



A review of developments in the Job Network

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Executive summary

Australia has enjoyed strong economic growth for over 16 years and the nation's unemployment rate is at its lowest level in around 30 years. In this context of strong labour market conditions and a buoyant economy, job seekers with minimal barriers to employment tend to find work readily, with little or no assistance from Australia's main employment service provider, the Job Network. Increasingly, then, the Job Network is being asked to meet the needs of difficult-to-place job seekers and the long-term unemployed.

This Research Paper briefly examines the development of the Job Network and evaluations of this system to determine the Job Network's capacity to cater to the needs of difficult-to-place job seekers and the long-term unemployed, and how this capacity might be improved.

The main conclusions of the paper are that:

- problems with the performance-linked payment structure of the Job Network, along with the limited fees paid to Job Network providers, have resulted in many difficult-to-place job seekers being given little or no employment assistance, and limited employment outcomes for this group
- changes made to the Job Network in order to deal with emerging systemic problems have resulted in substantial administrative and compliance demands being placed upon Job Network providers
- increased Government monitoring and regulation of Job Network providers have impacted on the ability of these providers to furnish the flexible and tailored support necessary to improve the employment outcomes of long-term unemployed and difficult-to-place job seekers
- the above findings indicate the need for changes to be made to the Job Network to ensure its capacity to meet the needs of job seekers in the current economic and labour market environment

If the Job Network is to be reconfigured to meet these needs, while also potentially meeting skills in demand and tackling workforce shortages, then this may first require the reassessment of the work-first focus of this system. A 'life-first' approach to employment assistance for disadvantaged job seekers, one that addresses non-employment-related barriers alongside the provision of employment assistance, may need to be adopted if the Job Network is to achieve better and more sustainable employment outcomes.

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Introduction

The Job Network provides employment placement assistance to unemployed job seekers in receipt of Australian Government provided income support payments. This Australia-wide system of community-based and private agencies competing in a quasi-market for employment service contracts, was introduced by the Coalition Government in May 1998. The system replaced the long-standing primarily public provision of employment services in Australia. Given that it represented ‘one of the first comprehensive attempts internationally to apply market mechanisms to the provision of subsidised employment services’¹, the Job Network was regarded by many on its introduction as a radical experiment.

The main aim of the new system was to bring flexibility, choice and competition to the provision of employment services. This, it was hoped, would improve the standard of service provided to job seekers, leading to better and more sustainable employment outcomes for job seekers and enhanced value for money for tax payers.

Australia’s overall unemployment rate is currently at its lowest level since 1974, with the nation having enjoyed strong economic growth for more than 16 years. However, while the general number of unemployed job seekers receiving income support is at record low levels, there is still a number of long-term, unemployed job seekers. At the same time, as a result of the Coalition Government’s Welfare to Work reforms, from 1 July 2006 a large number of people in receipt of various forms of income support has increased requirements to look for and accept part-time work. Many of these people fall in the category of difficult-to-place job seekers and themselves face the potential prospect of becoming long-term unemployed. In light of the fact that in a buoyant economy with low unemployment many job seekers are able to find work themselves without the assistance of an employment services provider, difficult-to-place job seekers may soon constitute the lion’s share of Job Network clients.

If the Job Network as it is currently configured is unable or limited in its capacity to meet the needs of difficult-to-place job seekers, as some commentators suggest, then this would demand that this radical experiment be rethought, restructured or, indeed, replaced.

The purpose of this paper is to chart briefly the evolution of the Job Network with a view to identifying, through a focus on relevant research and major attempts to evaluate the Job Network, how well-equipped this system is to meet the needs of difficult-to-place job seekers.

Due to the scale and complexity of the Job Network, what follows is necessarily a very broad and general description of the system and how it currently functions. The paper does not examine in any detail labour market programs associated with the Job Network. Nor does it closely scrutinise the range of evaluations of the Job Network. Instead, it focuses on the main

1. Productivity Commission, [*Independent Review of the Job Network*](#), Inquiry Report No. 21, Canberra, 3 June 2002, p. XXII.

evaluations and criticisms of this system and, in particular, those that concentrate on the intensive assistance provided by the Job Network to the long-term unemployed and other disadvantaged job seekers. It does so with the objective of isolating what these can tell us about if and how the Job Network might be improved to suit present economic and labour market conditions.

What is the Job Network?

Tenders and contracts

The Job Network is a national network of organisations (private and community, and originally also government) that is contracted by the Australian Government, through the Department of Employment and Workplace Relations (DEWR), to deliver employment services to unemployed job seekers on Government income support payments and employers. Job Network providers are initially selected for the network and allocated business through a competitive public tender process, with contract periods running for varying lengths of time determined by the Australian Government.

Since the establishment of the Job Network in May 1998, three tender rounds, referred to as Employment Service Contracts (ESCs), have been undertaken. The first of these contracts ran from May 1998 to February 2000, the second from February 2000 to June 2003, and the third from 2003 to present (in two stages). Under the first two of these agreements, ESC1 and ESC2, contracts were awarded to Job Network providers both on the basis of price and quality. Under the current ESC3 agreement, which commenced on 1 July 2006 and is to run for three years, contracts are awarded on the basis of quality alone, with floor prices for services now fixed by the Australian Government. Job Network providers' quality is monitored and assessed by DEWR through the use of a sophisticated statistical model, with contracts awarded on the basis of this 'star rating' system.²

The overall composition of the Job Network has changed substantially in the move from ESC1 to ESC3. When it was first implemented in 1998, the Job Network was comprised of 306 private, community and government organisations, with the private and community sectors gaining around two-thirds of the market for services, and the remaining third held by public providers.³ With the second tender, the overall number of providers was reduced to 205. At the same time, the market share of community-based and not-for-profit providers increased to around half of the Job Network, as did the share of private providers. Public providers' market share, by contrast, was reduced to less than ten percent.⁴ Stage one of the

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2. The star rating model uses a set of weighted performance indicators to assess Job Network providers' performance and weights an individual provider's performance according to the characteristics of its client mix and local labour market conditions. The star rating system has been the subject of an [evaluation](#) in its own right (by Access Economics in 2002).
 3. D. Kemp, '[New Job Network to replace the CES](#)', media release, 26 February 1998.
 4. Department of Employment, Workplace Relations and Small Business, [Job Network evaluation Stage two: progress report](#), Canberra, Report 2/2001, p. 13.

third tender round resulted in 109 organisations securing contracts to offer employment services. Around sixty percent of business was rolled over in this round, with the remaining forty percent put up for tender.⁵ This resulted in seven new providers being introduced to the system. With the move to stage two of ESC3, the overall number of providers was slightly reduced (to 103 providers), and the breakdown between private and non-profit providers remained roughly the same as under ESC3, stage one. Around ninety five per cent of business was rolled over to already-contracted providers.⁶

In summary, between employment services contracts, the business of public sector providers has been greatly reduced, with private and non-profit providers now roughly equal in terms of market share.⁷ With a reduced overall number of providers, and decreased opportunities for outside agencies to compete for employment services, Job Network business has become concentrated in the hands of fewer and some larger private and non-profit providers.⁸

Levels of service – an overview

The Job Network provides different levels of service to job seekers under the general categories of job placement, job search training and intensive support and customised assistance. In the first of these categories, Job Network providers match and refer eligible jobseekers to suitable vacancies, notified by employers and stored on a national vacancy database.⁹ Job Search Support services are available to both Fully Job Network Eligible (FJNE) job seekers, who are identified as being eligible for the full range of Job Network services, and Job Search Support Only (JSSO) job seekers, who are not necessarily unemployed, but are registered for Job Network services.¹⁰

Where job seekers are unemployed for a given period, Job Network providers offer access to a Job Search Training program.¹¹ This involves the Job Network provider's development of a

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5. Productivity Commission, op. cit., 1.2.
 6. Department of Employment and Workplace Relations, *Employment and Related Services 2006 – Questions and Answers*, p. 2.
 7. T. Eardley, 'Non-economic perspectives on the Job Network', *Australian Journal of Labour Economics*, 6:2, 2003, p. 320.
 8. *ibid.*
 9. Under contracts subsequent to ESC2, recruitment agencies and other organisations outside the Job Network are also invited to fulfil this role.
 10. Department of Employment and Workplace Relations, *Licensing Arrangements 2006–2009 Job Placement Services*, July 2006.
 11. This service is based on the successful Job Clubs model, instituted under the previous government's *Working Nation* package. Department of Employment, Workplace Relations and Small Business, *Job Network Evaluation Stage 1: implementation and market development*, Canberra, Report 1/2000, p.15.

written job-search development plan in consultation with the job seeker, and training to help the job seeker to adapt to a working routine.¹² After 3 months' unemployment, job seekers become eligible for Intensive Support. As a part of this support, Job Network providers have access to Job Seeker Account funds, which can be used to cover some of the costs associated with a job seeker's job search activities. Job Network providers are also able to be paid outcomes payments for job seekers who have commenced Intensive Support. As a job seeker's period of unemployment lengthens, the level of assistance provided through Intensive Support increases.

Intensive Support Customised Assistance is offered to job seekers who are assessed as being at very high risk of long-term unemployment, gauged as being disadvantaged, or who have been unemployed for an extended period of time. Customised Assistance can include a range of different forms of aid such as job matching, training, job search assistance, work experience and post-placement support. In terms of the actual services that are provided to job seekers in Customised Assistance, this is largely left to the discretion of the Job Network provider.¹³

How does the Job Network work?

For the purposes of the Job Network, the country has been divided into a number of labour market regions, with providers invited to tender for the services outlined above in their particular regions.¹⁴ Job Network providers tender to provide some or all of the above

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12. Job search training contracts are now very detailed in their specification of the services to be delivered.
 13. In this respect, Intensive Support Customised Assistance differs from the other two levels of service, which each require the delivery of specific types and levels of service. The latitude accorded to providers of what was then dubbed intensive assistance, when combined with flaws in the Job Network fee structure, resulted in problems in the earliest employment services contract. These will be discussed later in the paper. While providers are still given a large degree of discretion, there has been a move towards more regulation in the area of customised assistance, with minimum service provision requirements now specified.
 14. The number of market regions and providers in each of these regions was reduced in the move from ESC1 to ESC2. The larger number of labour market regions and providers in ESC1 was intended to promote competition, but was reduced to improve the economic viability of providers. Productivity Commission, *op. cit.*, 4.8–4.9. As well as reducing the number of labour market regions under ESC2, the Coalition Government divided these regions into Employment Service Areas. The intent behind this change was to enable tenderers to price their contract bids to reflect their local labour market conditions. Under ESC1, a corporate Government agency, Employment National, was established to provide services on the same terms and conditions as other providers, in areas where alternative providers could not be successfully secured. During the first employment contract period, Employment National was unable to provide Job Network services on a profit-making basis, receiving government support of \$27 million in 2001-02. When Employment National indicated that it would require ongoing Government support if it was to continue operating, the Government proceeded to sell the marketable aspects of the

employment services to general or specific (such as Indigenous job seekers or job seekers with disabilities) populations of job seekers, on the basis of their assessed quality according to the 'star rating' system.

