



# Final Report

## NDIS Aspirational Model

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RDA Yorke & Mid North

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## Executive summary

The Australian Government's intends that services in the new disability market will be available wherever people with disability live. However as with any new market, the results cannot be fully anticipated until the rollout has occurred, and there is real danger that in Regional Australia, the market will not deliver the labour required to provide an adequate level of service to NDIS participants.

Rural regions are watching with interest to see how the National Disability Insurance Scheme (NDIS) will be implemented in areas of small population and large geography. One of the expected challenges is how the predicted growth in demand for labour force will be met when regions are challenged by poor access to education and training, where existing services are constrained by a lack of skilled workers and where population does not provide the critical mass to maintain a efficient demand/supply marketplace.

Regional Development Australia Yorke & Mid North (RDA YMN) was keen understand whether providers (direct employers and the recruitment and labour hire sector) were likely to address the looming issues of labour supply, and if not - to develop a solution that develops and connects NDIS labour with providers of disability services.

Because the challenges faced by NDIS in regional labour markets are not new, the 'Aspirational Model' should also be designed to service other sectors and regions that would benefit from cost-effective matching of workers to jobs.

### *NDIS - Current Status*

The NDIS aims to fundamentally change the way that support and care is provided to people with permanent and significant disability. The Scheme is person-centred and market-driven, with funding paid directly to the recipient who makes a choice of service provider.

The national rollout of the NDIS is in full swing, with the planned commencement in the Yorke & Mid North (YMN) region in June 2018. When complete, it is estimated that the number of people receiving disability support services in this region will almost triple from 660 to 1,900. The most requested service will be Assistance with Daily Living and the local workforce will need to grow by about 420-510 Full Time Equivalent (FTE) staff to meet this demand. As the disability sector workforce is predominantly casual or part time, the actual number of workers will be much higher.

Like any change of this magnitude, the NDIS rollout has encountered problems. It now appears unlikely that the ambitious goal of completing the rollout in South Australia by 2018 and having a fully operational national scheme by 2019-2020 will be met. While this is frustrating for participants and their carers, it allows



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extra time for service providers and regional development agencies to assess the impact of NDIS and put in place the changes needed to move forward. This is particularly important in regional areas where matching labour to employment is an on-going challenge and implementing the NDIS will require new thinking and new approaches.

## *The Project*

RDA YMN's intent for this project was to identify and address areas of market failure in the supply of labour into the emerging NDIS landscape. Accordingly, it established a working group and in September 2017 engaged Dr Kristine Peters and Carolyn Lloyd of KPPM Strategy to identify where labour market failure may occur and to develop a model to address this. The desired outcome was an Aspirational Model to support local NDIS service provision that could be extended to other sectors in the region suffering a mismatch of labour supply, and be applicable across regional South Australia.

Initial research used 2016 Census data to map potential NDIS service demand which identified that demand for labour was spread thinly across the YMN region. In its review of NDIS costs<sup>1</sup> the Productivity Commission acknowledged the difficulties of delivering NDIS services in 'thin markets' where the number of participants or providers may be too small to support a fully market driven, competitive provision of services. An understanding of how thin markets operate underpinned the design of the Aspirational Model developed for this project.

## *Developing an Aspirational Model for the YMN Region*

Comprehensive research into how the NDIS will operate and examination of a range of alternative models (including Labour Exchange and Work Bank initiatives, and Micro-Business and Algorithm models) established the parameters of a new model to match demand for NDIS services with available workers.

Initially, the option of using small unregistered providers (micro businesses) or an Ubercare type model (where workers are contractors) was explored. However it was found that at this stage of the NDIS transition, small unregistered providers were slow to enter the market, and micro businesses that provide unskilled care are virtually non-existent in regional areas.

The Adelaide based company Ubercare, which matches aged care workers with clients, faced challenges in entering the NDIS market - even in well populated urban areas. In its Productivity Commission submission Ubercare cited entry

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<sup>1</sup> National Disability Insurance Scheme (NDIS) Costs, Productivity Commission Study Report, October, 2017



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barriers including NDIS provider registration and the difficulties faced by NDIS clients in purchasing ad hoc services.

The models discussed above may become more prevalent as the NDIS market matures. However, at this time, profitability and scalability in thin regional markets would prove difficult - primarily due to the distances that providers and recipients need to travel to deliver and access services, and the fact that NDIS fees do not cover travel costs (a situation that is challenging regional service providers in their current operations and severely restricting their expansion).

Consideration was also given to the work being undertaken by Disability Workforce Hubs, established across South Australia by the South Australian Government to support service providers and job seekers during the NDIS transition phase. A focus of Disability Workforce Hubs is to work closely with jobactive providers and training providers to develop pathways for local unemployed people to enter the disability service industry. While the Hubs are having some success, particularly in urban areas, the model is timebound and appears to work best where there is sufficient volume of unemployed persons to meet market needs.

Based on this research it was decided that a new type of model was needed: a 'fusion' model that combined successful elements from the other models, adapted to be functional and sustainable in thin regional markets. To achieve this, the Aspirational Model also needed an element not found in the other models - **the capacity to identify and recruit underemployed persons in the region, who are willing and available to provide support services within their local communities** - a group described by the RDA YMN CEO as a 'labour pool above and beyond what we know'.

With the basic elements of the new model in place, matters of governance, profitability and practicality were developed and then refined and tested through discussion, analysis and feedback from the Working Group and local service providers.

### *A Sustainable Aspirational Model for the YMN Region*

The Sustainable Aspirational Model resulting from this project and described in detail in this report **seeks to build on the strengths of regional communities, to pool local resources, tap into the local underemployed workforce and support the delivery of the best possible services for NDIS recipients.** While initially targeting NDIS, the model will be applicable to the Aged Care Sector, which is likely to suffer as a result of increased demand for the same skills in the Disability Sector and to other sectors and regions.



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The key elements of the Aspirational Model are that it:

- Is run by service providers to support local industry and be open to new providers as the market matures
- Incorporates a market driven and sustainable fee structure
- Develops a local workforce by connecting with and recruiting underemployed persons including informal carers, volunteers, semi-retired, stay at home parents and others who wish to work part time within their local communities
- Works with applicants who need additional skills or qualifications to create and implement a personal Development Plan
- Provides a Work Ready ID to applicants who meet minimum requirements as determined by each industry sector such as:
  - Department for Communities and Social Inclusion and Police clearances
  - Compliance/licences as determined by sector (e.g. White Card)
  - Training/qualifications as determined by sector (e.g. manual handling, first aid, child safe environments)
  - Generic induction suited to the industry of employment
- Uses algorithm-based on-line recruitment and placement (matching) software to undertake a range of services including:
  - Assessing applicants' suitability for the Work Ready ID
  - Conducting pre-application interviews that ask questions customised to the needs of employers
  - Providing a portal where employers can register and lodge job vacancies
  - Providing a portal where applicants with Work Ready IDs can access job vacancies
  - Maintaining a database and reporting on information about job outcomes.

### *Next Steps*

This report provides a four-stage plan for implementing the Aspirational Model. Funding will be required for Stages 1-3 to cover operational costs until the model can be financially self-sustaining:

1. Detailed Market Testing and Model Refinement
2. Establishment of Governance & Systems Development
3. Operationalising the Model
4. Sustainable Operations



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## Introduction

When this project commenced in late 2017, the rollout of the NDIS had reached the stage where people with disability, their carers, providers of NDIS services, potential local area coordinators, and labour hire and recruitment companies were watching with interest to see how the new market would play out. Waiting to see the winners and the losers. Five months later we're still waiting.

Generally, a feature of new markets is that they adapt rapidly to accommodate the emerging interplay of supply and demand. Due to delays in the rollout, the Australian Government's focus has shifted to speeding things up, and the promised data – which would help with provider decision-making – is long out of date, resulting in limited information about emerging patterns.

