

# **Submission to the Independent Review of Job Network**

**Department of Employment and Workplace Relations**

**January 2002**



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# Executive summary

## ***Background***

In the 1996–97 Budget, the Commonwealth Government announced extensive changes to the arrangements for active labour market assistance in Australia. The changes represented a major shift in the way labour market assistance was delivered. The proposed framework for assistance included as key features a single point of delivery of income support and access to assistance, and the development of a fully contestable market for publicly-funded placement services, Job Network.

The framework was underpinned by a strong focus on outcomes and a change in the role of government from that of a provider to that of a purchaser of assistance. A high level of competition and increased choice for job seekers and employers were aimed at delivering government services in a more effective manner and contributing to a more efficient labour market.

At the time the changes were announced there was considerable public interest in the process for reviewing a policy that was seen as a radical shift in delivery arrangements. A comprehensive evaluation strategy was developed alongside the reforms and made publicly available in April 1998. This strategy comprises a series of three evaluation reports and an independent review. Two of the three evaluation reports have been released. The findings of these reports have been incorporated into this submission. Research for Stage 3 is currently under way.

## ***Why the move to Job Network?***

Public sector involvement in the provision of employment services commenced with the establishment of the Commonwealth Employment Service (CES) in 1946. Over the decades, Australia experimented with a variety of policy approaches to labour market assistance delivered through the CES. The performance of the CES was, however, the subject of continued criticism and largely perceived as bureaucratic and process-driven.

In reforming labour market assistance arrangements the Government drew on the lessons from overseas and Australian evaluations adopting a number of design principles as the basis for the new arrangements, viz:

- the assistance provided to job seekers should be based on their individual needs and their capacity to benefit from it in terms of achieving a sustainable employment outcome;
- providers should have access to flexible forms of assistance that fit the needs of job seekers;
- the incentive framework should reward providers of labour market assistance primarily for placing job seekers in real jobs, with additional incentives for placing those most in need;
- a competitive market for employment services should separate purchaser from providers and ensure that providers operate on the basis of competitive neutrality;
- conditions for payment of income support for unemployed people should be linked closely with active employment assistance measures; and
- job seekers and employers should be able to receive high-quality and streamlined service from the agencies and providers with which they interacted.

Australia was among the first of the OECD countries to introduce contestability into the employment services framework. The competitive focus sought to improve the quality of

services delivered through enhanced customer responsiveness and greater efficiencies. Key challenges in the design of Job Network included the need to provide a system that maximised geographical access and responded flexibly and in an equitable manner to the diverse needs of job seekers and employers, and which improved confidence in the Government provision of labour market assistance.

### ***Job Network – a work in progress***

Over the past three and a half years the Department has worked with Job Network members and Centrelink to build a network that provides an efficient and effective delivery mechanism for labour market assistance. Job seekers across Australia have benefited from greater access to service, now available through some 2000 Job Network outlets, as well as better access to facilities (including office equipment) and a broad range of higher quality vacancies. Disadvantaged job seekers have benefited from more individualised assistance, and are no longer churned through expensive labour market programs with minimal impact. Evaluation results suggest that outcomes are, in the main, superior or at least similar to those delivered through a range of former programs and are now being produced at around half the cost of the previous arrangements.

To a large extent the success of Job Network has been a function of the diversity of Job Network members and their capacity to meet a range of client needs. The focus on outcomes and performance under the Job Network model has been a major contributing factor to its success. The second Job Network tender provided the opportunity for improved service through the retention of only the best performing Job Network members. The recent releases of performance information through the star ratings system have in a very short time come to occupy a central place in the operation of the market and can be expected to drive Job Network's performance further. Information Technology has played a vital role in the implementation and ongoing contract and performance management of Job Network.

An additional factor in Job Network's success has been the recognition that Job Network is a work in progress. Job Network members have adapted well to change and worked with the Department to benefit job seekers. This process of improvement is ongoing. Many of the changes made to Job Network to date have been in response to information as it has become available. Improvements have included broadening regional access, the introduction of specialist providers, adjustments to incentives structures and ensuring a focus on real jobs. The second Job Network tender saw the introduction of price competition for Intensive Assistance and a greater focus on outcomes in the fee structure. These changes have largely been in response to market development and maturity.

Further improvements can still be made, however. Challenges for the future include: improving equity of access to Job Network; devising a way of ensuring continuity of operations with minimal disruption from tender processes; improving the targeting of assistance while balancing quality service and flexibility of delivery; reinforcing the links with employers and ensuring that effective assistance is delivered in a timely way to those most in need. There is also scope for improvement in the effectiveness of some services and articulation between programs. A significant issue in this regard is the need to improve targeting to avoid high deadweight costs associated with some services. Current indications are that the impact of Intensive Assistance is higher for the most disadvantaged, underlining the need to ensure that due priority is given to them, ensuring that they received the level of assistance needed. Intensive Assistance can be improved so that it operates more optimally and further development in this regard will be important.



The welfare reform agenda will continue to set the context for Job Network. The changes proposed under *Australians Working Together* will improve integration between Job Network and other employment services providing job seekers with a seamless system for accessing the most appropriate assistance at the right time. Job seekers of working age and on income support will have access to a range of pathways to assist them achieve independence. They will be able to move between pathways as their circumstances change with Centrelink providing the gateway to their pathways.

### ***Applying the model elsewhere***

The success of Job Network points to the possibility of the application of the purchaser-provider model to other areas of Commonwealth service delivery. Many lessons can be learnt from the Job Network experience. These include: the need to build on solid foundations; the need for cultural change in relation to acceptance of the merits and implications of an outcomes focus; the benefits of having expert contract management skills and processes in place including in relation to the probity and transparency of tendering processes; the merits of adopting an approach of continuous improvement based on rigorous examination of data and feedback; the recognition that effective change takes time; and the benefits of working in partnership underpinned by effective and open communication. The submission also examines the options for applying the model to other areas of Commonwealth Government service delivery.

### ***Concluding remarks***

This submission seeks to provide a broad overview of the development and operation of Job Network to date and the scope for future improvements and extensions of the model underlying it. The Department looks forward to assisting the Commission throughout its inquiry, by providing further information as it comes to hand, through a number of public hearings processes and further submissions as appropriate.



# 1 History of labour market assistance

Labour market policies and employment assistance to address unemployment constitute part of a government's larger policy framework for supporting employment growth, raising productivity and strengthening social cohesion. Public sector involvement in the provision of employment services, which has largely developed since the Second World War, has sought to address both efficiency and equity objectives. This involvement has developed from the provision of information to link job seekers to vacancies, training to address skill shortages<sup>1</sup> and the need to respond to persistent long-term unemployment.<sup>2</sup>

Australia has experimented with a variety of policy approaches to labour market programs and employment services. The development of labour market policy has been shaped not only by Australia's experience but also by developments in employment assistance in other industrialised countries.

The Organisation for Economic Co-operation and Development (OECD) has been an influential forum for exchanging information on various policy approaches and has argued the importance of active labour market policies, provided the interventions are well designed and implemented and carefully targeted (Fay 1996 and Martin 2000). The distinctive nature of Australia's income support arrangements (ie, both non-contributory and unconstrained in terms of duration of benefit) has also contributed to the development of institutions in this country that differ from those elsewhere.

Trends in the Australian labour market have also shaped labour market assistance policies. In particular, the economic downturns of 1974–75, 1982–83 and 1991–92, and the lingering levels of long-term unemployment beyond the low points in the economic cycle, have influenced changes to delivery mechanisms, targeting and expenditure on labour market assistance.

More recently, as governments placed greater emphasis on fiscal responsibility, the desire for more efficient and effective services has driven changes to labour market assistance and delivery mechanisms. Although the assistance offered to job seekers under these approaches is broadly similar (ie, job search assistance, counseling, training, work experience, wage subsidies or a combination of these) the extent, mix and means of delivery have varied to accommodate varying philosophies and assessments of what works and what doesn't.

## 1.1 *Developments in labour market policy*

Australia introduced labour market programs in the early 1970s, as means of preventing cyclical unemployment from becoming structural, that is to prevent unemployment becoming entrenched as very long-term unemployment. Labour market programs “emphasised the need to meet the demand for skilled labour by addressing potential labour market bottlenecks and to improve job seekers' employment prospects by providing work experience through job creation measures” (DEETYA 1998b, p. 91).

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<sup>1</sup> Skill shortages reduce labour market efficiency because they may reduce the speed at which vacancies can be filled. This development could also have an equity objective, if, for example, training was targeted to particular groups of job seekers.

<sup>2</sup> In this case the focus is the equity objective of employment services. Providing employment services to the long-term unemployed and other job seekers who are relatively disadvantaged in the labour market also involves an efficiency objective because persistent long-term unemployment can reduce labour market efficiency. For a well functioning labour market, it is important that the long-term unemployed compete effectively for vacancies and do not continue to bear a disproportionate share of the burden of unemployment.

The mid 1970s brought a new focus to labour market assistance, involving reduced spending and increased targeting of assistance. The priority target group was young people. The Government sought to deal with rapidly increasing youth unemployment by increasing school retention and a series of special programs, including wage subsidies and school to work transition programs (Jarvie and McKay 1993). Many of these programs were delivered by the CES, which at the time also had responsibility for the administration of unemployment benefits. A 1977 Review of the CES (Norgard 1977) recommended that CES functions be restricted to the delivery of labour market assistance. This development placed the CES's organisational focus on the core activity of delivering labour market assistance to both job seekers and employers. The resultant changes saw the establishment of a statutory basis for the CES under the *Commonwealth Employment Service Act 1978*.

During the early 1980s assistance was aimed at promoting employment opportunities, improving the skills base, providing opportunities to the disadvantaged and facilitating labour force mobility (DEIR 1983). The early 1980s also marked a return to public sector job creation programs in the aftermath of the 1982–83 recession and a shift in focus from targeting assistance according to relative unemployment rates to targeting by duration of unemployment. This shift effectively saw a move away from what had been a concentration on youth, to a concentration on the long-term unemployed including older age groups.

### **1.1.1 Early reforms**

The 1985 Committee of Inquiry into Labour Market Programs, commonly referred to as the Kirby Report (Kirby 1985), was the first major attempt at labour market policy reform. The Kirby report was critical of the proliferation of programs and the resultant complexity, lack of both co-ordination and linkages between programs and service delivery difficulties. To address these shortcomings, it advocated an increased focus on training, program rationalisation and program evaluation. Kirby also advocated an approach “to help people control and direct their working and non-working lives..., an approach which focuses on the individual...The assistance provided should be selected from the total array of programs in a way which best meets the needs of individuals” (1985, p. 6). The reforms were only partially successful in operationalising Kirby's recommendations. While programs were rationalised and greater emphasis was given to training, the structure of intervention remained focused on programs rather than on the job seeker.

### **1.1.2 Development of client focus and the concept of the Active Society**

During the period 1989 to 1991, the emphasis changed to providing assistance on the basis of the individual. This change was influenced by recommendations of the 1980s *Social Security Review* led by Bettina Cass (Cass 1988). Assistance was to be targeted at those considered most disadvantaged in the labour market, such as the long-term unemployed. There was also a strengthening of the obligations on unemployed income support recipients to participate in activities designed to improve their employability. This ‘active society’ approach paralleled moves in other OECD countries and “flowed from the common experience that even during comparatively buoyant economic times, passive income support did not prove to be enough on its own to prevent income inequality becoming entrenched” (Jarvie and McKay 1993, p. 5).

As noted by Jarvie and McKay, these developments led to the introduction of the initial NEWSTART strategy in 1989 for long-term unemployed adults, in response to persistently high levels of long-term unemployment after the 1982–83 recession. Similar strategies for other client groups were also introduced, including the Jobs, Education and Training strategy (1989)

for sole parents, NEWSTART for all unemployed people aged 18 years and over (1991) and a Disability Reform Package (1991). These strategies were client focused and combined labour market programs with other forms of assistance. Case management was also introduced as part of NEWSTART. The principles of targeting assistance to those most in need, a client focused approach and the obligations imposed by the activity test were introduced at this time and are still important principles influencing current labour market assistance arrangements.

The policy setting for delivering individualised assistance was underpinned by structural reforms to the CES network. These reforms included the introduction of differentiated services units (job centres, special services centres, youth access centres, industry services centres and country services centres)<sup>3</sup> to give an increased prominence to the role of services. Differentiation recognised that more disadvantaged job seekers required specialist services to overcome their barriers to employment, whereas the job ready essentially required matching to a suitable vacancy. Other reforms to improve the responsiveness of the CES included the introduction of service standards and giving the CES network greater responsibility for the planning and management of its own performance.

## **1.2 Early experience with competition**

Competitive tendering for labour market programs also gained prominence in the early 1990s as a means of improving service quality. Wider public sector reforms, which saw greater resort to the purchase of services by government rather than their direct provision by public servants, also influenced the approach to delivering labour market assistance at this time. Greater emphasis was given to community organisations and brokers managing the delivery of labour market programs. Programs such as SkillShare, JobSkills and LEAP used these types of delivery arrangements, while programs such as the New Enterprise Incentive Scheme (NEIS) employed managing agents to assist and monitor participants. An evaluation of SkillShare found that this type of delivery structure could lead to improvements in program effectiveness (DEET 1993b), but stressed the importance of developing workable accountability mechanisms that were not intrusive or onerous.

Competition was seen as having the potential to provide quality, cost-effective training that was responsive to labour market demands. In 1992, the CES Advisory Committee (CESAC) reviewed purchasing arrangements and accepted tendering as an appropriate means for purchasing training courses. They considered that the Department's method of purchasing its "fee for service" labour market programs should reflect the purchasing principles of the Commonwealth Government. At the time, the Commonwealth had implemented a program of purchasing reforms that recommended:

- achieving the best value for money for the Commonwealth by taking into account quality, price and efficiency; and
- the encouragement of open and effective competition (CESAC 1992).

The CESAC also found that inconsistencies in tendering practices across the CES had contributed to operational difficulties and created inefficiencies.<sup>4</sup> Its suggestion that a better balance was required between structured decision-making process and the maintenance of a high level of flexibility for individual CES outlets remained important considerations in future outsourcing models.

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<sup>3</sup> Based on the recommendations of the Review of Client Services and Regional Structures (DEET 1988).

<sup>4</sup> Due mainly to the devolution of tendering responsibilities down to local CES outlets.

### 1.2.1 *The Working Nation reforms*

Concern in the 1990s at rising unemployment, the existence of large numbers of unemployed and that most of the long-term unemployed were not receiving much support, notwithstanding increased expenditure on labour market assistance, prompted another government review of employment policy and service delivery. The discussion paper, *Restoring Full Employment* (Committee on Employment Opportunities 1993) identified “an undue emphasis on meeting targets by processing clients rather than meeting their needs” (p.143). The Committee also criticised the complexity and lack of flexibility inherent in the system. This review foreshadowed many of the reforms adopted under *Working Nation* from 1994.

Options canvassed by the review to improve the effectiveness of the CES drew on a 1993 *Services and Structures Review* by Halstead (DEET 1993a). Halstead’s review recommended early identification of clients’ problems and the adoption of an individualised case management approach for disadvantaged job seekers using a simplified set of labour market programs. To be able to deliver the new approach, however, the Committee on Employment Opportunities stated that it was “crucial for the CES’s performance to be improved as quickly as possible” (Committee on Employment Opportunities 1993, p.146). Halstead also recommended a return to a ‘one-stop shop’ for job seekers, to replace the differentiated service units introduced in 1988. The options proposed were set against a background of a continuing strong role for the CES in the “the medium term” (*Restoring full Employment*, p.147).

*Working Nation* led to a further increase in expenditure on labour market programs and an expansion of case management. The major objective of *Working Nation*’s employment initiatives “was to improve labour market equity and efficiency through a sustained reduction in the level of long-term unemployment” (DEETYA 1996b, p. v). Under *Working Nation*, obligations on income support recipients were strengthened. The centrepiece of the package was the Job Compact,<sup>5</sup> whereby clients at risk of long-term unemployment were “obliged to accept a reasonable offer of a job or lose entitlement to income support for a specified period” (DEETYA 1996b, p. 39). Clients at risk were targeted using a profiling instrument to determine the level of assistance to be offered and, where possible, clients eligible for case management were referred by the CES to a case manager of their choice.

A significant element of *Working Nation* was the move towards a competitive framework for the delivery of case management. This expanded the purchaser role of government in the delivery of labour market assistance. Contestability was introduced via the *Employment Services Act 1994* which established two new agencies to manage case management. The Employment Services Regulatory Authority (ESRA), an independent statutory authority responsible to the Minister, was set up to establish, monitor and regulate competition between private and community providers of case management services. Employment Assistance Australia (EAA) became the Government provider in competition with the private and community contracted case managers. Payments were linked to the completion of activity agreements and to outcomes. The new competitive arrangements operated beside labour market programs that were administered by ‘brokers’ contracted by the CES.

The case management approach, competition and profiling, represented promising opportunities in labour market reform (DEWRSB 2000). Other changes introduced under *Working Nation* were proved less promising. A key finding of the evaluation of *Working Nation* (DEETYA 1996b) was that the Job Compact was not sustainable and was unable to meet the long-term unemployment reduction targets set for it. The effectiveness of case management was found to

<sup>5</sup> A guaranteed job to anyone who had been continuously unemployed for at least 18 months.

be limited, partly because there was pressure on case managers to achieve short-term outcomes (often in the form of a placement on a job creation scheme) and to offer assistance to clients with severe barriers to employment who did not have the capacity to benefit from this assistance.

Another factor constraining the performance of case management was the limits imposed on contestability and client choice by the dominance of public provision through EAA. In 1995–96, open competition existed primarily in the contracted sector since EAA had a guaranteed market share. Although job seekers could choose between a public, private or community provider, community and private sector case managers were given access to only about 10% of job seekers in 1994–95. This increased to 25% by 1995–96. The public provider was also sheltered from full exposure to competition as it did not depend on outcome-based fees. In contrast, the fee structures established by ESRA, while they encouraged placements into subsidised jobs and public sector job creation, were largely outcomes-based. To strengthen incentives for contracted case managers to secure ongoing employment, especially for hard to place clients, the 1996 *Working Nation* evaluation recommended that the fees be restructured and that sustainability should be the key factor in measuring case management outcomes.

The close working relationship between EAA and the CES and differences in the operational settings led to a widespread perception that the lack of a level playing field was a major deficiency in the case management system (Golightly, Thurley, Kelshiker, and Clarke 1996, Fay 1997 and Webster and Harding 2000). Contracted Case Manager Organisations considered that their commercial viability was affected by insufficient job seeker referrals, uneven access to labour market programs, poor application of the job seeker screening and classification process and the high cost of accessing information technology systems (ESRA 1997).

Changes to the delivery of labour market assistance under *Working Nation* also included strategies to improve responsiveness to employers' needs and a strengthening of the CES. Despite the additional resourcing, the CES continued to be perceived as bureaucratic, overly burdened with guidelines and target-driven. The introduction of *Working Nation* and its subsequent evaluation were set against a background of dissatisfaction with the quality of services delivered, especially to employers. The diversion of resources to meet job creation scheme targets and case management were widely held to have led to reduced servicing of employers (DEETYA 1996b).

In 1995 attempts were made to simplify and rationalise labour market programs. In another review CESAC called for major changes to the structure and delivery of labour market assistance and noted that existing administration arrangements were a barrier to maximising outcomes (CESAC 1995). Labour market programs and services needed to be easy to understand, simple to administer and flexible. Proposals by CESAC for the rationalisation of programs and streamlining of administrative procedures were implemented in October 1996.

### **1.2.2 The need for further change**

The recent history of labour market assistance in Australia has been characterised by successive structural reforms that have underpinned efforts to simplify and improve the delivery of programs. The functions of the public employment service were expanded from its traditional role of job matching to program delivery and, under *Working Nation*, to delivering case management. Australia was among the first OECD countries to introduce market type mechanisms into the employment services framework. These arrangements have progressively resulted in important shifts in the Government's primary role as a provider of services to that of a purchaser.

Despite attempts at reform, many of the shortcomings of the prevailing framework of labour market assistance had become obvious by the mid 1990s. The evaluation of *Working Nation* had demonstrated that the high cost of assistance had no discernible impact on outcome levels. The multiplication of programs and the need to meet numerical targets had tended to take precedence over the needs of the individual. While case management helped to refocus attention on individual needs, the lack of flexibility available to case managers had impeded the delivery of assistance. In a speech to OECD labour ministers in 1997, the then Minister explained the rationale for introducing major reform as:

A multitude of different programs mushroomed over the years, often bewildering in their acronyms and complexity, but few seemed to make any significant or lasting difference in getting unemployed people back into regular employment. Increasingly, government came to question what was wrong, and whether the major resources devoted to these policies were yielding value for money (Kemp 1997).



## 2 Reforming labour market assistance

In the 1996–97 Budget, the new Federal Government announced major changes to the mechanisms for delivering labour market assistance. The changes were comprehensive, involving the most significant reorganisation of labour market assistance arrangements since the establishment of the CES in 1946.

The model underpinning these reforms was guided by three key considerations:

- a strong focus on outcomes, to deliver a better quality of assistance to unemployed people, leading to better and more sustainable employment outcomes;
- a desire to address the structural weaknesses and inefficiencies inherent in arrangements at the time, by changing the role of government to that of a purchaser rather than a provider of assistance; and
- the use of competition to drive greater efficiency for the taxpayer and increased choice for consumers.

In 1996, Senator Vanstone, the then Minister for Employment stated:

The primary objective of the Government’s reforms is to ensure that labour market assistance has a clear focus on real job outcomes and genuinely makes a difference to those assisted. Under these reforms, labour market assistance will be client-driven and not program driven. Clients will benefit from higher standards of service, more flexible and customised assistance and ultimately better and more lasting employment outcomes (Vanstone 1996, p. vii).

### 2.1 Lessons learned from the evaluation of labour market assistance

Shortcomings in the prevailing labour market assistance arrangements were recognised as far back as the early 1990s (Committee on Employment Opportunities 1993) and, as noted in Chapter 1, various attempts at reform were introduced (Keating 1994 and CESAC 1995). Continuing criticisms, however, particularly of the performance of the CES and of the cost effectiveness of labour market programs, drove the case for continuing reform. These two aspects of labour market assistance (which consumed the bulk of the Government’s funding for active labour market assistance) were by 1996 increasingly regarded as inefficient and ineffective. The performance of the CES was considered to be marred by a heavy focus on process. The relatively high cost of assistance had not resulted in any apparent improvement in sustainable outcome levels for job seekers. In addition, the flexibility and incentive structure of contracted case management were hampered by an inappropriate focus on placements in programs, rather than sustainable job outcomes. Case managers could receive outcome payments simply for placing job seekers into government funded job creation schemes.

In reforming labour market assistance arrangements in 1996, the Government drew on the lessons learned from overseas and Australian evaluations, including the evaluation of *Working Nation*. According to Vanstone (1996) the key lessons from these evaluations were that:

- one-to-one counselling, as delivered through case management, provided a basis upon which to build future labour market assistance arrangements;
- employment assistance should focus on sustainable, unsubsidised employment outcomes;
- timely and accurate identification of job seekers requiring early intervention, to avoid their becoming long-term unemployed, was essential;
- a job guarantee was an unrealistic strategy to address the needs of the long-term unemployed;

- access of the unemployed to jobs could be increased by giving more attention to the needs of employers; and
- labour market programs improved the job prospects of the unemployed, but to varying extents and at varying costs.

These lessons provided the basis for developing a number of design principles for the new Employment Services Market, namely:

- the assistance provided to job seekers should be based on their individual needs and their capacity to benefit from it in terms of achieving a sustainable employment outcome;
- providers should have access to flexible forms of assistance that fit the needs of job seekers;
- the incentive framework should reward providers of labour market assistance primarily for placing job seekers in real jobs, with additional incentives for placing those most in need;
- a competitive market for employment services should separate purchaser from providers and ensure that providers operate on the basis of competitive neutrality;
- conditions for payment of income support for unemployed people should be linked closely with active employment assistance measures; and
- job seekers and employers should be able to receive high-quality and streamlined service from the agencies and providers with which they interacted.

The principles implied a more flexible or individually-tailored approach to assistance that concentrated efforts on those with the capacity to benefit. The competitive focus of the arrangements was expected to significantly improve the quality of services delivered through enhanced responsiveness to customers and greater efficiencies.

## **2.2 The Job Network Model**

A fully competitive market for employment placement services will replace existing arrangements for labour market assistance. Fair and genuine competition will be assured through the application of competitive neutrality principles (Vanstone 1996).

The primary objective of the reforms was to ensure that labour market assistance made a genuine difference to those assisted by providing a clear focus on employment outcomes, specifically jobs that were not directly subsidised by the Government. Job seekers would have greater choice as to who assisted them and, following the “cashing out” of labour market programs, providers would have maximum flexibility to organise and deliver assistance.

The reforms were intended to focus assistance on job seekers who were in receipt of income support (mainly unemployment benefits) or who were young and to ensure that the more expensive forms of assistance would be concentrated on those with labour market disadvantages—those who were already long-term unemployed or at risk of becoming so. Within this disadvantaged group, employment assistance would be limited to job seekers who were perceived to be able to benefit from it. Job seekers who were highly disadvantaged with severe barriers to employment would effectively be screened out of employment assistance in favour of other support.<sup>6</sup>

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<sup>6</sup> The 1996 public consultations undertaken for the reforms found concerns at the likely impact of the new arrangements on highly disadvantaged job seekers who were assessed as having ‘no capacity to benefit’ (DEETYA 1996b). In response the Government introduced the Community Support Program to support unemployed people who, because of their personal circumstances and special needs, would be unlikely to benefit directly from the services available through Job Network (DEWRSB 2000).

The proposed framework for assistance included:

- integrating key income support and access to assistance functions performed by the CES and the Department of Social Security into a single national network of offices (Centrelink);
- the development of a fully contestable market for publicly-funded placement services, in which assistance would be provided by private and community organisations and a corporatised public provider; and
- new arrangements for the delivery of assistance to job seekers, including new and more flexible forms of assistance, targeting of assistance (using profiling) and significant reforms to payment and incentive arrangements. A range of services were developed—Job Matching (a labour exchange service), Job Search Training (to improve job seekers' job search ability), Intensive Assistance (individualised assistance for disadvantaged job seekers) and Project Contracting (a harvest labour services). The New Enterprise Incentive Scheme (self employment assistance) was maintained.

The Government allowed a period of 19 months for the implementation of the reforms and recognised that it would take time for the market to mature and the full benefits of competition to be realised.

### **2.2.1 Centrelink - a single point of income support delivery and gateway access**

The designation of Centrelink as a separately identified single delivery point was intended to further activate Australia's income support system. The effectiveness of previous labour market assistance arrangements was considered to have been limited by the separation of access to employment services and income support (DEWRSB 2000). Integration, essentially a *one-stop shop* concept, would serve to remove duplication and simplify processes for job seekers and, at the same time, would strengthen and make more explicit the link between receipt of income support and active job search. The OECD had for a number of years advocated the one-stop shop approach (OECD 1994).

The Government opted to introduce a combination of a *first-stop* rather than a *one-stop shop* approach and a competitive market for employment services. The one-stop shop approach was difficult to implement under the Job Network model as it implied that all employment services would be delivered from the same location. This concept was incompatible with a competitive and contestable employment services market involving a number of employment service providers in the same area (DEWRSB 2000).

