Job Network: Changing Community Sector Values[1]

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ABSTRACT

In 1998, the Howard Government instituted one of its most bold policy reforms, the Job Network, making a 'market-place' of what had been the public employment service: the Commonwealth Employment Service (CES) and its network of contracted services. This paper provides selected findings from a study on the impact of the Job Network on non-profit providers, conducted during 1999 and 2000. At that time, competition was fostering some innovative practices by agencies, but was also introducing conflicts between the traditional community sector orientation towards information sharing and cooperation and the need to guard market knowledge and power. The requirement to police job seeker attitudes, activities and compliance with 'mutual obligation' was beginning to cause tensions within organisations that had traditionally rejected this kind of approach.

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Introduction

In May 1998, the Howard Government, already engaged in a program of privatising and corporatising public services, started its radical experiment in employment service delivery, the Job Network. Without public consultation, or legislative process, the public employment service, which had existed since 1946, was abolished and replaced with a national network of agencies competing in a government-regulated, quasi-marketplace for contracts to deliver services to unemployed people. Other CES functions were split between the newly created authority, Centrelink (formerly the regional service network of the Department of Social Security), and the newly created government-owned corporation, Employment National.

The Working Nation program of the former Labor Government had introduced the competitively tendered Contracted Case Management program. Yet even before this, Walwei (1996), in a review of trends in the structure of employment services in the mid-1990s in the OECD countries, placed Australia in the most liberal and market-oriented category. Walwei did not find a pure market system operating anywhere at the time, even though countries such as the U.S. and U.K. made considerable use of non-governmental and private provision in their training and enterprise programs. Since 1998, therefore, Australia has arguably gone further in the market direction than any country in the OECD (Eardley et al. 2001).

Although non-government agencies were already involved in contracted delivery of employment assistance (under the Working Nation programs and particularly the SkillShare network, which is discussed later), the creation of the Job Network represented a further major shift in the role of the state from provider to contractor and purchaser of services. The rationale promoted by Government was that it would provide greater flexibility for agencies to provide innovative services and, through competition, would increase both effectiveness and efficiency.

The Job Network also represented a significant change in the environment for non-profit, community-based agencies. Formerly they had worked in partnership with government on a grant-for-services basis and in a limited competitive framework. Research on contracted case management by Considine (1999) suggested that while there were differences in the ways in which public, private and community sector agencies operated, the latter were, perhaps surprisingly, as ready as private firms to recommend penalties for income support recipients, for non-compliance with activity tests, and not conspicuously more likely than public or private agencies to see themselves as client advocates.

Now, however, they were faced with full-scale competition both with private sector and corporatised public agencies, and with each other. An initial study of a sample of twenty private and non-profit agencies in New South Wales, in the early months of

the Job Network, indicated that there was a degree of convergence happening between the sectors (Lyons & Chan 1999). Non-profits were adjusting to operating in a commercial environment — with some embracing competition wholeheartedly — while some private firms were displaying the kind of social concern about clients and their needs generally associated with the community sector.

In a small study of non-profit agencies in Victoria, Laragy (1999) found that staff had concerns about moving from a partnership-with-government model to a competitive framework. They faced an ethical dilemma because the transfer of government responsibilities to agencies made them more responsible for the policing of clients' job search activities. Staff also expressed anxiety that agencies were losing their capacity for advocacy, and a sense that resources were no longer going into training for clients. This was leading some to question their role. Some agencies were also faced with the challenge of risk management — having to take out business overdrafts for the first time, for example. Agencies that were already business-oriented, however, were more comfortable both with the competitive arrangements and their 'breaching' role (i.e. recommending to Centrelink that a benefit recipient be penalised for breaching their requirements, for example, to take reasonable steps to get work).

Considine also found that because both non-profit and for-profit agencies depend on the service pricing structure set by the purchasing department, their service activities and methods converged. He points to a central contradiction in the new competitive employment services system that has led to 'a general reduction in attention to job seekers' (2001, p. 141). Our study picks up on some of these questions.

This paper presents selected findings from a study of non-profit Job Network providers, examining the impacts of this new 'market' on their values and activities and on the communities from which they have grown.[2]

A Study of the Job Network in Ten Regions

We conducted the research reported here in 1999 and 2000. This paper examines the responses of ten community-based not-for-profit providers to the newly competitive environment, their experiences of the first and second contract periods, and increasing pressure from the Department of Employment and Workplace Relations and Small Business (DEWRSB), (now the Department of Employment and Workplace Relations) around contract compliance.

