

April 24th, 2002

Professor Mike Woods,
Commissioner,
Productivity Commission,
Independent Review of Job Network,
PO Box 80,
Belconnen ACT 2616

Dear Professor Woods,

St. Laurence Community Services (Barwon) Inc. is pleased to enclose a formal submission to the Productivity Commission's Inquiry into Job Network.

Please do hesitate to contact me if further information is required or if you would like to discuss our submission in greater detail.

Yours sincerely,

Michelle Plane
Chief Executive Officer

Independent Review of Job Network

Submission by: St. Laurence Community Services (Barwon) Inc.

Organisation Overview

St Laurence Community Services (Barwon) Inc (SLCS) is a non-government community service provider largely financed by fee for service, contracts, funds raised by initiatives, government grants and contracts. St Laurence Community Services employs 380 staff and utilises the help of a large number of volunteers. The organisation has four divisions: Community Support, Residential Services, Corporate Services and Employment Services, and provides services from a number of sites with a geographic range from Werribee to Warrnambool and Hamilton

St. Laurence Employment Services (SLES) delivers Job Matching and Intensive Assistance services from five sites located in Geelong, Colac and Warrnambool.

Detailed Issues for Discussion

St. Laurence supports The Commission's comments that:

- The Job Network's purchaser-provider model is a suitable policy framework for the delivery of active labour market programs.
- The effects of Job Network programs on *net* employment outcomes are small, as in past similar programs. However, the total costs are much less than previous programs.
- Job seekers have some choice of provider, and they and employers are more satisfied.
- Competition between providers and the use of outcome payments have provided incentives for improving efficiency and achieving better outcomes.

St Laurence provides additional comments for consideration and these comments are summarized under the following items:

- Abolishing Job Match Payments
- Parking
- Job Seeker Choice
- Abolishing caseloads
- Reducing service periods
- Pricing
- "Compliance Creep"
- Performance Assessment – Star Rating Model

Abolishing Job Match Payments

On the issue of job match the Commission has identified the relationship with employers and gaining sufficient vacancies to allow placement of more disadvantaged job seekers but dismiss it as "a less creditable claim" this is at odds with research in the United States, which suggests, "that narrowing eligibility criteria for job matching services may reduce opportunities for disadvantaged groups".

Lack of Job Match general services would significantly hamper the profile of the service and the ability to have good mutual benefit relationship with employers – a key client group. No employers = no jobs. No fee to provider = no service = decrease employers. Any contract should let I.A. providers opt in or out of JM but be properly reimbursed if in. It is not reasonable to not pay providers for all Job Match clients if they are still expected/required to provide services for all. The provision of service such as room, tables, chairs, computers, advice or resume development, etc costs money and must be reimbursed.

Whilst many unemployed job seekers find jobs without Job Network help through newspaper advertisements, social networks and direct approaches to employers the reality is that many do not and they would be forced to wait lengthy periods until their turn came to be referred to Intensive Assistance for help. By this time new problems have been created like loss of self-esteem, motivation, and skill loss.

If go to an open, licensed system for Job Match DEWR need to ensure all providers meet minimum service standards (doesn't happen now) and simply don't "palm off" clients to get elements of their service provided elsewhere by more responsible providers.

The recommendation that the Government focus be on maintaining the National Vacancy Data Base (NVDB) ignores the likelihood that without providers putting their vacancies on the data base there would be no NVDB therefore, major changes to Job Match could well be self-defeating.

Parking

If the Commission believes "Parking" is occurring then there should be some recommendation around DEWR more effectively monitoring activities against client plans and not just assuming providers are doing nothing.

If extensive "parking" of clients is occurring then is possibly a result of the outcome-based system in place where DEWR has placed greater emphasis on financial payments for outcomes rather than paying a fair and reasonable service fee.

Options such as SEDS should be retained. From our experience, SEDS has provided clients looking at small business development a rare and valuable opportunity to develop their business to the point of applying for NEIS rather than being used as a way of "parking" clients. Removing a pathway such as this only further reduces the options available to address individual client needs.

Job Seeker Choice

St Laurence agrees that many job seekers do not choose their Job Network provider and if they do, their choices are often not well informed by information about providers' performance.