Against this backdrop KPPM's approach has included research into the available NDIS information, plus investigation of other reports and the experience of other regions. The Productivity Commission report<sup>2</sup> on NDIS program costs - and the 500 plus submissions from providers and recipients across Australia - proved a gold mine of information. The experience of providers in remote and regional areas from Darwin to Hobart informed our thinking about thin markets and underpinned the design of a model that could respond to the current environment and be scalable and flexible into the future.

The Aspirational Model designed for this project incorporates the following strategies to address thin markets as identified in the Productivity Commission report:

- Sharing infrastructure knowledge, skills and experience among providers.
- More collaboration, co-ordination and integration of services, particularly with existing local and mainstream service providers and community organisations to avoid supply gaps or duplication.
- Use of community or place-based services, including increased employment and training of the local workforce where possible.
- Greater use of information technology.
- Engagement with the local community to build trust and relationships – including consideration of community feedback on provider performance.

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<sup>2</sup> National Disability Insurance Scheme (NDIS) Costs, Productivity Commission Study Report, October, 2017, p272



## Project Methodology

The methodology used by KPPM to develop the Aspirational Model incorporated:

- A series of five workshops with the RDA YMN working group to collaborate, design, develop and refine the model
- Comprehensive research and data gathering
- Identification and testing of alternative models
- Attendance at the Port Pirie NDIS Community Expo September 21st
- Production and presentation of a Directions Report
- Identification of a preferred model
- Testing of the preferred model with NDIS providers
- Production and presentation of a summary report on test results
- Development of financial modelling for the preferred model
- Production and discussion of a Draft Report
- Producing a Final Report.

## Research findings

This section summarises the findings of the desk research and interviews with NDIS providers. More detailed coverage was provided in the Directions Report.

### National Disability Insurance Scheme

The NDIS is a new scheme designed to change the way that support, and care are provided to people with permanent and significant disability. The scheme is currently being rolled out across Australia with rollout in the Yorke and Mid North scheduled for June 2018.

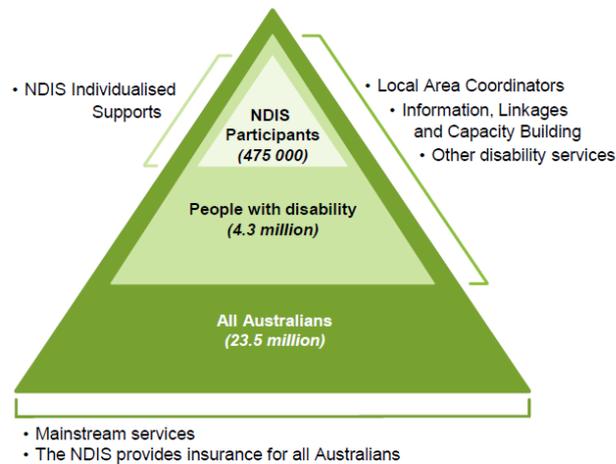
The scheme differs from previous approaches in the following ways:

- It is a national scheme
- It adopts a person-centred model of care and support
- Funding is assessed on individual needs (via a personal care plan) rather than a fixed budget for block services by providers
- It is an insurance-based scheme that takes a long-term view of the total cost of disability services.

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The NDIS is part of a broader network of disability support and when fully operational in 2020 it is projected that it will provide services to 450,000 people across Australia<sup>3</sup>.

Figure 1 The NDIS is part of a broader system of supports<sup>a</sup>



<sup>a</sup> Number of Australians and those with disability are based on 2015 data. NDIS participants are the projected number of people eligible in 2020.

The rollout schedule is ambitious given the magnitude of the reform. To reach the scheme's goal of being fully operational by 2019-2020 National Disability Insurance Agency (NDIA) modelling predicts 'that about 500 (individual care) plans a day will need to be approved, while reviewing hundreds more'<sup>4</sup>.

## NDIS rollout in South Australia

Trials for the introduction of the NDIS began in South Australia in 2013. The actual rollout began in February 2016 and is projected to be completed by June 2018. The latest NDIS *South Australian Market Position Statement* (June 2016) found that while most providers reported they were undertaking NDIS readiness activity, large organisations in metropolitan Adelaide were generally most advanced in their preparations for the transition.

Anecdotally, providers report that the increase in demand is yet to appear, which may be due to delays in appointing Local Area Coordinators (LACs) and developing and approving participant care plans.

Almost one-third of NDIS participants in South Australia are expected to reside outside of Adelaide. Providing support for these participants will be challenging as

<sup>3</sup> National Disability Insurance Scheme (NDIS) Costs, Productivity Commission Position Paper, June 2017, p5

<sup>4</sup> Ibid, p13



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services must be tailored to the needs of individuals and the delivery capacity of the regional community.

*Non-metropolitan Australia is characterised by great diversity; there is no one single type of rural or remote place. This means there will not be one particular type of disability service model or delivery that will be successful for all rural and remote communities. Tailored responses will be required to design, deliver and support effective rural and remote services to these communities<sup>5</sup>.*

The South Australian trials were based on the provision of NDIS services to children. This means that in South Australia, experiential knowledge of delivering adult NDIS support services is limited. It is expected that large providers will initially focus on retaining existing clients before giving their full attention to new clients and emerging markets.

As might be expected in a new multi-billion dollar market, the number of providers and resulting competition is increasing rapidly. The NDIS SA *Public Dashboard* shows that by June 2017 there were 1,153 registered providers in SA, up from 444 in 2016. In the YMN region, 33 providers registered for a stall at the Port Pirie NDIS Community Expo on September 21<sup>st</sup> 2017.

The infographic on the next page shows where new services are emerging (and competing) to support participants along the NDIS pathway. These include

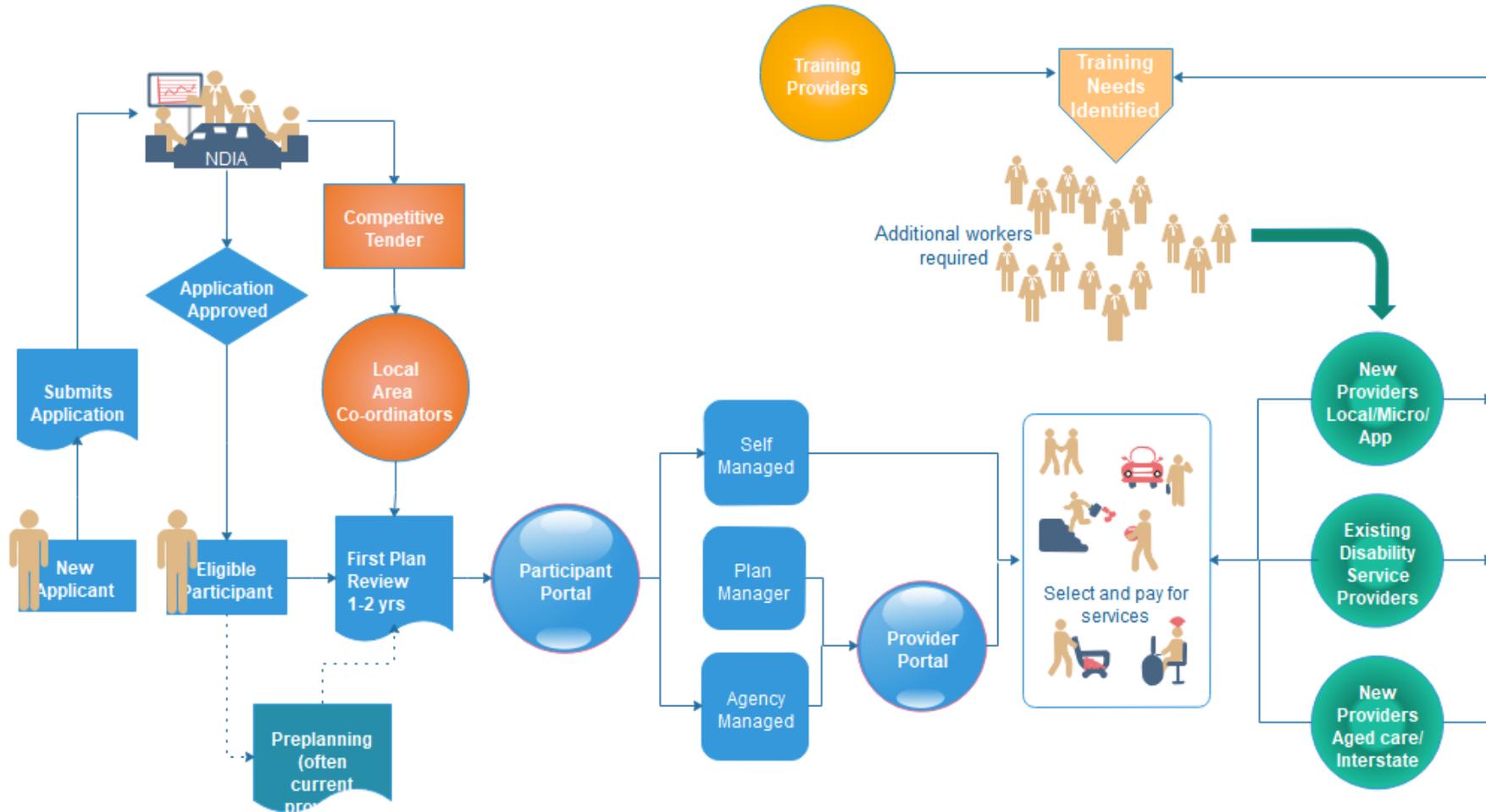
- *Pre-Planning Services* – Existing providers wanting to retain clients and new providers offering an ‘independent’ service
- *Local Area Co-ordination Services* – A Queensland Aged Care provider recently won a tender for LAC services in Northern Adelaide
- *Plan Management Services* – Where existing providers compete with new ‘independent’ service providers.

