

## NESA Input into Functional and Efficiency Review

### Introduction

This paper provides information about key strategic and operational issues in jobactive and Work for the Dole. Key areas of focus include red tape, financial sustainability, and systems and payments. Many of these issues are interconnected, for example the increased cost base particularly associated with Work for the Dole is linked to the financial sustainability concerns of providers.

This is not a comprehensive overview of all issues faced, however it is snapshot of key strategic and operational concerns. A summary of the issues raised by the recent NESA Leadership Forum is outlined below.

Strategic Issues	Operational Issues
<ul style="list-style-type: none"><li>• Red tape</li><li>• Financial sustainability</li><li>• Employer engagement</li><li>• Systems need to support an outcomes based model – timeliness of fixes</li><li>• Work for the Dole model design</li><li>• Stream A focus means lower than projected revenue</li></ul>	<ul style="list-style-type: none"><li>• Work for the Dole<ul style="list-style-type: none"><li>Administration/Resource heavy</li><li>Acquittals</li><li>Invoicing</li><li>Work Health &amp; Safety risks</li><li>Relationships</li></ul></li><li>• Glitches in admin and outcome fees</li><li>• Special claims vs. auto claims</li></ul>

### Red tape

#### Background

Red tape has been a problematic issue in employment services in recent contracts. Under Job Services Australia, providers advised that around half of front-line staff time was being spent on administration. In addition, the number of staff dedicated to compliance and contract management within organisations was increasing and diverting resources from practice. The complexity of the system at that time can be demonstrated by over 3000 pages of operational materials and over 800 guideline updates from October 2012 to October 2013.

NESA made the case to Government to reduce red tape in *Employment Services in Australia (Roadmap for the Future)* and in other representations to Government. One key area was in relation to outcome verification. NESA argued given that Centrelink has the ability to reconcile income information against ATO lodgements to detect welfare fraud, adequate accountability can be achieved without the requirement for additional documentary evidence to be collected and maintained by providers to support 100% Rate Reductions.

Then Assistant Minister for Employment, the Hon Luke Hartsuyker MP made three announcements about reducing red tape during 2013/2014 (See Attachment A). Many of these were areas that NESAs had advocated for. One particularly significant change in March 2014 was:

“JSA providers will no longer need to collect documentary evidence from employers or job seekers to verify a person’s employment. Instead, from 1 July 2014, the Department of Employment will use the information already collected by the Department of Human Services regarding a person’s earnings and hours of employment. It is estimated that this will save more than \$13 million per annum in red tape costs for employers and providers” (The Hon Luke Hartsuyker MP).

The industry welcomed initiatives by the Government to reduce red tape in Job Services Australia, in particular in relation to documentary evidence requirements.

#### jobactive services

While changes such as those outlined above have been positive, there is evidence that new areas of red tape are part of the jobactive framework. NESAs conducted a survey of members delivering jobactive services from 7 October 2015 to 4 November 2015. The survey sought to establish a point in time view of the operational delivery and performance of jobactive organisations. Responses were received from 20 organisations, although not every question was answered by all respondents.

Looking specifically at the question of red tape, out of 13 respondents (more than a quarter of providers), the majority (7) identified red tape as ‘about the same’ as Job Services Australia. A further two note that red tape is ‘a bit worse’ and another three ‘a lot worse’. One responded that red tape is ‘a bit better than in JSA.’

NESA members broadly welcomed the changes announced through the CEO letter from Martin Hehir in October 2015 as a step in the right direction, with many stressing the importance of timely implementation. Despite this, an ongoing area of concern held consistently across the industry is that they are undertaking more administrative work than projected which is increasing the cost base of jobactive delivery. This means that the cost base is greater than providers expected based on the tender documents, and has resulted in the concerns over long term financial sustainability.

#### Work for the Dole

The Work for the Dole model includes Work for the Dole Coordinators, jobactive providers and lead providers (who are jobactive providers that coordinate multiple placements for group activities on behalf of other providers). While there are nominated amounts to pay for both individual and group activities (\$1000 and \$3500 respectively), there is no funding available to providers or lead providers in managing the placement of job seekers in Work for the Dole.

