

Dear Commissioners

The National Employment Services Association (NESA) is the peak body for all Australian employment services. NESA members have extensive coverage of Job Services Australia (JSA), Disability Employment Services (DES) and the Remote Jobs and Communities Programme (RJCP).

NESA membership includes community, private and public delivery agencies delivering services across the breadth of Australian employment and related services. NESA's representation reflects our unique perspective on the functioning and development of the broader employment services policy and program framework as well as in-depth understanding of individual programs and operating environments. We take a holistic approach across the entire employment services sector.

Australia's fully contracted out employment services remains unique in the world, and is credited with assisting Australia in having one of the highest employment rates in the OECD. NESA plays a wide-ranging role from the development of policy advice and research to capacity strengthening and promoting good practice.

We welcome the opportunity to provide a submission to the Commission of Audit. To this end, I am attaching two documents that provide NESA's view on key employment services issues now and in the long term.

I am attaching the findings of a recent NESA report '*Employment Services in Australia: Roadmap for the Future (2015 and Beyond)*' (Attachment A) that outlines the views of NESA members about the longer-term future of employment services provision in Australia. In summary, it argues there is a need to get back to basics and focus on job seekers, employers, and minimising red tape.

The '*NESA suggestions for reducing red tape*' document (Attachment B) highlights the burden of red tape facing employment services providers, specifically in Job Services Australia, which is challenging the financial sustainability of providers in the industry. I should also note that red tape is a significant issue in the Disability Employment Services as well as the Indigenous Employment Programme. We are also developing our thinking around how technology could be used to improve the system, and for example would recommend in the longer term, red tape would be significantly reduced by integrating the DHS, Employment Services and ATO IT systems.

Should the Commissioners seek further ways in which employment services could be outsourced, there are a number of areas that the Industry, through the peak body, could take responsibility for.

I would be very happy to respond to any queries that you may have about the attached documents, or the employment services industry more broadly.

Yours sincerely


CEO

26 November 2013

Employment Services in Australia: Roadmap for the Future (2015 and beyond)

CEO Introduction

In writing my CEO Report for the 2012/13 year I reflected on the challenges facing our Industry right now as well as the future development of the employment and related services framework.

In the past year we have seen a lot of change. This included a reform programme initiated within the Federal Government, changes in ministerial accountability in the previous Government, a challenging economic environment and of course after our 2012/13 reporting period last September a change of Federal Government.

What has not changed is the commitment both at a political and stakeholder level to the model of contracted employment services which is based on three key principles of flexibility, choice and competition. Since the introduction of contracted employment services by the Howard Government in 1998, the industry, our clients and our partners have all been on a journey. We have all achieved a lot – with millions of people placed in employment and Australia’s system considered a world leader in supporting people into employment at a reasonable cost to the public purse.

In the early days of the Job Network there was a lot of innovation, but at the same time the market was very new and there were lessons for all of us. Many people look back fondly to the days of the second Job Network contract which provided ample opportunity for employment services professionals to do what they do best – support people back into employment while meeting employer needs. ‘Creaming’ and ‘parking’, two of the key challenges at this time, were addressed through the introduction of the Star Rating System and business reallocation and would no longer be a concern.

There have been a range of improvements to the system over time, and the activation model has meant that more and more people are motivated to work. However there have also been significant additions to the rules and operating procedures of the system – which is stifling innovation and productivity as well as challenging financial sustainability.

What our members do is critical for our nation. A productive, strong economy requires a flexible and appropriately skilled labour force to meet business needs.

However, one of the great challenges ahead is to enable as many Australians as possible to actively participate in our economy through meaningful, productive and sustainable employment. Indeed many of our job seekers are our most vulnerable and disadvantaged citizens.

The commitment of our members to create genuine and lasting change through employment is something of which we can all be very proud.

However we need the mechanisms within the employment services system to work better to help achieve our goals. This document sets us on this path by focusing on what is working well and making some constructive suggestions for improvement. It is based on feedback over a number of years from members and stakeholders.



We look at all parts of our business from the needs of job seekers and employers, purchasing and contracting arrangements and the partnership delivery model. Above all we are very focused on removing red-tape and supporting innovation.

We look forward to our discussions and continuing to help you do what you do best, which is provide “opportunity through employment and inclusion”.

NESA CEO

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SUMMARY OF RECOMMENDATIONS

Directions for the future – back to basics

Focus on Employers

- A Government led campaign developed in consultation with industry to promote awareness of Australian employment services and the benefits of workplace diversity
- Expanding the current job placement model to one that better meets employer servicing expectations, better ensures that employer needs are met, and links to job creation activities
- Incentivise collaboration in employer servicing through outcome payments and the Star Rating System
- Piloting the introduction of an independent national facilitator for employment services with experience of the industry, initially for large, national employers
- Increase the opportunities for well-developed and appropriately funded work experience programs that provide opportunities for on the job skill development and longer term employment.

Job Seeker Servicing

- Connect job seekers to active and tailored assistance as early as possible to achieve the fastest possible engagement to the labour market and decrease the risks of long term unemployment
- Change the tools that assess how difficult it will be for a job seeker to find employment (the Jobseeker Classification system) to ensure individual job seeker disadvantage is accurately assessed so that they receive the appropriate service at the right time
- Better enable the use of technology to support tailored and flexible delivery of employment services
- Support the capacity of employment service providers to maximise the successful transition from welfare to work and improve jobseeker skills to better meet employer demands and achieve productivity growth.

Purchasing & Contracting Arrangements

- Increase contract lengths (to a minimum of 5 years) to provide greater industry stability and provide annual indexation to recognise cost of business pressures
- Maintain the current Employment Service Areas (ESA) to ensure local focus within bids
- Maintain the current flexibilities around entity arrangements to maintain provider diversity
- Allow for greater negotiation between provider and purchaser over the life of the contract to recognise changing labour market and business needs
- Ensure any contract variations which add to the terms of trade are adequately compensated
- Ensure purchasing arrangements and funding adequately accounts for regional and rural operating costs
- The employment services industry drive the quality agenda. NESAs has developed accreditation standards for industry by industry (Employment Services Industry Standards).