### **2.2.2 An employment services market**

The competitive model developed for the employment services market attempted to overcome the deficiencies of the previous arrangements by creating a market that focused on achieving outcomes through flexibility and choice. This market would be based on competition and contestability. Providers in the market would have flexibility to tailor the services required by job seekers on an individual basis and, through an incentive structure, focus on getting these job seekers into jobs.

A key feature of the employment services market was that it would be a monopsony, a market with a sole purchaser and 'controlled' business levels. The purchaser would benefit indirectly from the services delivered to job seekers when they obtained employment.

A provider's ability to maintain or expand their business levels would be dependent on the extent to which they valued their relationship not only with the Department but also with their customers, job seekers and employers. It was envisaged that this would mean providers would, at times, need to collaborate with each other to achieve the best outcome not only for themselves but also for their customers.

Job Network providers would be relatively advantaged in comparison to other players in the employment placement industry. The public funding they obtained through Job Network would fund infrastructure costs, effectively providing a competitive advantage within the industry. Providers would not be limited to servicing Job Network and would be free to extend their services to other private recruitment or labour hire activities. Where Job Network providers would have the advantage of government funding, this funding would be tied to obtaining employment for disadvantaged job seekers, who are difficult to place and would not necessarily be serviced by other employment agencies. Conversely, the market would be attractive as an investment option for pre-existing employment service or recruitment providers so that the Government could benefit from their access to the vacancy market.

### ***The role of competition***

Under the labour market assistance arrangements applying prior to Job Network, private and community sector organisations had participated in the delivery of employment services and had competed with each other for business through the tender process. As noted in Chapter 1, however, they had not competed (nor were they intended to) with the government provider of case management Employment Assistance Australia (EAA).<sup>7</sup> Rather, the involvement of contracted case managers was intended to provide an *alternative* to public service delivery, as well as to supplement and diversify the case management services provided by the CES through EAA.

Significant benefits were expected to flow from the expansion of the competitive model under Job Network. For job seekers and employers, competition was seen as a significant step forward, providing expanded choice and diversity in service provision, as well as having the potential for considerable improvements in service quality. The public tender process was seen as ensuring value for money in the services purchased while price competition would result in reductions in service costs.<sup>8</sup>

Competition within the new market would be driven by choice and performance, which in turn would drive quality of services. Competition amongst providers would exist where the market could support more than one provider. Job Network would bring together a broad and diverse range of organisations. Job seekers and employers would benefit from the diversity in provider type, philosophy and approach to employment services by choosing a provider that suited them best.

In time, service quality and provider reputation would influence choice and public information on the services and provider performance would facilitate it. Within the labour exchange service, job seekers and employers would be free to go to one or several providers for service. Job seeker choice of provider in the other services would be offered by Centrelink as part of the process of referral to these services.

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<sup>7</sup> Under the prior arrangements the Government provider for case management EAA was sheltered from competition and was provided a high market share. In contrast, Contracted Case Managers competed for business through the tender process and were paid on an outcomes basis.

<sup>8</sup> Most services were tendered for on a price-competitive basis. In the case of Intensive Assistance, however, prices were fixed for the first tender round.

Competition sought to create a link between provider viability and profitability. To succeed, a provider would have to respond to the needs of individual job seekers and employers. This link would be achieved by tying funding to services provided to job seekers and to the outcomes they achieved, rather than to job seeker support processes. Providers would not be guaranteed a level of business and, as a result, would need to compete for business from job seekers and employers alike.

The Government, however, did not anticipate that choice-driven competition could operate from day one of the market. Its operation was conditional upon job seekers and employers having sufficient information on the relative performance of the service providers in their locality to be able to make a choice, and to be sufficiently motivated to do so. It was recognised that these conditions could not be met from the start. Sufficient information on provider performance upon which decisions could be made, for example, would take time to become available.

### ***Contestability***

It was envisaged that contestability within the new market would occur in two phases, through the tender process and during the contract period. Tendering for employment services and ensuring that the successful businesses operate in a viable manner poses a number of challenges to the purchaser. To deliver optimum outcomes and to both be fair and be perceived as such, it was important for the tender process to be underpinned by a level playing field (ie, competitive neutrality), especially since the market would involve a number of public providers.<sup>9</sup>

### ***Establishing competitive neutrality***

A statement on competitive neutrality was issued by the Government just prior to the release of the key statement, *Reforming Employment Assistance* (Vanstone 1996). The *Commonwealth Competitive Neutrality Policy Statement* (Treasury Department 1996) set out a number of competitive neutrality principles to be observed when a government service provider was to operate within a competitive framework. Essentially, a government business should not enjoy competitive advantages over its private sector competitors simply by virtue of its public ownership.

Incorporating the neutrality principles into the labour market assistance reforms implied the need to ensure a clear separation of the Department's role as the purchaser of services in the market from its responsibilities for service delivery. The separation would have a number of advantages. In addition to removing any perceived or potential conflict of interest, it would allow the Department to concentrate on policy development rather than day-to-day management issues and it would enable the public provider to focus 'single-mindedly' on its role as a high-quality and competitive provider of assistance (Vanstone 1996).

In establishing the public provider (Employment National), the Government had to ensure the new organisation competed for services through the tender process and offered services on the same terms and conditions as other providers. Accordingly, Employment National was required to satisfy the competitive neutrality principles by:

- corporatisation (operating within a commercial structure);
- taxation neutrality (no tax exemptions not available to other competitors);

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<sup>9</sup> Employment National was to be the main government provider, however, it was anticipated that a number of other public providers would tender for the provision of Job Network services, these include for example TAFE colleges.

- debt neutrality (subjecting the business to similar borrowing costs as that of other competitors);
- rate of return requirements (requiring the business to earn commercial rates of return and pay commercial dividends to the Budget);
- regulatory neutrality (same regulatory environment as the private sector); and
- full cost pricing principles (prices charged should reflect full cost attribution).

Employment National was not the only organisation to potentially have an unfair advantage in the tender process as Job Network was implemented. Because Job Network involved building on and modifying an existing framework for labour market assistance, providers that previously had contracts under the case management system also had the potential for an unfair advantage (DEWRSB 2000). To manage this risk the Government put in place strict probity parameters.

Similarly, it would be important that the referral of job seekers by the new service delivery agency (Centrelink) would not advantage one provider over another. Some criticism had been levelled at the CES's handling of flows to case management under *Working Nation*. Contracted Case Management Organisations perceived that CES staff were not always even-handed in the job seeker assessment process and favoured EAA over them. The referral responsibility had posed a potential conflict of interest for the CES and while this issue was not a driver of the change to Job Network, it was a key consideration in the design of the new arrangements. The establishment of Centrelink (whose role would include assessing and referring job seekers), as an independent body would address the risk of potential bias. The purchaser-provider arrangement between the Department and Centrelink was designed to ensure that Centrelink staff adopted an even-handed approach to referrals so that one provider would not be favoured over another.

### *The tender process*

Contestability would not end with the separation of purchaser and provider. The tender process would enable providers to compete for and be awarded contracts based on value for money. The process was intended to ensure a range of providers in each region, thus limiting the market share held by any one provider. Strict probity requirements would ensure that no one provider would be unfairly advantaged over another in the trade process.

Tenders provide the opportunity for good performers to be rewarded, the removal from the market of less competitive providers (relevant, in particular, to the second and subsequent tenders) and for new players and new ideas to be brought into the market. The purchaser, therefore, has an important role to play in ensuring that the conditions are right to ensure that tender outcomes are optimised. This means the establishment of a viable market with sufficient numbers of providers to ensure the conditions are met for the market to operate on the basis of its underlying principles.

The reforms recognised that there were a number of potential risks in conducting a competitive tender. One of these was the absence of suitable tenders for certain regions, especially in rural and remote areas of Australia. This risk would be managed in a number of ways. In the first instance, where the competitive tender process did not identify suitable organisations, scope would exist to purchase packages of employment services through limited additional (fee for service) tenders.<sup>10</sup> Should this approach not result in the required outcome, the public provider

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<sup>10</sup> Fee for service activities were purchased in four locations in the first Job Network and in six locations in the second Job Network.

would be called upon as a provider of last-resort. These services would be delivered at cost through the public provider's Community Service Obligation arrangements.<sup>11</sup>

### *The contract period*

During the contract period, providers would need to compete to attract business. It was envisaged that contracts would not provide any guarantee of business levels. Instead, they would allocate the maximum number of job seekers who could be assisted by the provider over the life of the contract or at any one point in time (ANAO 1998). The model ensured that providers would need to attract job seekers and employers to their services to achieve outcomes.

A key consideration in the contract period is performance management. This refers to the arrangements the purchaser or regulator needs to put in place for managing the performance of individual service providers. It includes the need to build a collaborative relationship between purchaser and provider to assist market development and the dissemination of best practice. It also includes the arrangements required for monitoring all aspects of the employment services market, in respect of contractual compliance, efficiency and effectiveness of service provision, service quality and equity in both access to services and the provision of assistance (ANAO 1998).

Contracts for the delivery of employment services would include a range of milestones and key performance indicators. The purchaser would have the right to apply sanctions, such as reductions in the number of job seekers who could be assisted by the provider. These arrangements would give the purchaser a means of addressing issues as they arose, including temporary or ongoing poor levels of service. Providers also had the incentive to perform at a high level in order to be awarded business (or expanded business) in future contracts.

### **2.2.3 A focus on outcomes**

Funding for labour market assistance was to be linked to outcomes, rather than process. This was to be achieved in two ways under the model's incentive structure. First, provider business would be awarded on the basis of performance or potential performance. Achieving outcomes was to be a key measure of provider performance. Thus the achievement of outcomes relative to the levels achieved throughout the market would be a key factor in determining which providers would be offered contracts in the employment services market. Second, the new model would include a fee structure involving payments for sustainable employment and educational outcomes, as well as some payments for service delivery. Performance-based funding would include fees for the placement of job seekers in a job through the labour exchange function and outcome fees (placing a job seeker in a lasting job) for Intensive Assistance.<sup>12</sup> The fee structure for Intensive Assistance, however, was to be the most comprehensive.

In setting the tendering conditions for Job Network services, the Government sought to match the conditions to the level of market maturity. A mature market would have a range of suppliers or potential suppliers with extensive experience relevant to the services being purchased. Suppliers could draw upon a body of knowledge regarding costs, expected income flows and successful work practices in order to formulate their tender bids and so it would be appropriate to set a competitive tender. In a more immature market the precise cost of delivering services would not necessarily be known and a fixed price tender would be more appropriate.

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<sup>11</sup> So far it has not been necessary to invoke this Community Service Obligation.

<sup>12</sup> As the market has matured all the main Job Network services now include payments for outcomes.

The Government considered that since the Job Matching (labour exchange) function had been operating in the Australian market for some time (through both the CES and the employment placement industry) and it would be reasonable for tenderers to determine the costs associated with delivering this service it should be tendered on a competitive price basis.<sup>13</sup> Similarly, Job Search Training could be tendered on a competitive basis as costs for the delivery of Job Search Training could be estimated (as the assistance provided would be essentially the same as that delivered through the Job Clubs program).

Intensive Assistance would, however, be tendered for on a fixed fee basis. The reason for this approach in Intensive Assistant was that although there were parallels between contracted case management and Intensive Assistance, the risk of service provider attrition or failure was much higher in Intensive Assistance (than in Job Matching or Job Search Training) and had the potential to impact very significantly on client service delivery.

The structure of fees in Intensive Assistance was designed to provide incentives to pursue quality of outcomes and to reflect degrees of difficulty in placing clients. The fee structure was also intended, over time, to produce efficiencies. An increase in efficiency would occur through the move to a price-competitive<sup>14</sup> or a price-based tender. The payments associated with this service would include commencement and outcome payments. (The fee structure for each Job Network service and its potential impact on Job Network's performance is discussed in more detail in Chapter 3.)

The proposed fee structure for Intensive Assistance was to have the following features:

- quality of outcomes would be pursued by paying for a placement in employment that substantially reduced or removed entirely a job seeker's claim on income support. Payments for placement in sustained employment would be strictly defined in terms of either a reduced level or cessation of income support for durations of 13 or 26 weeks. Other outcomes, such as placement in part-time work or an accredited education or training program would also be recognised (Vanstone 1996);
- some job seekers would need more assistance than others and payment levels would recognise these different levels of need. Higher financial rewards would be provided as an incentive for providers to focus on hard-to-place job seekers; and
- providers would spend more assisting some job seekers than others. Providers would keep any commencement fees that they did not spend on assisting an individual job seeker. Over time, providers would become more experienced in costing service delivery for different job seeker groups. The competitive nature of the market (and the eventual move to a price-based tender for Intensive Assistance) was intended to keep these payments at moderate levels.

#### **2.2.4 Flexibility**

It was envisaged that Job Network members would have a far greater degree of flexibility than contracted case managers or the CES. Contestability, competition and performance-based funding were intended to ensure that services were efficient, effective and of high quality. Based on these mechanisms, there would be little need for the purchaser to closely prescribe how the service was delivered. Given greater flexibility, the Government expected providers to pursue more innovative solutions to problems faced by job seekers in securing employment.

<sup>13</sup> A minimum fee was not set for Job Matching, as it was anticipated that existing employment placement providers might bid for business on either a marginal or total price basis.

<sup>14</sup> Price-competitive tendering was introduced in the second Job Network tender round in 1999–00.



Flexibility, however, needs to be balanced with the requirement for accountability in the provision of services and public expenditure. The reforms recognised that many job seekers are disadvantaged in the labour market and that these job seekers are difficult to assist into employment. Under a competitive arrangement providers may be tempted to ‘park’ (ie, fail to serve) disadvantaged job seekers and concentrate their efforts on job seekers who are easier to place in employment. To manage this risk, contracts would be designed to ensure equity of service provision and quality assurance by including a ‘best endeavours requirement’ (ie, providers would seek to achieve effective outcomes for their clients) and an adherence to principles of fairness, equal employment opportunities and other non-discriminatory principles facilitating non-discriminatory behaviour (Vanstone 1996).

In addition to contractual requirements, the fee structure (which provided for higher rewards for placing the more disadvantaged) together with the separation of the assessment of job seekers from service delivery and a performance management regime would provide a check on the equity of service provision.

### **2.2.5 Job Network services**

As noted earlier three main employment services were envisaged under the Job Network model:

- *Labour exchange services (Job Matching)*: the successor to the CES job brokerage function where providers were intended to compete with each other for job seekers as well as for job vacancies. Job Matching was designed to cater for job seekers who were job ready and only needed matching to a vacancy;
- *Job Search Training*: a service delivering assistance to job seekers based on the cost-effective Job Clubs model. Job Search Training would cater for those who are job-ready but require skills in job search; and
- *Intensive Assistance*: a service providing individual assistance that embodied the pay-for-performance approach and allows providers an unprecedented degree of flexibility in pursuing employment outcomes. Under Intensive Assistance, two-thirds of the potential fee for each job seeker is dependent on placement and retention in unsubsidised employment. Intensive assistance would be provided for those job seekers classified as requiring assistance to become job-ready.

### **Other Job Network services**

In addition to the services outlined above, Job Network would also provide self-help facilities to job seekers. While most labour market programs were to be cashed out, some client groups and programs would be retained and would operate within Job Network. These programs included NEIS and Entry Level Training. The main arrangements were:

- *Self-help facilities (Job Network Access)* available as a first tier of support for job seekers would include access to vacancy listings on the National Vacancy Data Base and information on the employment service market and other services (such as newspapers, telephones, photocopiers and employment-related services);
- *The New Enterprise Incentive Scheme* would continue to provide training and financial support to job seekers wanting to set up their own businesses. The structural changes to NEIS under the reforms were minor in comparison to other services. NEIS was retained on the basis that it differed from other labour market programs as it had the potential not only to provide ongoing work for the participant but also to generate additional jobs;

- *Contracted Entry Level Training Agencies (New Apprenticeships Centres)* would support the Modern Australian Apprenticeship and Traineeship System (now, New Apprenticeships) by streamlining services to employers through providing a one-stop integrated support service. Streamlining aimed to save employers time and effort as well as supporting an increase in the number of apprenticeships and traineeships. The agencies would also process Commonwealth program payments and work with State and Territory training authorities;<sup>15</sup> and
- *Project Contracting (Harvest Labour Services)*: ensuring that fruit and vegetable growers whose work is mainly seasonal in nature have access to sufficient labour to harvest crops.

## **2.3 The roles of the players**

The introduction of Job Network substantially redefined the role of the Department in Australia's labour market assistance arrangements. The reforms also introduced new players such as Centrelink and Employment National, as well as advisory bodies, including industry associations that represent the interests of the service providers. Prior to the reforms most staff in the Department were involved in delivering service to clients (DEETYA 1998a). The reforms meant that these services would mainly be purchased and administered through contracts. By separating service delivery from other departmental functions, the Government sought to create a market with a stronger customer-service focus (DEWRSB 2000) that would benefit job seekers and employers.

### **2.3.1 The Department—a purchaser**

The role of the Department under the employment services market included purchasing services, regulating the market and market development. The Department was also to be responsible for administrative and technical support, policy development and advice and monitoring and evaluating the market's performance, including the effectiveness and efficiency of its employment services.

To purchase services the Department would run national employment service tenders. Running a successful tender includes developing a request for tender, an extensive tender evaluation exercise and the announcement of results and feeding these results back to the organisations submitting proposals (details of the process are described in DEETYA 1998a). To fulfill regulatory functions, departmental staff would have to develop expertise in contract management and performance monitoring (OECD 2001). Standards of provider behaviour would also have to be set as part of the Department's role as market regulator.

Market development beyond the set-up phase recognises the importance of continuous improvement. This means the Department would need to operate a continuous improvement program to foster best practice in Job Network. Market development also involves marketing and communications and maintaining and improving the technological infrastructure that underpins much of Job Network's operations. This includes the National Vacancy Data Base, which provides job seekers with access to vacancies that have been lodged by employers, and management information systems.

The Department had a key role to play in the development of the employment services market and in the lead up to the implementation of Job Network. During this period, and in addition to

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<sup>15</sup> Following Machinery of Government changes in late 1998 DEETYA took on responsibility for the administration of the New Apprenticeship Centres, which are no longer formally part of Job Network.

conducting the first of the employment services tenders, the Department undertook a series of public consultations to obtain community input into the reform process, put in place the infrastructure and support arrangements for the new market (including the establishment of Employment National) and wound down the existing infrastructure (including closure of the CES).

### **2.3.2 Centrelink—a strategic partner and service delivery agency**

Centrelink,<sup>16</sup> the service delivery agency, would be responsible for delivering income support and serving as a gateway to employment services. Apart from assessing eligibility for income support, Centrelink would assess job seeker eligibility for Intensive Assistance through administration of the Job Seeker Classification Instrument (JSCI) and provide access to job vacancies recorded in the National Vacancy Data Base.

Centrelink would play a crucial role in explaining the new system to job seekers and employers and would facilitate contact with service providers. Self-help services would also be provided. The competitive market (Job Network) would provide all other employment services. The employment services provided by Centrelink would be delivered on behalf of the purchaser, Department of Employment, Education, Training and Youth Affairs (DEETYA).<sup>17</sup>

### **2.3.3 Job Network members**

The relationship between Job Network members and the Department would initially be a contractual one, but as the market developed it would move towards a partnership, encouraging continuous improvement and promoting best practice in servicing job seekers and employers. Similarly, the relationship between Job Network members and Centrelink would evolve as both Centrelink and the members established their services.

Job Network members would deliver, under contract to the department, the Job Network employment services. It was envisaged that Job Network members would include private, community and government organisations, operating from one or more sites. Job Network sites were to be distributed throughout Australia.

While Job Network members would have the flexibility to tailor the services they offer to job seekers and employers, the types of services they offer at a broad level would depend on the services that they had been contracted to deliver. Thus, some providers would only deliver Job Matching while others would offer a wider range of assistance.<sup>18</sup>

Job Network members would also play a key role in the identification and notification to Centrelink of instances where job seekers have not complied with their requirements for receipt of unemployment benefits.

### **Employment National**

Employment National would operate as a separate wholly government owned employment service company. Employment National would compete for services through the tender process and offer services on the same terms and conditions as other Job Network members. As a public

<sup>16</sup> Centrelink was established by the *Commonwealth Services Delivery Agency Act 1997* on 1 July 1997.

<sup>17</sup> The relationship between Centrelink and the Department is defined under a Business Partnership Arrangement.

<sup>18</sup> Given the arrangements for how the market was established (discussed in Section 2.5), it is a requirement for Job Network members who deliver Job Search Training or Intensive Assistance to also offer Job Matching services.

provider, Employment National also had to satisfy a number of competitive neutrality requirements (see Section 2.2.2 above).

## 2.4 Resources

It was envisaged that the reforms to labour market assistance would reduce expenditure as greater efficiencies were achieved and as corresponding economic reforms flowed through to the labour market and reduced demand for assistance (Vanstone 1996). Rather than simply cutting expenditure within existing policy frameworks, the Government sought improvements in efficiency and effectiveness through structural reform (DEWRSB 2000). The aim was to boost the effectiveness of labour market assistance and make significant cuts to spending (Kemp 1997).

The reforms were intended to return labour market assistance expenditure to pre-*Working Nation* levels. The Government allocated more than \$5.4 billion for spending on labour market assistance and entry-level training over the four years from 1996–97 to 1999–00 including \$1.6 billion in 1996–97 (Vanstone 1996). This compared to an annual average expenditure in 1994–95 and 1995–96 of \$3.7 billion.

Of the funds allocated, the Government predicted that 89% of funding would go to service those job seekers most disadvantaged in the labour market under Intensive Assistance, 3% would be directed towards jobs seekers requiring training in job search and 8% would fund labour exchange placements.

## 2.5 Governance

The transition to the new market and its implementation and operation resulted in changes in governance arrangements. Within existing arrangements, however, some elements were maintained, including the process of scrutiny by the Parliament and the Australian National Audit Office (ANAO), the safeguards provided by the *Privacy Act 1988*,<sup>19</sup> the Ombudsman, the Human Rights and Equal Opportunities Commission and an evaluation strategy.

When developing the employment services market, including its governance arrangements, the Government introduced a package of legislation to Parliament in December 1996 which comprised two bills, the *Reform of Employment Services Bill 1996* (which provided for the delivery of employment services by employment placement enterprises contracted by DEETYA) and the *Reform of Employment Services (Consequential Provisions) Bill 1996* (which included the repeal of the *Employment Services Act 1994* (that had established ESRA, EAA and the CES). After considering this package, the Senate proposed a number of amendments. These amendments, however, were seen as inconsistent with the new policy objectives and consequently the Government chose not to proceed with the legislative package. Instead the reforms were implemented using existing legislation and administrative authority. Essentially this meant that the Department would enter into contracts with service providers in a similar way to that used for the delivery of labour market programs.<sup>20</sup>

<sup>19</sup> The market would also be subject to the provisions of the *Trade Practices Act 1974*, (which prohibits anti-competitive conduct such as price fixing agreements and misuses of market power) and the Australian Competition and Consumer Commission.

<sup>20</sup> This approach differed from the legislative basis which set up case management in 1994. A difficulty posed by the change in approach was that the *Employment Services Act 1994* limited implementation of another case management-type system, the type of system proposed for Intensive Assistance. To ensure there were differences between the new and old systems, the three main services proposed for Job Network (Job Matching, Job Search Training and Intensive Assistance) were merged into a single continuum of assistance. This meant prospective providers of Intensive Assistance or Job Search Training would also have to

The consequences for governance arrangements of the Government's decision to introduce the reforms by way of administrative authority, rather than using a legislative approach, was that these arrangements would be based on existing rather than new legislation. Governance arrangements for the new market are based on legislation and administrative law.

### **2.5.1 The business partnership arrangement with Centrelink**

Governance arrangements for Centrelink (as the service delivery agency became known) were set out in *Reforming Employment Assistance* (Vanstone 1996). According to Vanstone, Centrelink "will be established under statute within the Social Security portfolio and be responsible to the Minister for Social Security. It will make decisions about the best way to deliver services and be fully accountable through the normal parliamentary mechanisms" (1996, p. 52).

Centrelink was established by the *Commonwealth Services Delivery Agency Act 1997* on 1 July 1997. Under Section 7 of the Act, Centrelink "may enter into arrangements with the principal officer of a Commonwealth authority for the provision of the Commonwealth services...".

Centrelink's relationship with the Department of Employment and Workplace Relations (DEWR) is defined in a Business Partnership Arrangement (BPA). The Arrangement sets out the services Centrelink delivers on behalf of the department. Accountability provisions between Centrelink and the Department are also described in the Arrangement. They include performance standards, key performance indicators specifying the standard of service to be delivered, and dispute resolution mechanisms.

### **2.5.2 Governance and Job Network members**

The line of accountability between the Department and Job Network members was specified in the contract. Governance arrangements were put in place to ensure Job Network members deliver quality services and comply with the terms and conditions of their contracts. These arrangements included a code of conduct, a contract management framework, a program of quality audits and, as a last resort in the case of complaints where a breach of contract is suspected, referral to an investigation compliance unit.

### **2.5.3 Evaluation**

At a broad level the evaluation strategy and ongoing arrangements for monitoring outcomes and the provision of services provides a further avenue of accountability. In announcing the reforms to labour market assistance, the Government stated that there would be a full evaluation. In December 1996 an agreed strategy was endorsed by the Government (DEETYA 1998b). The evaluation strategy, which was released publicly in April 1998, includes:

- three main reports, a stage one report (completed and released May 2000); a progress report (completed and released May 2001) and an effectiveness report (in progress); and
- an Independent Review of the policy framework for Job Network, commenced in 2001.

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provide Job Matching, and that there was no difficulty in implementing the reforms using existing legislation and administrative authority.



### 3 The model in practice

As noted in Chapter 2 the framework for the employment services market, Job Network, was outlined in some considerable detail prior to its implementation in 1998. The radical nature of many of its main elements, however, inevitably meant that some degree of trial and error would be involved before a smoothly operating market evolved. The purpose of this Chapter is to outline the way in which Job Network *currently* operates, and to present some recent outcomes data. It should be emphasised however, that the market is still developing and that many more changes can and will be made as the market matures. Some of these changes will reflect lessons learned from experience. Others will reflect the dynamic nature of the labour market, and the changing priorities of various players in the system.

#### 3.1 The transition to Job Network

A period of 17 months was allowed for the transition of Job Network. During this time, the Government embarked on a comprehensive strategy to prepare for the introduction of Job Network incorporating:

- the wind up of the CES while conducting a large tender process for Job Network and maintaining services to unemployed people;
- the establishment of Centrelink. Centrelink and DEETYA worked together to streamline and improve job seeker processes such as registration and referral;
- establishing Employment National – the Government owned employment services provider;
- the preparation of legislation to support the operation of Job Network. Following delays in the passage of this legislation, the Government decided in July 1997 to implement Job Network using existing legislation and administrative authority;
- the introduction of interim labour market program arrangements to facilitate the transition to Job Network while managing a significant reduction in program expenditure; and
- a comprehensive communications strategy that informed prospective tenderers and members of the public about the changes and the philosophy that underpinned them.

The Government required all CES outlets to close on 30 April 1998 and Job Network to commence operations the following day. A phased or more graduated approach may have eased the transition process, but may also have led to other logistical issues and client confusion. (Further information on the transition process is provided in DEWRSB 2000, pp 21–23.)