NESA undertook a survey specifically regarding Work for the Dole in September-October 2015. This included responses from 15 Work for the Dole Coordinators and 35 jobactive

Work for the Dole managers. The survey found that the estimated staff time and processes for administration and communications in relation to WfD have been significantly greater than expected. This is true for both WfDCs and jobactive organisations, though it is particularly acute for jobactive providers.

Providers advised that it would take time to estimate the staff time involved in administration, however examples included:

1. At the moment we are having to have at least 3 meetings with Hosts as the information being passed on from the WfD coordinators isn't what the Hosts are willing to agree to, this includes funding, risk assessments and numbers. These meetings are at least an hour in length and then there is also travel time to the Host.
2. After everything is finally agreed the Activity needs to be created, this takes about 30 minutes.
3. Next comes sourcing and pre-screening job seekers to ensure they are suitable to the Host.
4. Ongoing monitoring and entry of hours can be very time consuming depending on the number of placements
5. Finally other Providers need to be invoiced and chased for payments. Initially we had planned for 3 staff to be covering 7 Sites to ensure we were meeting our requirements regarding WfD, we are currently sourcing an Admin Person and another Consultant as we are having to source our own Hosts as the WfD Coordinator isn't meeting our needs.

Another example provided was:

1. Planning, proposal, risk assessment and agreement preparation/sign off per activity - 10 hours each
2. Entering Activity, payment management, communication with parties, compliance, acquittal - 5 to 7 hours
3. Job Seeker referral - 1 hour per job seeker
4. Job Seeker follow up (ETS to Commencement and ongoing attendance) - 3 hours first week then 1 hour per week ongoing
5. Time sheet collection, follow up and data entry - up to 1 hour per week
6. Host management - 1 hour per week plus 10 hours per activity to support with processes and App training etc.
7. 4 additional staff allocated (1.25 per region) to cover back end administration responsibilities of WFD
8. Over \$150K additional out of org. cost per region to execute and manage WFD requirements and risks.

A Work for the Dole Working Group (involving the Department, NESAs, Jobs Australia and providers of both Work for the Dole and jobactive) has been looking at a range of issues in Work for the Dole including payments for Lead Providers, simplifying invoicing and some IT changes. While some of these changes have been actioned, many others are still in progress

so it is difficult to consider their impact. There has been some frustration expressed by members of the Working Group over the time taken to implement changes.

Providers also advise that the time and costs associated with administering Work for the Dole means that there are fewer resources available for working with employers.

#### Financial sustainability

Financial sustainability of the model has been raised by providers since even before the beginning of the contracts. However it has been increasingly raised as an issue by NESAs members. The NESAs jobactive survey conducted in November provided overarching feedback that revenue was lower and costs were higher than projected by providers.

The majority of respondents to the survey reported that caseload numbers were below expectations. In addition, Stream A job seekers have achieved the highest levels of employment outcomes, higher than commonly projected by providers. Given the direct relationship between job seeker disadvantage and outcome payment levels, providers are receiving less income than projected. This is because of the lower payments associated with Stream A (least disadvantaged) job seekers.

Other issues relating to financial sustainability included in the NESAs jobactive survey include:

- Of the twenty responses received to a question regarding viability of sites under the jobactive model, the majority felt that their sites are not currently viable, although to varying degrees;
- The majority of organisations who responded to the survey reported that 4 week outcomes were below expectations, although three organisations reported 4 week outcomes to be as expected and one organisation noted these outcomes as better than expected;
- The majority of the 14 organisations that reported on 12 week outcomes reported that they were worse than expected, while 6 organisations reported that 12 week outcomes were being achieved as expected;
- Of the 13 organisations that reported on revenue, the majority identified revenue as either a lot lower (five respondents) or a bit lower (four respondents). Three organisations reported revenue as about as expected and one organisation identified revenue as a bit higher;
- 13 organisations also reported on expenditure to date, the majority of whom reported expenditure as higher than expected. 6 respondents identified expenses as a bit higher than expected, and a further 4 a lot higher than expected. One respondent found that expenditure is about as expected, while a further two identified expenditure as either a bit lower than expected (N=1) or a lot lower than expected (N=1).

#### Systems and Payments

The relationship between policy and systems has caused confusion which has added to providers needing to develop additional internal systems to track outcomes and payments

and also reduced confidence in making claims. There have been issues with administration payments where there have been in and out payments where it is very difficult for providers to have oversight of actual payments, which is likely to lead to problems for organisations during auditing. One organisation has monitored this closely and reported a \$31 discrepancy in a payment. Significant time has been spent also having to go through Helpdesk support which in many instances has taken extended periods of time to provide advice to providers.

