

Job Network, the 3rd contract



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Current Issues

Job Network, the 3rd Contract

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Background

Over 1997 98 the Commonwealth Employment Service and its related agencies and labour market programs were terminated, (cashed-out see Library publication [Changes to Employment Services](#) for background), with employment assistance services instead being delivered through a collection of for profit and community-based providers (the Job Network, JN) under a purchaser-provider contract determined by the Department of Employment and Workplace Relations (DEWR, see the [Australian Workplace website](#)).

The first contract (JN1) with these providers came in at May 1998, the second (JN2) early 2000, and the third contract commenced on 1 July 2003. The initial value of the latest 3-year contract is approx \$2.5 billion (\$926 million for 2003 04, in addition to other non-JN programs, although JN allocations from the Commonwealth Budget have had a tendency to underspend by up to 20 per cent in recent years (noted by [Senate Employment, Workplace Relations and Education Committee](#) (EWRE) 20 February 2002). Thus this 3-year estimate should be seen as a possible maximum which the Commonwealth **could** be liable for. Under [JN3](#), 109 JN members will operate from 1129 sites, while [JN2](#) started with 205 providers at 1710 permanent and 404 outreach sites (2045 sites at its end), so the trend has been for preferred suppliers to operate at a larger business unit level, across fewer outlets, and under both JN2 and JN3, the sites provide other contracted employment services as well as JN services. However, if, under the new JN3 arrangements, job placement organisations (JPOs) are included, then the number of sites of JN3 (2540) exceeds those under JN2. Questions might be raised as to whether the inclusion of these sites is reasonable given that they are primarily advertised to assist employers with placement and presumably supply a restricted range of services to the unemployed. As DEWR advised the [Senate EWRE Cttee](#) on 3 June 2003:

A job placement organisation is employer focused. It is about getting vacancies from employers onto the national jobs database so that they can be matched with the vocational profiles.

The first 2 rounds of Job Network paid providers for a placement in a job of a client with extra payments made according to the difficulties in placing the client. The payment system under JN3 has been changed so that JN members will be paid to monitor clients more closely (discussed below).

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Active Participation

Job Network 3 implements an Active Participation Model of employment placement and jobsearch (announced in May 2002). Under this new system fees are paid to a JN provider when a client presents for an interview (following registration for benefits or limited JN service with Centrelink). At this interview with the JN member the jobseeker's resume is reviewed and his/her business plan or jobseeker plan of finding a job is determined. Now, importantly, there is associated with JN3 a regimen of scheduled interviews which track or correlate with the client's unemployment record. This is explained by the department (DEWR) as:

the concept of all job seekers having a guarantee of access to a continuum of service, with the nature of that service ramping up over time or, if the individual is at high risk, they will go immediately into front-end service points. (DEWR response to Senate EWRE Cttee 3 June 2003)

The intention behind JN3 was to bring in labour placement and hire agencies into JN (under license) and have them add their vacancies to the national vacancy database (called Australian JobSearch). Job Matching is the old Commonwealth Employment Service (CES) service of applicants being matched to registered vacancies. Job matching will be carried out by some JN members and other non JN businesses, called job placement organisations. It may be possible for both a JN provider and a JP organisation to receive a DEWR payment for the placement of an unemployed person.

The previous three tiered system of Job Matching, Job Search Training and 2 levels of Intensive Assistance of JN2 is to be replaced under JN3 by 2 streams: Job Search Support Services and Intensive Support Services. Intensive support customised assistance increases the level of intensive support, when the client is assessed as needing a higher degree of assistance.

DEWR provides the following advice to job seekers as to how these levels of assistance will interact with each other:

Training Account

If you are an Indigenous or mature age job seeker (aged 50 years when you start Job Search Training or aged 49 years and 6 months when you start Customised Assistance), your Job Network member may access a Training Account to provide additional work related training to help you get a job in your local area.

Mutual Obligation

Mutual Obligation is about helping you improve your chances of finding work while giving something back to the Australian community.

If you are receiving payments such as Newstart or Youth Allowance, as well as looking for work, you must undertake some approved activities.

Mutual Obligation activities are outlined in your Preparing for Work Agreement (an agreement you will develop with Centrelink), or in your Job Search Plan.

Within Customised Assistance, as part of your Job Search Plan, you may receive:

- intensive work preparation
- work experience
- training and counselling.

Depending on your needs, your Job Network member may also give you:

- more intensive job search activities and contact you each fortnight

- additional services, facilities and activities such as interpreter services, or some money for fares if you cannot afford to get to a job interview
- help with work experience, counselling or training to get a job
- support while you are settling in to a new job.