A number of implementation policy issues arose during the first months of operation. Centrelink experienced considerable challenges in the assessment and referral of job seekers to Job Network services due mainly to the large volumes of clients requiring assessment. This led to the introduction of the automated referral process (see Section 3.3.4). Other changes included the decision in August 1998 to extend Job Matching to job seekers not in receipt of income support (DEWRSB 2000).

## 3.2 Job Network services

### 3.2.1 Types of service

Job Network currently provides five main services<sup>21</sup> aimed at providing flexible and tailored assistance to job seekers depending on their level of need. These include:

- *Job Matching*: this offers labour exchange services which are available to most job seekers working less than 15 hours per week. These services canvass employers for vacancies, refer suitable job seekers to vacancies and assist job seekers to prepare résumés. Job Matching services are offered by almost 160 Job Network members from around 1,680 sites and target about 400,000 job seekers annually;
- *Job Search Training*: this provides 15 consecutive days of training in job search techniques and supported job search. The training may include interview techniques and presentation, course-based assistance and other job search strategies. Job Search Training services are offered by over 90 Job Network members from more than 680 sites with about 90,000 participants annually;
- *Intensive Assistance*: which provides individually tailored assistance to more disadvantaged job seekers. Services are provided for up to 12 months under Intensive Assistance level A and for up to 15 months for more disadvantaged clients under level B, with negotiated extensions of up to six months being possible. Job Network members are contracted to either provide services to all eligible job seekers (called a “generalist service”), or to provide services to a specific group or groups of eligible job seekers (eg, Indigenous Australians, people with a disability, youth and people living with HIV/AIDS and called a “specialist service”). Intensive Assistance is offered by almost 120 Job Network members from about 1,100 sites with an estimated 235,000 job seekers being helped at any one point in time;
- *New Enterprise Incentive Scheme*: this provides training, assessment of business plans, business advice and mentoring support for selected job seekers who have a business proposal to assist them to establish a small business. Participants receive an allowance (equivalent to unemployment payments) for the first 12-months of the operation of the business. Services are offered by over 50 Job Network members in over 350 sites to about 6,800 participants annually; and
- *Project Contracting*: is a service to ensure that fruit and vegetable growers have access to sufficient labour to harvest crops. In 1999–00, three organisations were contracted to provide these services at 14 locations around Australia.

While some Job Network members are contracted to deliver single services, others provide a combination of services. Job Network contracts set out the terms and conditions under which Job Network members deliver services. Terms and conditions include the manner in which Job Network members work with job seekers, employers and other agencies to get people into jobs (including self-employment) or training/education. Job Network members contracted to deliver Intensive Assistance and Job Search Training are also required to provide Job Matching services. This combination of services ensures that providers have incentives to place, not only their Intensive Assistance job seekers, but also other job seekers into employment.

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<sup>21</sup> New Apprenticeship Centres, which provide integrated and streamlined apprenticeship and traineeship services to employers and job seekers, were a part of the first Employment Services Contract. Since 1 December 1999, however, these have operated outside Job Network and are currently administered by the Department of Education, Science and Training.



While Job Network services share the goal of getting people into sustainable jobs, each service has a different payment structure (see Attachment A – payment for Job Network services). In addition to services provided through Job Network, all job seekers have access to free employment self help facilities at Centrelink offices. These facilities include Australian JobSearch (AJS) touch screens that list job vacancies, as well as free access to computers, printers, photocopiers, facsimile machines, telephones and relevant newspapers.

### **3.2.2 Flexibility of service provision**

A key principle underpinning the reforms to employment services was that providers of Intensive Assistance would be relatively unfettered in their delivery of assistance and would have a far greater degree of flexibility, than did contracted case managers or the CES, to choose the most appropriate type of assistance for each individual job seeker.

Allowing providers the flexibility to make decisions about the type of assistance job seekers need and the level of this assistance is not without risks. In the first contract period allegations were raised about Intensive Assistance providers doing little or nothing to assist clients return to work. In response, the Department made changes to the second contract to increase the accountability of providers delivering Intensive Assistance.

## **3.3 Access to Job Network services**

### **3.3.1 The role of Centrelink**

Centrelink is the initial point of contact for most people seeking access to Job Network employment services. In addition to determining a job seekers' eligibility for income support, Centrelink registers job seekers for employment services by recording their details, which are stored on the Integrated Employment System (IES), and determining their eligibility for Job Network using the Job Seeker Classification Instrument (JSCI).

### **3.3.2 Eligibility**

Most unemployed people, irrespective of whether they are in receipt of income support, are eligible for Job Matching.<sup>22</sup> Eligibility for Job Search Training and Intensive Assistance is more tightly defined to ensure that the assistance is directed to those job seekers most in need. To be eligible for these services job seekers must generally be: in receipt of unemployment payments or a form of qualifying income support (such as payments for people with a disability or sole parents); or aged 15–20 years and not in full-time education; or an Indigenous Australian participating in the Community Development Employment Projects (CDEP) scheme.<sup>23</sup> In addition, to be eligible for Intensive Assistance job seekers must be identified by the JSCI as being at risk of long-term unemployment.

### **3.3.3 Classification and assessment of job seekers**

An important way of boosting the efficiency and effectiveness of employment assistance is to target it to those job seekers most likely to have their chances of gaining employment increased.

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<sup>22</sup> Job Matching services are available to most job seekers who are working less than 15 hours a week and are registered as unemployed with either Centrelink or a Job Network member. However, Job Matching is not available to full-time students, overseas visitors on working holiday visas, people prohibited by law from working in Australia, or people receiving Mature Age Allowance. Job Network members can also register eligible job seekers for Job Matching only services.

<sup>23</sup> Administered by the Aboriginal and Torres Strait Islander Commission.

If these job seekers can be reliably identified then resources can be targeted to where they are most likely to produce results.

The JSCI is a tool for identifying job seekers who are most likely to remain unemployed or are 'at risk' of becoming long-term unemployed. It is used to identify job seekers who are most in need of Intensive Assistance and to classify them into appropriate Intensive Assistance funding levels. Information gathered for the JSCI is also used in referring job seekers to Job Search Training and identifying job seekers who may have special needs. Correct and consistent application of the JSCI is crucial to ensuring appropriate referrals. Factors that play a major role in the correct application of the JSCI include the level of expertise and experience of Centrelink operators and job seekers' willingness to provide personal information.

The application of a profiling instrument to the allocation of labour market assistance reflects a relatively new approach to allocating assistance. This approach is becoming more widespread both in Australia (such as in the case of Disability Employment Services provided by the Department of Family and Community Services (FaCS)) and internationally. Most States in the United States, for example, now use statistical models to predict the expected benefit duration of Unemployment Insurance claimants.

The JSCI fulfills a number of roles. It meets the Government's early intervention strategy, where highly disadvantaged clients who are short-term unemployed can gain early access to assistance. This approach aims to provide early support to job seekers to overcome major barriers and avoid the scarring associated with long-term unemployment. To the extent that it accurately identifies disadvantaged job seekers, the JSCI also reduces the deadweight costs of labour market assistance. Deadweight costs occur when assistance is provided to job seekers who would have obtained employment without assistance. By targeting those least likely to obtain employment, deadweight costs are minimised.

The use of the JSCI is also consistent with the underlying approach of Job Network in providing flexible assistance to job seekers. Job seekers may have similar levels of disadvantage as measured by the JSCI but individually have different needs and different profiles of skills and circumstances.

Recognising that a questionnaire-based instrument is not a reliable assessment technique for job seekers with problems such as poor mental health and some physical disabilities, the JSCI is supported by the availability of in-depth assessments by Centrelink specialist staff through the JSCI supplementary assessment process. Following this process, the Centrelink specialist officer decides whether the job seeker is likely to benefit from Intensive Assistance. Support may be provided through the Community Support Program (CSP), which will assist the job seeker to address their barriers. Moderate to severely disabled job seekers who are unlikely to benefit from Intensive Assistance may be provided with support through FaCS' specialist disability employment services.

Further information on the development, operation and evaluation of the JSCI can be found at [www.jobnetwork.gov.au/services/ia/jsci.pdf](http://www.jobnetwork.gov.au/services/ia/jsci.pdf).

### **3.3.4 Referral of job seekers to services**

Most job seekers are referred to Intensive Assistance and Job Search Training providers using an automated process. Centrelink, however, is also required to manually refer job seekers under certain circumstances. The manual process is typically used:

- when job seekers seek referral to specialist Intensive Assistance providers;
- when job seekers volunteer for Job Search Training;
- when particular issues regarding the flow of job seekers to Job Network members are identified; and
- where the accelerated process is not in place due to remoteness from a Job Network member.

At the commencement of Job Network, all referrals were made manually by Centrelink. A two stage automated process was introduced in response to a need to streamline the process and in part to increase the number of referrals to Job Network members.

The underlying principles of the automated process are to:

- ensure that as many job seekers as possible are referred to their preferred provider;
- ensure that all Job Network members are treated equitably; and
- maintain a consistent flow of referrals of suitable job seekers to providers.

Issues related to the referral process are discussed further in Section 4.4.

### ***First stage - Accelerated selection***

Job seekers are sent a letter advising them they have been selected, based on their Job Seeker Classification Instrument (JSCI) score and other criteria, for either Intensive Assistance or Job Search Training.<sup>24</sup> For Intensive Assistance these letters are usually sent immediately following determination of eligibility, while for Job Search Training the letters can be sent as early as eight weeks after registration. The exact timing of selection (for both Job Search Training and Intensive Assistance) does depend, however, on the capacity of Job Network members to accept new job seekers and in some areas where all providers are operating at 100% capacity, letters are delayed until places become available. The letter contains information about Intensive Assistance or Job Search Training, as appropriate, and asks the job seeker to notify Centrelink of their preferred provider/s within ten working days from an attached list of local Job Network members. Job seekers can call Centrelink on a dedicated phone number to nominate their preferences.

### ***Automated referral***

If a job seeker nominates one or more preferred Job Network members within the 10 day 'choice' period, IES will attempt to refer the job seeker exclusively to that organisation's caseload for a further 20 working days for Intensive Assistance and a further 15 days for Job Search Training. Successful referral depends on the capacity of the preferred Job Network member/s to take on new job seekers. Typically, most job seekers who nominate a preference are referred within 10 days. If job seekers nominate a Job Network member with no capacity and the exclusive referral period has passed, they will be referred to any local Job Network member that has capacity. If job seekers do not nominate a Job Network member within the 10-day period, they are referred automatically to any local Job Network member that has capacity.<sup>25</sup>

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<sup>24</sup> Centrelink is also responsible for ensuring that communication with job seekers in relation to referral meets reasonable notice tests under the *Social Security Act 1991*.

<sup>25</sup> Job seekers referred through this process take slightly longer to be referred than those who nominate a preference as the 10 day choice period has to expire before automatic referral can occur. The referral action is carried out using an automated referral process that is designed not to confer advantage on any single Job Network member.

The automated process has been designed to that ensure that as far as possible a job seeker's choice of provider is accommodated. However, many job seekers do not express a preference for a Job Search Training or Intensive Assistance provider and are automatically assigned to providers.

### **3.3.5 Accessing Job Matching**

When job seekers register with Centrelink, they are given the details of local Job Matching providers.<sup>26</sup> Job seekers are free to choose the Job Matching provider/s they prefer and can ask Centrelink to enrol them<sup>27</sup> with up to 30 different Job Matching sites (in metropolitan areas) to improve their opportunities of quickly getting a job. In rural areas there are generally at least two local providers. Job seekers may be asked by the Job Network member or decide independently to provide further information about their skills and work history in order to assist the Job Network member find them a job.

If job seekers in receipt of unemployment payments do not enrol with at least one Job Matching provider within 14 days of the first payment of their unemployment allowance, Centrelink will review their compliance with the obligations for receipt of that allowance. If the job seeker has not fulfilled these obligations Centrelink may reduce or suspend their unemployment payments.

In addition to other job search methods, job seekers can look for jobs on AJS and also contact the Job Matching provider/s with which they are enrolled to find out about available job vacancies. Job Network members may also match the job seekers enrolled with them to available vacancies. However, as there are typically many suitable applicants for vacancies advertised on AJS, many Job Network members do not carry out 'matching' except in the case of Intensive Assistance clients.

## **3.4 Purchasing arrangements for Job Network services**

Two Job Network tenders to purchase employment services have been organised by the Department to date (the first commencing in August 1997 and the second in June 1999). Organisations were invited to tender to provide one or more of the Job Network services in any one of many geographic tender areas (137 in the second tender).

The first Job Network tender has been described as the largest public tender of human services in Australia's history. The tender process was highly competitive, with more than 1,000 organisations from across Australia submitting over 5,300 bids. Given the scale of the tender and the size of total funds involved (\$1.7 billion over 19 months), it was imperative that the process be objective, rigorous and consistent.

The tenders have been underpinned by a Probity Plan to ensure that all bids were assessed objectively and consistently against published selection criteria, and were monitored by an independent Probity Adviser and independent observers. The transparency of the process has helped to promote public confidence in the tender. For each tender the Probity Adviser declared that the process had been conducted in accordance with the probity requirements. In addition, the ANAO report (ANAO 2000) concluded that the implementation of Job Network had been managed in accordance with the announced Government policy and timeframe. The report

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<sup>26</sup> Those job seekers who are not applying for unemployment payments may register directly with the Job Matching provider of their choice.

<sup>27</sup> That is, electronically link their personal records stored on IES. The job seeker's name then appears on the provider's list of enrolled job seekers.

found that the Department had effectively managed the potential risks associated with the tender evaluation process and established appropriate procedures for evaluating tenders.

The first Job Network contract ended 27 February 2000 and the second Job Network contract (worth about \$3 billion over three years) commenced 28 February 2000. While some adjustments were made during the first contract period, the overall policy framework for Job Network proved to be fundamentally sound. The second Job Network tender followed the path of evolutionary rather than revolutionary change.

To ensure that job seekers and employers continued to receive assistance from high performing employment organisations, a stronger emphasis was placed on the quality of services in the second tender assessment process. Past performance – whether in Job Network or elsewhere – was used as a key indicator of likely future success in service delivery. Service quality accounted for 75% of the total assessment score, with price being 25% of the score. In the Department's view, purchasing employment services using the 75/25 relativity for quality and price represents a combination of value-for-money and the delivery of outcomes to job seekers.

### ***3.4.1 Changes for the second Job Network tender***

The framework for employment services established in the first tender was maintained in the second tender to support stability in the market and maintain momentum in the development of a high performing employment services market.

The most significant change from the first contract was the introduction of managed price competition for Intensive Assistance. In the first tender round, Intensive Assistance was contracted at a set price. The decision to set the price for Intensive Assistance was based on concerns that tenderers would initially lack the expertise to accurately cost such a flexible and diverse service. In the second round, all Job Network services were tendered for on a price competitive basis. To ease the transition to a fully competitive market for Intensive Assistance, and as a safeguard to protect service quality and reduce the risk of market failure, a minimum price was set, below which tenderers could not bid.

The other significant change for the second tender was that Intensive Assistance providers were allowed to bid to specialise in specific client groups (such as people with a disability, Indigenous peoples, people from non-English-speaking backgrounds and young people) where they could demonstrate a need for such a specialist service.

To increase the accountability of providers, organisations tendering for Intensive Assistance were required to submit a Declaration of Intent which described the range of services they would provide to job seekers. The Declaration of Intent forms a part of the providers' contract with DEWR. Providers must draw on the Declaration of Intent to draft an Intensive Assistance Support Plan that specifies the activities and services the Job Network member will provide to each individual job seeker remaining on their caseload 13 weeks after they commence. While the Intensive Assistance Support plan is not a legally binding document, as between the provider and the job seeker, DEWR checks the providers' delivery of activities as specified in the Support Plan as a part of its contract monitoring activities.

### ***3.4.2 Results of second tender and comparison with first tender***

In the second Job Network tender around 200 organisations were contracted to deliver Job Network services (around 100 less than in the first Job Network contract): over 80% of these

were Job Network members under the first contract. This reduction in the overall number of members can, in part, be attributed to:

- the increasing development and maturity of Job Network, with some providers electing to form consortia with other organisations; and
- the decision to reduce the minimum number of providers in particular areas from five to two/three. This decision recognises that the success of Job Network for job seekers will be determined more by how well areas are serviced (ie, the geographical coverage of Job Network services and the number of sites or outlets Job Network members may have in an area) rather than the actual number of organisations contracted to provide Job Network services.

While there is an overall reduction in the number of organisations delivering services in the second Job Network contract, the number of sites has increased from 1,400 to over 2,000. In regional Australia, the number of sites almost doubled, with an increase from 600 to around 1,100. Nearly 150 locations gained a Job Network site for the first time improving access for job seekers in regional Australia. This result is mainly due to the smaller geographical tendering blocks used in the second tender. This arrangement not only gave tenderers the confidence to bid for services in remote and difficult labour markets but, when compared to the prices bid for similar regions in the first tender, helped ensure that the prices tendered, better reflected the true cost of delivering employment services in these locations. To offer tenderers some scale economies, preference in the business allocation process was given to tenderers who provided services to the whole of an employment service area.

Market share for community and small business sectors also increased. Community based and charitable organisations comprised about 30% of the first contract, but currently form around 45% of the market. The private sector also expanded from about 33% to 47%. The market share held by government organisations fell overall from around 37% to 8% reflecting a lack of competitiveness, relative to other providers, in assisting more disadvantaged job seekers. The government sector increased its share of job brokerage business, however, in line with its good performance in this area.

Outcomes from the second Job Network tender have clearly demonstrated the success of the Job Network concept. Within two years the market had matured to the point that it was no longer reliant on a large government owned provider. The two tenders have also demonstrated that there is capacity amongst community and smaller private sector providers (and potential new entrants), to maintain a viable and high performing employment service for job seekers and employers.

### ***3.4.3 Issues considered in the purchasing of employment services***

A range of issues were considered prior to and following the purchasing of employment services under the first and second tenders.

#### *Length of Contracts*

The Department carefully considered the length of each Job Network contract period. The shorter first contract period was considered appropriate because it enabled providers, employers and job seekers the opportunity to become accustomed to the arrangements and for any issues to be ironed out. In deciding the length of the second contract, the Department was guided by comments received as part of its public consultation into the introduction of Job Network. (DEETYA 1996a)

Some providers have argued for longer contract periods (for example five years); none has argued for shorter contract periods. Longer contracts are possible if the Government exercises its option to extend contracts on the basis of performance. Contracts longer than three years, however, pose challenges for both providers and the Department in deriving a fair price and in reviewing service arrangements, which may be required by incoming governments and as a response to evaluation findings.

Three-year contracts give providers some certainty and encourage infrastructure development, making it easier to retain skilled staff. The Department considers that Job Network contracts should approximate three years in duration.

### *Purchasing process*

In purchasing employment services, the Department has sought to establish a tendering process that achieves selection of the best performers but does not unduly burden tenderers with administrative and compliance requirements. The Department is looking at ways to streamline the administrative processes. It has canvassed, for example, the possibility of incorporating a pre-qualification or pre-registration process into the purchasing arrangements.

In accordance with the *Commonwealth Procurement Guidelines*, the core principle in contracting Job Network providers has been the delivery of value for money to the Commonwealth. For Job Network, value for money is not necessarily achieved by contracting the lowest price but rather by considering quality/price relativities.

The Department's main consideration in offering contracts has been to ensure the effective delivery of services to the client rather than which type of organisation delivers the service. The exact number and type of organisations contracted to provide Job Network services depends on the price, quality, specialisation and coverage of the bids received, the need for adequate client choice and the desire to restrict market dominance for any particular area. The Department is of the view that diversity in providers increases choice for job seekers and results in better outcomes overall.

The diversity of providers participating in the employment services market has been one of the key strengths of Job Network. Each provider has its own set of characteristics. Similarly each employment services region is different and may suit some providers more than others. Factors such as the level of expertise of staff, the extent of local knowledge, the involvement in the community and the potential for economies of scale, have all had an impact on the outcomes obtained by Job Network members.

### *Indicative prices*

The Ministerial Statement, *Reforming Employment Assistance*, (Vanstone 1996) indicated that price-based tendering for employment placement services would be introduced as soon as possible, but that the first round of tenders for Intensive Assistance would be let on a fixed-fee basis. The decision to purchase Intensive Assistance for the first contract at set prices was based on concerns that tenderers would lack the expertise to accurately cost such a flexible and diverse service. There was also overwhelming support for the use of fixed fees from the public and potential providers. Some organisations questioned the need to move to price-based competition at all. The primary concern was that this would shift the focus unduly to price rather than quality (DEETYA 1996a).

While indicative pricing is a possibility for future tenders, this must be balanced with the nature of a competitive market. There may be significant risks if the price is set either too high or too low. In addition, there are some services or products that will be better suited to having a set price or a floor price. In the second Job Network tender, the delivery of Intensive Assistance services included a minimum price below which tenderers would not be accepted. As noted above this was intended to act as a safeguard to protect service quality and reduce the risk of market failure.

### *Viability of Providers*

It is in the Government's interest that Job Network providers run well managed, viable enterprises. The Department facilitates the viability of providers by:

- examining closely the number of providers servicing areas when allocating business;
- providing feedback on performance and engaging in collaborative arrangement with providers to ensure that contracts are well managed and that any risks or problems are identified early and minimised;
- providing, as part of the tender arrangements, for contract adjustments if a general change in economic circumstances has a significant affect on pricing - pricing adjustments are possible across the board; and
- ensuring a flow of eligible job seekers to Job Network members.

Ultimately, however, the long-term viability of Job Network members is a function of their own performance. The purchasing arrangements for Job Network ensure that over time better performers edge out poor performers.

Competitive behavior is constrained in Job Network by limits placed on job seekers' choice of provider, the scope to move from one provider to another and imperfect information on the performance of Job Network. The number of providers contracted in an area is dependent on likely business levels and the Department works to ensure that the flow of job seekers to Job Search Training and Intensive Assistance providers is maintained at around 80% to 90–95% of contract capacity respectively. To limit market dominance each Job Network provider has a set number of job seekers who can be assisted over the contract period. (This can be reviewed at the discretion of the department). Furthermore, limits are imposed on the extent to which Job Matching providers can attract business from outside their particular area (10% under the second contract).

By helping to ensure the financial viability of providers the Department can maintain provider diversity, facilitate employer and job seeker choice and ensure general levels of equity and quality of service for clients. This recognises that the success of Job Network in servicing job seekers will be determined more by how well areas are serviced rather than the actual number of organisations contracted to provide Job Network services.

Within these parameters, choice of Job Network provider is available to both job seekers and employers. Arguably, employers have relatively greater choice of providers as they can 'shop around' for the service that most suits them and can lodge the same vacancy with any number of Job Network members. In general, the same cannot be said of job seekers. The extent to which job seekers can exercise choice of provider varies across the services. In the case of Job Search Training and Intensive Assistance services, job seeker choice is limited not only by the number



of providers in their local area, but also by the level of spare provider capacity and the time and information available to them (see Section 3.3.4).

While survey results indicate job seekers are generally satisfied with the information provided to assist them in choosing their provider<sup>28</sup> many do not actively indicate a preference for a Job Search Training or Intensive Assistance provider. The main reasons given by job seekers for not choosing a provider were not knowing they could choose a provider or the perception that the referral letter specified which provider they were required to go to.

These results and qualitative research findings suggest that job seekers require more information about the operation of Job Network and individual Job Network providers. Information is required about details of specific services offered, areas of specialisation and an indicator of the provider's previous performance in placing job seekers into work.

These issues are likely to be addressed through Centrelink as a part of the Streamlining Job Network Access and Referral pilots (see Chapter 4). These pilots are intended to provide job seekers with the better information on Job Network and local Job Network providers. More generally, the issue of information on Job Network members' performance was also addressed by the release in June 2001 of the Job Network provider 'star' rating system<sup>29</sup> on AJS.

Even if job seekers are better informed it is unclear whether their choice of provider will be able to drive Job Network member behaviour. Once job seekers commence and the up-front fee is paid Intensive Assistance participants are effectively locked in with the same provider for the duration of their placement.<sup>30</sup> Job Matching is arguably the service most like a competitive market because job seekers can choose freely and move between the providers they use. As job seekers are required to enrol with at least one Job Matching provider, other providers (at least in theory) compete to attract candidates they refer and place in job vacancies. In practice, however, the power of job seeker choice in driving competition is diluted by the large supply of job seekers for available jobs. As noted elsewhere, Job Network members do not need to match job seekers to vacancies and can fill most jobs by simply listing them on AJS. Rather than being affected by job seeker choice it is more likely, given the relative scarcity of jobs, that provider behaviour is driven by employer choice.

### **3.5 Framework and context for delivery of employment services**

Centrelink plays a key role in the operations and performance of Job Network as the gateway to employment services. The services provided by Centrelink on behalf of DEWR are detailed in a Business Partnership Arrangements (BPA). The Department also has arrangements and relationships with the National Employment Services Association (NESA), and Area Consultative Committees to assist in the operation of Job Network.

Through Job Network, DEWR provides services and assistance to people who may also be eligible to participate in programs administered by the Commonwealth departments of Family and Community Services (FaCS) and Education, Science and Training (DEST) and State/Territory Governments (for more details see Labour Market Programs Attachment B).

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<sup>28</sup> Data from a survey of job seekers in February 2001 (unpublished DEWRSB data) shows that most job seekers reported they were satisfied with the information provided by Centrelink to help them choose a provider (77% of Job Search Training and 81% of Intensive Assistance participants) and the majority agreed that the referral letter clearly explained how to choose a provider (89% for both services) and was easy to understand (95% and 96% respectively).

<sup>29</sup> Refer to Section 3.6.3 for further information.

<sup>30</sup> In general, unless an outcome occurs, an Intensive Assistance placement may only end if there is an irreconcilable break down in the job seeker/provider relationship.

### **3.5.1 Centrelink – Business Partnership Arrangements**

The Department enters into a purchaser/provider arrangement for the delivery of services. The current BPA with Centrelink is a three-year arrangement effective until 30 June 2002. The BPA details the services to be delivered by Centrelink, the Key Performance Indicators (KPIs) that will be used to monitor Centrelink's effectiveness in delivering the services, and the protocols in place to assist management of the partnership, including information technology arrangements. It also details what Centrelink will be paid to deliver the services, how that 'price' is determined<sup>31</sup> and how and when payments will be made.

### **3.5.2 Involvement of Area Consultative Committees in Job Network**

The national network of Area Consultative Committees<sup>32</sup> acts as a communication channel between government, business and the community. Area Consultative Committees enhance the operation of Job Network through promotion of local provider services within the local community and foster links between Job Network members, local businesses and their community.

Area Consultative Committees have been asked to establish and facilitate Job Network Provider Clubs that offer Job Network providers, DEWR and Centrelink representatives an opportunity to meet to discuss issues of interest to Job Network in the region. DEWR and Centrelink representatives also have an opportunity to address any general concerns raised by providers about the local operations of Job Network.

It was thought that these provider clubs would have the potential to enhance the operations of Job Network through the sharing of best practice among providers. Experience has shown, however, that while case workers are willing to discuss common operational problems and practices, higher level Job Network member staff do not share information on their business strategies with other Job Network member staff.