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<sup>5</sup> NDIS Rural and Remote Strategy (2016-2019), p12



NDIS Participant Pathway (with links to service and training providers)



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## NDIS in Yorke & Mid North

A detailed analysis of available service data was provided in an earlier Directions Report and is summarised below.

The number of people receiving disability support services in the YMN Region is expected to increase from 660 to 1900 by 2019:

**Table 1 Estimated Future Demand for Disability Support Services**

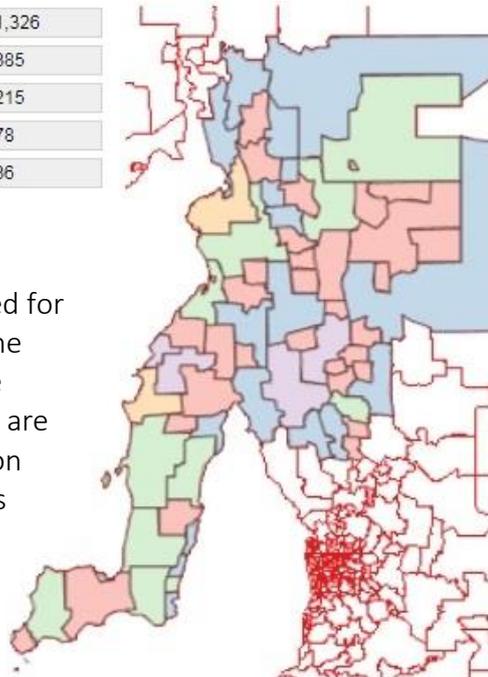
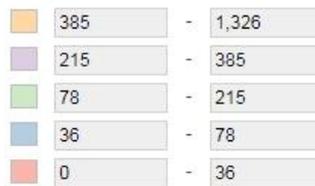
<b>YMN LGAs Current &amp; Future Demand</b>	<b>Current Clients</b>	<b>Est Future Demand</b>	<b>Additional clients</b>
District Council Barunga West	20	62	42
Clare & Gilbert Valley Council	65	226	161
District Council of the Copper Coast	155	355	200
Regional Council of Goyder	35	106	71
District Council of Mt Remarkable	20	73	53
Northern Areas Council	35	115	80
District Council of Orroroo Carrieton	4	21	17
District Council of Peterborough	6	42	36
Port Pirie Regional Council	180	450	270
Wakefield Regional Council	60	172	112
Yorke Peninsula Council	80	278	198
<b>Estimated Total Participants</b>	<b>660</b>	<b>1900</b>	<b>1240</b>

Source: NDIS Infographic *Supply & Demand Modelling by Region*

To pinpoint more accurately where NDIS participants might live, an analysis of Census 2016 data on 'Need for Assistance with Core Activities' was undertaken.

Census data catches all who identify a need for assistance with core activities, including the elderly and those with a disability who are ineligible for NDIS. While Census numbers are larger than NDIS, the pattern of distribution across postcodes is similar – and providers will be competing for labour from the Aged Care sector which has a similar skill and qualification profile.

The important finding from this analysis is the thin spread of demand, with only six postcodes across the whole YMN region having more than 215 people who need care with core activities.



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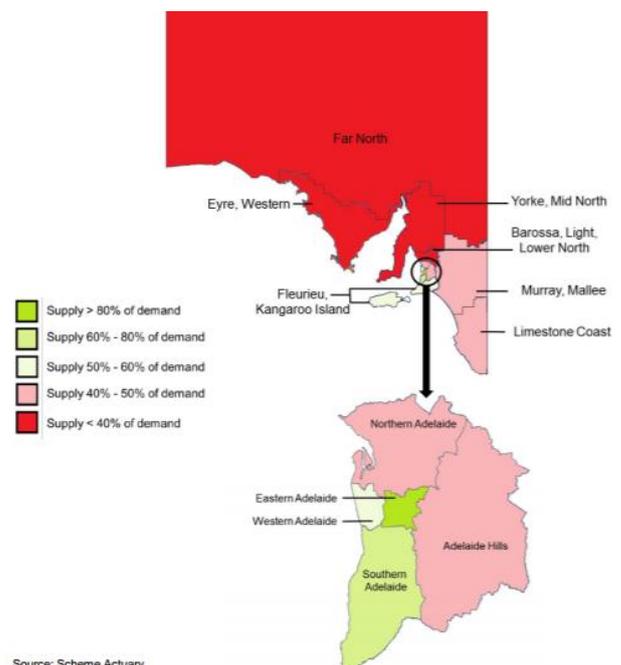
The features of NDIS in the YMN region are as follows:

- Most new participants will be in the 5-14 and 45-64 age cohorts. These represent almost 80% of the estimated 1,240 new participants.
- Assistance with Daily Life services will account for \$60m of an estimated \$80m growth in funding. Direct Care Workers in the region will need to increase by 420-510 to meet the expected demand.
- Of 19 providers identified in the region, 18 provided social support and recreation services; almost two thirds provided In Home Support or Skills Training; and almost 50% provided Supported Accommodation.
- Employment trends show a mostly casual/part time workforce where formal qualifications are not always required.
- Increased demand for staff and/or training is not apparent at this stage, although 50% of providers intend to recruit more Direct Care Workers.
- Providers expressed concern about the cost of service provision in regional areas and whether the prices set by the NDIA were adequate. Travel costs were a major issue.
- There is no local information or data on how participants are choosing to manage their plan (Agency Managed, Plan Manager or Self-Managed) or which type of provider they would use.

## YMN labour supply/demand

The labour supply/demand situation in the Yorke and Mid North Region is characterised by the following:

- Currently the region can supply less than 40% of future demand (see map sourced from The NDIS *South Australian Market Position Statement*).
- Direct Care Workers providing home-based support will be the most in demand and will be predominantly women working on a Part Time or Casual basis who may not be formally qualified.



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- There is ‘thin’ demand across the region with only two clusters of demand around the regional centres of Port Pirie and the Copper Coast. 40 postcodes within the region have less than 30 people under the age of 65 reporting that they need assistance with core activities (Census 2016).

*‘Thin markets need more attention. When creating a new market for disability supports, there is a risk that, in some areas, or for some types of supports, the market (the number of providers or participants) will be too small to support the competitive provision of services (‘thin market’). Thin markets are not new – they have been, and will continue to be, a persistent feature of the disability sector, even under the NDIS.*

*In the absence of government intervention, there may be greater shortages, less competition, and poorer outcomes for participants in thin markets. Participants at most risk (include) those who live in outer regional, remote or very remote areas.’<sup>6</sup>*

[See also Attachment 1 for further discussion of NDIS and thin markets.]