Better Connections

- In consultation with providers review the performance framework and payment structure to identify potential mechanisms to better incentivise collaborative efforts

- Better align incentives for Job Services Australia to work with registered training organisations to provide training to disadvantaged job seekers that is more flexible, fit for purpose and more closely linked to job outcomes
- Achieve a better match between supply and demand in local labour markets and enhance local job creation by encouraging local economic and employment partnerships between employers, employment service providers and other related services
- The creation of a central portal linking the range of government initiatives and programs offered across portfolios that are available to support employer and job seeker needs.

The value and importance of employment

Employment matters to business, individuals and the community. A productive, strong economy requires a flexible and appropriately skilled labour force that meets business needs. Strong economic growth plays a critical role in improving employment opportunities in a changing global economy.

One of the great challenges ahead is enabling as many Australians as possible to actively participate in our economic growth. This is critical as Australia's working population ages and retires and the tax burden for government services falls upon a shrinking pool of those able and eligible to work.

To achieve the participation rates we need as a country, we must drive further improvements for the estimated 1.3 million Australians not currently in the workforce who would like to work.¹ Improvements in the use of available labour is forecast to add significantly to Australia's GDP in the longer term as identified across a range of studies:

- closing the gap between male and female participation rates is estimated to increase Australia's GDP by 13 per cent or \$180 billion²; and/or
- Increasing labour market participation rates and reducing unemployment rates for people with and without disabilities by one-third would result in a cumulative \$43 billion increase in Australia's GDP over the next decade in real dollar terms; and/or.³
- If Australia is able to increase its participation rate to the same level as New Zealand this is estimated to increase Australia's GDP per capita by 1.75 percent⁴;

Although low by international standards, there has also been an upward trend in Australia's unemployment rate over the past 12 months, rising from 5.3 per cent in September 2012 to 5.7 per cent by September 2013.⁵ Competition for jobs is fierce – there are five job seekers for every advertised vacancy.⁶ This highlights the importance of the system being flexible enough to respond to changes in the labour market and as well as harnessing employer demand and job creation strategies.

Great variation in unemployment rates are observed based on a range of factors including age, duration of unemployment, geographic region, industry and skill level. Youth unemployment is significantly higher than the overall unemployment rate, climbing to 17.1 per cent in September 2013, the highest level since October 2010.⁷

The ratio of long-term unemployed is 18.8 per cent.⁸ Long term unemployment tends to be slightly lower in capital cities, and higher in particular regional areas. For example some of the highest rates of long-term unemployment, more than double the national average, can be found in the regions of Far North

¹ Australian Workforce and Productivity Agency (2013), *Future Focus – 2013 National Workforce Development Strategy*, page 71.

² Goldman Sachs Economic research – “*Weekly Comment: Productivity – Much Ado About Nothing?*” 26 August 2011. (referenced in Deloitte Access Economics Report (February 2012) *Where is your next worker?* Page 20)

³ Deloitte Access Economics (July 2011) *The economic benefits of increasing employment for people with disability*. Page ii

⁴ Business Council of Australia (October 2007) *Engaging our Potential – The Economic and Social Necessity of Increasing Workforce Participation* page 57.

⁵ Australian Bureau of Statistics (September 2013) *Labour Force, Australia*, cat. No. 6202.0, ABS Canberra (Trend Estimate)

⁶ DEEWR Vacancy Report June 2013 & Labour Market Information Portal Data

⁷ Australian Bureau of Statistics (September 2013) *Labour Force, Australia*, cat. No. 6202.0, ABS Canberra (Trend Estimate)

⁸ Australian Bureau of Statistics (2013), *Australian Social Trends* 4102.0, Data Cube - Work

Queensland (Qld), Fairfield-Liverpool (NSW) and Northern Adelaide (SA). North Western and Central Western (NSW) and Central Highlands Wimmera (Vic) also have large proportions of unemployed people who are long-term unemployed.⁹

Employment is the path out of disadvantage for most people of working age. Less than 4 per cent of Australians employed full-time and 17 per cent employed part-time experienced income poverty in 2010 (compared with 63 per cent of those unemployed).¹⁰

Not working for six months or more has been found to be an equivalent health risk factor to smoking 10 packets of cigarettes each day.¹¹ Long-term unemployment is considered to be one of the most significant public health risk factors.¹² On the balance of evidence, unemployment causes, contributes to or accentuates a wide range of negative health impacts at a significant cost to individuals, families and society.¹³

Economic and social participation by individuals is the foundation upon which healthy societies are built.

Employment confers many wide ranging benefits including

- Allowing individuals to feel that they are making a contribution to society and their family;
- giving structure to days and weeks;
- financial security; and
- decreasing the likelihood that individuals will engage in risky behaviours, such as excessive alcohol consumption.¹⁴

The value of employment highlights the importance of Australia's employment services system in contributing to our economy, society and in providing individual opportunity.

What we are doing well – and what we could do better

NESA has consistently supported the contracted employment system introduced in 1998 by the Howard Government, as our members believe it has on the whole worked well.

The Job Network was a new and evolving way of attempting to reduce unemployment by bringing flexibility, choice and competition to the provision of employment services.¹⁵ Competition between providers and the use of outcome payments created improved efficiency and better outcomes.¹⁶

Further major reforms to the framework introduced in 2000 led to a sharp increase in employment outcomes.¹⁷ Later amendments to contracted employment services led to greater tailoring of employment services for highly disadvantaged groups.

⁹ Australian Bureau of Statistics (September 2011) Australian Social Trends, cat. No. 4103, ABS Canberra.

¹⁰ McLachlan, R., Gilfillan, G. and Gordon, J. (2013), *Deep and Persistent Disadvantage in Australia*, rev., Productivity Commission Staff Working Paper, Canberra. Page 20

¹¹ Waddell G, Burton K, Aylward M (2007), *Journal of Insurance Medicine*, Work and common health problems, Volume 39, 2, pages 109-120

¹² The Royal Australian Society of Physicians & The Australasian Faculty of Occupational & Environmental Medicine (2011). *Realising the Health Benefits of Work – A Position Statement*

¹³ Waddell, G. & Burton, A.K. (2006) *Is Work Good for your Health and Well-being?* The Stationery Office, London, England.

