

EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS

**SENATE LEGISLATION COMMITTEE - QUESTIONS ON NOTICE
2008-09 BUDGET ESTIMATES HEARING**

Outcome 8

DEEWR Question No. EW542_09

Senator Watson asked on Monday 2 June 2008, EEWHR Hansard page 5.

Question

Employment Services Review

Public consultations on the new employment services system commenced 16 June 2008 with the release of a discussion paper 'The future of employment services in Australia'. Senator Watson asked 'Could we table that?' referring to the discussion paper.

Answer

The discussion paper 'The Future of Employment Services in Australia' was released 16 May 2008, refer to *Attachment A* or alternatively the paper is available at:

<http://www.workplace.gov.au/NR/rdonlyres/002400C9-E034-4C88-90D1-ABB7F3C590EF/0/DiscussionPaperWEB.pdf>

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Minister's foreword

The Job Network is no longer suited to a labour market characterised by lower unemployment, widespread skill shortages and a growing proportion of job seekers who are highly disadvantaged and long-term unemployed. Today the problem is not simply finding a job it is finding employers appropriately skilled labour. Our employment services system must do much more to connect those who can work with the vacancies employers need to fill.

We should also expect our employment services system to empower the most disadvantaged job seekers to participate fully in the economy and in their communities.

Job seekers want work. Employers want workers. Employment services need the flexibility and resources to help the most disadvantaged job seekers to acquire the skills that they and employers need.

These are the clear messages from job seekers, employers and employment service providers who have contributed to the Government's review of employment services.

The Government will invest \$3.7 billion over three years from 1 July 2009 in a new generation of employment services. An additional 238 000 training places in areas of skill shortages are being made available to job seekers at a cost of over \$880 million over five years. This commitment to employment and training will be supported by complementary investments that promote workforce participation, through child care and the taxation system.

We are committed to employment services delivered through high-quality, not-for-profit and for-profit organisations, and we will create a new system that provides better, more tailored assistance to disadvantaged job seekers and places greater emphasis on assisting employers to fill job vacancies.

The purpose of this discussion paper is to seek your views on the future framework for employment services, and about how best to implement it. We welcome your feedback and invite you to work with us to deliver better skilled workers for Australia.



The Hon Brendan O'Connor MP

Minister for Employment

Participation

May 2008

Glossary

ABS	Australian Bureau of Statistics
ACCI	Australian Chamber of Commerce and Industry
APM	Active Participation Model
CALD	Culturally and Linguistically Diverse
CDEP	Community Development Employment Projects
DEEWR	Department of Education, Employment and Workplace Relations
DEWR	Department of Employment and Workplace Relations
DEN	Disability Employment Network
DSP	Disability Support Pension
ESA	Employment Service Areas
ESC	Employment Services Contract
EPF	Employment Pathway Fund
EPP	Employment Pathway Plan
IEP	Indigenous Employment Program
JCA	Job Capacity Assessment
JPET	Job Placement, Employment and Training
JPLO	Job Placement Licensed Organisations
JSCI	Job Seeker Classification Instrument
JSSO	Job Search Support Only
JSKA	Job Seeker Account
NEIS	New Enterprise Incentive Scheme
NESA	National Employment Services Association
OECD	Organisation for Economic Cooperation and Development
PSP	Personal Support Program
VRS	Vocational Rehabilitation Services
WfD	Work for the Dole

Chapter 1—the Job Network

More disadvantaged job seekers

When the Job Network was introduced in 1998, the unemployment rate was 7.7 per cent. The unemployment rate is now 4.2 per cent. Although the country has experienced a significant and welcome fall in unemployment, a higher proportion of job seekers are disadvantaged and have experienced long-term unemployment.

- The proportion of job seekers on the Job Network case load who have been in receipt of benefits for five years or more has increased from 18 per cent in September 2004 to 29 per cent in March 2008.
- Just under 20 per cent of the Job Network case load was classified as highly disadvantaged in July 2003, compared to 29 per cent in March 2008.
- In 1999 around one in ten unemployment benefit recipients were in receipt of benefits for five or more years. By March 2008 this had increased to almost one in four.

Widespread skill shortages

The new labour market environment is also one of employers needing workers. Despite 17 years of continuous economic growth, Australia faces an unprecedented skills shortage. Boosting workforce participation is also necessary to maintain our global competitiveness, and to help reduce the inflationary burden left by the previous Government.

Australia faces a significant shortfall in the supply of workers with the required vocational qualifications. Currently 87 per cent of available jobs require post-school qualifications, but 50 per cent of the workforce lacks these qualifications. The best estimate is that if the supply of people with VET qualifications remains at the same level as in 2005, a shortfall of 240 000 can be expected over the 10 years to 2016.¹

Review of employment services

The Job Network is not suited to this changed economic environment.

...[T]he Job Network has played a significant part in assisting those who are job-ready to re-enter the workforce, albeit in a period of sustained economic growth, it is our contention that it is now poorly configured to achieve optimal sustainable outcomes for the more disadvantaged and vulnerable job seekers considered within an approach better focused on capacity building and social integration in the longer term.²

¹ Facing up to Australia's skills challenge: industry sets key priorities to address the skills crisis, April 16, 2008, ACTU, AiG, GTA, AEU, Dusseldorp Skills Forum.

² Brotherhood of St Laurence, Sustainable outcomes for disadvantaged job seekers: Submission to the Australian Government on the Future of Employment Assistance, February 2008, p. 11.

Against this backdrop and the Government's agenda for social inclusion and commitment to boosting the skills and productive capacity of our workforce, the Government commenced a review of the Job Network, in consultation with the industry and in accordance with the following aims:

- early intervention to minimise the number of long-term, welfare-dependent Australians of working age
- providing services that are relevant to the circumstances and needs of the job seeker ensuring job seekers who are struggling the most get the most intensive assistance
- providing meaningful incentives for training and ensuring there are means for job seekers who are in need of training to get that training
- meeting skill shortages.
- providing the greatest rewards when Job Network providers find sustainable jobs for job seekers as fast as possible .ensuring there is a performance management and tendering system that properly accounts for quality performance .minimising the amount of time and money spent on administration.

In addition to more than 260 submissions from a range of stakeholders, the Minister for Employment Participation has been talking to employment service providers, employers and employer associations, unions, state and federal parliamentarians and program participants. Job seeker satisfaction surveys, program evaluations and reports of the Auditor-General have also informed the review.

The process has revealed an overwhelming mood for change with a number of key themes emerging.

The Government has decided to extend DEN and VRS contracts until 28 February 2010 to enable further consideration of the future of disability employment services, including the outcomes of the National Mental Health and Disability Employment Strategy. Consequently employment assistance delivered through DEN and VRS is not considered in this discussion paper. www.workplace.gov.au/ESReview

Poorly targeted assistance

The considerable public investment in employment assistance has not been targeted to those most in need. Net impact evaluations have shown that Job Network has a very high deadweight cost. Three-quarters of those who participated in Customised Assistance and subsequently found work would have found employment anyway.³ This means taxpayers' money is spent on job seekers who could get a job without assistance.

Conversely, the most disadvantaged job seekers do not receive enough help. In 2001, the OECD in its report on its review of labour market policies in Australia, *Innovations in Labour Market Policies: the Australian Way*⁴ identified inadequacies in assistance provided to the hardest-to-service clients; particularly in relation to fragmented services and low levels of training. Comments in submissions indicate this has not fundamentally improved since then.

³ DEWR, 2006, Customised Assistance, Job Search Training, Work for the Dole and Mutual Obligation A Net Impact Study, EPPB Report1/2006, DEWR, Canberra.

⁴ OECD 2001, *Innovations in Labour Market Policies: the Australian Way*.

*...the programs and funding that are available do not provide for the specific needs of those who fall into the 'hard core unemployable'*⁵

Evaluations have shown that greater engagement with providers is a determinant of successful outcomes for disadvantaged job seekers.⁶ However, around 27 000 of the most disadvantaged job seekers are on the waiting list for the capped PSP.

It is unsatisfactory that clients with a recommendation to specialist services such as PSP ... are referred to the Job Network because there are no places available. It is further unsatisfactory that these clients with identified specialist need are most often only eligible for the most basic level of services.⁷

PSP and JPET participants also do not have access to the JSKA or similar facility to help them access the services they need to overcome their barriers, even though job seekers in Job Network with far less complex needs do.

Continuum too rigid

Evaluations of Job Network have shown the value of individualised and flexible service delivery.⁸ The time-based servicing continuum is inflexible and requires all job seekers to be treated in the same way at the same time.

*Not all job seekers need exactly the same service at the same point in their period of unemployment.*⁹

The inflexibility in the continuum is as much a result of contractual and other requirements imposed on providers, as it is about the model itself.

*However the reality is that the evolution of the operating environment has resulted in an extremely restricted capacity for providers to practice in this way particularly arising from the increased specificity and prescription of service requirements.*¹⁰

Others criticised the continuum as resulting in significant churning for job seekers who move between specialist programs, periods of intensive assistance, WfD, and sporadic or casual employment.