### Alternative models

The intent of this project is to resolve the issue of thin labour markets in the Yorke and Mid North region. Three alternative models were considered:

- Labour Exchange and Work Bank initiatives previously trialled by the Government of South Australia
- A Micro-Business Model, and
- An Algorithm Model

Detailed consideration of these models was provided in the Directions Report and is summarised below.

#### Labour Exchange and Work Bank Initiatives

Limited information was available on ‘labour exchange’ models, and the examples that were identified had proven to be unsustainable. Two specific examples were considered, the Murraylands Labour Exchange and the McMahon Services Employment Model (Port Pirie).

Both examples proved initially successful for job seekers and the businesses involved. However, their on-going reliance on funding from either government or a single large local employer meant they could not continue after funding was withdrawn or immediate labour shortages addressed.

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<sup>4</sup> National Disability Insurance Scheme (NDIS) Costs, Productivity Commission Position Paper, June 2017, p35



### Micro-Business Model

This model has proven successful in the United Kingdom where a scheme like the NDIS was introduced to meet the care needs of its ageing population. The experience of Community Catalysts, a social enterprise and community interest company, was considered for this report.

Community Catalysts was funded by the Somerset Council to see whether small-scale enterprises could be developed to fill the local service gap for at-home aged care support services. The organisation acted as a broker between people who wanted to do additional local work and older people eligible for payments to purchase support services.

The scheme was successful in establishing a local network of 173 sole traders to meet the care needs of 700 older people. It relied heavily on the work of local co-ordinators, word of mouth, personal recommendation and third party networks such as Councils, GPs or Libraries to attract participants and providers. It is anticipated that the micro-business model will be financially self sufficient after the 3<sup>rd</sup> year of operation.

The Community Catalyst model benefits from population density which provides greater business opportunity for people wishing to start micro service businesses. In South Australia's rural regions, the volume of work and low fee structure of NDIS is unlikely to compensate for the cost and compliance requirements (e.g. taxation record keeping and insurances) of being an independent contractor.

### Cloud-based algorithm Model

AirBnB, Uber taxis, UberEats and Tinder are all examples of businesses that use algorithm models to connect customers directly to service providers via smart device apps. These algorithm based business models are hugely scaleable at a small cost, demonstrated by the market value of peer-to-peer businesses.

Ubercare, a South Australian company launched in March 2017 to provide aged care services, was considered for this report. Ubercare uses a pool of qualified care workers and links them via a GPS system with persons in their local area requesting care. In the urban environment this can be done within 15-30 minutes. Employing independent contractors reduces management and overhead costs.

Initially it was thought that Ubercare could expand services to regions – thus providing a ready-made algorithm platform - however the organisation's submission to the Productivity Commission Review Of Costs indicates that at this stage they are not ready to move into the provision of NDIS services because of a mismatch between registered/unregistered provider requirements and the Ubercare business model.

The Ubercare experience does not mean that algorithm-based approaches are not suited to the lower demand environment in regions. Today's information



technologies mean if it is possible to automate a process, an relatively inexpensive platform exists (or can be created) to achieve this. As set out under the section *A sustainable model for the YMN region*, the use of an algorithm-based app/website sits at the core of the Aspirational Model, allowing the software to be tailored to specific employer requirements to perform selection and matching – leaving staff to focus on marketing and development.

By taking the ‘human factor’ out of the processing and matching of applications, there is no limit to the number of worker/job matches that can be performed, and because there is scale to cover development costs, a low ‘per transaction’ cost can be achieved.

### An aspirational model for the YMN region

The project research showed a model to match services to NDIS clients in the YMN region must:

1. Address ‘thin markets’, connecting local providers to local NDIS clients.
2. Appeal to women without formal qualifications, who with minimal training can provide Direct Care Services to NDIS clients in their local districts.
3. Be flexible enough to appeal to local unregistered providers whose available time may vary from ‘a couple of spare hours’ to large regular blocks of time.
4. Not set up barriers between unregistered local providers and clients (i.e. lengthy training programs, business setup costs or ambitious risk management structures).
5. Take account of e-solutions (e.g. Ubercare or myrecruitment<sup>7</sup>) that can be adapted to provide scaleable matching of available labour to NDIS demand in sparsely populated regions and be transferrable to other sectors and regions.
6. Be sustainable, which could result from:
  - The system becoming self-managing (e.g. Community Catalysts), or
  - The market developing a solution (e.g. Ubercare or registered providers providing a matching service in small communities), or
  - Application of fees for a provider/client matching service.

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<sup>7</sup> See Attachment 3



## Developing the Aspirational Model

### Preferred model

The findings of the Directions Report provided earlier in this project were workshopped with the YMN NDIS Working Group where the parameters for a preferred model were defined, based on the following:

- Providers need staff but because they are operating in a thin market with variable demand, they cannot risk employing staff on a permanent (including Permanent Part Time) basis.
- Even though there is a better match of workers and jobs in larger centres, there remains a mismatch of demand and supply. The model should support small and large towns.
- Attracting a casual workforce to meet anticipated demand will be challenging, even for large regional providers. The model will therefore need to do more than simply match available labour with jobs – it must develop new sources of labour.
- The NDIS does not allocate funds for training and there is a reluctance for providers to pay for training for infrequently-used casual staff/contractors when other providers may receive the benefit.
- There are unlikely to be many sole traders interested in providing local services, especially at this stage of the rollout when the functioning of the NDIS is so unclear, so a Micro-Business model would not be appropriate.
- Algorithm Models work well in urban environments, where there is a concentration of demand and workers. How the model would work in thin markets or regional centres facing labour shortages is yet to be tested.

The resulting Aspirational Model builds on successful Labour Exchange trials with the addition of a prequalified labour pool; automated online systems to reduce personnel costs; and the introduction of a fee for matching worker to employer to deliver financial sustainability.

### The concept

The YMN NDIS Working Group determined that the model should be provider-run and include:

1. A prequalified labour pool (casual and micro-business), with workers having:
  - Department for Communities and Social Inclusion and Police clearances (where required).
  - Compliance/licences as determined by sector (e.g. white card for



- construction when the model is expanded to other sectors).
  - Training/qualifications as determined by sector (e.g. manual handling, first aid, child safe environments).
  - Generic induction suited to the industry of employment.
  - A photo ID card (pre-approved WorkReady Passport).
2. Matching between provider and worker.
  3. Matching between Self Managed Client and worker.
  4. Identification of regional training and development needs that inform the development of training courses that are affordable and accessible for workers (cost, timing and location).
  5. Automated online systems so that the model is responsive in real time, scalable and captures and reports good data.
  6. Staff to operate the model, primarily to engage employers and to market/recruit workers into the scheme, as well as quality assurance, systems management, reporting and development/fine tuning the model.
  7. Marketing and promotions are important to ensure maximum take-up so that revenues cover operating costs.
  8. Development of a durable, accountable provider run governance structure, potentially an Incorporated Association with membership drawn from providers who agree to become partners in the model.

And that if market testing indicates that the model is financially viable, RDA YMN will seek government funding to operationalise the Aspirational Model.

### Testing

The model described above was tested via telephone conversations with four NDIS providers identified by the Working Group.

The findings were:

- All respondents intended to provide NDIS services in the region.
- Most providers said they would need more staff to deliver NDIS services.
- Providers tended to recruit a mix of permanent and casual staff, although some used contract staff.
- All providers felt that the model had potential and wanted more information: *'Great idea – could be applied to Aged Services too'*, *'Has a lot of potential – no funding for training so we are looking for people who are job ready'* and *'This could be good for us as I have been worrying how we will find enough staff if we have a big increase in services'*.