The ten agencies were members of the consortium JOB *futures,* which was established in September 1997, with nineteen members, mainly in NSW and Victoria. It now has 44 members operating at 126 sites nationally. The agencies are community-based, and while some are affiliated with the Anglican Church, the consortium is not predominantly church-based. It shares a common concern with fostering access and opportunities with disadvantaged job seekers and creating an ongoing and effective role for community agencies in employment services. While the research participants were staff and consumers of JOB *futures* member organisations, the research also drew on their experiences with other Job Network providers across the ten sample regions, particularly given the high mobility of staff and consumers around the Job Network.

The research comprised interviews and focus groups with Board members, managers and staff, with a follow-up with agency managers about a year later. Over 100 job seekers participated in focus groups, with follow-up telephone interviews about a year later. We analysed labour market conditions (local to the sample agencies) and canvassed the views of those working in related organisations in those areas (such as youth, welfare and disability services). DEWRSB monitoring data and other evaluative material were also examined. Our research design aimed to select the widest spread of locations, relative labour market buoyancy and social disadvantage, service types and characteristics (such as single or multiple site agencies, religious or secular, specialist or generalist services). The three service types within the Job Network are, Job Matching (employer vacancy servicing), Job Search Training (short, structured job search assistance for those who are 'job ready') and Intensive Assistance (case managed assistance for the more disadvantaged job seeker). Five of the sample sites were in New South Wales and five in Victoria.

The First Job Network Contract (Job Network 1): 'Fighting' for Survival

Many non-profit organisations which had been highly successful Working Nation program providers failed to win contracts in Job Network's first tender. This led to media speculation that the tender process had been manipulated. One informant was allegedly told by a member of an assessment team that their organisation had been rated highly but had still missed out on any business allocation. Other participants expressed the view that the tender process was not merit based.

The communities served by these organisations suffered. One religious organisation providing poverty relief in a disadvantaged community, for example, had to significantly scale back its programs when it failed to win a Job Network contract. Their SkillShare[3] project had previously cross-subsidised their broader welfare activities.

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[3]   The SkillShare program came out of integration and rebadging of existing community programs in 1989. The pre-existing programs were the Community Youth Support Scheme, Community Training Program, and Community Volunteer Program.

Private sector providers were displacing community sector agencies. Of the 306 agencies granted contracts in the first tender round, 33 per cent were in the public sector, 37 per cent were in the for-profit sector and 30 per cent were non-profits (Kemp 1998, Davidson 1998).

Early in the first contract period, agencies granted Job Matching only, or Job Matching and Job Search Training contracts were struggling. The average estimate by agency managers of the actual cost of filling a vacancy was around two and a half times the DEWRSB payment level. The eighteen organisations that failed and 'handed in' their contracts in the first six months of operation comprised 30 Job Matching sites, eleven Job Search Training sites and two Intensive Assistance sites (DEWRSB 2000, p. 26, ANAO 2000, p. 31).

The impact of having agencies experienced in a wide range of vocational training and employment service delivery reduced to employer vacancy servicing represented an enormous de-skilling across the industry, leaving agencies to struggle to maintain a profile in their communities, as this senior caseworker attests:

> I think we lost a lot of the connection with the local community here for two years being just a Job Matching service. You're not using your community and support networks and agencies because it's not your job to assist people with other aspects of their life. They're job ready or they're not, they've got the skills that the employer is looking for or not. If we had Job Search Training or Intensive Assistance here from the beginning it may have been different.

Job Network Implementation

The SkillShare network was central to the non-profit employment sector that arose in the post-Whitlam era. The structure of government employment programs and strategies had historically involved a wide range of regional interagencies and networks, regional operational staff meetings or training and area committees, as well as the usual local community interagencies and networks which had provided for everyday close contact between providers both at the management and staff level. Integration of service delivery between sectors and organisations was increasingly a feature of the sector in the late-1980s. The high levels of engagement assisted providers in tailoring their activities to specific community and labour market needs. The norms of the non-profit employment sector included a primary focus on the needs of job seekers, and particularly those who were disadvantaged, and an active profile with local employers and their organisations (e.g. Chambers of Commerce).

The first Job Network tender considerably diminished the non-profit employment services sector, but its culture continued to underpin dynamics within the new Job Network (including close ties as well as old rivalries). Overlaid were varying

responses to the new competitive drive evident in the system's structure, operations, funding, and payment systems.