The following section provides a brief description of the pattern of service provision that is currently made available to job seekers throughout their term of unemployment. It should be noted that the level of activity described exceeds that provided under previous employment services contracts. An explanation of the shift to higher levels of activity is provided in a later section of the paper.

Job Network service provision (under the Active Participation Model)¹⁵

When job seekers register for unemployment benefits with Centrelink, the organisation responsible for the delivery of welfare payments, Centrelink uses DEWR's Job Seeker Classification Instrument (JSCI) to determine their level of disadvantage and the associated level of employment assistance for which they are eligible. This assessment, combined with the point at which a job seeker is located on the service continuum, helps to determine the amount that is payable to a Job Network provider for a successful outcome for the individual job seeker.

A continuum of assistance is available to job seekers, with the point at which job seekers start on this continuum dependent on their level of disadvantage. Where a job seeker's risk of long-term unemployment is assessed as being high, they are immediately referred to Intensive Support Customised Assistance. (Job seekers who are not successful in gaining employment after a period of 12 months are also eligible for access to this form of assistance.) Where job seekers are found to have significant barriers to employment that cannot be addressed by the Job Network, they are referred outside the Job Network to either a disability service or the Personal Support Program (PSP). This program, which was previously run by the Department of Family and Community Services and Indigenous Affairs (FaCSCIA), but is now run by DEWR, is an expanded version of what was formerly known as the Community Support Program, and instituted as such along with the Job Network.

When the JSCI assessment has been completed by Centrelink, and a Preparing for Work Agreement¹⁶—which outlines a job seeker's rights and obligations with regard to job search and training activities—is prepared for job seekers who are in receipt of activity-tested allowances, job seekers are invited to specify the Job Network provider of their choice.

company in 2002, and closed the remainder of the company in 2003. Productivity Commission, *op. cit.*, 13.2–13.7.

15. See Appendix A for a graphic representation of the Job Network service provision continuum.
16. The Preparing for Work Agreement was introduced in July 2000 for all new claimants of Newstart and Youth Allowance who were subject to activity test requirements. It replaced the Preparing for Work plan.

Centrelink then makes an appointment for the job seeker to meet with this provider.¹⁷ Job seekers do not receive income support until they have attended their first meeting with their Job Network provider. Initially, job seekers are able to choose their own Job Network provider, within their labour market region. However, if they do not choose a provider within seven days, job seekers are randomly assigned a provider that has sufficient spare capacity by Centrelink.¹⁸ While under earlier employment service contract arrangements job seekers were able to sign up with several Job Network providers, under ESC3, job seekers are required to register with a single Job Network provider for the duration of their unemployment episode.¹⁹

On initial contact, Job Network providers interview job seekers and develop a resume summary based on their curriculum vitae and work experience. If job seekers are assessed as not being in a position to enter the job market immediately, they are connected to other programs that provide an alternative pathway to employment. Alternatively, job seekers are required to commence Job Search Support, which will continue throughout the job seeker's period of unemployment. Job Search Support involves the provider showing job seekers how to search for job vacancies, prepare a resume, record their profile on JobSearch (a DEWR website on which employers list available job vacancies and job seekers place their resumes, allowing employers to contact them about relevant job opportunities), and arranging access to

17. Under the RapidConnect measure which was introduced as part of the 2005–06 Budget's Welfare to Work package, job seekers are referred to Job Network providers by Centrelink as soon as they become unemployed. The rationale behind this measure is that connecting a job seeker and their Job Network provider as soon as possible is likely to improve the job seeker's chances of finding a job more quickly.

18. Productivity Commission, op. cit., p. EEIV.

19. This mirrors the case management approach adopted under Labor's Working Nation package. In its report on the Job Network, the Productivity Commission highlighted the perceived need for greater flexibility and informed choice where it comes to a job seeker's selection of a Job Network provider. As the Commission saw it, job seekers should be given information about the Job Network, including comparative performance figures, details of the quality of relevant providers and the sorts of questions they need to ask in order to find the right provider. Further, the Commission felt that job seekers should have scope to move to another provider at various stages in the assistance cycle, and under certain conditions, if they are not satisfied with their current provider. The Commission did note that the grounds for portability of job seekers are weaker where it comes to the customised assistance phase, because portability during this period could reduce the incentives to invest in disadvantaged job seekers. Nevertheless, it still proposed limited circumstances in which portability during customised assistance could occur. Productivity Commission op. cit., 8.1 and 8.4. In reaching its recommendation for increased job seeker portability, the Productivity Commission canvassed a number of issues, including the possibility of introducing perverse incentives and potential unintended impacts. For further discussion of these issues, see L. Struyven, '[Design Choices in Market Competition for Employment Services for the Long-term Unemployed](#)', *OECD Social, Employment and Migration Working Papers 21*, Paris, 2004, p. 29.

job search facilities and interpreter services, if required. Job Placement Services are available to job seekers throughout their period of assistance.

If the job seeker has not yet found paid employment within three months, Job Search Support is augmented with Intensive Support services. These services include three weeks of intensive Job Search Training, which involves further practical training in how to search for work, the preparation of a Job Search Plan, and the revision of the job seeker's Preparing for Work Agreement. When job seekers have been unemployed for around five months, they meet with their Job Network provider to review and update their Job Search plan. Where the job seeker has a mutual obligation²⁰ requirement and has listed Work for the Dole or Community Work as their preferred activity, the Job Network provider links the job seeker with the relevant Community Work Coordinator member.²¹

After job seekers have been unemployed for over six months, they are required to undertake mutual obligation activities, while also actively looking for work. Where the job seeker has not commenced a mutual obligation activity, they are referred to Work for the Dole.

Where they have been unsuccessful in finding employment after 12 months, job seekers must participate in Intensive Support Customised Assistance. Intensive Support Customised Assistance involves a rigorous six-month work preparation program, which takes into account both the needs of the job seeker and the work opportunities that are available.

If job seekers find themselves unemployed at the 18 month point, they are required, upon completion of their period of customised assistance, to undertake another six month period of mutual obligation activity. Job seekers continue to receive Job Search and Intensive Support services and are contacted on a bi-monthly basis by their Job Network provider.

After a job seeker has been registered as unemployed for at least 24 months, or remained registered for a period of 6 months since the completion of their first period of Intensive

20. Mutual Obligation is the expectation that income support recipients will participate in certain approved activities to improve their prospects of gaining paid employment and give something back to the community that supports them. These activities might include employment and community participation, training and/or assistance programs. Centrelink, Mutual Obligation Requirements at

http://www.centrelink.gov.au/internet/internet.nsf/payments/newstart_mutual_obligation.htm, accessed on 14 November 2007.

21. Community Work is work undertaken by job seekers and income support recipients with a Mutual Obligation requirement in an approved volunteer organisation. Participants are registered with and monitored by Community Work Coordinators. Community Work Coordinators are not a part of the Job Network itself, but are contracted by DEWR to provide Work for the Dole and Community Work services to eligible job seekers referred by Job Network members. Community Work, Workplace.gov.au, at

<http://www.workplace.gov.au/workplace/Programmes/CW/>, accessed on 14 November 2007.

Support Customised Assistance, they must undertake a second 6 month period of Intensive Support Customised Assistance. After this second period of Intensive Support Customised Assistance, a job seeker's provider undertakes a detailed assessment of their progress against their Job Search Plan and, based on this assessment and their current job prospects, decides upon a course of action that is likely to be of most benefit to the job seeker. When a job seeker has completed their second period of Intensive Support Customised Assistance, they are linked with a Community Work Coordinator member if they are activity tested²² and have not yet commenced a mutual obligation activity.²³

At the end of 30 months of unemployment, activity tested job seekers are required to undertake a further mutual obligation activity. At the same time, they continue to be contacted bi-monthly by their Job Network provider. Where job seekers have completed two periods of Intensive Support Customised Assistance within their current period of registration, they are classified as very long-term unemployed.²⁴ As such, they receive ongoing contact from their Job Network provider, and access to Job Search Support services.

Job Network fee structure

Job Network providers are paid a fee for placing an eligible job seeker in a vacancy that has been advertised on the national vacancy database, JobSearch. The job seeker must complete a specified amount of paid employment in the vacancy and within a given period for providers to be paid a fee. This fee is paid at different levels, depending on the length of time a job seeker has been unemployed. A bonus payment may be made where the job placement lasts over a given length of time.²⁵ In the case of job search training, Job Network providers are

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22. The activity test is an assessment that an unemployed person in receipt of income support must meet in order to qualify for payment. The test is individually tailored according to a person's needs, but requires that they should actively look for work and/or do everything that they can to become ready for work in the future. The activity test demands that the primary focus for job seekers should be finding paid work. According to the Guide to Social Security Law, a person satisfies the activity test if they are: 'actively seeking suitable work in Australia, and willing to undertake suitable paid work in Australia, and registered with the Job Network if required under Rapid Connect'. Activity Test (NSA, YA (jobseekers)), Guide to Social Security Law at http://www.facsia.gov.au/guides_acts/ssg/ssguide-1/ssguide-1.1/ssguide-1.1.a/ssguide-1.1.a.40.html, accessed on 14 November 2007. The job seeker may also be required to satisfy the activity test through other means specified under Social Security Law.
 23. Australian National Audit Office (ANAO), *Implementation of Job Network Employment Services Contract 3*, Audit Report No. 6, Canberra, 2005–2006, pp. 35–37.
 24. Department of Employment and Workplace Relations, *Employment Services Contract 2006–2009 Part B – Specific Conditions for Job Network*.
 25. In late 1998, the Coalition Government increased the funding for successful Job Matching placements, with the express purpose of 'improving the income and cash flow of Job Network members', a number of whom were struggling to remain financially viable at this early stage.

paid when an eligible job seeker is signed onto the Job Search Plan. This fee is for a service provided, and is not outcomes-based. Various other types of assistance made available by Job Network providers, such as appointments and services, are also funded on a fee-for-service basis.