The number of systems fixes needed post implementation of jobactive was significant and has continued to take months to implement changes. This has had the impact of limiting design enhancements which would have reduced administration by providers.

Systems and reports resources have been also been stretched due to preparation for TTW do existing contracts such as jobactive and DES are minimized until TTW and then other new policy systems and reports are implemented.

There has been limited usability testing undertaken with providers so it means that flawed design is implemented so any opportunity to minimize design is not facilitated thereby continuing the cycle of 'catch up' with fixes and not ever achieving better systems performance. Budget reduces over time so this further complicates fixes and enhancements.

### Outcomes – current issues and long term implications

Over the last few months NESAs has received a number of queries in relation to various scenarios and their impact in relation to Outcome claims.

Some providers have expressed that the current outcome policy settings are inhibitive to maximizing opportunities to increase workforce participation and support pathways to employment. An example of this is the parameters around pre-existing employment and the limitation of being able to only claim consistent outcomes i.e. if a partial outcome is claimed at the 12 week point a full outcome is not able to be claimed at the 26 week point even in circumstances where the job seekers employment has increased to meet full time requirements and they have moved off income support.

Another challenge reported by providers is that the interpretation of the policy parameters is not streamlined or simple. Decisions relating to claiming outcome payments are important given the risk of potential recoveries. There are a range of ways that some areas can be interpreted, and a risk of different views. Indeed, some providers have reported receiving conflicting advice from within the Department when seeking further clarification on specific outcome related components. This highlights the importance of having clear, transparent interpretations in this particular area.

In the current environment where providers are still bedding down operational processes and grappling with other challenging programme areas, the support and need for clear and decisive advice in relation to outcomes is apparent. Further investigation, clarification and simplification of the current outcome policy parameters would be welcomed.

### Other issues

There are a range of concerns relating to differences between the data that is collected by the Department and the experience of providers. For example while many providers note that suspensions are significantly higher than projected (up to 40% in some areas), the Department's data at the national level suggests that suspensions are similar to the past.

Also while the Department's data shows the majority of outcome claims are automatic for those 100% off income support (in line with the announcements around reducing documentary evidence requirements in September 2014), some providers note a much higher proportion of special claims (which require documentation such as payslips from the job seeker or employer, which are often difficult to acquire).

## Attachment A – Ministerial Announcements on Red Tape 2013-14

### November 2013 Announcements

- Job service providers will no longer need to retain paper copies of their records. They will only be required to keep electronic copies.
- From 1 December 2013 the Department of Employment will only be able to make changes to the contract guidelines on a quarterly basis, instead of current arrangements where they can be changed at any time.
- Extension of timeframe for lodging certain claims from 28 days to 56 days.

Media Release 7 November 2013, <https://ministers.employment.gov.au/hartsuyker/red-tape-reduction-will-renew-focus-assisting-job-seekers-find-work>

### March 2014 Announcements

- JSA providers will no longer need to collect documentary evidence from employers or job seekers to verify a person's employment. Instead, from 1 July 2014, the Department of Employment will use the information already collected by the Department of Human Services regarding a person's earnings and hours of employment. It is estimated that this will save more than \$13 million per annum in red tape costs for employers and providers.

Other new red tape cuts include:

- simplifying the paperwork for employers who give a job seeker the opportunity to work
- using technology to get job seekers to agree to their Employment Pathway Plan
- streamlining the number of special claims for provider payments
- publishing weekly rather than ad-hoc web-based news updates.

Media Release 29 March 2014, <https://ministers.employment.gov.au/hartsuyker/red-tape-cuts-will-deliver-more-efficient-and-effective-job-services-system>

### September 2014 Announcements

- The red-tape savings that will begin in September 2014 include removing the requirement for providers to complete a written report for every work-experience activity and streamlining documentary requirements for certain purchases.

Media Release 11 September 2014,  
[http://nesa.com.au/media/71605/140911\\_mr\\_%20hartsuyker\\_more%20red-tape%20cuts%20for%20employment%20services.pdf](http://nesa.com.au/media/71605/140911_mr_%20hartsuyker_more%20red-tape%20cuts%20for%20employment%20services.pdf)