02 May 2002

Mr Mike Woods
Presiding Commissioner
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

Dear Commissioner:

I am pleased to enclose a copy of the National Employment Services Association's (NESA) final submission to the Independent Review of Job Network.

Thank you for allowing NESA to be involved in the Independent Review of the Job Network. We believe this has been a positive opportunity for NESA to give feedback concerning a range of issues facing the Job Network.

Please do not hesitate to contact me on 03 9686 3500 if you require further clarification or information.

Yours sincerely,

Sally Sinclair
CEO
National Employment Services Association

Response to:

Productivity Commission

Independent Review of Job Network Draft Report

May 2002

Version 1.0.

Table of Contents

1. Introduction

The National Employment Services Association (NESA) appeared before the Productivity Commission's Public Hearing on Wednesday 10 April 2002. At that hearing NESA was asked to respond to the Commission on several issues, being:

1. Job Matching
2. Information technology and associated costs
3. Contract compliance costs; and
4. Regional, rural and remote service provision

This paper outlines NESA's response to the issues above.

2. Job Matching

The concerns regarding the recommendation to abolish the Job Matching function appear to vary across the Job Network. Overall, there is a general industry view that Job Matching should be retained and refined as it provides early intervention and may prevent some jobseekers becoming long term unemployed.

The following points have been raised with NESA:

1. Impact on Employers

The Job Matching function is aimed at assisting both employers and jobseekers.

Many Job Network service providers believe that the Job Matching scheme is particularly beneficial in rural/remote areas where employment agencies as such are not usually established.

Further, there is a concern that small - medium businesses may be negatively impacted as in a majority of cases these businesses do not have a Human Resources capability and rely on the Job Network to assist in these functions through Job Matching.

In addition, experience under labour market programmes prior to the Job Network and early in Job Network I, found that a number of providers (including Employment National), experienced strong opposition from employers to the notion of being charged fees for the placement of unemployed jobseekers. The employer view was that they would reserve the payment of fees to a service that included sourcing current employed candidates. Such an approach would, therefore, further disadvantage unemployed jobseekers.

2. Impact on Job Network Brand

Job Matching assists in the placement of both short-term and long-term unemployed as Job Network service providers are able to offer employers a range of jobseekers.

It would be difficult for Job Network service providers to effectively market their services if they could only offer long-term unemployed jobseekers to employers. In many cases, employers simply would not use the services of the Job Network unless the current range of jobseekers was available.

In support of this, it is common practice for many Job Network service providers to ensure that their IA and Job Matching consultants cross analyze their caseloads to maximize the opportunities for employment for IA and Job Matching jobseekers.

NESA believes that the Job Network brand would be negatively impacted through a contraction of types and employability levels of individuals offered to employers.

3. Reward or Incentive Program

There are high costs for Job Network service providers associated with providing Job Matching services. Few Job Network service providers make a return on investment in providing Job Matching services.

NESA supports refining Job Matching to include a range of services, from sourcing employment opportunities, working with jobseekers, through to matching individuals to vacancies. NESA supports the introduction of a three-part split-fee reward/incentive program to cover those Job Network service providers who are:

1. Securing employment opportunities and vacancy listing
2. Jobseeker preparation
3. Jobseeker placement

It is believed that with further investment in the Job Matching scheme, jobseekers and taxpayers will benefit due to Job Network service providers having the required resources to provide a more holistic service on behalf of the Government.

4. Jobseeker Choice

NESA is of the belief that Jobseeker choice is central to the success of Job Matching.

However, it is difficult to identify a solution that would refine the job matching system and process to the point where jobseekers were only required to register once. This is made more complex by the transaction and claims system for paying Job Network service providers their entitlements when a jobseeker is placed with an employer.

The point raised by the Productivity Commission regarding the propensity for jobseekers to get confused about the status of their various employment applications is increased in situations where jobseekers are registered with several Job Network service providers to increase their chance of placement. Currently, Job Network service providers do not have the appropriate resources to continuously update jobseekers on their applications due to the high costs associated with the scheme. If a suitable fee were available then jobseekers and taxpayers would benefit from Job Network service providers being able to provide better services through a continuous feedback/improvement process with individual jobseekers.

The issue of choice and employment opportunities is heightened in rural and remote areas where several Job Network service providers are vying for opportunities across a much smaller and disparate employer base.

5. *Jobseeker Mobility Program*

NESA believes that there may be merit in a scheme where jobseekers choose to move from one job poor area to a more job rich area. This is supported with caution as it must not be to the Jobseeker's detriment if they did not choose to participate.

In order for such a scheme to succeed, financial incentives and guaranteed employment outcomes would need to be in place. Also, the out of area placement cap of 10%, imposed by DEWR, would have to be removed.

6. *Job Matching Payments*

The payment schedule of 28 days is considered to be too short. NESA supports the introduction of a 90 day pay schedule for Job Network service providers to lodge successful placements.