Under earlier employment services contracts, Job Network providers were paid an up-front, non-outcomes-based, commencement fee when job seekers began the intensive phase of assistance, as well as an outcomes fee, where relevant. Under ESC3, however, this fee was dropped, with providers instead being paid on a fee-for-service basis, and an outcomes fee, where applicable.

The fees for Intensive Assistance services were initially set by the Government,²⁶ subsequently changed under ESC2, and again set by the Government under ESC3. Under ESC2, Intensive Assistance fees were set according to competitive tender, with a minimum floor price established by the Government.²⁷ Fees for Customised Assistance services are weighted towards more difficult-to-place job seekers. Outcomes fees are paid to Job Network providers where they successfully achieve employment for job seekers of a given duration. This is referred to as a final²⁸ outcome. Job Network providers may also gain interim²⁹ outcome payments where job seekers in Customised Assistance commence participation in education.

The changes to the Job Network payment structure and, in particular, the move from a fixed schedule of fees for Intensive Assistance services to fees determined by tender with a prescribed minimum threshold, and then back to a fee-for-service (albeit weighted), are among the most significant modifications made to the Job Network since its establishment. These changes to the fee structure, and the associated introduction of increased Government intervention in the Job Network quasi market, are discussed in further detail later in the paper.

Background to and rationale for the establishment of the Job Network

In the context of the 1996–97 Budget, the Coalition Government announced its intention to introduce a new quasi-market framework for the delivery of employment services. This

Department of Employment, Workplace Relations and Small Business, op. cit., Report 1/2000, p. 138.

26. And, according to a number of commentators, at levels well below those required to provide sufficient employment training or experience. Australian Council of Social Services (ACOSS), *Submission to the Productivity Commission inquiry into the Job Network model*, ACOSS Info. 315, Strawberry Hills NSW, 2001, p. 9.
27. *ibid.* This was to ensure that providers would not submit non-viable bids.
28. This was previously referred to as a ‘primary’ outcome.
29. Formerly designated a ‘secondary’ outcome.

framework, dubbed the Job Network, was to replace the Commonwealth Employment Service (CES) and various contracted out case management agencies associated with the previous Labor Government's Working Nation package, which was introduced in 1994. At the same time, the Coalition Government indicated that it would restructure the nation's welfare delivery services through the creation of a Commonwealth service delivery agency known as Centrelink. Centrelink was to be responsible for delivering income support services, but also was meant to serve as a gateway to the Job Network. This 'one-stop-shop' arrangement was to replace the existing approach, in which employment services were delivered by the CES and income support services by the Department of Social Security. The new arrangement would, the Government felt, preserve to a degree the best aspects of the previous arrangement—that is, its linking of employment services and income support in an 'active society' model³⁰—while not compromising the necessary competition between employment service providers. At the same time, it was felt that the purchaser-provider service delivery arrangements under which Centrelink operated would promote greater efficiency.

While Australia has a long-standing tradition of pursuing active labour market policies within a largely public delivery framework, by the early 1990s the impact of many of these policies was generally regarded by the Coalition as 'disappointing'. The labour market programs developed out of these policies were, it maintained, on the whole, failing to make any significant or lasting difference in getting unemployed people into regular employment.³¹ Indeed, not only were many of the programs deemed to be failing to meet the needs of the unemployed, but they were also, partly as a result of their complexity and failure to focus sufficiently on employment outcomes rather than process, held to be failing to provide value for money. While in the view of the new Coalition Government the introduction of Working Nation in 1994 had gone some way towards addressing these problems, the public delivery of employment services through this package was nevertheless, the Government argued, characterised by 'inflexibility, lack of choice and diversity, the absence of competition and unclear objectives and outcomes'.³²

In developing the Job Network, the Coalition Government indicated that it had adopted an evidence-based approach.³³ In keeping with this approach, it sought to address many of the perceived deficiencies of labour market programs associated with Working Nation, while building on this package's most promising features. As the Government saw it, these features included: the screening and classification tools developed to determine the level of assistance

30. As recommended by the Organisation for Economic Cooperation and Development (OECD). OECD, *The OECD Jobs Study: Facts, Analysis, Strategies*, Paris, 1994.

31. D. Kemp, op. cit.

32. Department of Employment, Workplace Relations and Small Business, op. cit., Report 1/2000, p.13.

33. D. Kemp, *Enhancing the Effectiveness of Active Labour Market Policies: Australian Presentation to the Meeting of OECD Labour Ministers*, DEETYA, Canberra, 1997.

required by individual job seekers; the case management approach (through Employment Assistance Australia (EAA), the community sector and private contracted case managers), which resulted in flexible and individualised assistance; and, the finding that employment assistance needed to be focused on those job seekers most likely to benefit from it, rather than on job seekers with non-employment related barriers to overcome before becoming job ready.³⁴

The Government also opted to retain the principle of ‘reciprocal obligation’ which was central to Working Nation’s active employment strategy approach. This principle—that the long-term unemployed should be guaranteed employment or training, with job seekers obliged to accept such offers or forgo social security benefits—was reconfigured and renamed, ‘mutual obligation’. In this shift, some changes were made. These changes are of some significance, according to many commentators, given that they are viewed as watering down the Government’s obligation to provide effective assistance for job seekers.

In the move to the Job Network, activity testing for unemployment benefits was tightened and the sanctions for non-compliance made harsher.³⁵ At the same time, there was a shift away from the Job Compact element of the reciprocal obligation principle – that is, the *guarantee* of employment, subsidised work and training programs. Some commentators were critical of the Coalition Government’s change on fundamental grounds. For Cowling and Mitchell, in dropping the Job Compact, the Government signalled the unacceptable abandonment of the goal of full employment in favour of the lesser goal of full employability.³⁶ Other commentators, such as ACOSS, were more pragmatic in their criticism of the Government’s approach. While ACOSS valued the Job Compact for its guarantee of accountability from the Government in terms of employment assistance for the most disadvantaged of job seekers, it nevertheless considered the Job Compact too inflexible in its application. This form of assistance, it maintained, was not appropriate for all job seekers, and carried with it perverse incentives for the provision of services to fulfil the guarantee rather than consider the quality of these services, or their relevance for job seekers.

Nevertheless, for ACOSS, the *absence* of a guarantee of a minimum level of assistance undermined the ‘legitimacy and effectiveness of the system of mutual obligation, according to which governments and job seekers have obligations towards each other’.³⁷ This signals, for a number of commentators, the need for *some* form of guarantee. However, some argue that such a guarantee is not possible under the employment services contract arrangements. Despite the fact that contracts concluded between the Government and Job Network providers contain a series of clauses designed to protect the rights and interests of the

34. Department of Employment, Workplace Relations and Small Business, op. cit., Report 1/2000.

35. ACOSS, op. cit., p. 12.

36. S. Cowling and W. Mitchell, ‘False promise or false? Evaluating the Job Network’, *Australian Journal of Labour Economics*, 6:2, 2003.

37. ACOSS, op. cit., p. 11.

unemployed (including a Code of Practice which sets minimum standards of service quality), because remedies in either contract or consumer law are frequently unavailable or entirely inappropriate, job seekers have become entirely reliant on the Government's interest in and capacity to adequately monitor and sanction breaches of contract.³⁸

In announcing the move towards a more flexible system for delivering employment assistance during the 1996–97 Budget, the Government outlined its key overall objectives for the Job Network. These were to:

- deliver a better quality of assistance to unemployed people, leading to better and more sustainable outcomes
- target assistance on the basis of need and capacity to benefit
- address the structural weaknesses and inefficiencies inherent in previous arrangements for labour market assistance, and put into effect the lessons learnt from international and Australian experience of labour market assistance, and
- achieve better value for money.³⁹

Implicit in the competitive tendering and contracting that underpins the Job Network is the belief that costs can be reduced or a better quality of service provided as a result of competition (and the associated move from program- to outcome-based funding). The extent to which the Job Network has been able to realise these objectives has been the subject of some analysis and debate, which will be considered in the next section.

38. See R. Livingston, 'Contracting out of employment services in Australia and administrative law', *Australian Journal of Administrative Law*, 77, 2003. Where a job seeker is dissatisfied with the way in which their complaint is dealt with by their Job Network provider and DEWR, they are referred to the Commonwealth Ombudsman. The process for making a complaint, along with the service standards a job seeker is entitled to expect, are outlined at http://www.jobaccess.gov.au/JOAC/Jobseekers/Help_available/Free_expert_help_with_employment/Job_Network/Making_a_complaint.htm.

39. A. Vanstone, *Reforming Employment Assistance – Helping Australians into Real Jobs*, Ministerial Statement by Senator the Honourable Amanda Vanstone, Minister for Employment, Education, Training and Youth Affairs, 1996.

See http://www.dest.gov.au/archive/publications/budget/budget96/budget_statement/minstindex.htm, accessed on 14 November 2007.

Evaluations of the Job Network

A substantial number of evaluations of the Job Network have been undertaken since its establishment, and some of these have played a key role in the Job Network's development. These evaluations may be broadly grouped into two categories: those attempts to evaluate the effectiveness of the Job Network itself in terms of various outcomes (this may be in both economic and non-economic terms)⁴⁰, and those that assess the Job Network in terms of the rationale and necessary conditions that underpin the system.⁴¹

The remainder of the paper examines and draws on assessments conducted under both of these categories. However, the focus is primarily on the major reviews of the Job Network that have been conducted on the Job Network's own terms; that is, as a supply-side system that is primarily oriented to realising labour market outcomes, chiefly measured through the number of people who leave unemployment benefits. In particular, the paper concentrates on those reviews that deal with the Job Network's most critical part: its provision of services to job seekers through the customised assistance category.⁴² It is this aspect of the Job Network that is of most relevance to the long-term unemployed, many of the new job seekers created through the Welfare to Work reforms and to those difficult-to-place job seekers that are left behind in times of economic growth.

When the Job Network was established, the Government made a commitment to undertake a comprehensive evaluation of the new arrangements. This official evaluation was conducted by DEWR in three stages, with the first two stages devoted to examining the implementation and progress of the Job Network, including issues raised and the preliminary experiences of key stakeholders. The Stage One⁴³ and Stage Two⁴⁴ reports were released in February 2000 and February 2001, respectively. The final stage of the Department of Employment, Workplace Relations and Small Business⁴⁵ evaluation provided an assessment of the effectiveness of the Job Network in improving the employment prospects of job seekers on a sustainable basis. The Stage Three⁴⁶ report was released in May 2002.

