

# **Management of Services Delivered by Job Services Australia**

Department of Employment

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Canberra ACT  
11 June 2014

Dear Mr President  
Dear Madam Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of Employment titled *Management of Services Delivered by Job Services Australia*. The audit was conducted in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the printed name.

Ian McPhee  
Auditor-General

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
Canberra ACT

## AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office (ANAO). The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits, financial statement audits and assurance reviews of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Australian Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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# Abbreviations

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ANAO	Australian National Audit Office
DEEWR	Department of Education, Employment and Workplace Relations
DHS	Department of Human Services
EPF	Employment Pathway Fund
EPP	Employment Pathway Plan
ESA	Employment Services Area
ESS	Employment Services System
ESC	Employment Services Committee
ESMP Group	Employment Services Management Procurement Group
FMA Act	<i>Financial Management and Accountability Act 1997</i>
ICT	Information and Communication Technology
JSA	Job Services Australia
KPI	Key Performance Indicators
NCSL	National Customer Service Line
OECD	Organisation of Economic Co-operation and Development
PBO	Provider Brokered Outcomes
PBS	Portfolio Budget Statement
PPM	Post Program Monitoring
PRA	Provider Risk Alert system
RFT	Request For Tender
RJCP	Remote Jobs and Communities Programme
RMM	Risk Management Module

# Glossary

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Entity	An organisation subject to the <i>Financial Management and Accountability Act 1997</i> or the <i>Commonwealth Authorities and Companies Act 1997</i> .
Employment Services Area	JSA services are delivered through contracts covering geographic regions called Employment Services Areas (ESAs); for the 2009–12 JSA Request For Tender, there were 116 ESAs across Australia.
<i>Financial Management and Accountability Act 1997</i>	Specifies the financial management, accountability and audit obligations of agencies (including departments), particularly for managing public resources efficiently, effectively and ethically; and for maintaining proper accounts and records of the receipt and expenditure of public money.
Key Performance Indicator(s)	Qualitative or quantitative indicators to measure the effectiveness of programs in achieving objectives.
Portfolio Budget Statements	Budget related papers setting out budget measures and explanations of appropriations by outcome and program for each agency within a portfolio. Portfolio Budget Statements inform Senators and Members of Parliament and the public of the proposed allocation of resources to government outcomes.
Program	Activity or activities with a common focus that deliver benefits, services or transfer payments to individuals, industry and/or the community as a whole and which contribute to intended government outcomes.



Provider	A JSA provider is an organisation contracted to provide JSA services. A JSA provider may be for-profit or not-for-profit; and may also provide other services to clients other than the department.
Star Rating	A Star Rating is a measure of the performance of a JSA contract. The rating is reported as being from 1 to 5 stars, with 1 being the lowest performing and 5 the highest performing. The Star Rating is based on performance relative to other providers, taking into account the local circumstances and the characteristics of the job seekers being assisted.
Stream	Job seekers are referred to one of four JSA Streams of support. Job seekers who are most job-ready are referred to Stream 1; while job seekers with increasing needs are referred to Streams 2, 3 and 4. Stream 4 is for job seekers with the greatest need for assistance.



## **Summary and Recommendations**



# Summary

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## Introduction

1. Job Services Australia (JSA) provides support to unemployed people to help them gain sustainable employment. The support can include helping to identify practical steps toward employment, access to job search facilities, help with résumés and job applications, and relevant training. JSA was introduced in July 2009<sup>1</sup>, contributing to the then Employment Services program objectives of:

- investing in the skills unemployed Australians need for the future to help them find and keep a job
- ensuring that government assistance supports workforce participation and economic and social inclusion.<sup>2</sup>

2. The number of job seekers assisted by JSA is typically some 700 000 to 800 000 at any one time. One measure of program performance is a survey of the current status of people assisted by JSA. Results during 2012–13 were that some 40–50 per cent of those assisted were employed, 15–20 per cent were no longer looking for employment, and the balance were unemployed.<sup>3</sup>

3. The Department of Employment is responsible for managing the longer term effectiveness of the Employment Services program, consistent with government policy requirements, and also for oversight of the performance of JSA service providers within contractual arrangements.

4. The primary clients of JSA are in receipt of government benefits; these benefits may be withheld if the recipients do not comply with job search and related activity requirements which are supported through JSA.

5. JSA services are delivered by about 85 contracted service providers from some 2000 sites across Australia. JSA providers were selected by competitive tender in 2009; the current contracts end in 2015. JSA providers are required to meet specified service standards, assist all eligible job seekers, and work with employers to understand and meet their skills and labour needs.

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1 JSA replaced the previous Job Network, merging a number of related programs into one, and with a stronger focus on the most disadvantaged job seekers.

2 DEEWR, *Portfolio Budget Statements 2009–10*, p.139.

3 For example, see DEEWR, *Labour Market Assistance Outcomes*, June 2013, p.4 Table 1.1 JSA streams 1–4.

Individual JSA providers are responsible for their own performance, which is reported by the department using 'Star Ratings' based on each provider's performance relative to other providers and local circumstances. JSA providers may have contracts for delivering JSA terminated if they are performing at a much lower level than other providers.

6. Expenditure on JSA is approximately \$1.4 billion per year in total, allocated in about one-third each to:

- tailored support to job seekers, such as training directed at improving employability;
- service fees to JSA providers for some ongoing services such as assessment and support of job seekers; and
- outcome fees to JSA providers, for example for the outcome of a job seeker remaining employed for a specified duration.

7. Between 2004 and 2008, the Australian National Audit Office (ANAO) conducted seven audits of the JSA's predecessor, Job Network. The earlier audits focused on program implementation; the later audits concluded that the program was generally well administered on a day-to-day basis and identified areas of possible improvement, including performance information.

## **Audit objective and criteria**

8. The audit objective was to assess the Department of Employment's management of the effectiveness and quality of employment services delivered by JSA providers.

9. To conclude against this objective the high-level criteria used by the ANAO included the department's setting of service requirements, its support and management of service providers, and its overall management of program effectiveness.

## **Overall conclusion**

10. Job Services Australia (JSA) provides government-funded support to unemployed people to help them obtain sustainable employment, at a cost of some \$1.4 billion each year. JSA services are provided by contracted service providers. An important responsibility of Department of Employment is its oversight of the effectiveness and quality of employment services delivered by

JSA providers, so that these services contribute to the achievement of the program's objectives.

11. Overall, the Department of Employment has appropriately managed the delivery of JSA employment services. Requirements of service delivery have been clearly specified and promulgated. Service delivery has been effectively monitored, and performance feedback has been given to service providers. Appropriate action was taken where there has been poorer performance by JSA providers. The department has also reviewed its own performance, and identified areas for improvements—such as reducing the volume and frequency of change of operational guidelines to service providers, and improving its risk management practices. There were reasonable arrangements for oversight of operations and deliverables at the program level.

12. The department has published evaluations of aspects of JSA's performance, and has provided comprehensive information about JSA for many years through its annual report to Parliament and additional labour market reporting. While these performance reporting mechanisms have provided relevant information about specific aspects of the operation of the program and immediate results, the department has given less attention to reporting on the contribution made by the expenditure on JSA to program objectives. The reported performance information shows that the program deliverable, the number of job placements achieved, has declined by 25 per cent in the past three years, from 480 000 to 360 000, but does not explain the extent to which this decline is attributable to a reduction in program performance or to external factors. Improved choice of indicators and explanation of results would have provided a better assessment of the contribution made by the expenditure of some \$10 billion on JSA over 2009–15. The ANAO has made one recommendation aimed at improving information on program performance for future employment services programs.

## Key findings by chapter

### Supporting JSA Providers (Chapter 2)

13. The contracted approach to JSA service delivery requires the department to have appropriate foundational arrangements, so the contracted services are effective and of suitable quality. These arrangements include the broad contractual framework, defining the service quality and performance

expectations, appropriate support to JSA providers, and encouraging innovation.

14. The contractual framework was well established, covering the requirements of the services to be provided, and the mutual responsibilities of the department and JSA providers. Relevant aspects of service quality and performance expectations were defined by the department, including comprehensive measures of provider performance covering timeliness, effectiveness and quality. The approach to measuring performance was generally accepted by JSA providers as reasonable, but with some scope to review aspects of the implementation arrangements with respect to transparency and periodic review.

15. Practical support to JSA providers was available through an online system, training sessions, and opportunities to ask questions. However, JSA providers interviewed indicated that the volume of guidance documentation, and the frequency of changes, made it more difficult to keep service provider staff aware of requirements. Against this background, the department has moved to reduce the frequency of changes and reduce the volume of documentation. The department has undertaken a number of initiatives to promote innovation and share best practice. While the competitive nature of JSA tends to discourage the sharing of proprietary information about the most effective JSA work practices, the findings from innovative projects funded by government were available to inform providers and policy development.

### **Oversight of Service Delivery (Chapter 3)**

16. While individual JSA service providers are responsible for day-to-day delivery of employment services, the department is responsible for broad oversight and monitoring, to gain assurance that the nature and quality of services are as required.

17. The department had reasonable arrangements for collecting and using job seeker feedback on service providers. There were appropriate arrangements for monitoring and managing risks in relation to service delivery by JSA providers, and the department had improved its risk management of JSA providers following a notable risk event and associated publicity in 2011, concerning fee claims for 'Provider Brokered Outcomes'.<sup>4</sup>

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4 The issue of fees claimed for Provider Broker Outcomes is discussed at paragraphs 3.14 to 3.17.



18. Performance reports and data were made available to JSA providers on a regular basis, and formal performance feedback was given every six months. There were appropriate arrangements to respond to relatively poorer performance by periodically reallocating work to better performing providers. In doing so, the department sought to ensure equitable access to quality services for job seekers in different locations and with specific needs.

### **Managing Program Effectiveness (Chapter 4)**

19. In addition to its oversight of the nature and quality of services being delivered by JSA service providers, the department is also responsible for managing the longer term effectiveness of the program, consistent with government policy requirements. The department has reasonable arrangements for monitoring operations and deliverables at the program level.

20. There are many JSA service providers, giving job seekers choice of providers. The star-rating of providers only assesses comparative performance, and as the department is the dominant purchaser of employment services, there are no convenient external performance benchmarks. In that context there would be merit in the department strengthening its approach to assessing the performance of providers over time, to help detect any overall reductions in underlying performance. Risk management arrangements at the program level were generally appropriate, but with scope to continue to improve the completeness of identification of risks and clarity of responsibility.

21. The department was provided \$10 million for the evaluation of JSA over 2009–12, and has to-date prepared 17 evaluation reports, with seven publicly released. These reports covered a wide range of topics of relevance to policy decisions and improving the delivery of services. The evaluation reports included some comparisons of JSA with its predecessor Job Network, however the evaluations have not reported on the contribution of the expenditure on JSA to program outcomes.

22. Performance information in Portfolio Budget Statements (PBS) and Annual Reports helps inform Parliament and the public on the results of the expenditure of public money. The department has provided comprehensive information about JSA for many years through these mechanisms and through additional labour market reporting. This information is useful to those with an understanding of the program, of the precise meaning of definitions of performance indicators, and of past performance.

23. However, there is scope for considerable improvements. In contrast to 2009–10, the JSA objectives in the 2013–14 PBS simply described the delivery method, but not the intended impact of the program—making reporting difficult. The PBS had 18 performance indicators for JSA, and this large number of indicators made it difficult to assess the performance of the program. Additionally, the results for the indicators used are strongly affected by external events making it difficult to assess the specific contribution of JSA. The JSA program deliverable was the number of job placements to be achieved; the actual result declined by 25 per cent in the past three years, from some 480 000 in 2010–11 to some 360 000 in 2012–13. Whether this significant decline in results was a shortfall in the contribution of the program or a consequence of external events was not explained in the department’s annual reports.

24. The department has access to comprehensive data relevant to assessing the program, and has 15 years’ experience adjusting raw performance information about JSA providers to take account of external circumstances. In that context, there is scope to better explain the specific contribution of the large public expenditure on JSA to program objectives, through both improved annual performance reporting and periodic evaluations.

## Summary of agency response

25. The Department of Employment’s response to the proposed audit report is reproduced at Appendix 1. The Department of Employment’s summary response is set out below:

The Department welcomes the report and appreciates the positive feedback regarding its management of the delivery of JSA services. The Department will review its public reporting approach as part of the Employment Services programme arrangements from 2015. The Department will endeavour to be more explicit about what the programme is intending to achieve, how it is influenced by external factors and how success is measured.

# Recommendation

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## Recommendation No. 1

### Paragraph 4.57

To better support informed consideration by Parliament and understanding by the public of the significant expenditure involved, the ANAO recommends that the Department of Employment, in the context of developing revised Employment Services program arrangements from 2015–16, improve its public reporting approach to clearly describe the intended impacts of the program, and provide an easy-to-understand assessment of the actual contribution of the funded activities to those intended impacts.

**Department of Employment's response:** *Agreed*



## **Audit Findings**



# 1. Introduction

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*This chapter describes the background and context to Job Services Australia. The audit objective, scope, criteria and approach are also presented.*

## Job Services Australia

### Overview of JSA

**1.1** In July 2009, the Australian Government introduced Job Services Australia (JSA) to provide unemployed people with flexible and tailored support to assist them to obtain sustainable employment. JSA aims to boost employment participation and the productive capacity of the Australian workforce, address skills shortage areas and better meet the needs of employers. The program includes a focus on the needs of the most disadvantaged job seekers.

**1.2** JSA has an annual expenditure of approximately \$1.4 billion. The effectiveness of JSA activities is an important contributor to social and economic outcomes for more than a million people each year. JSA is administered by the Department of Employment; up until September 2013 the responsible agency was the Department of Education, Employment and Workplace Relations (DEEWR).<sup>5</sup>

**1.3** Over the past twenty years, the unemployment rate has varied significantly in Australia, trending down from 12 per cent in 1993 to 4 per cent in 2007, and varying between 5 and 6 per cent more recently.<sup>6</sup>

**1.4** Important features of the operation of JSA include:

- The primary clients of JSA are people in receipt of a government benefit including Newstart Allowance, Youth Allowance and other income support payments.
- The Department of Human Services<sup>7</sup> (DHS) has a role in assessing JSA eligibility for most job seekers, and in withholding benefits where job seekers fail to meet their obligations under the program.

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5 References in this report to 'the department' should be considered as references to DEEWR before September 2013, and to Employment after then.

6 Australian Bureau of Statistics, *ABS 6202.0 Labour Force, Australia Table 18. Series Id A2425921R 'Unemployment rate - looking for full-time work; Persons'*, 2014.

- JSA is delivered by about 85 contracted service providers at approximately 2000 locations across Australia. Around 700 000 to 800 000 job seekers receive assistance under JSA at any one time.
- Funding from the department to JSA service providers is in the form of fees which depend on the job seeker's level of disadvantage and achieving of employment and related outcomes. Approximately \$1 billion in JSA fees is paid to service providers annually.
- While many aspects of service delivery and business management processes are prescribed by program guidelines, JSA providers have some flexibility in how they achieve employment outcomes. This flexibility includes the Employment Pathway Fund (EPF), which provides approximately \$400 million annually for JSA providers to use flexibly to purchase employment-related assistance for job seekers, such as training, travel assistance, and wage subsidies. EPF funding may only be used to assist job seekers, and cannot be retained by providers as profit.
- Provider performance is assessed using the JSA Star Ratings methodology, which measures each provider's performance and enables comparison of provider performance across Australia.