¹⁴ The Royal Australian Society of Physicians & The Australasian Faculty of Occupational & Environmental Medicine (2011). *Realising the Health Benefits of Work – A Position Statement*

¹⁵ Productivity Commission (2002) *Independent Review of the Job Network*, Report No. 21, AusInfo, Canberra

¹⁶ *ibid*

The Australian system of contracted employment services is highly regarded internationally and is credited with assisting Australia in having one of the highest employment rates in the OECD.¹⁸ Australia is currently the only OECD country to wholly outsource the delivery of publicly funded employment services.¹⁹

International comparisons of sustained employment outcomes for Australia's contracted employment services model highlight the strong outcomes achieved. In terms of program performance, results from the Post Program Monitoring Survey published in a September 2012 Report showed sustained employment outcomes of between 29.7 per cent (Stream 4) up to 61.5 per cent (Stream 1).²⁰ This compares to sustained employment outcomes of 3.6 per cent of claimants on the United Kingdom Work Programme over the period June 2011 to July 2012.²¹

The workforce employed in the Australian employment services industry is highly skilled and is focused on delivering tailored outcomes for job seekers and employers alike. A survey conducted by NESAs of the education and qualifications of the Australian Employment Services workforce showed that 80.84 per cent of survey respondents had a Certificate III qualification or higher, with 72.37 per cent having Certificate IV and above. Additionally over a quarter of the respondents had an undergraduate or post graduate qualification level.²²

When looking at training undertaken directly related to the industry – just under 65 per cent indicate having undertaken additional training while in the employment services industry. The industry will continue to support further development of staff through a range of initiatives, including the Employment Services Professional Recognition Framework.

Despite the hard work of the sector, in more recent times the excessive administrative burden and red-tape has impacted on the capacity of the industry to get people into work. For example, in some cases members have advised NESAs that up to 50 per cent of staff time is spent on administration. This is also placing a heavy financial burden on the industry, for whom financial sustainability is an increasing challenge.

NESA believes that red tape reduction should be an immediate area of priority (See Attachment A).

Through extensive member consultation and feedback, NESAs believes that changes can be made to improve the efficiency and effectiveness of the current system for employers and jobseekers.

¹⁷ Grubb, D. (2006) *Australia's quasi-market delivery of case management*, International Social Security Association - International Experts Workshop of the ISSA Technical Commission on Unemployment Insurance and Employment Maintenance, Brussels, Belgium, 10-11 April 2006

¹⁸ OECD (2012), *Activating Jobseekers: How Australia Does It*, OECD Publishing. doi: 10.1787/9789264185920-en

¹⁹ Finn, D. (2012), *The design of the Work Programme in international context*, National Audit Office, London.

http://www.nao.org.uk/publications/1012/dwp_work_programme.aspx

²⁰ DEEWR (2012), *Labour Market Assistance Outcomes*, September 2012

²¹ Public Accounts Committee (2013)- *Thirty-Third Report Department for Work and Pensions Work Programme outcome statistics*
<http://www.publications.parliament.uk/pa/cm201213/cmselect/cmpublic/936/93603.htm>

Although a reasonable comparison, note should be taken of: (a) the relatively mature contracted employment services sector in Australia compared to the immature UK system; (b) the relative current economic strength of the Australian and UK economies. Eligibility for inclusion on the UK Work Programme stipulate that individuals may be mandated to take part in the UK Work Programme if they are in receipt of Jobseeker's Allowance: (a) after three months if not in education; or (b) after nine months - if aged 18 to 24; or (c) after 12 months - if 25 or over.

²² National Employment Services Association (2013) *Australian Employment Services Workforce Education & Qualification Overview*

Directions for the future – back to basics

Focus on Employers

Paid employment with the social and economic benefits it brings are at the heart of productive communities, and therefore increasing employer engagement is fundamental. Consultation with employers, business and industry stakeholders indicates that there is limited awareness of employment services programs – and that most became aware only through direct approaches by providers. This is in stark comparison to the establishment of the Job Network when the then Government invested significantly in an employer awareness campaign.

The most successful connections are developed over time and take considerable work to build and maintain. It is simply not a point of “you have a vacancy, I have a job seeker”, but the creation of ongoing business to business relationships.

Small and medium businesses are currently the primary users of employment services, highlighting the importance of local relationships. It is important that any changes to employer servicing arrangements should not adversely impact on local approaches or access to employment services by small and medium enterprises.

The delivery of the achievements of Australia’s employment services system could not have been delivered without the engagement of employers. The question is how we can achieve more.

There is an opportunity to build awareness and engagement of employers of all sizes to better support employment participation and supply the skills required to meet the country’s growing productivity needs. Adopting stronger workforce development approaches to bridging the labour supply and skills demand divide is key.

Case study: Job Services Australia Alliance

In Logan City, Queensland, all Job Services Australia providers in the ESA are working collaboratively in a new initiative that aims to increase understanding of industry needs and foster stronger relationships between the JSA network and industry. Other key partners are the Logan City Council, the Local Employment Coordinator and Department of Employment.

BoysTown and Logan City Council will work with local employers to identify the entry level requirements of employees coming into the industry or their workplace. Pre-employment training will be designed with industry input and will involve significant life skills, life style and accredited vocational modules. Employers will be encouraged to be part of the delivery of the pre-employment training by delivering sessions on topics such as health and safety or typical industry processes.

Under a memorandum of understanding, the costs and benefits of the initiative will be shared between providers based on market share within the ESA.

Finding better ways to meet the needs of large employers is complex, as they operate across a range of industry sectors with diverse skill and labour needs across their various business streams or divisions. Likewise large employers already have various strategies for recruitment with some being centralised and others devolved to local divisions or branches, and sometimes mixed approaches. However a more

coordinated approach may be useful in attracting some national employers to working with employment services, similar to the National Disability Recruitment Coordinator.

NESA Recommends:

- A Government led campaign developed in consultation with industry to promote awareness of Australian employment services and the benefits of workplace diversity
- Expanding the current job placement model to one that better meets employer servicing expectations, better ensures that employer needs are met, and links to job creation activities
- Incentivise collaboration in employer servicing through outcome payments and the Star Rating System
- Piloting the introduction of an independent national facilitator for employment services with experience of the industry, initially for large, national employers
- Increase the opportunities for well-developed and appropriately funded work experience programs that provide opportunities for on the job skill development and longer term employment.

Job Seeker Servicing

The experience of our members is that employment services work best when individuals' needs are front and centre and there are direct linkages to training and other support services. To effectively assist job seekers to access sustainable employment and enjoy the same opportunities as others, they must be afforded a level of service that meets their individual needs and allows interventions to be tailored to their specific circumstances. Individual case management is particularly important for the very long term unemployed.

Diversity of providers is one of the key strengths of the current system and is critical to job seeker and employer choice, and provides for the creation of specialist expertise to be targeted to individual cohorts.