Initially some agencies overreacted to the competitive imperative, shutting down communications with other providers. Employment National chose such a solo strategy as official policy (Considine 2000). As well as this, the for-profit providers who were new to this type of service provision by-and-large failed to connect with their local non-profits (except where there were personal associations, mainly forged in the former CES). Some managers reported having made collaborative forays with their counterparts in for-profit agencies, to little effect. There was also a strong perception by staff in the non-profit agencies that the for-profit agencies had poor attitudes towards disadvantaged job seekers and that they under-serviced them.

The early period of Job Network 1 (i.e. the first Job Network contract period) was a difficult time for most non-profits. The perception of interagency solidarity, 'free sharing of information and mentor support' was quite strong during this 'sorting out the policy problems' and operational issues phase. Many saw this as having rapidly diminished by the end of Job Network 1 (except in places where individual histories and associations underpinned continuing close collaborations).

The possibilities for competitive conflict and collaboration lay in the structure, operations and funding and payment systems of the Job Network. Here are some examples.

Vacancy sharing and cross-referral of job seekers. While vacancy sharing and cross-referral were common between the sites within an organisation, it was uncommon between organisations. The complexities involved in coordinating activities between separate organisations and the difficulties of ensuring that employer-servicing standards be met, provided some disincentive to this kind of collaboration. One implication of this is a high level of pre-screen interviewing by the agency with the vacancy (job seekers may be required to travel to other sites for registration and a further pre-screen interview for a particular job). Vacancy and job seeker sharing arrangements were more likely between agencies and other providers outside the Job Network, where the agency would match and place job seekers and receive employer vacancies in return (such as apprenticeship and traineeship schemes, group training organisations and private sector recruitment agencies).

Territorial arrangements for employer canvassing. While sites within organisations have 'agreements' about geographical boundaries between them for the purposes of job canvassing, few such arrangements exist between organisations. Usually made between managers, these could fail at times at the operator level.

Job seeker training. Training collaborations reinforce connections between particular Job Network agencies at both the management and staff levels. Collaborations take

the form of joint funding and job seeker referral to courses, with coordination of post-completion follow-up, and in some cases selling job seeker places in courses to other agencies. This was evident between sites within organisations but not between organisations.

Joint Consultancy. Pre-existing close ties have enabled small consortia (for example, two agencies), to tender for other funding, such as State Government funding or major employer recruitment or outplacement work.

Sector Employment. The poaching of good staff was reported as a source of tension between non-profits. Differences in management-staff relations, pay rates and conditions between different agencies were also seen to fuel tensions.

For-profits as profiteers. Many staff perceived that for-profit Intensive Assistance providers were sending their job seekers to non-profits for 'free services' such as resumé preparation, Job Matching, short training courses and access to facilities. There were strong perceptions that the for-profits were 'parking' clients (taking the initial payment for registering the job seeker and not providing much assistance). Staff made such allegations about Employment National. With its high number of contract places in Intensive Assistance, it was able to 'cream' waiting lists, take on people and 'park' them. Small agencies with finite contract places near to full capacity were simply unable to do this.[4] This was a source of distrust between Employment National and the rest of the Job Network.

Competition in Job Network 1

There was a strong sense in job seeker and staff discussions that the premise that 'competition' between agencies and the associated job seeker 'choice' would improve performance was unfounded. Some job seekers did choose community sector providers because of community affiliations, or an expectation that a community organisation would be less coercive or less likely to take advantage of them, or because of their regard for the organisation in a former role such as a SkillShare. However, job seekers most often had exercised no choice of a provider (either because other providers were at full capacity or a Centrelink officer had directed them to a particular agency) and many expressed powerlessness in having any impact on the quality of service delivery. The quality of information about the Job Network provided by Centrelink to job seekers was generally reported as very poor, and in

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[4]   Intensive Assistance contracts dictate a maximum number of clients in the caseload. Once this is reached, no further referrals can be accepted (and no further initial payments can be claimed). The agency must then 'move clients on' before further places become available (hence one of the imperatives for recommending 'breaches' to Centrelink).

most cases had not assisted any processes of job seeker choice. Typically job seekers were given no more than the name and location of providers.

The sheer number of competitors was a structural fault in the outcome of the first tender and a feature of Job Network 1, particularly in some areas. One regional town, with a population of 14,000, towards the end of Job Network 1, was being serviced by ten employment agencies (including those outside of the Job Network). There were regular conflicts between agencies where employer relationships had been confounded by over-marketing. A high level of employer 'competition fatigue' had resulted in some employers shunning all agencies and returning to in-house recruitment, and a shutting-off of employers from direct job seeker approaches reducing opportunities for job seeker cold canvassing.