## **JSA—context, history and directions**

1.5 JSA operates within a broader context of government policies related to employment and income support. For example, unemployed people may be eligible for the Newstart Allowance, of some \$450 to \$700 per fortnight depending on their circumstances. Newstart allowances are administered by DHS. To be eligible for Newstart, among other requirements, people need to be:

- looking for suitable paid work
- prepared to enter into an Employment Pathway Plan and meet the requirements included in the Employment Pathway Plan
- meet activity test requirements

An Employment Pathway Plan outlines activities to be undertaken while looking for work to give the best chance of getting a job. The activity test

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7 DHS is responsible for policy advice and delivery of income support payments, such as Newstart. Centrelink is a delivery unit within that department.



requirements usually means beneficiaries need to apply for jobs, train or study, or work part-time.<sup>8</sup>

**1.6** This means that for many clients of JSA, their use of JSA services is a requirement of their continuing to receive government benefit payments. It also means that JSA providers, as well as providing employment and related support services, are required to keep relevant records, and to notify DHS if a job seeker does not meet their obligations.

**1.7** Other implications of this broader context are:

- the need for Employment to coordinate its management of JSA with related Government policy decisions and policy implementation by other agencies; and
- that the performance of JSA can be affected by changes to the obligations on recipients of benefits.

**1.8** The Australian Government has provided employment services to unemployed job seekers since 1946, previously through the Commonwealth Employment Service. From 1998 to 2009 employment services were delivered by Job Network, a national network of about 200 private, community and government organisations.<sup>9</sup>

**1.9** In some parts of regional and remote Australia there were a number of different employment-related government programs—including JSA—operating with relatively small numbers of clients; with consequential implications for cost, service quality and effectiveness. From July 2013 a new program called Remote Jobs and Communities Program (RJCP) was introduced. RJCP services replaced JSA in remote and regional areas. Although RJCP's geographical coverage is larger, incorporating about 75 per cent of Australia by area, the program covers less than 5 per cent of job seekers.

**1.10** The current JSA contract term is for 2012–15. The previous government had commenced consultations on the appropriate policies for subsequent arrangements for employment services from mid-2015.

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8 Department of Human Services, *Eligibility for Newstart Allowance*, 2014, available from <<http://www.humanservices.gov.au>>.

9 Department of Employment and Workplace Relations, *Job Network Evaluation Stage Three: Effectiveness Report*, 2002, p. 11.

## Previous audits

**1.11** Between 2004 and 2008 the Australian National Audit Office (ANAO) conducted seven audits of the JSA's predecessor, Job Network. This program of audits covered Job Network comprehensively. The earlier audits in this series covered a period of significant change to the program and found moderate problems with program implementation. These problems were being resolved at the time of those audits. The later audits concluded that the program was generally well administered on a day-to-day basis and identified areas of possible improvement relating to performance information, collation of complaints, specification of service standards, and collection of relevant management information.

**1.12** The ANAO reviewed the coordination arrangements that applied until recently in Audit Report No.45 2012–13 *Cross-Agency Coordination of Employment Programs*. That audit examined the administrative effectiveness of the DEEWR–DHS partnership arrangement in supporting the delivery of employment programs, including JSA. The audit found the administration of the partnership arrangement to support the delivery of employment programs was reasonably effective, with scope to further develop cross-agency collaboration. Where the previous audit focused on the relationship between the department and DHS, the current audit has focused on the relationship between the department and JSA providers.

## Audit objective, criteria and scope

### Audit objective

**1.13** The audit objective was to assess the Department of Employment's management of the effectiveness and quality of employment services delivered by JSA providers.

### Audit criteria

**1.14** To form a conclusion against the audit objective, the ANAO's high level criteria considered the Department's setting of service requirements, its support and management of service providers, and its overall management of program effectiveness.

## **Audit scope**

**1.15** The audit scope focused on the Department of Employment's management practices that support the delivery of effective, quality employment services, including the department's management of JSA providers, in relation to the JSA's Stream Services.<sup>10</sup>

## **Audit approach**

**1.16** The audit approach included:

- examination of relevant departmental documentation and data;
- interviews with the department's central office and state office staff;
- discussions with two provider peak bodies (the National Employment Services Association and Jobs Australia); and
- visits to a sample of service providers to gain insight into service delivery arrangements and how the department manages and interacts with service providers.

**1.17** The audit was conducted in accordance with ANAO Auditing Standards at a cost of approximately \$530 000.

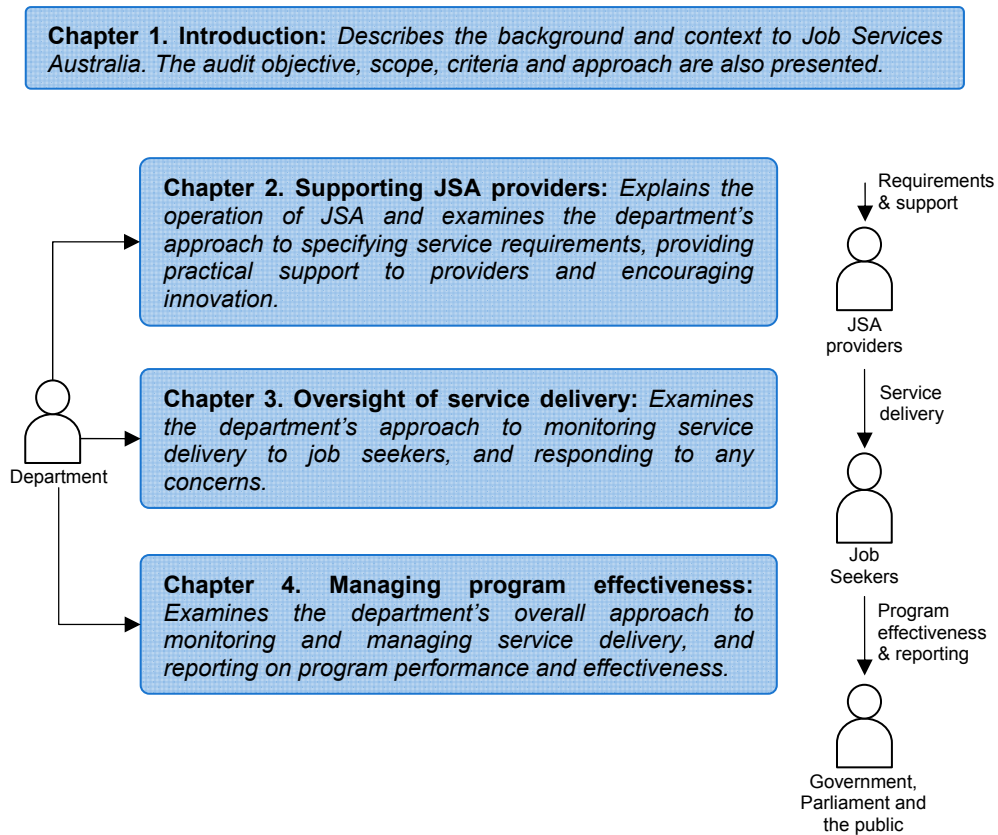
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10 See paragraph 2.2 for an explanation of Stream Services.

# Report structure

1.18 The structure of this Report is outlined in Figure 1.1.

Figure 1.1: Report Structure



## 2. Supporting JSA Providers

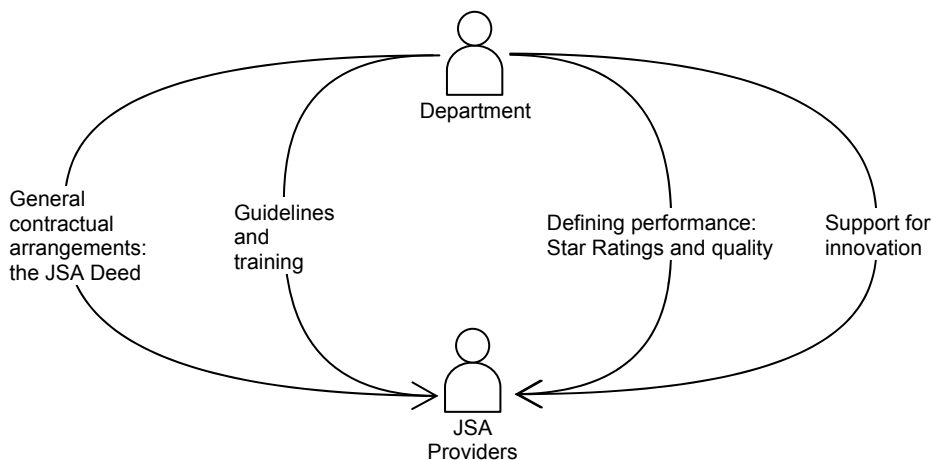
*This chapter explains the operation of JSA and examines the department's approach to specifying service requirements, providing practical support to providers and encouraging innovation.*

### Introduction

**2.1** The actual services to job seekers under the JSA program are delivered by contracted service providers, who are funded by the Australian Government. The contracted approach to service delivery requires the department to have appropriate foundational arrangements, so the contracted services are effective and of suitable quality. The ANAO examined whether the department appropriately:

- specified and approved the broad contractual framework;
- defined the service quality and performance expectations;
- provided practical support and training to providers on the service requirements; and
- encouraged innovation in service delivery.

**Figure 2.1: Overview of support to JSA providers**



Source: ANAO.

## JSA services and management

**2.2** The main employment service offered by JSA is called Stream Services—which may be followed by a Work Experience phase. Participants in JSA are referred, generally by the Department of Human Services, to one of four Streams of support. Job seekers who are most job-ready are referred to Stream 1; while job seekers with increasing needs are referred to Streams 2, 3 and 4. JSA Stream Services are delivered by about 85 contracted service providers from some 2000 sites across Australia. JSA providers are required to:

- help all eligible job seekers, regardless of their level of disadvantage, by providing individually tailored assistance to develop pathways into sustainable employment
- work with employers to understand and meet their skills and labour needs, including working with employers to identify job vacancies and match suitable candidates to those vacancies
- connect job seekers to appropriate skills development opportunities
- respond rapidly to changing labour market conditions and policy settings to ensure job seekers are connected to all opportunities, and
- build strong linkages and work collaboratively with other stakeholders, including local community and health services, Registered Training Organisations, state, territory and local government, and other service providers.<sup>11</sup>

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11 DEEWR, *JSA Request for Tender 2012–15*, 2011, pp. 10–11.

**2.3** The broad intent of the payment arrangements to JSA providers is to motivate and reward the achievement of the desired results. The specific payments vary according to the nature of the job seeker. For example, payments are higher for more disadvantaged job seekers, reflecting both the additional effort required to obtain job placements for these job seekers, and the policy intent of encouraging services to give attention to disadvantaged job seekers. Payments to JSA providers can be:<sup>12</sup>

- Service Fees—paid for basic services to job seekers, such as registration, skills assessment, and assistance with preparing an Employment Pathway Plan. Service fees range from \$63 to \$587 for a 13 week period.<sup>13</sup>
- Job Seeker Placement Fees—paid when job seekers are placed in a vacancy for a specified, short period. Placement fees vary from \$385 to \$550.
- Job Seeker Outcome Fees—paid when a job seeker remains employed for 13 and 26 weeks and fully exit income support.<sup>14</sup> Outcome fees vary from \$277 to \$2940.<sup>15</sup>

**2.4** JSA providers may also gain revenue from JSA funding for providing specific additional services, such as training, within guidelines on the effective use of funds. The fees and related funding are shown in Figure 2.2.

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12 *ibid.* pp. 55–62, 342–347.

13 There are limits in the contract to the period for which service fees are payable.

14 In some cases the outcome will take into account the job seeker's capacity and participation requirements. In specified circumstances, smaller outcome fees can be paid for progress toward sustainable employment, such as part time work.

15 These figures relate to a single Job Seeker Outcome Fee payment. Where a provider claims both a 13 and 26 Week Full Outcome, the total fees paid may be up to \$5880.

**Figure 2.2: JSA Stream Services—fees and related funding**

WORK READY	DISADVANTAGED JOB SEEKERS		
<b>STREAM 1</b> <u>First 12 months</u> <ul style="list-style-type: none"> <li>\$11 in the Employment Pathway Fund (EPF) credits</li> <li>\$385–\$440 in Placement fees</li> <li>Up to \$581 in Service fees</li> </ul> <u>12 months +</u> <ul style="list-style-type: none"> <li>\$629–\$1258 in Outcome fees</li> </ul>	<b>STREAM 2*</b> <u>First 12 months</u> <ul style="list-style-type: none"> <li>\$550 in EPF credits</li> <li>\$385–\$550 in Placement fees</li> <li>Up to \$1486 in Outcome fees</li> <li>Up to \$885 in Service fees</li> </ul> <u>12 months +</u> <ul style="list-style-type: none"> <li>\$1032–\$2064 in Outcome fees</li> </ul>	<b>STREAM 3*</b> <u>First 12 months</u> <ul style="list-style-type: none"> <li>\$1100 in EPF credits</li> <li>\$385–\$550 in Placement fees</li> <li>Up to \$3120 in Outcome fees</li> <li>Up to \$1120 in Service fees</li> </ul> <u>12 months +</u> <ul style="list-style-type: none"> <li>\$2228–\$5880 in Outcome fees</li> </ul>	<b>STREAM 4**</b> <u>First 12 months</u> <ul style="list-style-type: none"> <li>Up to \$1650 in EPF credits (first 18 months)</li> <li>\$385–\$550 in Placement fees</li> <li>Up to \$3120 in Outcome fees</li> <li>Up to \$2736 in Service fees (first 18 months)</li> </ul> <u>12 months +</u> <ul style="list-style-type: none"> <li>\$2228–\$5880 in Outcome fees</li> </ul>
<p style="text-align: center;">← <b>\$500 EPF credit</b> →</p> <p style="text-align: center;">For Early School Leavers who commence in Job Services Australia</p>			
<p style="text-align: center;">← <b>WORK EXPERIENCE PHASE ***</b> →</p> <ul style="list-style-type: none"> <li>\$500 in EPF credits on commencement in the Work Experience Phase</li> <li>\$1000 in EPF credits for job seekers commencing a second year of Work Experience Phase (Compulsory Activity Phase)</li> <li>Up to \$722 in service fees in the first year (includes \$330 one-off work experience service fee plus up to \$392 in service fees for the year)</li> <li>Up to \$400 in service fees in the second year of work experience (Compulsory Activity Phase)****</li> </ul>			

Source: Abridged by ANAO from information provided by Department of Employment.

\* The provider can claim a maximum of six Service Fee payments for Stream 2 and 3 combined (pre-Work Experience Phase) for a job seeker regardless of how this maximum 18 month period is distributed between the two Streams.

\*\* An additional \$1000 credited for Fully Eligible Participants that Centrelink has confirmed require interpreter assistance is paid upon Centrelink notification via the IT system.

\*\*\* An additional Service Fee of \$231 is payable and an additional \$350 EPF credited once only during the Work Experience Phase when a job seeker commences a Full-Time Work for the Dole activity for the first time.

\*\*\*\* After the fourth 13 Week Period in the Compulsory Activity Phase, Service Fees continue to be paid on a cyclical basis for each alternate 13 Week Period as follows: (a) first additional 13 Week Period \$133; (b) second additional 13 Week Period \$67; (c) third additional 13 Week Period \$133, and so forth until the Fully Eligible Participant Exits.

Note: This diagram describes the arrangements for new job seekers only.

Note: Outcome Fees refer to Full Outcomes and include if a provider has claimed both a 13 and 26 week Outcome.



**2.5** The nature and amount of assistance to job seekers depends on their individual circumstances, in accordance with the guidelines of the JSA program. An example of JSA assistance, and the associated payments, is provided in the following box.

**Example of JSA support to an unemployed person**

Russell attends Centrelink after losing his job and is granted Newstart Allowance. Centrelink assesses Russell's level of disadvantage. He has previously been unemployed for short periods over the past five years and has some barriers to employment. Centrelink allocates Russell in JSA Stream 2, for job seekers with moderate barriers to employment.

Centrelink informs Russell about JSA providers in the area he lives in; he chooses one, and Centrelink makes an appointment for Russell to meet the JSA provider the next day.