3. Information Technology and Associated Costs

Information technology (IT) issues continue to cause concern for Job Network service providers.

Regular changes to DEWR systems pose significant investment challenges for Job Network service providers.

NESA has obtained *approximate* IT costs required for set-up and entry to the market from a number of providers.

As a guide, for an organisation with 175 personal computers using Citrix and a third party software provider:

Set-up Costs[1]

ITEM	$ k
Hardware:	
Servers and PCs	200
Telecommunication	220
Software:	
Citrix Farm	200
Third Party S/W Provider	100
MS Tools & Licenses	75
Implementation	110
Implementation Consultants	25
Project Management	12
Training	175
IT Support	125
Sub Total	**$1, 242k**

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[1] Costs are approximate costs

Based on the figures above each PC hardware/software/configuration would cost approximately $7.1k.

Whilst IT costs to an small-medium enterprise as outlined above are significant, the costs are even more significant to larger enterprises, given the approximate cost per PC is in excess of $7k.

IT Compliance Costs

Please note that small-medium Job Network service providers have indicated that their additional IT compliance costs, on top of expected compliance costs, associated with DEWR system changes are similar to the larger organisations, with $0.5M - $0.7M being the average range provided to NESA to date for ESC2. The main reason for the similarities in system compliance costs between larger and small-medium enterprises is that changes to systems are usually conducted from a central system administrator and the changes are then passed through the system to remote locations.

Cost[2] of Compliance/Ongoing Costs for Changes to Contract (ESC2):

Business Interruption	220
Change to infrastructure	180
Training and support	120
Sub Total	**520**

The costs associated with the performance issues with Telstra broadband connectivity and business impacts have not been factored into the costs above, and would constitute substantial additional costs.

NESA understands that IT set-up costs and ongoing compliance costs would pose a significant barrier to entry for small to medium enterprises, particularly in rural and remote areas.

Generally, compliance costs are heavily impacted by the standard and level of IT service provision, which has a direct impact, positive or negative, on the overall performance of the Job Network.

4. Additional Contract Compliance Costs

The additional contract compliance costs outlined below do not include the IT compliance costs above and are based on a **single site small provider**. They also only address what are regarded to be the main additional compliance requirements and also do not including staff training, business process impacts and other peripheral additional compliance costs. The estimated range for resource costs has been identified as $100 - $150 per hour. Costs should be increased comparatively for larger organisations.

For the purpose of this report, figures will be based on a standard $100 per hour so that indicative costs can be provided and explanations are provided for each item below.

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[2] Costs are approximate costs

Resource					$ 1154
IASP*	15 minutes per transaction	$25	10		$ 250
JCON	20 minutes per jobseeker	$33	200		$ 6600
PFWA*	15 minutes per transaction	$25	5		$ 125
Proof of Claims	up to 10 hours	$1000	20/week		$ 2000
TOTAL COST PER WEEK					**$10 129**

*Depends on referral activity

1. Resource Costs

There has been a significant increase in administrative demands associated with contract compliance for ESC2, which in most cases has resulted in the need to hire additional resources. The costs included in employing the additional staff members include normal on-costs, infrastructure costs, resource requirements, recruitment, induction and training costs. Several members, representing smaller providers, have estimated the increased resource costs to be in excess of $60k per year. This would increase comparative to the size of the provider's operations.

2. EA2000

One major change to ESC2 has been the introduction of EA2000, which is the IT software programme allowing data transfer between DEWR and providers. EA2000 and the associated Telstra broadband connectivity issues have resulted in slower speed of all transactions, increased staff training, support requirements, infrastructure costs, increased down time, and a decrease in JRRR reliability.

3. Intensive Assistance Support Plan

The new process including the duplication of the Declaration of Intent has increased timeframes per transactions by approximately 15 minutes.

4. Jobseeker Contact Screen (JCON)

Providers have indicated that the change to the JCON process has increased timeframes by approximately 20 minutes per jobseeker.

5. Preparing For Work Agreement

Time increases on average have been reported at 15 minutes per transaction, which increases when the PFWA is not accepted by DEWR for any particular reason.

6. Proof of Claims

Providers have indicated that the change to the proof of claims process where verbal confirmations are no longer acceptable has increased timeframes dramatically. Some providers have estimated that the time taken to follow-up proof of claims has increased from 1 hour to up to 10 hours per claim. The estimated extra cost per transaction has been reported by several members as being $1000, with an average 15-20 transactions per week.

5. Rural and Remote Issues

Providers operating in rural and remote Australia are faced, simply by the nature of their locality, with unique issues and challenges. Many providers believe that these challenges have been absent from the public employment services agenda.

Several of these issues are outlined below.

1. Definition of "Rural" and "Remote"

Currently in the Job Network contract several Employment Service Areas (ESAs) are identified as remote. However, in reality, locality requires further drilling as there may be some areas within an ESA that are very remote but because the ESA also hosts a regional or metropolitan area this is not identified. An example of this is in the Central and Northern Queensland region Mt Isa; Emerald and Torres ESAs are classified as remote.