"Choice" for clients is limited. Providers could be allowed to advertise more or even "tout" for business. Choice would be enhanced if clients could change providers however a payment scheme for "work done to date" would need to be implemented for fairness. At the very least all restrictions

on clients transferring to another office of the same provider should be lifted now.

Abolishing caseloads

The “Abandonment of caseload” proposal does not recognise that this is not a normal market. “Free market” trade where any number of providers can set up and compete for clients is fine in an unregulated market but not here, where DEWR and Centrelink allocates the clients and controls the numbers in the pool (unlike hardware stores that can effectively grow a client/customer pool by changing product ranges etc). This proposal increases risk to providers and may well see some good quality providers opt out of the service, leaving only “fly by nighters” with no real investment in the system.

It must be remembered that current prices were tendered for on the basis of a tendered caseload. There still needs to be at least a minimum guarantee of caseloads to build services and costs around. Better performing providers should be allowed or rewarded with increased caseloads after performance reviews.

The duration of Job Network contracts need to be extended from 3 to 5 years to enable providers to achieve a return on investment, which in turn supports the commitment to delivery of quality services.

Reducing service periods

Reducing IA to 6 months would also reduce the outcomes and defeat the purpose of working with long term unemployed to overcome their barriers to employment. Many I.A job seekers take longer than six months to identify issues and get the job seeker to positively address solutions.

This is demonstrated by the "twin peaks" in outcome activity that the Commission has identified. Graph spikes up in early months of IA representing outcomes for job seekers who more readily accept the assistance on offer (possibly Level A job seekers) and in last couple of months of IA where outcomes are generated for many IA clients that require considerable effort throughout the IA period to address their issues. It should not be assumed that this pattern represents “parking” of clients.

If the reduced period of assistance is adopted then consideration should be given to enable the client to choose to be either re-referred to the same provider or extend the period of assistance with the same provider. In the later instance, there should be additional financial support to the provider. The options of re-referral or extension of the period of assistance would allow individual client needs to be accommodated and also protect the system from perceived “parking”.

Pricing

The tendering/purchaser provider model seems not to recognise that the tender can determine the level of quality and the tenderer then proposes a price to meet that quality. Seems to be subject to a worry that can't easily compare \$ and quality via tendering without recognising that the way to tender is to hold either one of those variables constant then compare the non-constant variable.

Contracts should include an annual CPI increase as a minimum requirement.

“Compliance Creep”

The degree of "compliance creep" involved for providers has severely eroded time spent in placement activity. It is now estimated that 50% of an employment Consultant's time is taken up in administrative and compliance activities. This not only restricts the Employment Consultant's time to work with clients but also means providers are absorbing costs which were never built into tender bids, because they were never specified by DEWR and have been quietly added on over time.

Another example of very significant costs being unfairly and in most cases unwittingly downloaded on to providers is the DEWR continual changing of Information Technology requirements.

The DEWR has advised providers that they intend to discontinue the provision of a Corporate Interface that allows providers own or third party programs to directly access the DEWR system. DEWR has attributed the decision to “privacy issues” but there have been suggestions that the real reason lies with costs savings for the Department.

Providers have indicated to DEWR that there are ways open that would be acceptable to providers that would ensure privacy issues are addressed and any privacy concerns the Privacy Commissioner has are allayed.

The use of EA 2000 or its replacement will significantly increase time, productivity and method of undertaking many tasks to the cost disadvantage of CI users. An allowance should be made to the pricing structure for ESC3 to compensate for this impact.

Any major change should include compensation from DEWR for costs associated with the development and installation of corporate interface arrangements including staff training if the CI is scrapped. New contract prices must include appropriate recognition of mandated IT system.

Performance Assessment – Star Rating Model

The current Star Rating Model needs to be supported with a qualitative process to provide comprehensive performance data.

Whilst the emphasis must and should be on achieving employment outcomes, there needs to be recognition both in the star ratings and financially for more clearly defined quality education outcomes which are a significant and appropriate stepping stone for many clients. If not represented in the star ratings as “quantitative” then activity could be included in "qualitative" supporting data to better reflect overall client development achievements towards employment outcomes.