At his initial interview, the JSA provider discusses Russell's past employment, his qualifications and skills, and the local labour market. They agree on a course of action to get Russell back into employment. The agreed activities are recorded in Russell's Employment Pathway Plan. The Provider receives a Service Fee of \$271, for the first 13 weeks of assistance for Russell, and \$550 is credited to the Employment Pathway Fund.

Russell and the JSA provider agree to meet monthly to discuss employment opportunities and Russell's efforts to find work. At one of their meetings, they agree that Russell attend a three-day training program help him with his job search techniques. The cost of this training is paid for from the Employment Pathway Fund, and the activities are recorded in his Employment Pathway Plan.

During the training, the teacher notices that Russell is having trouble reading, and the teacher alerts Russell's JSA provider. At their next meeting Russell and his JSA provider discuss his literacy skills. As a result, the JSA provider arranges a reassessment, and Russell is found eligible for Stream 3 services (for job seekers with relatively significant barriers to employment). The JSA provider updates Russell's Employment Pathway Plan to include literacy and numeracy training and arranges appropriate training—paid for from the Employment Pathway Fund. The JSA provider is paid a \$332 Service Fee and \$1100 is credited to the Employment Pathway Fund for commencing Russell in Stream 3. While Russell is training, his JSA provider continues to keep in contact.

Russell is continuing to look for work at 14 weeks. The JSA provider is paid a \$264 Service Fee at this point. The JSA provider suggests meeting fortnightly. Russell says he is interested in a job in a local factory but the job requires a driving licence. The JSA provider offers to pay for Russell to obtain his licence using the Employment Pathway Fund.

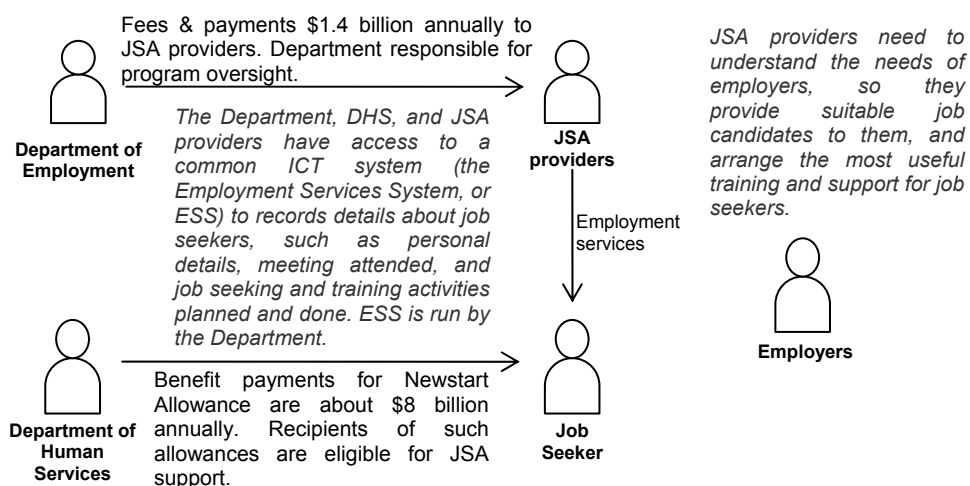
Three days later, Russell tells his JSA provider he will be starting work with the factory the following week. The JSA provider will be eligible for \$1560 in Outcome Fees at 13 and 26 weeks (total \$3120) if Russell earns sufficient income to go off-benefit and remain off-benefit during that period.

Source: Abridged, and adapted to June 2013 fees, by ANAO from page 36 of *Request for Tender Job Services Australia 2012–15*, DEEWR, 2011.

**2.6** JSA providers need to meet service standards specified in an overall contract, called the Employment Services Deed, and meet location specific requirements specified in additional individual contracts. JSA providers are expected to use a central information technology system, the Employment Services System (ESS) to access and record information about job seekers. ESS can also be accessed by the Departments of Employment and Human Services.

**2.7** The broad roles and responsibilities of those involved in JSA are shown in Figure 2.3.

**Figure 2.3: Overview of the operation of JSA**



Source: ANAO analysis.

## Specifying and approving program requirements

### Approval of expenditure for JSA 2012–15

**2.8** Expenditure on JSA for 2012–15 is expected to be more than \$4 billion. An important responsibility in program administration is proper approval of expenditure under Financial Management Regulation 9 (FMA Reg 9). Approvers of spending proposals are expected to be satisfied, after making reasonable inquiries, that giving effect to the proposal would be a proper use of Commonwealth resources. Proper use is defined as ‘efficient, effective, economical and ethical use that is not inconsistent with the policies of the Commonwealth.’ Further, FMA Regulation 12 requires that the terms of an approval be recorded.

**2.9** The department advised that the record of the FMA Reg 9 approval for JSA expenditure for 2012–15 was:

... as a delegate of the Secretary under FMA Regulation 9 I am satisfied that the proposal to award multiple contracts to multiple vendors to deliver Job Services Australia (JSA) services is a proper use of Commonwealth resources and therefore approve the spending proposal. I am so satisfied because the relevant program guidelines are consistent with Government policies and objectives.

**2.10** The department further advised this brief text was the only documentation of the approval, although in the several months preceding the FMA Reg 9 approval, the delegate had been provided a significant amount of information on the related tender process, including the scope of work, costs and risks.

**2.11** Advice from the Department of Finance lists matters which an approver should consider recording,<sup>16</sup> and comments that the approver should 'ensure that the record is proportionate to the significance, value, level of risk and sensitivities associated with the spending proposal.'<sup>17</sup> Finance further advises that 'The approver should marshal sufficient information to make a defensible decision.'<sup>18</sup>

**2.12** Although the delegate had been provided with supporting information through the tender process, the level of detail included in the approval is not consistent with the significance of the \$4 billion proposal. The approval did not, for example, record the terms of the approval, such as basic information on the amount, time period or any conditions on the approval. In addition, preferred practice in such cases would be to marshal evidence at the time of approval, so as to assist in confirming that key matters had been considered and to provide a record of that consideration. During the course of the audit the department added specific guidance to assist delegates better meet financial approval requirements for the expenditure of public funds.

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16 Department of Finance and Deregulation, *Finance Circular No. 2011/01 Commitments to spend public money*, p.23, FAQ 8, which in turn refers to p.35, FAQ 1.

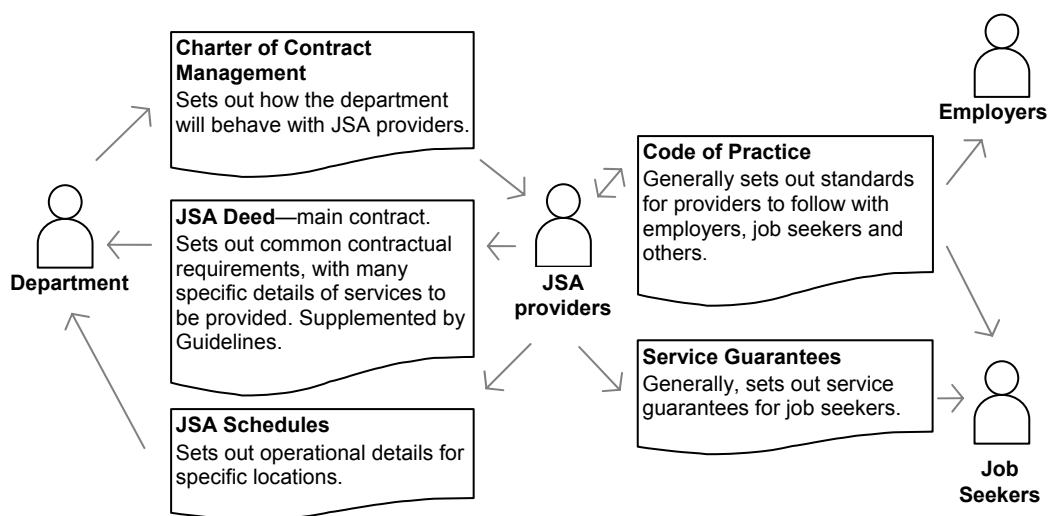
17 *ibid.* p. 34, commentary paragraph 2.

18 *ibid.* p.20, commentary paragraph 7.

## Broad contractual arrangements

**2.13** An important contributor to effective out-sourced service delivery is sound contractual arrangements. The main elements of the contractual arrangements for JSA are the JSA Deed and associated guidelines, individual schedules, Service Guarantees, the Code of Practice, and the Charter of Contract Management. The relationship between these elements is shown in the following figure.

**Figure 2.4: Main elements of JSA contractual arrangements**



Source: ANAO. The arrows indicate the broad flow of obligation or responsibility.

**2.14** Contracts for JSA services are allocated within geographic areas, called Employment Service Areas (ESAs). In each ESA, a number of JSA providers will be contracted, each with a nominated share of the market of job seekers. Contracts may also be given for servicing specific types of job seekers, such as the homeless, youth and ex-offenders.

**2.15** The JSA Deed is the main document setting out service delivery requirements. The same Deed is used for all JSA providers, with location specific details contained in a separate schedule. The 2012–15 JSA Deed sets out matters typically set out in service delivery contracts, including:

- basic conditions, such as sub-contracting, reporting, performance assessment, indemnities and problem resolution;
- specific details of the operation of JSA stream services (these details are supplemented by guidelines as discussed later);

- arrangements for record keeping, confidentiality and information technology;
- arrangements for transitioning from the 2009–12 service providers to 2012–15 providers; and
- fees and reimbursements.

**2.16** The JSA Deed is amended from time to time to take account of changing circumstances. For example, in mid-2013 General Deed Variation No.7 was issued with 33 changes to the JSA Deed to allow for changes to policy, clarify existing policy, and provide for changes following the introduction of Remote Jobs and Communities Program (RJCP).

**2.17** The Code of Practice sets out the principles and standards that underpin the delivery of employment services, and provides guidance for how JSA providers interact with employers, job seekers, and other service providers. The Service Guarantees set out what job seekers in each of the different service streams can expect from providers in terms of services, courtesy, and confidentiality. The Service Guarantees also explain job seekers' responsibilities, and how to provide feedback and complaints. JSA providers must prominently display, and make available, information about the Service Guarantees.

**2.18** Information about contracts with JSA providers is held in the department's Contract Administration System. This system provides the department's contract managers with access to contracts, and to the schedules with details of expected locations, opening hours and special services at each site to support monitoring that services are being delivered as expected.

**2.19** The Charter of Contract Management sets out the commitment made by the department to JSA providers. The Charter sits alongside the formal legal contract and sets out minimum standards of performance and conduct that providers can expect of the department. The charter is underpinned by principles of: partnering; building a strong and vibrant sector; achieving outcomes; continuous improvement; supporting innovation; and working cooperatively. The department evaluated its performance against the charter in 2012; such reviews are useful in assisting agencies maintain and improve their contract management practice. The evaluation findings were made available to providers, but not made available publicly. Key findings included:

- There had been a positive shift, with the department now taking a more collaborative approach to contract management and corresponding

improvements in: communication, the giving and receiving of feedback, problem solving and dispute resolution, consulting with providers on changes that affect their operations, and the consistency of advice and approach.

- There remained areas of concern, such as: whether the department took genuine account of consultation, tensions between sharing better practice and the competitive service delivery model, and whether raising concerns about the department's performance could damage their relationship with the department.<sup>19</sup>

**2.20** Providers interviewed by ANAO in mid-2013 as part of this audit provided similar views, but a number also noted that the partnership approach evident earlier in the contract had declined following the problems with claims for Provider Brokered Outcomes during 2012 (this issue is further discussed in Chapter 3).

## Guidelines and support

**2.21** JSA services are directly delivered to some 700 000 to 800 000 job seekers by approximately 20 000 employment consultants. Each year provider staff turnover means there are some 4000 employment consultants who are new to the role. Employment consultants need to have both the skills to assist the job seekers and to understand and correctly follow the administrative requirements of the JSA program. These administrative requirements include such matters as the correct content of Employment Pathway Plans, the appropriate use of funds from the Employment Pathway Fund, and keeping proper evidence to support claims for payment from the department.

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19 DEEWR, *Evaluation of the Charter of Contract Management Report*, 2011, summarised from pp. 3–4.

**2.22** To help JSA providers and their staff understand the requirements expressed in legal terms in the JSA Deed, the department provides support such as:

- additional guidelines to supplement the Deed;
- training material on the requirements, including courses and video presentations;
- bulletins on coming changes; and
- arrangements for providers to seek clarification on the interpretation of requirements.

**2.23** Individual JSA service providers vary significantly in size. Larger providers may develop their own guidance material, and have central staff who adjust the departmental material to better suit the needs of the providers' business processes and staff.

**2.24** The views of JSA providers on the support arrangements<sup>20</sup> are generally that the basic intent, comprehensiveness and quality of guidelines and support arrangements were good. For example, one provider commented *'the Learning centre modules are very good. So are the webinars and videos.'* However, providers interviewed by ANAO also observed there was, in their view, substantial scope for improvement—issues raised generally included the large number of guidelines, difficulty in locating information, possible inconsistencies between guidance, and difficulty in getting firm advice on interpretation of guidelines. Some specific examples of concerns raised by JSA providers with ANAO are:

'Sometimes DEEWR will set one interpretation of a guideline for us, but then do not promulgate this decision more widely; this means that other providers don't get treated with the same strictness as we do. All interpretations given should be published, to ensure fairness / equity.'

'Sometimes DEEWR issues a guideline to take effect on 1 July, but only issued on 3 July. Then DEEWR insist that work from 1 July to 3 July must follow guidelines that were only issued after the work was done.'

'Change is relentless. The Provider portal has a lot of change. Sometimes 12–15 changes each week. We have to summarise for our staff—they should focus on helping job seekers.'

20 These views have been collected by the department as part of its normal consultative arrangements, in the evaluation of the Charter of Contract Management, in the Final Report of the Advisory Panel on Employment Services Administration and Accountability, and in interviews by ANAO for this audit.

'The JSA guidelines are so complex that our internal auditor and our line JSA manager can interpret the same guideline differently.'

'DEEWR takes the approach of not clarifying the guidelines—but we would not ask if they were unambiguous!'

'Our staff do use the DEEWR learning centre, but still don't understand how to do entire work processes. The learning centre only helps with parts of the job.'

'Interpretation of the guidelines is sometimes unreasonably literal. We had a payment rejected for a document that was signed on the last page, and initialled on every other page, because the guidelines said *all pages* must be *initialled*!'

'The guidelines should be clearer and more prescriptive—that is, be more definite to avoid disagreement on meanings and recoveries of fees paid.'

'To set up our own quality accreditation procedures, we distilled 3000 pages of DEEWR guidelines into our own 50 Standard Operating Procedures. This is much better for our staff—but it means there are 2 versions of the rules.'

**2.25** The department has taken steps to understand the views of providers, and to make improvements. For example, in response to concerns about the frequency of change and the variety of overlapping sources of information, in late 2013 the department decided to generally batch and issue changes to guidelines on a quarterly basis. The first quarterly release of changes was at the end of March 2014.

**2.26** In redrafting guidance material, the department has applied principles aimed at reducing the number of pages used to express the guidance, and at ensuring that any increases in administration for JSA providers adds appropriate accountability. There was no explicit principle to consider the potential impact of changed guidelines on program effectiveness. That is, it would be useful to consider changed guidelines from a perspective of having confidence that payments are only for genuine results (accountability), and also the perspective of increasing the number of results (effectiveness).

**2.27** In summary, the guidelines and support provided by the department are readily accessible, and generally considered to be useful. There are arrangements to seek clarification on requirements. However, the guidelines are lengthy, contain a degree of overlap, have potential confusion on the interpretation of requirements, and have been frequently changed. The department is aware of these issues, and has been taking steps to improve its approach. There is scope for the department to continue its focus on improving the ease of access to consistent, stable guidance and support in preparation for implementing any Government decisions for a new Employment Services contract from mid-2015.



