a 'declaration of intent' that outlines the range of support that will be provided to clients and that will be a basis of performance monitoring; and,
- the requirement on agencies to establish Intensive Assistance Support Plans with clients not achieving an employment outcome three months into the assistance period. This plan requires in-depth assessments of client need and proposed activities and support to be provided to overcome barriers to employment.

The subsequent establishment of the Star Ratings system which includes an assessment of standards of service will also have a positive effect on the quality of Intensive Assistance. The fact that additional criteria relating to quality of service have been added to the assessment and that this system will be used to determine which providers are able to roll-over contracts into the next contract period (as opposed to having to go to tender) is seeing an increased focus in improvements to quality of service. All of these measures have been welcomed as going some way to lifting the quality of Intensive Assistance.

Section Seven: Client Referral Issues

As stated above, in a quasi-market in which consumer sovereignty is limited and where provider information of a high standard that would allow job seekers to exercise choice is lacking, referral from Centrelink which acts as the gateway for client flows remains an important aspect of the Job Network system. In this section, Catholic Welfare Australia wishes to respond to the three issues of: automated referral; the operation of the Job Seeker Classification Instrument; and, Centrelink referral practices.

The Automated Referral System

The vast majority of Job Search Training and Intensive Assistance eligible clients entering the Job Network system do not exercise choice in the determination of which provider they will be referred to. This is because there is inadequate information available to them at the point of referral and/or because the processes for enabling choice in Centrelink's operation is inadequate. As a result, the automated referral system randomly allocates the bulk of eligible job seekers to existing program vacancies from among competing Job Network providers.

The Productivity Commission raises the concern that the operation of the automated referral system in assigning job seekers to providers with surplus capacity according to the fixed caseloads distorts the operation of the market. It is suggested that automated referral to providers that are below 'threshold capacity' has effectively penalised those providers with strong growth potential and favours poorer performing providers (p.11.1)

The Draft Report recommends that there be no regulated limits on caseloads and/or the absolute number of payable outcomes for individual providers (Recommendation 11.2). It is also recommended that the automated referral system be changed so that it favours Job Network providers that are more successful in achieving outcomes (Recommendation 11.3).

Catholic Welfare Australia questions these proposals on the following three grounds:

- The removal of regulated limits in case loads would be likely to add one more dimension of uncertainty to providers' projections for staffing and resourcing over the life of a contract. For many providers, this could threaten the reasonable expectation of adequate number of referrals necessary to ensure commercial viability with the result that they would be even more cautious about spending funds on job seekers. A poorer service would result.
- It is suggested that arrangements that would guarantee a vastly improved level of client choice in the referral process would need to be in place before introducing such proposals.
- If it is assumed that client choice should drive referral, the question must be asked as to why the automated referral system would be refocussed to favour certain providers. Surely this would unnecessarily interfere in the market's operation and distort client choice.

The Job Seeker Classification Instrument

Catholic Welfare Australia notes the concerns expressed in the Draft Report about some deficiencies in client assessment and resulting consequences for referral quality where the Job Seeker Classification Instrument is poorly administered.

The Draft Report states that the Classification Instrument is sometimes used as a 'tap' to control the flow of clients to Job Network providers to satisfy their capacity objectives (p.9.10). The Productivity Commission recommends that the Job Seeker Classification Instrument not be used to manage the workload within the Job Network (Recommendation 9.2)

The Report then notes that the Classification Instrument has a role in allocating scarce places to those assessed to be at greatest risk of future unemployment (p.9.11). With regard to the scarcity of places available to job seekers, Catholic Welfare Australia suggests that the use of the Job Seeker Classification Instrument to satisfy providers capacity objective is not a significant issue. Of greater concern is the likelihood that the control of client flow, through the administration of the Job Seeker Classification Instrument, is being used to limit the available vacancies in the Job Network and thereby may be acting as a means of Federal Budgetary control.

Catholic Welfare Australia is of the opinion that the scarcity of places in the Job Network, particularly Intensive Assistance places, is a more complex problem that simply limiting the issue to one that involves DEWR's role in maintaining providers' operating capacity.