40. T. Eardley, 'Non-economic perspectives on the Job Network', *Australian Journal of Labour Economics*, 6:2, 2003.

41. Such as the purchaser-provider model of service delivery, administrative law etc.

42. J. W. Nevile and A. Nevile, 'Evaluating the structure and performance of the Job Network', *Australian Journal of Labour Economics*, 6:2, 2003, p. 243. See also Productivity Commission, *op. cit.*, p. XXIII.

43. Department of Employment, Workplace Relations and Small Business, *op. cit.*, Report 1/2000.

44. Department of Employment, Workplace Relations and Small Business, *op. cit.*, Report 2/2001.

45. The Department of Employment, Workplace Relations and Small Business became the Department of Employment and Workplace Relations from 2002.

46. Department of Employment and Workplace Relations, [*Job Network Evaluation Stage 3: effectiveness report*](#), Canberra, Report 1/2002.

DEWR also conducted a net impact study⁴⁷ of two Job Network services, Intensive Assistance and Job Search Training, in the twelve months to March 2000.⁴⁸ More recently, DEWR completed a follow-up net impact study that evaluated the Customised Assistance, Job Search Training, Work for the Dole and Mutual Obligation programs.⁴⁹ Conducted as it was in February 2005, this study provides some indication of the impacts of the changes associated with the introduction of the Active Participation Model in 2003.

Although not formally part of the Government's evaluation strategy, DEWR undertook in 2001 a qualitative study of Intensive Assistance services. This study sought to identify through a comparison of high and lower performing Job Network members the practices or processes that contribute to sustainable high performance at particular sites. While the results of this study are not necessarily representative of the practices and processes that are used in all high or low performing Job Network sites, and need to be treated with some caution as a result, they nevertheless provide a useful indication of the characteristics that are likely to be correlated with high performance (in terms of employment outcomes) in Intensive Assistance.

The Government's Evaluation Strategy included the requirement for an independent review of the policy framework underpinning the Job Network, and this review was referred to the Productivity Commission. The Productivity Commission analysed the arrangements under the first two employment service contracts and assessed the proposed new arrangements for the third contract released in May 2002. Its report⁵⁰ was released in June 2002. The Government subsequently issued a response⁵¹ to this report.

The Organisation for Economic Cooperation and Development (OECD) conducted an analysis of the Job Network in the context of a broader review of Australia's labour market policies and industrial relations reforms. The Organisation's report was published in 2001.⁵²

47. Department of Employment, Workplace Relations and Small Business, *Job Network a net impact study*, Canberra, Report 1/2001.

48. See Appendix B for a summary of this study's findings.

49. Department of Employment and Workplace Relations, *Customised Assistance, Job Search Training, Work for the Dole and Mutual Obligation – A Net Impact Study*, Canberra, Report 1/2006.

50. Productivity Commission, op. cit.

51. *Government Response to the Productivity Commission Independent Review of the Job Network*, at <http://parlsec.treasurer.gov.au/parlsec/content/publications/2002/JobNetwork.asp>, accessed 14 November 2007.

52. OECD, op. cit. It should be noted that in undertaking this evaluation the OECD was heavily reliant on information provided by the Coalition Government. As a result, its findings closely mirrored those reported by DEWR in its earliest evaluations of the Job Network. See J. Quiggin, 'Contracting out: promise and performance', *Economic and Labour Relations Review*, 13:1, 2002.

Job Network performance

While there are a number of widely-recognised problems associated with evaluating labour market outcomes achieved under the Job Network,⁵³ it is generally agreed that, until the introduction of the Active Participation Model, these outcomes were not significantly different from those obtained under Working Nation.⁵⁴ That said, based on available data, the Job Network is substantially more cost-effective *overall* than its predecessor Working Nation programs.⁵⁵ It was reported in 2002 that while Labor's spending on Working Nation averaged \$3.7 billion a year, the Coalition Government's spending on labour market programs averaged \$1.3 billion (with the Job Network only accounting for \$750 million of this figure).⁵⁶ For every person who found employment, it was estimated that the Coalition Government had spent between \$5000 and \$6000, compared to the figure of between \$10000 and \$16000 spent under Labor's Working Nation programs.⁵⁷

It should be noted that the figures provided above are based on revised estimates of the net impacts of Job Network services. These figures were updated in response to the OECD and Productivity Commission studies which suggested that early Government assessments of the cost effectiveness of the Job Network may not have been as clear-cut as originally reported. The OECD and the Productivity Commission identified methodological problems in the way that DEWR's post-programming monitoring studies were designed, which enhanced the average net impacts of assistance (such as those detailed in the 2001 Job Network Net Impact

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53. For example, the need for valid performance data, the need for a complete economic cycle to have elapsed, limited prior evidence of the effectiveness of labour market interventions in Australia, the comparability of the data that do exist and the overlap of job seekers from Working Nation to Job Network programs. To make matters worse, according to Tony Eardley the evaluation process has been rendered a 'tortuous exercise' through 'continual changes in the way outcomes are measured'. T. Eardley, 'Mutual obligation and the Job Network: the effect of competition on the role of non-profit employment services', *Australian Journal of Social Issues*, 37: 3, 2002, p. 304.
 54. OECD, op. cit., p. 20. While noting that it was necessary to be cautious in comparing labour market programs, the Productivity Commission indicated that it was likely that Job Network programs had only a very modest net impact on aggregate employment, and that this finding was consistent with those for previous Australian programs, overseas programs and realistic expectations. Productivity Commission, op. cit., 5.1, 5.12.
 55. OECD, op. cit. However, it should be noted that the cost effectiveness of the system is very much dependent on the perspective adopted, for example, whether this takes into account displaced costs, or is conducted over the short-or long-term.
 56. R. Gittins, 'Job Network is a scandalous failure for those it neglects', *Sydney Morning Herald*, 16 March 2002. See also, Productivity Commission, op. cit., 5.1.
 57. Department of Employment and Workplace Relations, op. cit., Report 1/2002, p. 4. See also T. O'Loughlin, 'Help for the jobless failing, studies find', *Sydney Morning Herald*, 20 September 2002.

Study see Appendix B). In response to these problems, DEWR reassessed and reduced the claimed net employment gains and cost effectiveness of the Job Network.⁵⁸ While the revised results were not as impressive as those first reported, they were nevertheless in line with international experience.⁵⁹

In its latest net impact study, DEWR reports strong improvements in employment and off-benefit impacts for each of the four Job Network programs it evaluated, including Customised Assistance. DEWR claims an estimated employment net impact for this program of 10.1 percentage points; that is, more Customised Assistance program participants gained jobs than did comparison job seekers who made up a non-participating control group.⁶⁰

DEWR also claims strong off-benefit net impacts for Customised Assistance participants. Customised Assistance program participants were found to be more likely than were their otherwise comparable control group counterparts to leave income support, and to do so more often and more quickly. Off-benefit net impacts are said by DEWR to increase over time, with impacts of 1.07, 4.49 and 6.30 percentage points at the 6, 12 and 20 month points since program commencement.⁶¹

While DEWR claims strong off-benefit net impacts for most groups of job seeker, it indicates that Customised Assistance was particularly effective for job seekers with a disability (12.6 percentage point impact) and for those with a trade qualification (13.5 percentage point impact).⁶² It should be noted that such results are to be expected: in the case of job seekers with a disability because of the additional support and services provided for this group and, for those with trade qualifications, because these people are likely to be relatively employable in a labour market characterised by widespread trade skills shortages. No mention is made of the off-benefit net impacts of other, more disadvantaged, groups of job seekers who participated in the Customised Assistance program.

Generally speaking, the improved results reported in the 2006 net impact study have undoubtedly been assisted by enhanced labour market conditions. It should also be noted that the results do not include those job seekers with increased obligations to look for and accept part-time work from 1 July 2006 as a result of the Welfare to Work reforms.

58. T. Eardley, 'Non-economic perspectives on the Job Network', *Australian Journal of Labour Economics*, 6:2, 2003, p. 322.

59. Productivity Commission, *op. cit.*, 5.1; OECD, *op. cit.*

60. Department of Employment and Workplace Relations, *op. cit.*, Report 1/2006, p. 8.

61. *ibid.*, p. 16.

62. *ibid.*

Perhaps the major concern expressed in early evaluations of the Job Network was that the overall cost effectiveness of the system may have been won at the expense of difficult-to-place job seekers (and some smaller Job Network providers and their staff).⁶³

Initial problems with the Job Network

A number of the above reports found that the Intensive Assistance services provided by the Job Network under earlier contracts did not appear to have been successful for the most difficult cases. This was largely because, in many instances, more difficult-to-place job seekers received little help while in the Intensive Assistance phase.⁶⁴ This neglect pointed, in part, to problems associated with the performance-linked payment structure of the Job Network.

Perverse incentives

While the outcomes-based payment structure of the Job Network was designed to increase the cost effectiveness of the system and to promote assistance for difficult-to-place job seekers through higher outcome payments for this group, in reality it also introduced perverse incentives to 'park' 'difficult' job seekers in Intensive Assistance.⁶⁵ These 'difficult' job seekers were offered minimal or no service by some Job Network providers, with the resources saved then invested in those job seekers most likely to generate an outcome payment. Because Job Network providers received an up-front commencement payment irrespective of employment outcome, so long as they did not spend too much on service provision for job seekers in Intensive Assistance, their profitability would be assured.⁶⁶ Moreover, where employment placements for job seekers were delayed for a sufficient length of time, the outcomes payments for these job seekers increased substantially.⁶⁷ With few

63. There are also a range of other displaced costs, which are difficult to understand and quantify. See T. Eardley, *op. cit.*, 6:2, 2003, p. 322.

64. Productivity Commission, *op. cit.*, 9.15.

65. This was noted by DEWR in its Stage One evaluation, and by the OECD in its report. It was especially so given the high overhead costs and low fee structures associated with Job Matching services under ESC1. ACOSS, *op. cit.*, p.15. This obliged many providers to cross-subsidise their Job Matching services from intensive assistance funds. See A. M. Dockery and T. Stromback, 'Devolving public employment services: preliminary assessment of the Australian experiment', *International Labour Review*, 140:4, 2001, p. 442.

66. The Productivity Commission noted in its review that payable outcomes were rare for providers of intensive assistance services, with around 70 per cent of these providers' income generated through non-outcomes based commencement fees.