## Defining provider performance

### Performance framework overview

**2.28** As discussed at paragraph 2.3, payments are made to JSA providers for specified services (such as supporting and advising a job seeker) and outcomes (such as placing a job seeker in a vacancy). This section examines the broad performance framework arrangements and approach for JSA; the actual operation of these performance arrangements is discussed in Chapter 3.

**2.29** The JSA Deed<sup>21</sup> sets out that the department will monitor, measure and evaluate the performance of JSA providers, including using three Key Performance Indicators (KPIs):

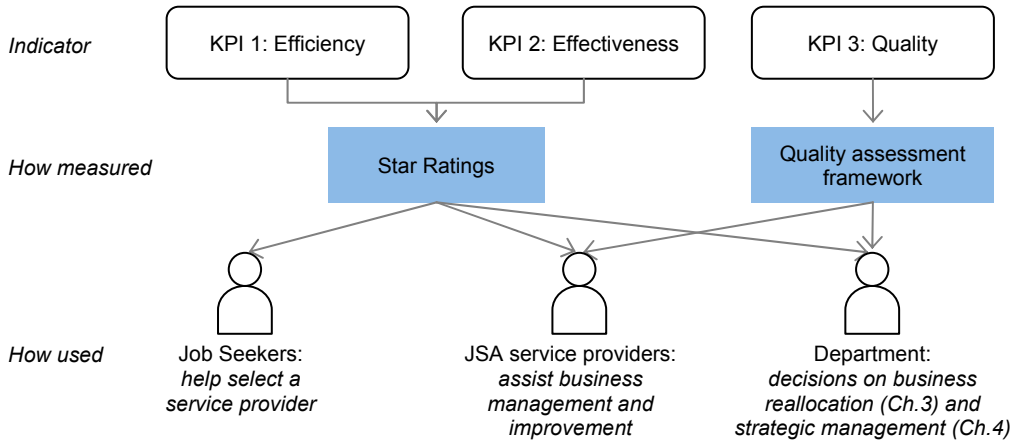
- KPI 1: The average time that the provider takes, compared to the time taken by other employment services providers, to assist relevant Participants into Employment.
- KPI 2: The proportion of relevant Participants for whom placements and Job Seeker Outcomes are achieved and the proportion of Fully Eligible Participants in Stream 4 for whom Social Outcomes are achieved.
- KPI 3: The delivery of quality Services under this Deed, the Service Guarantees and the Code of Practice.

**2.30** The department describes the KPIs as covering efficiency, effectiveness and quality respectively.<sup>22</sup> KPIs 1 and 2 are measured by the department using a Star Rating system, and KPI 3 is measured through a quality assessment framework. As shown in Figure 2.5 the Star Ratings of individual JSA sites are made publicly available on the department's web site. Star Rating and quality information are used by JSA providers to help them manage and improve their operations, and are used by the department to encourage improved service delivery and in decisions about allocation of work to JSA providers. The public Star Ratings may also help job seekers in selecting a JSA provider.

21 DEEWR, *JSA Deed 2012–15 Stream Services*, as at July 2012, Section 2E, Paragraphs 29–31.

22 For example in the 2012–15 JSA Request for Tender, pp. 64–66.

**Figure 2.5: Performance Management Framework**



Source: ANAO analysis of JSA Deed and related departmental documents.

**2.31** The JSA Deed sets out three KPIs which are to be monitored by the department. However, in practice KPIs 1 and 2 have been merged into the Star Rating system. The Star Rating system is not given explicit authority in the JSA deed, although it is referenced, very indirectly, in paragraph 31.3 of the Deed where there is mention of ‘rating bands’. A 2005 ANAO report on employment services encouraged the department to ‘include specific reference to the Star Ratings system ... in its contract with ... providers’.<sup>23</sup> There remain advantages in better aligning the department’s management practices and the Deed, to provide a contractual basis for appropriate oversight by the department.

**2.32** The next two sections discuss the Star Ratings system, and the quality assessment framework.

### **Star Ratings (KPI 1 efficiency and KPI 2 effectiveness)**

**2.33** The JSA program has service arrangements for four different streams of clients, and has payments for nominated results such as being place in a job, remaining in a job for 13 and then 26 weeks, or undertaking relevant training. These relatively complex arrangements are intended to keep a focus on achieving sustainable employment; while recognising these results may take time and effort by JSA providers to achieve and the practical benefits of rewarding progress toward the overall goal. The department records all these

23 ANAO Audit Report No.6 2005–06 *Implementation of Job Network Employment Services Contract 3*, paragraph 7.49.

individual results. However, to be able to compare JSA providers, it is necessary to summarise the complexity of millions of individual results. Preparing a fair summary view involves deciding the relative importance of the different types of results, and making reasonable allowance for the different circumstances faced by different providers. These two summarising steps are made through the Star Rating system. Star Ratings are calculated for each delivery site within a contract, for each contract, and for each JSA stream. A JSA provider may have contracts in a number of different geographic areas, and have different Star Ratings for different contracts.

**2.34** The relative importance of the different types of results is specified in guidance material issued by the department.<sup>24</sup> Overall JSA ratings are calculated by aggregating the individual Stream ratings, with Stream 4 contributing 40 per cent, Stream 3—30 per cent, Stream 2—20 per cent and Stream 1—10 per cent. Within each stream, weightings are then allocated to a number of specific performance measures (such as the number of job placements, and the time taken for job placements). These weightings have been chosen to provide the desired balance of incentives to JSA providers, in accordance with Government priorities for assisting different types of job seekers.

**2.35** Allowance for the different circumstances faced by different providers is made by comparing what was actually achieved by a JSA provider in a contracted geographic area with what could have been reasonably expected.<sup>25</sup> The expected performance is calculated by mathematical analysis of the characteristics of the local circumstances—such as the degree of disadvantage of the job seekers being assisted, and the availability of work in the area—and the actual performance of all JSA providers in relation to those circumstances. This results in a score for each performance measure showing how well the provider has performed in an area, in comparison with national performance. In other words, the rating is not an absolute measure, such as placing a certain number of job seekers, but a relative measure of how many job seekers were placed compared to other providers in similar circumstances. The absolute performance of the program could significantly worsen or improve with no effect on the Star Ratings.

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24 DEEWR, *Star Ratings Methodology From July 2012 to June 2015 Advice V 1.1*, pp. 4–5.

25 *ibid.* p.11.

**2.36** The final step is to add the relative performance, with appropriate weighting, for each performance measure to give an overall relative performance score, which is converted to a Star Rating.<sup>26</sup> A Star Rating of 3 is given to providers whose performance scores are within 19 per cent of the national average score. Those 40 per cent or more above the average are 5 star; between 20 and 39 per cent above are 4 star. Those 50 per cent or more below the average are 1 star; between 20 and 49 per cent above are 2 star. One implication of using fixed proportions to allocate the Star Rating is that the number of providers with each Star Rating is completely dependent on performance. For example, if providers generally improve their performance, it is possible there would be no providers rated as 1 or 2 star.

**2.37** The department has based the detailed design of the Star Rating system on expert advice provided in 2008 and sought the views of industry on subsequent adjustments to the system. The department has gained Ministerial approval for adjustments to the system, and made available to JSA providers information on the design and operation of the system.

**2.38** Comments by JSA providers, in recent submissions to reviews and in interviews for this audit with ANAO are generally supportive of the Star Rating system. Given the complexity of the program and variety of circumstances facing different providers it is seen as a workable indicator of performance. It has operated for some 15 years, with continued adjustments for policy changes and with technical changes to improve the reliability of the scores. Notwithstanding continued improvements to explanations of the process for calculating Star Ratings, some of the interviewed providers felt there was a lack of transparency in individual cases where the Star Rating did not align with expectations based on the result being achieved. The department advised that in 2013, four of the 85 providers had sought advice on some specific Star Rating results.

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26 *ibid.* p.6.

## Quality framework (KPI 3)

**2.39** For 2012–15, JSA has implemented measurement of KPI 3 through a Quality Assurance Framework.<sup>27</sup> The Quality Assurance Framework uses five quality measures:

1. Claims Processing: Evaluates the number of manual special claims lodged and rejected [for nominated types of claims].
2. Individualised Employment Pathway Plans (EPPs): Evaluates the proportion of EPPs assessed that are in compliance with the Deed and legislative requirements.
3. Active Engagement of Participants: Evaluates active engagement of Participants, in terms of timeliness for connecting Participants with Providers, minimum Contact levels and commencement of activities.
4. Participant Experience: Evaluates the experience of Participants receiving Stream Services through the department's Post Program Monitoring (PPM) survey.
5. DEEWR Received Complaints: Evaluates how adequately Providers responded to Complaints received by the department.<sup>28</sup>

**2.40** These five measures cover a reasonable range of aspects of quality, such as the experience of clients, and whether key activities are done to the required standard.

**2.41** The department has sought the view of industry on adjustments to the quality assurance arrangements; and made available to JSA providers information on the design and operation of the quality measurement arrangements. These arrangements include provision for providers to access their indicative quality ratings, and to request reviews of the ratings.<sup>29</sup> The department has also introduced a service called 'Connections for Quality', which allows providers to publish information relevant to the quality of service on the government operated Australian JobSearch web site, and for job seekers and employers to provide quality-related comments on the same web site.

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<sup>27</sup> DEEWR, *Quality Assurance Framework V 1.3*, 2012.

<sup>28</sup> *ibid.* pp.3–4.

<sup>29</sup> *ibid.* pp.5–6.

**2.42** As part of industry consultation and internal consideration, the department became aware that ‘the current Job Services Australia (JSA) Quality Framework (KPI 3) is not providing practical information for Providers to continuously improve their quality of service delivery and that alternative approaches may be more effective and efficient.’<sup>30</sup> Since late 2012, the department has been piloting a different approach to assessing quality with nearly 50 providers, with a view to introducing new arrangements from 2015.

## **Performance framework conclusion**

**2.43** In summary, the overall performance framework assesses relevant aspects of performance and has general support. The department has consulted with providers, and as a result aspects of the performance measures have been adjusted over time to improve its operation.

## **Supporting innovation and better practice**

**2.44** In addition to setting out the expected service requirements and providing appropriate support and guidance, there are often benefits in contract managers considering how to encourage the adoption of better practices and innovation among contracted providers. This can help performance generally, assist adaptation to changing economic circumstances and improve results for specific categories of job seeker—particularly the more disadvantaged. The expected role of the department is set out in the Charter of Contract Management:

**Supporting innovation:** DEEWR acknowledges the independence of employment services providers and the skills, experience and expertise of those who work in the industry and will support innovation, flexibility, creativity and individualised service to assist job seekers;<sup>31</sup>

and

**Facilitating innovation and sharing ‘better practice’:** In addition to its commitment to make every meeting with providers an opportunity to share and discuss better practice, DEEWR commits to working with the industry to foster and encourage innovation, continuous improvement and better practice.<sup>32</sup>

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30 DEEWR, *Quality Standards Pilot Activity 2 Instructions*, 2013, p.6.

31 DEEWR, *Employment Services Charter of Contract Management*, 2009 p.2.

32 *ibid.* p.3.

**2.45** In parallel with encouraging improved delivery practice within the current JSA policies, the department had consulted with stakeholders and has provided advice to government on potential changes to the policy for JSA, and for related employment support activities. Examples include the development of the employment services arrangements following the current JSA 2012–15 contract; the operation of Local Employment Coordinators in areas with special needs; and specific initiatives—such as a labour mobility and relocation allowance for 12 months from July 2013.

**2.46** Activities undertaken by the department to support innovation and extend better practice included:

- feedback on better practices and comparative performance as part of regular performance feedback to providers;
- managing a range of projects funded through an Innovation Fund, and the publication of resulting better practice guides;
- managing a range of demonstration pilots with a focus on disadvantaged job seekers, and promulgating good practice information; and
- developing and publishing other relevant good practice guides.

**2.47** In 2011–12 the department evaluated its performance against the Charter of Contract Management, including supporting innovation and better practice. In summary, the evaluation found:

There is a general consensus amongst providers that forums designed to facilitate innovation and information sharing are ineffective due to an inherent conflict between the competitive service provider framework and delivering innovation. There was some acknowledgement that forums attended by other organisations such as Centrelink were valuable in terms of networking and gaining new information.

Providers have a desire to learn from the successes of others in the industry. They are reluctant, however, to share information with DEEWR or the industry at large where that could erode their own competitive advantage. Providers recognise that DEEWR's ability to gather and share this kind of information is limited.

Similarly providers indicate that while DEEWR staff may be supportive of innovation, contractual requirements limit the development of new and innovative practices. The Innovation Fund was recognised as a positive step in this regard.

A wide range of views were expressed regarding the role of DEEWR in facilitating innovation, ranging from those who felt DEEWR should 'drive' improvements to practice, to those who felt this was unachievable or inappropriate and that DEEWR should rely on peak bodies as a principal means of achieving better practice.<sup>33</sup>

**2.48** More recent industry submissions to reviews for the 2015 contract, and providers interviewed by ANAO for this audit in late 2013, found similar results: an acknowledgement of the department's efforts to promote improved practice; mixed views on the value of the work done; and the observation that the competitive nature of the employment services arrangements is a significant barrier to the sharing of innovations developed by individual providers.

**2.49** Encouraging innovation and the wider adoption of good practice is likely to contribute to better results from the public expenditure involved. The department has managed a range of innovation projects; the results of these have been shared with industry, have contributed to the design of subsequent innovation projects, and have been available to inform broader policy development of future employment services. There is scope for the department to continue to consider how best to balance its efforts between:

- encouraging the sharing of provider-developed good practices in a competitive environment, and
- sponsoring innovation to be shared and used as evidence for policy adjustments.

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33 DEEWR, *Evaluation of DEEWR's Performance against the Employment Services Charter of Contract Management - Analysis Report*, 2012 p.5.



## Conclusion

**2.50** The department is responsible for setting appropriate foundational arrangements for JSA service providers, so that the contracted services are effective and of suitable quality. There was a well-established contractual framework, covering the specific details of work to be undertaken, and the mutual responsibilities of the department and JSA providers. Relevant aspects of service quality and performance expectations were defined. Practical support to JSA providers was available through an online system (the 'provider portal'), training sessions, and opportunities to ask questions. However, JSA providers interviewed indicated that volume of documentation, and the frequency of changes, made it more difficult to keep service provider staff aware of requirements. The department has moved to reduce the frequency of changes and the volume of documentation.

**2.51** There were comprehensive measures of provider performance, covering timeliness, effectiveness and quality. These were generally accepted by JSA providers as reasonable; the department has continued to work with providers since JSA began in 2009 to make small adjustments to the measurement arrangements to pilot improvements for consideration in the 2015 contract. The department has undertaken a number of initiatives to promote innovation and share best practice. Providers interviewed indicated these activities were of limited immediate value—largely because the competitive nature obtaining JSA work discouraged the sharing of information on the most effective JSA work practices. However, the findings from innovative projects were available to inform longer term developments in employment services.