The success or otherwise of these provider clubs varies significantly across regions with some working smoothly and productively while others falter due to lack of interest from Job Network members or inherent disinclination to 'share' ideas in a competitive environment.

### **3.5.3 Relationship between Job Network and other programs**

Issues relating to the interaction of Job Network and other programs arise most commonly for job seekers participating in Intensive Assistance. This is due to a combination of the relatively long duration of assistance and a design that aims to maximise the assistance provided by 'locking' participants into the program.

Other Job Network services are shorter (ie, there is less chance of the job seekers being concurrently in Job Search Training and another program) or allow job seekers to participate in combination with other programs and services (Job Matching).

### **Commonwealth programs**

In general, Job Network services complement other DEWR and Commonwealth programs. The assessment and referral mechanism used by Centrelink, for example, streams eligible job seekers

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<sup>31</sup> The 'price' is determined via an Agreed Costing Framework. This framework calculates the full year cost to the Department of Centrelink service delivery and is based on estimated business levels and activities that are agreed between the two agencies.

<sup>32</sup> The Area Consultative committees are now administered by the Department of Transport and Regional Services.

from Job Network, into CSP (if assessed as being unable to benefit from Intensive Assistance because of personal barriers to work) or into the FaCS disability employment services network.

For those job seekers who do not fall neatly into this simple streaming model Centrelink determines the priority of assistance afforded to job seekers and they are referred to programs of assistance sequentially. Job seekers with literacy and/or numeracy problems, for example, could be expected to be referred to DEST's Literacy/Numeracy program to deal with these issues ahead of participation in Job Search Training or Intensive Assistance. Young people who are homeless or at risk of becoming homeless, or facing severe problems would be referred to DEST's Jobs Pathway Education and Training (JPET) program ahead of Intensive Assistance. Excluding these job seekers from referral to Intensive Assistance until they complete their period of Literacy/Numeracy or JPET assistance ensures that providers do not compete against each other for the same job seekers and reduces the Commonwealth's risk of doubling-up on payments for the same or similar services.

Issues sometimes arise where young people are participating in JPET without Centrelink's knowledge and they are also referred to and commence Intensive Assistance. As both programs require the job seeker's full participation and to avoid 'doubling funding' issues young people are given a period of time to choose which program they wish to participate in.

As discussed in Chapter 4, the Government's *Australians Working Together* package aims to further improve the articulation between Commonwealth programs and help job seekers move into jobs, education and training by providing unemployed people with the services that meet individual needs and are designed to provide the right level of assistance at the optimal time in their unemployment spell.

### ***Employment services in States and Territories***

The Commonwealth has the primary role in the delivery of employment programs and services.

Individual State/Territory Governments have adopted varying approaches to employment programs and services. Many State/Territory Government employment programs help place job seekers into jobs or facilitate the use of Commonwealth employment and training programs such as Commonwealth funded training or apprenticeships. All States/Territory Governments have put in place small employment services programs highly targeted to specific groups, particularly mature aged job seekers, non-English-speaking migrants and youth.

Over recent years in particular, the Queensland and Victorian State Governments, perceiving a gap in Commonwealth employment services for particularly disadvantaged people, have begun to focus their efforts on larger-scale labour market programs designed to place participants in jobs which provide them with skills development and work experience.

While State/Territory labour market programs run concurrently with the services provided through Job Network, there are no official linkages between these programs and Job Network.

State/Territory Governments have generally sought to maximise job seeker opportunities by generally targeting assistance to groups of job seekers who are not eligible for Job Network services and by ensuring effective use of public monies by not duplicating services provided by the Commonwealth. Of concern to both levels of government are situations where an organisation is paid twice to provide the same type of assistance to a job seeker. To this end, the Job Network Contract precludes payment of fees where there is "double funding".

The current relationship between Commonwealth and State/Territory programs:

- ensures that Commonwealth provides similar levels of services to job seekers across all States/Territories;
- reduces the risk of unseen churning of job seekers through a combination of Commonwealth/State/Territory programs; and
- maintains the focus of Commonwealth assistance on achieving outcomes for job seekers rather than placement in a State/Territory program.

### **3.6 Performance management framework**

The Commonwealth's primary objectives through the establishment of Job Network include delivering a better quality of assistance to unemployed people, leading to better and more sustainable employment outcomes' and 'job seekers and employers receiving high quality and streamlined service from the agencies and providers with which they interact' (Vanstone 1996, p. vii and p. 13).

Arguably, high quality service should translate to high levels of outcomes and therefore the prime measure of service quality in Job Network should be job outcomes. The Department has in place a range of measures to:

- improve Job Network performance; and
- ensure Job Network members deliver and continuously improve the quality of services to job seekers and employers.

#### **3.6.1 Contract monitoring**

The Department has a network of contract managers for Job Network, located in five districts and seven State Offices, oversighted by its national office. Contract Managers monitor Job Network members' contract compliance and play an important role in performance management through scheduled and ad hoc site visits, performance reviews, on going desk monitoring (compliance and performance dimensions), Quality Audits (see 3.6.4 below), performance reviews and on- going discussions with Job Network members.

Contract Managers' main activities are conducting on-site visits, record keeping and developing relationships and partnering arrangements with Job Network members and other stakeholders (such as industry associations and State governments). Where contracts cross State/Territory borders, a national Contract Manager is appointed in the State/Territory where the Job Network Member has its head office or National administration.

During the first contract period contract compliance monitoring was the mainstay of monitoring activity undertaken by the department. While this was a period of substantial change, both for the Department in its role of purchaser of employment services and for the employment services market as a whole, the ANAO performance audit of Job Network (ANAO 2000, p.14) concluded that "the Department managed the first round of Job Network contracts in an efficient and effective manner".

The ANAO made recommendations aimed at further improvements to contract management including focusing attention on higher risk providers or sites.

Consistent with the findings of the ANAO Report, DEWR took a risk-managed approach to contract monitoring and in December 2000, implemented a *Contract Monitoring Framework 2000 – 2003*. The framework was designed to achieve a nationally consistent and planned approach to compliance and performance monitoring of Job Network contracts. The effectiveness of the framework and supporting documentation are regularly re-assessed.

The Department conducts bi-annual planning and risk reviews to consider the outcomes from monitoring activity over the previous six months, to analyse trends (including identified risks) and develop key national monitoring activities for the next six months.

Contract Managers regularly review risks associated with individual Job Network members to determine monitoring priorities as the local level. Risk assessments at the local level are undertaken at least twice a year and more frequently if the Contract Manager becomes aware of a change in a provider's circumstances.

While contract compliance (ie, compliance monitoring and milestone review activities) remains a key priority, the framework also focuses on performance (including achievement against KPIs) and quality of service.

Building on the framework and the 'Contract Management in the States' project, the Department is developing a National Contract Management Framework. The National Contract Management Framework is an initiative to improve the Department's contract management practice across all employment services.

The National Contract Management Framework will provide Contract Managers with a set of integrated strategies, tools and actions to take forward the Department's commitment to improving contract management practices. The framework aims to ensure that the Department's contract management practices support the achievement of real, sustainable job outcomes for job seekers participating in Job Network.

During the first contract period the Department introduced a Management Information Guide to assist Job Network member staff understand the operational requirements of the Job Network contract. In the second contract period the Guide has been replaced by the Policy Interpretation Information that again aims to clarify a limited range of common operational service issues. The Policy Interpretation Information comprises around 50 guides on different aspects of policy including, for example, records management, documentary evidence, the operation of the IES and Job Matching arrangements. The guides are available to Job Network member staff and to contract managers on the secure Employment and Community Services Network Internet site.

While the Policy Interpretation Information has proven to be a useful source of additional information for Job Network members, the Job Network contract remains the definitive resource for questions of policy. The National Contract Management Framework arrangements propose a review of the Policy Interpretation Information in early 2002 to determine its efficacy and usefulness.

### ***Forms of contract monitoring***

The Department undertakes different forms of monitoring, all of which are interrelated. These include compliance, performance, milestone reviews and quality audits. Collectively, the aim of this monitoring is to improve Job Network members' performance and compliance, and contribute to the future development of Job Network.

### **Contract reviews**

All changes or amendments to the contract are reflected in a contract variation. The contract and any variations form the entire agreement between the Job Network member and the department. In accordance with standard departmental contract provisions, variations to contracts must be in writing and signed by both parties.

### **Milestone reviews**

At six monthly intervals, around the end of each milestone period, Contract Managers review Job Network members against milestones, using agreed methodology/data. The Department takes into account a range of information including performance reports, previous monitoring activity, past milestone history and input from the Job Network member. Milestone review discussions with the Job Network member relate to performance against contracted levels and adherence to other contractual obligations.

The Department also conducts an annual review that focuses on improving performance through meetings with Job Network members. As part of the annual review process some Job Network members may be sanctioned for poor performance (by reducing contracted capacity). Spare contracted capacity is passed to other Job Network members to reward good performance.

### **Compliance monitoring**

Contractual compliance means ensuring that the Job Network member is adhering to all of the terms and provisions of the *Employment Services Contract 2000 – 2003* and, where applicable, the *Employment Services Contract 1998 – 1999*. Compliance Monitoring may involve the exchange of correspondence/documentation and/or site visits to the Job Network member. Ongoing “desk type” monitoring is undertaken by State/Territory/District office staff to assess individual Job Network member performance/compliance. Client and public complaint information and claim/payment patterns are also assessed.

#### **3.6.2 Integrity strategy**

A range of governance procedures were introduced following the establishment of Job Network. These included the Code of Conduct and compliance and performance monitoring arrangements. Despite the existence of these measures, unsuitable practices were identified in 2001. As a consequence, DEWRSB promptly introduced strengthened integrity measures, which were recommended in the *Report of Inquiry Arising from Senate Estimates Hearings on 4-5 June 2001 into Matters Concerning Job Network* (July 2001).

These measures include the establishment of a departmental Integrity Committee to oversight existing measures such as the Job Network Code of Conduct, the complaints investigation arrangements and the compliance and performance monitoring arrangements.

The Integrity Committee has responsibility for, amongst other things, ensuring that the Government’s policies, programs and services are delivered in accordance with high ethical standards and in the spirit intended. The Committee’s objective is to develop and foster an environment of openness and high standards of ethics and integrity, both within the Department and in its contractual relationships with its external providers. This involves improving integrity monitoring by the Department and consultation with stakeholders to ensure Job Network members have high levels of commitment to and compliance with best practice standards.

### **3.6.3 Performance information for Job Network members**

To help drive improved Job Network performance the Department has made available a range of performance information for Job Network members.

During the first contract period, Job Network members were provided with a range of data including aggregate statistics that showed operational performance and allowed comparisons of achievements at the regional level.

With the commencement of the second Job Network contract the Department developed a Performance Information strategy that provides Job Network members with access to a significantly expanded range of performance information. The information includes:

- performance measures linked to contractual KPIs and the associated formal assessment of Job Network members' relative performance by the Department (ie, linked to the "star ratings") at region, Employment Service Area (ESA) and site level;
- a range of additional data useful for day to day management purposes (eg, program referrals and commencements) for each region, ESA and site;
- details of the performance of the individual Job Network member in each region, ESA and site in which the Job Network member operates; and
- the average achievement level of all Job Network members in each of the 19 regions and 137 ESAs, as well as the maximum and minimum achievement levels achieved among Job Network members in each region and ESA.

This information is available to Job Network members through on-line *Performance Information Reports* and hard copy *Performance Information Packs*. Ratings of Job Network members' performance in each ESA are also made available through the Performance Information Reports and Packs.

#### ***Job Network Members' "Star Ratings"***

The star ratings are intended to inform the job seeker's choice of Job Network member and were made available on AJS from June 2001. The star ratings are determined using an approach developed with the assistance of the South Australian Centre for Economic Studies. The ratings reflect the relative performance of Job Network members and convey no information about the absolute level of Job Network members' performance or the overall effectiveness of Job Network services. Importantly, therefore, a low rating does not necessarily mean a particular provider is not performing satisfactorily but that it is performing at a level below that of other providers.

As well as providing job seekers with information on the relative success of Job Network members, the star ratings are a valuable tool in giving providers feedback on their relative performance. Qualitative research with providers has indicated that they attach a high degree of importance to the star ratings which suggests that the system is operating effectively as a motivator for improving performance (see also Section 3.8.2 Job Network members - unintended behaviours).

To support broad industry acceptance of star ratings the Department is in the process of conducting an independent review of the ratings method to provide advice on any potential refinements. It is anticipated that this review will be completed early in 2002.

### **3.6.4 Customer service and practice improvement**

#### **Job Network Code of Conduct**

The Job Network Code of Conduct (the Code) is the central feature of consumer protection under Job Network. The aim of the Code is to produce the best outcomes for job seekers and employers by developing a high-quality, continuously improving service that engenders ethical behaviour between all parties. All Job Network members are required to comply with the Code, which forms part of their contract with the Commonwealth.

The Code establishes minimum standards of service that Job Network members must provide to job seekers and employers. It requires all Job Network members to conduct all aspects of their business with integrity and in accordance with high ethical standards, and outlines a complaints process for job seekers and employers.

The Code for the first Job Network contract period was developed by an advisory committee convened from members from industry, trade unions, welfare organisations and the vocational and training sector. Consultations were conducted with organisations that had an understanding of the issues associated with designing, implementing and administering a code of conduct: the Australian Competition and Consumer Commission, DEETYA, ESRA and the Financial Planning Association. Following this consultation process, the Code was issued as part of the first Job Network contract and was in effect from 1 May 1998 to 27 February 2000. The Code comprised six broad principles and service standards.

For the second Job Network contract period, the Department took the opportunity to refine the Code to set out more clearly the standard and quality of service that is expected of Job Network members. It also describes in some detail the complaints process and how it should work.

The Code of Conduct has now been in operation for nearly four years. The experience gained through its development and practical application has become a model for other contracted employment services. It was used, for example, as the model for the 2002 Community Work Coordinator contract.

The current Code comprises six principles:

1. *Ethical, respectful and fair treatment* — this focuses on the quality of the relationship with the customer.
2. *Accurate, relevant assistance* — focusing on the quality of information, advice and assistance provided by the Job Network member.
3. *Prompt, courteous service* — which focuses on how a Job Network member delivers service to job seekers and employers.
4. *An accessible, effective complaints process* — focusing on providing a complaints process for all job seekers and employers.
5. *Privacy and confidentiality* — which focuses on meeting all job seekers' and employers' privacy requirements.
6. *Responsible advertising* — this focuses on advertising in a responsible manner.

The Code is published as a hard copy booklet<sup>33</sup> and can also be accessed from the Job Network Internet site ([www.jobnetwork.gov.au](http://www.jobnetwork.gov.au)). Job Network members are required to display the Code

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<sup>33</sup> To inform job seekers with little or no English, the Code has been translated into 20 languages.



and ensure that all employees, job seekers and employers are fully aware of the Code. They are also obliged to inform job seekers about the associated complaints process and provide them with promotional material supplied by the department.

### ***Monitoring compliance with the Code***

Job Network members' compliance with the Code of Conduct is monitored through a variety of means, including an associated complaint handling process (see below), the conduct of Quality Audits, and monitoring visits by departmental staff to Job Network member sites.

### ***Customer feedback and complaints***

The complaints handling process enables the Department to monitor Job Network members' compliance with the Code, work with the Job Network members to resolve problems and improve service quality, and provide feedback to the Department on the practical application of Code. The process conforms to the *Australian Standard on Complaints Handling (AS4269 – 1995)* as well as the Commonwealth Ombudsman's office publication *Ombudsman's Good Practice Guide to Complaints Handling*. The process has three tiers:

1. All Job Network members are required, as part of their contract with the Commonwealth, to have an internal complaints handling system. Job seekers are encouraged to raise complaints with the Job Network members involved first.
2. If job seekers are not satisfied with the outcome or feel they cannot raise their issue with the Job Network member concerned, they can contact the Department's free Job Network Customer Service Line (1800 805 260).
  - the Job Network Customer Service Line is staffed by departmental Customer Service Officers in each State and Territory who assist callers to resolve complaints. They can also review issues raised and mediate between the complainant and the Job Network member to quickly resolve complaints.
  - in most cases Job Network members take action to fix the complaint — 97% are resolved within seven days. Customer Service Officers can require Job Network members to take remedial action in relation to breaches of the Code.
3. Should the complainant be dissatisfied with the way the Department has handled the complaint they can raise the issue with the Commonwealth Ombudsman. The Commonwealth Ombudsman has the authority to investigate the Department's actions in relation to the handling of complaints.

### ***Quality Audits***

The term 'Quality Audit' has been adopted to distinguish these audits from other monitoring visits related to contract compliance (see Contract Monitoring Section 3.6.1). Quality Audits assess a Job Network member's performance against the principles and service standards specified in the Code and involve an extensive examination of the processes a Job Network member has in place to deliver a quality service and comply with Code. The object of a Quality Audit is to work collaboratively with the Job Network member to identify problems and improve performance.

These audits can involve activities such as job seeker satisfaction surveys, site visits, file assessments, complaints analysis and other activities aimed at assessing quality service delivery. Quality Audits were originally established in the Code as part of the sanction mechanism within

Job Network. Where a Job Network member received either a significant number of complaints, a serious complaint, or had not satisfactorily resolved a complaint, a Quality Audit was triggered to enable a full analysis of the Job Network member's service practices. Job Network members are obliged to comply with any recommendations that arise from the audit.

While they remain a component of the sanctions process, Quality Audits have been increasingly recognised as a valuable tool for use by Job Network members to review and improve performance. At least 5% of Job Network members are to be subject to a Quality Audit over any 12-month period. To date, this requirement has been exceeded in most States and Territories. Feedback from departmental staff indicates that Job Network members view Quality Audits positively. For managers of Job Network member sites, one of the main advantages of a Quality Audit is the opportunity provided for one-to-one feedback discussions with the Department on issues of service delivery.

The Department has recently initiated a program for conducting National Quality Audits in order to better assist multi-State Job Network members in identifying areas where their service quality can be improved across a number of sites. To date, two such audits have been conducted, and a third is currently underway.

As part of its continuous improvement program for Job Network the Department has been playing an active role in partnership with Job Network members and NESAs on practice improvement for Job Network. The aim is to develop a range of products, tools, information and processes which will assist individual Job Network members to design and implement their own strategies for practice improvement tailored to the individual needs and circumstances of their own business.

### ***High performance studies***

As part of the process of identifying best practice, the Department has, as previously noted, recently completed a report that attempts to identify the factors that contribute to sustainable high performance in Job Network (*Towards better practice in employment services: A study to identify the factors that contribute to high performance in Intensive Assistance*, (DEWRSB 2001c)). While not formally part of the Job Network Evaluation Strategy, the study adds to and complements other publicly available information about Job Network performance. A summary of the study's key findings is set out at Box 1. Future studies into Job Network services or service delivery issues relating to particular groups (for example, mature aged job seekers) are planned.

#### **Box 1 Key findings of the first high performance study: Towards Better Practice in Employment Services: A Study to Identify the Factors that Contribute to High Performance in Intensive Assistance**

Some Intensive Assistance provider sites consistently achieve much higher rates of outcomes for job seekers than others, even when compared to other sites operating in the same or similar labour markets and providing services to a caseload of job seekers with similar characteristics.

Key factors associated with high performance include:

- the skills, knowledge, attributes and experience of staff;
- a comprehensive and inclusive approach to organisational performance monitoring;
- a strong focus on outcomes;

- a wide range of interventions and tailored assistance for job seekers supported by employment consultant autonomy;
- a clear business orientation and a strong commitment to working with disadvantaged job seekers;
- effective mechanisms for internal communication and information sharing; and
- strong external linkages and networks.

More generally the study shows that:

- Job Network members are committed to delivering excellence in employment services. Many of them actively strive towards 'best practice' in the industry; and
- A strategic approach to business improvement that addresses all aspects of the organisation's operations will result in excellence in outcomes, quality and competitiveness.

Studies of this kind are not intended to dictate how Job Network members should run their business. Rather, their aim is to make available to Job Network members information that they may choose to consider in their efforts to continuously improve their performance. It is up to Job Network members (and others) to decide whether or how to use the information contained in this report in their own business improvement processes.

The Department is committed to working with NESAs and Job Network members to ensure that the findings of these studies are widely promulgated. In co-operation with the department, NESAs plan to host a series of practice improvement seminars. The first in this series will be to present the findings of the first study into high performance.

### ***Support for practice improvement***

The Department uses workshops and publications to support a continuous focus on practice improvement in Job Network and to respond to changing needs.

Information available on the Job Network Internet site includes a range of tools and discussion papers, drawing on the experience of Australian and world best practice in both the public and private sectors.

Examples of other sources of practice improvement include:

- articles in the Job Network Bulletin;
- a *Training Kit* providing basic information about the operation of the *Privacy Act 1988* that underpins the Privacy clauses in the Job Network Contract and Code of Conduct;
- marketing training workshops to Job Network members (October to November 2000) supported by materials and a tool kit posted on the Job Network internet site; and
- Area Consultative Committees can also play a role in facilitating practice improvement (see Section 3.5.2).

### **3.6.5 Information flows**

Communication between the Department and Job Network stakeholders is essential to ensure Job Network is delivering services consistent with the Government's original intention.

Accordingly, the Department's information services encompass both outgoing communication strategies and mechanisms for people to provide feedback.

Communication strategies seek to reach, and obtain feedback from, three different audiences:

- Job seekers and the public;
- Job Network members; and
- Employers.

To reach these audiences the Department employs:

- formal advertising campaigns, printed information products (brochures, posters etc), entries in Telstra White and Yellow Pages;
- job seeker and employer hotlines and internet sites such as AJS;
- the Job Network internet site and Job Network Bulletin; and
- support for Area Consultative Committees to market Job Network through local advertising and employer events.

Communication campaigns have been important in easing the transition to Job Network. The campaign accompanying the launch of Job Network employed print media and television advertising, dissemination of a range of pamphlets, posters and other information products, personalised letters to job seekers registered with Centrelink and telephone enquiry and information lines.

Market research has shown the campaign had been successful in establishing the Job Network 'brand' and in raising awareness but to a limited extent. In particular, employers' understanding of the changes was generally low and a campaign specifically targeted at employers was recommended.

A second major communication campaign, delayed by the release of the 1999 Job Network Request for Tender was run in October 2000. The campaign focused primarily on employers aiming to increase their knowledge and usage of Job Network. The campaign featured television, radio and print media. Market research indicated that the campaign was not as successful as had been expected in increasing employers' awareness and use of Job Network. Employers remain a difficult group to target with information about Job Network.

### ***3.7 Better services using information technology***

The success of Job Network contracted services has been underpinned and enabled by considerable investment in the practical, widespread and innovative use of information technology.

The Department's comprehensive mainframe system, the IES, supports the provision of better services to job seekers and employers, facilitates the radical re-design of processes and enables the establishment of a low cost infrastructure that minimises barriers to entry to the employment services market.

The Department has moved to respond to job seeker demand for Internet servicing and to government policy to deliver services online, by developing a variety of Internet sites including AJS, Australian Volunteer Search, the Australian WorkPlace Portal and the Employment and Community Services Network to support job seeker service delivery. These services are available for job seekers who are comfortable with self-help or can readily use information technology with some help and guidance. They are not suited to job seekers who may be wary

of using such technology and are not a substitute for the tailored services that disadvantaged job seekers need. Further information on the Department's information technology systems is provided in Attachment C.

### **3.8 Outcomes from the model**

#### **3.8.1 Participant outcomes**

##### ***Effectiveness***

For individuals, the effectiveness of Job Network has been assessed to date by examining outcome measures three months following assistance and their sustainability over the longer term. The impact of Job Network at the aggregate level has not been examined so far. In general, it has proven to be very difficult to measure such impacts because of data quality issues and the relative magnitude of assistance measures compared to general economic activity.

##### ***Job Network outcomes***

Between March and September 2000, positive outcomes, defined as job seekers being either employed or in education and training, three months after assistance were 71% (67% employed) for Job Matching placements (DEWRSB 2001a). Positive outcomes three months after assistance following Job Search Training were 52% (44% employed) and 43% (36% employed) for Intensive Assistance, for those who left assistance in the year between January and December 2000. The positive outcome rate for NEIS in this period was 85%, with 83% employed.

Outcomes from Job Search Training were substantially higher than those from Job Clubs (an equivalent program) in 1995–96 (30% positive and 25% employed) (DEWRSB 2000). Intensive Assistance outcomes also rate well compared with the average outcomes of a range of labour market programs<sup>34</sup> (35% and 27% respectively) that were replaced by Intensive Assistance (DEWRSB 2001a). Care must be taken, however, in making direct comparisons over time between different forms of assistance because different types of assistance can have different objectives and service arrangements, and may be targeted at job seekers with different characteristics and operate under different economic conditions.

##### ***Sustainability – the extent to which outcomes endure into the longer term***

Preliminary evidence suggests that the quality of jobs obtained through Job Matching improves over time. A sample of job seekers placed during 1999 (during the first contract period) were followed up 15 months later (during the second contract period). This survey found that:

- of the 68% who were employed three months after their Job Matching placement, 83% were also employed 15 months after placement; and
- job seekers in temporary, seasonal and casual work had a good chance of moving into permanent positions. Of those job seekers, in such jobs, who were still employed 12 months later, 41.9% were in permanent jobs.

Further research on the sustainability of Job Matching outcomes 15 months after placement is being carried out for the Stage Three evaluation of Job Network. The sustainability of employment and income support outcomes from Job Search Training and Intensive Assistance either six or 14 months after assistance will also be examined.

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<sup>34</sup> JobSkills, JobTrain, JobStart, Landcare Environment Action Program, New Work Opportunities, SkillShare and Special Intervention Program.

### *The Net Impact of Job Network assistance*

At the individual level, measures of net impact estimate the additional outcomes achieved over those that would have been achieved in the absence of assistance. These impacts are typically derived in terms of employment and income support status, and to date the net impact of Job Network has been measured in off-benefit terms.

The analysis undertaken so far for Job Network has measured two types of impact—the program impact which measures the improvements in job prospects or the ‘value added’ as a result of participation in assistance, and the compliance effect of referral to assistance.

Participation in Job Search Training and Intensive Assistance has been estimated to exert a positive impact on job seeker outcomes. Those who left Job Search Training in August 1999 achieved an off-benefit outcome rate of just under 27% compared to under 24% for the comparison group—a net impact of about three percentage points. Off-benefit outcomes for Intensive Assistance participants averaged over 31%, compared with a little over 21% for the comparison group—a net impact of around 10 percentage points.

Comparisons with the labour market programs operating prior to Job Network show that both Job Search Training and Intensive Assistance have off-benefit or off-income-support impacts similar to those achieved by the labour market programs they replaced. Specifically, the average income-support program net impact in 1996 of the labour market programs replaced by Intensive Assistance, was about 10 percentage points and for Job Clubs (which offered a similar type of assistance to Job Search Training) was four percentage points.