- The screening and ID card were well received as providers would know that applicants are serious, and it would reduce time sorting through applications. Getting suitable workers in the regions is always a problem and a matching service that filtered out unsuitable applicants would be very helpful.
- The model would also reduce advertising costs.
- Providers generally liked the idea of paying a fee once person is matched to a job.
- One provider did not intend to use the matching service but said they had invested in IT, procedures and staff to meet the NDIS growth projections, and were frustrated that the rollout was proceeding so slowly. They felt the YMN model would assist in developing the local workforce and provide a locus for regional collaboration on workforce issues.

### Governance

The governance of the Aspirational Model was an important consideration. A number of options were considered, including:

- One provider running the model on behalf of all participating providers
- All providers contributing funds to licence a third party to provide
- Commissioning a labour hire company
- Negotiating expansion of Ubercare (or similar), and
- Partners in the model establishing an Incorporated Association

This latter governance model gained best acceptance – both from the Working Group and feedback from providers. The benefits of a separately incorporated association are that it delivers equity and accountability, there are no additional contractor fees, it provides separation of legal liability, and can be located at existing provider premises.

The detail of the governance structure needs further development in collaboration with regional NDIS providers.

### Financial modelling

A financial model was developed and circulated to the Working Group for discussion and feedback. The financial model illustrated the effect of different scenarios using graphs, which are discussed under the *Establishing cost and price* heading.

The underpinning assumptions of the financial modelling included:



## Final Report: YMN NDIS Aspirational Model

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- All placements are for standardised, non-professional roles.
- Comparison of actual costs (the real cost of delivering the model) and market costs (the price that providers are likely to pay).
- Determination of break-even periods.
- Fixed operational costs:
  - Office space and outgoings are charged at market rates.
  - The host organisation receives a nominal fee (\$10k) for supervising the Coordinator, this overcomes the governance issues so prevalent in Non-Profits where a volunteer Chair is not able to provide the level of day-to-day supervision needed to maintain program goals and effectiveness.
  - The fees associated with the online matching platform are estimates and need direct negotiation in the market testing stage.
  - Marketing is incorporated in two places – as a 'fixed cost' for generic marketing to engage employers and applicants, and as a variable cost for specific roles.
  - A 10% margin (profit) is included to generate revenue for development of the service.
- Variable costs relate to servicing applicants who are not work-ready and are based on staff hours and direct recruitment costs and assume:
  - The cost of recruitment and co-ordination of training is included in the placement fee.
  - The cost of training will be met by the applicant, but government subsidies (through the Department of State Development/TAFE SA) will minimise training fees.
- Inclusion of additional staffing as volumes increase, with an additional 0.5 support staffer added for each 200 additional placements.

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## Establishing cost and price

With a hypothetical model in place, the next task was to undertake desk research on cost (the cost of delivering the model) and price (comparable prices for similar labour services) to establish whether the assumptions in the model had a broad fit with real markets.

### *Recruitment and Placement fees*

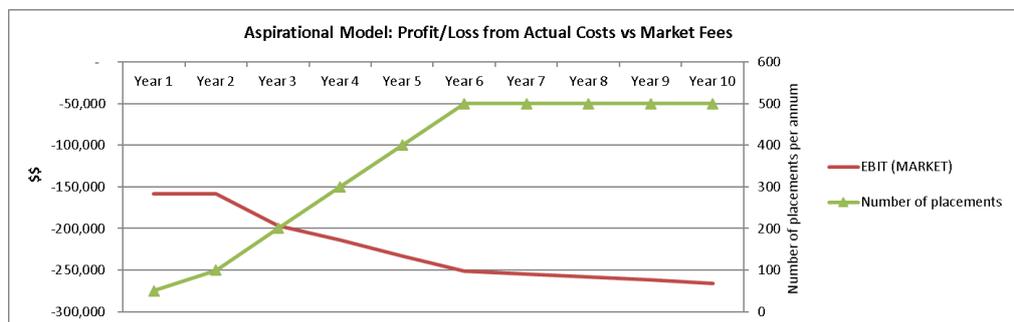
[Refer Attachment 1 for detailed research.]

As identified earlier in this report, the workforce required for the NDIS in regional areas will be primarily casual Direct Care Workers working an unspecified and variable number of hours, potentially for several different employers on an ongoing basis. None of the recruitment methods or fee structures in the recruitment sector were directly comparable to this pattern of employment.

Despite this, it will still be necessary to establish a standard placement fee, so three scenarios were used to inform the fee structure:

#### **Scenario 1:** Use the minimum commercial recruitment fee (10% of annual salary)

- On an annual salary of \$46,000 the cost for a full-time placement would be \$4,600.
- Initial testing showed few full-time positions will be offered, particularly in the early days of NDIS when the labour requirements are still being tested, so the model used 10% of one week's salary (\$884.62/10) rounded up to \$100 per placement.
- At \$100 per placement, there is a \$3,224 *loss per placement* on small placement volumes (50 placements per annum) and a *loss of \$631 per placement* on large volumes (400 per annum).



(the fee for the online matching service is set at \$100 per placement in these examples)

Clearly, without additional ongoing external funding, a fee based on the recruitment industry fee structure is unsustainable. This is because the Aspirational Model is more labour-intensive than standard recruitment practices: a main component will be locating and working with job seekers to



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prepare a development plan and issue a WorkReady ID on completion – tasks that are not included in a typical commercial recruitment arrangement.

Government fees paid to jobactive providers are also an unsuitable comparison. These range from \$160 to \$13,750 per placement depending on length of time unemployed, location and job readiness. These can include a wide range of job preparation services which are not within the ambit of the Aspirational Model.

In addition, jobactive clients are Centrelink recipients who must register to be eligible for Newstart Allowance. **A service component of the Aspirational Model will be to locate, and recruit workers not registered with jobactive, such as informal carers, volunteer workers, the semi-retired or stay at home parents looking to work within their local communities. There is no directly comparable fee structure for this type of service, which combines marketing and promotion with a community development approach.**

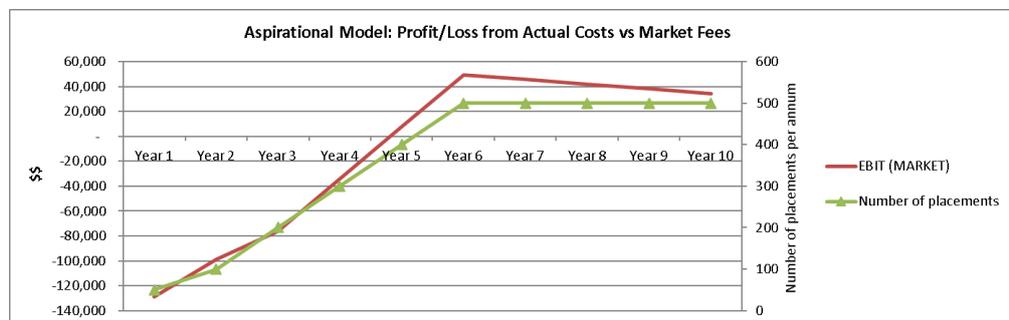
If the per placement fee was set to cover costs, particularly in the early stages where low volumes can be expected, the price would be unrealistically high.

### Scenario 2: Cost recovery

Scenarios were run from a cost-recovery perspective to establish the minimum profitable placement fee over a 10-year period.

This modelling showed that the minimum placement fee to generate a surplus *at volume* is \$700 per placement. At this price:

- The model ran at a *loss of \$2,624 per placement* at low volumes (50 placements per annum).
- The model breaks even at 450 placements, making a small surplus of \$17 per placement.