*Increasing complexity, with emphasis on sequential triggers for additional assistance or cross referral between programs, has limited the system's capacity to meaningfully assist disadvantaged job seekers.*¹¹

⁵ Toll Group, Review of Employment Submission to Services, cover letter.

⁶ DEWR, 2006 Job Network Best Practice, September 2006, pp.16 20.

⁷ NESA Submission to Review of Employment Services, p. 28.

⁸ See DEWR, 2006 Job Network Best Practice, September 2006; DEWR 2006 Customised Assistance, Job Search training, Work for the Dole and Mutual Obligation a Net Impact Study, April 2006; and DEWR, 2006 Job Network Job Seeker Account Evaluation, August 2006.

⁹ Djerriwarrh Employment & Education Service Inc, Submission to Review of Employment Services, p. 1.

¹⁰ NESA Submission to Review of Employment Services, p. 9.

¹¹ Brotherhood of St Laurence, Sustainable outcomes for disadvantaged job seekers: submission to the Australian Government on the Future of Employment Assistance, p. 15.

Lack of incentives for skills and training

Evaluation data indicates that employment outcomes increase with education level. For example, job seekers who have participated in a first period of Customised Assistance with post-secondary qualifications have employment outcome rates nearly 60 per cent higher than those who have not completed Year 10 at school.¹²

However, current contract arrangements and incentives skew employment provider behaviour towards obtaining short-term jobs rather than equipping job seekers with the skills they need to obtain sustainable employment and contribute to Australia's skills base and productivity. The fact that the number of apprenticeship commencements from Job Network has halved since 1998 supports this contention.

*Currently employment services providers are not appropriately rewarded for investing in job seekers' potential through education and training. There is little structural support or recognition that education and training can and does lead to more meaningful employment for the individual, improved potential for long-term financial independence and better contribution to highly demanded skills required by business.*¹³

Any training that does take place must not be for its own sake, but must address the needs of employers.

*Better linkages with employers and the needs of business and industry will assist employment service providers and job seekers to better tailor training.*¹⁴

Employment services are too complex and fragmented

There are presently nine major employment programs, each with its own set of contractual obligations, creating unnecessary administrative complexity.

*[Changes over the life of the Job Network and other programs] have substantially increased the fragmentation and complexity of the overall system, undermine the confidence of providers, and increase the expenditure on program monitoring and compliance—both of funded providers and job seeker clients*¹⁵.

The fragmentation also makes it difficult to develop a coherent pathway to employment for each job seeker.

*...the current arrangements particularly with the APM, the continuum and the multitude of program are very confusing for job seekers and result in many people being 'bounced' around between Centrelink and providers of different programs, often with little understanding of why they are there.*¹⁶

¹² DEWR 2006, Customised Assistance, Job Search Training, Work for the Dole and Mutual Obligation- A Net Impact Study, EPPB Report1/2006.

¹³ NESA, Submission to Review of Employment Services, p. 32.

¹⁴ ACCI, Submission to Review of Employment Services, p. 2.15

¹⁵ Brotherhood of St Laurence, Sustainable outcomes for disadvantaged job seekers: submission to the Australian Government on the Future of Employment Assistance, p. 15.

¹⁶ Sarina Russo, Submission to Review of Employment Services, p. 3.

These views are also reflected in job seeker satisfaction surveys which suggest that almost a quarter of job seekers were not satisfied with the services provided by the Job Network, including because the service was limited, inflexible or unresponsive to their needs.¹⁷

The multitude of programs raises practical issues for service delivery, particularly where a provider delivers more than one service.

*The current suite of programs has differing objectives for different target groups requiring a range of service delivery modes and skills sets to effectively deliver these programs.*¹⁸

The array of different programs means that job seekers are not effectively serviced for long periods of time. For example, job seekers referred to WfD effectively lose touch with their Job Network provider for six months as they are 'out-of-sight, out-of-mind'. This is exacerbated by the fact that CWCs (who deliver WfD) are not rewarded if job seekers, while in WfD, obtain employment.

Excessive red tape

The administrative burden and red tape associated with too many contracts and an over-emphasis on processes rather than outcomes reduces the capacity of providers to service job seekers.

*Up to 60 per cent of consultants' time is spent on administration.*¹⁹

Many submissions from providers report that over time there has been an increase in prescribed service requirements, together with a contract management system that focuses on strict compliance with the terms of the contract and contract management guidelines rather than obtaining employment outcomes for job seekers. This is also said to stifle innovation.

*Over the last 10 years program guidelines have become more prescriptive and rigid as the degree of micro-management has grown and innovation has been stifled. Contract management has increasingly focused on the fine detail of service providers' processes in contrast to the original premise of relying on the skills and innovation of the private and community sectors. The financial cost of this excessive prescription and reporting is borne by government and providers and is obvious. Less tangible but equally important is the limitation on the overall effectiveness of employment services attributable to the throttling of innovation.*²⁰

¹⁷ Job Seeker Experience of Job Network, Eureka Project, Research commissioned by the Department of Employment and Workplace Relations, January 2007.

¹⁸ Jobs Australia, Submission to Review of Employment Services, May 2008, p. 5.

¹⁹ Sarina Russo, Submission to Review of Employment Services, p. 7.

²⁰ Jobs Australia, Submission to Review of Employment Services, p. 6.

Insufficient employer focus

Current settings do not encourage or reward providers to focus on labour market shortages or the suitability of the job seeker to a particular role. There is too little cooperation and communication between providers in servicing employers. Because of the focus of the existing contracts, providers have not always developed strong labour market knowledge.

Industry feedback also suggests that some Job Network providers do not have sufficient specialised industry knowledge to make a satisfactory placement so opportunities for real employment outcomes in industry are lost.²¹

Evaluations also support the value of greater employer engagement. Higher performing providers have been those who actively work with employers to place job seekers into vacancies rather than relying on job seekers finding their own jobs.²²

Inadequate services for remote job seekers

Services for job seekers living in remote areas need to be improved. Current arrangements in remote areas where 'bundled' services are delivered alongside mainstream contracts are bureaucratic and cumbersome.

While places can build over time, financial viability and the need to have consultants delivering different programs under different guidelines and compliance requirements mitigate against effective delivery and has led to high staff turnover.²³

The additional costs of providing services in remote locations have not been recognised. These flow from additional staffing costs and poor infrastructure in many remote areas (for example, a lack of housing and transport).

Remote service fees – these fees do not compensate for the exorbitant cost of remote servicing. Specific impacting factors include the significant down time of consultants that currently cannot be drawn down from the JSKA, and the competition for staff, particularly in mining towns where wages of \$75 000+ per annum are common for semi-skilled people.²⁴

Under-utilised Job Seeker Account

An evaluation of the JSKA has shown the value of a flexible funding pool. However, providers do not always target JSKA expenditure and interventions purchased to the characteristics of job seekers.²⁵

Rules surrounding when and how providers expend funds from the JSKA are complex and too prescriptive. Providers consistently indicate that they are extremely cautious using the JSKA because of uncertainty about possible recovery action as a result of contract management by DEEWR. As a consequence the JSKA has been consistently under-utilised.

²¹ ACCI, Submission to Review of Employment Services, p. 2.

²² DEWR 2002, Job Network Evaluation Stage Three: Effectiveness Report, EPPB Report 1/2002, DEWR, Canberra.

²³ ITEC, Submission to Review of Employment services, p. 2.

²⁴ ITEC, Submission to Review of Employment Services, p. 2.

²⁵ DEWR 2006, Job Seeker Account Evaluation Report, August 2006.

*Unclear guidelines and compliance measures have resulted in restricted service and support to job seekers with resources such as the Job Seeker Account under-utilised.*²⁶

The JSKA is also not available to the very disadvantaged job seekers in JPET and PSP.

A counter-productive compliance system

The eight week, non-payment period (for repeated or serious participation failures) was designed to encourage participation but it is counterproductive as job seekers have little or no contact with Centrelink or their employment services provider for the eight-week period.

*Can't get to interviews. I lost my mobile because I only paid for essential things... [and this] lowered my chances of getting a job. The whole period you hibernate... they stop looking for a job for you.*²⁷

There is also a significant social cost as many vulnerable people are not eligible for financial case management and therefore are unable to pay for necessities such as food or accommodation.

*The relationship between this penalty and major dislocation, including homelessness, relationship breakdown, increased mental stress, illness, violence and crime is both categorical and direct.*²⁸

The job seeker compliance regime is administratively complex, punitive and counter-productive. The policy of giving job seekers a second chance if they have failed to attend a provider interview is reasonable, although it is not effective for failure to participate in a program, since it allows a job seeker to miss up to a fortnight's participation before any action is taken.

*Further, it prevents participation both by removing any financial capacity to comply on the part of the client, and by the necessary consequential removal of activity test requirements for the duration of the penalty.*²⁹

Performance management

The current Star Ratings performance management system was criticised on the grounds that it is complex and lacks transparency. It is also said that a narrow focus on 'speed to placement' rewards short-term outcomes, thereby discouraging investment in training and skills development. Job Network providers also overwhelmingly criticised the regular process of business reallocation as creating too great a level of uncertainty.