### 3. Oversight of Service Delivery

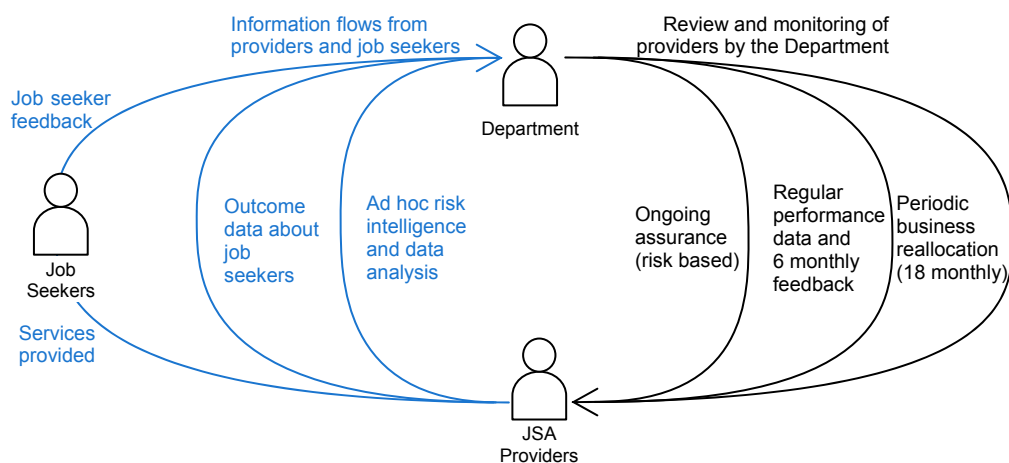
*This chapter examines the department's approach to monitoring service delivery to job seekers, and responding to any concerns.*

#### Introduction

**3.1** Within the service requirements specified in contracts, individual JSA providers are responsible for day-to-day delivery of employment services. The department has responsibility for broad oversight and monitoring, to gain assurance that the nature and quality of services are delivered as required. In this regard, important steps for the department are to:

- collect relevant information on the views of job seekers on services provided, the outcomes being achieved, and ad hoc intelligence;
- take a risk-based approach to ongoing assurance activities;
- provide regular performance feedback to providers; and
- periodically consider reallocating work in cases of lower performance.

**Figure 3.1: Main elements of the department's oversight of JSA providers**



Source: ANAO analysis.

## Job seeker feedback

**3.2** Collecting feedback and complaints from job seekers is useful in identifying and managing problems in individual cases and for the overall JSA program. Feedback from job seekers is also used to help assess the quality of services delivered by individual JSA providers, as discussed at paragraph 2.39. The main ways job seekers can give feedback about JSA are:

- directly to the JSA provider;
- through the National Customer Service Line (NCSL); and
- in the Post-Program Monitoring (PPM) survey.

**3.3** JSA providers are required by the department to have a customer feedback and complaints process. They must advise customers of this process upon first contact, and keep a customer feedback register, which must be made available to the department upon request. If a job seeker is dissatisfied with the results of the provider's feedback process, the provider must refer the job seeker to the department's NCSL.

**3.4** The NCSL is a free call centre for job seekers who cannot resolve a question or concern they have with their provider. The NCSL is promoted on the department's website, in the Code of Practice and in JSA Service Guarantees. JSA providers are required to post the Service Guarantee in a prominent position in all sites and give all job seekers a copy of the Code of Practice. Of a total of 30 000 calls received by the NCSL from job seekers in 2012–13 approximately:

- 30 per cent were requests for information;
- 30 per cent were requests to transfer from one JSA provider to another—for example because the job seeker had moved or preferred another provider;
- 30 per cent were complaints handled by the NCSL, for example because they related to policy requirements on the job seeker; and
- 10 per cent were complaints referred to the JSA provider for resolution.<sup>34</sup>

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<sup>34</sup> In 2012–13, 1 421 946 discrete job seekers were assisted, so the number of complaints referred to providers is about 0.2 per cent of job seekers. Examples of such complaints are: not being open for scheduled hours, and computers not being available to allow job-searching.

**3.5** The Post Program Monitoring (PPM) survey is conducted around three months after job seekers have been assisted in employment services<sup>35</sup> and is used to assess job seekers' labour market and education status, and their satisfaction with the assistance provided. Information from this survey is used to assess JSA providers, as discussed at paragraph 2.39. In June 2013, about 85 per cent of job seekers reported they were very satisfied, satisfied or neutral about the overall quality of services.<sup>36</sup>

**3.6** The department has clearly documented feedback and complaints policy and processes for JSA, which have been communicated to job seekers, employers and providers. Complaints and feedback mechanisms are readily accessible via the internet or phone. The department monitors that JSA providers are resolving complaints referred to them. The relevant departmental management committee, the ESC, regularly reviewed job seeker feedback information for trends and emerging issues and reviewed the operation of the department's NCSL; at the operational level contract managers were aware of complaints about JSA providers; and the department published information about job seekers satisfaction with JSA providers each quarter. Overall, there were reasonable arrangements for managing job seeker feedback.

## **Risk management of JSA service providers**

**3.7** An important responsibility of the department is to understand and manage significant risks to service delivery that may arise from the use of contracted services providers. This section focuses on risk management associated with individual JSA service providers; Chapter 4 discusses risk management at the JSA program level.

**3.8** As mentioned at paragraph 1.4, JSA is delivered by about 85 different providers, at approximately 2000 individual sites. There are risks for service delivery that are different for different companies—such as individual companies' ICT systems, operating procedures, and arrangements for the selection, training and management of staff. Accordingly the department needs effective risk management arrangements for providers to help give assurance that services will be delivered as expected. In this context, effective risk

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35 In any one year, approximately 400 000 surveys are attempted, with a response rate of around 25 per cent.

36 Department of Employment, *Labour Market Assistance Outcomes June 2013*, 2013, Table 5.6, p.29.

management arrangements include having appropriate risk policies and procedures, effective training and support to staff with risk management responsibilities, and reliable arrangements to monitor and respond to risks.

**3.9** The department has developed a range of specific risk policy and operational documents, including:

- Publicly available material, such as the *Employment Services Compliance and Assurance Framework v1.0* (which sets out the broad approach), and the *Employment Services Program Assurance Activities for 2013 V1.0* (which describes focus areas for a particular year); and
- internal guidance material on risk management within the Employment Services Contract Management Handbook, and on the use of specific risk management systems.

**3.10** As explained in the department's Compliance and Assurance Framework, JSA providers are expected to have 'their own governance and control frameworks which support their performance, delivery of quality services, and accuracy of payments consistent with the relevant deed or funding agreements'.<sup>37</sup>

**3.11** The department employs four strategies to provide assurance for its programs:

- **prevention**—making it easier for employment services providers to comply
- **deterrence**—making clearer the risks and penalties of non-compliance
- **detection**—processes are in place to detect identify non-compliance
- **correction**—acting on detected non-compliance.<sup>38</sup>

**3.12** The department has developed several systems to support managing risk for providers:

- The Risk Management Module (RMM) which allows staff to record details of risk assessments on individual providers and sites;
- The Provider Risk Alert (PRA) system which provides alerts to senior departmental management about emerging risks; and

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<sup>37</sup> DEEWR, *Employment Services Compliance and Assurance Framework v1.0*, 2012 p. 3.

<sup>38</sup> *ibid.*

- The Risk Dashboard which provides senior management with information about trends in the number, severity and types of risks and about whether departmental staff are keeping provider risk information current.

**3.13** The department's arrangements for managing risks associated with individual service providers were reasonable:<sup>39</sup>

- there were appropriate policies and procedures, which had been reviewed and improved, with senior executive support;
- there were relevant support systems, documentation and training for staff with management responsibilities;
- a sample of individual risk plans reviewed by ANAO were up-to-date and current; and
- there were systems for appropriate monitoring of risks and responses as needed, with a senior management committee regularly considering provider risks.

### **Risk Case study—Provider Brokered Outcomes**

**3.14** While the department's systems for managing risk were generally reasonable, in the period 2010 to 2012 there were issues associated with payments to providers for 'Provider Brokered Outcomes' (PBO). This section briefly describes the events and the insights provided into the department's risk management of JSA.

**3.15** Providers are paid different fees for different services and outcomes. One new type of fee introduced with JSA in 2009 was PBO, where the provider took direct steps to arrange or broker with an employer the outcome (i.e. employment). The providers were paid a higher fee than in the case where the jobseeker found the job themselves. It turned out that in a number of cases providers claimed the higher fee associated with the PBO, but were subsequently not able to provide evidence that they had 'brokered' the outcome.

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39 Reasonable in the context that the department has chosen to accept low and medium risks (see paragraph 4.25). Reasonable risk arrangements do not prevent all risks, but aim to reduce their incidence and impact.

**3.16** Concerns about incorrect claims by JSA providers were the subject of media publicity in late 2011. For example:

**Former staff accuse agency of rorting jobs scheme**

The federal government is investigating allegations that [ ... ], one of Australia's many private welfare-to-work providers, has been falsely claiming fees from the multibillion-dollar Job Services Australia scheme.

Internal government documents show that as of the middle of this year, investigators working inside the Department of Education, Employment and Workplace Relations were actively preparing a brief for prosecutors to examine and to decide whether further action was warranted, after former staff of the company blew the whistle. ... allegations that senior managers issued instructions to staff to lodge false claims with the department to attract higher fees and a better chance of future government contracts ...<sup>40</sup>

**3.17** The then Minister commissioned a review of the concerns, and as a result the fee structure was changed to remove the PBO fee. A more detailed audit of payments was conducted and repayments made by JSA providers for fees paid incorrectly or without appropriate supporting documentation. The amount of fees recovered from the PBO audit was some \$5.1m, or some 0.3 per cent of program expenditure.

**3.18** Some observations relevant to the risk management of JSA are that the department's:

- risk treatments in 2009 and 2010 were not sufficient to mitigate the problem—the changed payment arrangements had increased the risks of improper claims by providers but the guidelines for making claims for PBO payments did not explain the new requirements with sufficient clarity;
- risk assurance activities were sufficient to detect this as an area of concern, with PBO specific audit activity underway in mid-2010; about one year after the program commenced;
- initial response focussed on progressively clarifying the requirements for making claims, so as to help encourage correct actions by providers and to have a proper basis for taking any financial recovery action or prosecutions;

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40 Linton Besser, 'Former staff accuse agency of rorting jobs scheme', *Sydney Morning Herald*, 13 December, 2011.

- subsequent response was vigorous and targeted at the areas of higher risk, and resulted in fee recoveries.

**3.19** Following the event, the department reviewed and made changes to its risk management approach. The department engaged a risk specialist to review arrangements for risk planning, and work with program staff to improve risk plans.

## Providing performance feedback

**3.20** While JSA providers are responsible for managing their own performance, the department holds much of the data needed to assess performance. To support and oversee the effective delivery of JSA services, the department:

- provides data and performance reports to JSA providers on a regular basis; and
- gives formal performance feedback every six months.

## Regular performance data and reports

**3.21** To assist JSA providers assess their own performance, the department provides them with detailed performance information from the ESS computer system on a weekly basis. Providers can then analyse this information with their own IT systems. More recently, the department has been progressively giving access to providers to more sophisticated reports on performance information and trends. These ‘dashboard’ reports aim to summarise a large volume of information for providers and provide insights into performance.

**3.22** Providers interviewed for this audit appreciated the general reliability and support for regular data transfers, and the recent enhancements to performance reporting. However, some providers considered that the department could continue to improve its understanding of the business needs of providers. For example: many reports are site or contract specific and do not give an all-of-provider view; some of the reports are very slow to load; and the data glossaries are hard to understand. Larger providers had the technical capability to develop their own reports from the detailed data, but smaller providers often relied on the reports from the department.



## Formal performance feedback

**3.23** Under the Employment Services Deed, the department is required to review a provider's performance at each site every six months. The focus of the feedback to providers from these reviews is on improving performance and sharing better practice; but will as necessary also include discussion of any areas of concern. The department has developed internal procedures for conducting the six-monthly reviews, and has periodically reviewed and adjusted its approach.

**3.24** To conduct a performance review, the departmental contract managers are required to collate performance information such as the Star Ratings, Quality Framework assessment, employer and job seeker feedback, operational issues, risk management plans, results of program assurance projects and other relevant information gathered from desktop monitoring. A set of key messages from the department is also included in the performance feedback. A sample of performance reviews examined by ANAO was generally in accordance with these content requirements.<sup>41</sup> However, the feedback was often not provided until four to five months after the end of the performance period, potentially delaying opportunities for improvement. In about 20 per cent of the reviews examined the department required the provider to respond in writing with plans to rectify issues raised in the performance discussion.

**3.25** Providers interviewed by the ANAO for the audit were generally positive about the six monthly performance reviews. Although much of the performance information presented was already known, the performance reviews were seen as sound business practice, and a reasonable way for the department to communicate issues of importance or concern. Comparisons of outcomes or Employment Pathway Fund expenditure with other providers in the Employment Service Area were considered to be particularly useful. Areas of frustration expressed by providers included the delay in receiving the detailed feedback, and being presented with new performance information at the meeting.

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41 The audit examined both six-monthly reviews in 2012 for 14 of the approximately 85 JSA providers. The providers involved were a mixture of large and small; generalist and specialist; and urban and regional.

## Responding to shortfalls in performance

**3.26** The department has overall responsibility for the quality and effectiveness of JSA services. If the regular feedback processes discussed in previous section do not lead to sufficient performance improvement, the department should have arrangements to respond appropriately to shortfalls in performance by JSA providers. The department included arrangements to manage shortfalls in performance in the JSA Deed, including provisions to reallocate work from lower performing contracts each 18 months.

**3.27** The ANAO examined the overall operation of these arrangements for the move from the 2009–12 JSA contract to the 2012–15 contract. This overall process was called the ‘2012 Business Review’ (‘the review’), and was based on Star Ratings for August 2011. The department kept providers informed on details of the process, and explained that the approach aimed at achieving the optimum combination of factors that:

- provides job seekers, including those most disadvantaged in the labour market, and employers with access to high performing JSA services;
- provides geographic coverage to ensure job seekers are able to access providers;
- meets the needs of specific job seeker groups and local labour markets;
- where appropriate, delivers job seeker choice and a diversity of providers, such as through a mix of small, medium and large organisations;
- maintains providers’ financial and organisational capacity to deliver optimal services to job seekers after any expansion; and
- represents minimal risk for the Australian Government.<sup>42</sup>

**3.28** The department developed internal guidelines for the different steps of the review of contract performance covering such issues as governance, probity, review, and detailed assessment processes. The overall process, as shown in Figure 3.2, was that all 575 contracts were reviewed and:

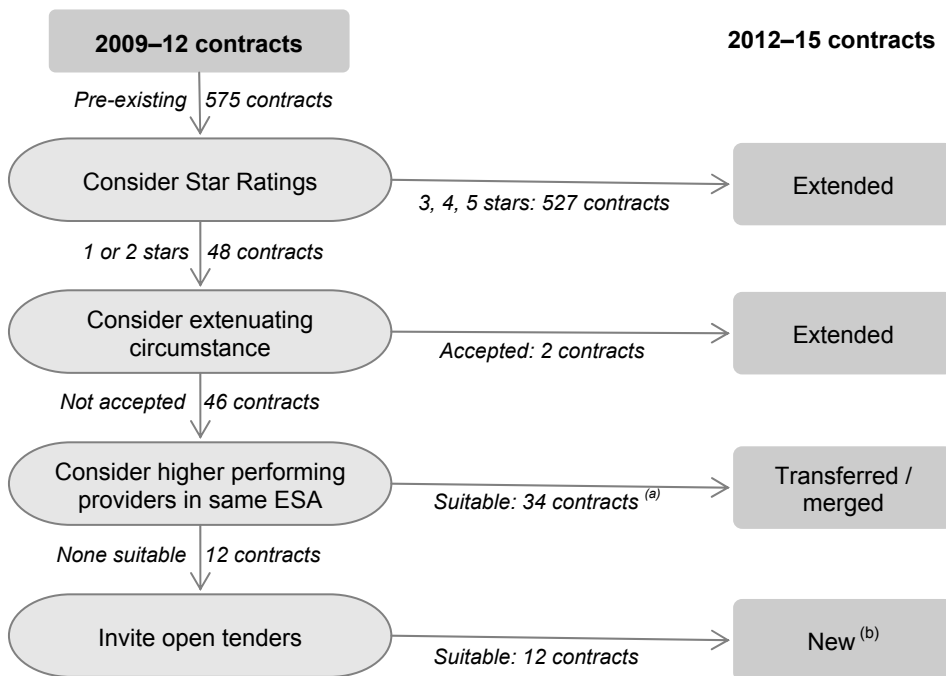
- 527 contracts with at least a three star performance rating were extended for three years.