The Productivity Commission also recommends that a more flexible implementation of the Job Seeker Classification Instrument by Centrelink be tested (Recommendations 9.1). Catholic Welfare Australia suggests that, such a piloting process would need to consider a more targeted outcome for job seekers that gives greater consideration to 'other risk factors' faced by people who are unemployed in addition to longevity of unemployment. It may be an opportunity for the instrument to include some of the social and environmental factors as being assessed as being of equal risk. The profiling instrument may need to be refined to elicit more accurate information from job seekers. To improve the accuracy of job seeker assessment, however, it is more likely that improvements need to be made in the application and administration of the Job Seeker Classification Instrument.

More generally, the lack of use of past information learned about job seekers contributes to inefficiencies and wasteful repetition in the assessment process. In this regard, Catholic Welfare Australia supports the Commission's recommendation for the development of a protocol for the storage and sharing of relevant personal information on jobseekers between Centrelink and Job Network providers (Recommendation 14.1). Such a protocol would need need to concur with the recently amended Privacy Legislation.

Centrelink Referral Practices

Under current referral arrangements in the Job Network, providers work to develop job seeker skills and achieve employment outcomes clearly depend upon good working relationships

with Centrelink offices. In most instances, the quality of partnerships formed with Centrelink offices, which act as the gateway for job seekers flows into the system, have a significant bearing on the operation of the provider and the immediate transition of job seekers into their assistance period.

In addition to the comments already made concerning the role of Centrelink in the assessment and referral process, there are other areas where referral could be improved so as to enhance the engagement of the job seeker with the provider and increase commencement to referral ratios.

Catholic Welfare Australia agrees with the Draft Report's observations that:

- improvements could be made to Centrelink's implementation of the Classification Instrument in the assessment of job seekers (p.9.6f);
- clients could be better informed and enabled to exercise choice of providers (p.8.6); and,
- the time between Centrelink's assessment and referral to Job Network providers should be shortened with possible 'on the spot' referrals (pp.9.32, 11.10f).

Improved referral methods and shortened referral periods would also assist in reducing the high level of job seeker non-attendance at Job Network offices — particularly among job seekers referred for Intensive Assistance support.

The bulk of Job Network providers' recommendations for breaches are made for Intensive Assistance clients and around 80 per cent of these recommendations are made for clients' failure to attend interviews. Unfortunately, this hiatus in the referral process sees many providers engaged in a costly and time-consuming process of attempting contact with non-attending job seekers and arranging subsequent appointment times prior to any consideration of lodging a breach recommendation with Centrelink.

It is the view of Catholic Welfare Australia that good social welfare practice and cost-effective referral methods into the Job Network would see Centrelink taking more responsibility in ensuring job seekers attend initial interviews with Job Network providers. It is the view of Catholic Welfare Australia that referred job seekers should remain the responsibility of the referring agency, Centrelink, until the job seekers present to the employment consultants of Job Network agencies.

The Draft Report highlights some of the views of Centrelink on the matter of Job Network providers' notification of breaches. Centrelink states that:

...no breach recommendation should be made unless there is, prima facie, sufficient evidence to support the breach. This behaviour represents a shift in costs as it leaves it to Centrelink to make contact with the customer and check their reasons for non-compliance. (p.14.17)

The Centrelink submission goes on to recommend that:

One approach would be for Centrelink to bill for breaches that are not imposed or are revoked. As there is an incentive for JNMs to exit difficult customers, this would not be a disincentive

to recommend breaching. It would be an incentive for the JNMs to gather the evidence and assess the case before making a recommendation and to pass all the evidence to Centrelink. At worst it would reimburse the government for the cost shift. (sub.45, p19f)

If peak organisations representing Job Network providers were to apply the same logic contained in the Centrelink submission to the referral practices and standards of Centrelink, a case could be quite easily made that Centrelink is itself engaged in cost shifting practices and that each Job Network provider should be reimbursed for the substantial costs of securing job seekers' attendance from the initial Centrelink referrals.