Many agency staff did not see competition as driving up service standards or service quality in any way, often characterising it as driving them down. Those that did see competition as improving service standards were more likely to frame this in terms of their own survival and continuing employment (e.g. 'We care more about service quality because of competition and because whatever we do will have a big effect on our employment later on').

Nevertheless, personal relationships, friendships and shared histories with staff in other agencies and across sectors generally meant much more thorough and meaningful collaboration. One area that illustrates the importance of this was in the outcomes of job seeker cross-referral where former associates were more likely to give detailed feedback on job seekers' presentation and performance at interviews with the agency and their employers.

Lyons and Chan (1999) and Considine (2001) argue that there was no close correlation between the type of sector and the associated stereotypes of competitive or collaborative behaviour. The evidence in our study supported these conclusions. As one JOB *futures* agency Board member put it: 'It's more about the aspirations of those organisations rather than whether they're private or not'.

Job Network 1 to Job Network 2: Consolidation

The transition from Job Network 1 to Job Network 2 in March 2000 caused further change and reorganisation in the Job Network as a whole and for many of the provider agencies in our study sample.

The distribution of the contracts in Job Network 2 delivered two major changes in the composition of the market overall, dividing the Job Network between non-profit agencies and private firms. This occurred because of the loss of virtually all Intensive Assistance contracts by Employment National. While it retained the largest share of Job Matching services (22 per cent), the loss of its 42 per cent share of Intensive

Assistance represented a decline to eight per cent of overall market share by public agencies (see Table 1). Drake Jobseek, the major private provider in the first contract period and the only other provider with a significant national presence, lost its entire contract in the second round tender (Eardley et al. 2001, p.11). Another important change in the market's composition was that many specialist providers of Job Network services failed to retain their Intensive Assistance contracts. Their share fell from almost a quarter of sites in Job Network 1 to about one tenth of Job Network 2 sites.[5] Notable was the loss of youth specialist sites (from 41 to eleven sites), particularly given the persistently low rate of participation by young people in the Job Network (DEWRSB 2000, p. 124).

In the transition between the first and second contracts, the nature of contracts held by agencies changed. For two regional providers in the study sample it meant site office closure, staff retrenchments and redundancy, and loss of outreach services to more remote locations (both have since rebuilt some capacity through State Government programs).

For others there were increased service levels and new site locations. The impacts of this were financial and on the relationship with their communities. One of these agencies, for example, had to underwrite infrastructure costs (new premises, staff recruitment and training etc.) of about $50,000. The capacity of non-profits to meet these costs varies according to cash reserves and cash flows. Smaller agencies with low cash reserves are more adversely affected by these infrastructure and associated costs which had, to a limited extent in the past, been funded by government in the programs it tendered on a grants basis.

Table 1: Percentage Market Share of Employment Service Sites by Agency Sector

	May 1998 All Job Network services (306 agencies with 1404 sites)	March 2000 All Job Network services (205 agencies with 2114 sites)
Public	33	8
Private	37	45
Non-profit	30	47

Sources: Kemp 1998, Davidson 1998, DEWRSB 2000.

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[5] Sources: for Job Network 1 DEWRSB 2000, p. 26, for Job Network 2, [Online], Available: http://jobsearch.gov.au/map_common.asp?ST=6&cdeCty=FLEX3 [2001, 25 June].

In terms of community relations, agencies have had mixed results in establishing offices in new locations where they formerly had no profile. Their experiences point to the importance of having a site manager skilled in networking and a central location for the service such as in a shopping centre and in the same locality as Centrelink and near other services. Some agencies have begun to work proactively with their new, local communities by talking to stakeholders to generate programs of value and worth that add benefit to what they are doing. One manager said, 'we're focusing on recreating some of the social fabric of the community' and this community development approach has broadened their contribution beyond providing Job Network services.

Focus on Performance: Looking Ahead to Job Network 3

Mid-way through Job Network 2, DEWRSB proposed a 'business rollover strategy' in order to avoid the disruption to the Job Network arising from the tender process as experienced in the past. This will involve 'rolling over contracts' to a proportion of current providers on the basis of their performance against an established benchmark. This has had the effect of focusing providers on their performance levels to a greater degree than previously experienced in outcome-based funding models.