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42 Letter from Department to JSA providers, 14 September 2011.

- 48 contracts with a one or two Star Rating were invited to submit explanations of any extenuating circumstances for their performance. Two explanations were accepted and the contracts extended.
- For the remaining lower-performing contracts, if there were suitable higher performing providers in the same area, the workload of the lower performing providers was offered to them. Arrangements for either new contracts or additions to existing contracts were made covering the work of 34 contracts.
- Having exhausted other possibilities, the remaining 12 contracts were awarded following an open request for tender.

**Figure 3.2: 2012 Business Review Process**



Source: ANAO analysis of Department of Employment documents.

Notes: (a) The reallocation of 34 2009–12 contracts resulted in a smaller number of 2012–15 contracts due to the merger of some contracts. (b) New contracts may be to existing providers.

**3.29** For the review, contracts with lower Star Ratings<sup>43</sup> in 2011 were more likely to be relatively small and specialise in supporting particular disadvantaged groups such as the homeless, youth and ex-offenders. Of the 48

43 The way Star Ratings are calculated is explained at paragraphs 2.33 to 2.38.

contracts with a one or two Star Rating, 33 were specialist. That is about 70 per cent of the contracts reviewed were specialist, but less than 10 per cent of job seekers are in specialist services across JSA. The specialist contracts subject to review also had relatively small caseloads, about one third the size of the average contract caseload. More recently, the Star Ratings in late 2013 indicated that specialist contracts were more likely to be high performing than generalist contracts—the converse of the situation in 2011.

**3.30** A 2012 OECD review<sup>44</sup> of Australia's approach to supporting job seekers observed that providers that specialised in youth at risk, mental health, and homeless or at risk of homelessness have particularly low Star Ratings, and recommended that the department 'check whether Star Ratings adequately capture the disadvantage level of specialist provider clients'. The National Employment Services Association (NESA) also voiced concerns regarding inherent bias of the Star Ratings system with respect to providers with predominantly high-needs caseloads.

Given that the performance framework uses coefficients based on aggregate performance across employment services the 'averaging' effect is likely to disadvantage a provider whose caseload is atypical. NESA recommended a review the performance framework to ensure that specialist providers are not disadvantaged by their likelihood of having a greater proportion of job that are more significantly impacted by their barriers than generalist providers.<sup>45</sup>

**3.31** In the context of the importance of servicing special categories of job seekers, the concerns raised by the OECD and NESA, and the variations in performance of specialist contracts, there is merit in the department addressing these concerns with the employment services industry and relevant representative bodies for job seekers.

**3.32** In terms of the flow-on effect of Business Review process, the departmental Business Review Committee advised that:

- Six providers will exit the market as a result of business reallocation;
- Nine providers will lose a substantial portion of their business nationally; and
- Approximately [27 500 job seekers may be affected, of some 700 000 nationally].

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44 OECD, *Activating Jobseekers: How Australia Does It*, OECD Publishing, 2012, pp. 17 & 28.

45 National Employment Services Association, *Realising our Potential*, NESA, 2013, available from <[nesa.com.au/policy-development/response-papers.aspx](http://nesa.com.au/policy-development/response-papers.aspx)> [accessed 3/10/2013].

**3.33** Overall, the department had appropriate arrangements to respond to poor performance by providers, and these arrangements operated reasonably for the 2012 business review.

## Conclusion

**3.34** The department has overall responsibility for the delivery of JSA services, and accordingly needs to effectively monitor and manage the day-to-day operation of the program to gain assurance that the nature and quality of services are being delivered as required. The department had reasonable arrangements for collecting and using job seeker feedback on services. There were appropriate arrangements for monitoring and managing risks in relation to service delivery by JSA providers, and the department made improvements to its risk management following a risk event and associated publicity in 2011. The department has established and uses reasonable arrangements to provide data and performance reports to JSA providers on a regular basis. The department gave formal performance feedback every six months to JSA providers, and has appropriate arrangements to respond to poor performance by periodically reallocating work away from lower performing providers.

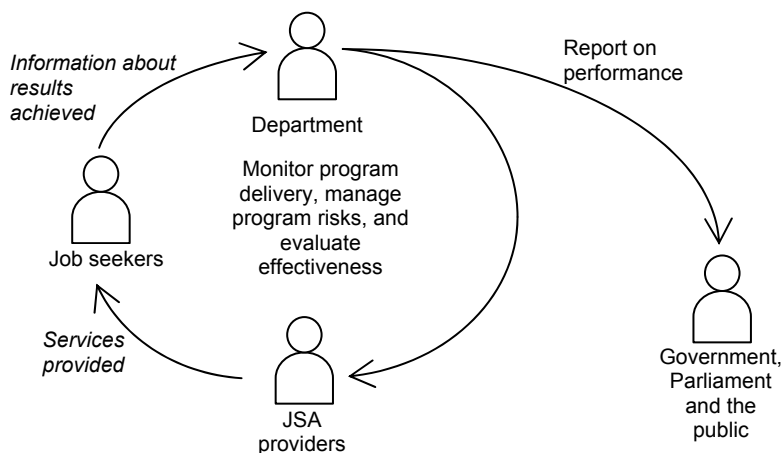
## 4. Managing Program Effectiveness

*This chapter examines the department's overall approach to monitoring and managing service delivery, and reporting on program performance and effectiveness.*

### Introduction

**4.1** In parallel with its oversight of the nature and quality of services being delivered by JSA service providers, the department has a broader responsibility for managing and monitoring its implementation of the JSA program. In this regard, important activities for the department are to monitor the overall performance of the program—for example to identify trends and issues which may need a policy response and to assess progress toward its objectives. It is also important to manage the risks to the achievement of the program's objectives and report on program effectiveness to the government, Parliament and the public.

**Figure 4.1: Overview of managing program effectiveness**



Source: ANAO.

## Monitoring program performance

**4.2** In addition to monitoring and managing the performance of individual JSA providers—covered in Chapter 3—sound monitoring arrangements also need to be in place to monitor the overall performance of the program. Relevant monitoring activities at the program level include the department:

- assessing its own performance;
- monitoring JSA operations, such as the overall case load and results for specific client groups;
- understanding the views, availability and quality of JSA providers; and
- evaluating the effectiveness of JSA.

### Assessing the department's own performance

**4.3** Program managers assessing their own performance is important for day-to-day management, and can contribute to more productive relationships with contracted service providers and to improving internal performance. The department maintains reporting of operational matters to an internal governance committee, the Employment Services Committee (ESC). Matters regularly considered included finances, staffing, risk management, and project implementation reports.

**4.4** The department periodically obtains external views on its performance through surveys of the contracted service providers. Each year the department publicly reports on the satisfaction of JSA service providers with the department's own performance.<sup>46</sup> The 2013 survey of providers sought their views on the department's contract management, performance management and complaint handling, help desk staff, policy and procedural information, staff interactions generally, and overall satisfaction with the department's services. Internal audits are a further avenue for departments to gauge their own performance. In the first three years of JSA (2009–12), the department conducted 3 internal audits into aspects of the management of the program. The internal audits focused on new or changed elements of the program; found no substantial weaknesses; but made recommendations for improvements.

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<sup>46</sup> For example, the *DEEWR Annual Report 2013–14* (p.84) reports the level of satisfaction of service providers with contracted information and support was 93.2 per cent satisfied, compared to a target of 80 per cent.

**4.5** Overall, the department had appropriate arrangements to periodically assess its own performance as a program and contract manager.

### **Monitoring JSA operations**

**4.6** The overall JSA case load is an important element of the program, and monitoring the size and composition of this case load—for example, changes in total numbers of job seekers, or an increase in disadvantaged job seekers in a geographic area—helps assess overall performance and identify trends which have implications for:

- expenditure management; and
- consideration of changes to details of JSA services activities or broader policy adjustments.

**4.7** The departmental managers of JSA use a comprehensive monthly report with operational data on key JSA statistics, such as the total caseload, referral and exits from the program, and results being achieved overall. This includes details for specific client groups—such as mature age, ex-offenders, homeless and indigenous people. In addition, the department undertakes research into broader labour market issues—such as unemployment rates and demand for different employment categories to inform its planning of JSA operations and broader policy development. Overall the department had appropriate arrangements to monitor the high-level operations and deliverables of JSA.

### **The availability and quality of JSA providers**

**4.8** In the context of contracted service delivery, administering departments need to have an understanding of the factors affecting the availability and quality of service providers, as in the longer term this can affect the effectiveness and cost of the program.

**4.9** To engage with the provider sector, the department has a range of consultative mechanisms, such as working parties with groups of providers on specific issues and regular contact with peak bodies representing service providers. Those providers interviewed by the ANAO indicated:

- they thought there was a constructive relationship, and they were able to present their views and have a fair hearing;



- they understood that the department's role was as contract manager with responsibility for implementing government decisions and obtaining value for money; but
- that nevertheless the department could improve its understanding of the commercial realities facing providers, and adjust aspects of its administration of the program in ways that would reduce costs for providers without affecting service delivery.<sup>47</sup>

**4.10** The availability of providers will depend in large part on providers being able to deliver services at cost within the fees available.<sup>48</sup> The broad business approaches available<sup>49</sup> to providers to operate profitably are to:

- adopt the most cost-effective work practices to deliver the required results, and to
- increase their market share to achieve a better return on fixed costs.

**4.11** From the department's perspective as a contract manager, it is prudent to have a diversity of suppliers, so as to provide for competition in procurement and to help manage the risks associated with the failure or withdrawal of any individual provider. In addition, the JSA program has a goal of allowing choice of service provider to job seekers; as a result the department contracts to a number of providers in each area. In this respect there can be a tension between providers seeking to increase their market share, and the department seeking to manage the market share between providers for practical and policy reasons.

**4.12** As at the end of September 2013 (and as shown in Figure 4.2) there were 87 JSA providers. Key features of the structure of the JSA market included:

- about one quarter of the providers handled three quarters of the caseload;

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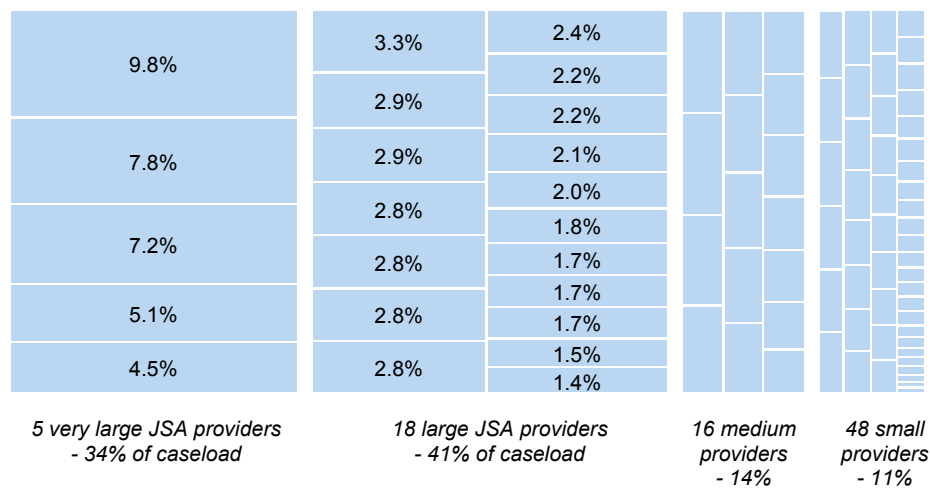
47 For example, providers commented on the volume and frequency of changes to program guidelines, and that short timeframes imposed on setting up new contracts could impose higher rent costs.

48 Several of the 'not-for-profit' providers interviewed stressed that while they were not driven by a profit motive, just like commercial providers they needed to be 'not-for-loss'.

49 In theory, another business strategy would be to seek to 'cherry pick' job seekers who may be more likely to gain employment and generate the associated fees, or other 'sharp practices'. In practice, the JSA contract and the department's program assurance measures are intended to avoid such approaches by providers.

- individual large providers have more than 25 times as large a work load as individual smaller providers; and
- many very small providers, by choice, only provide specialist services such as for the homeless and ex-offenders.

**Figure 4.2: Relative market share of JSA providers**



Source: ANAO analysis of 30 September 2013 caseload data provided by the department.

Note: Each rectangle represents a contracted JSA service provider, with the size of the rectangle proportional to market share of the caseload (number of job seekers being serviced). For market shares of 1.4 per cent or above, the market share is also shown.

**4.13** These figures indicate that at a national level, there is a large range of providers, giving choice to both job seekers and to the department as purchaser. There is a similarly large range in individual states. JSA provides specialist services for some 60 000 job seekers in particular categories (for example, for ex-offenders, youth and the homeless). Of the eight speciality categories, four have dominant providers with a market share in the range 50 per cent–85 per cent.<sup>50</sup> To some extent this market dominance is not unexpected for speciality services, but does mean that close monitoring by the department is warranted to help assure the supply and quality of these services.

**4.14** Conversely, while the department has choice of providers, it is also the dominant purchaser of employment services in Australia leaving providers with a choice of either accepting the department’s terms or withdrawing from

50 ANAO analysis of 30 September 2013 caseload data provided by the department.

this area of service. One consequence of there being a dominant purchaser is that there are no comparable benchmarks for pricing, or for efficiency and effectiveness.<sup>51</sup>

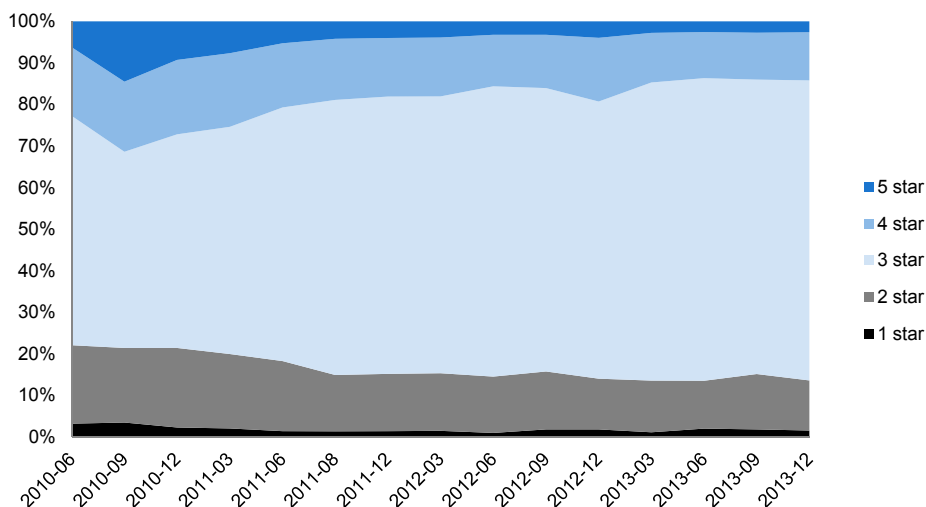
**4.15** In terms of pricing, the absence of a benchmark and the use of a fixed contract price for six years could lead to the department's understanding of appropriate pricing becoming out-of-date. In 2013, the department commissioned studies to better understand the financial issues and incentives for providers, to assist managing this risk and advising government for future policy.