Case study – ██████████ and Matchworks

Left for dead following an horrific motorbike accident, ██████████ has used sheer determination to overcome a traumatic brain injury and a lifetime of illiteracy and now inspires others facing similar challenges. He has been nationally recognised for this incredible achievement.

Growing up surrounded by the violence, poverty and lawlessness of Preston, Melbourne in the 1950s, ██████████ was placed in a boy's home at eight years of age. It was here that his formal education ceased. Emerging illiterate at the age of seventeen, ██████████, relying only on resolve and persistence, managed to establish a data cabling career that spanned 22 years, developing his skills by watching and learning from others.

At the age of 40, awaking from a coma long after a car travelling at high speed collided with his motorbike, ██████████ faced his greatest challenge. Unable to walk or talk and suffering extreme memory loss, ██████████'s brain injury was so severe he couldn't recognise his own family. Faced with an enormous rehabilitation challenge, ██████████ had forgotten how to relate to people.

"I was a very angry man. I was frustrated because I'd always stood on my own two feet and now I had to rely on others," he said.

With the help of the team at MatchWorks in Geelong, ██████████ has been focussed on relearning the skills he possessed before his accident and has gained formal qualifications. He has devised his own strategies to overcome his challenges with literacy and numeracy and is always working on improving his ability to read

and write. His dedication and will to achieve make him a valued member of the team at the aged care facility where he works full time as a Maintenance Engineer.

“Getting this job has made me move on with my life,” ██████ said. “It’s like walking out of a fog, things just clicked” he said.

NESA recommends:

- Connect all job seekers to active and tailored assistance as early as possible to achieve the fastest possible engagement to the labour market and decrease the risks of long term unemployment
- Change the tools that assess how difficult it will be for a job seeker to find employment (the Jobseeker Classification system) to ensure individual job seeker disadvantage is accurately assessed so that they receive the appropriate service at the right time
- Better enable the use of technology to support tailored and flexible delivery of employment services
- Support the capacity of employment service providers to maximise the successful transition from welfare to work and improve jobseeker skills to better meet employer demands and achieve productivity growth.

Purchasing & Contracting Arrangements

The current purchasing framework for employment services is one of the most advanced and best evaluated in the world. A central strength of our model is the diversity of the provider network and the ability for a wide variety of entity types to put forward bids for business. Having such flexibilities means that organisations have the ability to develop strategic partnerships including prime contracting or consortium arrangements to produce specific skills and services to meet job seekers or local area need. Niche providers can develop economies of scale to ensure their specialist services remain in the market. Providers are able to implement business models that meet the needs of local areas, employers and job seeker profiles.

However there are significant cost pressures on providers. Reducing the administrative burden on providers will help ensure that businesses can manage their costs. It is our view that any savings must be redirected to frontline services.

Case study – financial pressures

The growing number of job seekers moving into work experience and Compulsory Activity Phase (CAP) is having an impact on provider revenue.²³ This group represent some of the most vulnerable jobseekers, yet the resources available to providers to support them achieve employment is significantly reduced. In the example below, the Work Experience and CAP caseload increased from 15% of the total caseload in 2010 to 40% in 2013.

	Jul-10	Dec-10	Jul-11	Dec-11	Jul-12	Dec-12	Jul-13
Caseload	10,850	10,933	10,850	10,347	11,344	11,475	12,577
Monthly Processing Revenue	\$ 979,853	\$ 871,099	\$ 899,059	\$ 869,227	\$ 902,350	\$ 835,000	\$ 756,881
Processing Revenue per job seeker	\$ 90.31	\$ 79.68	\$ 82.86	\$ 84.01	\$ 79.54	\$ 72.77	\$ 60.18

²³ The table demonstrates Processing Revenue divided by the Pending and Commenced Caseload to give the processing revenue per job seeker per month.

Technically, servicing of job seekers in work experience and CAP should reduce with the move to bi-monthly appointments. However the increased obligation for job seekers means that servicing requirements actually go up. In this example, there has been a reduction of processing revenue per job seeker from \$90.31 to \$60.18, a 33% reduction.

NESA believes that many of the current challenges in the system can be addressed by recalibrating aspects of the current arrangements. Furthermore, innovation can best be fostered in a flexible and low prescription environment.

NESA Recommends:

- Increase contract lengths (to a minimum of 5 years) to provide greater industry stability and provide annual indexation to recognise cost of business pressures
- Maintain the current Employment Service Areas (ESA) to ensure local focus within bids
- Maintain the current flexibilities around entity arrangements to maintain provider diversity
- Allow for greater negotiation between provider and purchaser over the life of the contract to recognise changing labour market and business needs
- Ensure any contract variations which add to the terms of trade are adequately compensated
- Ensure purchasing arrangements and funding adequately accounts for regional and rural operating costs
- The employment services industry drive the quality agenda. NESA has developed accreditation standards for industry by industry (Employment Services Industry Standards).

Better Connections

Strong Partnerships between the employment services sector and other services helps to achieve the best outcomes for employers and job seekers. Improved partnerships, particularly with the vocational education and training sector, would also improve capacity to meet employer needs. Partnerships in local labour markets can also assist in job creation by linking economic development with employment.

Case Study – Whittington Works!

Entrenched and generational unemployment is a very real issue in Whittington, Victoria. Whittington Works! aims to get people back into the workforce and create a culture of lifelong learning within the community. It was formed as part of the Whittington Community Renewal Project, which was funded by the Victorian Government and in Whittington was managed by the City of Greater Geelong.

To support education and employment, Whittington Works Alliance creates meaningful partnerships between residents, its members and local stakeholders including job service providers to promote: Lifelong learning and student engagement; Improved skills and qualifications; Better links between labour supply and demand; Local economic growth; Social inclusion; Greater accessibility of services; Health and wellbeing; and Community networks.

Appropriate incentives need to be in place – and ideally aligned between systems - for such partnerships to work.²⁴ For example under the current arrangements, the Star Rating system compares provider performance across a number of measures and influences re-allocation of business and procurement decisions by the Department, where poorer performing providers may lose all or part of their contract. Due to the importance of performance and the short term nature of contracts, collaborative partnership activities which may take significant time to develop successful outcomes can be considered detrimental to overall performance and a competitive disadvantage.

