

Accompanying paper to ‘Measuring and molding: Australian employment services 2009 to 2012’

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A brief history of the purchaser-provider model in Australia

Australia became a world leader in privatised employment services with the commencement of Job Network in 1998. Having pursued a Public Employment Services model since the end of the Second World War, this marked the beginning of the purchaser-provider relationship for Australian employment services. An independent review conducted by the Australian Productivity Commission observed:

“Delivery of employment services has been hampered in the past by inflexibility, lack of choice and diversity, the absence of competition and unclear objectives and outcomes. The key advantages of a purchaser-provider approach entailing outcome orientation, competition and choice are that it sets out clear objectives, provides stronger incentives for finding better ways of achieving job outcomes and encourages cost efficiency.”

Three employment services contracts were delivered under Job Network between 1998 and 2009. With each iteration of the purchaser-provider model came continued evolution and innovation in the delivery of employment assistance. 2009 marked the end of Job Network, and a change in focus towards flexibility and tailored assistance under the new model of employment services; Job Services Australia (JSA).

Job Network	Contract period
Contract 1	May 1998 to February 2000
Contract 2	February 2000 to June 2003
Contract 3	July 2003 to June 2006
Contract 3 (extension)	July 2006 to June 2009
Job Services Australia	Contract period
Contract 1	July 2009 to June 2012
Contract 1 (extension)	July 2012 to June 2015

In developing JSA, there was a conscious decision to focus on the most disadvantaged or long-term unemployed job seekers. This included designing the funding structure and weighting the Performance Framework towards assisting job seekers with multiple disadvantage. JSA also saw the replacement of the Job Seeker Account with the Employment Pathway Fund; a flexible pool of funding available to providers for use in purchasing assistance to address non-vocational barriers, provide Work Experience Activities and address skills and training needs.

Environmental factors; the Australian economy

Key statistics on the Australian labour market before and after the global economic downturn are presented in the below table for context.

Measure	September 2008	September 2011
Unemployment rate	4.3%	5.2%
Annual employment growth	2.4%	1.1%
Participation rate	65.5%	65.6%
Youth unemployment rate	8.8%	11.3%
Internet Vacancy Index	123.5	88.3
LTU Incidence	15.7%	17.6%

The Job Services Australia model was developed prior to the global economic downturn when Australia was experiencing record low unemployment and was particularly concerned about emerging skill shortages as the country was experiencing strong economic growth.

Although not strictly designed with a recession-focus the model did have inherent flexibility which enabled the Government to use JSA as a vehicle to quickly and efficiently meet the needs of those affected by the downturn. The impact of the downturn required the JSA model to shift the balance of service priority back to helping the newly unemployed, particularly in areas most affected.

Key elements of the model which enabled this flexibility and change of focus include:

- Demand driven funding; which allows providers to swiftly respond to increases in job seeker numbers.
- Flexible contract arrangements; allowing for changes to servicing arrangements for specific job seeker cohorts.
- Funding structure; the mix of outcome payments and service fees allows providers a constant income stream.

Relationship management under Job Services Australia

The fundamental document that frames the relationship between the Department and employment services providers is the Employment Services Deed (the Deed or contract) and associated guidelines. These set out in detail the obligations and requirements on providers in terms of the delivery of employment services on behalf of the Australian Government.

The Employment Services Charter of Contract Management is another key document outlining DEEWR's relationship with JSA providers. It was developed through consultation with the employment services industry prior to the commencement of the Employment Services Deed in July 2009. Through the Charter the Department recognises the need for it and Providers to work together in a strategic partnering relationship to achieve mutual goals of building an effective and efficient employment services sector which meets the needs of job seekers and employers alike.

Communication is the cornerstone of the partnership between DEEWR and its providers. Consistent and transparent communication ensures the delivery of a world class employment service. The Department jointly develops an individually tailored Communication Protocol with each provider. This details who DEEWR staff can and will communicate with in the JSA provider's organisation on particular matters. It

ensures that the right people in a provider's organisation are consulted depending on the nature of the discussion.