**4.16** In terms of efficiency and effectiveness, the absence of a benchmark could lead to a decline in performance over time. As discussed in Chapter 3, the department's main system for monitoring service provider performance is the Star Rating system. Since 2010 there has been a convergence of Star Ratings for JSA sites, with 3-star sites increasing from 47 per cent to 72 per cent of sites. These changes are shown in Figure 4.3. However, the Star Rating only measures the relative performance of providers compared to each other; this leaves scope for an undetected decline over time in the absolute level of performance, with an associated potential decline in value-for-money.

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51 Market competition, as used in JSA does provide significant information. However, on occasion markets can be distorted for example by implicit collusion or 'loss leader' behavior by providers or the behavior of dominant purchasers.

**Figure 4.3 Star Ratings of all generalist JSA sites, 2010 to 2013**



Source: Star Ratings of individual sites taken from quarterly information published by the department on its web site. This chart only shows results for 'generalist' sites, to reduce the effect of a number of specialist providers transferring from JSA to the Remote Jobs and Communities Programme in mid-2013.

**4.17** The department has taken a range of appropriate steps to monitor and understand the views of service providers, and monitors the overall availability and quality of JSA providers. However, given its position as the dominant purchaser and the resulting difficulty of benchmarking provider performance, there is scope for the department to improve its approach to using existing data to help assess the absolute, in addition to relative, level of performance of providers and the program.

## Evaluating the effectiveness of JSA

**4.18** Evaluation activities should be a core element of departmental performance frameworks and planned for at the design phase of activities so that appropriate consideration can be given to data requirements and availability. In many cases the effectiveness of a program may not be able to be assessed immediately from day-to-day operational data but will require the analysis of results over time. In some cases evaluations are not undertaken due to lack of data and the cost involved, but in the case of JSA a significant amount of data is readily available, and \$10.5 million was set aside in 2009 to fund an evaluation. An evaluation strategy was developed and published which outlined that the department was responsible for managing and conducting the evaluation. The strategy identified potential areas of interest

(such as assistance to job seekers, servicing of employers, and effectiveness). The strategy envisaged the preparation of approximately ten evaluation reports being progressively completed by June 2012.<sup>52</sup>

**4.19** At as at March 2014, 17 evaluation reports had been completed. Seven of these have been made publicly available; some on issues with potential for practical application by JSA providers to improve their delivery of results and some with the potential to assist in policy considerations. A further ten evaluation reports have been prepared, but not made publicly available. These reports covered topics such as the comparative effectiveness of JSA overall and for the long term unemployed, the administrative burden on providers and comparing specialist and generalist providers. Seven of the 17 reports were completed before the originally scheduled completion date of June 2012; the department advised that part of the reason for evaluations taking longer than originally planned was that additional areas were examined

**4.20** The effectiveness of JSA was assessed mainly in comparison with the previous Job Network—that is the relative effectiveness of different ways of spending money on employment services. Such relative effectiveness assessments are useful in fine-tuning policy. However, the department has not assessed the contribution of the expenditure on JSA in achieving the desired program outcomes.<sup>53</sup> One reason given for this by the department is that:

- a ‘control group’ or non-participating population could not be identified because government funded employment services are universal access programmes
- the administrative data used in much of this study applies only to participants in employment services and so equivalent data would not be available for non-participants, even if an untreated ‘control group’ could be identified.<sup>54</sup>

**4.21** Notwithstanding that some methods of assessing contribution may not be practical, the significant amounts involved—some \$10 billion for JSA from

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52 DEEWR, *Evaluation Strategy for Job Services Australia 2009–2012*, 2009.

53 Assessing the contribution made by government-funded employment services is a complex but relevant question. For example, the payment of employment service fees for job seekers who would find work without assistance is sufficiently common that there is accepted terminology (‘deadweight costs’) to describe the situation. Employment services are designed to reduce deadweight costs—but have not reported on how well that intent is achieved. Similarly the term ‘churn’ is used to refer to the extent to which job seekers return for continued support.

54 Department of Employment, *Long-term unemployed job seekers: JSA Effectiveness Evaluation of Job Services Australia 2009–12*. 2013, p.11.

2009 to 2015—warrants continued efforts to explain the impact of the expenditure in terms of the Government’s policy objectives. This broader issue is further discussed in the section on public reporting, from paragraph 4.32 onwards.

**4.22** In terms of program evaluation, much useful data is held by the department. Industry peak bodies have observed ‘many consider that this data is underutilised in research to support improved performance through evidence based program, practice and policy evaluation’<sup>55</sup> and ‘... DEEWR carries responsibility for ... purchasing employment services, managing contracts, ... collecting and maintaining data, [and] evaluating program performance ... This ... limits independent analysis of data and programs ...’<sup>56</sup>

**4.23** For some time the department has regularly released high-level performance data in its quarterly Labour Market Assistance Outcomes reports. In addition, the department has on occasion released more detailed data for research purposes. Continuing, and expanding, the release of detailed employment services data, with appropriate safeguards for confidentiality and support to assist in correct interpretation, has the potential to improve assessments of the effectiveness of employment services programs and assist in future policy development.

## **Summary findings on managing program performance**

**4.24** The department has taken reasonable steps to obtain feedback on its own performance, through regular internal reviews and seeking the views of service providers, and has reasonable arrangements for monitoring operations and deliverables at the program level. The department has been active in undertaking evaluation activities and has prepared 17 evaluation reports about JSA, with seven publicly released so far. These reports cover a wide range of topics of relevance to policy decisions and improving the delivery of services. There remains scope, particularly in the context of a well-established program which has had specific funding allocated to evaluation, to provide more insight into the underlying effectiveness of the program and to expand the sharing of data to allow independent evaluation.

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55 NESAs, *NESA Response to Employment Services Building on Success Issues Paper March 2013*, p. 61.

56 Jobs Australia, *Jobs Australia response to Employment Services building on success Issues Paper March 2013*, p.11.

## Managing program risk

**4.25** A key element of managing the effectiveness of a program is to manage its significant risks. JSA is managed in the context of the department's overall risk management policies and supporting systems. These policies and systems provide a generally satisfactory framework for risk management at the strategic level for JSA. The departmental arrangements provide for the preparation of risk plans for all identifiable activities, including organisational units, programs, and implementation projects. In its 2012 risk management policy the department noted that it 'accepts Low and Medium levels of risk and prefers not to accept High and Extreme risk levels'.<sup>57</sup>

**4.26** The department provided, as part of this audit, more than thirty risk plans relevant to aspects of JSA. About half of these risk plans were associated with implementing specific Budget measures (for example, the Seniors Employment Incentive Payment). However the general operation of JSA was covered by a specific JSA program risk plan, and several other plans for relevant organisational units; this coverage by several plans increases the chance that risks are either duplicated or incomplete, and hence may not be properly addressed.

**4.27** To help assess the extent of duplication of risks and treatments, the ANAO examined the three risk plans most relevant to JSA<sup>58</sup>. These plans identified 66 risks, and 155 treatments for those risks. There were three duplicated risks and five duplicated treatments, with responsibility for managing the same risk being assigned to different people. For example, the plans provided for multiple responsibilities for providing up-to-date operational guidelines and policy on JSA, and for stakeholder relations. These multiple responsibilities leave the possibility of work being done twice, or not being done at all due to confusion of prime responsibility. The degree of overlap is illustrated in Figure 4.4 below.

**4.28** On a related point, the reason for the allocation of risks between the program and organisational plans was sometimes not clear. For example, some risks associated with the behaviour of JSA providers were listed in the

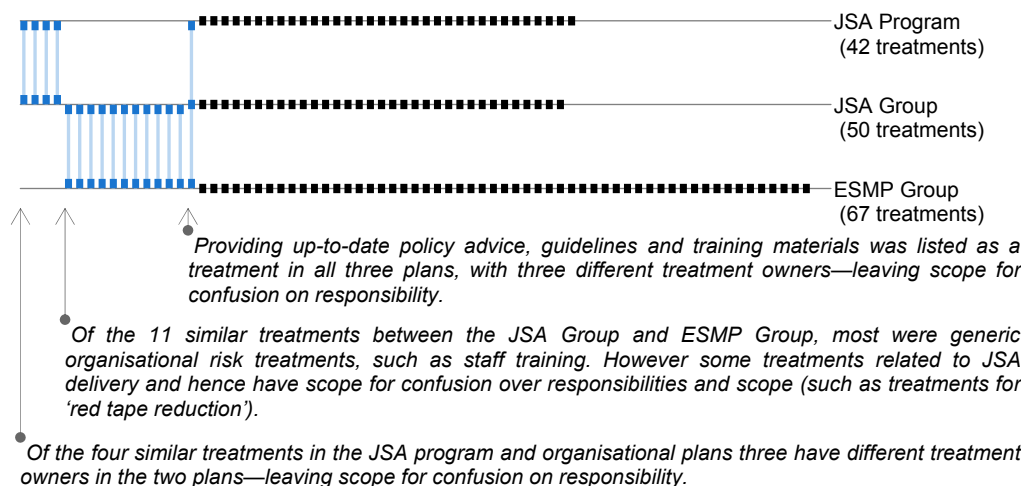
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57 DEEWR, *Risk Management Policy*, August 2012, pp.4–5. The policy also notes 'However, circumstances may dictate that some High and Extreme risks are accepted by the Senior Executive (following discussion through the escalation process) due to no treatment or additional treatment being available to reduce the risk level further.'

58 The Risk Plans for the JSA Program, and for the organisational units JSA Group and Employment Services Management and Procurement Group.

organisational plan, and some in the program plan. More effective results are likely to be achieved by adopting a clear approach as to which types of issues are dealt with in organisational plans and which in program risk plans. Properly locating program risks in program risk plans would also assist in organisational flexibility—for example when programs are moved between departments as happened with the Disability Employment Services program in late 2013.

**Figure 4.4: Overlap of treatments between JSA risk plans**



Source: ANAO analysis of DEEWR risk plans.

Explanation: each horizontal line represents a risk plan, and each small square on those lines represent a treatment listed in the plan. Where treatments are similar, they are coloured and connected by a vertical line.

**4.29** To help assess the completeness of risk identification, five risks associated with common program objectives<sup>59</sup> were searched for in the three JSA risk plans. In general the five risks were not plainly included in the risk plans, indicating scope to improve the completeness of the plans. Notwithstanding that, the department did have treatments in place for these five risks. For example, the risk plans made no specific mention of protecting the privacy of the confidential information of job seekers.<sup>60</sup> However the JSA Deed does include provisions for the protection of confidential personal

<sup>59</sup> The five risks were associated with service quality, service availability, client privacy, accuracy of public performance information, and meeting demand.

<sup>60</sup> There was a listed risk 'Providers obtain unfair gains through unauthorised access to confidential information' but this was focused on preventing financial fraud on the Commonwealth, not protecting the privacy of job seekers.



information, and the risk plan covers this indirectly with a listed risk that 'JSA providers fail to meet their obligations under the Employment Service Deed'. A review commissioned by the department in 2012 had also identified the need to improve the process for risk identification, and the department has commenced this process.

**4.30** The department's risk policy notes that risk can be considered as the 'effect of uncertainty on objectives'. This suggests that one approach to testing the completeness of risk identification is to use a list of objectives for the operation of the program, and the areas of uncertainty associated with those objectives. For example, objectives for the operation of JSA could include that: that JSA services are available to job seekers at convenient locations, during scheduled hours of operation; and the confidential personal information about job seekers is protected from unauthorised access or release.

**4.31** In summary, the department has established an appropriate strategic risk framework, with regular consideration of program level risks. The strategic risk arrangements have generally worked; and the department improved its approach in relation to JSA following a significant risk event (of inappropriate claims for Provider Brokered Outcomes, as discussed at paragraphs 3.14 to 3.17). Nonetheless, there remains scope to continue to improve the completeness of identification of risks for JSA, and consider how to streamline the recording of risks and treatments between various risk plans and contract documents to help more effectively allocate resources to different risk treatments.

## Reporting on program performance

**4.32** Performance information in the Portfolio Budget Statements (PBS) and Annual Reports helps inform Parliament and the public on the results of the expenditure of public money. Program performance information should be reliable, accurate, and presented in accordance with reporting requirements.<sup>61</sup> In particular, it should:

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<sup>61</sup> Relevant requirements for performance reporting in the Australian Government are expressed in the following two documents, relating to setting performance expectations and reporting on results: Department of Finance and Deregulation, *Guidance for the Preparation of the 2012–13 Portfolio Budget Statements*, Finance, Canberra, 2012.; and Department of the Prime Minister and Cabinet, *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*, PM&C, Canberra, 2013. The ANAO's approach to assessing performance indicators against these requirements is described in ANAO Audit Report No.21 2013–14 *Pilot Project to Audit Key Performance Indicators*, with a summary table on page 41.

- clearly state an objective that describes the issues being addressed and the impacts to be achieved;
- address whether the intended impacts are being achieved, and not simply focus on activities and services delivered; and
- be readily understandable.

**4.33** Many aspects of the approach taken to performance information for the JSA program are in accordance with requirements. The indicators used are measureable and relevant; based on comprehensive data sources; and a consistent set of indicators has been reported on over time, which allows comparisons of current and past results for those indicators.

**4.34** However, there is scope for improving the clarity of the program objectives, the focus of the performance indicators, and the ease of understanding of the performance information so that the results of the \$1.4 billion annual expenditure are reported more clearly.

## Program objectives

**4.35** Expenditure on JSA was 99 per cent of the budget for the Employment Services program in 2013–14; and the 2013–14 Education, Employment and Workplace Relations PBS described the Employment Services program objective as:

Job Services Australia (JSA) is a tailored employment service for job seekers enabling providers to more effectively respond to changing economic conditions.<sup>62</sup>

**4.36** Program objectives should clearly state the issues being addressed and the impacts to be achieved.<sup>63</sup> However, the 2013–14 JSA objective does not clearly identify the issues to be addressed, or the impacts to be achieved. Instead it describes the delivery method ('tailored employment service') and there is no clearly-defined intended impact to serve as the focus of the program performance indicators. This formulation of the program objectives had been

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62 Australian Government, *2013–14 Portfolio Budget Statements, Department of Employment, Education and Workplace Relations*, Commonwealth of Australia, Canberra, 2013, p. 75. Note that this wording is not specifically identified as the program objective in the Portfolio Budget Statement. However the wording is clearest statement of objective in the Employment Services section.

63 Department of Finance and Deregulation, *Guidance for the Preparation of the 2013–14 Portfolio Budget Statements*, 2013, p.24.

used since the 2012–13 PBS and is in contrast to the program objectives that were provided in the 2009–10 PBS:

- investing in the skills unemployed Australians need for the future to help them find and keep a job
- ensuring that government assistance supports workforce participation and economic and social inclusion.<sup>64</sup>

## The focus of performance information

**4.37** Performance information is most useful to users if it is complete: that is, there is information that allows for the overall assessment of the program. The set of indicators should provide a balanced examination of the overall performance story, both quantitatively and qualitatively; and, taken collectively, should be representative of the program objective.<sup>65</sup> The current JSA Key Performance Indicators are listed in Table 4.1.

**Table 4.1: Employment Services deliverables and performance indicators from 2012–13 Annual Report**

	Estimate	Actual
<b>Deliverables</b>		
<b>Job Services Australia</b>		
Total job placements achieved	450 000	356 439
<b>Performance indicators</b>		
Cost per employment outcome for employment services delivered by Job Services Australia <sup>(a)</sup>		
• Streams 1–3	\$3 000	\$1 989
• Stream 4	\$12 000	\$7 539
Proportion of job seekers in employment three months following participation in employment services:		
• Stream 1	55%	55.9%
• Stream 2	50%	41.4%
• Stream 3	30%	31.1%
• Stream 4	25%	22.6%

64 DEEWR, *Portfolio Budget Statements 2009–10*, p.139.

65 ANAO Audit Report No.21 2013–14 *Pilot Project to Audit Key Performance Indicators*, p.41.

	Estimate	Actual
Proportion of job seekers in education or training three months following participation in employment services:		
• Stream 1	15%	21.8%
• Stream 2	15%	25.2%
• Stream3	15%	23.6%
• Stream4	15%	20.2%
Proportion of job seekers off benefit three months following participation in employment services:		
• Stream 1	55%	52.6%
• Stream 2	50%	38.2%
• Stream 3	35%	24.0%
• Stream 4	30%	26.2%
Proportion of job seekers off benefit 12 months following participation in employment services:		
• Stream 1	65%	67.3%
• Stream 2	60%	53.7%
• Stream 3	40%	36.8%
• Stream 4	35%	37.6%

Source: DEEWR Annual Report 2012–13, Table 17 p.63.