Restricting the measurement of net impacts to program impacts presents a less than complete picture as no account is taken of any impacts that may arise from referral to the program. Measuring the net impact from the point of referral to the program allows for estimation of program compliance effects. Lack of referral data prior to the introduction of Job Network precluded estimation of this aspect of the impact of a program in the past.<sup>35</sup>

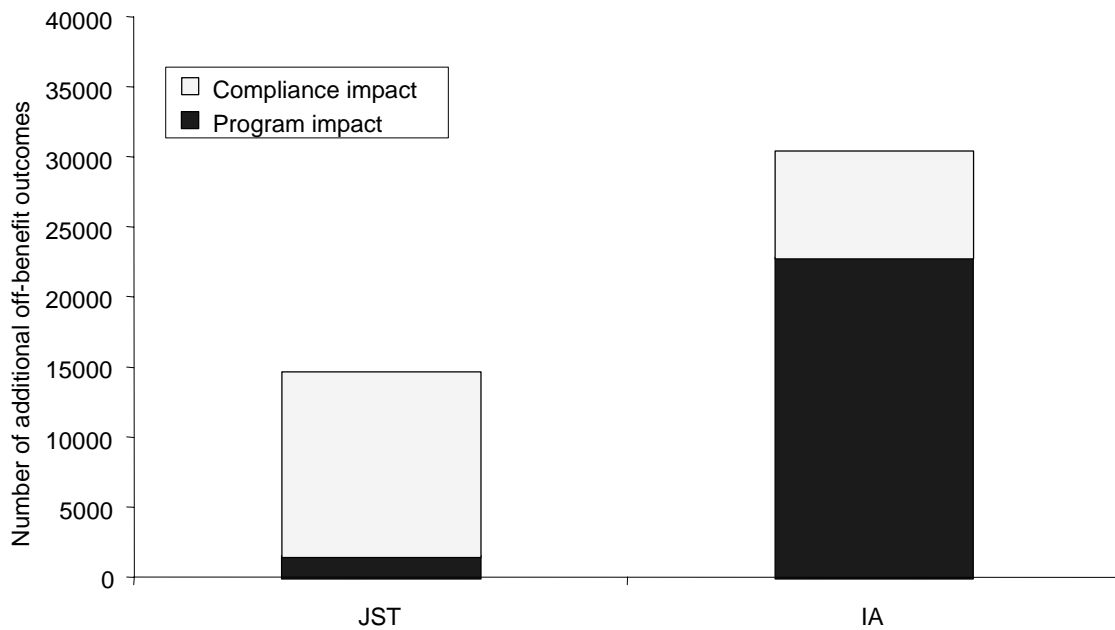
A compliance effect occurs where a job seeker referred to a program faces the possible loss of income support if he or she refuses an offer of assistance. Because of the compulsory nature of participation in assistance, referral can motivate increased job search activity and subsequently lead to employment.<sup>36</sup> The estimated magnitude of the compliance effect for Job Search Training is around 10 percentage points, while for Intensive Assistance the estimated impact is around three percentage points. Figure 3.1 below, indicates the relative magnitude of these impacts for Job Search Training and Intensive Assistance.

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<sup>35</sup> In the past, program impacts were measured from the time the participant left assistance. To allow for comparison with previous programs Job Network net impacts have been measure in a similar way. In the future, program impacts will be measured from commencement in the program to account for any ‘attachment’ or ‘lock-in’ effects. Compliance impact will continue to be measured from the point of referral to the program.

<sup>36</sup> There may also be an effect where those inappropriately claiming income support stop doing so because of their lack of availability for participation or the increased scrutiny they are likely to be subjected to if they take up the offer of program assistance.

**Figure 3.1: Program and compliance impacts**



Estimates based on referrals in 1999. The impacts do not include part-rate benefit net impacts. The data relate only to job seekers on Newstart or Youth Allowance (Other) at referral or commencement.

Source: DEWRSB 2001b

Figure 3.1 presents the combined effect of program and compliance impacts. When combining program and compliance impacts, it is important to remember that these effects apply to different numbers of clients (eg, for each commencement, there can be up to seven referrals), and that compliance and program effects were measured at different points in time. It is also important to remember that program effects are measured three months after clients leave assistance. This is based on an underlying assumption that time spent in programs can be counted as ‘time out’ of the labour force. Were this assumption not to hold, then it could be expected that attachment effects (where job seekers lower their job search efforts while participating in programs) would have an impact. The effect would be to lower the observed program impacts. However, it would not affect the measured compliance impacts.

Research is currently underway to measure the employment net impacts of programs. The methodology will allow for impacts from referral to, commencements in and post-assistance impacts to be measured.

### *Success factors*

Some preliminary research has been undertaken on the likely success factors for Job Network. The impact of assistance is likely to be a function of the types of services received, the type of provider, job search behaviour and local labour market conditions and the characteristics, attitudes and intensity of activities of job seekers. Attempts are underway to establish the relative significance of some of these factors. Some preliminary analysis has been undertaken of the types of services offered by high-performing and low-performing providers, analysis of the achievement of outcomes over time in Intensive Assistance and of the activities and attitudes among Intensive Assistance participants.

Successful Job Search Training providers appear more likely than other providers to assist job seekers prepare for interviews and to send job seekers to interviews to speak to employers.

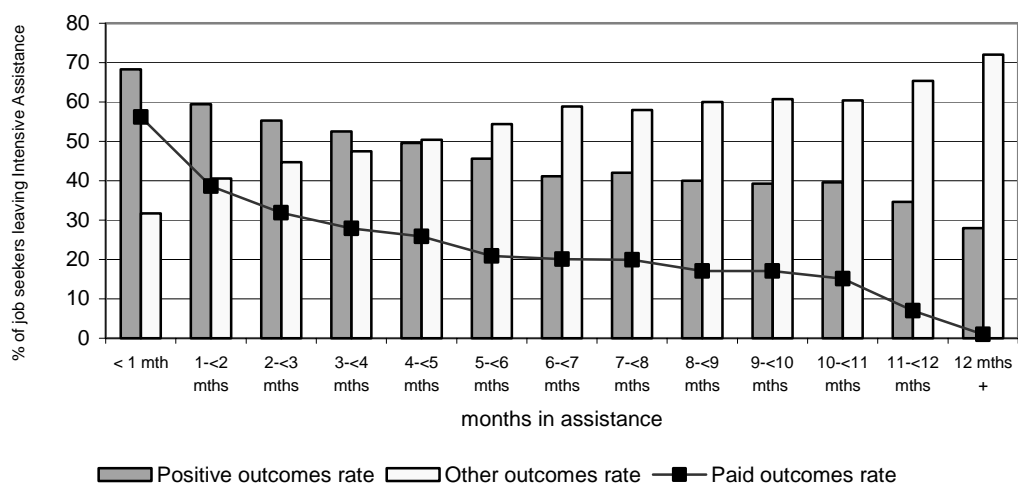
High-performing providers of Intensive Assistance are more likely to use training in job search skills than training in job specific skills. They also have a stronger focus on interviews. Not surprisingly, high-performing providers also tended to have more success in improving job seekers' self-confidence.

It should be noted that the analysis of this issue, however, was based on relatively small sample of providers and did not take into account the quality of outcomes or other assistance that job seekers may have received. The key to successful outcomes may be due to how well a package of assistance is delivered and tailored to job seekers' needs. The literature reviewed by Meagar and Evans (1998) supports the view that job search assistance and counselling makes only a marginal difference to employability but its potential is greater when it forms part of a tailor-made and intensive approach to assistance.

Analysis of the pattern of outcomes and activity levels of job seekers who remain in Intensive Assistance longer—who tend to be the more disadvantaged job seekers—suggests that there may be scope to adopt strategies to increase net impact by increasing outcome levels for these disadvantaged job seekers.

While many job seekers leave Intensive Assistance without securing a positive outcome the number is much higher for those in assistance longer. For job seekers who leave in the first three months of assistance, around 40% do not secure a positive outcome (Figure 3.2). For those who are in assistance for more than 12 months, the level was over 70%.

**Figure 3.2: Intensive Assistance post-assistance outcomes<sup>1</sup> and exits by duration in assistance, May 1998 to Nov 1999**



Source: DEWRSB 2001a

### **Efficiency and cost effectiveness**

Job Network's performance has also been assessed in terms of the unit costs of Job Network assistance, costs per outcome and costs per program net impact to assess efficiency and cost effectiveness (on the basis of off-benefit outcomes).

Table 3.1 compares the cost estimates for Job Search Training and Intensive Assistance with those applying under the programs replaced by Job Network (in current dollars). Taking account



of the proportion of job seekers who tend to get jobs in the absence of assistance (deadweight costs) provides a measure of the cost effectiveness of programs (cost per net impact).

This shows that the cost of additional off-benefit outcomes for Job Search Training and Intensive Assistance was considerably lower than the cost applying to the programs replaced by these services:

- in 1999–00, Job Search Training achieved additional outcomes at almost \$3000 dollars per off-benefit net impact less than Job Clubs; and
- Intensive Assistance achieves additional outcomes at over \$13,000 less per off-benefit net impact than the programs it replaced.<sup>37</sup>

**Table 3.1: Costs and cost effectiveness of labour market assistance in 1995–96 and 1999–00**

Type of labour market assistance	Cost-per-participant (\$) (1999–00 prices) <sup>1</sup>	Cost-per-employment outcome (\$) (1999–00 prices)	Cost per off-benefit net impact (\$) (1999–00 prices)
<b>Job Network<sup>2</sup></b>			
Job Matching	200	290	na
Job Search Training	420	1,130	13,800
Intensive Assistance	2,260	6,200	22,010
<b>Working Nation program (1995–96)</b>			
Job Clubs	660	2,500	16,500
Other major programs <sup>3</sup>	3,320	12,075	35,100

1 Cost estimates for Working Nation programs relate to 1995–96. The figures have been adjusted to 1999–00 prices.

2 Based on employment outcomes for job seekers who left assistance to end September 1999 except for Job Matching outcomes, for those placed in jobs between 1 April 1999 and 30 May 1999.

3 Average for the seven programs replaced by Intensive Assistance, including JobSkills, JobTrain, JobStart, Landcare and Environment Action Program, New Work Opportunities, SkillShare and Special Intervention.

Source: Integrated Employment System

## **Job Network's performance for different groups of unemployed people**

### **Participation**

Under Job Network, intensive services are targeted to the more disadvantaged job seekers. Lower participation of Indigenous job seekers into Job Matching and Job Search Training, is compensated for by their greater rate of referral to Intensive Assistance relative to other job seekers. Taking into account this targeting according to disadvantage<sup>38</sup> and other factors affecting participation, such as JSCI classification rates and take-up rates following referral, an analysis of participation<sup>39</sup> of different job seeker groups shows that participation for the overwhelming majority of job seekers was in accordance with expectations (DEWRSB 2001a).

<sup>37</sup> The inclusion of impacts associated with compliance effects reduces the cost per net impact to \$1400 for Job Search Training and \$16,500 for Intensive Assistance.

<sup>38</sup> In terms of the proportion of job seekers who are classified as eligible for Intensive Assistance.

<sup>39</sup> Predicted participation rates were calculated using the classification rate and take-up rates for *all* job seekers. The predicted rate represents the participation rate that would have occurred if each job seeker group had the same classification rate and take-up rates as all job seekers. Actual rates were based on known classification and take-up rates for each job seeker group for the period May 1998 to September 2000. It was assumed that each job seeker classified by the JSCI had the same chance of referral to either Job Search Training (for those with a JSCI score below 24) or Intensive Assistance (for those with a score of 24 or more). The impact of waiting lists on job seekers where providers do not have vacancies was not controlled for.

A number of job seeker groups, however, participated at a rate below their representation in the Job Network-eligible population or below their expected participation rates. These groups include Indigenous job seekers (whose participation rates in Intensive Assistance are lower than those for any other group of disadvantaged job seekers), youth, sole parents and job seekers in receipt of income support other than Newstart Allowance.

### *Outcomes*

Comparison between the shares of job seekers leaving assistance and their shares of employment and education outcomes shows that these are broadly similar for most job seeker groups. Some groups, however, had consistently lower outcomes than other job seekers across all services. These included older job seekers (aged 55–64), those on unemployment allowances for more than two years, job seekers with less than year 10 education, Indigenous job seekers and those with a disability.

### *Sustainability of outcomes*

It is important not only that outcomes are achieved but that they are also sustained. Sustainability of outcomes (as measured by off-benefit outcomes six months after participation in assistance) was generally lower for Intensive Assistance participants than for participants in Job Search Training, Job Matching and NEIS, reflecting the greater level of disadvantage of participants.

The level of sustainability varies considerably between job seeker groups within particular services. With the exception of job seekers aged over 55, sustainable off-benefit outcomes generally declined with age. The increase in off-benefit outcomes for job seekers over 55 probably reflects movement out of the labour force (including to other types of income support), given their relatively low rate of employment outcomes. It is also possible that the relatively better performance of Indigenous people following Intensive Assistance may be due in part to some Indigenous job seekers being in subsidised employment through the Indigenous Employment Program. Indigenous job seekers participating in CDEP are counted as an off-benefit outcome.

### *Factors affecting equity of participation and outcomes*

An examination of relevant data has found that participation in and outcomes from Job Network are influenced by:

- Centrelink's performance in identifying those job seekers who are most likely to remain unemployed (including the application and accuracy of the JSCI<sup>40</sup>). Two groups of job seekers—Indigenous job seekers and mature age job seekers—had low JSCI classification rates;
- where job seekers live relative to the strength of the local labour market and the availability of services. Job seekers in more remote areas were less likely to have had the JSCI applied, their local labour market was more likely to be weaker and they were less likely to have access to Job Network services; and
- the take-up of services, measured in terms of the proportion of job seekers referred to assistance who actually commence, which in turn is influenced by a wide variety of interrelated factors.

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<sup>40</sup> A job seeker must have a JSCI score to be able to access Job Search Training or Intensive Assistance.

- factors influencing the take-up of services include perceptions of the usefulness of the service, whether or not participation is voluntary, whether job seekers were exempt from assistance, the application of benefit sanctions (breaching) and the motivational effect of referral to assistance. Young people, Indigenous job seekers and sole parents had low take-up rates, particularly in Intensive Assistance.

Many young job seekers and sole parents are not on activity-tested allowances and their participation in Job Network is voluntary. This contributes to their below average JSCI classification rate and the extent to which those referred to assistance take-up the offer.

Other factors influencing the participation of youth include the lesser likelihood of their scoring highly on the JSCI and the availability of other labour market assistance options including Mutual Obligation activities such as Work for the Dole. There is some evidence that the introduction of the Youth Allowance and the extension of Mutual Obligation contributed to a decline in the number of youth registering with Centrelink (DEWRSB 2000).

Data produced by the Australian Bureau of Statistics (ABS) on active steps taken by job seekers to find work show that job seekers aged 15–19 are substantially less likely than other job seekers to register with Centrelink (38% compared to 61% of all job seekers in 2000), although it is more common for young people looking for full-time work (65% compared to 72% overall) (ABS 2000). Around 95% of those not registering with Centrelink indicated that they contacted prospective employers as an alternative job search strategy, but their success rate from these efforts is not known. Very little is known about young job seekers not registering with Centrelink, including the extent to which they need assistance and are accessing services other than Job Network such as DEST services targeted at youth. Further research into youth participation rates is required.

### ***Improving the quality of assistance compared with previous arrangements***

Surveys of job seekers and employers were conducted in 1999 to measure perceptions of service quality. These surveys found that the quality of service to job seekers has improved with the implementation of Job Network. These surveys were repeated in 2001 and their findings will be reported in the third stage of the evaluation of Job Network.

The majority of job seekers (75%) regarded the service they were receiving as of high quality. Eighty-one per cent of job seekers who had enrolled with a Job Network member in the previous six months were satisfied with the service provided. Job seekers rated the new arrangements as better at providing a professional service, paying attention to individual needs and in terms of being treated like a person. Job Network was also rated as better at improving job seeker chances of getting a job and as having a large range of suitable jobs.

Of employers surveyed, 84% who had used Job Network to fill their last vacancy were satisfied with the service provided by the Job Network member. Employers rated Job Network as better than the CES on many aspects of service—in particular, for providing a quick, individually tailored service to employers and for showing an understanding of the commercial environment.

Overall perceptions of the quality of services are also a function of the extent to which participants are offered a given service and the support they need to be placed in jobs, improve job search skills and address barriers to employment. Achievement of this service quality objective relies on providers offering the appropriate assistance since they have the flexibility and incentive to tailor assistance to the individual needs of job seekers.

Evaluation of Job Network has shown that a common feature of service delivery is an emphasis on fostering self-reliance by encouraging job seekers to be more active in job search (DEWRSB 2000). Job seekers are assisted to develop more effective job search techniques and to improve their motivation.

Evidence suggests that Job Network services do contribute to improved skill levels and motivation. This evidence, from surveys conducted in 1999, relies on respondent perceptions of impact rather than direct measures of changes in skill level or motivation. Nevertheless, over 76% of Job Search Training and 65% of Intensive Assistance participants agreed or strongly agreed that the assistance they received improved their chances of getting a job and over 72% of Intensive Assistance job seekers agreed that or strongly agreed their provider helped them stay motivated to look for work. Further research, however, is needed to measure skill level and motivation before and after an episode of assistance.

A study of activities undertaken by job seekers in Intensive Assistance in 2000 provided data on the level of training and work experience offered to job seekers. Overall, 22% of job seekers had received training in the seven days prior to the survey—11% had attended a training course (an average of 13 hours) and 12% had inquired about or applied for a training course, traineeship or apprenticeship. Over the period of assistance, 18% of job seekers had undertaken paid work, 14% completed specific job specific training such as a computer or special certificate course, or extra training in job search, 11% were trained in job search skills, and 5% had obtained work experience. Fewer than 5% had undertaken training in general numeracy or reading courses, English language training, small business training, self-development training or community or volunteer work.

The way in which employment officers motivate job seekers to look for work has been examined with the help of attitudinal statements that measured job seeker perceptions of the role and helpfulness of Intensive Assistance. Two factors were found to be important in determining job search behaviour. These were access to the employment officer and being provided with individualised service that was supportive of this job search activity. Following up commitments made to job seekers was seen as important—with 75% of job seekers reporting that this occurred.

Research suggests that the role the employment officer plays in focusing job seekers on getting a job is especially important for more disadvantaged job seekers, such as those with low educational attainment, mature-age job seekers and those in assistance for over nine months. Job seekers who experience greater difficulty in finding work have a greater need for the encouragement and support of the employment officer.

This appears to be the case for job seekers with low levels of education (less than year 10) and youth (under 24 years). Employment officers also identified that older job seekers needed special help in looking for work and were more likely to be undertaking activities that placed less focus on job search.

The results from a study undertaken in 2000 suggest that employment officers used a wide range of strategies to assist job seekers (providing direct assistance, checking their progress and motivating job seekers). A high proportion (80-100%) of employment officers surveyed reported using strategies such as helping with résumés, job applications, assessing and discussing training needs, as well as providing motivational support.

The research also showed that many employment officers are tailoring their approach to job readiness and job search activities based on the local job market, the capacity and often, the age

of the job seeker. Based on a principle of “*doing whatever it takes*” to get the job seeker into a long-term job, employment officers provide assistance with buying work-related clothes, arranging transport, getting the job seeker dental treatment or training in hygiene, or examining short-term job possibilities (for between 3% and 8% of job seekers). In some cases they provide support and encouragement in dealing with knock-backs or other motivational training.

### **3.8.2 Other issues affecting performance**

#### **Job Network members - unintended behaviours**

One of the objectives of Job Matching is to increase the speed and efficiency of placements and thereby improve the quality of service to employers. It was envisaged that provision of choice of Job Network members for employers and job seekers, and payment for results would create competition between Job Network members, which would benefit the system as a whole by giving:

- employers higher quality job seekers for their vacancies; and
- job seekers equal access to all advertised vacancies thereby giving them a fair chance of applying for those jobs.

These intentions are supported by the Code of Conduct and requirements in the contract that spell out the sequence of events required for servicing job vacancies. In addition, Job Network members have been advised through information sessions and Job Network Bulletin articles of the contractual requirement necessary to claim a Job Matching outcome fee.

It would appear, however, that some Job Network members are influenced more by achievement of outcomes for Intensive Assistance clients than competition for employer vacancies and job seekers. The relatively high Intensive Assistance outcome payments secured by contracted providers provides a strong incentive to reserve their vacancies for Intensive Assistance clients and so maximise their chance of obtaining an outcome. This is exacerbated by successful lobbying from providers to ensure their contracted capacity is optimised, thus reducing the financial risk to providers by enabling them to maximise up-front service fee payments. The inclusion of Intensive Assistance outcomes in the calculation of Job Network ‘Star’ ratings (reflecting the policy design that Intensive Assistance providers must use Job Matching services to assist their policy design that Intensive Assistance job seekers) provides a further incentive for this behaviour despite fine tuning of this KPI to minimise its unintended consequence.

A departmental study (DEWRSB 2001c) notes that high performing Intensive Assistance providers have strong linkages between Intensive Assistance and Job Matching and that Intensive Assistance clients are given priority for referral and placement in job vacancies, often being matched to the vacancy before any other job seekers are considered.

These findings are supported by the OECD (2001), which suggests that although providers may generally list vacancies on AJS some providers, may on occasion, inappropriately delay listing the job on AJS or post only inadequate information. This might occur, for example, where a provider attempts to ensure that its own Job Search Training and Intensive Assistance clients have first chance of a referral and placement.

The OECD observes that the impact of Job Network members ‘hoarding’ their vacancies has potential consequences for both Job Matching and Intensive Assistance job seekers as they have a reduced pool of vacancies that they can apply for and may often waste time and effort applying for positions advertised on AJS that are not available to them.

Steps taken by DEWR to counter this behaviour include audits and tracking the length of time between vacancy listings and jobseeker referrals. In addition the IES system will not accept a claim where the placement date precedes the vacancy creation data. If a Job Network member shows a pattern of filling vacancies within an hour of lodgement then the Contract Manager can be notified and the Job Network member investigated.

The OECD report concludes that hoarding vacancies is contrary to the needs of an efficient labour market. While this may be true, the proportion of Intensive Assistance clients placed in jobs by providers (relatively constant at between 27–30% of Job Matching placements in any 12 month period) suggests that this behaviour, while affecting individual job seekers, may not have any significant effect on the overall operation of the labour market.

It could also be argued that giving Intensive Assistance clients priority over other applicants is consistent with an equity principle common in the provision of labour market assistance. Employers, of course, can also refuse to take on Intensive Assistance clients, if they are unsuitable, and request to see other applicants.

### ***Additional costs for job seekers***

Issues have been raised about the costs to job seekers of the way in which current Job Matching services are delivered, and attempts are under way to find practical solutions to those issues that have been flagged through evaluation and anecdotal evidence.

Job Matching service providers match job seekers enrolled with them to jobs canvassed from employers and, as part of this process, the providers advertise basic details of their vacancies on AJS. Interested job seekers enrol with them in order to establish further vacancy details.

The Job Network Evaluation Stage 1 reported that job seekers using Job Matching services appeared to be incurring additional costs compared to using the former CES. This is because job seekers are required to travel to different Job Matching services to apply for jobs held exclusively by those services (see Job Network members - unintended behaviours above). The travel time involved also reduces the time available for job seekers to meet job search requirements and to search for jobs in their local area. These findings have been supported by recent qualitative research undertaken by the department. In addition anecdotal evidence suggests that to aid in their selection of candidates, some Job Network members often request that job seekers personally deliver their written applications and résumés. Personal delivery allows the Job Network member to sight and screen the applicant, but compared with delivery by mail, fax or email can be costly for the job seeker.

### ***Employer use of Job Network***

Large numbers of employers and job seekers have participated in Job Network since its implementation in May 1998. Employer use of Job Network is influenced by a range of factors, including the availability of job seekers with the skills in demand and the industry and occupation of the jobs becoming vacant, and these factors vary over time with the economic cycle. In any week during the past 12 months (up to the end of February 2001), the number of positions available on the National Vacancy Data Base has averaged almost 47,000. It was found in 1999 that Job Network was used by 38% of all employers who recruited in the 12 months to June 1999 (DEWRSB 2000). The survey also found that Job Network was the third most common method of recruitment used in the year preceding the survey, after newspaper advertising and individually targeted recruitment. Employer use of Job Network varies by industry. It has achieved its greatest penetration in the manufacturing (52%), accommodation,

cafes and restaurants (51%) and communications services (51%) industries. More than half of the employers in these industries used Job Network. The industries with least use of Job Network in the 12 months to June 1999 were education (15%), agriculture, forestry and fishing (24%) and government/administration and defence (24%).

A more recent national employer survey suggests that while employers who use Job Network are very satisfied with the service they receive, overall awareness and use of Job Network among employers remains lower than the Department would like.

### **3.8.3 Outcomes from Centrelink Business Partnership Arrangements**

Centrelink was established in July 1997 prior to Job Network. As a 'first-stop' Centrelink outcomes are interim outcomes that feed into Job Network outcomes.

#### *Effectiveness and efficiency issues*

The Department has jointly developed with Centrelink, initiatives to improve Centrelink's effectiveness and efficiency in the employment services market. In order to improve the supply of job seekers to service providers the Department and Centrelink progressively replaced Centrelink manual referrals to Intensive Assistance, Job Search Training and Work for the Dole with automated referral processes using IES.

Other initiatives have included the streamlining of supplementary assessment processes for more disadvantaged job seekers to increase the flow of referrals to specialist CSP providers.

The Department, Centrelink and other purchasing agencies such as the Departments of Family and Community Services and Education, Training and Youth Affairs have worked together on some streamlining and re-engineering initiatives with a 'whole of government' focus, such as the introduction of Preparing for Work Agreements and Rules Simplification Initiatives.

Both the Department and Centrelink are constantly seeking opportunities for streamlining and re-engineering in order to find ways to improve Centrelink's operations in the employment services market.

#### *Equity of access and outcomes*

Both the Department and Centrelink are committed to ensuring equity of access to government services. One of the Department's outcomes is creating "an efficient and equitable labour market" that links people to jobs and promotes the transition from welfare to work.

Centrelink contributes to the achievement of this outcome through the successful delivery of the job seeker services outlined in the BPA.

Indigenous job seekers are a group for whom equity of access to employment services is a major issue. Under the BPA Centrelink delivers additional services specifically designed to improve Indigenous job seekers' access to the employment services market. The specific services for this group include:

- the provision of outreach services;
- post referral follow-up for job seekers referred to Intensive Assistance; and
- issuing of Wage Assistance Cards to enable access to wage subsidy programs.

### *The performance of Centrelink*

A KPI assesses Centrelink's effectiveness in providing post referral follow-up by measuring Indigenous job seekers' share of Intensive Assistance commencements. All recent indications are that this rate is increasing and is currently above the benchmark. It is not clear, however, whether these commencements are translating into employment outcomes.

One of the most rigorous aspects of the BPA is the requirement that Centrelink meet agreed performance standards. KPIs are used to assess Centrelink effectiveness in the delivery of the Department's key business. These indicators are designed to measure quality and timeliness of service delivery. Timeliness of service provision is a high priority for the Department because of Centrelink's 'first-stop' role.

Most of the services Centrelink delivers for the Department are directly related to ensuring that the pool of eligible job seekers available to service providers is maintained at optimal levels. This means that, in addition to providing a quality service, Centrelink must also ensure that the service is delivered in a timely fashion.

In order for the employment services market to operate effectively, job seeker registration, assessment (JSCI and JSCI Supplementary Assessment) and referral must avoid unnecessary delays to both job seeker and provider. For this reason, a significant proportion of the KPIs measure the extent to which Centrelink meets agreed timeliness standards. Over the last two years, Centrelink has faced on-going difficulties in meeting KPIs relating to the timeliness of registration, assessment, enrolment with Job Network members and signing Preparing for Work Agreements.