The Productivity Commission suggests there might be some value in improving and standardising breach reporting arrangements and taking the variability of provider's reporting performance into account when redesigning provider incentives (p.14.18).

Catholic Welfare Australia recommends that there would be equal value in measures to improve the referral process from Centrelink to a degree that would ensure an improved quality of referral and higher commencement levels. It is suggested that the funding of Centrelink's referral activity could be outcomes-based — an outcome payment being made to Centrelink on the attendance of referred job seekers at their point of destination. Additionally, the adequacy of Centrelink referrals could be the subject of the Key Performance Indicators recommended in the Draft Report as a basis for payments from DEWR to Centrelink (Recommendation 15.2, p.15.19).

Section Eight: The Increasing Compliance Burdens faced by Job Network Providers

Catholic Welfare Australia agrees with the Productivity Commission's assessment of the increasingly onerous contractual compliance burdens placed on Job Network providers by DEWR. The imposition of new rules and regulations concerning provider conduct, information technology systems and the oversight of expenditure have increased greatly over the contract period. The significant impact of numerous general contract variations imposed with little consultation has impacted on the operations and viability of providers.

The experience and views of the increasing compliance burdens placed on Job Network providers have been highlighted by Catholic Welfare Australia Member Organisations:

- The shift towards micro management by DEWR is significant and is pushing agencies from service delivery to service development and design with associated costs.
- There is an increasing compliance burden, prescription and unilateral decision making by DEWR, with a shift from outcome focus to process focus.
- We agree strongly with the sentiments that there is an increasing input in all stages by DEWR: more form filling; hugely complicated and shifting information technology requirements; and, a seemingly endless scenario of changing contractual requirements.
- A few providers have manufactured jobs or recycled a succession of job seekers through the same job. The operative word here is 'few'. Why should all Job Network providers be penalised. DEWR has the right to withdraw contracts, so why do they not take that option with the few?
- We are over-governed. DEWR's monitoring and compliance activity should be minimised.

Catholic Welfare Australia supports the Productivity Commission recommendations that would see important reforms introduced with regard to contract monitoring and compliance. DEWR's monitoring and compliance activity should be minimised while still ensuring high performance and wise use of tax-payer funds (recommendation 12.1). Additional compliance costs should not be imposed on all providers where only a few have engaged in unacceptable practices (Recommendation 12.3).

Catholic Welfare Australia strongly supports the recommendation that DEWR openly negotiates all contract variations with providers and their representatives (Recommendation 12.2). This seems very sensible and should have been the norm throughout the current contract period. The proposal that providers should be financially compensated for any significant additional administrative or compliance costs associated with the variations would be a novel approach that may also have the effect of re-establishing the contractual relationship between DEWR and providers on a more reciprocal and business-like footing.

Section Nine: Particular Pricing Issues

Some of the views of Catholic Welfare Australia, shared with other community and church-based organisations, concerning the impact of competitive pricing of Job Network services and the role of the floor price established for Intensive Assistance bids have already been noted in this submission. It is clear from a series of recent statements of Commonwealth Ministers that there are a number of recommendations in the Productivity Commission's Draft report dealing with pricing issues that the Government will be unlikely to adopt. However, despite these statements, Catholic Welfare Australia chooses to address the following issues partially or entirely depending on their relevance to the operation of the Job Network.

The Productivity Commission will note that some of these issues have also been addressed in previous sections of Catholic Welfare Australia's submission.

Administrative Pricing

The Draft Report notes the experience during the tender process for the second employment services contract of many organisations bidding down to the established floor price for Intensive Assistance. This floor price was substantially lower than the fixed price of previous contract periods. The Productivity Commission has concluded that, as a result, while it may have appeared that prices were set by the tender process, many were, in effect, administratively set. (p.10.5)

The Draft Report recommends that default prices for IA be set administratively, but with the possibility of trialing new forms of incentive contracts for those providers who believe that they can get better outcomes at a price higher than the default (Recommendation 10.1).