²⁶ NESAs, Submission to Review of Employment Services, p. 18.

²⁷ Eight week non-payment period an exploratory qualitative report prepared by the Open Mind Research Group on behalf of DEEWR, May 2008 quote from female job seeker aged 27.

²⁸ National Welfare Rights Network, Submission to Review of Employment Services, p. 3.

²⁹ National Welfare Rights Network, Submission to Review of Employment Services, p. 3.

An emphasis on speed and number of outcomes has had the effect of causing providers to focus on placement, rather than necessarily the 'best' placement. In many cases this need for speed has also meant that the intensive case management support needed to ensure a multiply disadvantaged job seeker is adequately prepared for sustainable employment does not occur. The result in many cases is placement but not sustained placement. Churn in job placements has become a feature of the marketplace – a feature that does little to assist job seekers or employers.³⁰

The Information Technology system

Many stakeholders are critical of DEEWR IT systems (EA3000) and in particular, its complexity and poor functionality. It is said to inhibit their capacity to effectively service job seekers and that it imposes additional administrative burden by requiring them to continuously 'work around' the system.

Another crucial issue in this context of your review is the critical need to reform the system so that is designed around the needs of the many hundred of thousands of people it affects, rather than a ridiculously complex set of contractual and other rules and business process models and information technology systems which constrain the people working at the front line and limit their ability to exercise their judgement and use discretion in the practice of engaging and working effectively with disadvantaged people.³¹

Through the Review of Employment Services several stakeholders, including the NESAs,³² have also argued that the electronic auto-matching functionality does not work. Many of the job matches are extremely poor, job seekers do not follow them up, and the system does little to contribute to employment outcomes.

³⁰ Uniting Care Australia, Submission to Review of Employment Services, p. 25.

³¹ Jobs Australia, Submission to Review of Employment Services, pp. 2-3. ³² NESAs, Submission to Review of Employment Services, p. 4.

³² NESAs, Submission to Review of Employment Services, p. 4.

Current system	New system
Poorly targeted assistance	Redistributing assistance to the most highly disadvantaged and wider access to the EPF
Continuum too rigid	An EPP based on the needs of the individual job seeker
Lack of incentives for skills and training in areas of skills shortages	Bonus on outcomes achieved after accredited training and 238 000 training places
Employment services too complex and fragmented	Combining seven contracts into one
Excessive red tape	Streamlined programs and simplified EPF administrative arrangements
Insufficient employer focus	Higher outcome payments for provider brokered outcomes and creation of specialist employer brokers
Inadequate services for remote job seekers	1.7 multiplier for service fees and EPF to reflect broader definition of outcomes to encourage further education
Under-utilised JSA	More flexible use of EPF
A counterproductive compliance system	More work like compliance system based on 'No Show, No Pay'
Performance management	Streamlined contract management and monitoring based on a Charter of Contract Management (to be developed with providers)
Unsuitable IT system	IT system to be rebuilt in consultation with users

Chapter 2—A Fresh Approach

The new employment services system aims to deliver ‘work ready’ job seekers into the labour market particularly in areas of labour shortages. Employment service providers will assist job seekers to develop an individualised pathway to employment – the EPP—drawing on a mix of vocational and non-vocational activities, with a particular focus on developing the skills needed by employers, or for self-employment. It will include a combination of appropriate job search requirements, work experience and training. The level of assistance to be provided to job seekers will better reflect their level of disadvantage. The EPF will be available for a broad range of training, services, wage assistance and other practical support.

Mutual obligation will be retained with a more work-like ‘No show, No pay’ compliance system and job seekers required to adhere to the terms of their plan or attendance at WfD or another work experience activity.³³

Centrelink’s role

Job seekers will be placed into one of four streams by Centrelink using the JSCI³⁴ and, where needed, a JCA³⁵. The JCA will continue to be delivered by job capacity assessors including Centrelink. Centrelink will continue to register job seekers and refer them to an employment service provider as soon as possible.

In addition to any requirements imposed as part of the job seeker’s EPP, most job seekers will be required to have fortnightly contact with Centrelink for the purpose of activating income support payments. This will occur face-to-face except where special issues like remoteness or poor transport availability make contact by phone or other means more practical. Active job seekers with a good compliance history may have less frequent contact.

Operation of the new employment services

Stream 1 – ‘work ready’ job seekers

Job seekers who are considered ‘work ready’ will be immediately assisted in the preparation of a résumé and will be advised about local labour market opportunities and on job search methods. It is expected that up to a third of these job seekers will find employment in their first three months, without further assistance.

After three months, if the job seeker has not found work, providers will assess the job seeker’s present skills and opportunities for further training (a ‘skills assessment’). Job seekers will also be required to participate in an approved ‘intensive activity’ of 60 hours over a fortnight. This activity will be relevant to the job seeker and designed to improve their ability to obtain or sustain employment. Activities could include development of job seekers’ job search techniques, referral to training including through the Productivity Places program or work experience placements.

³³ Appendix 1 provides a diagrammatic overview of the new employment services model.

³⁴ A review of the JSCI is underway. The terms of the review are outlined in Appendix 2.

³⁵ A review of the JCA is underway. Details about the review are outlined in Appendix 3.

At this point a small credit will be available in the EPF to assist with costs. After the skills assessment has occurred, if the job seeker obtains employment, a job placement fee will be payable.

Discussion point 1:

In addition to the development of job seekers' job search techniques, training and work experience, are there other activities that should be approved as an 'intensive activity'? How should we best balance the need to ensure a job seeker receives assistance appropriate to their needs with the provider's responsibility to manage funds cost effectively across their case load?

Between three and 12 months, it is expected that the employment service provider will maintain regular contact with the job seeker and that the job seeker will have clear job search requirements. These contacts would be aimed at ensuring the job seeker remains focused on looking for work that is appropriate to their skills and the needs of the local labour market. Reporting of job search for the purposes of activating income support payments will continue to occur at Centrelink.

If, after 12 months, the job seeker has not found employment, they may be reassessed and moved to an alternate stream, or they will be required to participate in WfD or another work experience activity (see discussion at page 16). This may occur later than 12 months if the job seeker has been involved in training (see discussion at page 18).

Current Job Search Support Only job seekers

Job seekers who in the current system are defined as JSSO job seekers will be eligible to receive assistance with a résumé and local labour market advice. JSSO job seekers will not attract a job placement fee.

Job Placement Licensed Organisations and Auto-job matching

Changed labour market conditions, and the need for the Government to be financially responsible, mean that the Government needs to focus its efforts on the most disadvantaged job seekers, those who are hardest to help. As a result, JPLO arrangements do not form a part of the new system

Auto-job matching will also be discontinued. It adds little value to current services as job seekers are not always matched appropriately to vacancies. Consistent with the approach in the new model – assistance tailored to the individual needs of job seekers – the expertise of providers in developing the skills and abilities of job seekers and then securing a placement in a job that matches those skills and abilities, will be the way job seekers gain employment.

Streams 2, 3 and 4 – job seekers with a longer pathway to employment

It is expected that job seekers in streams 2, 3 and 4 may take longer and require more assistance to obtain employment. Job seekers in these streams will develop their EPP with their employment service provider immediately. The level of resources available to assist job seekers, through the combination of service fees, job placement fees, outcome fees and credits to the EPF, increase in accordance with the job seekers' level of disadvantage (see Appendix 4).

Other key design features of these streams are:

- The JSCI will determine entry into streams 2 and 3. .
- A JCA will generally determine entry into stream 4 (arrangements will be made to accommodate direct registration of some job seekers, for example, homeless youth). For job seekers with non-vocational as well as vocational barriers to employment, the new structure allows for parallel or sequential interventions to address these barriers.
- Participation in streams 2 and 3 will be for up to 12 months, although it may be longer if the job seeker has been involved in training (see discussion at page 18).
- Participation in stream 4 will be for up to 18 months, with an assessment at 12 months to determine the likelihood of the job seeker benefiting from the further six months of assistance.
- At the conclusion of a stream if job seekers have not found employment, they may be re-assessed and move to an alternate stream, or they will be required to participate in WfD or another work experience activity (see discussion on this page).

Discussion point 2:

Employment service providers will be given flexibility to determine the frequency of their contacts and other activities in accordance with the needs of the job seeker. However, to ensure a reasonable level of service, providers will be expected to meet regularly with job seekers and this will be reflected in the job seeker's EPP.

Should there be a minimum contact requirement? For example, should providers need to meet with job seekers at least once per month?

Movement between streams

Movement between the four streams will not be based on a rigid continuum but determined by individual need, as measured by the JSCI (and JCA where applicable):

Job seekers will only move to a more intensive stream if their level of disadvantage increases. Job seekers who complete a stream will participate in work experience including WfD.

- Job seekers who have completed a stream will not be able to re-enter that stream during their current period of unemployment.
- Job seekers who leave income support for 13 weeks or more but become unemployed again will re-qualify for a full range of assistance, based on an up-to-date JSCI.
- Job seekers may be re-assessed at any time during participation in a stream if their circumstances change, and move to another stream if appropriate.