> If you want to be a top provider of Intensive Assistance, you can't go into it to provide broader supports. Case managers have to get contract outcomes, not care for people.

This statement by one manager consulted in the study highlights the impact on service delivery generated by a system that focuses on performance and outcomes at the cost of broader welfare and personal needs of job seekers. The need to achieve quick outcomes and to meet performance targets means that providers spend less time with job seekers. Job seekers are referred for extra assistance because there is less time to deliver in-house services and assistance is less often one-to-one and individualised and more often group work activities. This suggests a decline in holistic approaches to service delivery particularly in Intensive Assistance.

Increased administration and contract compliance requirements in Job Network 2 compared to Job Network 1 have caused an additional burden on staff that reduces their direct service delivery time with job seekers. The impact in terms of administration and compliance issues has been described in the following way:

> [T]he amount of administration that goes into getting someone into the service to begin with — phoning, multiple letters and up to four months work following a breach for failing to report.

The Job Network's role in monitoring and policing job seeker compliance and recommending job seeker sanctioning has created not only an administrative burden,

but also a shift in the focus on what an outcome is, away from the needs of the individuals to performance. There is a general sense that reducing the number of those reliant on benefits is becoming the Job Network's core business. Agencies with staff who, through Job Network 1, were reluctant to recommend breaching of job seekers, have to deal now with the impact of this on their competitive position.

Competition between agencies is also driving the focus on performance. This has affected agency and community relationships in that it has established barriers to tendering partnerships and building infrastructure for the whole community. While there is some variation between regions, overall there continues to be little coopera-tion and resource sharing in the Job Network as a whole. This seems to be exacerbated by the lack of regulation and benchmarks for professional and ethical practice in the industry. At an operational level, the Job Network is largely self-regulatory, thereby 'creating a jungle for the operators' and fragmentation for job seekers.

In the lead up to the Job Network 3 tender process, few secular not-for-profit providers are performing highly enough, at this stage, to have their current contracts rolled over, which means that they will be competing with new providers and each other to win whatever contracts remain.

Conclusion

The implementation of the Job Network had a profound effect on the non-profit organisations that survived the first Job Network tender process: under-funded contracts caused a continual struggle for financial survival in dealing with the new competitive environment, the collapse of traditional collaborative approaches and the employer focus of Job Matching. The second round tender had a further impact on the composition and dynamics of the Job Network, including the impacts of the failure, and loss or defunding, of many smaller and specialist organisations and the community resources and capacity they had represented. While some were able to find a new life from state government employment programs, others vanished.

The competitive dynamics within the non-profit Job Network sector are shaped by two forces: the pre-existing culture of non-profit employment service providers, and the competitive drive evident in the Job Network's structure, operations, funding and payment systems. There is a tension between the imperative to facilitate collaborative relationships and maintain strong community input, and the fragmenting and competitive consequences of the Job Network's design.

The Job Network represents a move away from more holistic approaches to meeting job seekers' needs and improving the longer-term prospects for the more disadvantaged job seekers to move away from reliance on income support.

The evidence tends to refute the notion that competition improves service quality. Rather it seems to have exerted a downward pressure on service quality and outcomes. Despite having been a much-touted centrepiece of the Job Network's design, job seeker choice appears to have played little part in driving standards. Some Job Network staff consulted in the study also suggest that competition is encouraging lower pay and conditions and discriminatory employer practices.

Policing of job seeker attitudes and activities has become an increasingly central role of the Job Network. The contractual requirement on providers to perform this role has entered the competitive dynamic and those non-profit organisations that have rejected these approaches are becoming less competitive.

DEWR's recently released discussion paper *Employment Services — an Active Participation Model* clearly places the policing of beneficiaries as central to the Job Network's role. It does, however, represent a public consultative process which is new to Job Network policy. It also presents a proposed model of relationships and articulations between the current service types in the Job Network and the other employment programs and services funded by the Department of Family and Community Services (such as the new Personal Support Program). The model may address criticisms of the Job Network around under-servicing of job seekers, and meeting the broader support needs of disadvantaged job seekers.

As the third Job Network tender approaches (at the end of 2002), many of the secular, community-based, 'not-for-profit' providers are scoring poorly on the DEWR performance rating system. While some will be offered a rollover of their contracts into Job Network 3, most will have to compete for whatever contracts remain. Church-based organisations, on the other hand, are scoring well at many of their sites. The possibility looms that Job Network contracts may end up being divided between religious and private sector organisations, with secular, community-based, not-for-profit organisations having a reduced role.

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