The Productivity Commission highlights some risks that would be likely to emerge as a result of incentive plans that would allow higher prices than the administratively set price for providers that could use higher prices to achieve higher outcome rates. First, an incentive plan could fail to recognise that local conditions and job seeker characteristics which vary across employment zones could reward lucky rather than competent providers. Secondly, it could encourage creaming among providers. (p.10.6)

Catholic Welfare Australia believes that, while providers located in reasonably performing labour markets with active job markets and higher levels of employer demand may be motivated to invest less in their clients, the issue of providers doing well financially without doing much to assist clients is a liberal generalisation that overstates the reality.

Similarly, the assumption that providers operating in poorly performing markets with a high level of need amongst their client base may also be less willing to invest in clients due to the lower likelihood of achieving employment outcomes is also questionable. Organisations that make choices about providing services in areas of high socio-economic need and in poorly performing labour markets often do so with a strong commitment to clients and with some understanding that their financial viability will be more precarious than for providers in major metropolitan centres or in higher performing markets.

It is the view of Catholic Welfare Australia that the floor price for Intensive Assistance bids is needed to maintain the base quality of employment services to long-term and disadvantaged job seekers. This floor price could be raised. If an incentive plan were to be included in the bidding process, it should provide a weighting in favour of the areas of high need and should act to support organisations who choose the more challenging areas of need and purposefully need to invest significantly in their clients to ensure a sustainable employment outcome.

Catholic Welfare Australia considers the recommendation for the introduction of administrative pricing to be a reasonable one on the following conditions:

- That prices are not set arbitrarily by Government but negotiated by an independent intermediary between Government and Job Network providers collectively. This would avoid any possible diminution of service arising from budgetary pressures without reference to the needs of job seekers and the cost structure facing providers; and,
- That the price structure provides for regional differentiation to ensure that job seekers and providers in high-cost regions are not disadvantaged.

Intensive Assistance Payment Categories

The Draft Report recommends that there be more outcome payment categories for Intensive Assistance to take account of existing special groups of job seekers, but that further payment categories should only be created if the supporting classifications of Job Seeker Classification Instrument are reliable (Recommendation 10.3).

Those who are most in need of the Intensive Assistance of the Job Network system are generally those who are long-term unemployed or experiencing some disadvantage or vulnerability that makes them particularly unlikely to compete effectively with more 'job ready' clients for available job vacancies in a market. The expression 'long-term and disadvantaged job seeker', used throughout this submission, is a 'short-hand' reference to job seekers who experience all of the characteristics of relative disadvantage assessed by the Job Seeker Classification Instrument. These characteristics render individual job seekers as being relatively unlikely to succeed on their own initiative in gaining employment in the open market.

The introduction of additional payment categories based on membership of particular disadvantaged groups would be likely to be distortions for the simple reason that any disadvantaged group consists of a range of client difficulty. Since the Job Seeker Classification Instrument measures disadvantage of each individual based on their full range of characteristics, its outcome is a far more reliable measure of each client's disadvantage and hence need for assistance. Any concerns that Catholic Welfare Australia has had regarding the Job Seeker Classification Instrument have been primarily about its application and administration, as opposed to the design of the instrument itself.

Therefore, Catholic Welfare Australia believes that all funding levels for Intensive Assistance and any additional categories of payment should be based on the Job Seeker Classification Instrument score.

Payments for Educational and Training Outcomes

The Productivity Commission has expressed its concern over the possibility that Job Network providers get substantial payment for educational and training 'outcomes', even if the concerned job seekers fail to complete their courses. Therefore, the Draft Report seeks to improve rates of course completion by recommending that interim outcome payments for educational and training outcomes be abandoned and replaced by a higher final payment when the course has been successfully completed (Recommendation 10.4).

Catholic Welfare Australia would be concerned if the adoption of this recommendation acted to reduce the system's lack of investment into the skilling and training of disadvantaged job seekers. Catholic Welfare Australia believes that it is important to maintain a decent level of interim outcome payment in this area as this payment is often used as a basis for determining investment in clients. It is proposed that the shift to an outcome payment focussed system could disadvantage job seekers who are on the caseloads of agencies that prefer only to invest in and work with the most job ready Intensive Assistance clients. It is a concern that Recommendation 10.4 could act as an incentive to some providers to park those most in need of education and training support. This focus on outcome payments could potentially act to reward those providers who withhold educational and training support to long-term and disadvantaged job seekers.