Discussion point 3:

What are the practical administrative issues that will need to be resolved in order to ensure the streams are as effective as possible?

WfD, Green Corps and other work experience

As a means of helping the job seeker secure ongoing employment, WfD (including full-time WfD) and Green Corps will remain an integral part of the new employment services system, along with other forms of work experience (for example, paid work in an intermediate labour market or social enterprise). Brokered placements in organisations as well as project activities will be possible. It will also be possible to 'blend' part-time work or training and work experience.

WfD, or an alternative work experience activity, will be the primary intervention for job seekers who complete streams 1, 2, 3 or 4 and who are not moved into another stream (see previous page). At the same time the job seeker will continue to be supported to look for work with two-monthly contact with their provider.

Outcome payments will continue to be paid for employment achieved by job seekers in this phase. Unlike the present WfD arrangements, this means providers will have a financial incentive to structure their work experience activities to focus on the skills required by employers in the local labour market. Providers will be funded to deliver work experience activities with a service fee and an amount credited to the EPF (see Appendix 4) as job seekers move from an earlier stream into work experience.

In addition, providers can purchase work experience for any job seeker at any time using the EPF.

The CWC and Green Corps contracts will come under the new ESC. This will remove the present complexity in referring job seekers between Job Network and WfD or Green Corps. The Green Corps Allowance will not continue and job seekers participating in Green Corps projects will receive an income support payment if eligible. Access to Green Corps projects will be widened to include job seekers of any working age.

Employment Pathway Fund

The EPF provides a resource to support a job seeker's EPP. It will be easier to use than the JSKA, and will support a broader range of assistance. The EPF will be available to more job seekers in the new system, reflecting their level of disadvantage.³⁶ Currently, providers can only access the JSKA for job seekers in the Job Network and not those in other programs.

The proposed EPF will be used for a broader range of assistance. This will include vocational and non-vocational interventions, training and skills development, self-employment, mentoring, or work experience activities. Assistance will not be required to be 'directly' tied to a specific job, but will still be required to contribute to the job seeker obtaining employment.

³⁶ Except JSSO job seekers, see further p. 12

It is expected that in relevant cases, the EPF will be used to facilitate self-employment with the purchase of business mentoring and other assistance. However NEIS, as a stand alone program, will cease to exist. NEIS providers will be able to provide services as part of the new model but under the umbrella of an employment services provider who provides the full range of services.

Prohibited expenditure could be in accordance with a principles-based approach. For example, items which may have an adverse impact on public safety, occupational health and safety or the reputation of the employment services system would be prohibited. This is different to the current system which requires an exhaustive list.

Rules governing the EPF will be those necessary to ensure the appropriate use of taxpayer funds. The current dollar limits on small-scale purchases with streamlined evidentiary requirements will be increased.

The current complex array of principles and guidelines will be reduced with the rules governing EPF being included as part of the contract. The EPF will be governed by the new approach to contract management outlined at page 23.

Discussion point 4:

What should and should not be able to be purchased with the EPF?

Which is preferable, a principles-based approach to prohibited items or an exhaustive list of prohibited items?

Is there anything about the proposed EPF that may contribute to it being under-utilised?

At what level should purchases be permitted on the basis of a simple invoice and without the need for detailed case-by-case justification?

Improving employer focus

The new employment services system will stress the importance of focusing on employers to ensure job seekers are best placed to meet their needs. Prospective providers will be assessed during the tender process on their employer engagement strategy.

Outcome payments will be weighted to reflect the importance of providers engaging with employers, with employment outcomes related to vacancies secured by a provider attracting a higher payment. The performance management framework will also reward responsiveness to employer needs.

Funding of \$6 million over three years will be allocated to allow employers, groups of employers, employer organisations, unions or other organisations to tender to become employer brokers. This initiative aims to build on some of the more successful employer demand projects of recent years where a broker with strong links to the employer community in a particular sector or region has helped co-ordinate and target the efforts of employment service providers in liaison with individual employers, training providers or other stakeholders to secure sustainable employment for disadvantaged job seekers.

The funding will allow brokers to be put in place in different locations and industries,

particularly where skill or labour shortages are apparent and there are opportunities for job seekers to secure sustainable employment. Interested groups will have an opportunity to make submissions seeking the available funds. Clear employment targets will form part of the contractual arrangement that will be put in place between the broker and the Commonwealth.

The brokers will be required to identify what support and funding their organisation will provide to supplement Commonwealth funding.

These measures ensure the new system has a strong focus on matching the needs of job seekers with the labour requirements of employers.

Encouraging skills and training

The Productivity Places program provides new training places in skills employers want and is designed to help people secure employment. The program is part of the Australian Government's 'Skilling Australia for the Future' initiative. The Government has allocated 630 000 training places over five years to ensure that Australians develop the skills that industry needs. The training places will be delivered in an industry-driven system, ensuring that training is more responsive to the needs of enterprises and individuals. Of the total training places, 238 000 are for people returning to the workforce, including job seekers, at a cost of over \$880 million.

The Government believes there is considerable scope for better linkages and increased referrals from employment services to apprenticeships and vocational education and training, particularly in areas of skill shortages. The proposed new employment services model will encourage greater take up of apprenticeships, improve connections between employment services and vocational education and training, and develop linkages with state and territory government employment and training programs. A bonus of 20 per cent will be paid for an employment outcome where the job seeker has completed an appropriate accredited training course relevant to the needs of the local labour market (including through the Productivity Places program) or has secured a 13 or 26 week outcome in an apprenticeship in an occupational area of skill shortage. Education outcomes will continue to be payable for the completion of at least one semester of a two-semester course.

The performance measurement arrangements for employment services will also need to support and encourage referral of job seekers to appropriate skills and foundational training, including the Language, Literacy and Numeracy Program and the Australian Apprenticeship Access Program.

Job seeker choice and voice

The new employment services system will provide a better service and more choice for job seekers. Greater job seeker involvement in designing their pathway to employment is expected to increase the job seekers' motivation, and hence their chance of obtaining employment.

Real user choice can also create incentives to keep improving the quality of employment

services. Consequently, the Government will be looking to incorporate job seeker feedback into the performance management system, and into provider choice.

Under the current arrangements, job seekers can only choose their provider upon initial registration, a point in time that they may have little or no information about the provider. The current system imposes restrictions on the ability to change employment service providers after that time. The initial choice is constrained by limited availability of information upon which to base a decision.

Options for consideration to provide job seekers a stronger voice include allowing them to move to another provider during an initial 'cooling off period' or at some later point if the job seeker and provider are unable to determine a reasonable and constructive servicing arrangement. Under either scenario, job seekers may be constrained to one change of provider (other than for relocation reasons) during a spell of unemployment to discourage frequent chopping and changing.

In addition, to provide scope for job seeker choice to play a stronger part in operation of the model, greater business share tolerances may be allowed.³⁷ In the current Job Network model, if a provider has more than 120 per cent of their market share on their case load, they can no longer accept job seekers who may choose to be serviced by them.

Discussion point 5:

How can the legitimate interests of a job seeker to choose a service provider be balanced with the need to provide certainty for providers?

Fee structure and payment system

The indicative fee structure is outlined at Appendix 4. Outcome fees are structured to reflect the relative disadvantage of job seekers. Hourly rates underlying the service fee structure are derived from existing hourly rates in the current contracts. In some cases these are higher than the hourly rates currently paid (for example, the proposed hourly rate for stream 4 is higher than that currently paid to PSP providers) while in other cases direct comparisons are more difficult. For example, the hourly rate for servicing stream 2 job seekers is set at a higher rate than currently applies to non-highly disadvantaged job seekers, but lower than that applicable to highly disadvantaged job seekers. It should be borne in mind that providers will have considerable discretion, together with the job seeker, to determine how best to meet the job seeker's needs.

Stakeholder views are invited on the construction of the new payment structure. A variety of payment models are currently in operation across the various contractual arrangements. It is proposed that outcome fees would simply be paid on the attainment of outcomes and EPF payments would be credited to the fund as job seekers enter the relevant stream.

The payment of service fees raises more complex issues. It is proposed that payments

³⁷ Business share is the proportion of eligible job seekers in an Employment Services Area who register with Centrelink as looking for work and who are subsequently referred to the provider.

would be made to providers in advance on either a six-monthly or quarterly basis. The calculation of these payments would need to anticipate the number of job seekers in each stream, and the hourly rate payable for servicing the job seekers. However, as some job seekers will find employment or otherwise exit the provider's case load during the period for which an up-front payment is made, a downward adjustment is needed to ensure that providers are not over-compensated for providing a service. For example, it would not be appropriate to provide 100 per cent of a service fee for 100 per cent of the job seekers, if the fee is based on six months worth of service and a percentage of the job seekers do not ultimately receive six months' worth of service. It is also desirable, in the interests of minimising red tape, to avoid complex fee acquittal arrangements.

Discussion point 6:

Are there any further improvements that can be suggested to deriving and paying service fees? Are there alternatives to claw back mechanisms?