67. According to Catholic Social Services Australia, this perverse incentive still encourages Job Network providers to delay finding their clients work and continues to thwart the former Coalition Government's objectives. See S. Morris, 'Job Network not working, say agencies', *Australian Financial Review*, 23 November 2006.

conditions attached to the intensive phase of assistance and little monitoring of this phase under the first two employment services contracts⁶⁸, the perverse incentive was increased.⁶⁹ The higher payments for positive outcomes also resulted in providers ‘creaming’ the system through ‘dead weight’ loss, that is, the high proportion of positive outcomes likely to have occurred even without assistance.

Intensive Assistance funding

According to a number of commentators, it was not only the perverse incentives associated with the Job Network fees structure that led to reduced services being made available for job seekers in Intensive Assistance, but also the limited fees paid to providers for these services. This was especially the case for more difficult-to-place job seekers and long-term unemployed people. It is generally recognised that achieving successful employment outcomes for these people is very expensive.⁷⁰ Nevertheless, even at the highest level of funding available under the first employment services contract, payments for Intensive Assistance services were insufficient to either improve the employment outcomes of disadvantaged job seekers or to encourage providers to invest in such assistance.⁷¹

Changes to the Job Network

Since the earliest and most substantive assessments of the Job Network were conducted, the Coalition Government introduced measures to alleviate negative incentive effects associated with the system’s fees structure. In the second contract round, it reduced the up-front fee paid to providers and, as noted earlier, set the total fee for Intensive Assistance through competitive tendering, subject to a minimum fixed by the Government.⁷² The new payment structure was calculated to encourage providers to furnish a greater level of services and more expensive forms of assistance to difficult-to-place job seekers. It was also intended to increase incentives for Job Network providers to achieve higher placement rates, rather than

68. In earlier contracts (ESC1 and ESC2), providers were given a substantial amount of discretion in how they went about assisting job seekers in intensive assistance. The intention behind the Government’s relatively *laissez faire* approach was to furnish providers with sufficient scope to implement innovative methods where these were likely to realise employment outcomes, whilst not compromising the level of service to job seekers.

69. OECD, op. cit., p.24; Productivity Commission, op. cit., 9.13, 9.15. Providers that offered little active assistance also served the interests of job seekers who chose not to engage in job search activity (‘self-parkers’) by providing ‘immunity’ from activity testing. A. M. Dockery and T. Stromback, op. cit., p. 447.

70. A. M. Dockery and T. Stromback, op. cit., p. 449.

71. E. Webster, ‘Microeconomic evaluations of Australian labour market programs’, *Australian Economic Review*, 31:2, 1998; ACOSS, op. cit., p. 10; OECD, op. cit., pp. 23–24.

72. This was to ensure that providers would not submit non-viable bids. ACOSS, op. cit., p. 9.

minimise costs.⁷³ In addition, minimum levels of assistance were specified for Intensive Assistance contracts, and monitoring arrangements enhanced (with plans able to be audited by DEWR and a system to record contacts between providers and job seekers established). The Government also introduced 'Declarations of Intent' and 'Intensive Assistance Support Plans' under ESC2 to encourage providers to raise their investment in services for disadvantaged job seekers. The OECD welcomed all of these changes in its report, and recommended that such efforts should continue.⁷⁴

And continue they did. In the move to the third employment services contract in July 2003, the Coalition Government made further changes to the Job Network structure to encourage providers to raise their investment in services for disadvantaged job seekers. In the face of evidence that providers' bids for Intensive Assistance services were generally close to the floor price⁷⁵, and at a level that was insufficient to ensure proper employment assistance for the most disadvantaged job seekers, the Government did away with price competition for these services. Instead it instituted fixed service fees that were weighted towards difficult-to-place job seekers. The Government also introduced a Job Seeker Account (a quarantined pool of funds for the purchase of services to assist job seekers in Intensive Assistance, with unused funding to be returned to this pool) and other tied-fee arrangements to help counter 'the lack of incentives for providers to invest in disadvantaged job seekers'.⁷⁶ At the same time, the Government established a Service Guarantee for job seekers which was to define 'the nature and frequency of services to be provided to them' by their Job Network provider. These measures, along with a range of prescribed points and types of service intervention, formed the basis for what the Government termed the Active Participation Model.⁷⁷

ESC3 and the Active Participation Model

The introduction of the Active Participation Model was not just about ensuring that job seekers were provided with adequate employment assistance by Job Network providers. It was also an exercise in 'tree-shaking', or a means of ensuring that job seekers were in regular contact with a Job Network provider and actively engaged in job search, mutual obligations or other authorised activities.⁷⁸

With the introduction of the Active Participation Model, the Government required every eligible job seeker to attend an interview with a Job Network provider and to provide employment history and personal details for entry on the JobSearch data base, the entry of

73. A. M. Dockery and T. Stromback, *op. cit.*, p. 448.

74. OECD, *op. cit.*, p. 19.

75. Productivity Commission, *op. cit.*, 10.2.

76. T. Eardley, *op. cit.*, 6:2, 2003, p. 324.

77. See ANAO, *op. cit.*, p. 33.

78. *ibid.*, p. 29.

which was not previously compulsory. Where job seekers did not attend these interviews, they risked being breached⁷⁹, and either losing their income support payments or having these reduced.⁸⁰

This requirement posed a number of challenges for both the Job Network and Centrelink, which was responsible for processing new job seekers and booking or confirming interviews with Job Network providers. When only one in three job seekers attended their compulsory interviews, the then Minister for Employment Services, Mal Brough, reportedly attributed this failure to the unemployed, who, he claimed, either had jobs and were claiming income support regardless, or who were simply refusing to meet their obligations to find work.⁸¹ In response, welfare agencies and the Australian Democrats claimed that the low attendance rates were a result of IT problems, with access to DEWR's new computer system either not available for the entry of job seekers' details or unacceptably slow.⁸²

In the wake of many job seekers' failure to attend their compulsory interviews, and in the context of a general shortfall in Job Network business compared with Government predictions, the Government increased its payments to Job Network providers by around \$30 million. However, the Government denied claims from some commentators that this was a bail-out of the Job Network, arguing that providers were simply being paid for the extra follow-up services that they were required to undertake in contacting job seekers who had not

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79. Job seekers in receipt of income support payments are required to demonstrate that they are actively looking for work or undertaking activities to improve their employment prospects. Where a job seeker does not meet their administrative, activity test or participation agreement requirements, they may have committed a breach of social security law. Upon consideration of circumstances relevant to the breach, a penalty may be imposed by Centrelink. This could involve a reduction in the job seeker's rate of income support payment for a given period or, if the job seeker has previously committed one or more breaches in a particular period, they may be penalised with a non-payment period. See Centrelink Quarterly Breach Data, Explanatory Notes at <http://www.workplace.gov.au/NR/rdonlyres/3EDF8D21-B6F3-4F5B-83CE-9CF9D787C231/0/BreachExplanatoryNotes.pdf>, accessed 14 November 2007. In addition to placing substantial administrative pressures on Job Network providers, breaching and sanctions for non-compliance have significant impacts on income support recipients. A discussion of these impacts is beyond the scope of this paper. For an examination of breaching and its impacts, see T. Eardley, 'The impact of breaching and financial penalties on income support recipients', *Economic and Labour Relations Review*, 17:1, 2006, pp. 79-105.
80. A. Crabb, 'Jobless face tougher new rules', *The Age*, 11 March 2003.
81. 'It's your fault, minister tells unemployed. Claims Job Network headed for collapse', *The Canberra Times*, 11 July 2003; L. Tingle and C. Murphy, 'Jobs crisis: PM bails out agencies', *Australian Financial Review*, 10 July 2003.
82. *ibid.*, *The Canberra Times*, 11 July 2003. On the problems associated with IT support for ESC3 implementation, see ANAO, *op. cit.*

turned up for interviews.⁸³ Despite the increased funding paid to Job Network providers, the National Employment Services Association (NESA) indicated that many providers were struggling financially, with the fee structure for all services, including helping the long-term unemployed, inadequate.⁸⁴

In early 2004, the Government introduced a pilot scheme under which people on disability support pensions were encouraged to sign up to the Job Network and to undertake training and job-search programs, if necessary, preparatory to entering the workforce.⁸⁵ Once again, some commentators accused the Government of propping up struggling Job Network providers, this time by using the scheme as a means to expand the available pool of job seekers for providers assisting disabled people.⁸⁶ While there are indications that this may, to an extent, have been the case, there is also evidence to suggest that the scheme was in line with the Government's general policy thinking. The Government was seeking both to increase the proportion of the population taking part in the labour market in the face of an ageing workforce, and to reduce the amount spent on social welfare.⁸⁷ This was broadly in line with the recommendations of the OECD's Job Strategy which emphasised, among other things, the strengthening of active labour market policies and reinforcement of their effectiveness.⁸⁸

Welfare to Work measures

This orientation was reflected in the Welfare to Work reforms that were introduced as part of the 2005–06 Budget. These reforms involved jobseekers with a partial capacity for work, including some of those who would previously have qualified for the Disability Support Pension, Parenting Payment – Partnered and Parenting Payment – Single, being required to look for and accept part-time work of up to 15 hours a week, subject to certain conditions. With the introduction of these reforms, Job Network providers were, in the view of NESA, to

83. D. Peters, 'Job network has collapsed: Labor', *Canberra Times*, 23 August 2003. Mal Brough also argued that the additional payments were not a bail-out on the grounds that they did not fall outside the Job Network's budget of \$2.5 billion over three years. L. Tingle, 'Job Agencies ask PM for another lifeline', *Australian Financial Review*, 1 March 2004. The Coalition Government's response is in line with Recommendation 12.3 of the Productivity Commission's Independent Review of the Job Network, and its rejoinder to this. The Government agreed, in principle, to financially compensate providers for any significant additional administrative or compliance burdens placed on them by DEWR.

84. L. Tingle, *ibid.*

85. P. Karvelas, 'Howard push for disabled to work', *Australian*, 12 January 2004.

86. *ibid.*

87. L. Tingle, 'Prop up the Job Network with disabled, says note', *Australian Financial Review*, 20 February 2004.

88. OECD, *The OECD Jobs Strategy: Pushing Ahead with the Strategy*, Paris, 1996.

be subjected to still further financial burdens, as the Government reduced the funds available to providers for assisting job seekers to find work.