It has also been noted by some Job Network providers that the process of getting many job seekers to the point of enrolling in an education or training course is a big enough challenge and that the time lag between enrolment and completion may be too long to be viable for service providers. Many educational courses provide for assessment of progress at the end of the first semester as well as pass/fail outcomes at the end of the course.

While Catholic Welfare Australia generally supports the attachment of outcome payments to individuals' course performance (rather than simply attendance) as a guarantee of client benefit, an interim outcome payment is still justified, subject to evidence of satisfactory progress, in order to provide an incentive for providers to monitor a client's progress and support the client if difficulties emerge. This is particularly important for the most disadvantaged clients who often struggle to perform and need extensive assistance to continue. In this case, even if the course is not completed, benefit to the job seeker will accrue if adequate progress has been made at the end of the first semester.

Adjustments to Primary Interim Outcomes

The Productivity Commission has expressed concerns that the current 13 week post-placement cut off period for the payment of interim outcomes has resulted in many shorter duration jobs, that can be socially valuable, not meeting the eligibility criteria for outcome payments. It has been proposed that the payment system should have greater flexibility to recognise the benefits of these shorter-term outcomes. The Draft Report recommends that primary interim outcome payments should be split into two installments made at the 7 and 13 week periods of a job placement (Recommendation 10.5).

Catholic Welfare Australia supports this notion as recognition of potential client benefit. The strategy proposed in this recommendation would be of some assistance in labour market environments characterised by short-term casual or temporary vacancies. It would also acknowledge that in some labour markets, such as those where seasonal industries predominate, the achievement of 13 week outcomes can be very difficult despite extensive efforts by providers. Catholic Welfare Australia believes that it is also important that the Star Ratings system, used to measure Job Network members' performance, should also acknowledge and take account of this issue.

In addition to this measure, it is suggested that the complementary 'national employment strategy' proposed by Catholic Welfare Australia in Section Two of this submission would assist in the creation of quality employment opportunities in depressed regional and local labour markets; increasing the likelihood of secure full-time positions that would improve the Job Network's achievement of 13 week outcomes. The key components of this strategy would be:

- direct job creation through sustainable public infrastructure and regional development targeted to labour markets experiencing chronically high unemployment and low demand; and,
- the maintenance, if not the improvement, of industrial and minimum wage protections for unskilled and vulnerable workers.

This complementary strategy would directly assist those job seekers who have been hit hardest by the shift in employment over recent decades from full-year full time positions in traditional industries to short-term irregular employment — especially in rural industries, unskilled urban trades or personal and service industries.

Catholic Welfare Australia's proposal for such a strategy to complement the proposed adjustment to primary interim outcomes would assist job seekers to achieve more sustainable employment in better conditioned jobs. This proposal is somewhat at odds with the Productivity Commission's view that many post-program employment positions which are low-paid, temporary and part-time may be used by job seekers as 'stepping stones' into more desirable and longer-lasting employment (p.5.24).

Catholic Welfare Australia agrees that low-paid, temporary, insecure or part-time work may have a minimal value in providing job seekers with some work experience. However, this is likely to be of short-term benefit only. Over the medium to long-term, it is likely that low-skilled job seekers gaining this kind of work will remain at great risk of ongoing poor quality employment and repeated bouts of unemployment during subsequent periods of economic downturn and industrial restructuring.

The Draft Report states that there is very little information on this stepping stone effect (p.5.24). However, there is much evidence and research showing the impact of prolonged marginal attachment to the labour market through low-paid and temporary work. These studies question the stepping stone theory that the Productivity Commission relies on.