Consistency is particularly important when managing national contracts. To improve consistency of the advice and information that is provided to providers, DEEWR puts in place ongoing staff training and development processes. The Department also ensures that it has Quality Assurance and other systems in place to monitor and review the consistency of advice provided.

DEEWR welcomes provider feedback on any aspect of its relationship or contract and performance management process, including any issues of consistency. The Department commits to ensuring that providers can raise issues, problems or complaints, being confident that the issue will be dealt with promptly, fairly and ethically.

DEEWR uses a risk management approach for monitoring the delivery of Job Services Australia services to job seekers where the level of risk helps to determine the level of monitoring to be conducted. Ensuring the principles of the Charter are reflected, DEEWR's risk management approach is about working with the provider and undertaking contract management and monitoring that is appropriate to the level of risk associated with that provider.

Contract monitoring is generally conducted at a site level, consisting of regular reporting, performance checking and site visits, and is an essential part of the overall contract management of a provider's Deed. This also gives contract management staff within the Department the opportunity to build relationships with staff at JSA sites. In addition to contract monitoring, the Department has a Program Assurance function that undertakes both national and targeted activities on identified areas of risk or concern. It also focuses on prevention and education strategies to assist providers to improve service practices.

DEEWR assists providers with continuous improvement through conducting regular performance discussions with contracted providers. Within performance discussions the Department endeavours to provide balanced feedback that includes areas where the provider is performing well and areas requiring improvement. While performance discussions are a formal process DEEWR encourages providers and staff to use all interactions as an opportunity to discuss improving performance and sharing better practice.

Two other key sets of documentation for DEEWR stakeholder relations are the Employment Services Service Guarantees and the Employment Services Code of Practice. The Service Guarantees clearly outline to job seekers what services they are eligible to receive, what services their provider has been contracted to deliver and what their responsibilities are in order to continue to receive service.

The Employment Services Code of Practice sets out the principles and standards that underpin the delivery of employment services in Australia. It commits JSA providers to working with their clients, employees, sub-contractors, and other providers to deliver quality employment services, including helping job seekers to find pathways to employment, and assisting employers in meeting skills demand.

Basic elements of Job Services Australia

There are four service streams; Stream 1, for work ready job seekers, and Stream 2 to 4 for more disadvantaged job seekers. The Stream a job seeker is allocated to is determined by the job seeker's assessed level of disadvantage, as measured by the Job Seeker Classification Instrument (JSCI), and, where required, an Employment Services Assessment (ESAt). If the job seeker's level of disadvantage increases to the extent that they become eligible for a higher Stream they can be moved to that Stream. Accordingly, service and outcome fees increase across Streams.

Job seekers can be fully or partially eligible for stream services. Job seekers fully eligible for stream services include recipients of Newstart and Youth Allowance (other), including parents and people with disability who have part-time participation requirements or another form of qualifying income support, 15 to 20 year-olds not in receipt of income support and not employed more than 15 hours a week or in full-time education, and Community Development and Employment Projects (CDEP) participants. Other job seekers may register with Centrelink or a Job Services Australia provider as partially eligible for Stream 1.

Job seekers completing 12 months of services in Streams 1 to 4 commence the work experience phase following a stream services review, unless the review suggests a job seeker move to a higher Stream or, in the case of Stream 4, further services within the Stream. Within the work experience phase, job seekers are generally required to participate in a work experience activity over a 26 week period for every 12 months in the phase.

Basic metrics of Job Services Australia

Contracts

- 575 contracted services, with 431 generalist services and 144 specialist services.
- Approximately 100 contracted organisations which operate from around 2,100 sites.
- Specialist contracts are currently assisting around 9% of job seekers. Specialist services are available for People with a Disability, Indigenous Australians, Youth at Risk, Culturally and Linguistically Diverse job seekers, Homeless job seekers, Ex-offenders and job seekers experiencing Mental Health conditions.