## 4 Improving Job Network

The performance of Job Network has continually improved since its introduction in May 1998. Significant opportunities exist to further improve its performance through changes to purchasing arrangements, policy settings, quality of services provided and contract management. In addition, the services that Job Network provides need to be better understood by job seekers and tailored even more closely to the needs of the individual.

### 4.1 Purchasing Job Network services

Job Network services have been purchased to date through full and open competitive tender processes.

One of the lessons learned from the previous tenders is that they are time consuming, expensive and disruptive to current providers, prospective tenderers, the Department and the Government. They can also have considerable impact on job seekers and employers. A major policy issue facing the Department is that of purchasing value for money while providing for fair competition and simultaneously minimising any disruptions.

Open tender rounds have the advantage of allowing new entrants into the market and preventing existing providers from becoming complacent because of an expectation of continuing business. They also enable the purchaser to implement policy changes, which may become necessary over time. Rewarding high performance providers by awarding additional business has also improved the potential performance of the market. The average performance of Intensive Assistance providers who gained contracts in the second contract was some 25% higher than the overall average performance of providers in the first contract. There are some inherent difficulties with a large-scale, full, competitive tender, however. These include:

- the provision of services through to contract expiry to job seekers whose providers do not win business in the new contract, particularly if the number of clients in this category is higher than anticipated;
- a potential reduction in job seeker choice if a job seeker's preferred provider loses business at the end of a contract period.
- a potential lack of stability in the market if the tender results in significant turnover in Job Network members. Similarly, there is potential for a significant loss in confidence in Job Network if it is perceived to be in continuous upheaval;
- business planning for Job Network members may be difficult given the time between calling for bids, awarding contracts and the start of contracts—leases and recruitment processes are particularly vulnerable and can affect the delivery of service;
- there may be significant costs to both new entrants and existing providers to prepare tender documents. There are also significant costs to the Commonwealth to administer such large human services tenders; and
- there may be a change in business levels linked to the timing of the tender—if the staff of Job Network members have, for example, been diverted away from delivering outcomes for job seekers.

The Department has reviewed the second tender with a view to developing options for purchasing Job Network services beyond 2003. The review included extensive consultations with stakeholders. As part of the review process, the Department identified, in consultation with

NESA, seven considerations that should underpin the purchasing of employment services in the future. These considerations are:

- good performers should be rewarded;
- there should, as far as possible, be stability in the employment services market;
- there should be equity of access to assistance for job seekers;
- the choice of providers should reflect value for money;
- the purchasing process should be less resource intensive for both the Department and providers;
- the purchasing process should be transparent; and
- there should be scope for policy flexibility.

Alternative options for purchasing future Job Network business have been canvassed with Job Network members and include:

- (i) rolling tenders – conducted each year for different geographical areas;
- (ii) where there are existing contracts, offering to extend all contracts for different periods based on performance – better performers would be offered longer extensions; and
- (iii) offering contract extensions on the basis of performance and re-tendering for the remaining business.

Option (iii) is preferred with the scale of contract offers to be set so that there is a satisfactory level of market stability as well as the opportunity for new providers to enter the market or existing providers to expand or withdraw.

The key advantage of this approach for Job Network is that the better performing providers could be retained. It would minimise disruption and performance downturn. It would also provide more certainty for the better performing providers, thereby encouraging them to invest in infrastructure development and assist them to retain skilled staff. This approach is also consistent with normal commercial practice, whereby purchasers extend the contracts of those contracted providers who are delivering a good service.

The Government's Employment, Workplace Relations and Small Business policy document *More Jobs Better Future* reflects a commitment to

offer to renew the contracts of the highest performing Job Network members in most local areas. The Government anticipates that about 60% of existing Job Network business...will be renewed this way with the rest proceeding to competitive tender (The Howard Government 2001, p. 11).

## **4.2 Improving the Performance of Job Network Services**

### **4.2.1 Job Matching**

Based on experience with its operation, the Job Matching service is an area that can be improved for both job seekers and employers.

As outlined in Chapter 3, Job Matching services provided by Job Network members include meeting face-to-face with and matching eligible job seekers to available jobs. Options to streamline this face-to-face contact are being explored. In addition, consideration needs to be given to how to extend the total pool of vacancies that are available.

One approach could be to increase the number of providers delivering Job Matching services. These services could be delivered through organisations, which successfully bid for other employment services such as Work for the Dole and Transition to Work and/or which were members of an accrediting body—for example, the Recruitment and Consulting Services Association. Under this arrangement, providers would still be required to submit a tender that satisfies criteria for the provision of a high quality service to job seekers and employers. To streamline budget management fees could be fixed for metropolitan, rural and remote locations and business would not be capped at the provider level. A national allocation of outcomes managed according to current regional parameters would be consistent with this approach.

Under this approach, a set fee structure would eliminate much of the uncertainty of a competitive price tender and could be sufficiently attractive to increase the provider base. The result would be an increase in the number, variety and coverage of employment agencies and an increase in the vacancy base and types of vacancies to which job seekers, on benefits, could be referred.

In relation to star ratings, greater weighting could be given to the placement of job seekers in jobs where the consequential effect is a reduction in dependence on unemployment benefits. A job placement resulting in job seekers substantially reducing their income support over four to six weeks could be specified as the goal for Job Matching clients. A corresponding increased fee for these more sustainable outcomes would make such placements more attractive to providers. Job seekers and employers alike would achieve greater satisfaction through closer scrutiny of placements that will realise longer-term outcomes.

The Department has consistently sought to increase the effectiveness of Job Network service delivery through the use of advanced information technology. This is particularly so for the more job-ready clients. These clients tend to more quickly take up the use of technology, are self-starters and have a preference for self-service arrangements. The technology-based services that have already been made available to these job seekers are outlined in Chapter 3.

Another Job Matching service improvement could be to contract a smaller number of providers in each area to provide a complete Job Network registration process, including ensuring that the job seeker submits a comprehensive and updated resume on the JobSearch site. This approach would facilitate the automatic matching of job seekers to jobs and allow Job Network members to have a comprehensive on-line picture of clients. While recognising the importance of providers interviewing a job seeker face-to-face to protect the interests of the employer and hence preserve good relationships between providers and employers, the process could streamline the Job Matching process and lead to greater efficiencies. This group of providers could also make available a more complete Job Network Access centre for job seekers. Enhancement of Internet and Job Network Access centres could allow for increased self-registration by job seekers. Job seekers would still need to present in person, proof of identity documentation but a reduction in face-to-face contact would be possible.

#### **4.2.2 Job Search Training**

Job Search Training services are designed to assist job seekers obtain employment through individually tailored assistance that improves their job search skills, motivates them for work and expands their job search networks. The *Australians Working Together* package recognises the value of keeping job seekers active in looking for work with an additional requirement for job seekers to take up Job Search Training after three months on unemployment payments.

Job Search Training is effective in its compliance impact by requiring participation for 15 consecutive days, and in providing value for money. Post-assistance outcome levels for Job Search Training show that three months after leaving assistance the outcome rates for job seekers were 52% (either employed or undertaking education and training, with 44% employed). Job Search Training has been delivered at about half the cost-per-job of former Job Clubs (DEWRSB 2001a).

Potential areas for improvement in Job Search Training include the extent to which services are individually tailored, and the nature of the support, facilities and equipment for job seekers. These areas would need to be considered in such a way as to avoid prescribing the detail of services to be delivered by Job Search Training providers and without limiting current and prospective innovations in service delivery or the continued achievement of high outcomes by providers.

In relation to facilities and equipment, it may also be helpful to introduce standards to cover the equipment and facilities that are made available for use by job seekers. This could be expressed as having up-to-date equipment dedicated for use by job seekers participating in Job Search Training to facilitate keeping the job seeker active in their job search and reinforcing or further developing skills that will assist them in obtaining paid employment. Areas to be covered include appropriate access to Job Search Training trained staff and supervision to help with job search activities, computers loaded with the latest version of software packages, telephones, printers, photocopiers, access to the Internet and facsimile machines, and newspapers.

### **4.2.3 Intensive Assistance**

Intensive Assistance involves the provision of individually tailored and flexible assistance to meet the particular employment barriers of individual job seeker.

Stage 2 of the Job Network evaluation (DEWRSB 2001a) noted that there was scope to increase the effectiveness of Intensive Assistance particularly for more disadvantaged job seekers. Key areas for improvement are:

- increasing the intensity of activity of job seekers participating in Intensive Assistance and more frequently reviewing progress against Intensive Assistance Support Plans;
- re-examining the current fee structure to ensure that it better reflects policy objectives;
- ensuring that the right people (those most in need) gain access to Intensive Assistance;
- increased take-up of Intensive Assistance;
- implementation of the *Australians Working Together* changes to Intensive Assistance; and
- practice improvement arrangements.

### **Individualised assistance and the duration of assistance**

Job Network members contracted to provide Intensive Assistance have considerable freedom in regard to the actual service that they provide to job seekers. In the second Job Network contract period, in recognition of the linkage between undertaking activities during Intensive Assistance and positive outcomes, the Department moved to increase the accountability of providers (through a Declaration of Intent and Intensive Assistance Support Plan) in order to hold providers to their tender undertakings. The Department believes that there is room for improvement in the 'intensity' (DEWRSB 2001a) and individuality of assistance provided under

Intensive Assistance and will continue to work with the industry and provide advice to government to improve performance in this regard.

The optimum period of Intensive Assistance is an issue presently under consideration. Currently, clients in Intensive Assistance receive up to 12 months (level A) or 15 months (level B) assistance. Under some circumstances the period of assistance can be extended for a further six months (DEWRSB 2001a). The frequency and intensity of assistance provided to job seekers in Intensive Assistance decreases rapidly after the first six months of assistance. While levels of actual assistance vary considerably, generally the assistance provided to job seekers is most active, and contact with the provider most frequent during the first few months. After this, many Intensive Assistance clients undertake relatively low levels of job search or related activity and receive relatively low levels of assistance from their provider. Towards the end of assistance, however, levels of activity increase but the focus changes to participation in community work or volunteer work rather than pro-active job search activities.

The achievement of outcomes reflects a similar pattern. Most outcomes are achieved by job seekers in Intensive Assistance within the first three months of participation. A secondary, and smaller peak in outcomes occurs towards the end of the period of Intensive Assistance.

Opportunities therefore exist to improve the performance of Intensive Assistance by shortening the period of assistance provided but increasing the intensity of activity undertaken by the job seeker during this period.

For example, following initial assessment of the job seeker by the Job Network provider the Intensive Assistance Support Phase could be tightly tailored to both the individual needs of the job seeker and the job opportunities available within the local labour market.

The options available for inclusion within the Intensive Assistance Support Plan could be broadened to include a wider range of programs and services facilitated by changes to the existing fee structure and the greater use of “tied funding” and the concept of a “Job Seeker Account”, along the lines being introduced for Training Credits under *Australians Working Together*.

This more intensive activity for the job seeker could be punctuated by periodic review points – possibly at three-month intervals – to review job seeker progress against the Intensive Assistance Support Plan, adjust the Plan as necessary and consider the need for referral to other programs (eg, Personal Support Program, literacy and numeracy training).

The Department is currently examining changes of this type to Intensive Assistance. Such changes could build on the measures already announced under *Australians Working Together*, which introduce Training Credits for some disadvantaged job seeker groups and stabilise the duration of Intensive Assistance at 12 months for both level A and level B clients from 1 July 2002.

A recent study (DEWRSB 2001d) highlighted some key factors shared by Job Network members achieving high outcome levels for Intensive Assistance participants. Among these, high performing sites provide a wide range of assistance and tailor services to individual needs. Consultants at these sites have greater autonomy to decide – with the job seeker – the most appropriate assistance that will help the particular job seeker find a job. High performing sites appear to spend more on purchasing goods or services to meet identified job seeker needs and individual consultants have more autonomy about the services that can be purchased and the amount that can be spent.

In light of these findings, which confirm the link between activity in Intensive Assistance and positive outcomes, the Department will be more actively working with Job Network members and its peak body, NESAs, to promote better practice in service provision with emphasis on increased activity levels with job seekers. This will be supported by changes the Department is making to its Contract Management arrangements (see Section 4.8.2).

Most Indigenous job seekers are assessed at the initial point of registration with Centrelink as eligible for Intensive Assistance. Significant improvements have been achieved in both commencement numbers and outcomes achieved by Indigenous job seekers through Job Network during the past 12 months. Nevertheless, for a number of complex socio-economic factors, lower commencement rates have been experienced by these job seekers. These reasons include the remote locations within which many Indigenous clients live, difficulties experienced by Job Network members in making contact with clients due to their isolation and various cultural issues which need to be sensitively managed by Job Network members in order to provide suitable, tailored assistance.

Many prospective Intensive Assistance clients are also currently participating in CDEP. While CDEP has served a useful purpose in many economically disadvantaged communities, the Department is moving to assist people to make the transition out of CDEP into unsubsidised, sustainable employment wherever possible. With the introduction of *Australians Working Together*, the Department will establish Indigenous Employment Centres (IECs) – many of which will have previously been CDEPs. Through IECs Indigenous people will be encouraged into mainstream Job Network services and in particular Intensive Assistance. In addition, *Australians Working Together* will introduce Training Credits and Personal Adviser services for this most disadvantaged group with the labour market.

### *Mature age job seekers*

The overall outcome rates for mature age job seekers are generally affected by a range of erroneous perceptions and stereotypical views held in the community and by employers regarding the worth of older workers. The Government has commissioned a number of reports into issues confronting older job seekers. These include the Nelson Report: Age Counts, and the McClure Report into Welfare Reform that forms the basis for a broader participation support system. Both these Inquiries found that Australia (along with other developed countries) is experiencing an unprecedented ageing of population and the associated workforce. Current business and related human resource management practices coupled with work-life expectations of individuals will result in the de-skilling and disconnection of workers from the labour market as they age. Given the ageing of the workforce and the static supply of younger workers in an increasingly competitive labour market, business will need to act to ensure workers maintain skills and connection to work as they age to sustain the supply of skilled labour.

Findings from these reports will be translated into employment policy through specific *Australians Working Together* initiatives. These will include access to Training Credits as well as streaming of intensive support services to ensure older job seekers receive more individualised and appropriate assistance and services.

Separate strategies are also being developed to influence the values and judgements of Job Network members and employers in order to improve the employment outcomes achieved by older Australians accessing Job Network.

## ***Intensive Assistance fee structures***

The structure of fees paid to Job Network members has an important influence on the provision of assistance and achievement of outcomes for job seekers. To increase the performance of Intensive Assistance in achieving outcomes for job seekers, the Department is reviewing the current pricing structure to increase the incentives for providers to achieve outcomes for job seekers and ensure high quality services are provided to job seekers.

### *The current fee model*

Intensive Assistance fees are currently structured in such a way to as to reflect the varying degrees of difficulty of producing outcomes for different types of clients. The up-front payment recognises the costs associated with assisting job seekers. It aims to ensure cash flow problems do not occur which might limit the provision of services. The interim and final payment structure and criteria aim to encourage providers to achieve sustained outcomes. The higher payments for level B clients aim to encourage providers to deliver outcomes for these more disadvantaged.

Ensuring that the fee structure reflects the appropriate incentives is a major issue for outcomes-based models of payments. Experience with Job Network has shown that provider behaviour is linked to the fee structure. The current fee structure may encourage providers to seek to maximise their income from up-front fees by quickly ‘turning over’ clients for whom a payable outcome may be difficult to achieve.

Stage 1 of the evaluation of Job Network (DEWRSB 2000) noted that the bulk of payments to providers for the first contract were as upfront fees and that the fee structure could create an incentive not to offer assistance if the outcome payment could not cover the costs of servicing both successful and unsuccessful job seekers (DEWRSB 2000).

Other researchers have commented on the fee structures in Job Network. Harding (1998) argued that the Intensive Assistance fee structure in the first contract period did not offer profit-oriented providers an incentive to use wage subsidies, which he considered a cost-effective form of assistance. Webster (1999) reached a similar conclusion and suggested that wage subsidies were unlikely to be used because of a combination of insufficient funds in the system and a lack of incentive in the fee structure to offer this type of assistance.

The balance of the Intensive Assistance fee was weighted towards the outcome payments to a greater extent in the second Job Network contract (Table 4.1). In its examination of Job Network, the OECD (2001) suggested strengthening the focus on outcomes even more by paying for outcomes above a threshold or net impact level, and not paying for outcomes attributed to deadweight. The OECD proposed broadening the concept of net impact beyond just the employment gain to cover the total social welfare benefit (including impacts on government finances, worker’s utility, the employer and local community).

There are a number of problems with such an arrangement, however. As acknowledged by the OECD such a model would pose a significant risk for many providers and as a consequence they proposed payment of advances on expected fees to minimise cash flow problems. Paying only for net impact would also require a large increase in the level of the outcome fee (even the current average fee for a level B job seeker of \$7,000 is well above single rate unemployment allowance payments for six months). This has the potential to greatly increase the risk of providers engaging in artificial arrangements – such as, creating work experience style jobs or paying individuals a ‘wage’ to stay off income support for 13 weeks. Moreover, paying for net

impact based on social gain, while potentially increasing program net impact levels, would also pose very difficult measurement problems and would be unlikely to find wide acceptance in the industry.

**Table 4.1: First and second contract fee structures for Intensive Assistance**

	Funding level <sup>1</sup>				
	1	First contract 2	3	Second contract A	B
<b>Fee structure</b>					
Commencement fee	\$1,500	\$2,250	\$3,000	\$1,077	\$2,122
Interim outcome payment					
Primary	\$1,500	\$2,250	\$3,200	\$2,514	\$4,953
Secondary	\$500	\$500	\$500	\$536	\$536
Final outcome payment					
Primary	\$1,200	\$2,200	\$3,000	\$1,072	\$2,144
Secondary	\$500	\$500	\$500	\$536	\$536
<b>Total payment to provider if a final outcome achieved</b>					
Primary	\$4,200	\$6,700	\$9,200	\$4,663	\$9,219
Secondary	\$2,500	\$3,250	\$4,000	\$2,149	\$3,195
<b>Percentage distribution if a final outcome payment achieved</b>					
Primary outcome					
Commencement	35	34	35	23	23
Interim	35	34	35	54	54
Final	30	32	30	23	23
Secondary outcome					
Commencement	60	69	76	50	66
Interim	20	15.5	12	25	17
Final	20	15.5	12	25	17

<sup>1</sup> For the first contract the fee structure was fixed. Bids were on a competitive basis for the second contract and covered the commencement fee and primary interim outcome payment. Final outcome payments and the secondary interim outcome payment were fixed. The data shown for the second contract represent a bid at the floor price set by DEWRSB.

Source: DEWRSB 2000

The OECD also suggested providers bid for clients on a regular basis, for example, fortnightly. The resources required by both providers and the Government to build and sustain such a system, however, are likely to outweigh any associated benefits, especially given the limited nature of the market at a local level over short periods.

The difficulty in achieving an effective incentive scheme is illustrated by the fact that in existing models the ratio of upfront to outcome fees varies widely with varying levels of success (see Table 4.2).

The Department is currently reviewing options in this area. In particular, the optimum mix between fee for service, 'job seeker account' (the Training Credits approach) and outcomes payments in the Intensive Assistance pricing structure.



**Table 4.2: Fee incentive structures in Australia and the US**

Payment point	Job Network 1st contract	Job Network 2nd contract <sup>1</sup>	Pennsylvania <sup>2</sup> %	Florida <sup>3</sup>	New York <sup>4</sup>
Up-front	35	23	50	40	-
At job placement	-	-	25	50	18
After person is employed for three months	35	54	25	-	-
After person is employed for four months	-	-	-	-	70
After person is employed for six months	30	23	-	10	-
After person is employed for seven months	-	-	-	-	12

1 Refers to a bid at the floor price under Job Network's second tender.

2 Contractors under Pennsylvania's Community Solutions Program are paid 50% of their costs at the time of client enrolment, 25% at job placement and 25% at the 90-day retention mark

3 WAGES limits upfront payments to no more than 40% of the total costs of providing services. Providers receive compensation for 50% of the costs at job placement and the final 10% after the job seeker retains the job for six months.

4 The company receives 18% of its payment at the initial, temporary job placement, 70% if the employer hires the person as a permanent employee after four months and the final 12% in the person remains in the job for an additional 90 days.

### **4.3 Improving the assessment of job seekers**

#### **4.3.1 Evaluation of the JSCI**

The Department is concerned to ensure that the JSCI is as effective as possible and undertakes ongoing management, monitoring and evaluation of the instrument and referral process to improve its effectiveness.<sup>41</sup> This program includes a range of initiatives:

- *The statistical basis of the JSCI.* A range of activities is undertaken to test the validity of the weights of the JSCI to ensure that it identifies the most disadvantaged job seekers. These include monitoring Intensive Assistance selection rates by various groups, statistical testing of selection rates based on actual outcomes and periodic re-estimation of the weights of the JSCI;
- *Evaluating the design of the JSCI.* Periodic evaluation of the JSCI questionnaire is undertaken in order to improve the accuracy and disclosure of JSCI information by job seekers in the Looking for Work interview;
- *Monitoring the administration of the JSCI.* Ongoing monitoring of Centrelink's administration of the collection of JSCI data is undertaken to help ensure that the instrument is applied consistently across all Centrelink sites; and
- *Monitoring the referral process.* A number of activities are performed to monitor the referral process following the allocation of a JSCI score to a particular job seeker. These include monitoring commencement rates by job seeker cohort.

Broadly speaking this work concludes that the JSCI is working relatively well in achieving its current objective, that is, to identify job seekers who face significant labour market disadvantages.

Further research could, however, usefully be carried out into the predictive accuracy of the JSCI. Little work has been undertaken so far to examine its accuracy in predicting successful outcomes

<sup>41</sup> A discussion of evaluating profiling tools can be found in *Evaluating Profiling as a Means of Allocating Government Services*, (Berger et al 2000).

for individual job seekers. Such an instrument, however, is only as good as the data on which it is based and there is reason to believe that a number of data items such as those relating to language and literacy, in particular, could be improved.

#### **4.3.2 Research into the accuracy of the JSCI interview process**

To determine the accuracy of the administrative data for the re-estimation process (see Section below), the Department recently engaged ORIMA Research to undertake research into the accuracy of the JSCI interview process by Centrelink. The researchers re-interviewed a number of job seekers and compared the re-interviewed score with the original. The final report (July 2001) suggested that there is considerable scope to improve the accuracy and consistency of the JSCI interview process in Centrelink by improving the JSCI questions asked at interview and the administration of the JSCI by Centrelink.

The JSCI factors, which made the largest contribution to the difference in interview scores, were recency of work experience, educational attainment, instability of residence, formal qualifications, English literacy and disability. The difference could mean additional JSCI points being given to or taken away from the job seeker.

The report does, however, note that the discrepancies between the original interview and re-interview do not necessarily mean that the original JSCI score was incorrect. A job seeker's circumstances may have changed between interviews or the degree of disclosure by the job seeker may have been influenced by the differences in the way the JSCI interview was conducted. The context of the original JSCI interview would have been different from the interview, influencing the information disclosed by the job seeker. The report found that addressing interpretation issues or ambiguities that may exist in the current JSCI questions and clarifying definitions has considerable potential for improving the overall accuracy and consistency of the JSCI interview process and would complement efforts to improve the administration of the JSCI by Centrelink.

#### **4.3.3 Re-estimation of the JSCI**

The 1999 Post Implementation Review recommended that the weights of the JSCI be re-estimated in 2001 to ensure that the original weights for the JSCI factors were still accurate. This was considered an appropriate time frame which allowed the system to 'bed down' following the introduction of Job Network.

In light of the recommendations in the review, DEWR has undertaken a re-estimation of the JSCI. It is anticipated that this will be completed in early 2002.

The revised JSCI will continue to have a similar target variable that has underpinned the JSCI since it was implemented in February 1998 that is, the likelihood of a job seeker remaining unemployed for a further 12 months. The weights of the JSCI factors will be reviewed to ensure that they are accurately predicting this target variable.

DEWR will be holding information sessions with stakeholders, including NESAs, in early 2002 to discuss the outcomes from the re-estimation of the JSCI.

#### **4.3.4 The JSCI quality assurance program**

DEWR has a Quality Assurance Program in place with Centrelink in relation to the operation of the JSCI. The accurate operation of the JSCI constitutes one of the key elements of the BPA.

Under the Quality Assurance Program, a wide range of activities are being undertaken to ensure that the JSCI is being administered correctly and accurately reflects a job seeker's relative labour market disadvantage. These include:

- JSCI training for Centrelink Customer Service Officers to ensure that the JSCI is being applied in a consistent and accurate manner and the Customer Service Officers gain disclosure of information to ensure job seekers receive appropriate employment services;
- reviewing and implementing the revised questions in the JSCI to make them easier for job seekers to understand based on the findings of the Orima research. A revised English literacy question will be implemented in December 2001;
- a Risk Management Strategy is being developed and will be implemented by Centrelink and DEWR. The Risk Management Strategy will enable a wide range of issues relating to the administration of the JSCI to be addressed in a comprehensive manner; and
- undertaking an annual quality assurance project to improve the JSCI and the administration of the JSCI interview process by Centrelink.

The JSCI Quality Assurance Working Party, comprising representatives from Centrelink and DEWR, continues to monitor the administration of the JSCI.

## ***4.4 Improving referral to Job Search Training and Intensive Assistance***

### ***4.4.1 Streaming to Intensive Assistance***

Currently, the JSCI score determines whether or not a job seeker is referred to Intensive Assistance. While duration of unemployment is a weighted factor in the JSCI, the Department is currently considering whether all job seekers should automatically be referred to Intensive Assistance after a specified period of unemployment. As observed by the OECD (OECD 2001) when a person has not found work and yet appears highly employable in all other respects, this in itself can indicate a need for assistance which is outside the scope of the present JSCI factors.

As part of its review of Intensive Assistance policy arrangements the Department is considering options to refer job seekers to Intensive Assistance automatically after a specified duration of unemployment. Under this approach the JSCI would be used as a tool for early identification of job seekers at risk of long-term unemployment.

### ***4.4.2 Take-up of Job Network services<sup>42</sup>***

While the automated referral process is successful in streamlining referrals to Job Search Training and Intensive Assistance, it has not been successful in ensuring that offers of assistance are taken up by job seekers. A substantial proportion of job seekers referred to Job Search Training and Intensive Assistance do not actually commence assistance. Take-up for Job Search Training is around 30% while take-up of Intensive Assistance is around 60%. The low commencement rate for Job Search Training can be attributed to job seekers finding work or declaring existing work but neglecting to notify Centrelink until they receive their referral letter, returning to study or relocating.

Take-up rates vary between different groups of job seekers. Job seekers whose participation in Job Network is voluntary, such as sole parents and others not on activity-tested allowances, have

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<sup>42</sup> Take up is the extent to which job seekers commence when referred to services

significantly below average take-up rates suggesting that those job seekers may be keen to take up the assistance offered but do not meet the obligations expected for such an outlay. Stage 2 of the Job Network Evaluation found that young job seekers and Indigenous job seekers had lower than average take-up rates. Other groups such as older job seekers (those over 45) had higher than average take-up rates. Those on activity-tested allowances had higher take-up rates, as continuation of their income support is usually contingent upon their participation in appropriate programs (DEWRSB 2000a).

