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30th April 2002

Professor M Woods
Presiding Commissioner
Independent Review of Job Network
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

Dear Professor Woods,

This letter provides comments on the draft recommendations of the Commission's Independent Review of Job Network.

At the outset, I wish to commend the Commission on undertaking such a thorough and rigorous review. In our view, it is the most comprehensive and thoughtful report yet undertaken on the Job Network system.

Employment National's comments relate to three of the Commission's recommendations - the termination of Job Matching payments (7.1), the discontinuation of Project Contracting (7.7) and introduction of a licensing system for Intensive Assistance (11.1).

Job Matching (7.1)

The current Job Matching service plays an important role in assisting, at low cost, a range of demographic groups who cannot get immediate access to Intensive Assistance or Job Search Training. This includes school leavers, recent retrenchees and women returning to the workforce. A basic job brokerage service is an effective form of early intervention to move these groups into employment before they lose motivation and confidence. The help they need is the assistance currently provided by Job Matching providers - help with preparing resumes, referral to positions and advice on employer expectations.

Current Job Matching arrangements also play an important role in promoting the Government's training agenda by assisting employers to recruit New Apprentices. The Government has explicit objectives in skills enhancement and increasing the number of apprentices and trainees, which have been enhanced by the availability of Job Matching to assist with recruitment. One of the positive impacts of the cessation of labour market programs, such as the Jobstart wage subsidy system, has been that employers have now more readily embraced structured training arrangements through New Apprenticeships. The assistance available through Job Matching for the recruitment of New Apprentices has helped this expansion. Ceasing Job Matching payments could adversely affect this growth.

It seems doubtful that the alternative to Job Matching payments proposed by the Commission, a Government subsidised job website, will meet the needs of the short term unemployed. This is particularly so given that employers are generally reluctant to list positions on a website where the job seeker is able to directly contact the employer without prior screening by an intermediary. Indeed, if current Job Matching services are not continued, as proposed by the Commission, there appears to be no rationale for a government subsidised jobs website operating in direct competition with existing commercial sites, such as Seek.

As indicated in Employment National's original submission to the Commission, Job Matching could be a more effective form of intervention if the incentive structure was improved. The market has driven down the Job Matching price to a level which does not cover the cost of delivering the service. In addition, the fee structure does not provide incentives to favour permanent placements or the placement of priority groups. An improved payment incentive structure would ensure that Job Matching assistance was better targeted.

Project Contracting (7.7)

The Report does not fully canvass the impact on regional and rural Australia of withdrawing government assistance for harvest labour services. There are high costs for growers in rural areas in co-ordinating the recruitment of harvest labour. In the Goulburn Valley alone, around 10,000 seasonal fruit pickers are recruited each year, of whom approximately 3,000 are required to be sourced by the Project Contracting provider as the growers are unable to recruit the full labour force required locally. There are significant costs involved in marketing to and sourcing out of area labour (sometimes from interstate). This would represent a major cost burden for the growers in relation to the total fruit production value at farm gate (around \$80 million in the Goulburn Valley).

If growers are required to meet these costs, it may place this industry at risk, with wider impacts on nearby communities. Project Contracting providers also play an important role in ensuring that illegal workers are not employed in harvest work. Harvest employment has traditionally been a high risk area for the Department of Immigration and Multicultural Affairs in seeking to stop the employment of illegal workers. Project Contracting providers have worked effectively to minimise this risk.

Intensive Assistance (11.1)

The Report recommends the replacement of the competitive tendering system with a licensing system, allowing free entry of suppliers in the market and no regulation on caseloads for suppliers. This recommendation is supported in principle, although the information contained in the report does not provide a detailed explanation of how it is proposed that this should operate in practice.

The current tendering system has a tendency to allocate business to providers in a contrived manner and, while there are strong performance incentives in the system once providers are contracted, there would be benefits in allowing free entry and exit of providers in response to performance outcomes and commercial judgements by suppliers. The licensing system proposed by the Commission would facilitate this.

There are two issues of concern, however, that need to be addressed.

The first is that there needs to be some means of ensuring that all geographic areas are serviced. The current tendering system does ensure this, but it is not clear from the report how a licensing system would do this. There is a risk that an administratively set price may not be adequate in some depressed labour markets to keep suppliers at these locations.

A second concern is that past experience has shown that new entrants in a market can expect to take some time before they reach optimal performance levels. The performance rating system would need to take this into account, or else there is a risk that these providers would be penalised by the proposed changes to the job seeker referral process from Centrelink.

I thank the Commission for the opportunity to provide comments on the draft report. If you have questions about these comments, I would be pleased to discuss them further with you. I can be contacted on (02) 9200 6863.

Yours sincerely,

Martin Baird
Acting Chief Executive Officer