While receiving Intensive Support, your Job Network member will meet regularly with you to talk about job search approaches and refine your personal details on JobSearch. Job Search Support services will continue to be provided while you remain unemployed.

Intensive Support services will continue while you participate in Mutual Obligation activities for 6 months. If you don't have any Mutual Obligation requirements, your Job Network member will continue to provide support to you.

The key changes between JN2 and JN3 are the replacement of commencement fees with a schedule of fee for service, and the introduction of outcome fees based on length of time that a jobseeker is unemployed. (see Productivity Commission [Independent Review of the Job Network](#), p. F.10)

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Fees and likely costs

The schedule of fees payable for job matching was canvassed in the release of information on the Active Participation Model by the Hon. Mal Brough MP in September 2002: Job Network members will have access to a Job Seeker Account to purchase or provide assistance to job seekers to address their barriers to employment. The account will be credited with \$11 for each job seeker when they have been unemployed for more than 3 months. For job seekers with a locational disadvantage, an amount of \$22 will be credited to the account from registration (total cost \$27.2m over 3 yrs). This is over and above fees for service, job placement fees and outcome fees

A further amount will be credited to the Job Seeker Account in respect of each job seeker as they commence Intensive Support customised assistance. For most job seekers, an amount of \$900 will be credited. For those job seekers identified as highly disadvantaged, this amount will be increased by \$450 (\$1350 in total) and for those with a location disadvantage, the amount will be increased by \$225 (\$1135 in total). If job seekers remain unemployed and commence a second period of Intensive Support customised assistance, the Job Seeker account will be supplemented by a further payment of \$500. This amount will be supplemented by an additional payment of \$250 for those job seekers identified as most disadvantaged (\$750 in total) and \$125 for those job seekers with a location disadvantage (\$625 in total). (Total cost \$556m over 3 yrs). An Active Participation Model also recognises the disadvantage of job seekers living in rural or remote parts of Australia and introduces supplements to the Job Seeker Account for those job seekers identified as having a location disadvantage. ([Fact Sheet](#))

There are also fees paid to JN members for outcomes: the commencement fee, the primary interim outcome fee, the secondary interim outcome fee, the primary final and the secondary final fee. For hard to place clients the outcome fee may reach \$6600. Job Network members will be able to claim outcome fees for placing job seekers in sustainable jobs from 4 months unemployment. (JN3 fees and payments can be found at the [JN3 tender](#))

However the Productivity Commission in its [Independent Review of the Job Network](#) also considered the operation of JN3 in its [Appendix E](#), The Impact of the Business Cycle .

This appendix also maps out the schedule of proposed interviews and accompanying fees and compares these to what occurred under JN2:

Month	JN2 Fees\$	JN3 Fees\$
1		\$52.50 New referral interview, 45 minutes
2		
3		
4	JST: \$500	\$671.00 JST fee of \$660, plus \$11 JSA
5		\$81.70 5 month review of 70 minutes
6		
7		\$29.20 7 month review of 25 minutes
8		
9		\$29.20 9 month review of 25 minutes
10		
11		\$29.20 11 month review of 25 minutes

(with further payments to 39 months unemployment)

The Productivity Commission's [Independent Review of the Job Network](#), estimates of potential total costs of JN3 under its new fee structure differs to that presented by Mr Brough. For example it compared the average job matching fee of JN2 (\$362) and its estimate for JN3 at \$309 (based on the DEWR submission to the Productivity Commission). The lower figure derives from the predicted (fewer) placements which would earn a bonus for employment of 50 hours over 2 weeks. The PC also noted that comparatively fewer clients would access Customised Assistance (165 000) under JN3, compared to those who accessed Intensive Assistance in a year under JN2 (276 000). While 69 000 mature age and indigenous job seekers will have access to Training Account funds of up to \$800 each (announced in Budget 2001 under Australians Working Together), Training Account access was initially budgeted by DEWR to average \$267 per eligible client (see PC footnotes at p. F.11 [Appendix F](#))

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Glitches with the new system

In the lead-up to the first day's operation of JN3, reports circulated concerning disputes between the Minister for Family and Community Services, Senator Vanstone, and the Minister for Employment Services the Hon Mal Brough MP. As reported in *The [J.1]*

Age, 3 July 2003, the ministers have reportedly sent letters to the Prime Minister complaining about each other's departments. Senator Vanstone

, the Family and Community Services Minister responsible for Centrelink, expressed her concerns about the extra work created for public servants by the technology hitches plaguing the introduction of the new system. The article went on: Senator