Mt Isa is a city with a population of 23,000 people. It has a functioning economy and compared to many other regional centres a thriving economy. Similarly, Emerald has a population of 13,500 and has been rated in the top 10 fastest growing inland towns in Australia. These examples of remote compare to the likes of Cooktown (340km North of Cairns) with a population of 1,600. Weipa, which is located 750 km west of Cairns and has a population of 2,500 and Palm Island, which is an Aboriginal Community with limited labour market based off the coast of Townsville and with a population of about 3,500.

There is a similar situation where a rural area close to a metropolitan area is classified into the metropolitan ESA. An example of this is Wonthaggi, which is classified as part of the Melbourne South East ESA. The economic and labour market is very different between the two areas.

These inconsistencies have a major effect on performance assessing and in turn future purchasing for areas located within these ESA's.

2. Remoteness as an Inhibitor of Information Exchange

Distance in rural and remote areas is a major issue when trying to organize meetings and functions. In some instances, many resources are required in terms of time, travel/accommodation and additional staffing hours when organizing to attend various functions and meetings.

In an instance where the nearest DEWR meeting is at least 4.5 hours drive away, providers staffing is impacted by approximately 1.5 days rather than the normal 2 hours.

Although this is the nature of being located in rural and remote Australia, there are several ways that this issue can be minimized. Wherever possible, coordination needs to occur to save time and other resources and there is a real need to investigate the better use of video conferencing facilities.

The actual costs involved in attending meetings must also be considered in full when tender pricing is set.

3. *Viability Of Tendered Programs in Rural and Remote Areas*

Often programs opened to tender lack viability for organizations that operate in rural/remote areas. On many occasions, the indicative numbers do not allow for economies of scale. Organisations are often not inclined to tender, as the unit cost to cover costs exceeds the "ball park" figure. This often means that local providers with community links are squeezed out of rural and remote markets. More importantly, the jobseekers who are most in need in rural and remote areas may not have access to services as the service may only be delivered in regional centres where it is cost effective.

In rural and remote areas Job Search Training (JST) and the Community Support Programme (CSP) is difficult to operate due to small numbers. There is a suggestion that JST providers should be able to advertise in local papers to pick up the hidden unemployed in those areas.

There are disproportionate resources required to service clients in rural and remote areas. The greater resources required to effectively service clients in these areas are not reflected in the fee payment structure within the contract. This may have a direct impact on the level of service delivered to clients in the remote/regional areas of the ESA.

4. *IT and Communications*

Providers in rural and remote areas face additional challenges with regard to IT and communications, including efficiency of satellite technology and high costs of operation. These costs are deemed to be a significant barrier to entry in rural and remote areas.

Many providers also believe that there is an inadequacy of compensation and structure pertaining to DEWR's communications requirements specifically for providers in rural and remote areas.

5. *Client Servicing*

The actual cost of service delivery in regional and remote areas is often far greater than in other areas. This fact is perceived by some providers as not being acknowledged fully by DEWR in terms of their expectations.

Some of the issues raised with NESA include:

- High Government expectations on Job Outcomes in remote communities that have a very restricted labour market.

- In some areas where there is little or no labour market, the difficulty in achieving a primary job outcome has not always been reflected in the fee structures or Star Ratings and latterly, measures to assess quality of outcome for the purpose of contract roll over.

- Some providers receive referrals for IA for jobseekers who live up to 200kms from their site.

- The reality of administration in rural and remote areas is such that it often requires additional resources. The automated Centrelink referral process, which utilizes postcodes as the tool for referral often does not work as postcode can cover many hundreds of kilometres. Additionally, there are actually "dump" postcodes, which cover all of the remote areas that do not fit into any other area. As a result of this, inappropriate referrals are time and resource intensive prior to servicing a job seeker, and without any chance of recompense.

- Economies of scale are often difficult to achieve due to the lack of numbers of providers in regions, however, there are some very innovative ways of servicing clients being utilized.

6. Other

Other challenges faced by providers and jobseekers in rural and remote areas include:

- In most instances jobseekers are immobilised by their assets e.g. houses they are unable to sell due to market restrictions and the expenses incurred buying in other, less remote locations

- Lack of public transport

- Casualised employment market

- Lack of access to education and training providers and resources

- No or limited support in terms of networks of employers and family due to isolation

- Socially isolated, meaning that community groups and clubs may not be a vehicle for maintaining normal social skills and communication skills

- Lack of medical resources and special counseling resources to cater to special needs

6. Summary and Conclusions

The issues outlined above provide additional details on some of the areas that were outlined in NESA's initial submission.

Other areas that the industry has indicated required additional development through partnering with the Government and DEWR, include quality and best practice, and professional development, including industry education and training.

NESA has established two new Special Interest Groups reflecting the high level of industry interest in these areas and looks forward to be working constructively with the Government and DEWR on the development of the industry.