Catholic Welfare Australia wishes to refer the Productivity Commission to the following studies as a starting point for its analysis of the impact of low-paid and temporary jobs on the economic wellbeing and long-term employment prospects of low-skilled workers and job seekers:

- Campbell, I., 1997, 'Beyond Unemployment: the Challenge of Increased Precarious Employment'. In: *Just Policy: A Journal of Australian Social Policy*, No.11, November 1997, Melbourne, VCOSS.
- Campbell, I. & Burgess, J., 1998, *National Patterns of Temporary Employment: The Distinctive Case of Casual Employment in Australia*. Paper presented at the ISA 14th World Congress of Sociology, July 26 - August 1 1998, Montreal.
- Eardley, T., 1998, *Low Pay and Poverty: The Challenge for Social Policy*, Social Policy and Research Centre, Sydney, UNSW.

The Verification of Outcomes

Catholic Welfare Australia welcomes the Productivity Commission's discussion of the problems that are often encountered by Job Network providers in verifying eligible outcomes. The reluctance of clients or employers to assist in this verification process, for a variety of reasons, once a job seeker has been successfully placed in work has been very frustrating for providers who have seen much of their good work lost through this administrative process.

The Draft Report recommends that the existing 28 day cut-off for verification of outcomes be removed (Recommendation 10.6). Catholic Welfare Australia supports this recommendation strongly.

Currently, when a satisfactory outcome has been achieved, the Government reaps the return of cessation of allowance payments and has a moral obligation to recompense providers for the work that led to that saving. An arbitrary 28 day limit has no basis other than simplification of DEWR's administration. The current system is another example of the one-sided relationship between DEWR and Job Network providers in the current contract.

Section Ten: The Star Ratings System

Catholic Welfare Australia agrees that the Star Rating system of assessment is an important discipline on the performance of Job Network providers that provides them with incentives to assist disadvantaged job seekers. The Productivity Commission believes that this system is fundamentally sound and that any technical issues about its validity do not appear to be substantial (p.11.1).

However, in responding to the following issues raised in the Draft Report, Catholic Welfare Australia wishes to question the so-called 'sophistication' of the Star Ratings system.

Retention of the Star Ratings Model

Based on the view that the Star Ratings system is fundamentally sound, the Draft Report recommends the retention of the ratings model as a basis for assessing the performance of Job Network providers, but with the proviso that it should be subject to continuing refinement (Recommendation 11.4).

Catholic Welfare Australia supports the continuation of the Star Ratings system provided that a program of continuing improvement is instigated and maintained. While much is made of the 'sophistication' of the Star Ratings formula, the Independent Review of the system by Access Economics has found considerable flaws in it and proposed a long list of research and analysis needed to improve it. Even though immediate adjustments were made to the formula following this Independent Review, many of its flaws remain and a regional bias in the formula still exists.

Attached is a copy of Catholic Welfare Australia's submission to the Independent Review of Job Network's Star Ratings system for the Productivity Commission's attention. It is suggested that many of the issues raised in this submission – particularly those concerning the regional bias in the model – would need to be addressed so as to ensure a more accurate assessment of Job Network providers' ongoing performance and a fair assessment of this performance in the context of the tender process for the next employment services contract period.

Public Information on the Star Ratings

The Draft Report recommends that DEWR generally publish Star Ratings at the Employment Service Area level where the estimates are reliable and that some indication of the reliability of the published estimates is given (Recommendation 11.5). The Draft Report also recommends that the full details of the Star Ratings model be made publicly available, including any assessments made of its technical validity (Recommendation 11.7).

Catholic Welfare Australia supports these recommendations on the grounds of improved transparency in information to be provided to the consumers of Job Network Services and upon which Job Network providers can review their performance and constantly improve the

quality and effectiveness of their services. Catholic Welfare Australia supports these recommendations on the condition that DEWR makes a public commitment to a program of continuing improvement in the Star Ratings formula.

Education and Training Outcomes in the Model

Consistent with Recommendation 10.4, the Draft Report recommends: that no weight in the Star Ratings assessment be given to interim education and training outcomes, but that final outcomes continue to be recognised; and, that secondary outcomes receive a lower weight in the star ratings than primary outcomes, consistent with the payment system (Recommendation 11.6).