NESA Recommends:

- In consultation with providers review the performance framework and payment structure to identify potential mechanisms to better incentivise collaborative efforts
- Better align incentives for Job Services Australia to work with registered training organisations to provide training to disadvantaged job seekers that is more flexible, fit for purpose and more closely linked to job outcomes
- Achieve a better match between supply and demand in local labour markets and enhance local job creation by encouraging local economic and employment partnerships between employers, employment service providers and other related services
- The creation of a central portal linking the range of government initiatives and programs offered across portfolios that are available to support employer and job seeker needs.

²⁴ Australian Workforce and Productivity Agency (2013), Future Focus, 2013 National Workforce Development Strategy

Attachment B

NESA detailed suggestions on red tape reduction

Introduction

Providers tell us that around half of front-line staff time is being spent on administration. In addition, the number of staff dedicated to compliance and contract management within organisations is increasing and diverting resources from practice. NESA welcomes the measures already announced by Minister Hartsuyker to reduce red tape, and we believe there are many more opportunities for reducing red tape.

Given the current complexity of the system – for example over 3000 pages of operational materials and over 800 guideline updates from October 2012 to October 2013 – it is also an incredibly complex job to develop very detailed feedback around reducing the administrative burden on providers. NESA believes that significant change can be made through a number of measures outlined below.

We recognise that a key challenge in achieving a reduction in red tape now and in the future is balancing the management of risk within finite resources of stakeholders. An over emphasis on prescription as an approach to managing risk comes at the expense of resources for service delivery and industry sustainability. Given the capacity constraints for providers in the current JSA contract, it is essential that savings are channelled towards building the delivery of front-line services.

Service fees

Currently providers are required to verify and physically lodge claims for service fee payments for each job seeker in service – which is administratively burdensome and time consuming for organisations, particularly when you consider that there are around 790 000 job seekers registered at any given point in time (on average) nationally.

By automating the service fee claims process and moving to a claiming by exception methodology (requiring providers to remove ineligible claims from the claims process, as opposed to the current requirement to approve all eligible claims) the number of transactions being undertaken by providers daily would be significantly reduced. Automation of service fee claims could be achieved immediately through minor changes to the IT System.

Given that service fees are only available to claim when the necessary actions have been completed in ESS indicating that all requirements are met, this is a low risk change. Additionally, the Program Assurance framework would be used to monitor and identify inappropriate claiming via desktop auditing.

Example

A site with a caseload of 1000 active job seekers will be required to complete an individual transaction to claim a service fee for each job seeker every 13 weeks. This entails the following steps:

1. Confirm the availability of a service fee by checking either the Job Seeker Payments screen or Site Payments screen in ESS
2. If using the Site Payments screen the provider must then enter the following details:
 - The claim category
 - The site code
 - The contract ID
 - The payment type
3. Confirm that the job seeker is still participating in service, has a future appointment in the system, a valid EPP and is likely to continue to participate by reviewing job seeker records and file notes.

Each transaction could take between 5 and 20 minutes per claim to complete – depending on the job seeker circumstances - equalling around 80 hours of administration work for that caseload.

If the system was to move to a process of claiming by exception – this transaction figure could be reduced by up to 90%, saving significant time and resources.

Job seeker placement

There is significant complexity around Job Placement and the requirement for providers to request documentary evidence from employers to substantiate what is a relatively small fee in comparison to other payments.

The checklist for claiming a job seeker placement fee contains 14 separate check boxes, much of which is information that will be collected by Centrelink when the job seeker lodges their employment details and declares their first fortnight of earnings.

Increasingly employer frustration with '*form filling*' has threatened long term relationships and providers have in some cases stopped requesting the evidence in order to maintain engagement.

Example

Where providers have relationships with medium and large employers who offer a high volume of opportunities, current requirements are most intrusive on placement. One large employment services provider has tracked job placements that have met all the required criteria however, as the evidence could not be provided in the required form from the employer the placements have not been claimed. Since July 2012 this has represented 500 job placements for this single provider.

The current structure also fails to acknowledge the amount of work that goes into developing the capacity of a job seeker to job search independently of their job service provider while being supported to manage barriers to workforce participation.

We recommend that there should be a move from a transactional to an outcome approach of job placement, as is used in Disability Employment Services (DES). JSA should be able to automatically receive a job placement fee for every job placement. This would remove the requirements and the burden placed on employers and job seekers for evidence which is straining relationships and the reputation of employment services.

Job placement fee claims under the DES do not bear the requirement to substantiate that the provider has canvassed, screened and filled the vacancy. This also recognises the work that the providers do to assist job seekers in building skills to locate their own employment, or gain roles which may not meet all of the canvassing and screening criteria.

Example:

A case manager works with a job seeker during an appointment to identify suitable job vacancies, and finds a role advertised in the local paper. As the job seeker is lacking confidence, the case manager makes the initial call to the employer, and secures an interview for the job seeker. They also provide the employer with information about the support services they offer and how JSA works.

After the interview and follow up from the case manager – the job seeker secures the role and commences work. Even though the provider has done significant work – they are not eligible to claim a job placement fee as they were not initially requested to recruit for this position.

Outcome verification

The ultimate aim of Employment Services is to move job seekers off income support. Where an outcome is achieved through the 100% reduction of the allowance rate – it is as a result of information provided to and recorded by Centrelink. The additional requirement on providers to collect documentary evidence in these instances provides a significant level of administration – particularly given many job seekers want to disengage from services once they have secured work.

Given that Centrelink has the ability to reconcile income information against ATO lodgements to detect welfare fraud, we believe that adequate accountability can be achieved without the requirement for additional documentary evidence to be collected and maintained by providers to support 100% Rate Reductions.

Further, the current DEED allows for Pathway Outcomes to be claimed when a job seeker meets a specific level of income support rate reduction, which can also be verified through declaration of earnings. Another positive change would be for verification of educational outcomes to be triggered by evidence of course completion, rather than focusing on attendance at training.

Example:

Job seeker A has successfully worked enough hours to reduce their income by 100%. They have reported all of their hours and earnings to Centrelink. Even though the system contains all of the required information – Provider X is still required to collect the following documentary evidence:

From the Documentary Evidence Guidelines Version 5.2

Documentary Evidence the Provider must retain at the time of submitting a claim (in electronic form or hard copy):

Documentary Evidence **must** contain ALL of the following:

- the name of the Employer, and
- the period of Employment, and
- the name of the person who confirmed the Employment details (that is either the job seeker or person within the Employer organisation), the date the information was confirmed and their contact details, and
- the name of the Provider's staff member recording this information at the time in which it was obtained.