Active Caseload

- There are over 710,000 job seekers currently being assisted.
- Around half are in the most disadvantaged Streams of Stream 3 and Stream 4.

Star Ratings (August 2011 Release)

- 90% of contracts at 3-Stars or more.
- 94% of job seekers being assisted by contracts at 3-Stars or more.

2010-11 Achievements

- 478,000 job placements in 2010-11.
- 44,000 placements for Indigenous job seekers, up 23% on previous year.
- 59.7% of job seekers were working or studying after receiving JSA assistance as measured by the Post Program Monitoring (PPM) survey.
- 25.4% of Stream 4 job seekers were employed after receiving JSA assistance as measured by the PPM survey.
- Cost per employment outcome for Streams 1-3 of \$2,332.
- Cost per employment outcome for Stream 4 of \$8,524.

Job Services Australia Star Ratings

The Star Ratings are a key assessment tool of the Job Services Australia Performance Framework. The ratings provide a measure of effectiveness and efficiency in achieving desired outcomes for job seekers against priorities set out by the Australian Government while also serving as a basis for business allocation.

Ratings vary from a minimum of 1-Star, indicating poor performance, to a maximum of 5-Stars, reflecting excellent performance. For Star Ratings models under previous programs, such as Job Network, the number of providers falling under each ratings band was subject to a fixed distribution. To further promote continuous improvement, the determination of final Star Ratings has moved away from a fixed distribution to a distance from the mean approach. This relative measure awards stars based on providers' distance from the national average level of performance.

Performance of providers is assessed against a variety of key performance indicators (KPIs) reflecting Government priorities. Scores for each JSA Stream are weighted according to relative disadvantage, such that performance in Stream 4 is weighted more heavily than performance in Stream 1.

The Star Ratings methodology uses proven statistical regression analysis to allow the comparison of provider performances across Australia. It does so by measuring the outcome levels of all providers for the job seekers they are assisting and then applying the results to a set of established job seeker and labour market characteristics which impact most on the achievement of job outcomes.

This enables the Star Ratings model to calculate what providers could reasonably be expected to have achieved given the unique set of job seekers they have assisted in their specific labour market. Scores for each performance measure are then calculated by comparing providers' actual outcome rates with their expected outcome rates. The more that actual outcome rates exceed expected rates then the higher the performance scores. Detailed steps in the Star Ratings calculation process are outlined below.

1. The characteristics of each individual job seeker serviced by the relevant site/contract are examined, together with labour market factors and length of time in assistance. Regression analysis, based on actual results achieved across the national market for job seekers with like characteristics and circumstances, is used to calculate estimated results for a caseload of that composition.
2. The site/contract's actual performance against the measures outlined above is compared with the estimated performance results.
3. The ratios of actual results achieved to predicted results for the provider's caseload are weighted according to the performance measure weightings.
4. The resultant total performance score is used to produce a 'Star Percentage', or distance from the national average, and Star Ratings are assigned according to a relative distribution.

Star Ratings have been the subject of a number of independent reviews since their inception. Such reviews have described the Star Ratings as *"a sound, leading-edge approach to performance management"* and have noted that DEEWR *"can continue to use it with a reasonable expectation that it will continue to provide an incentive for further performance improvement"*.

Further reading

- [Job Services Australia - Department of Education, Employment and Workplace Relations](#)
- [Charter of Contract Management, Service Guarantees, Code of Practice - Department of Education, Employment and Workplace Relations](#)
- [Job Services Australia Star Ratings - Department of Education, Employment and Workplace Relations](#)
- [Program Evaluation - Department of Education, Employment and Workplace Relations](#)
- [A review of Australian government labour market policies since 1945, 2011, Cooper](#)
- [Independent Review of Job Network, 2002, Australian Government Productivity Commission](#)
- *Innovations in Labour Market Policies; The Australian Way, 2001, OECD*