In the light of 'improved labour market conditions', the Coalition Government reduced funding for the Job Network by \$457.4 million in 2005 over a four year period.⁸⁹ At the time, the then Treasurer, Peter Costello justified the cuts on the grounds that 'in a buoyant labour market with more jobs available than ever before you would expect that the costs of getting people into work would be lower rather than higher'.⁹⁰ The cuts were to be offset to a degree by increased funding for job seeker training and rehabilitation services for the new cohort of job seekers. It should be noted, however, that these increases were not to be implemented until 2006. In addition, much of the increased funding was to accrue to service providers contracted by Job Network providers, rather than to providers themselves. The Government also adjusted the Job Seeker Classification Instrument (JSCI) 'to account for relative improvements in some labour-market regions' while lifting the threshold at which job seekers were classified as highly disadvantaged.⁹¹ These changes effectively meant that fewer job seekers would be classified as highly disadvantaged, resulting in a reduction in average funding for Job Network providers.

Job Network providers were highly critical of the changes, variously arguing that the Welfare to Work measures would effectively increase the number of disadvantaged job seekers while the changes to the Job Seeker Classification Instrument would simultaneously reduce the number of job seekers that could qualify for the necessary higher levels of employment assistance, and reduce the funding available to providers for use in assisting disadvantaged job seekers to overcome their barriers to employment.⁹² Sheridan Dudley, the CEO of JOB Futures, the biggest network of community-based employment agencies, condemned the Government's decision to raise the JSCI threshold, arguing that the barriers that determine whether or not a job seeker is disadvantaged 'relate primarily to the individual's personal circumstances quite independent of the labour market'.⁹³ The Government's decision would, in her view, simply deny these job seekers the additional assistance necessary for them to ultimately gain employment.

The 2007–08 Budget included additional funding for a number of measures that expanded assistance for disadvantaged job seekers. Given that the measures were targeted primarily at those job seekers with a partial capacity for work, they may be seen as recognition of the

89. Budget Measures 2005–2006, Budget Paper No. 2, p. 146.

90. Hon. P. Costello quoted in P. J. Gordon, 'Funding slashed for Job Network', *The Age*, 17 May 2005.

91. L. Tingle, 'Budget's hidden \$500m sting on Job Network', *Australian Financial Review*, 16 May 2005.

92. *ibid.*

93. *ibid.*

barriers faced by, and an attempt to provide additional assistance to, those ‘new’ job seekers created through the Welfare to Work changes. While the measures undoubtedly ensure increased access to assistance for disadvantaged job seekers, on the whole they involve modest increases in expenditure and do not increase the funds for the providers contracted to furnish the assistance. The increases covered some of the costs associated with the new cohort of job seekers, but did not account for or address existing funding problems and shortfalls. The 2007–08 Budget measures did not include any changes to the fee structures for Job Network providers.⁹⁴

Discussion

Generally speaking, the development of the Job Network between contracts has been characterised by a move away from free market conditions (flexibility, choice and competition) and towards increased Government monitoring and regulation. With the imposition of further rules and regulations on providers to deal with problems encountered (chiefly ‘parking’ and ‘creaming’), the focus has shifted from rewarding outcomes to specifying process.⁹⁵ This changed approach brings with it a number of associated problems.

Administration and compliance demands

While increasing the number of prescribed services and enhancing regulation to ensure their delivery helps to guarantee that *some* services are actually provided to job seekers, this also places additional administrative and compliance demands on providers; many of whom are already stretched financially, and dealing with greater numbers of difficult-to-place clients.⁹⁶ Moreover, as the Productivity Commission noted in its final report, it is not clear that higher levels of activity actually produce better outcomes for job seekers.⁹⁷

The increased regulation and tightly circumscribed provision of services that characterise ESC3 and the Active Participation Model leave little scope for innovation on the part of Job

94. See P. Yeend, ‘Employment Assistance’, [Budget Review 2007–08](#), 21 May 2007, pp. 70–73.

95. R. Gittins, ‘Job Network is a scandalous failure for those it neglects’, *Sydney Morning Herald*, 16 March 2002.

96. E. Webster, *op. cit.*, ACOSS, *op. cit.*, p. 10, OECD, *op. cit.*, pp. 23–24. See also L. Tingle, ‘Howard outsources welfare-to-work disability test’, *Australian Financial Review*, 17 May 2005.

97. Productivity Commission, *op. cit.*, 7.31. Dockery and Stromback note that under earlier employment services contracts, ‘despite providers furnishing little in the way of active assistance...outcomes in terms of the proportion placed in employment [were] comparable with the outcomes of previous programmes which delivered on-the-job experience and employment-based training’. They suggest that this implies that ‘there is in fact very little return from additional spending on active assistance for those who are very hard to place’. A. M. Dockery and T. Stromback, *op. cit.*, p. 447.

Network providers. They limit the ability of providers to furnish the tailored (and typically expensive) assistance that is required by difficult-to-place job seekers, including many of those introduced to the Job Network system under the Welfare to Work reforms.⁹⁸ What appears to be required by these disadvantaged job seekers is not necessarily *more* services, but rather better quality services, and the scope for any assistance provided to be adjusted in line with their specific circumstances and needs.⁹⁹

The Coalition Government did observe that beyond its prescribed minimum contact requirements Job Network providers had flexibility to tailor contacts and assistance to meet client needs, using Job Seeker Account funds.¹⁰⁰ However, as noted above, given that the minimum contact requirements are already demanding, and that various commentators have observed that customised assistance services are under funded¹⁰¹, many providers are unlikely to be in a position to tailor their services to meet the particular circumstances of job seekers. This highlights another problem with the Job Network as it is currently configured, and impediment to its capacity to meet the needs of disadvantaged job seekers.

While competition within the Job Network has resulted in some efficiency gains¹⁰², a number of commentators has noted that it is difficult to determine where and how these gains have been achieved, because of the 'commercial-in-confidence' provisions that apply to Job Network provider operations.¹⁰³ Indeed, Nevile and Nevile describe the mostly quantitative

98. See Productivity Commission, *op. cit.* 7.32–7.33.

99. See DEWR, *Towards better practice in employment services: a study to identify the factors that contribute to high performance in Intensive Assistance*, Canberra, 2001, p.13.

100. *Government Response to the Productivity Commission Independent Review of the Job Network*, Recommendation 7.4 at

<http://parlsec.treasurer.gov.au/parlsec/content/publications/2002/JobNetwork.asp>, accessed 14 November 2007. It should be noted that the Job Seeker Account has itself brought further, complex administrative requirements for Job Network providers. See ANAO, *op. cit.*, p. 18. Indeed, based on the general increase in the notional Job Seeker Account's balance since its introduction, and the fact that providers themselves generally have healthy notional account balances, the Job Seeker Account has failed to result in any major expenditure on training assistance or wage subsidies for disadvantaged job seekers. *ibid.*, pp. 94–5.

101. E. Webster, *op. cit.*; ACOSS, *op. cit.*, p. 10; OECD, *op. cit.*, pp. 23–24.

102. T. Eardley, 'Outsourcing Employment Services: what have we learned from the Job Network?' Paper presented to the Centre for Applied Economic Research Conference on the Economic and Social Impacts of Outsourcing, 4–5 December 2003, p. 10.

103. OECD, *op. cit.*, p.42. See also T. Eardley, 'Non-economic perspectives on the Job Network', *Australian Journal of Labour Economics*, 6:2, 2003, p. 322; J. W. Nevile and A. Nevile, *op. cit.*, p. 242. Eardley notes the innovative and cooperative relationship building to develop employment opportunities and flexible use of outcome funds to meet service delivery costs as two such examples.

and net impact studies of the Job Network (along with studies of labour market programs in general) as being like a ‘black box’.¹⁰⁴ Where the focus of the system and its evaluation is primarily on measurable employment outcomes, this limits the identification and understanding of the methods and approaches that have proven to be effective by policy makers and other commentators.¹⁰⁵ And, under current purchasing and contracting arrangements, where providers themselves identify methods and approaches that work, there is little incentive for them to share this information with other providers or to work collaboratively in the best interests of job seekers.¹⁰⁶ It is, as a result, difficult under current arrangements to actually improve at a wider level, services in the areas where high quality assistance is most needed.

The Job Network has moved from a purely outcomes-focused system to one in which increased attention is paid to inputs. Nevertheless, this move has been confined to the stipulation of process by Government, with little attention having been paid to the identification and implementation of effective, evidence-based inputs.

The role of the not-for-profit sector

When considering the performance of the Job Network (and especially its capacity to meet the needs of disadvantaged job seekers), it is necessary to account for the role played by not-for-profit providers in this system. Likewise, it is also important to consider the potential negative impact of competition on the not-for-profit sector and relations within this sector.¹⁰⁷ While many non-profit providers are increasingly operating like private businesses¹⁰⁸, one commentator notes that they nevertheless ‘remain committed to the welfare of their clients

104. J. W. Nevile and A. Nevile, op. cit., p. 242; S. Cowling and W. F. Mitchell, op. cit., p. 216.

105. As a corollary, it renders it difficult to determine where negative impacts are occurring. T. Eardley, ‘Outsourcing Employment Services: what have we learned from the Job Network’, op. cit., p. 10.

106. This is not to suggest that providers do not work collaboratively and share information with their competitors. Where providers do so, one study indicates that they are likely to be high performers. Department of Employment and Workplace Relations, [*Towards better practice in employment services: a study to identify the factors that contribute to high performance in Intensive Assistance*](#), Canberra, 2001, p. 19.

107. For a discussion of many of the issues involved and, in particular, the impact of the Job Network’s competitive framework on how providers regulate job seekers’ activity test requirements, see T. Eardley, ‘Mutual obligation and the Job Network: the effect of competition on the role of non-profit employment services’, *Australian Journal of Social Issues*, 37:3, 2002. See also T. Eardley, D. Abello and H. Macdonald, *Is the Job Network benefiting disadvantaged job seekers? Preliminary evidence from a study of non-profit employment services*, Social Policy Research Centre Discussion Paper No. 111, Sydney, 2001.