How should fees be shaped to discourage parking?³⁸

Participation requirements for job seekers

The Government remains committed to mutual obligation. As is presently the case, job seekers will be required to participate in activities in accordance with their EPP. Job seekers who fail to comply with the requirements will be subject to a stringent compliance regime.³⁹

Discussion point 7:

Should activity test requirements be made more flexible and responsive to job seekers' needs? If so, how?

The Government has already acted to ensure that job seekers participating in approved training are no longer forced to accept work that would interfere with that training. Are there other areas in which a similar approach should be adopted?

Should job seekers with recognised qualifications or skills be permitted to restrict their job search to their chosen field for a period? If so, for how long, and in what circumstances?

Participation requirements for parents

The Government is committed to ensuring that parents have the same opportunities to participate in employment that other job seekers do. We recognise the critical importance to the Australian economy of ensuring that all those who can work do work. In relation to parents the Government will ensure that participation requirements are balanced with parenting responsibilities, which have independent social and economic benefits. A number of issues have been raised in the course of consultations including:

³⁸ In the Productivity Commission's report of their review of Job Network, parking is referred to as the (ongoing) provision of little assistance to disadvantaged job seekers. See section 9.3 Productivity Commission 2002, Independent Review of Job Network, Inquiry Report, Report No. 21, 3 June, Canberra.

³⁹ See Chapter 3.

- whether job search requirements can take account of long school holidays, particularly when the job seeker is employed at other times
- whether participation requirements can better take account of participation that includes a combination of work, study and volunteering activities
- whether activity reporting requirements can be improved.

Issues relating to the participation requirements for parents were raised in numerous submissions. The Government will therefore be establishing a taskforce to examine whether there are better ways of balancing the role parents play in their families and communities, with the need to increase participation among child-bearing aged women (Australia is presently ranked 21st out of 30 in the OECD in this category).

Discussion point 8:

How can the needs of parents returning to the workforce be balanced with the need for greater employment participation? Should volunteering be incorporated into participation requirements for parents?

Participation requirements for mature age job seekers

Under current arrangements, job seekers who are 55 or more years of age (regardless of whether they are also principal carer parents or people with partial work capacity) are taken to satisfy the activity test if they undertake 30 or more hours of approved voluntary work, paid work or a combination of approved voluntary and paid work in a fortnight. Job seekers meeting their activity test requirements through the above means will not have any job search requirements. As part of these arrangements, mature age job seekers are required to remain connected with an employment service provider. The Participation Taskforce will also be looking at issues in relation to mature age participation including access to training.

Indigenous Australians and remote servicing

The new employment services system will make a key contribution to the goal of halving the gap in Indigenous employment outcomes within a decade. The greater flexibility in the new model will better support skills acquisition, mentoring, and any locally developed innovative solutions to employment. In remote areas there will be placement and outcome payments for a broader range of educational and foundation skills outcomes including helping Indigenous job seekers to return to school and gain greater literacy and numeracy skills.

Services operating in remote communities will also be able to explore alternative community enterprises, in addition to WfD.

The higher service delivery costs in remote locations resulting from infrastructure and staffing difficulties and the significant disadvantage of job seekers in the labour market will be addressed by the application of a 1.7 multiplier to service fees and the EPF compared to non-remote locations.

Tenders for remote services will be assessed in part on how they intend to deliver services on the ground and to maximise community involvement and capacity building. Providers will also be assessed on how they intend to utilise the local workforce. The new approach to employment services in remote areas is only one element in addressing Indigenous economic participation. The development of a new Indigenous

Economic Development Strategy has commenced. As a first stage, consultations on reforms to CDEP and IEP will be held concurrently with consultations on the new employment services model.

More details of the consultations and a discussion paper are available:

- at www.workplace.gov.au/ESpurchasing or www.indigenous.gov.au
- by emailing feedback@indigenous.gov.au
- by telephoning 1300 733 514.

Discussion point 9:

How can universal employment services be better integrated with CDEP and IEP?

Innovation Fund

Providers will be able to tender to deliver projects through a \$41 million innovation fund. Priority will be given to projects that offer place-based solutions to address barriers to employment for groups of highly disadvantaged job seekers including, Indigenous Australians, the homeless and those at risk of homelessness, those with mental illness, and people in areas with entrenched disadvantage, including job seekers in jobless families. Projects will be evaluated in part on their capacity to work with other services (for example, health or housing), and their ability to form partnerships with the private sector and training organisations.

Flexibility will be maximised to ensure innovation has the capacity to flourish. Examples of projects which might be funded could include: mentoring groups of job seekers with specific disadvantage; the establishment of social enterprises; projects to link disadvantaged workers with areas of skill shortage; and initiatives to physically link workers in regional locations where employers have positions available but job seekers are unable to access them because of the lack of transport.

Proposals will be sought as part of the Request for Tender and approved projects will be funded through extensions to the main contract under which providers will operate. Not all funds will be committed in the first year of the contract to allow time to determine if new projects should be funded during the contract period.

Discussion point 10:

How can best practice be disseminated to encourage adoption elsewhere?

How should the success of innovation projects be judged?

Harvest Labour

Similar to the arrangements for the innovation projects, providers in areas where out-of-area harvest workers are required will be able to tender to deliver a harvest service to primary producers. Proposals will be assessed on value-for-money grounds, including by considering whether there is a strong case for a harvest provider in the particular location.

Performance management

The Minister for Employment Participation has asked DEEWR to establish an external reference group to provide advice on an appropriate performance system, in the period leading up to the publication of the Exposure Draft request for tender. The aim is that such a system should be simpler and more transparent than that which currently exists, but it should still promote continuous improvement. Some providers proposed that a benchmarking system might form a preferable alternative approach to the Star Ratings system. Under such a system, providers would know in advance how many job seekers they have to place in work in order to ensure a satisfactory rating. Other suggestions have included the adoption of a benchmark for the most disadvantaged job seekers, in addition to the current Star Ratings system to enable a step change in outcomes.

Any new approach should ensure that valid comparisons can be made, and that appropriate emphasis is placed on skills development and training, the needs of employers and sustainable outcomes.

Stakeholder views are therefore invited on the development of this work.

Discussion point 11:

If a benchmark was adopted, how would it be set? Would each provider's benchmark be the same, or would it differ based on the make-up of their case load or the nature of their labour market?

How could the interests of the hardest to place be advanced by the performance management system?

How can the experience of job seekers and employers best be included when assessing the performance of providers?

Business reallocation

In order to facilitate greater planning and investment by providers, business will only be reallocated once during the life of the contract, unless there are exceptional circumstances that justify a further reallocation (for example, if a provider has flagrantly or fraudulently breached the contract, or if a provider closes down).

Contract management

DEEWR will aim to model its contract management practices in a way that strikes the right balance between its need to ensure taxpayer funds are spent efficiently, effectively and ethically, so as to obtain value for money; and the need to ensure that providers are not unnecessarily burdened by the activities or processes that DEEWR uses to undertake that monitoring.

DEEWR is developing a new approach to contract management and monitoring that focuses on the objective that it shares with providers: delivering to job seekers the services they need. This will involve a partnership with providers focusing on maximising performance within a flexible service delivery framework. The management of the new EPF and the regime of contacts with job seekers are two areas where greater flexibility will be available to providers than has been the case in the past. Reduced contractual complexity will mean that there are fewer matters that DEEWR will need to actively monitor on a regular basis.

In addition, DEEWR's approach to contract management will be guided by a Charter of Contract Management, to be developed in consultation with providers and agreed to by the Minister, which will set out the minimum standards of performance and conduct that providers can expect of DEEWR. This will assist in ensuring that DEEWR aims to provide consistent and timely advice through its network of contract managers to providers, and it will include agreed processes for resolving differences of opinion that may arise before formal contractual dispute resolution procedures are invoked.

What will the new contract look like?

Proposed features of the new ESC include:

- All providers will, on their own or in partnership, be required to provide all required assistance to streams 1, 2, 3 and 4, and access to work experience. Partnerships will need to be specified in the tender application.
- Providers will be able to provide services to specialist cohorts: for example CALD, Indigenous, young people or ex-offenders.
- Tendering and contracting will continue to be undertaken on the basis of geographical areas. A review of the current Employment Service Areas will be undertaken so these areas better reflect natural labour markets and align more closely to ABS statistical areas.
- To streamline the tender submission process for both tenderers and DEEWR, while also allowing service providers to work on their tender submissions until much later than in the past, electronic submission of tenders will occur via the Australian Government's procurement information system, AusTender. Electronic submission will require only limited internet connectivity (i.e. dialup connection is sufficient) and will be a straightforward, structured process that will assist employment service providers to develop and submit their tender application.

Discussion point 12:

How should ESAs be determined and how can they be aligned more closely with natural labour markets?

Chapter 3—A More Effective Compliance Framework

In line with community attitudes, the Government believes that everyone who can work should work and that job seekers who receive income support must look for work and participate in employment programs or training to help them find a job. The great majority of job seekers comply with these requirements, but we need a more effective compliance system for those who do not meet their requirements.

The current framework has failed to prevent non-compliance. There were 30 000 penalties imposed in the first eight months of 2007–08; double the number in the entire preceding year. An effective system should result in fewer eight week, non-payment penalties because job seekers would be meeting their requirements.