Take-up rates can depend on the available labour market alternatives to Job Network as well as other choices job seekers have. In cases where activity testing is not an issue, job seekers may prefer alternative employment services or stop looking for work altogether. In other cases, significant disadvantage such as homelessness may increase the difficulty experienced by Job Network members in contacting job seekers referred to them. The Streamlining Job Network Access and Referral pilot (discussed later in this chapter) is expected to address some of these issues and lead to an improvement in take-up rates.

#### **4.4.3 Job Network member practices, referrals and 'point-in-time' capacity**

Job Network members' practices are having a substantial impact on the numbers of job seekers required to be referred to maintain contracted levels. There is a big gap between referrals to Intensive Assistance and commencements (as noted above nationally for every 100 job seekers referred to Intensive Assistance only 60 commence), and providers are 'exiting' job seekers from Intensive Assistance (ie, permitting job seekers to cease participation in Intensive Assistance) for reasons other than a job or education.

Currently, a large proportion of job seekers entering Intensive Assistance exit without a payable outcome and prior to the completion of their period of assistance. The major reasons recorded are inappropriate referrals<sup>43</sup> (11%), relocation (10%), medical certificate exemption (7%) and failing to lodge income benefits documents with Centrelink (6%).

While some of these exit reasons are beyond the scope of the Department to control directly, DEWR is working with FaCS and Centrelink on system and policy adjustments to encourage full duration of assistance in Intensive Assistance. These measures include:

- developing procedures relating to medical certificates and ways to recognise and focus attention on job seekers' residual work capacity rather than where they might be temporarily or permanently impaired; and
- delaying referral to Intensive Assistance for people already participating in an approved activity.

The high rate of exits and relatively low ratio of commencements to referrals means that the Department is required to replace the typical Job Network member's caseload every six months, which is more frequent than the level used in formulating the business levels for the second contract period. The high proportion of job seekers exiting Intensive Assistance before they have achieved an employment outcome or completed their period of assistance represents a 'leakage' from the system and one which impacts considerably on Job Network members' 'point-in-time' capacity. Reducing the number of non-employment outcome related exits from Intensive Assistance would considerably improve the situation in regard to Job Network members' capacity and a higher proportion of job seekers remaining in Intensive Assistance for

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<sup>43</sup> Job seekers referred to Intensive Assistance, who are considered by the Job Network member to be more appropriately assisted by other programs (eg, Community Support Program).

the longer period of assistance (or until they achieve an employment outcome) could significantly increase the outcome rate.

The Department will continue to monitor the flow of job seekers to Job Network and, in addition to initiatives outlined above, is working to implement a range of measures that will improve the flow of job seekers to Job Network members at a local level around Australia. These measures include the piloting of Streamlining Job Network Access and Referral (see below).

The Department will continue to monitor and consider this situation in consultation with the industry. It will continue to emphasise the need for Job Network members to maximise their referral to commencement ratios and their contractual obligations to contact and meet job seekers referred to them in a timely manner.

#### **4.4.4 Streamlining Job Network Access and Referral pilots**

A streamlined referral process is being piloted in several Centrelink offices during November and December 2001. The streamlined referral process focuses on reducing the lapsed time between initial job seeker contact with Centrelink and the interview with the Job Network member for Intensive Assistance. The emphasis is on increasing the number of job seekers recording preferences for Intensive Assistance provider/s at registration rather than replying to a letter generated by the auto referral process. The proposed arrangements should substantially increase the number of job seekers who choose an Intensive Assistance provider, greatly improve the percentage of commencements in Intensive Assistance and, potentially, impact on Intensive Assistance outcomes.

In conjunction with the streamlined referral arrangements, the current Employment Self Help facilities in Centrelink offices will provide a stronger focus on helping people gain access to Job Network and will be renamed as a Job Network Access Centres. Unlike the current self-help facilities these will be staffed full time. The key aims of the Access Centres lie in promoting Job Network services to job seekers, facilitating early contact of eligible job seekers with Job Matching providers, increasing the number of JobSearch résumés and helping Intensive Assistance and Job Search Training job seekers to make informed preferences.

### **4.5 Australians Working Together – Improved Articulation between Job Network and other Employment Services**

#### **4.5.1 Australians Working Together**

In the May 2001 Budget the Government announced a comprehensive package of reforms to labour market assistance and income support arrangements called *Australians Working Together – Helping People to Move Forward*. The key features of *Australians Working Together* are: individualised service delivery; a simpler income support structure that is more responsive to individual needs; incentives and financial assistance to encourage and enable participation; mutual obligation; and the development of social partnerships that increase opportunities for participation.

The *Australians Working Together* package is expected to cost \$1.7 billion over the four years to 2004–05. Of this, \$324 million will be spent on improving employment services and ensuring better articulation between programs.

Under existing arrangements the employment programs delivered by DEWR have not been well integrated. This has come about because many of these programs and policies have been

developed independently of each other. The *Australians Working Together* changes aim to provide greater flexibility in employment services by streamlining and integrating Job Network services more with other employment and related services. The aim of this is to provide unemployed job seekers with a seamless system for accessing the most appropriate assistance at the right time.

#### **4.5.2 Pathways to independence**

From July 2002, people of working age and on income support payments will have access to one of four pathways. People will be able to move between pathways as their circumstances change with Centrelink providing the 'gateway' to these pathways.

The Job Search Support Pathway will be the standard pathway for all job-ready job seekers. Most unemployed people are capable of finding jobs themselves and will use Job Matching services provided by Job Network members and job vacancy touch screens at Centrelink offices. After a few months, however, those job seekers still on unemployment payments typically require additional assistance. Accordingly, under *Australians Working Together*, after three months on unemployment payments most job seekers will be referred to Job Search Training. People who are still unemployed after six months will be required to undertake a Mutual Obligation activity such as Work for the Dole, community work, part-time work, or study.

The Intensive Support Pathway is for people assessed (through the JSCI) as being most at risk of becoming long-term unemployed without assistance. Intensive Assistance will be enhanced through *Australians Working Together* to improve the assessment of job seekers' barriers to employment and enable job seekers to access other programs and services before returning to Intensive Assistance.

Under the Community Participation Pathway a new Personal Support Program will provide more intensive help to address the problems faced by people with severe or multiple non-vocational barriers to employment such as homelessness and drug or alcohol addiction. Once participants are ready to start looking for work they will be able to participate in Intensive Assistance for up to 18 months.

The Transition Pathway is for people who have been out of the workforce for a long time or who may never have had a job. People in this pathway include those who have been caring for family members or a person with a disability. A new Transition to Work program will provide flexible and individually tailored assistance covering assessment, training and advice about how to get into the jobs market.

#### **4.5.3 Enhancements to Job Network under *Australians Working Together***

##### *Job Search Training*

Under *Australians Working Together* an additional 30,000 Job Search Training places will be made available over the four years to 2004–05 to cater for more universal referral to the program at three months duration of unemployment. Mature age and Indigenous job seekers will be able to undertake Job Search Training as soon as they start receiving income support.

##### *Intensive Assistance*

Under *Australians Working Together* Job Network members will have a greater role in assisting job seekers. The functional changes to Job Network services contained in *Australians Working*

*Together* will strengthen the purchaser-provider model of employment services delivery by allowing Intensive Assistance providers to assess job seekers over a four-week period to help identify barriers to employment that may not have been divulged by the job seeker during the Centrelink interview process. Where particular barriers are identified the provider will have the ability to refer these job seekers to complementary assistance and on occasion to joint assistance. Centrelink will remain involved in these processes to ensure that no conflict of interest occurs.

Other programs to which job seekers could be referred include:

- Work for the Dole to address motivational or work experience needs;
- a program that addresses language, literacy or numeracy needs; or
- the new Personal Support Program (to address severe personal obstacles such as drug or alcohol addiction).

For most job seekers, Intensive Assistance will be available for a period of up to 12 months. Job seekers referred from the Personal Support Program will receive up to 18 months of Intensive Assistance.

#### **4.5.4 Additional support for training**

Although Intensive Assistance providers may provide training, mature age and Indigenous job seekers have particular needs arising from the changing nature of the labour market. This is often because they lack relevant skills, particularly those required in new industries. As a consequence mature age and Indigenous job seekers can face severe barriers to employment.

To address these barriers, under *Australians Working Together*, Training Credits worth up to \$800 each will be available to assist those mature age and Indigenous job seekers in Job Search Training or Intensive Assistance who need accredited training (on or off the job) in work related skills.

#### **4.5.5 Implications of Australians Working Together**

The *Australians Working Together* proposals provide a mechanism for a more rational provision of Job Network and other services. Currently, access to and the type of income support payment that a job seeker receives largely determine eligibility for services. Under *Australians Working Together*, access to services is based more on consideration of a job seeker's need.

Enhancements to Job Network and improved linkages with other employment or related services (such as Work for the Dole or the new Personal Support Program) will provide job seekers with streamlined and flexible employment services better capable of delivering employment outcomes.

These changes suggest that the concept of Job Network is widening towards encompassing the suite of employment programs funded through the Employment Portfolio and not just those provided by Job Network members.

## **4.6 Performance management**

The Department is currently implementing a new National Contract Management Framework across all contracted employment services. This framework includes a greater emphasis on quality of services provided to job seekers and the promotion of better practice to improve

performance. A range of initiatives are currently being developed as part of this framework. These are explored below.

#### **4.6.1 Working with NESAs on the fundamentals of better business practice**

The day-to-day management of Job Network sites is clearly a matter for Job Network members. The interest shown in previous departmental initiatives to work on practical organisational issues indicates, however, that the opportunity for Job Network staff to get together for development and information sharing around an issue of common interest is high.

An initiative that could be taken up by NESAs, with suitable support from DEWR, could be to build on the existing experience of supporting the development of the Job Network market and extending this by making available to all Job Network members information about the fundamentals of good business in the employment services. Examples of the areas that could be explored include:

- understanding contracts and managing the contract;
- the key factors that contribute to organisational effectiveness;
- understanding, knowing and using contract-related and performance data;
- marketing of services;
- maintaining a high skill level in the industry and continuous improvement of people practices (in light of one of the main findings of the Intensive Assistance high performing study that the skills, knowledge, attributes and experience of staff are one of the key factors contributing to better performance); and
- harvesting the client benefits and business process improvements of effective use of information technology.

#### **4.6.2 Making the Code of Conduct a symbol of industry standards**

As the employment services industry continues to mature, a variety of options for the future development of the Job Network Code of Conduct could be considered. This issue is significant as it relates to the employment services industry taking responsibility, as an industry, for all aspects of its performance and behaviour. Options include:

- leaving the Code as it is (with minor revisions to improve clarity and remove slight ambiguities), but strengthening its application and use;
- the Department consulting with the industry through the release of an Exposure Draft of the next Request for Tender, as well as through NESAs; and
- moving more towards a limited model of industry self-regulation through full consultations with the industry stakeholders, including job seekers, employers, existing Job Network members and other interested stakeholders.

One of the key advantages of the second and third options is that the industry would have made a substantial contribution to any redevelopment of the Code, covering determination of both service quality standards and measures to assess service quality. The last option recognises that the industry could be reaching a sufficiently mature level to move away from a Code that prescribes minimum standards of service delivery, towards one that is primarily principles based.



### **4.6.3 Engaging all in striving for high performance**

The study of high performing Intensive Assistance providers, which was released publicly in September 2001, has attracted considerable attention amongst Job Network members. The success of this kind of study, however, can only be gauged by the extent to which Job Network members use the results in practical ways to improve their own strategies and practices.

In light of the positive reaction to the study, the Department plans, in collaboration with NESAs, to establish a high performing studies series (*Towards Best Practice in Employment Services*). This will be a significant step in its own right, but is also part of a wider agenda for leveraging high performance through contact with providers, by integrating actions on performance, quality and compliance through the Department's contract management activities.

### **4.6.4 Putting practice improvement into action**

The conduct of studies needs to be complemented by taking the messages and outcomes to Job Network members, particularly to the front line staff. The Department considers that there would be advantage in initiating an annual cycle of practice improvement workshops for Job Network members, the themes being based on advice from Job Network members, as well as feedback from such sources as DEWR Contract Managers or from the Job Seeker, Employer and Customer Service Lines. The program for each year could be agreed with industry representatives through NESAs and feedback on the results would be made available to all Job Network members.

These workshops could also be used to disseminate and reinforce the value of performance information for Job Network providers and keep providers up-to-date on key developments affecting their businesses.

### **4.6.5 Drawing out more widespread lessons from Quality Audit outcomes**

Quality Audits have been primarily targeted towards the provision of one-to-one feedback between a Job Network member site and the department. The opportunity could now, however, be taken to analyse more broadly the audit data to assess whether there are common issues arising that may indicate a systemic issue for the market as a whole to address. In this way the Quality Audit process could be seen as a valuable resource for informing good practice (while not disclosing commercial in confidence and protecting the privacy of job seekers and employers).

Options for disseminating this information are currently being examined and include promotion on the Internet, regular features in the Job Network Bulletin and inclusion of the seminars and workshops.

The benefits of national Quality Audits for Job Network members with sites in more than one State are considerable in that these audits provide a broad coverage and consistent analysis of the quality of their service delivery across States. While the program has only recently been established, there are opportunities for utilising the outcomes of these audits more comprehensively to promote better practice broadly through the market.

### **4.6.6 Developing a customer satisfaction Index**

One issue that could be considered is how to add to the ways in which quality is taken into account in assessment of performance, including quality of service or integrity of delivery. This

could involve a broad indicator of quality of service when contracting for employment services. Such an indicator could be customer satisfaction with the delivery of service by the Job Network member.

It can be argued that, ultimately, it is the customer's experience with a product or service that determines the quality of that service. Therefore, quality performance indicators for Job Network would need to examine or measure the experience or satisfaction of customers with that service. In the context of contracted service provision, the term 'customer' could be defined to include job seekers and employers and also the Department (as purchaser). Inclusion of the Department in the definition of customer could enable a broad approach to measurement of the indicator to be adopted.

A customer satisfaction index could be developed which would incorporate a range of measures of customer satisfaction and would not rely on a simple or single measure. Data collected in measurement of an indicator of quality will also contribute to the overall evaluation of Job Network.

The following measures could, for example, be developed and included in a satisfaction index:

- customer satisfaction surveys of job seekers and employers: the survey would include a range of questions and be designed to minimise job seeker satisfaction with a low level of service. Benchmarks of satisfactory performance could be established and include satisfaction with ratings for Centrelink as well as Job Network services;
- a 'mystery shopper' program: while this idea would need to be fully worked through, a mystery shopper program could, for example, assess quality of premises, facilities on-site for job seekers, staff and customer service and could conduct exit-interviews of job seekers about their immediate experience with the Job Network member; and
- a contract managers' satisfaction instrument—an important tool for measuring contract managers' satisfaction with the quality of service delivered by the Job Network member could be developed. Such a tool could, for example, enable measurement of Job Network members' compliance with a range of aspects of the Employment Services Contract and with the Code and the quality of the relationship with the Department as purchaser.

#### **4.6.7 Developing and disseminating self-assessment packages**

The Department is currently developing a self-assessment pack, entitled *In Your Hands: The Challenge of Quality Services*. Consultations are planned to ensure that this package is relevant and useful to Job Network members committed to improving their service quality. NESAs will be invited to play a key role in the further development of this package.

Essentially, this pack would enable Job Network members to undertake 'quality audits' on their own business and assess their strengths and weaknesses. It would be a very effective tool in assisting Job Network members to assess the quality of the service they provide to their clients. An integral part of the self-assessment process would involve independent validation of a sample of the self-assessment. The independent assessment would assist the department, and the market in general, to gain an understanding of self-assessment biases and enable an accurate analysis to be undertaken of the overall quality of service being provided.

#### **4.6.8 Benchmarking of Job Network services**

One of the methods for achieving higher quality of service within an organisation is through benchmarking. In the past, benchmarking of Job Network was essentially undertaken only in terms of comparisons with the former CES and labour market programs. Given the development of Job Network, benchmarking could now be extended to the range of employment services.

For Job Network, benchmarking is defined as the continuous improvement in the overall performance of Job Network through the establishment of a small number of key standards that reflect excellence. Benchmarks can assist in identifying and monitoring key factors that are critical to the success of Job Network and identifying Job Network's strengths and weaknesses.

The Department is currently exploring this concept, and recognises that while benchmarking is comparatively new to the employment service industry, by benchmarking with partners outside the industry, organisations can learn new ways of doing things and challenge 'established practices'.

#### **4.6.9 Information dissemination**

Research from a number of sources continues to indicate that job seekers and employers feel that they do not fully understand Job Network and how it operates. Such research includes studies undertaken to evaluate the effectiveness of the Job Network Communications Campaign and, more recently, a study undertaken to measure employer satisfaction with Job Network. Market research conducted in April 2001, for example, found that while the recent Job Network communications campaign disseminated a range of positive themes about Job Network and helped to build familiarity and favourable opinions, employers largely did not know what Job Network could do to assist them.

### **4.7 Centrelink**

Centrelink plays a key role in determining the success or otherwise of Job Network. Under the BPA, the Department pays Centrelink in excess of \$100m a year to deliver employment related services. Centrelink is the monopoly provider of the particular services it delivers for the department, with most of the Department's contracted employment services providers required to source their job seekers from Centrelink.

Centrelink charges for its services with the cost determined through an agreed costing framework using estimated workload and volumes of transactions. For this, Centrelink agrees to deliver the services specified and to meet the agreed standards established in KPIs set out in the BPA.

#### **4.7.1 Improving the purchaser/provider relationship?**

##### **Performance and funding**

The relationship between the Department and Centrelink is both a strategic partnership and a business relationship. Working relationships of this nature between organisations are not unique but they can be complex and, as such, require a structured and sophisticated approach to doing business. When the Government established the current purchaser/provider framework for employment services in 1997, the intention was to achieve more responsive and cost effective services.

The BPA provides the basis for this approach by setting out a cooperative way of working between the purchasing agency and the provider of services and through a series of benchmarks

(KPIs) against which the performance of Centrelink can be measured. Over time the Department and other purchasing agencies have worked with Centrelink to streamline and refine the performance benchmarks and other operational processes to improve service to clients (see Section 3.8.3, Outcomes from Centrelink Business Partnership Arrangements).

However, it is essential that both purchaser and provider agencies continue to explore ways of improving overall performance and the effectiveness, including cost effectiveness, of the services delivered to clients.

### *Payment based on performance*

The KPIs are the only mechanism the Department has for measuring the performance of Centrelink, for determining its effectiveness and whether it delivers value for money in terms of what it charges for its services.

In this regard, the Department would support consideration being given to the introduction of at least some element of payment based on performance for Centrelink, against the agreed KPIs. This is now common practice in those areas where the Commonwealth can contract for services in the market, for example Job Network, and without this the BPA could be seen as something of a toothless tiger.

It seems inconsistent that an arrangement that is the norm in other Commonwealth contracted environments does not apply to Centrelink, despite its monopoly provider status. In fact, such an arrangement was trialed during 2000 and 2001, with the support of the Department of Finance and Administration.

Within Job Network, performance payment arrangements are underpinned by transparent and explicit incentives and sanctions, including star ratings and milestone payments on the incentives side and the risk that contracts will not be renewed if performance is poor. Some components of the Job Network model could have application to Centrelink in the context of a payment based on performance model.

### *A generic funding model*

On a related matter, the primary purchasers of Centrelink services (FaCS, DEWR and DEST) are working with the Department of Finance and Administration and Centrelink to develop a 'generic' funding model for Centrelink services to be applied across all purchasing agencies. The purpose of the model is to establish a price for Centrelink services that allows purchasers to know the full cost of outputs and that also allows Centrelink to deliver a reasonable return on assets.

A common model would streamline and simplify negotiations between purchasers and Centrelink and impose a discipline on all parties when finalising BPAs. Development of the model is closely aligned to the Centrelink Output Pricing Review.

It is anticipated that when fully implemented the funding model will deliver benefits such as a reasonable level of transparency about costs and cost drivers and certainty of funding for Centrelink. The proposed model incorporates costs that are fixed for the life of agreements and are non-discretionary payments to Centrelink by purchasers, and transaction variable costs that are driven by agreed cost drivers.

### *Accessing clients*

As mentioned above, Centrelink is the initial point of contact for most people seeking access to Job Network employment services. DEWR is not the only purchaser of services from Centrelink, however. The biggest purchaser is FaCS and there are others. This necessarily means that the activity-tested clients of the Department's Job Network contractors are not always the top priority for Centrelink, and, at times, these clients can be difficult to contact and motivate into assistance, especially those who are long-term unemployed or otherwise disadvantaged.

To help address this situation DEWR and Centrelink have worked together to pilot a streamlined referral process in several Centrelink offices during November and December 2001. The pilot focuses on reducing the time taken between initial job seeker contact with Centrelink and interview with a Job Network member for Intensive Assistance (see Section 4.4.4 – Streamlining Job Network Access and Referral Pilots). If successful, these arrangements should have a number of benefits for job seekers, including improving numbers of commencements in Intensive Assistance.

In conjunction with the streamlined referral processes Job Network Access Centres (renamed Employment Self Help facilities in Centrelink offices) have been introduced in some areas with a strong focus on helping people gain access to Job Network.

The department, with Centrelink, will evaluate the pilots quickly and if these new initiatives have been successful, will seek their broader application in the near future.

## **4.8 Strategic business improvement initiatives — the Partnership Program**

To improve the operational environment of Job Network and strengthen the partnership between DEWR, Centrelink and Job Network members, a Partnership Program has been introduced as a joint initiative of DEWR, Centrelink and NESAs. The specific aims of the program are to:

- strengthen the partnership between DEWR and Centrelink staff and contracted service providers (primarily Job Network members) through improved awareness and understanding of one another's operating environment and the issues faced in that environment; and
- identify opportunities to improve the operating environment in areas such as communication, work processes and systems, staff /contractor attitudes and behaviours and job seeker experiences.

The program provides an opportunity for the Department (as the purchaser) to work closely with Centrelink and Job Network members (the providers) to identify ways to improve and streamline operational practices, ultimately providing a better service to job seekers and employers, and better outcomes for government.

The program operates through structured field work studies which focus on particular business improvement issues conducted by teams comprised of Job Network, Centrelink and DEWR officers. Senior managers in each of the three organisations consider the results of these studies. The program commenced in 2001 and has now completed three rounds of studies. A further two rounds will be completed in 2001–02.

### **4.8.1 Contract management**

The introduction of Job Network called for new skills and new operating systems. Management of a large and complex contracted-out service delivery system was largely new to the department. At the same time, Job Network members were also grappling with a new system and adapting to significant change.

During the first contract period, DEWRSB's contract management efforts were concentrated at the compliance end of the contract management spectrum—monitoring progress against contracted numbers and placement targets, record keeping, making payments, and monitoring adherence to the terms of the contract through regular monitoring visits and quality assurance audits.

There is a desire to move contract management to a higher level where the Department's focus is more on building relationships with Job Network members and other stakeholders and working cooperatively with the industry to improve the overall performance of Job Network. This will enable the Department to:

- identify and address problems before they impact on performance;
- know the stakeholders and the relationships between them;
- help build Job Network members' confidence in DEWR and their business;
- help Job Network members improve performance through best practice studies without jeopardising confidentiality;
- help establish links between stakeholders; and
- know in greater detail the strengths and weaknesses of the system.

It is recognised that building such relationships in a competitive and flexible environment is difficult because each Job Network member seeks maximum information and assistance, the perception that greater assistance or better service is being provided to one Job Network member in preference to another would conflict with the principles of the purchaser-provider model. The challenge is to develop the ability and skills of contract management staff in DEWR to a level that they can work through a wide variety of complex situations.

### **4.8.2 Expertise in contract management**

The Department recognises that the skills of its contract managers are pivotal to ensuring the success of Job Network. Contract management staff have a crucial role in ensuring that Job Network members comply with the terms and conditions of their contracts and maximise their performance. While the Department is generally satisfied with the skill level of its contract management staff, to assist them to improve their skills and continue to meet the challenges of the contracting environment, it sponsors a contract management course as one of its corporate training priorities. The Department is committed to improving the knowledge and expertise of its Contract Management staff and to ensure the most efficient use of its resources.

The Certificate in Contract Management was developed in consultation and collaboration with contracting staff and specialists throughout the Department and is a six-month self-paced, online learning program. It was offered for the first time in 2001. Staff currently engaged in contracting activities and those who would like to develop these skills are encouraged to participate. The course provides an approach to learning that will enable DEWR staff to have their contracting skill and expertise formally recognised through an accredited qualification.

Expertise of contract management personnel managing Job Network contracts has also been developed through participation in regular teleconferences, contract managers' meetings and briefings, and the provision of special training where necessary. DEWRSB staff members were, for example, provided with comprehensive training to undertake the assessment and evaluation of tenders and simulation exercises were used to test the arrangements for receiving and allocating tenders and allocating business.

#### **4.9 Greater use of technology to support better services for job seekers**

Chapter 3 of this submission emphasised the fundamental importance of information technology in supporting and enabling the effective operation of Job Network.

The Department will continue to build on the electronic servicing strategies outlined in Chapter 3, including greater encouragement of self-help for those job seekers who can make best use of electronic servicing options. Through strategic use of technology, job seeker access to services can be made speedier, and more resources directed into providing services for those job seekers who need more intensive support.

One extension of the labour exchange services available to job seekers would be to allow for an option of self-registration through electronic employment exchange services. A job seeker who wished to do so could obtain their job seeker identification number by providing enough basic details so that they could be linked direct with a local Job Matching provider themselves. This would provide the gateway to further *e* services including an improved resume service, which could capture an increased range of information such as job seeker credentials, references and other details. Linked to a selection of preferred occupation types, Job Network members and employers alike could vet job seekers using the service and e-mail job seeker exchange accounts requesting interviews.

Technology has offered the Department an opportunity to better manage the quality of service provision. Information provision through websites, the touch screens and call centre services can be constantly monitored for timeliness, quality and consistency. Management reporting can also be integrated with service provision to ensure that timely management reports are available as required. Better quality and more timely information collection will improve service quality. It will also mean more flexibility in determining what services would be most appropriate for each job seeker and how these services should be delivered.





## 5 Applying the model elsewhere

Considerations about the scope for extending the model to other areas of government service provision naturally involve issues such as the pre-requisites for application of the model and the lessons learnt from the Job Network experience. These lessons include:

### *A new market needs to be based on strong foundations*

One of the key questions that needs to be considered in applying the Job Network model elsewhere is how strong the established market is for the services involved. While Job Network has been regarded by some as revolutionary, it has in fact been major evolutionary change rather than a complete revolution.

The prerequisite conditions for developing a contestable market already existed in the market place before the introduction of Job Network. There was a wide range of professional private employment agencies that had already built up close relationships with employers. There was also a well-developed non-profit community services sector, and many of these organisations had previously provided services to unemployed people. The introduction of Job Network allowed both the private and community organisations to expand and build upon their diverse strengths. These sectors have demonstrated their ability to achieve in a performance orientated market and now hold an increased share of the employment services business. The diversity of providers in Job Network has been its strength. Arguably there is no single ‘best approach’ to achieving sustainable employment outcomes for unemployed Australians.