If the Aspirational Model were to be implemented at a per placement fee of \$700, **break even occurs in Year 5, with startup funding of \$382,884** to this

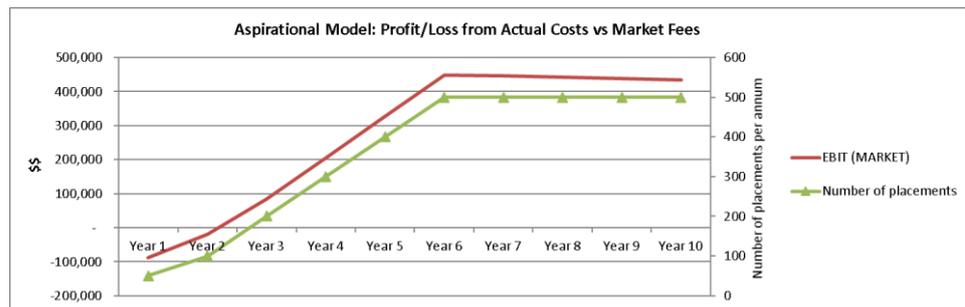


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point – assuming that it is possible to generate 450 placements per annum in the first five years of operation.

### Scenario 3: Fast development

The third scenario looked at a higher price per placement. As discussed above the services to be provided using the Aspirational Model are not directly comparable to those provided by either commercial recruiters or jobactive, which means neither fee structure was a good match. So, a nominal price of \$1,500 was set.



At this price:

- The model ran at a loss in Years 1 and 2 and was profitable thereafter.
- At 50 placements per annum, the *loss per placement was \$1,824*.
- At 400 placements per annum, a surplus of \$769 per placement could be achieved.

**Breakeven occurs in Year 2 on the basis of 200 placements per annum, with startup funding of \$114,880.**

### *Conclusion*

Initial desk top testing has shown that the financial modelling is robust and will be a useful decision-making tool as data from more detailed market research is obtained.

As might be expected, in 'thin market' conditions where it is difficult to achieve volume sales that spread fixed costs across a number of transactions, the cost of delivering the service may well be greater than the acceptable price.

However, part of the challenge in setting a market price for the Aspirational Model is that:

- The government covers the cost of assessment and preparation for unemployed job seekers (jobactive), which depresses the natural market price for services of this type, and



- Employers tend to seriously underestimate the real cost of the time involved in recruitment (particularly sifting through inappropriate applicants) or are unable to convert inefficient use of staff time into budgets to spend on external placement services.

Preliminary discussions with providers identified a range of recruitment costs including advertising and the time required to screen unsuitable applicants, compounded by poor job readiness of applicants and the scarcity of suitable workers in the region – all of which are addressed by the Aspirational Model.

Further market testing is needed to determine whether the price point acceptable to employers will cover Aspirational Model costings in YMN region's thin market environment.

### Applicability of the algorithm approach

[Refer Attachment 3 for detailed research.]

The Aspirational Model has three key elements:

1. Marketing and promotion to ensure uptake (by employers and job seekers).
2. Working with applicants who are not registered with jobactive nor work ready to develop skills and qualifications (resulting in a WorkReady ID with agreed minimum standards).
3. Providing (through existing platforms) an online job matching service.

This desk research has shown that affordable algorithm-based job matching platforms are widely available and well used, most notably by Feros Care which is expected to play a significant part in the NDIS rollout in South Australia.

Costs range from \$0 for DYI access to a recruitment platform and the capacity to post one vacancy at a time, to \$199 per month and beyond for additional support services and the capacity to post multiple vacancies at a time.

This compares favourably to the nominal fee of \$100 per placement used for the financial modelling. Further market testing will identify the price point for both the full service and the 'match only' service, and inputs can be adjusted accordingly.

The most suitable recruiting software for the preferred model would need to be affordable, easily customised for local conditions and provide a database of available casual staff who may seek jobs from more than one provider. This last factor is a key point of difference from recruitment software which aims to make a single match for a specified job.

Automated payment arrangements for permanent, one-off or on-going casual placements will be needed.



### Links with jobactive

Jobactive is a Commonwealth government initiative to assist unemployed people into work. Clients are job seekers in receipt of government payments, who are mandated to undertake training or work for the dole arrangements, as negotiated through jobactive. There are two jobactive organisations in the YMN region: MADEC, and Sureway Employment and Training.

Regional Disability Workforce Hubs work closely with jobactive providers and training providers to match skill development with NDIS employment opportunities.

In the future jobactive clients will continue to be an important part of the NDIS workforce solution. Any jobactive clients interested in working in the disability sector, who have completed training arranged by jobactive providers, would be able to apply for jobs through the Aspirational Model online platform.

The potential for on-going collaboration and partnerships with jobactive providers should be tested during Stage 1 implementation of the Aspirational Model.

### Applicability to other Industry Sectors

The Aspirational Model has been developed so that it can be used not just for NDIS services but be applicable across other industry sectors operating in 'thin markets'.

Several potential sectors were identified including Retail, Trades and Aged Care Services. The provision of aged care services is currently undergoing a shift to a 'consumer directed care' approach that will fundamentally change the way older Australian receive funding for and access services.<sup>8</sup>

The allocation of funding to providers for Home Care Packages based on location will be replaced by funding which follows the consumer as they change providers or location. Eventually the Home Care Packages program will be integrated into the Commonwealth Home Support Programme (CHSP) and block funding (e.g. Government Home and Community Care (HACC) programs) will cease.

Once the aged care sector is fully transitioned to personal care plans, greater competition for casual labour will occur. This is expected to generate increased demand for the Aspirational Model, which will in turn deliver economies of scale and reduced costs per transaction.

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<sup>8</sup> Beyond 2018: Aged care service and delivery Issues paper: A role for local government, JLGA, June 2016, p2



### A sustainable model for the YMN region

The missing links in the regional skills market, particularly relating to the projected NDIS labour force, are:

1. The ability to **identify, and prepare workers, not currently registered with jobactive, and**
2. The ability to easily and inexpensively **match job ready applicants to available positions.**

The Aspirational Model therefore will need to:

- Work closely with regional service providers to develop a service that works for them and to establish a governance structure that supports a provider-run model.
- Undertake marketing and promotional activities to develop links and communication channels with community organisations, carers, volunteer workers, the semi-retired, stay at home parents and others looking to work within their local communities.
- Identify potential workers, assess their capacity, develop training/skills plans, and issue a WorkReady ID on completion of training.
- Facilitate a simple, inexpensive online matching service that automates local recruitment of local, job ready applicants.

In the first instance the focus would be on growing the workforce to meet NDIS labour needs and once the model is established, to expand services to other industry sectors.

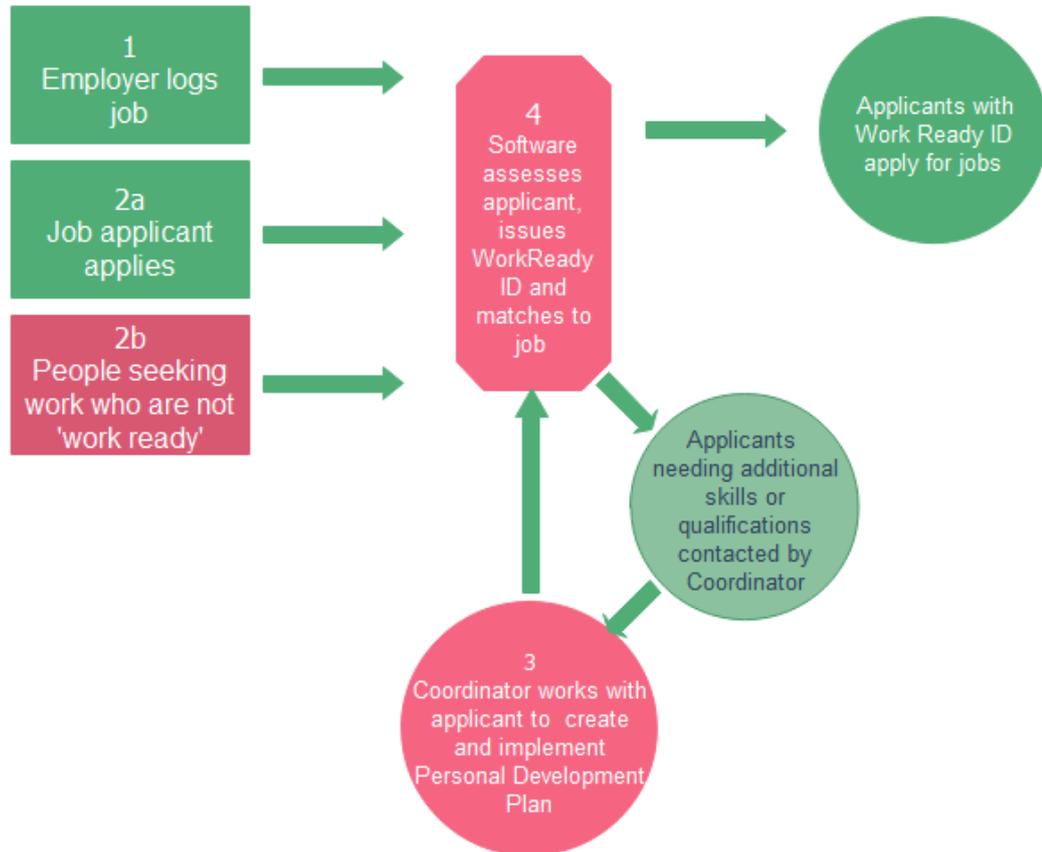
Growing the workforce will require a focus on recruiting people who are registered as unemployed or who are not in the workforce nor actively seeking work. To activate these latent sources of labour, a community development approach will be required – including the development of on-going linkages to existing community networks and local community organisations.