Vanstone has also written to Workplace Relations Minister Tony Abbott, Mr Brough's senior minister, complaining about the custom-built Job Network computer system, which until late last week was breaking down regularly. She sent a copy of the letter to Prime Minister John Howard. Mr Brough responded by writing to Mr Howard about his concerns regarding Centrelink's unwillingness to punish unemployed people who don't turn up to appointments with their new Job Network providers. About 67 per cent of unemployed people who have so far been called in for compulsory appointments with Job Network providers have failed to turn up. Mr Brough has promised to cut their welfare payments if they do not cooperate, but it is understood Centrelink staff are unwilling to inform recipients that they have been cut off, particularly as some suspect the low compliance rate is connected with the IT problems. Thereafter followed allegations of the consequences of both the IT glitches and the failure of 40 per cent of clients to present for JN interviews resulting in a cash flow crisis for the JN network. The Government proposed to advance \$30 million to maintain cash flow for JN members who were advised of this on 10 July, see: [\\$30m bail-out to stem crisis in Job Network](#). *The Australian* 11 July 2003 and [Bail-out saves staff from dole](#), *AFR* 11 July 2003. Jobseekers had alleged in the early weeks of July that they had been wrongly matched to jobs, some of the allegations were:

- a middle aged female accounts clerk being matched with a position of a chain-saw operator in the timber industry and later offered a position as a prostitute; [Job agency logs an imperfect match](#), *The Australian*, 25 July 2003; [A jobs choice joke shocks](#), *Mercury* 25 July 2003
- a male being offered work as an escort [Abbott on defensive over jobs scheme](#), *The Australian* 17 July 2003
- and another male being matched with an offer by a potential employer to access the jobseeker's bank account for the purposes, it appeared, of laundering money. [Why Job Network won't work for Tom](#), *The Age* 16 July 2003

On the other hand, there are examples of the system working as intended. Minister Brough reports that:

I'll give you an example - a man in Wyong this week, I was there at Salvation Army Employment Plus, he had been a screen printer for eight years, he walked into Centrelink on the Tuesday, he was connected to his job network member on the Wednesday, he had his vocational profile put on system that day and getting automatic matching. (*Insiders* 20 July)

For reasons such as letters not being received, IT problems, placement of the client under personal support programs by Centrelink and similar teething problems, clients have not been turning up for these scheduled interviews. Mr Brough claimed that as at 20 July, 145 000 clients had not presented for a scheduled interview. IT problems were discussed extensively on 3 June 2003 in Senate Estimates ([Senate EWRE Cttee](#)) by Mr Parsons

on behalf of DEWR who explained some of the teething problems of the new IT system. For whatever fault, and because fees are now associated with these interviews, JN members are losing income as JN3 swings into operation. Thus DEWR

has advanced \$30 million to Jn providers to cover these shortfalls.

The Australian Council of Social Services (ACOSS) which traditionally represents the interests of those receiving benefits has also claimed that the new system is impersonal:

the transition to the new Job Network system relied upon a system of computerised automatic referrals in which unemployed people were directed to sign up with a particular Job Network agency for help. They must then have a face-to-face interview to put their resume on a national database but large numbers of job seekers are failing to attend the meetings. "This referral process has been plagued with significant IT problems and is cumbersome and impersonal. Reports that the government has been forced to offer a \$20 million bail-out to employment service agencies are proof there are serious problems with the transition to the new Job Network system," Mr McCallum said." **ACOSS tells government to fix IT problems** (AAP Newswire, 10 July)

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Issues to date

It is very likely that the initial glitches with JN3, such as with the IT system, will be overcome. One suspects that registered jobseekers (with Centrelink) are likely to be shuffled from mutual obligation activities towards jobsearch activities if the JN3 members are to be kept viable.

The closure of agencies particularly in regional Australia is generating a degree of resentment particularly in areas of persistent unemployment, as highlighted by this editorial from the *Sunday Mail*:

The Federal Government's revamped Job Network is failing South Australians. The failure of the taxpayer-funded scheme to find jobs for more than 35,000 out of work for more than a year in this state is unacceptable. The *army* of long-term jobless - 25,000 of whom have been out of work for more than two years - would nearly half fill AAMI Stadium.

Adding to this hardship facing those unemployed is the closure in South Australia of more than half the agencies that are meant to find them work. The fact that nine country towns have lost their agency only reinforces the isolation, loss of self-esteem and dignity so many unemployed are experiencing ...

In a move that defies explanation, many of the agencies which have been shut are in areas of high unemployment in this state. The government is quick to boast that the jobless should receive the most appropriate training for their needs, not be parked in inappropriate training courses while the network providers collect government money from helping the most job-ready find work.