### *It takes time to move away from more traditional program management approaches*

A number of adjustments had to be made by providers in moving into an environment where the details of what was required were not the subject of detailed prescription by the purchaser but rather based on outcomes. This included encouraging providers to use the flexibility available to them to assist job seekers in innovative ways, investing funds up front on job seeker assistance in order to improve job seekers’ prospects of finding employment, and operating under market safeguards such as the Code of Conduct and Job Network members’ internal complaints mechanisms within contractual provisions rather than voluminous program guidelines.

While it was anticipated that these cultural changes would be aided by the long lead-time between announcement of the proposed reforms to employment services (August 1996) and implementation of Job Network (May 1998), as well as by communication strategies to ensure that the reasons and nature of the changes were well understood, it is apparent that some stakeholders did not grasp the concept of Job Network until well after the start of the market. While organisations were used to helping unemployed people, they were not used to being paid on the basis of outcomes. It took some time for agencies to build internal efficiencies and processes and develop an appropriate focus.

### *Probity and defensible contracting processes are important*

An essential element in establishing the new market was to embrace high levels of integrity and sophistication in purchasing practices, including adherence to the principles of competition and procedural integrity (probity) throughout the tender process.

Given the scale of the Job Network tenders it was imperative that the process be objective, rigorous and consistent. To ensure this, the tender process was underpinned by a Probity Plan

and monitored by an independent Probity Adviser. The transparency of the process established public confidence in the tenders. The Probity Adviser's assurances relating to the tender process were of significant value in responding to public scrutiny by the media and the Parliament of the processes and outcomes.

The fact that over 700 tenderers were unsuccessful in the first tender round meant that it was inevitable that some criticism of the process, and its probity considerations, would be aired. The adherence to probity requirements coupled with comprehensive feedback sessions, which were available to all tenderers, resulted in only 12 Freedom of Information requests and one case before the Australian Administrative Appeals Tribunal. This process of providing feedback was continued in the second Job Network tender and is standard practice for all employment services tenders conducted by the department.

*It is essential to establish and maintain a professional contract management capacity*

One of the key areas that needs to be considered in moving to the purchaser-provider model in Commonwealth Government service delivery is to ensure the development of strong and effective contract management capacity in the purchasing agency. If done well, this pays off for the Commonwealth—in securing value for money, responsiveness in providers and a better result for clients—and for providers.

Effective contract management involves a number of features, including:

- establishing professional and well-based purchasing policy and associated practices — including considerable attention to legal issues, the impact of pricing strategies, and the development of strategies for succession at the end of contacted periods;
- developing and using performance information effectively — nationally for trends and early warning on systemic issues that may need to be addressed, and locally so that individual providers can adjust their service strategies and build on successes;
- developing and augmenting the professionalism, skills and expertise of the departmental staff who are engaged in contract management and provider liaison activities, and equipping them with the training and tools to handle the full range of issues that are likely to arise, including compliance, performance, quality of services, and integrity;
- applying information technology to support daily operations, the sharing of information and achieve improvements in processes. Efficient management information systems have been essential to the successful operation of Job Network. The Integrated Employment System (IES) can be accessed by Job Network members via the Internet and there are facilities which allow Job Network members to use their own computer systems to record and transmit information through a secure internet link to IES; and
- developing and applying effective accountability, privacy, security, consumer protection and integrity and risk management strategies.

*Continual communication with stakeholders and clients is essential*

When a shift is made to contracted service provision a crucial part of the change management process is to advise stakeholders and users of the service of the nature of the changes that have been made and how they can best use the services made available to them. This approach needs to be repeated each time further changes are introduced. There needs to be a substantial and continuing investment in consultation with providers on how best to implement changes,

including the impact on systems and how the changes can best be described and effectively communicated to clients.

The CES had been in existence for 50 years and employers and job seekers were familiar with its operation. A number of steps were taken to develop public awareness of the new Job Network arrangements:

- a major communications campaign began in February 1998 directed to unemployed people, employers and the general community. The campaign strategy was comprised of public relations, advertising, market research, and specific campaigns for Indigenous Australians and non-English-speaking job seekers;
- while the communications campaign achieved high broad level recognition of Job Network advertising among employers and job seekers (80%) soon after the implementation of the market, later market research identified that employers, in particular, needed additional information about how Job Network operates and how to best use it;
- a Job Network Information telephone service and Job Network Internet site were established to provide up-to-date information for both job seekers and employers; and
- when Job Network was introduced on 1 May 1998, all registered unemployed people were also notified in writing of assistance available through the new employment services.

The Internet has been an increasingly crucial communication channel. The Department has encouraged and reinforced the value of using sophisticated and widely available electronic services to provide information about Job Network services. The use of the Internet in this way consolidates information for stakeholders and clients by creating virtual one-stop-shops, making the links between services and doing so regardless of the 'boundaries' between services or the different responsibilities of government agencies and their contracted service providers.

#### *Coherence and integration of services are desirable*

The perceived coherence of the service delivery arrangements, the interfaces between one set of services and another and opportunities for innovation are all issues that need to be considered in a contracted environment. One of the key considerations in establishing Job Network has been the use of competition to drive greater efficiency for the taxpayer and increased choice for consumers. The operation of a performance-based regime like Job Network should mean that services and various forms of assistance can be provided in a way that is suited to the needs of the clients and their situation.

The Commonwealth Government's *Australians Working Together* initiatives have placed considerable emphasis on linking and co-ordinating services, the aim being to provide unemployed job seekers with seamless access to the right assistance at the right time. In practice, this may involve some providers of services taking a 'lead role' when working with other providers.

An issue that may need to be considered in a contestable environment is that, where services are interrelated, situations may emerge where a common provider can cover a range of services. This could result in increasing vertical integration of services and could also provide opportunities for the emergence of different kinds of services. Any such integration or consolidation of services would need to be determined on the basis of performance and the quality of outcomes. Issues such as conflict of interest and the integrity of service delivery

would need to be considered. There should also be no pre-conceived notion of an optimum number of providers in the market.

### *There are benefits from working in partnership with providers*

One of the key lessons has been that partnering has played a major role in the success of the Job Network model. Partnering is an increasing feature of the relationship between DEWR contract management staff and Job Network providers, as purchaser and provider. This approach involves working together to share performance information, 'better practice' examples and other strategies and trends aimed at improving the effectiveness and efficiency of services. This approach is expected to contribute to improved job seeker satisfaction with services and more active and informed job seeker choice of Job Network providers.

Building such relationships in a competitive and flexible environment is not easy, however. It requires careful balancing because each Job Network member seeks maximum information and assistance, and the perception that greater assistance or better service is being provided to one member over another would be damaging. The challenge is to develop the ability/skills of departmental staff to a level so that they can work through a wide variety of complex situations. Such skills and knowledge should involve, a sound understanding of the basic rules and parameters and reasons for them, good judgement, common sense, and sensitivity to the broader economic and political environment within which Job Network operates.

### *Exploration of service delivery alternatives*

The Department has already made use of alternative service provision arrangements for some aspects of service delivery. Some of these include the use of computer based automated job seeker referral processes within IES rather than through Centrelink staff; the use of Telstra call centres to record job seeker preferences as part of the automated referral process; the use of non-Centrelink call centres to process applications for the Indigenous wage assistance and provide information on this initiative to employers and job seekers; contracting Community Work Coordinators to make referrals to Work for the Dole projects; and the use of DEWR state office staff to approve Preparing for Work Agreements negotiated with job seekers by Job Search Training and Intensive Assistance providers.

In recent times, two factors have influenced decisions about service delivery options for employment related services. One has been the maturing of the employment services market that offered opportunities for alternate service delivery. The second has been concerns about the capacity of Centrelink to deliver consistent and quality services. In developing new policy the Department considered, and in some cases, elected to use alternatives to Centrelink service delivery. In developing policy for *Australians Working Together*, for example, some assessment and referral responsibilities were shifted to Intensive Support providers. These providers will have a period in which to conduct a full assessment of a job seeker and make decisions about which service stream is most suitable for the job seeker. They will also refer job seekers to other employment assistance, such as Work for the Dole, prior to them commencing in Intensive Assistance.

There is scope in the short to medium term for further elements of service delivery to be put out to tender or undertaken through greater use of information technology. This could occur through the provision of self help facilities in any supervised space, with the possibility of other organisations tendering to provide such services (touch screens are, for example, already being leased by a number of Job Network members); registration for 'Job Matching only' whereby the job seeker is not claiming, or eligible for, employment related income support; and the provision

of specialist employment services for Indigenous job seekers such as outreach and post referral follow-up to provide information on employment services and to assist job seekers to connect with employment assistance.

In the longer term, alternatives to Centrelink service delivery could include the use of Job Network or Community Work Coordinator networks or other service delivery networks (eg, Australia Post) to provide some services delivered by Centrelink, such as job seeker registration and assessment; use of virtual service delivery networks via the Internet and touch screen kiosks for job seeker self-registration and self-assessment; and greater use of non-Centrelink call centres for service delivery.

While this discussion has primarily focused on purchaser options for alternative service delivery, it should be noted that Centrelink has already made decisions about what government services it will deliver. It has recently advised the Department that it will no longer provide record management services for job seeker records returned to Centrelink by service providers. Consequently, the Department must now seek an alternative service provider. Clearly Centrelink believes that it is in a position to selectively deliver government services. Further, Centrelink actively pursues 'new business' with other agencies, at all levels of government, and government business enterprises. Given performance against KPIs (as noted in Chapters 3 and 4), it could be argued that Centrelink is pursuing diversification at the expense of agreed service delivery standards with core purchasers.

On a broader front the question arises whether similar gains to those reaped in the delivery of employment services could not also be realised through introducing contestability to services elsewhere. One area that may justify consideration is the delivery of disability employment services.

The Government announced as part of the 1996–97 Budget a desire to make the supply of Commonwealth rehabilitation services more contestable. A trial of contestability for rehabilitation services was begun in August 2000 to further inform the Government of reforms in this area. The trial will operate for up to two years and will test the capacity of the private sector to provide specified vocational rehabilitation services and the feasibility of separating purchaser functions from current program provision. In addition the trial will test the effectiveness of an alternative and more detailed approach to assessing people with disabilities.

A progress report on the trial was released in June 2001 (see [http://www.facs.gov.au/disability/ood/assess\\_trials\\_index.htm](http://www.facs.gov.au/disability/ood/assess_trials_index.htm)) and a final report is expected in early 2002.



## ATTACHMENT A – Payment for Job Network Services

The rationale and primary objective of labour market assistance is to get people into sustainable jobs that reduce their dependence on government provided income support. The incentives for Job Network members have been structured to focus on this objective, with the larger proportion of fee payments contingent on the job seeker achieving a sustainable real job.

Although there are incentives for Job Network members to assist job seekers to overcome employment barriers by participating in further education or training, employment remains the primary goal. Job Network's differential pricing structure recognises that some job seekers will be harder to place in work than others.

While Job Network services share a goal of getting people into sustainable jobs, each service has a different payment structure.

- i. **Job Matching:** providers claim an outcome fee from DEWR (via IES) when an eligible job seeker is placed into a job that the Job Network member has placed on AJS (some placements are excluded, eg, job seeker found own work, commission-only jobs and jobs for less than 15 hours per week). The level of the outcome fee is determined by price-competitive tender. In addition, a fixed bonus payment (\$268) can be claimed when a formerly long-term unemployed person, in receipt of qualifying income support, has stayed in work for 13 weeks. Providers are contracted to make a certain number of job placements every six months.
- ii. **Job Search Training:** for each commencement providers are paid a fee, which is determined by price-competitive tender. When a participant is placed in a qualifying job a Job Matching fee is also payable when the provider places the job seeker in a job that has been lodged on AJS. A fixed Job Search Outcome fee (\$268) is also payable if the participant commences a qualifying job by any method within 13 weeks of ceasing Job Search Training and stays in work for 13 weeks. Providers are contracted to serve an agreed number of commencements and make an agreed number of job placements within a milestone period.
- iii. **Intensive Assistance:** fees paid are determined through a competitive tender, where bid prices were subject to a minimum price (\$4,663 for level A job seekers and \$9,219 for harder to place level B clients). This way, in the case of bids at the minimum price, selection across tenders can be based entirely on the anticipated quality of service provision. The fixed final primary outcome payment (\$1,072) is subtracted from the contracted price and 30% of the remainder is paid on commencement. When a job seeker achieves a primary interim outcome (ie, enters and remains in employment for 13 weeks and is no longer in receipt of unemployment payments), the 70% balance is paid and after a further 13 weeks, the final primary outcome fee (\$1,072) for level A and \$2,144 for level B) is payable. Placements into part-time employment, which result in at least 70% reduction in income support for 13 weeks, and into eligible education, are called "secondary outcomes". For these, a smaller outcome fee of \$536 is payable at 13 weeks and again at 26 weeks. Providers are contracted for a maximum caseload. Centrelink is required to maintain providers at above 85% of contracted capacity. Centrelink's capacity to meet this requirement, depends on the availability of eligible job seekers, job seeker choice and Centrelink's referral processes.

- iv. New Enterprise Incentive Scheme: providers specify both a fee determined through competitive tender (but which must cover the full cost of providing NEIS services) and a preferred number of places. At the start of each year providers receive an advance payment of 10% of total contract value, then 90% of each NEIS fee for each commencement, and a further 10% is paid if the participant is not receiving income support three months after the NEIS allowance ceases. In addition, a set fee of around \$160 is paid for each NEIS business plan that is assessed. Providers are responsible for attracting, screening and selecting eligible job seekers, up to contracted capacity.

Project Contracting Harvest Labour Services: providers are paid a fee for delivering Project Contracting services, rather than a fee for placing individual job seekers. Services include mobilising a satisfactory supply of out of area labour for growers so that crops can be harvested and conducting extensive promotional activity. Providers receive a fixed fee at the commencement of the harvest season representing 50% of the payment, with the remaining 50% paid at the end of the harvest period subject to the completion of a satisfactory performance report.

Harvest Labour Services providers undertake their own promotional efforts to recruit people interested in harvest work.



## **Attachment B – Labour Market Programs**

### **Community Support Program**

The Community Support Program is intended to assist job seekers who are not ready to participate in Intensive Assistance in Job Network due to having serious and/or numerous barriers to gaining employment which make it unlikely that the job seeker will be able to benefit from Intensive Assistance until these specific personal employment barriers have been addressed (eg, drug or alcohol dependence, significant or debilitating personal development needs, homelessness). If a job seeker has been assessed as not ready to benefit from Intensive Assistance in Job Network, they may volunteer for assistance under the CSP or they may remain in receipt of Centrelink Job Matching and self-help services.

The program is delivered by private, community and public sector organisations selected and contracted through a competitive tender process. CSP organisations help participants to access counselling, stable accommodation, drug or alcohol rehabilitation programs and other activities addressing significant or debilitating personal development needs. The CSP organisation may access a suitable place with another organisation, or may provide these services directly. debilitating personal development needs. The Program provider also supports and monitors participant's readiness to move to Intensive Assistance.

From July 2002, as part of *Australians Working Together*, the Personal Support Program will replace CSP. The need for this change is to provide job seekers with more resources and better linkages to employment services.

### **Work for the Dole**

Work for the Dole is a Commonwealth Government funded program which provides work experience opportunities and activities for eligible job seekers. Through Work for the Dole, many unemployed people satisfy their mutual obligation to give something to the community in return for their unemployment payments. Mutual obligation is a broad strategy for job seekers which aims to assist them back to work. It encourages more active job search and participation in activities which improve work skills and habits.

### **Return to Work**

The Return to Work program concentrates on improving opportunities and choices for women who have been out of the workforce caring for young children, although it is not restricted to women.

Return to Work aims to provide skills assistance, build confidence and increase familiarity with current information technology for people seeking to re-enter the labour force after an absence of two or more years due to their roles as primary carers.

Job seekers re-entering the labour force are provided with individual and flexible assistance in such areas as skills assessments, career planning, information technology familiarisation, assistance with developing return-to-work plans and help with access to and purchase of training so they have the skills to return to work.

## **Regional Programs**

Regional programs can play a key role in assisting the operations of Job Network throughout Australia. Programs such as the Regional Assistance Program and the Dairy Regional Assistance Program have as their objective the increased generation of employment opportunities in regional Australia including in dairy-dependent regions. These programs play an important part in generating sustainable employment opportunities in regions and supporting employment services. A key element of these programs is the development of partnerships between government, business and communities, including local service providers. To date, specific linkages with Job Network have not been a major focus of the programs but, where possible, linkages have been fostered and synergies encouraged.

## **The Indigenous Employment Policy**

The Indigenous Employment Policy was launched by the Minister for Employment, Workplace Relations and Small Business on 25 May 1999. The Policy is the Government's response to the continuing disadvantage in the labour market faced by Indigenous people, and to indications from population research that the position is set to worsen.

The policy has three components, the centrepiece of which is the Indigenous Employment Program. The other components are the Indigenous Small Business Fund and Job Network. To support these initiatives a public awareness campaign is being conducted to encourage the employment aspirations of Indigenous job seekers and to support a positive attitude by private sector businesses to the employment of Indigenous people.

The Indigenous Employment Program has a key focus on supporting on-going employment opportunities that can lead to a sustainable improvement in participants' economic status through attention to accredited employment-based training such as traineeships and apprenticeships and on improving the levels of participation of Indigenous people in private sector jobs.

### ***Wage Assistance***

The Wage Assistance scheme pays up to \$4,400 in wage subsidies over 26 weeks to employers providing ongoing full-time work in the private sector. Employers who provide part-time work of 20 hours per week or more qualify for up to \$2,200 in wage subsidies over 26 weeks. Job opportunities can be self-canvassed by job seekers, or assistance may be provided through Job Network.

### ***Structured Training and Employment Projects***

Structured Training and Employment Projects provide for the development of structured training and employment opportunities for five or more Indigenous people with larger organisations that can provide training support and prospects of permanent employment. Projects provide a mix of on and off the job training that aim to give participants industry-recognised and transferable skills.

### ***Chief Executive Officers for Indigenous Employment Project***

To further encourage the private sector to increase their recruitment of Indigenous Australians, Chief Executive Officers' from a total of 34 major Australian companies have made a commitment to the Government to provide more employment opportunities for Indigenous Australians within their organisations.

### ***Community Development Employment Project Placement Incentive***

The CDEP scheme is a successful program for developing the work skills of participants. It enables members of Indigenous communities located in areas of limited employment prospects for their members to exchange unemployment benefits for opportunities to work and train in activities that benefit their community. One of the objectives of CDEP is to act as a staging post for workers to move into the mainstream labour market. This is where the CDEP Placement Incentive can help, by giving CDEP organisations a bonus for every participant who leaves CDEP for an ongoing job.

### ***National Indigenous Cadetship Project***

The National Indigenous Cadetship Project aims to increase the education of Indigenous Australians by providing Indigenous undergraduates with opportunities to complete a professional qualification studying full-time, together with a commitment from an employer to provide a professional job on successful completion.

### ***Voluntary Services to Indigenous Communities Foundation***

The Voluntary Services to Indigenous Communities Foundation has been established to utilise skilled volunteers to provide for the short-term needs identified by Indigenous communities (mostly in rural and remote areas) for business, financial and technical skills and mentoring.

### ***The Indigenous Small Business Fund***

The aim of the Indigenous Small Business Fund is to seek greater economic independence and employment creation through increasing the number of viable businesses owned and operated by Indigenous people.

### ***Disability Employment Assistance Program***

The Department of Family and Community Services provides funding for disability employment assistance, including vocational rehabilitation services, for people with disabilities through the Disability Employment Assistance Program. The objective of the Program is to maximise delivery of services and income support to assist people with disabilities in their pursuit of increased social and economic participation.

### ***Jobs Education and Training Program***

Funding for the Jobs Education and Training Program is provided by FaCS. Access to this voluntary program is through Centrelink. It was originally aimed at lone parents but has since been expanded to other customers such as partnered parents, widows, carers and partners of people on other income support payments.

This program aims to assist eligible customers with skill development and/or their entry or re-entry into the workforce to reduce income support outlays.

### ***Job Placement, Employment and Training***

The objective of Job Placement, Employment and Training is to assist young people who are homeless or at risk of homelessness, or facing similar severe problems, in ways which not only help them with their income and personal support needs, but which also ensure they secure career paths and sustainable futures. Job Placement, Employment and Training targets young

people 15–21 years of age, who face multiple barriers to participation in education, or vocational training, or to gaining and maintaining employment.

### ***New Apprenticeships Access Program***

The New Apprenticeships Access Program provides disadvantaged job seekers with pre-vocational training and other forms of assistance to participate in a New Apprenticeship.

### ***Literacy and Numeracy***

The Commonwealth Government is a key partner in setting and achieving national goals and priorities for schooling. It seeks to improve quality in schooling and enhance educational outcomes for all students by: providing support for education systems and schools through its general recurrent, capital and other specific purpose programs; and through its policy development and research in relation to nationally significant educational issues.

### ***The Jobs Pathway Program***

The Jobs Pathway Program helps young people who have left school, or are thinking about leaving school, to find work, further education or training.

Jobs Pathway aims to stop young people becoming unemployed by offering all sorts of services and advice.

## **ATTACHMENT C – Information technology systems**

### ***The Integrated Employment System***

The Department owns and maintains a comprehensive mainframe system, the IES, which records activities/transactions, including payments to service providers, associated with the provision of employment services to job seekers. IES underpins the employment services market. Information is recorded in IES by both Centrelink and service providers, either directly or through an interface with other systems, such as the Centrelink ISIS.

As the primary employment services system, IES is also the source of performance, management and operational information relating to the delivery of employment services by Centrelink and service providers. Data used to assess the effectiveness of Centrelink delivery of our services (via the KPIs) is sourced from IES, as is other management information that Centrelink and the Department use to assist in managing service delivery.

IES processes around 2.5 million transactions per working day and supports 15,000 users in DEWRSB, Centrelink, Job Network, Community Work Coordinators and CSP agencies.

IES supports the flow of information between Job Network members, the Department and Centrelink for employment services and programs. Through IES, Job Network members, the Department and Centrelink can store information on job seekers, employers, job vacancies and Job Network members, as well as the interactions that occur between them.

Job Network members use IES to record details of job vacancies, match job seekers against employer's requirements (and vice versa), record referrals to jobs, and substantiate commencements and outcome payments for Job Network services. IES can be accessed by Job Network members via the Internet. In addition, the IES Corporate Interface facility allows Job Network members to use their own computer systems to record and transmit information through a secure Internet link to IES.

The Department currently has an interface with Centrelink used for transmitting of data securely between the organisations. The data provided by Centrelink to DEWR is covered by the Certificate under paragraph 208 (1)(b)(i) of the *Social Security (Administration) Act 1999* in relation to Centrelink. The certificate outlines the data that can be shared with DEWR. These data are used to determine eligibility for DEWR programs such as Intensive Assistance and Work for the Dole, as well as the eligibility of Job Network Members to receive appropriate payments where job seekers have been placed into employment.

Although some of the transmission of this data is still through overnight batching, much of the information is transmitted in 'real time' using IES. Exits from contracted service providers, and related referral action, can be initiated by the receipt of transactions from Centrelink. Timely receipt of these transactions improves the process for providers and departmental staff alike, and supports better service delivery to job seekers.

### ***Australian JobSearch***

The Department has sought to leverage off the foundation provided through IES to provide better services to job seekers, broaden access to services and harness and promote innovation in the employment services industry.

AJS is a suite of online employment services which offers the full range of employment vacancy information, information about Job Network and other employment services, access to a growing resume bank and links to other employment related sites.

Job Network providers are required to lodge vacancies on the National Vacancy Database that supports AJS. Employers, other employment agencies and selected media organisations can advertise vacancies free of charge and can search the database of over 60,000 résumés.

AJS displays around 56,000 vacancies daily and is independently rated as the leading employment website in Australia with in excess of four million pages accessed per week. It is also rated as the leading Government website in Australia.

Strategic alliances are being pursued to increase the range and number of employment vacancies on AJS. This year, alliances have been formed with the Recruitment and Consulting Services Association (the peak body of the private sector recruitment industry in Australia), Jobnet/RecruitASP, Fairfax Pty Ltd, and the Australian Defence Force.

AJS can be accessed via the Internet at [www.jobsearch.gov.au](http://www.jobsearch.gov.au) or via a fleet of over 2,400 touch screen units in over 1,000 locations across Australia, including Centrelink offices, many Job Network member offices and community centres. Whereas the Internet site is more interactive than the touch screen units and includes more functionality (for example career information and resume lodgement) the touch screen units cater for high volume client traffic, are robust and are particularly suited to those job seekers who are less comfortable with Information technology.

### ***Australian VolunteerSearch***

VolunteerSearch is Australia's most comprehensive on line volunteer recruitment and matching service with over 15,335 opportunities advertised (at 12 November 2001). Eligible organisations can advertise volunteering opportunities or can search the database of over 320 volunteer profiles or résumés. Volunteers can search for both volunteer organisations and specific volunteer opportunities through a variety of user-friendly search routines. Volunteers can also add a profile, which will be automatically matched to volunteering opportunities with email notification of suitable matches. In addition to the Internet, information on volunteer organisations and opportunities also became available on Centrelink Touch screens from November 2001.

### ***Australian WorkPlace Portal***

The recently released public subject based customer focused portal — the Australian Workplace Internet site ([www.workplace.gov.au](http://www.workplace.gov.au)) — has been developed to provide comprehensive access to all Commonwealth Government information on employment, work place relations, careers and training, and government employment assistance. This site is one of 18, new generation, topic based Internet sites or portals for the Commonwealth Government that displays information from a broad range of agencies.

### ***Employment and Community Services Network***

The Employment and Community Service Network is one of the major external networks, which support Job Network and other community and private organisations that provide social support and employment services. This Internet site provides a gateway to online information about employment programs and services for departmental staff, providers of employment services, other government departments and members of the public.

It includes a secure site that is available to providers and the department. Information on the secure sites can include training material; information bulletins; hours of availability; system changes; information on Request For Tender's; various forms including Systems Access Requests; question and answer sheets; and links to a variety of useful sites including the WorkPlace portal, JobSearch, VolunteerSearch, and Centrelink.





## List of commonly used acronyms

ABS	Australian Bureau of Statistics
AJS	Australian JobSearch
ANAO	Australian National Audit Office
BPA	Business Partnership Arrangement
CDEP	Community Development Employment Project
CES	Commonwealth Employment Service
CESAC	CES Advisory Committee
CSP	Community Support Program
DEET	Department of Employment, Education and Training
DEETYA	Department of Employment, Education, Training and Youth Affairs
DEST	Department of Education, Science and Training
DETYA	Department of Education, Training and Youth Affairs
DEWR	Department of Employment and Workplace Relations
DEWRSB	Department of Employment, Workplace Relations and Small Business
DEIR	Department of Employment and Industrial Relations
EAA	Employment Assistance Australia
ESA	Employment Service Area
ESRA	Employment Services Regulatory Authority
FaCS	Department of Family and Community Services
IEC	Indigenous Employment Centre
IES	Integrated Employment System
JPET	Jobs Pathway, Education and Training
JSCI	Job Seeker Classification Instrument
KPI	Key Performance Indicator
NEIS	New Enterprise Incentive Scheme
NESA	National Employment Services Association
OECD	Organisation for Economic Co-operation and Development



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