The current system is also counter-productive. When an eight week non-payment penalty is imposed the job seeker is not required to have any contact with their Job Network provider, or Centrelink, for the entire period. The current system is perceived by many providers and welfare agencies as a ‘penalise first’ approach that prevents employment service providers using their professional judgment. Submissions suggested that by stopping payment for eight weeks the current system places job seekers, particularly already vulnerable job seekers, at great risk. It arguably ends up costing the community in other ways, through the health and welfare system, and requiring charitable organisations to provide support.

New compliance framework – description

The proposed new compliance framework will be more ‘work like’. If a job seeker does not turn up for their activity or program on any day, they will lose that day’s income support under a ‘No Show, No Pay’ policy. For failure to attend interviews the eight week non-payment period will remain for wilfully and persistently non-compliant job seekers. However, rather than automatic escalation in penalty after three failures, job seekers will receive a comprehensive compliance assessment to determine whether an eight week non-payment period is appropriate.

The onus will be on job seekers to continue to look for work and participate in intensive employment programs or training in order to have their income support reinstated.

Aspects of the current compliance framework that will be retained are:

- Rapid reconnection following any missed appointment with a provider or employer will give job seekers the opportunity to avoid a financial penalty.
- Job seekers who voluntarily leave a job without good reason will not be entitled to income support.⁴⁰
- Job seekers referred to a JCA, but who do not attend, may have their payments held to secure attendance at a JCA; but will not incur a penalty for failure to attend.

⁴⁰ Job seekers provide an employment separation certificate to Centrelink when claiming income support after leaving a job. Where the certificate indicates that the job seeker left employment voluntarily Centrelink seeks the job seeker’s views to verify the situation. Where a job seeker indicates they did not leave voluntarily, Centrelink may discuss this with employer also. Based on these inquiries, Centrelink then makes a decision about the circumstances of the employment separation. This decision is subject to appeal. Note, Centrelink may provide the job seeker with information about other avenues they can pursue regarding the conditions of their employment and subsequent separation.

'No Show, No Pay' – Failure to participate in a program or activity

Under a 'No Show, No Pay' approach, job seekers will be penalised with the loss of a day's payment for any day they fail to participate fully in a program or activity without an acceptable reason. Loss of payment will also apply for misconduct while in attendance at a program. Job seekers will be advised of this in advance of the commencement of their activity (and will be reminded throughout their activity). It is intended the penalty will apply to the payment that is due for the period in which the failure occurred.

A participation report will not be submitted if a job seeker advises their provider in advance that they will not be able to attend a program or activity and/or gives an acceptable reason. For example, it would be reasonable for a job seeker to be absent for a day because of an illness, accident, or to attend to an urgent personal matter. In the interests of developing good work habits, job seekers should be expected to notify providers of an impending absence, wherever this is known. In some programs or activities it may be reasonable to expect the job seeker to make up the lost time. Clear guidelines will be developed to assist providers determine whether to submit a participation report and whether time missed should be made up. Employment (verified by declared earnings), approved study and illness verified by a medical certificate will be considered as acceptable reasons for absences from the job seeker's activity without time needing to be made up. Decisions of providers will be reviewable to ensure appropriate considerations were taken into account.

A history of 'No Show, No Pay' penalties over a specified period will trigger a comprehensive compliance assessment.

Failure to attend an appointment with an employment service provider or employer – rapid reconnection averts penalty

As is presently the case, a job seeker who misses an appointment with a provider can avoid a financial penalty by attending a reconnection appointment with that same provider as soon as possible. A job seeker who fails to attend a job interview or fails to behave appropriately during a job interview (with the clear intention of not being offered the job) will also be required to reconnect with their provider and will not incur a penalty if they do so.

Initial reconnection appointments will be made within 48 hours of the job seeker's contact with Centrelink. If the job seeker attends, no penalty will apply, although a failure will be recorded. If the job seeker does not attend without a reasonable excuse they will lose payment from the time they contact Centrelink until they do reconnect. If the initial reconnection appointment cannot be made within 48 hours of the job seeker's contact with Centrelink, no financial penalty will apply. Wherever possible, the penalty will apply to the payment that is due for the period in which the failure to reconnect occurred.

It is proposed that a job seeker who accesses rapid reconnection three times in 12 months be referred for a comprehensive compliance assessment.

Eight week non-payment period for persistently non-compliant job seekers

Job seekers who persistently fail to meet their requirements will still be subject to an eight week non-payment period. However, rather than an automatic escalation in the severity of the penalty, as is presently the case, a comprehensive compliance assessment will take

place to determine whether a penalty should be applied or whether the job seeker may need additional assistance in order to comply. The assessment will be conducted by Centrelink, who will be required to consider the job seeker's compliance history, employment record and any other relevant information provided by the provider. A provider can also request that Centrelink conduct an assessment at any time.

Possible outcomes of this assessment will include:

- cancellation of payment and an eight week non-payment period. The penalty will only be lifted on commencement of a specified intensive activity, such as a compulsory 50 hours per fortnight work experience, training or job search program, lasting eight weeks
- referral for further assessment where the job seekers capacity to comply is in doubt
- referral to an appropriate alternative service for job seekers who are no longer able to participate in their current program or activity
- no further action where there is a reasonable explanation for the job seeker's past failures and their recent compliance record is good.

Eligibility for income support

Job seekers will continue to have to wait eight weeks before payment if they:

- voluntarily leave suitable employment without a reasonable excuse
- behave in such a way at work that they are dismissed from suitable employment; or
- refuse a suitable job offer while in receipt of income support.

In the first two situations, a person who has not yet claimed income support will not be eligible for payment until eight weeks after the date they became unemployed (which will allow them to 'self serve' the period prior to claiming payment).

A job seeker who is already in receipt of payment, who is working, and who engages in any of this behaviour, will have their payment cancelled and will not be eligible for payment for eight weeks.

The eight weeks will be waived for individuals who agree to undertake a defined intensive activity for 200 hours over the eight weeks (50 hours per fortnight) including training or work experience (or a lesser amount for people with part-time requirements). If a person is unable to undertake intensive activities these could be waived if the person is in hardship or alternative activities prescribed. Accordingly, there will be no need to retain the current Financial Case Management Scheme. Financial Case Management is flawed because it does not require job seekers to look for work or undertake training through the penalty period; and because it is not accessible to many disadvantaged job seekers.

New compliance framework – discussion

Under current participation reporting and compliance arrangements, both employment service providers and Centrelink are required to contact the job seeker to discuss the job seeker's reasons for failing to meet a requirement before any action can be taken, consistent with principles of natural justice. This can result in delays and duplication of effort. An alternative approach would be for providers to contact job seekers prior to submitting Participation Reports.

Centrelink would still be responsible for making the decision under Social Security Law, but would only contact the job seeker if they needed to do so in order to make an informed decision. This approach would require the provider to submit a comprehensive Participation Report. Providers would be given clear guidelines about allowable absences to reduce the number of unnecessary Participation Reports. It is also proposed that providers will have greater discretion not to submit Participation Reports, for example where they are satisfied with the job seeker's explanation for their absence or where they believe it will assist the job seeker's chances of obtaining employment.

Discussion point 13:

Should both Centrelink and employment service providers be required to contact job seekers about Participation Reports?

While the counter-productive 'three strikes and you're out' approach of the current harsh regime will no longer apply (because an assessment will replace an 'automatic' non-payment), there is still a need to define persistent non-compliance and establish a level of non-compliance that triggers an assessment. It is proposed that three failures to attend an appointment with a provider or a job interview should trigger a comprehensive compliance assessment, while a consistent record of 'No show, No pay' failures in a specified period (perhaps six months) could also trigger an assessment.

Discussion point 14:

Remembering that the comprehensive compliance assessment is an opportunity to identify barriers or service options, what number of Participation Reports submitted in a particular time-frame should trigger an assessment?

Should the trigger be the same for rapid reconnection failures as for 'No show, No pay' failures?

Discussion point 15:

What should happen if the job seeker re-engages through participation in an intensive activity but then again fails to meet their requirements (a persistent no show)? Should payment be lost on a 'No show, No Pay' basis or should the job seeker, at some point, become fully precluded from income support for a period?

If a job seeker is unable to undertake intensive activities for 50 hours per fortnight due to personal circumstances, what is an appropriate activity for them to undertake?

Chapter 4—Transition to the new model

The Government is mindful that transition from the current contracts to the new model of service delivery will create implementation issues that will require careful attention. Experience suggests that the transition of job seekers can impact negatively on job seeker servicing and can create uncertainty and disruption for job seekers and providers alike. This in turn has historically created reductions in provider performance over the transition period, and this needs to be minimised in 2009.

Transition of the existing case load of the Job Network and other providers into the new model also creates significant cost pressures because of the characteristics of the case load and the Government's desire to provide a new tailored and flexible model for all job seekers.

Against this background, DEEWR will manage the transition process against the following principles:

- transition activities must support the commencement of the new model on time on 1 July 2009
- transition activities must be consistent with the design of the new model, while existing contractual obligations must be honoured
- all eligible job seekers must be referred to new providers contracted under the new model as efficiently and sensitively as possible.