ALL of the above information **must** be contained in dated written evidence from the job seeker and/or Employer in one of the following **forms**:

- A complete and signed version of the Job Seeker Outcome Fee Documentary Evidence template (either the Employer Declaration or the Job Seeker Declaration) at **Attachment A, Example B (i) or C (i)**, or
- Provider's own template that contains all of the above information and is signed by the job seeker and/or Employer; or
- A signed and dated written statement or email** from the Employer or job seeker, or
- Copies of payslips covering the whole of the 13 Week Period or 26 Week Period, respectively.

More than one form of written evidence may be used provided that collectively, the written evidence contains all of the above information.

**Where email is used, the Employer or job seeker must be clearly identifiable as the sender in the email address and signature block. The signature block must also state the person's name, and where applicable, the person's position and organisation but does not need to include an electronic signature.

(For Providers who are also claiming Wage Connect Subsidy Reimbursements, the Documentary Evidence required for the Wage Connect Subsidy Reimbursement may also satisfy the Documentary Evidence requirements for Job Seeker Outcome Fees. Please see Section 6 – Wage Connect Subsidy Reimbursement.)

Providers estimate that collecting evidence takes in the range of 45 minutes to 2 hours depending on the relationship with the job seeker and their continued engagement with the service post the job placement (this is often tenuous once a job seeker has been earning income and feels they no longer require the assistance of the provider).

Demands on Employers

Employers are finding it more and more difficult to engage with JSA Providers knowing the amount of paperwork and administrative processes that they must put into place before we can assist them to find suitable employees.

The type of evidentiary requirements set out in the example below are burdensome for employers. This could be reduced by not requiring extensive employer sign off, particularly as many of these measures could be gathered through other means.

Job placement evidentiary requirements should be revised to better support long term and bulk recruitment activity, this would remove the burden on employers and providers to fill in a set of forms and provide other evidence for each recruitment and job placement individually. This is a significant disincentive in engaging medium-large employers with JSA.

Paperwork demands on employers must be reduced. It used to be that there was only one piece of paper required from employers, which would be a better approach.

The changes to service fee payments outlined earlier would also make a significant difference.

Example

Currently every step of the vacancy lodgment and recruitment process must be signed off by the employer to enable JSA providers to claim a \$385 or \$550 Job Seeker Placement Fee after 10 consecutive days of a jobseekers employment. N.B. The steps are as follows; 5 of the steps must be confirmed with the employer:

1. You have had direct contact with the Employer to Identify the Vacancy
2. You have obtained the Employers consent to provide recruitment services including to lodge the relevant Vacancy on AJS
3. You have filled out a 'Request to Recruit Statement' & 'Vacancy details' with both employer signature and staff member name.
4. You have lodged the Vacancy within 1 business day of obtaining the details from the employer onto ESS
5. You have screen matched and referred the relevant Job Seeker by making personal contact with them to discuss the vacancy and their suitability
6. You have had the jobseeker sign the form regarding the screen match and referral.
7. You have confirmed with the Employer the relevant Job Seeker was successful in filling the position
8. You have recorded the start date of the Job Seeker Placement, as confirmed by the employer in the Placement section on ESS within 28 calendar days.
9. You have confirmed with the Employer or the jobseeker that the relevant Job Seeker has worked the required number of hours within 10 consecutive business days to be eligible for a Job Seeker Placement Fee and have completed had the employer sign the verification form of the hours.

For larger employers this must be completed for each vacancy lodged and each jobseeker employed therefore obviously making this process a time consuming one for large business.

Smaller employers (e.g. one person business like a builder) can find it difficult to meet Departmental requirements and timeframes in relation to job placements due to the paperwork and ongoing commitment to verify hours and earnings through the Post Placement Support Program JSA Providers Officer and to verify hours / earnings for claims.

Employment Pathway Plan

Employment Pathway Plans (EPPs) are designed to be fluid/flexible, individualised and tailored documents that outline the activities and job seeker support requirements and we believe this is the right approach. Guidelines state EPPs are to be reviewed at each contact however depending on the support requirements of the job seeker this may not always be as straightforward as it seems. When negotiating an EPP with the job seeker the consultant must not only consider the client's support needs but ensure the underlying contractual requirements for completing an EPP are met to ensure it meets at least the minimum standards for auditing purposes, therefore imposing a conflict of interest.

Although the current IT system is designed to reduce the administrative burden the time taken to negotiate an EPP can vary greatly. Factors that can impact upon this can include identifying job seeker support requirements and suitable activities to service these, entering the details into the system which limits the amount of information for each activity, reviewing each previously added activity to monitor relevance, accuracy and timeliness to job seekers current circumstances,

removing any outstanding activities, and although currently not a compliance requirement linkages of activities to the Barrier Management Tool.

The current system also utilises pre-existing templates to assist with completing the EPP however the tact and skill required at times to ensure these are individualised, appropriate for a job seeker and meets contractual obligations can be burdensome. Additionally, once an EPP is negotiated records management also creates additional administration burden as a copy must be retained in the client's file and when there are a number of these required to be filed per caseload the time involved can be lengthy. Furthermore, the implications of a job seeker refusing to sign the EPP can also lead to further administration in the form of compliance reporting.

An immediate need to assist EPP management is the availability of a new report to provide an organisation and unit overview rather than the current manual process of having to check each plan individually.

We recommend the revision of mandatory requirements for activities other than those reflecting mutual obligation to be included in EPP (including the related compliance/quality auditing). Current arrangements drive compliance rather than client-centred service planning.

Guidelines that require providers to frequently review and update job seekers EPPs should be amended. The requirement to update an EPP, even if nothing has changed, creates an unnecessary burden on front-line workers. An alternative would be to add a flag in the system to acknowledge that the EPP has been reviewed.

More discussion is needed in terms of the model incorporating the EPP given the complexities and challenges as outlined.