Further investment in market testing is needed to refine costs and determine price sensitivity, and to identify the source of seed funding to cover early-stage operating deficits. The longer-term aim is to develop a model that is financially sustainable based on its fee for service structure.



## The Model at a glance

The key components of the Aspirational Model are as follows:



Gaps in the current NDIS labour market addressed by the Aspirational Model are coloured pink. People seeking work who are not 'work ready' (2b) include those who can be classified as underemployed, but who have not registered with Centrelink – including informal carers\*, community volunteers, the semi-retired, stay at home parents and others who wish to work for a few hours helping others within their local community.

Oversight of the model will rest with a Management Committee initially comprising representatives of local service providers and organisations active in the provision of disability services. Providers from other industry sectors may join the Management Committee over time.

*\*Under the provisions of the NDIS, participants can pay informal carers for services set out in their personal care plan. However, they are not able to pay an informal carer who lives in the same house. Carers who reside with a person with disability may want to work for a few hours providing care services to another NDIS recipient who lives nearby. Informal carers may provide an untapped a pool of workers for disability services in regional areas.*



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## The Model explained

This section provides more detail on some of the components of the model.

Action	Aspirational Model involvement
1. Employers log jobs on the online platform	<ul style="list-style-type: none"> <li>• Promoting use of the online platform</li> <li>• Ensuring employers are using it to maximum benefit</li> <li>• Promoting the WorkReady ID as criteria for applicants without disability experience or qualifications</li> </ul>
2. (a) & (b) Applicants apply through the online platform	<ul style="list-style-type: none"> <li>• Promoting use of the online platform</li> <li>• The platform will assess each applicant and issue a Work Ready ID as appropriate               <ul style="list-style-type: none"> <li>(a) These applicants consider they already have the required skills and experience and/or have completed training through jobactive</li> <li>(b) These applicants include the underemployed who may have been contacted by the Aspirational Model co-ordinator or heard of the program elsewhere. They will undertake the online assessment to identify gaps in in their work readiness.</li> </ul> </li> </ul>
3. Co-ordinator works with applicant to develop a Personal Development Plan	<ul style="list-style-type: none"> <li>• Aspirational Model staff meet with applicants assessed as not work ready to create a Personal Development Plan which may include training to develop the skills and qualifications needed by employers</li> <li>• Aspirational Model staff aggregate training demand and work with training providers to deliver training that is affordable and accessible to people across the YMN region</li> <li>• Applicants will be responsible for implementing their plan and meeting any costs of training.</li> <li>• When they have completed their plan they log on and redo the assessment.</li> </ul>
4. Algorithm-based on-line Recruitment and Placement Software	<ul style="list-style-type: none"> <li>• Aspirational Model staff can use an online recruitment and placement software platform to undertake a range of tasks:               <ul style="list-style-type: none"> <li>○ Assess applicants' suitability</li> <li>○ Conduct pre-job application interviews customised to suit the needs of employers</li> <li>○ Provide a portal for employers to lodge jobs and review applications</li> <li>○ Provide a portal for applicants with Work Ready IDs to apply for jobs</li> <li>○ Maintain a range of data related to job outcomes, service delivery for reporting on and reviewing service delivery</li> </ul> </li> </ul>



### Other things to be considered

If a decision is made to proceed with further development and implementation of the Aspirational Model further consideration needs to be given to the following:

#### *Further market testing*

The parameters of this project only allowed for limited market testing. Further testing and refinement of the model by a suitably qualified project manager should be undertaken before proceeding to the establishment phase.

#### *During the Establishment phase*

An experienced project manager will be required to establish the Aspirational Model (permanent staff can take over once the structure is established and the model refined with systems in place). This role involves:

- Recruiting members for the Management Committee, establishing an Incorporated Association to manage the Model, and guiding the development and culture of the Management Committee.
- Developing strategies for connecting with underemployed people in sparsely populated regional areas and establishing on-going networks and communication channels.
- Developing brand, communication and marketing strategies, including digital.
- Developing systems including:
  - Assessing options and identifying the most appropriate algorithm-based on-line recruitment and placement software platform.
  - Customising the software to deliver an appropriate and effective online applicant skill/qualification assessment process (new platforms allow this to be done by the user selecting from options provided in the application interface).
  - Automated communications to applicants re training and other updates.
  - Payment systems.
  - Reporting systems.
- Ensuring the Aspirational Model minimises internal labour requirements and maximises automated online systems to reduce costs and ensure scalability.

### *Operationalising the Model*

Once established, the key tasks of the Aspirational Model Coordinator (and additional staff as volumes increase) are:

- Promoting Hub services to employers and potential applicants.
- Maintaining community networks and communication channels to identify and attract underemployed residents of sparsely populated regions.
- Overseeing the automated assessment of job ready skills and the issuing of WorkReady IDs.
- Working with applicants assessed as not work ready to create and implement a Personal Development Plan.
- Aggregating demand for and negotiating accessible and affordable training for applicants to become Work Ready.
- Monitoring and addressing quality and performance to deliver continuous improvement.
- On-going market research and consultation with employers and applicants to inform the development of the Model in accordance with the directions set by the Management Committee.

### **Staged Implementation**

If it is decided to proceed with the implementation of the aspirational model it should be done in four stages:

#### *Stage 1: Market testing and model refinement*

A project manager experienced in commercial startups to be appointed to undertake market testing and model refinement.

The outcome of this stage will be a clear indication of the financial viability of the model and a costed implementation plan.

Timelines: February to June 2018

Budget: \$30,000

The Federal government has set aside \$33m over the next three years to help deliver jobs for people in the disability and aged care sectors, targeting rural, regional and suburban areas that require strong workforce growth as a result of the NDIS rollout<sup>9</sup>. This may be a source of funds for Stages 1 - 3.

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<sup>9</sup> <http://budget.gov.au/2017-18/content/glossies/overview/html/overview-09.htm>



## *Stage 2: Governance and systems development*

Stage 2 will proceed only if financial viability can be demonstrated in Stage 1 *and* funding obtained to cover start up and operations up to an identified break-even point.

A project manager experienced in governance and systems development for large non-profits will be appointed. A Management Committee will be formed, and appropriate incorporation set up.

The early part of Stage 2 will be delivered by the appointed project manager, and once systems are in place, a Coordinator will be appointed and trained to commence marketing and delivery under supervision of the project manager.

The outcome of this stage will be a fully-functioning operation.

## *Stage 3: Operating (with supplementary funding)*

Stage 3 is the early stage operations of the Aspirational Model in the period from startup to break even (the timing and budget for this will depend on the outcomes of Stage 1).

Stage 3 will be funded through grants or government programs.

While the main structures and systems will be developed during Stage 2, Stage 3 will require continual assessment and refinement to ensure the model can be scaled to other sectors and regions as needed.