Appendix 5 contains an indicative description of how Job Network, PSP and JPET clients could be transitioned to the new model. Work will also need to commence on:

- determining how best to manage WfD and Green Corps projects and participants during the period 1 July 2009 to 31 December 2009
- managing the wind-down of NEIS as a stand-alone program, and its participants as at 30 June 2009
- implications for Harvest Labour providers and their clients over the transition period
- how best to wind up the licensing arrangements for JPLOs.

Discussion point 16:

Based on your experience with previous transitional periods, what are the key issues that you believe will need to be managed? How can we learn from what has worked, and what hasn't worked, in the past?

Existing providers

The Government wants to ensure that, in the transition to the new model, the expertise of specialist providers is retained. This may occur through specialist providers tendering for work, or by specialist providers forming partnerships and alliances with more generalist providers.

As providers would agree, it is also very important that current providers continue to deliver a high level of service, as detailed in the ESC/Funding Deed 2006–09, including:

- working with participants or job seekers in removing barriers to employment
- assisting participants or job seekers in finding and supporting sustainable, full-time employment
- managing relationships with employers and local industry
- providing necessary guidance to your site-based staff to manage the transition process.
- communicating with DEEWR to provide feedback and for issue resolution.

The Government will continue to pay for services delivered under the current ESC, outcomes as a result of placements anchored during the ESC 2006–09 contract period, and invoices from the appropriate use of the JSKA.

In the period leading up to 1 July 2009, it is expected that providers who do not tender or win a new contract, will continue to deliver services irrespective of whether they are continuing to do so in the new model. However, DEEWR will consider, on a case-by-case basis, requests from providers to exit their contract early. The Government has made no allowances for the funding of exit packages.

Discussion point 17:

How can we best ensure the new employment services system retains specialist providers?

Is there anything DEEWR can and should do to assist providers in delivering a quality service for the remainder of this contract period?

Chapter 5—Next Steps

Public consultations on the new approach to employment services will commence on 19 May 2008. Sessions will be conducted around Australia.

More information on the consultations can be found at www.workplace.gov.au/ESpurchasing

The Government will consider the views and feedback you provide in the consultations and determine how best to incorporate this in the new approach to employment services and determine any necessary revisions.

It is anticipated that procurement will begin with release of an exposure draft Contract and Request for Tender in July 2008.

In September 2008 a Request for Tender will be issued with a view to the new contracts commencing on 1 July 2009.

Information Technology

The Government is determined to ensure that the information technology system that underpins any new model provides strong support to providers and reduces unnecessary workload wherever possible. This will require major redevelopment of DEEWR employment services IT systems.

To ensure employment service providers have maximum opportunity to provide input into the systems development process, DEEWR will run an extensive series of publicly accessible information sessions using web conferencing technology.

The proposed web conferences will be designed to both inform providers about potential systems options and opportunities, and capture provider feedback on preferences and issues. Timing of these conferences will be advised soon.

Discussion point 18:

Are there any specific issues you would like addressed as part of the DEEWR information technology information sessions?

Chapter 6—How to Respond

You can make a written submission on future directions for employment services before 12 June 2008. You can also attend one of the public consultation sessions commencing 19 May 2008.

A list of all the specific Discussion Points in this discussion paper are contained in Appendix 6. An interactive reply template is available from the Employment Services Review website at www.workplace.gov.au/ESReview

The form can be filled in online and emailed, or printed and mailed.

Alternatively you may wish to send detailed comments by mail or email.

Submissions must be received by 12 June 2008 in order to be considered for this phase of the review.

Submissions may be lodged by mail to:

Employment Services Review
Department of Education, Employment and Workplace Relations
GPO Box 9879
Loc: 10M62
CANBERRA ACT 2601

Submissions may be lodged by email to:

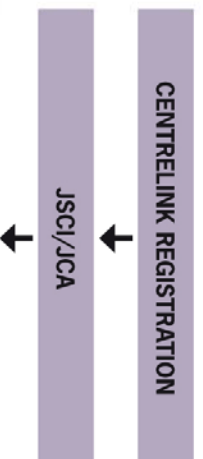
FutureEmploymentServices@deewr.gov.au

Please note that the Australian Government may publish submissions received, in full or in part, at www.workplace.gov.au/ESReview

or in other places including print publications. However, you may choose not to have your submission published. You need to indicate if you do not wish your submission to be published by marking the box on the first page of the template or by stating so clearly in any covering letter or email.

APPENDIX 1—OVERVIEW OF NEW EMPLOYMENT SERVICES MODEL

New Employment Services Model



EMPLOYMENT PATHWAY PLAN	
WORK READY	DISADVANTAGED JOBBEEKERS
STREAM 1—12 months 52% of new job seekers <ul style="list-style-type: none"> • \$11 in Employment Pathway Fund • \$385-\$440 in Job Placement fees • Up to \$833 in service fees 	STREAM 2—12 months 25% of new job seekers <ul style="list-style-type: none"> • \$550 in the Employment Pathway Fund • \$385-\$3696 in Outcome and Job Placement fees • Up to \$966 in service fees
	STREAM 3—12 months 8% of new job seekers <ul style="list-style-type: none"> • \$1100 in the Employment Pathway Fund • \$385-\$7392 in Outcome and Job Placement fees • Up to \$1202 in service fees
	STREAM 4—12-18 months 15% of new job seekers <ul style="list-style-type: none"> • Up to \$1650 in the Employment Pathway Fund • \$385-\$7392 in Outcome and Job Placement fees • Up to \$2760 in service fees

EXTRA VET PLACES FOR JOBBEEKERS

WORK EXPERIENCE INCLUDING WORK FOR THE DOLE AND GREEN CORPS

APPENDIX 1—OVERVIEW OF NEW EMPLOYMENT SERVICES MODEL

APPENDIX 2—JSCI Review

The JSCI will be used to identify job seekers at risk of long-term unemployment and stream them into relevant services. The Government is considering how the JSCI can more effectively, appropriately and efficiently determine a job seeker's level of disadvantage to ensure early and pertinent interventions and the instrument is currently being reviewed towards this end.

The review began in April 2008 by canvassing the views of stakeholders in order to gather information about the strengths and weaknesses of the current model and to seek suggestions for improvements. This consultation took the form of an 'Invitation to Submit' letter extended to peak bodies, service providers and other stakeholders, face-to-face, in-depth interviews with selected service providers and focus groups with job seekers. On 17 April 'Invitations to Submit' were extended to peak bodies and Job Network member CEOs. The closing date for submissions (16 May) has been extended to 12 June. Interviews with selected service providers have been completed and focus groups with job seekers are currently underway.

The JSCI is being reviewed against the following Terms of Reference:

Effectiveness

The effectiveness, accuracy and robustness of the JSCI in identifying clients for early intervention are being examined, especially in regard to:

- identifying job seekers at risk of long-term unemployment, and for immediate access to intensive forms of employment assistance and/or other interventions
- identifying job seekers for further specialised assessment and referral to appropriate services
- identifying disadvantage in different groups of job seekers, including those disadvantaged by local factors.

Appropriateness

The appropriateness of the JSCI in identifying disadvantage in customers who register for income support and/or public employment services is being examined in the review, including an investigation of:

- the application of the JSCI by Centrelink, job capacity assessors and Job Network
- the appropriateness of the factors and weightings that make up the JSCI, with consideration being given to including new factors such as previous income support history
- any undue administrative burden associated with the application of the JSCI
- whether the JSCI should be readministered to job seekers at set time intervals; (e.g. every 12 months), to accurately identify prevailing disadvantage
- the mechanisms in place to ensure early identification of changes to a job seeker's circumstances that may affect his or her employment prospects.

Efficiency

The efficiency of the JSCI is being examined to assess whether:

- JSCI assessments are conducted in a manner which is timely, and which result in reliable and valid assessments
- referral processes, and linkages with other programs and services, are streamlined as far as possible
- the outcomes from decisions based on the JSCI demonstrate an equitable trade-off between expenditure and job seeker assistance.

APPENDIX 3—JCA REVIEW

As part of its Social Inclusion agenda, the Government made a commitment to review JCA processes.

The Minister for Human Services, Senator the Hon Joe Ludwig, wrote to stakeholder organisations on 12 February 2008, seeking their views on how JCA services could better meet the needs of people with barriers to work, service providers and the Australian community.

Fifty-five responses were received from a wide range of organisations, including advocacy groups, associations representing allied health professionals and health professionals, JCA providers, employment service providers, and review and complaints bodies such as the Commonwealth Ombudsman.

The responses raised some practical issues and put forward some useful suggestions for improvements to guidelines, systems and processes. The Minister is currently considering these issues and possible approaches, and expects that work will commence shortly with stakeholders to develop the detail of new arrangements.

Following work undertaken by the Department of Human Services with JCA providers, NESAs and other stakeholders in 2007, good progress is already being made on improvements to training, quality assurance and performance measurement.