Example

- During an appointment a provider will have an in-depth discussion with the job seeker to review and negotiate appropriate activities to be included in the EPP
- Some factors to be considered when negotiating an EPP include: specifically tailored to address the Participant's level of disadvantage, individual needs, barriers to employment
- Individualised goals are to be set, best practice to meet contractual requirements and performance measurements include specific short and long term goals which include timelines for achievement
- In negotiation with the job seeker the provider will select the appropriate activities
- Each of the activities require the details and dates to be updated for each individual activity
- Provider Assistance codes are then added to provide support for the jobseeker, where suitable, assistance codes mirror the activities the job seeker is agreeing to undertake
- The provider must carefully explain the job seeker's rights and responsibilities, and ensure the job seeker fully understands the activities they are required to undertake as part of their EPP and the consequences of failing to meet those requirements
- The EPP must be signed by both the job seeker and consultant, a copy provided to the job seeker and a copy maintained with the provider

- Guidelines state the EPP should be reviewed at every contact to ensure the activities and appointments remain appropriate and current. When providers identify a change in the Participant's circumstances, their EPP should be updated as soon as possible to reflect these changes, following the above steps. As a general rule, the EPP will need to be updated at some specific points in time, particularly when the Participant: has a Skills Assessment, Comprehensive Compliance Assessment, completes an activity or has a change in circumstances.
- If a job seeker does not have participation requirements, the EPP must only contain terms that are voluntary. Should a job seekers participation requirements change throughout their time in the program i.e. compulsory to voluntary, the EPP must be updated to reflect the current participation arrangements of the job seeker.

Barrier Management Tool

The Barrier Management Tool (BMT), which is accessed through the Employment Pathway Plan screen, has been designed to assist providers in identifying, monitoring and addressing a job seeker's vocational and non-vocational barriers to employment.

However the BMT is complex. The requirement to record Jobseeker barriers creates significant additional work for front-line workers. Staff are not able to finalise barriers which are no longer an issue and did not require 3rd party intervention. It would be of benefit to be able to remove these from Barriers to be met without the wait period of 91 days.

The BMT displays and manages all of the Participant's barriers identified in the Employment Services Assessments (ESAt)/Job Capacity Assessment (JCA), Skills Assessment, Provider identified barriers, and Comprehensive Compliance Assessment (CCA) interventions. The BMT is classified as a voluntary management tool however any additional barriers identified by the provider will only be added to the JSA performance measure if the characters 'S4BS' are included in the additional information field on the BMT screen.

The use of a free text approach to the input of this code has caused additional administration and has been prone to high error rate. A simpler and more streamlined approach would be to have a text 'Tick' box pre populated with the required code.

Example

To complete the BMT a consultant must:

- Review job seekers participation requirements in the participation profile
- Select the BMT in ESS
- 'Import' identified barriers and interventions – some are auto-populated, any additional are added manually by the consultant
- The provider determines which barriers are to be addressed and in which order. Where there are multiple barriers, providers may wish to prioritise which barriers need to be addressed initially and which will be addressed later.
- Select 'Manage barriers' to link existing barriers, add new barriers or alternatively add new EPP activities to the EPP via the BMT

- ‘Select a barrier’ and link/unlink relevant activities for each individual barrier (more than one EPP activity can be linked to more than one barrier)
- In the case where there is no relevant EPP activity, add a new EPP activity, select the appropriate activity and complete any additional details in the free text box, save and close.
- Each individual ‘Barrier’ and the ‘Severity’ (i.e. Mild, Moderate, High) are updated as required. The following statuses are to be updated to identify if the barrier is ‘New’, ‘Being Addressed’, Finalised or ‘No Action Required’ should this status be selected a ‘Status Reason’ must also be selected and any ‘Additional Information’ provided, all of these selections must be ‘Saved’ before proceeding to the next barrier.
- If an additional barrier is identified by the provider this can be added and each of the following selections made Category, Barrier, Severity, Status, any additional information. This then needs to be linked to any relevant EPP activities.
- Then select ‘Manage Intervention’ to launch the interventions management tool, each individual barrier is then selected and an appropriate intervention linked
- As with the barrier management process, each intervention can be linked to the EPP activities, select the appropriate activities and save. In the case where there are no relevant EPP activities, an activity can be added as per the process previously mentioned.
- The completed document is then to be printed and/or saved as per record management requirements.

Please note;

- When new EPP activities and/or assistances have been added via the Barrier Management Tool, the consultant must then navigate to the EPP and complete this as per usual EPP requirements as the status will remain ‘Pending Approval’. Should any activities or assistances be out of date in the EPP these will need to be updated and/or deleted prior to printing and signing the EPP with the job seeker.
- Guidelines state all ESAt identified barriers and interventions including those that are not yet addressed should be linked to relevant activities in the EPP.
- Barriers and intervention statuses are updated as required as the job seeker progresses through their employment pathway, therefore requiring a review of the document when the EPP is updated or re-negotiated.

Stream 4 Barriers Serviced Performance Measure

The Stream 4 Barrier Serviced Performance Measure is a time consuming and convoluted process which does not necessarily meet the objectives of measuring the distance a highly disadvantaged job seeker has travelled while in service.

Example

To illustrate some of the complexity - the following details must be entered for a Stream 4 Barriers Serviced Performance Measure to be contractually compliant:

- Jobseekers Barriers identified in the jobseekers JSCI
- Jobseekers Barriers identified in an Employment Services Assessment and available via the registration screen
- Jobseekers Barriers manually imported into the Barrier Management Tool (BMT)
- Activities to overcome jobseekers barriers listed in the Employment Pathway Plan (EPP)

- These Activities to overcome jobseeker barriers linked back into the BMT
- Activities that are in the EPP and linked in the BMT also must be loaded in the Activity Management Section of ESS
- Money spent on the activities or assistance must be loaded as a separate expenditure through the Employment Pathway Fund (EPF)
- To monitor the sites percentile ranking, 2 reports are available to run in the Employment Services Reporting System.

A review of this measure is recommended to look at the progress in meeting the objectives of this KPI as well as further investigation of other options that may provide more clarity and less complexity without the added administration at present.

Employment Pathway Fund Administration

There is a significant amount of administration required when drawing down funds for activities undertaken under the EPF. Some of these services, such as additional contacts and reverse marketing are what we would consider to be core services of the program. Additional contacts are provided for job seekers who demonstrate need above the minimum servicing requirements, and reverse marketing is a form of employer engagement that is critical to securing many job seekers work.

By re-allocating the funds currently expended under these categories from the EPF pool and directly into service fees, this work would not only be recognised as core business, but the level of administration burden that is related to EPF acquittal processes would be removed, saving time and money.

An immediate approach would be to enable providers to aggregate monthly payments from the EPF for the provision of selected internal services which are common elements in employment services models such as reverse marketing and additional contacts (amount to be based on caseload). We note that professional services such as counselling from internal psychologists should still be available as individual claims.