108. See G. Ramia and T. Carney, ‘New Public Management, the Job Network and Non-Profit Strategy’, *Australian Journal of Labour Economics*, 6: 2, 2003.

and to providing the best services they can'.¹⁰⁹ (Arguably, not-for-profit providers' commitment to their clients' welfare is evidenced, in part, by their higher likelihood of achieving interim rather than final outcomes and their lower breaching rates.¹¹⁰). This same commentator goes on to argue that 'government takes this commitment for granted and is inclined to exploit it'.¹¹¹ The problem with this situation, according to various observers, is that it places not-for-profit providers in an invidious position. As ethical organisations they are obliged to provide services to their typically disadvantaged clients, even where they are not necessarily in a financial position to do so, and unlikely in many instances to realise an outcomes payment. But, in providing these services, they are effectively masking the degree to which the Job Network system is under funded.¹¹² Further, according to some more hard-nosed critics, by providing a 'benign front' for the Coalition Government's 'unacceptable' employment and welfare laws and policies, these providers ultimately legitimated these laws and policies, and compromised themselves and the not-for-profit sector in the process.¹¹³

That many providers (and, in particular, those that assist the most disadvantaged of job seekers) are struggling financially would appear to be beyond doubt. Arguably, several recent incidences of fraud on the part of some Job Network providers furnish further evidence of this.¹¹⁴ The fact that these fraudulent providers were primarily not-for-profit organisations may provide an indication of just how badly some Job Network providers are struggling. As mentioned earlier, the Coalition Government significantly reduced its funding for the Job Network in the 2005–06 Budget, reasoning that, in a buoyant labour market, Job Network providers' costs in gaining employment outcomes for job seekers would be decreased. However, this rationale fails to account for the fact that, in a buoyant labour market, those unemployed job seekers with readily marketable skills tend to find work quickly, leaving

109. T. Eardley, 'Outsourcing employment services: what have we learned from the Job Network?' op. cit., p. 10.

110. Productivity Commission, op. cit., 11.11.

111. T. Eardley, 'Outsourcing employment services: what have we learned from the Job Network?' op. cit., p. 10.

112. J. W. Nevile and A. Nevile, op. cit., p. 249. Nevile and Nevile point out that, because the Job Network is made up of a significant number of not-for-profit providers, it is important in evaluating and planning for the system's development that motivations other than the profit motive are accounted for.

113. E. Cox, 'Community sector ethics and dilemmas', *New Matilda.com*, 30 November 2005. See also M. Rapson, 'The Job Network: an instrument of 'supply-side' profiteering', *Dissent*, Autumn/Winter 2006, p. 42.

114. S. Morris, 'Job Network fiddlers lose out', *Australian Financial Review*, 31 March 2006; S. Morris, 'Job Network not working, say agencies', *Australian Financial Review*, 23 November 2006; S. Morris, 'Job Network agencies accused of fraud', *Australian Financial Review*, 18 April 2007. These providers were found to be using wage subsidies to ensure outcomes payments.

behind on income support the more difficult-to-place job seekers with significant and/or multiple barriers to employment.¹¹⁵

Earlier in the Job Network's development, Dockery and Stromback observed that the Government may have initially been 'too zealous in trying to generate cost savings'¹¹⁶, and it appears that, until it lost office in November 2007, this may, to some extent, still have been the case.¹¹⁷

Future directions

It is generally agreed that many of the earlier problems associated with the Job Network were a result of 'teething troubles' and an under developed market, rather than with fundamental flaws in the system.¹¹⁸ While noting that not all aspects of the Job Network were working well and recommending various incremental reforms, the Productivity Commission broadly endorsed the Job Network's purchaser-provider model, with its focus on outcomes, competition and choice, as being a 'suitable policy framework for the delivery of active labour market programs'.¹¹⁹ Nevertheless, it should be noted that this endorsement of the Job Network was conferred in the context of rather different labour market conditions from those that currently exist.

The Job Network market is clearly a difficult one to manage. Its effective administration demands an understanding of the motivations and actions of both Job Network providers and job seekers so as to ensure the best use of incentives and resources to achieve positive employment outcomes. It also demands an institutional framework that is appropriate to meeting the needs of, and achieving employment outcomes for, a heterogeneous job seeker population and a changing labour market. To some extent these objectives have been realised through adjustments and modifications to the Job Network over recent years. Nevertheless, there would appear to be room for further changes and improvements in the light of

115. See National Employment Services Association (NESA), Submission to the Senate Standing Community Affairs Legislation Committee, Welfare to Work and other Measures Bill 2005, 2005, p. 7. See also P. Karvelas, 'Radical shakeup faces job seekers', *Weekend Australian*, 21 June 2007.

116. A. M. Dockery and T. Stromback, op. cit., p. 449.

117. In considering the cost effectiveness of investment in labour market programs, and the amount of funding that should be targeted to such programs, some argue a whole-of-society approach should be adopted. See for example, OECD, op. cit., p. 22 and the Brotherhood of St Laurence, 'Unemployment – finding jobs for those on the margins', *Australian Policy Online*, 12 September 2007.

118. A. M. Dockery, 'Evaluating the Job Network', *Australian Journal of Labour Economics*, 3:2, 1999; Productivity Commission, op. cit.

119. Productivity Commission, op. cit., p. XX.

experience and a changed economic and labour market environment.¹²⁰ Alternatively, more radical measures may be called for.

While some commentators may question just what the precise rate of unemployment is¹²¹ it is nevertheless generally agreed that unemployment in Australia is at its lowest level in around 30 years. This, combined with sustained strong economic growth and widespread skilled workforce shortages, provides an opportunity to focus on the needs of difficult-to-place job seekers and the long-term unemployed, while potentially addressing simultaneously certain workforce shortages. Arguably, this objective could be pursued in one of two different institutional arrangements and policy frameworks.

The first of these is relatively straightforward and would see the retention of the Job Network with its employment-first focus for work-ready job seekers. These job seekers would largely be provided with job placement and job search training services. In the case of more difficult-to-place job seekers, however, the Job Network would serve simply as a referral service. These job seekers would have their customised assistance needs almost entirely met by service providers that are currently contracted by the Job Network, such as Community Work Coordinators and Work for the Dole providers. Funding and resources for Job Network providers and other service providers would then be redistributed, commensurate with these providers' changed roles.

The second arrangement would involve the reconfiguration of the Job Network, so as to better cater to the needs of difficult-to-place job seekers and thus make the system more relevant to current labour market conditions.

120. Recently, the then Workforce Participation Minister, Sharman Stone, indicated that in the light of the changing labour market and economic environment, there was a need for changes to the Job Network System. Any such changes were likely to have been made by the Coalition Government when the current employment services contract expires in 2009. P. Karvelas, 'Radical shakeup faces job seekers', *Weekend Australian*, 21 July 2007.

121. The official unemployment rate and the means by which it is calculated are the subject of ongoing debate and concern in some circles. Specifically, a number of commentators argue that the official unemployment figure significantly underestimates the actual demand for work. According to the Australian Bureau of Statistics (ABS), to be classified as 'employed' a person need only have undertaken one hour of paid or unpaid work in the reference week. This classification holds regardless of whether the person is actually seeking more employment. In addition, the ABS official figure does not account for those people who are underemployed, marginally attached to the labour force (moving in and out of the labour force) and those that are discouraged from seeking employment. These 'hidden' unemployed, while not figuring in the official employment rate, are nevertheless accounted for in the ABS Extended Labour Force Under-utilisation Rate. When these figures are taken into account alongside the official unemployment rate, Rapson suggests that the unemployment rate is closer to three times higher than the official figure. M. Rapson, *op. cit.*

Addressing underlying barriers to employment while also meeting skills in demand and tackling workforce shortages would appear to demand a greater role for Community Work Coordinators and Work for the Dole providers. This could entail their either being brought within the Job Network itself, or being given a greater collaborative role in providing services to job seekers. In either case, funding for customised assistance services would need to be increased.¹²² A possible means of achieving this without undermining the efficiency of the competitive market could be the introduction of more interim outcome payment categories for intensive phases of assistance. This would be to take up the Productivity Commission's recommendation that outcome payment categories should be introduced to take account of the characteristics that underlie disadvantage, where supported by sufficiently robust Job Seeker Classification Instrument classifications.¹²³ Although these interim outcomes payments need not necessarily be on the same level as those paid for employment outcomes, they should nevertheless be sufficient to demonstrate the importance of such outcomes in moving disadvantaged job seekers towards quality, sustainable employment outcomes.

While this would certainly, as the Coalition Government noted, add complexity to the system of outcome payments, perhaps a bigger barrier to its introduction may be the strength of the commitment to a final (employment) outcomes focus that underpins the Job Network.¹²⁴ A final outcomes focus is not necessarily a problem in and of itself.¹²⁵ Most commentators would appear to agree with the Productivity Commission's recommendation that the Job Network 'should remain a primarily jobs-oriented program'.¹²⁶ However, it needs to be

122. A number of commentators have argued that any such investments would be offset by the benefits created, such as reductions in income support payments and increased tax revenues. See for example NESAs, op. cit., p. 3 and The Brotherhood of St Laurence, op. cit.

123. Productivity Commission, op. cit., p. XLVI.

124. The Coalition Government's commitment to such a focus is evidenced in the 'work first' agenda that underpinned its Welfare to Work measures.

125. However, using an employment outcome as the sole criteria carries with it a number of problems. Some of these are outlined in J. Burgess, 'Reviewing the model behind the Job Network', *Australian Journal of Labour Economics*, 6: 2, 2003, pp. 233–234.

126. Productivity Commission, op. cit., p. XXXV. See also the Department of Employment, Workplace Relations and Small Business, *Towards better practice in employment services: a study to identify the factors that contribute to high performance in Intensive Assistance*, Canberra, 2001, p. 11. This study found that a focus on employment outcomes for job seekers was a key characteristic of high performing Job Network members. However, the logic behind this finding is somewhat circular; if the principal measure of performance is the ability of the provider to achieve employment outcomes for the target group, then providers that realise the most employment outcomes for this group will be, by definition, the highest performers. The authors appear to be aware of this circularity at some level, and of the problems inherent in defining quality in the Job Network in overly narrow terms. They note that some lower performers deliver quality personalised and individualised service to job seekers, 'but do not have the same focus as the high performers on obtaining employment outcomes'. They go on to

recognised that without Government assistance and recognition for providers' efforts to provide less measurable forms of personal support, including access to further education and training to meet current labour market demands, alongside employment assistance, quality and sustainable employment outcomes for disadvantaged people are not likely to be achieved.¹²⁷ This is especially so given the changing characteristics of the general job seeker population. A focus on obtaining employment outcomes that deals with barriers to employment only to the extent necessary to ensure a job seeker's entry to the workforce *may* lead in the short term to more jobs and higher performing Job Network providers. Nevertheless, if the ultimate objective is to achieve better and more sustainable employment outcomes, and to ensure that job seekers do not end up becoming long-term unemployed, then this points to the need for a changed approach and one that recognises that some barriers to employment are likely to be stubborn and ongoing.¹²⁸

In the light of the Coalition Government's earlier experiences with some Job Network providers 'parking' difficult-to-place job seekers in Intensive Assistance, the Government is likely to be wary about allowing too much leeway for providers in their provision of services to this group of job seekers. That said, it needs to be recognised that high performing providers appear to be those who employ a wide range of interventions and tailor their assistance to meet the particular circumstances and needs of job seekers.¹²⁹ This demands a large degree of employment consultant autonomy. One means for facilitating this at an institutional level would be to implement the Productivity Commission's recommendation that Job Network providers should be able to propose to DEWR alternative activity strategies for job seekers, where appropriate.¹³⁰ These strategies could be developed in consultation and cooperation

note that the study highlights the need for further discussion about what constitutes quality in the Job Network and pose the question: 'are job seekers in Intensive Assistance getting quality services if efforts to assist them are not directed towards obtaining an employment outcome?'