APPENDIX 4—INDICATIVE FEE STRUCTURE AND DESCRIPTION OF INTERVENTIONS FOR FULLY ELIGIBLE CLIENTS

Outcome fees

Outcome Type	Stream 2		Stream 3		Stream 4		Work Experience	
	Provider Brokered	Jobseeker Initiated	Provider Brokered	Jobseeker Initiated	Provider Brokered	Jobseeker Initiated	Provider Brokered	Jobseeker Initiated
0-12 months 13/26 week	\$1008	\$675	\$1960	\$1313	\$1960	\$1313	N/A	N/A
13-60 months 13/26 week	\$1400	\$938	\$2800	\$1875	\$2800	\$1875	\$854	\$572
61 months+ 13/26 week	\$1848	\$1238	\$3696	\$2475	\$3696	\$2475	\$1127	\$755
0-60 months 13/26 week pathway	\$616	\$413	\$616	\$413	\$1232	\$825	\$376	\$252
61 months+ 13/26 week pathway	\$1232	\$825	\$1232	\$825	\$1232	\$825	\$752	\$505

APPENDIX 4—Continued

Service fees

Service fees are proposed to be based on an hourly rate of \$84 per hour for streams 1 and 2 and \$93 for streams 3 and 4. All fees are GST inclusive.

All initial interviews will be based on rate of \$84 per hour. Work experience contacts will be based on \$90 per hour. The service fee payment arrangements will be finalised through the consultation process.

Stream 1

Type of assistance	Total time for all contacts in period
Initial interview	0.75 hours
Skills Assessment	1 hr
Training Activity	60 hrs over 2 weeks
Contacts	3.25

Stream 2

Type of assistance	Total time for all contacts in period
Initial interview	0.75 hours
Contacts	10.75 hrs

Stream 3

Type of assistance	Total time for all contacts in period
Initial interview	0.75 hours
Contacts	12.25 hrs

Stream 4

Type of assistance	Total time for all contacts in period
Initial interview	0.75 hours
Contacts	29 hrs

Work Experience

Type of assistance	Total time for all contacts in period
Contacts	4.5 hours
Work Experience Service Fee	\$320

- 1 The fees for contacts in streams 2, 3 and 4 are inclusive of activities such as a skills assessment, training, work experience, counselling and general ongoing contact with the provider.
- 2 The work experience service fee is multiplied by 1.7 for remote clients and for full-time work experience clients.

Employment pathway fund

	Credit
Stream 1	\$11
Stream 2	\$550
Stream 3	\$1100
Stream 4	Year 1 \$1100
	Year 2 \$550
Work Experience	\$490

- 1 Amounts are GST inclusive.
- 2 The work experience credit is multiplied by 1.7 for remote clients and for full-time work experience clients.

Job placement fees

	Description	Fee
Stream 1	For job seekers who have completed a skills assessment where the placement provides paid employment for between 15 to 49 hours within 10 consecutive working days (for job seekers with part-time work requirements only).	\$385
	For job seekers who have completed a skills assessment where the placement provides paid employment for a minimum of 50 hours within 10 consecutive working days.	\$440
Streams 2 to 4 and Work Experience	For job seekers who have completed a skills assessment where the placement provides paid employment for between 15 to 49 hours within 10 consecutive working days.	\$385
	For job seekers who have completed a skills assessment where the placement provides paid employment for a minimum of 50 hours within 10 consecutive working days.	\$550

1. All fees are GST inclusive.

APPENDIX 5—INDICATIVE TRANSITION OF JOB SEEKERS TO VARIOUS STREAMS

Client Group Current Characteristic	New service entry point	Period in service	Timing of entry into service	Employment Pathways Account credit
Highly Disadvantaged				
< 12 mths	Stream 3	12 mths	Immediate	\$550
> 12 mths & < 24 mths	Stream 3	12 mths	After 6 mths	\$550
> 24 mths (30%)	Stream 3	6 mths	After 6 mths	\$550
> 24 mths (70%)	Work Experience	Ongoing	Immediate	\$250
Non-highly Disadvantaged				
In JSS (< 3mths)	Stream 1	Ongoing	Immediate	\$11
> 3 mths and < 12 mths	Stream 1	Ongoing	Immediate	\$11
In ISCA1 < than 3 mths (12-15 mths)	Stream 2	12 mths	Immediate	\$550
In ISCA1 > than 3 mths (15-18 mths)	Stream 2	12 mths	After 3 mths	\$550
In IS contacts (18-23 mths)	Stream 2	6 mths	After 6 mths	\$550
Commencing ISCA 2 (24mths+) (30%)	Stream 3	6 mths	After 6 mths	\$550
Commencing ISCA2 (24 mths+ (70%))	Work Experience	Ongoing	Immediate	\$250

Indicative transition of PSP and JPET clients

Client Group Current Characteristic	New service entry point	Period in service	Timing of entry into service	Employment Pathways Account credit
Personal Support Programme				
< 12 months	Stream 4	Up to 18 months	Immediate	\$1100
> 12 months*	Stream 2	12 months	Immediate	\$550
> 12 months*	Stream 3	12 months	Immediate	\$550
> 12 months*	Work Experience	Indefinite	Immediate	Work Experience credit payable
Waitlist	Stream 4	Up to 18 months	Over the first year	\$1100
Suspensions	Stream 4	Up to 18 months	Over the first 6 months	\$1100
Job Placement, Employment and Training program				
Current JPET participants	Stream 4	Up to 18 months	Immediate	\$1100

* Based on JSCI/JCA

APPENDIX 6—DISCUSSION POINTS

Discussion point 1:

In addition to the development of job seekers job search techniques, training and work experience, are there other activities that should be approved as an intensive activity?

How should we best balance the need to ensure a job seeker receives assistance appropriate to their needs with the provider's responsibility to manage funds effectively across their case load?

Discussion point 2:

Employment service providers will be given flexibility to determine the frequency of their contacts and other activities in accordance with the needs of the job seeker. However, to ensure a reasonable level of service, providers will be expected to meet regularly with job seekers and this will be reflected in the job seekers EPP.

Should there be a minimum contact requirement? For example, should providers need to meet with job seekers at least once per month?

Discussion point 3:

What are the practical administrative issues that will need to be resolved in order to ensure the streams are as effective as possible?

Discussion point 4:

What should and should not be able to be purchased with the EPF?

Which is preferable, a principles-based approach to prohibited items or an exhaustive list of prohibited items?

Is there anything about the proposed EPF that may contribute to it being under-utilised?

At what level should purchases be permitted on the basis of a simple invoice and without the need for detailed case by case justification?

Discussion point 5:

How can the legitimate interests of a job seeker to choose a service provider be balanced with the need to provide certainty for providers?

Discussion point 6:

Are there any further improvements that can be suggested to deriving and paying service fees? Are there alternatives to claw back mechanisms?

How should fees be shaped to discourage parking?

Discussion point 7:

Should activity test requirements be made more flexible and responsive to job seekers needs? If so how?

The Government has already acted to ensure that job seekers participating in approved training are no longer forced to accept work that would interfere with that training. Are there other areas in which a similar approach should be adopted?

Should job seekers with recognised qualifications or skills be permitted to restrict their job search to their chosen field for a period? If so, for how long, and in what circumstances?

Discussion point 8:

How can the needs of parents returning to the workforce be balanced with the need for greater employment participation? Should volunteering be incorporated into participation requirements for parents?

Discussion point 9:

How can universal employment services be better integrated with CDEP and IEP?

Discussion point 10:

How can best practice be disseminated to encourage adoption elsewhere?

How should the success of innovation projects be judged?

Discussion point 11:

If a benchmark was adopted, how would it be set? Would each provider's benchmark be the same, or would it differ based on the make up of their case load or the nature of their labour market?

How could the interests of the hardest to place be advanced by the performance management system?

How can the experience of job seekers and employers best be included when assessing the performance of providers?

Discussion point 12:

How should ESAs be determined and how can they be aligned more closely with natural labour markets?

Discussion point 13:

Should both Centrelink and employment service providers be required to contact job seekers about Participation Reports?

Discussion point 14:

Remembering that the comprehensive compliance assessment is an opportunity to identify barriers or service options, what number of Participation Reports submitted in a particular timeframe trigger an assessment?

Should the trigger be the same for rapid reconnection failures as for No show, No pay failures?

Discussion point 15:

What should happen if the job seeker re-engages through participation in an intensive activity but then again fails to meet their requirements (a persistent no show)? Should payment be lost on a No show, No Pay basis or should the job seeker, at some point, become fully precluded from income support for a period?

If a job seeker is unable to undertake intensive activities for 50 hours per fortnight due to personal circumstances, what is an appropriate activity for them to undertake?

Discussion point 16:

Based on your experience with previous transitional periods, what are the key issues that you believe will need to be managed? How can we learn from what has worked, and what hasn't worked, in the past?

Discussion point 17:

How can we best ensure the new employment services system retains specialist providers?

Is there anything DEEWR can and should do to assist providers in delivering a quality service for the remainder of this contract period?

Discussion point 18:

Are there any specific issues you would like addressed as part of the DEEWR information technology information sessions?

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