The Job Network is as impersonal, inflexible and bureaucratic as the Commonwealth Employment Service it was meant replace five years ago. This is illustrated by the man who was sent for only three job interviews during his four years with an agency. (27 July 2003)

It should be noted that the numbers of long-term and very long-term unemployed cited in the editorial overstate Australian Bureau of Statistics (ABS) unemployment estimates. ABS uses different criteria to that of the Department of Family and Community Services (FaCS) to measure long-term unemployed numbers and its LTU estimates for South Australia are close to half those cited above. FaCS provides data on individuals receiving unemployment benefits.

Nevertheless, as was noted earlier by the *Australian Financial Review*, the system of invitation to treat, tender and contract tends to make the JN system secretive as providers may be loathe to criticise the system or speak out, and it is also possible that more dissatisfied clients may complain to the press or their MPs, while clients satisfied with their treatment may be less likely to report this. In early August 2003, there appeared to be some reluctance by DEWR to update business activity of the JN members for fear that this data would be reported unfavourably and show lower than expected levels of compliance by clients, although the Minister for Employment and Workplace Relations has sought to reinstate the distribution of this data.

To the extent that this system seeks to intervene early in a person's unemployment, it addresses one mostly agreed fact of unemployment theory, that the longer the period spent out of work, the more difficult it is for the person to regain work. On the other hand the system appears to automatically match clients to vacancies, possibly the same vacancy, and thus gives rise to a potential of later penalising an unemployed person for not responding to matched jobs (i.e. deny them unemployment benefits), for example where a job may be unsuitable to the client for reasons such as an occupational/skills mismatch or location. The new system also appears to pay JN members for processes rather than outcomes. However these are a few issues which may become clearer or resolved as the new system beds down.

On 9 September 2003, the Government advised JN members that the payments for job search support and intensive assistance for highly disadvantaged job seekers will be paid at the beginning of each quarter and will relate to the number of appointments that are expected to be made, whether or not they occur. Mr Brough stated in a media release [Job Network achieving record results](#) (9 September 2003):

"Job Network is achieving record job placements but can't help someone find work if they won't turn up for their appointments.

"In response to these difficulties with low attendance rates, the Department for Employment and Workplace Relations has made administrative changes to payment points for existing fees to ensure that Job Network members get paid as intended for the work that they have done and will continue to do.

"Each quarter Job Network members will receive a payment for all the work associated with contacting and registering job seekers and following-up those who miss appointments, such as rescheduling appointments, making reminder calls and recording change of circumstances details in the system. Currently payments are only triggered after job seekers turn up for their appointments, which doesn't reflect the actual work being done.

JN providers were also advised that the mix of clients had changed with 40 000 more clients now entitled to Intensive Support customised assistance than DEWR estimated, thus boosting the cash flow of JN providers job. (see [Cash advance to bail out Job Network](#))

Senator George Campbell asked a [question on notice](#) to the Minister for Family and Community Services, Senator Vanstone whether 60 000 benefit recipients would be breached for missing interviews under JN3, as alleged by Minister Brough. However from Senator Vanstone's response it appears that as at 18 September, 11 000 benefit recipients were likely to be penalised. Opposition employment spokesperson, Anthony Albanese, claimed that the revisions to the number of clients who might use or be required to use JN services had fallen from the initial estimate of 780 000 to 500 000, thus affecting JN providers cash flows (see [Vanstone Exposes Brough](#)).

On the other hand, it also appears that JN providers are reasonably satisfied with the recent changes to, and broad direction of JN3. David Thompson, chair of National Employment Services Association, representing JN providers is reported in saying:

The new rules now mean there is more regular contact and dialogue with job seekers . . . and because job seekers must stay with one provider they are forced to take more notice of these people. (Job Network in Log Jam , *The Australian* 12 September 2003)

In reaction to the high number of jobseekers who have not responded to the JN invitation letter to attend an interview, contact requirements between JN providers and clients have been redefined and tightened. It was reported in *The Australian* (26 September 2003) that benefit recipients would be required to attend interviews with their JN providers and if these attempts failed, Centrelink would make two further attempts. If these attempts also fail to generate a suitable response the benefit recipient faces a suspension of the benefit and this will occur within 3 weeks or so of the initial contact by the JN provider (Abbott's tough new dole rules). Where the jobseeker does make contact with Centrelink and does not have a justifiable reason for not responding to the contact attempts, they may face an administrative or activity test breach and the subsequent breach penalty of 16% or 18% reduction in the payment rate for up to 6 months. It was reported only 320 000 recipients had complied with interview requests, while 1.6 million appointments had been made (in respect of 720 000 benefit recipients) over the past few months.

Should there be other significant developments of the Job Network, this E brief will be updated to reflect these.

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