127. One commentator stresses the need for a 'life-first' approach to welfare to work policy for disadvantaged job seekers. Such an approach includes attention to physical and mental health, housing, education and family issues, as well as more immediate employment goals. H. Dean, 'Re-conceptualising welfare to work for people with multiple problems and needs', *Journal of Social Policy*, 32:3, 2003.
128. A study conducted in the US which compared the short- and long-term employment outcomes of 'work first' and 'human development' programs found that while in the short-term the 'work first' program was most effective, in the longer term the 'human development' program, which included more training and education, resulted in an increase in employment over the longer term. See P. Temby, G. Housakos and S. Ziguras, *Helping local people get jobs. Insights from the Brotherhood of St Laurence experience in Fitzroy and Collingwood*, Fitzroy Victoria, July 2004, p. 2.
129. Department of Employment, Workplace Relations and Small Business, op. cit., 2001, p.13.
130. The Productivity Commission similarly recommends that there should be scope to adjust activity test requirements depending on the needs and circumstances of individual job seekers. This

with job seekers, who currently have little influence over the choice of services they receive in customised assistance. Were this flexibility to be combined with risk-based compliance monitoring of providers, it is likely that the ‘parking’ problem could be addressed, and the Government’s concerns allayed.

Additional funding for Job Network providers and the provision of better quality services for more difficult-to-place job seekers addresses only one side of the equation in improving Job Network performance and outcomes. According to a number of commentators, without demand-side interventions and, more specifically, the creation of suitable jobs, there is a limit to what can be achieved in the way of employment outcomes.¹³¹

In the current environment, such interventions could involve the development of community enterprises, ventures in which business, government and the community sector work together to tackle areas of workforce shortage while providing supervised employment and skills development in a workplace to assist disadvantaged job seekers to become more competitive in the labour market.¹³² Interventions such as these would also meet many commentators’ requirement for increased work experience opportunities for job seekers in customised assistance, rather than just in the Work for the Dole program.¹³³ The need for such opportunities is particularly acute for many new Welfare to Work job seekers. Another advantage of community enterprise-like arrangements is that they could foster the increased development of working relationships between Job Network providers, employers, government and the community sector. Such relationships would be conducive not only to improved employment outcomes for program participants, but also for disadvantaged job seekers more generally.¹³⁴

The Job Network itself need not necessarily be past its ‘use by’ date, as suggested by recent headlines¹³⁵ but it may be time to reconfigure it. There will always be a call for an

recommendation poses equity issues, but could be made to work where default levels of activity are set for particular groups.

131. Brotherhood of St Laurence, op. cit., 12 September 2007; NESAs, op. cit.; S. Cowling and W. F. Mitchell, op. cit.

132. See, for example, the Brotherhood of St Laurence’s recent proposal for the introduction of an Intermediate Labour Market program in Australia. Such a program would ‘improve employment outcomes for participants by providing them with a bridge to the mainstream labour market’. Brotherhood of St Laurence, *Investing in People, Intermediate Labour Markets as pathways to employment*, Fitzroy Victoria, September 2007, p. 6.

133. See for example J. W. Nevile and A. Nevile, op. cit., and S. Cowling and W. F. Mitchell, op. cit., p. 216.

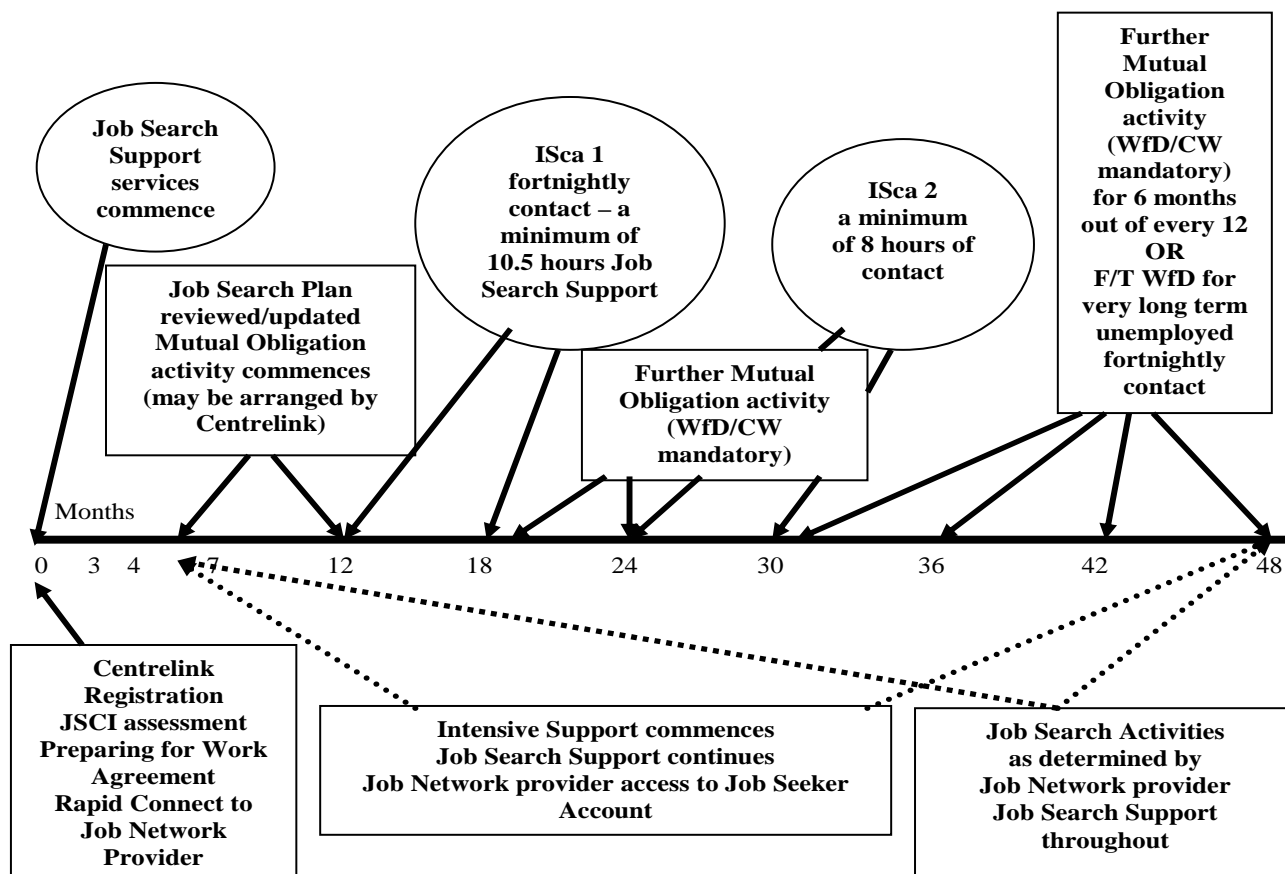
134. See Department of Employment, Workplace Relations and Small Business, op. cit., 2001, pp. 18–20.

135. Brotherhood of St Laurence, ‘Job Network past ‘use by’ date: fresh approaches needed’, 27 September 2007 at <http://www.bsl.org.au/main.asp?PageId=5248>, accessed 14 November

employment services program that can cater to the needs and requirements of a wide range of job seekers and employers, and under different economic and labour market conditions. And, given that the Job Network has been substantially changed since its introduction, there is no reason to suggest that it cannot be further adapted to meet current needs and requirements. That said, for this reconfiguration and redefinition to be achieved, a conceptual shift may first be required. It may be the case that the Job Network can no longer be understood as a system concerned first and foremost with employment outcomes, given the changing nature of its clientele. Instead, the Job Network may need to be thought about as an enabling system, not just for job seekers but also for employers, tax payers and the nation as a whole.

2007. See also T. Nicholson. 'Finding jobs for those on the margins', *Australian Financial Review*, 12 September 2007 and 'Job Network branded stale', *Sydney Morning Herald*, 27 September 2007.

Appendix A Job Network service continuum



Appendix B Job Network net impact study results

In the twelve months to March 2000, the Department of Employment, Workplace Relations and Small Business conducted a net impact study of Intensive Assistance (IA) and Job Search Training (JST) services. The study assessed the proportion of job seekers who had left benefit altogether (off-benefit) and compared the off-benefit outcomes of a sample of IA and JST participants with those of a matched group that had not been referred to, or participated in the program in the previous six months. The study then compared the off-benefit outcomes of a sample of IA and JST referrals with matched comparison groups that had not been referred to, or participated in the program in the previous six months.

While noting some caveats, the study concluded that:

Intensive Assistance:

- participants were substantially more likely to leave income support than similar job seekers who had not recently participated in the programme: the prospects of leaving income support were some 47 percent higher
 - that is, IA off-benefit outcomes averaged over 31 per cent compared with a little over 21 per cent for the control group, yielding a net impact of 10 percentage points
- compared with the suite of previous labour market programs operating in the mid-1990s (under Working Nation), in terms of off-benefit net impacts (which averaged 10 per cent, although individual programs varied widely)
- was relatively cost effective at around \$22000 per net impact outcome compared with a Working Nation average of \$35100 for the programs IA replaced, and
- was associated with a compliance effect (of around 3 percentage points), through job seekers leaving benefits between referral and commencement of the program

The inclusion of impacts associated with compliance effects reduced the cost per additional off-benefit outcome substantially to \$16500.

The study also found that Job Search Training:

- participants were more likely to leave income support than similar job seekers who had not recently participated in the program: the prospects of leaving income support were some 13 percent higher. That is, JST off-benefit outcomes averaged just under 27 per cent compared with under 24 per cent for the control group, yielding a net impact of 3 percentage points
- was comparable to the Job Clubs program (4 percentage points) operating in the mid-1990s (under Working Nation), in terms of off-benefit net impacts

- was relatively cost effective at around \$13 800 per net impact outcome, compared to \$16 500 for Job Clubs, and
- was associated with a very high compliance effect (around 10 percentage points), through job seekers leaving benefits between referral to and commencement of the program

The inclusion of impacts associated with compliance effects reduced the cost per additional off-benefit outcome to \$1 400.

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