## *Stage 4: Sustainable operations*

Stage 4 is the fully operational, self-sustaining Model, potentially rolled out across regional South Australia and servicing a range of industry sectors.

At this stage, governance should be reviewed and transitioned to an incorporation structure more appropriate to the size and scope of the organisation.

## Attachments

### 1: NDIS in thin markets

Regional South Australia is seriously concerned about the delivery of NDIS in ‘thin markets’ where the number of providers or participants may be too small to support the competitive provision of services.

A number of submissions to the 2017 Productivity Commission review of NDIS Costs drew attention to this issue, including one from the CEO of Regional Development Australia Murraylands and Riverland (RDAMR) who highlighted the risks to regional communities if thin markets could not provide NDIS services, resulting in significant outward migration from regional to metropolitan areas.

Based on submissions to its review and consideration of the outcomes of NDIS trials in remote areas the Productivity Commission compiled a list of different approaches to address thin markets.<sup>10</sup>

These include:

- Sharing infrastructure knowledge, skills and experience among providers.
- More collaboration, co-ordination and integration of services, particularly with existing local and mainstream service providers (and) community organisations to avoid supply gaps or duplication.
- Use of community or place-based services, including greater employment and training of the local workforce where possible.
- Greater use of information technology.
- Greater engagement with the local community to build trust and relationships – including consideration of community feedback on provider performance.

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<sup>10</sup> National Disability Insurance Scheme (NDIS) Costs, Productivity Commission Study Report, October, 2017, p272



## 2: Research into recruitment and placement costs

Within Australia there are two types of agencies that match employers and job seekers:

**Commercial recruitment agencies** provide recruitment services to clients (employers) on a fee for service basis. They are selective about job candidates, who are carefully screened and job ready.

**jobactive** is a Commonwealth Government initiative to assist unemployed people into work. Clients are job seekers in receipt of government payments (who are mandated to use their services) and jobactive providers receive a fee from the government for each placement. They must represent all registered clients and provide additional assistance to those who are not job ready.

**Labour Hire companies** assume the role of employer. They find the workers, interview them and send them directly to their client (the host employer) but continue to pay the worker and the additional on-costs of employment. The host employer pays a fee that includes the amount paid to the worker plus on-costs to the Labour hire company.

The following fee structures were referenced:

### *Commercial recruitment sector prices<sup>11</sup>*

In the commercial recruitment sector there are two main price structures, one for permanent placements and one for temporary (contract) placements. For permanent placements the recruitment agency generally receives a one-off fixed fee calculated as a percentage of the successful candidates' annual salary (generally between 10-30%), paid on placement. Some agencies charge a fixed percentage for all job placements, while others use a range of percentages depending on position, client and market competition.

For temporary placements, the commercial recruitment agency generally receives a monthly fee, calculated as a percentage of the monthly salary based on actual hours worked (for some temporary placements the recruitment agency may employ and then hire staff out to clients).

A wide range of prices are charged for permanent placements, as shown right, ranging from \$3,498 to \$24,343 for average wage earners.

From KPMG Australian Recruitment Industry report, p53

Scenario	Annual wage	Agency fee: 10%	Agency fee: 20%	Agency fee: 30%
Minimum wage	\$34,980	\$3,498	\$6,996	\$10,494
Average wage - accommodation and food services industry	\$55,931	\$5,593	\$11,186	\$16,779
Average wage – all industries	\$81,146	\$8,114	\$16,229	\$24,343

<sup>11</sup> The Australian Recruitment Industry, a comparison of service delivery KPMG, 2016, pp52-54



### *Jobactive payments and fees*

The jobactive<sup>12</sup> fee structure is complex and based on four variables:

- The level of work readiness of the client (Streams A, B or C).
- How long the client has been unemployed (<24mths; 24-59mths or ≥60mths).
- Whether jobactive achieves a partial employment outcome for the client (< than 6 months continuous work) or a full outcome (> 6mths continuous work).
- An additional loading is paid for services to clients living in regional locations.

This results in a wide range of fees being charged by the jobactive provider to the Government. For example, finding a 4-week job for a Stream A client who has been unemployed for <24mths and lives in a non-regional location would generate a fee of **\$160**.

Finding a permanent job for a Stream C client who has been unemployed for more than 5 years and who lives in a regional location would generate a fee of **\$13,750**.

### *Labour Hire payments and fees*

Labour Hire<sup>13</sup> companies charge regular payments to the host employer based on the hourly rate for the employee plus on-costs per hour which include superannuation, payroll tax, sick leave, annual leave, Public Holidays and leave payments, insurance including Annual and Parental leave, insurance including Public Liability and Workcover plus additional business costs provided by the Labour Hire company for Payroll Costs and Protective Equipment calculated per hour.

While the exact amount may vary slightly, an example scenario provided by Flexi-personnel showed that for an employee paid \$20 per hour the additional cost if they were hired directly would be \$8.26 per hour. If they hired through a Labour Hire Agency it would be \$10 per hour.

In addition, the host employer would only need to hire the employee for the hours they needed, could request a change in employee if unsuitable, hire on a seasonal basis and scale their workforce up or down at short notice.

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<sup>12</sup> Jobactive\_deed\_2015-2020 pp105-130

<sup>13</sup> <https://www.flexipersonnel.com.au/blog/recruitment/why-do-labour-hire-companies-charge-much>



### 3: Research into cloud-based recruitment platforms

Algorithm based recruitment software that matches jobs with job seekers is being increasingly used by both companies and recruitment agencies to broaden the search for appropriate staff and to streamline selection processes. The benefits of an algorithm-based approach is that the entry costs are low - a range of internet based companies now offer a service that can be customised for use by small and large businesses – and because the service is automated, significantly less time is required to match individuals to jobs. At low volumes, this is not so important, but at high volumes, an algorithm based approach will significantly reduce the variable costs associated with assessing and matching.

The services provided by online/app providers all include an automated process to post jobs on multiple job boards and social media, automated screening of candidates based on company preferences, automated on-line interviews and cloud storage to for easy access to applicant details (including resumes).

The cost of services is based on the number of jobs posted at any one time and the amount of customisation and support required. The two providers considered for this report illustrate the two ends of the recruiting software spectrum – volume and speed versus customised and targeted.

#### *ZipRecruiter*

ZipRecruiter is a US company that uses ‘big data’ to offer 8 million jobs to job seekers globally. Job seekers can freely search all jobs with ‘one-click’. If they want to use the software to filter jobs and get alerts they must first register (also free) by applying for a job and providing personal details (including resume) and allow this data to be stored and sent to recruiters (i.e. on-sold).

Recruiters can trial the product for free by posting a job which is posted on over 100 free job boards. Suitable candidates are alerted, and if they apply their details show up on a Candidates Dashboard to be reviewed and hired if suitable. If the recruiter wishes to continue using the service, they buy a plan starting at \$249 a month for 3 active ‘job slots’. Costs increase if for more job slots or more service support.

ZipRecruiter does not advertise service costs on their website; the cost for the basic service was found on a review site. Their focus appears to be on getting recruiters and job seekers to take that first ‘one click’ and then upsell the product to job seekers in exchange for personal details and to recruiters via a plan, details of which are only made available if you trial the product or contact a salesperson.

Users of the service in the US include Netflix, Starbucks, H&R Block, Burger King, Dell and Target.



### *myrecruitment+ platform*

myrecruitment+ is a Sydney based company, started in 2003 and now providing services to 10 other countries. The service is aimed at recruiters who are connected to applicants via posting on free job boards, social media or paid job boards if required.

The company offers a free service with access to their software for one active job that can be used forever by small companies (up to 50 employees) who may only ever need to advertise one job at a time, and are manage the process themselves. The decision to provide a genuine free product, rather than use an upsell platform, was made in 2017 to generate positive and substantive word of mouth for their product.

Cost of the service for five active job slots ranges from \$39 to \$199 per month depending on the level of support and customisation required by the recruiter. Additional active jobs can also be added through negotiation with the company.

Users of the service in Australia include the Benevolent Society, the Salvation Army, SBS, Feros Care and Bakers Delight.