The Productivity Commission will note the previous comments of Catholic Welfare Australia regarding the proposed alterations to payments for educational and training outcomes under Section Nine of this submission.

Catholic Welfare Australia strongly opposes the watering down of education and training outcomes in comparison with employment outcomes. The most disadvantaged job seekers are those most in need of education and training which will assist them:

- break out of the cycle of low-skilled jobs punctuated by periods of unemployment;
- improve their prospects of sustainable employment providing a living wage and opportunities for advancement; and
- improve their overall lifestyles and opportunities for participation in the economic and social life of the community over the medium to long-term.

Catholic Welfare Australia has proposed that stronger measures be taken by DEWR to address those instances where organisations may abuse the availability of secondary education and training outcomes by putting clients through unnecessary or low quality training. The Department should investigate the degree to which this is occurring in the Job Network system and consider ways to improve the system's operation in a manner that ensures job seekers have access to current or improved levels of education and training courses through the Job Network.

It is the view of Catholic Welfare Australia that any incidence of inappropriate referrals by Job Network providers in this area should not be the basis of recommendations that would act to deprive job seekers of education and training opportunities aimed at improving their perceived 'employability' and well as the effective supply of workers in labour market regions and Employment Service Areas across Australia. It is clear that a significant incentive is needed to ensure that Intensive Assistance providers address the education and skills needs as well as the personal barriers of job seekers receiving Intensive Assistance — at least to the extent necessary to return job seekers to suitable employment as soon as possible.

It is a major concern to this organisation that the recommendations of the Draft Report concerning education and training outcomes may act as a disincentive to the commencement

and completion of education and training courses in the Job Network. Similarly, the Productivity Commission's recommendation for changes in the Star Ratings system that would downgrade education and training outcomes is regarded as step in the wrong direction for the Job Network and those it serves.

The attached response of Catholic Welfare Australia to the Independent Review of Job Network's Star Ratings System explains this issue more fully.

CONCLUDING STATEMENT

Catholic Welfare Australia is grateful for this opportunity to lodge a submission with the Productivity Commission in response to the Draft Report.

Those Member Organisations of Catholic Welfare Australia involved in the Job Network have a strong commitment to assisting individuals and families afflicted by unemployment and made vulnerable to poverty as a result of being denied access to an adequate and stable market income. They have a lengthy tradition of direct involvement in the delivery of labour market programs which reaches back to the mid-1970s when some agencies became involved in the provision of the Community Youth Support Scheme.

Underpinning the growing involvement of our network's involvement in the provision of employment services has been the conviction that Church and community-based welfare agencies have a valid and important contribution to make in the lives of vulnerable and disadvantaged job seekers through the provision of holistic and tailored employment support.

Catholic Welfare Australia believes that, in the Productivity Commission's determination to create an economically rational marketplace, other rational motives that derive from social, cultural and other environmental benefits of labour market programs should also be included as legitimate in the review. The inevitable clash of priorities, some of which have been outlined throughout this submission, will then provide a good starting point for debate on the further review of service development and delivery.

The critical nature of the participation of 'mission driven' charitable organisations that have values and objectives that are not solely economic should also be acknowledged in the review as it is a legitimate component of why the system works in its current form and provides some of the reasons for its success.

In the context of a lengthy history of its Member Organisations providing quality employment and training services, Catholic Welfare Australia challenges some aspects of the Draft Report that review the job network from a purely economic perspective. There is some risk in this approach of a myopic assessment of the aims and objectives of the system and of the motives of clients, providers and other who are engaged in it.

Catholic Welfare Australia welcomes the opportunity to lodge this submission to the Independent Review and looks forward to reading the Productivity Commission's Final Report.

Attached for the information and further consideration of the Productivity Commission's Independent Review are the following two documents:

- Discussion Paper: *Long-Term Unemployment and the Employment Services System: Value Adding or a Trade in Damaged Stock?*
- Catholic Welfare Australia's Submission to the Independent Review of Job Network's Star Ratings System.