Further, there could be revisions to the evidence requirements to reduce micro evidentiary requirements involved for each Employment Pathway Fund transaction. Many EPF transactions and particularly internal services and small purchases such as transport typically require more investment to gather and record evidence than the actual cost of the activity or support.

Example

Reverse Marketing (RM) is paid at the Provider Services Rates of \$84 (Stream 1 – 2) or \$93 (Stream 3 – 4). RM is conducted in actual minute increments which equates to \$1.40 for every minute of 'successful' RM.

Indicative research shows that on average it can take up to 10 phone calls to achieve 1 eligible RM drawdown (due to the complex requirements of the RM guidelines – e.g. must not already have a vacancy, must speak with the 'decision maker' etc.).

Each phone call could take 5 minutes not including researching the potential employers, entering Reverse Marketing into the EPP & getting the jobseekers permission to RM on their behalf. This equates to approx. 50 minutes of an EC's time (\$21 based on an EC wage of \$25ph not including on costs) to find an eligible draw down of 5 minutes.

If the EC completes 3 hours (180 minutes) of claimable RM in a month:

From an Hours / Time perspective:

To undertake 3 Hours of RM per month, an EC could spend up to 30 Hours per month (4 days)
From a financial perspective:

\$750 of consultants wages to achieve **\$252** (3 hr. @ \$84ph) in RM drawn down from the EPF

The above calculations do not take into account the following factors:

- The costs of branch managers checking all file notes to ensure compliance prior to draw down
- The costs of branch managers running reports to facilitate the beginning of the drawdown process (identifying which contacts are eligible)
- The costs of admin staff / branch managers actually undertaking the drawdown process
- The costs of the Audit Department auditing the EPF expenditure
- The costs of the JSA Contract Manager & Branch Managers responding the Audit findings
- The costs of recoveries associated with incorrectly claimed RM
- The risk of losing credibility with DEEWR if we have excess recoveries
- The costs of the JSA Trainers and JSA Contract Manager developing specific Reverse Marketing training
- The costs of actually delivering the Reverse Marketing Training
- The risk of calling the same employers several times over, potentially 'annoying' them and giving the JSA provider and service a bad name
- The opportunity costs spent undertaking unsuccessful RM when the time could be spent approaching employers with already advertised vacancies

Work Experience/Compulsory Activity Phase

The principles behind the Work Experience Phase (WEP) are sound. We know from history that Work for the Dole activities work – if managed properly – and work experience projects assist jobseekers gain work-like skills to increase employability. However the administration requirements that are required to monitor the WEP & CAP components of the JSA program are unnecessarily onerous.

The current requirement of recording every week's attended hours each month in the system for each job seeker is significant. Providers are required to record each day's hours, including required break times in the system.

The difficulty with the system requirements relates to the complexity of the work experience policy and the detailed data required to assess and monitor individual participation requirements particularly for compulsory activity.

Example

- Once the job seeker has been booked into their first Work Experience contact and information provided to the job seeker regarding Work Experience activity opportunities a provider must then:
 - Determine if the job seeker has a Work Experience Activity Requirement (WEAR),
 - o Where the job seeker does not have a WEAR the EPP is to be updated, a follow up appointment is to be created and the work experience activities to be selected
 - o In the case where a job seeker does have a WEAR the activity type is to be discussed
- Once the WEAR is determined the provider in consultation with the job seeker identifies a

suitable work experience activity

- The job seeker's EPP is updated to include the details of the placement
- The start date and the activity details must then be entered into the Activity Management screen in ESS
- Record the completion of the job seekers First Work Experience Contact in ESS
- Throughout the duration of the phase (which is generally a minimum of 26 weeks for work experience or 11 out of 12 months for a job seeker in the compulsory activity phase) a provider must monitor a job seekers participation by:
 - o Maintaining at least bi-monthly face-to-face contacts with the job seeker (and completing any associated documents i.e. updating EPP, updating the Barrier Management Tool, resume updating, participation reporting)
 - o Obtaining approved forms of documentary evidence on a regular basis as negotiated with the work experience provider and keep these on record.
- Job seeker participation hours for all work experience activities must be recorded in ESS in the 'Manage Hours' screen under the 'Actual Activity Participation Hours' section

Departmental advice 'Using Activity Management - Participation Hours and Documentary Evidence V 2.1' outlines the mandatory recording of participation hours in the Compulsory Activity Phase as 'JSA providers must regularly record all hours of attendance on all Work Experience Activities for job seekers with a Work Experience Activity Requirement in the 'Actual Activity Participation Hours' screen in the ESS. JSA providers must enter this information into the ESS within 30 days of the end of each month for job seekers in the Compulsory Activity Phase. Job seekers' hours of participation should be entered into the ESS based on the documentary evidence collected.'

Less prescription in the policy and guidelines would enable a reduction in the data input requirements. As with the service claiming, we believe it would be more efficient and effective to adopt an 'exception reporting' framework whereby only the non-attendance at the WEP or CAP activity is recorded in ESS.

Additionally, providers are required to complete a risk assessment for each work experience placement, even though multiple job seekers may be undertaking similar activities within the host organisation. This presents not only a burden for providers, but is a significant impost on the organisations which agree to provide work experience opportunities. We note that DHS may provide one organisational risk assessment for organisations which host multiple volunteering placements and believe the same requirements should apply to JSA WEP placements and activities.

Contract Management

Current approaches to contract compliance should be revised to accommodate increased tolerance for human and administrative errors. Claims should not be recovered or rejected based on simple administration error but should be allowable where the outcome is clearly achieved.

We support a focus on quality and continuous improvement, and particularly the use of the Employment Services Industry Standards. However we suggest revising the Quality Framework to reduce elements which overlap with contract compliance functions – the Quality Framework is increasing the cost of delivery and duplicating compliance measures rather than being focused on quality. Accreditation costs are significantly greater under the Quality Framework than would be typically incurred by organisations for the same

certification outside employment services or than was the case within employment services prior to the introduction of the Quality Framework.

A Quality Assurance portal enabling providers to have the same monitoring capacity and same red flags as viewed by the Department would also be helpful. This would allow the scope for pre-emptive self-reporting and quality assurance at site level, reducing costs to providers and avoiding non-compliance events and refunds, as well as reducing costs for the Department.