Note (a) Cost per employment outcome for employment services delivered by Job Services Australia is calculated as the cost of job seekers assisted divided by the number of job seekers employed (as measured through the department's Post-Program Monitoring Survey) in the reporting period.

**4.38** Notwithstanding the absence of a clearly-defined intended impact in the 2013–14 PBS program objectives, other relevant departmental documents indicate consistent themes for the program's objectives:

- increasing employment participation;
- meeting the skill needs of employers;
- providing assistance to the most disadvantaged job seekers; and
- achieving greater social inclusion.

**4.39** The department has developed relevant indicators associated with gaining employment. While relevant, the set of indicators could be improved to provide a more balanced and complete view of performance. Examples of indicators that could provide a more balanced perspective include: how well JSA is meeting the labour and skills needs of employers;<sup>66</sup> the extent to which job seekers considered the services and training provided increased their employment prospects; and the extent to which expenditure on JSA was decreasing the time taken to obtain job placements.

**4.40** Similarly, examples of indicators that may provide a more complete view of program performance include the number or proportion of job seekers who are highly disadvantaged, or the extent to which short-term unemployed becoming long-term unemployed is avoided or reduced. Such additional, relevant indicators are potentially useful because it is possible to have decreasing performance in these areas, even though the overall indicators currently provided are on track.

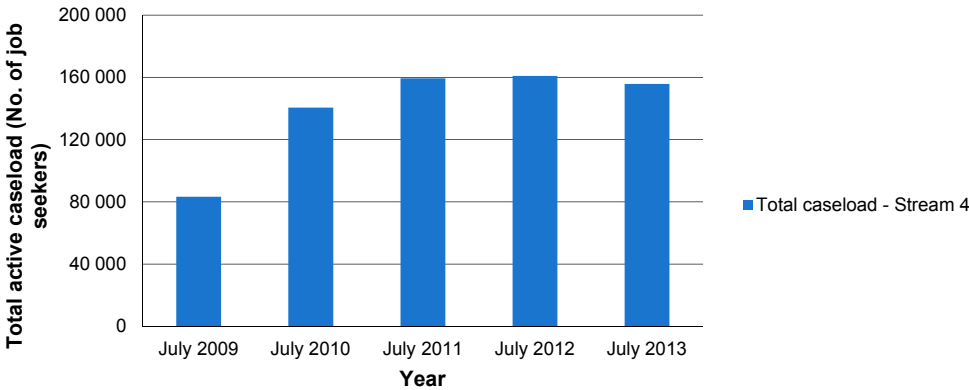
**4.41** For example, in 2009–10 and 2010–11 the unpublished *number* of job seekers in JSA stream 4 (the most disadvantaged job seekers) substantially increased—a negative result.<sup>67</sup> However the published performance indicator on the *proportion* of Stream 4 job seekers moving off-benefit showed performance at twice the targeted level—a positive result. The trends over time in the number of stream 4 participants in JSA are shown in Figure 4.5, and the proportion off-benefit in Figure 4.6. Information on the numbers of job seekers being assisted is also very relevant to understanding the financial implications of the program. In particular, changes in the number of Stream 4 job seekers is important for financial management, given the much higher fees and other expenses associated with assisting these more disadvantaged job seekers.

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66 This could be measured by trends in the proportion of vacancies filled by JSA-supported job seekers in comparison with other job seekers. Naturally not all types of skills needed in the economy are likely to be provided through JSA. For example the need for qualified engineers may not be met through JSA. On the other hand it would be reasonable to expect vacancies in a range of occupational categories could be met by job seekers supported by JSA. A useful performance indicator would need to take account of such issues when setting the target proportion.

67 At the commencement on JSA in 2009 the number in Stream 4 was some 80 000 and it then doubled. The department advised that the initial increase was largely due to 'transitional effects' in the change from Job Network to JSA.

**Figure 4.5: Total JSA caseload for Stream 4 (most disadvantaged) job seekers**



Source: ANAO analysis of data provided by the Department of Employment.

**4.42** The choice of performance indicators involves a balance by program managers of the practicalities of information collection, relevance, and ease of interpretation. The examples above of possible KPIs are not intended to be prescriptive, but to illustrate the scope to improve the balance and collective completeness of JSA KPIs.

**Ease of understanding performance information**

**4.43** It is desirable that the performance of individual programs is easy to understand, especially where these involve significant expenditure. Ease of understanding is generally assisted by having a simple ‘headline view’ of program performance, clear definitions, transparent targets, and an understanding of program contribution in context.

*Simplicity*

**4.44** A well designed ‘headline view’<sup>68</sup> of performance is a useful approach to reporting on whether the program is broadly achieving its objectives. The information provided on JSA (see Table 4.1) comprises one deliverable and eighteen performance indicators. There is no summary set of indicators that provides an overall measure of performance, and no obvious hierarchy of

68 A ‘headline view’ could be a composite indicator, the most important indicator, or a small number of indicators covering several important perspectives (such as the proportion of successful outcomes, and the number remaining to be assisted).

indicators, implying that all eighteen indicators need to be taken into account to form a view on the performance of the program.

**4.45** In this context, it is useful to note that the department has for the past 15 years used a headline indicator (the Star Rating) on the performance of individual JSA service providers to assist choice by job seekers and funding decisions by the department. The Star Rating perspective usefully summarises detailed performance information which is used for operational management.

#### *Plain definitions*

**4.46** Understanding of performance will be assisted if the terms used in performance indicators have commonly understood meanings, or have their definitions given in the performance report. However, the precise meaning of JSA indicators is not provided. For example, the 2011–12 Annual Report states that there were 421 859 total *job placements* achieved by JSA. The report also advises on the cost per *employment outcome*. This calculation is based on the unreported number of 740 362 employment outcomes<sup>69</sup> and it is not made clear how *job placements* differ from *employment outcomes*. As another example, there are eight indicators relating to the *proportion of job seekers off benefit*. The department's report does not define whether *off benefit* means off all benefits, or includes people who moved from the Newstart Allowance to another benefit type (for example, to disability support). Uncertainty about the meaning of key terms such as *employment outcome* and *off benefit* dilutes the value of the KPIs as indicators of whether JSA support is improving the employment prospects of its clients.

#### *Transparent targets*

**4.47** Performance indicators (for example, the proportion of job seekers who become employed) generally have a target value given in the PBS (for example 55 per cent). Actual performance is given in the Annual Report. Useful targets will represent reasonable expectations of the results from the funding provided, such that significant shortfalls would be a concern, and significant over performance a reason for commendation. For some indicators, there may be a common view on the reasonableness of a target—such as a customer satisfaction rate of 95 per cent. For other indicators it will strengthen the

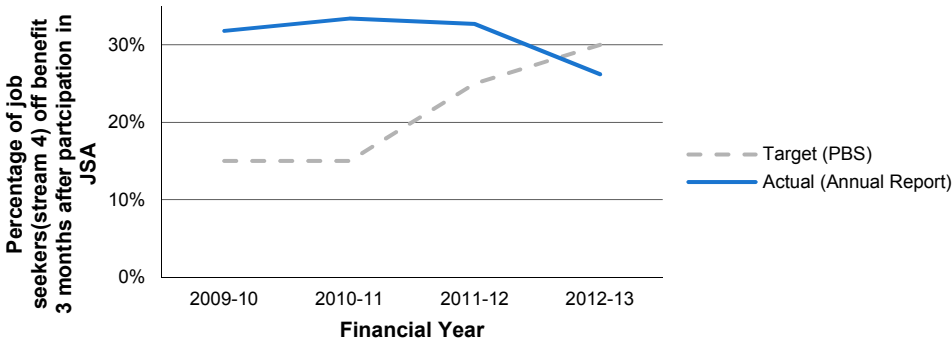
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69 The department advised that cost per employment outcome is calculated in part from the PPM survey. The estimated number of employment outcomes for 2011–12 for Stream 1–3 job seekers was 663 907, and for Stream 4 job seekers was 76 455, giving a total of 740 362.

department’s explanation of its performance if the reason for the choice of target values is explained.

**4.48** For example, there is no explanation of basis for the 2012–13 target of 30 per cent for the indicator *Proportion of Stream 4 job seekers off benefit three months following participation in employment services*. In practice, the actual results since 2009 have been around 30 per cent, but the target has been progressively increased from 15 per cent to 30 per cent (as shown in Figure 4.6). It is not clear whether the performance of JSA for Stream 4 in 2009–10 and 2010–11, at about double the target, should be seen as outstanding performance; or whether the explanation is that the targets set were not appropriate.<sup>70</sup>

**Figure 4.6: Percentage of job seekers (Stream 4) off benefit three months after participating in JSA**



Source: ANAO analysis DEEWR Annual Reports. Note that the DEEWR Annual Report for 2010–11 reported 40.4 per cent for this KPI; the department advised during preparation of this audit report the result should be 33.4 per cent.

**4.49** The department made 17 changes to targets in the PBS for JSA in 2010–11, 2011–12 and 2012–13. While the changed targets represented greater progress toward desired outcomes, no reasons were provided for the extent or timing of the changes. The absence of explanation for the target values for JSA, and for changes to those targets represent a further dilution of the value of the JSA performance information for those seeking to understand whether or not the program is meeting reasonable expectations of performance.

70 The department has advised that the initial targets for JSA were based on its experience with Job Network, including the anticipated impact of the Global Recession in 2009–10.

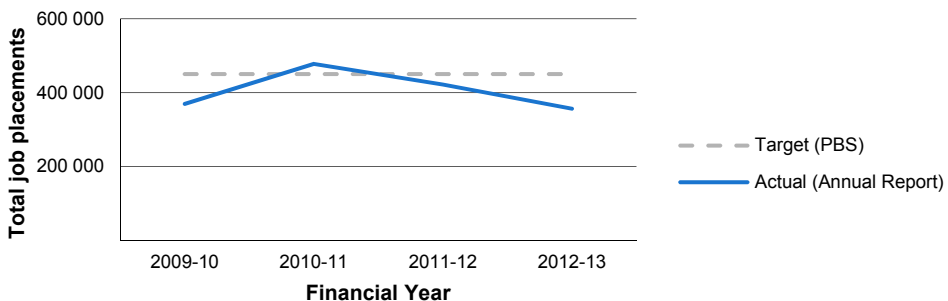


### Context and contribution

**4.50** Gaining employment is a prominent measure in the current set of JSA KPIs. However, the extent to which the unemployed can find and keep jobs is also affected by external factors outside the control of the department. In addition, as discussed at paragraphs 1.6 and 1.7, the nature of job-seeking obligations placed on recipients of government benefits also has potential to significantly affect results. The nature of these obligations is the responsibility of another agency, DHS.<sup>71</sup>

**4.51** As an example of an indicator affected by external factors, the deliverable of ‘total job placements achieved’ has had a constant target of 450 000 since the inception of the JSA program in 2009. Actual performance has varied from 6 per cent over target, to 21 per cent below target, as shown in Figure 4.7. It would be useful to have such significant performance variations explained in the context of any external factors and a comment made on whether performance is reasonable in that context. While the 2012–13 Annual Report provides a description of external conditions, including labour market statistics over a 35 year period, it does not provide corresponding trend data of JSA performance to indicate its performance in context. No comment is made on whether the department considers the 21 per cent shortfall in job placements an acceptable result in the circumstances.

**Figure 4.7: JSA total job placements achieved 2009–10 to 2012–13**



Source: DEEWR, Portfolio Budget Statements and Annual Reports for 2009–10, 2010–11, 2011–12, 2012–13.

<sup>71</sup> This is an example of one of the challenges in developing effectiveness indicators, where more than one agency contribute to an overall outcome sought by Government (as mentioned in ANAO Audit Report No.21 2013–14 *Pilot Project to Audit Key Performance Indicators*, p.72). Nevertheless, agencies are responsible for explaining the results achieved with the resources they manage, and should choose KPIs that help explain those direct results, as well the contribution to overall outcomes.

## Response to previous ANAO observations and recommendations

4.52 The ANAO has previously made observations and recommendations to the department relevant to performance information for employment services:

- ANAO Audit Report No.6 2005–06, *Implementation of Job Network Employment Services Contract 3*, reports that the department undertook to consider updating aspects of its performance information, identifying the department's contribution to reported outcomes. As noted above, this audit has found the performance information does not usefully identify the contribution of the program to reported results.
- In ANAO Audit Report No.17 2008–09, *Administration of Job Network Outcome Payments*, the department agreed to include in its Annual Reports disaggregated financial information on outcome payments and services fees to service providers. This information is not provided in recent annual reports.
- In the same 2008–09 audit, the ANAO observed that 'use of proportions and percentages, rather than actual numbers and then the subsequent changes as a percentage from previous year results, provides limited insight, especially for users without a very high degree of both knowledge and understanding of the programs' objectives'. The department's reporting, including in the recent Labour Market Outcome Reports, provides only a single actual number—Job Placements Achieved.
- In September 2012 as part of a pilot project to audit KPIs, the ANAO drew the department's attention to potential improvements in the framing of the program's PBS objective.

## Summary on performance reporting

**4.53** The department has for many years provided comprehensive information about aspects of performance of JSA. This comprehensive information is useful to those with an understanding of the operations of the program. On the other hand, the ANAO has previously made observations and recommendations to the department on improving performance information for employment services which remain relevant to the current JSA arrangements.

**4.54** There is scope for important improvements to the performance information for the JSA program, so it more effectively informs Government, Parliament and public on the impact of expenditure of some \$1.4 billion annually. In particular, there is scope to improve:

- the program objective, to describe the issues being addressed and the impacts to be achieved;
- the focus and choice of the indicators, to provide a more balanced and collectively complete view of the overall performance story; and
- the ease of understanding the information—for example by having a simple ‘headline view’ of program performance, clear definitions, clear explanation of targets, and explaining the context and contribution of the significant expenditure involved.

**4.55** Where the department has chosen KPIs that are significantly affected by external factors—such as employment outcomes, it will assist understanding of the performance of JSA itself if the department clearly explains the relevant context, and the relative contribution to those KPIs of JSA and external factors. The department has previously observed that it is difficult to isolate the specific impact of employment services on the employment outcomes for job seekers. If isolating or explaining the contribution of JSA is not practical, there would be merit in the department also including some information which more directly measures aspects of the contribution of funded activities to the program objectives.<sup>72</sup> A further approach is to report results that are more directly attributable to the expenditure as proxy measures of the subsequent contribution to effectiveness<sup>73</sup>. However it is then useful to

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72 Some examples of relevant additional performance information are discussed at paragraphs 4.39 to 4.42.

73 ANAO Audit Report No.21 2013–14 *Pilot Project to Audit Key Performance Indicators*, p.74.

provide a range of proxy measures, so they collectively provide an informative perspective on program effectiveness.

**4.56** For the current JSA 2012–2015 contract, it is reasonable to continue with the current performance indicators and program deliverables, to maintain consistency. The department is currently providing advice to the Government on the development of employment services arrangements to operate after the current JSA contract ends in June 2015. The development of these new arrangements provides an opportunity to better explain the program objectives and the appropriate performance information to provide straightforward indications of program effectiveness and delivery.

## **Recommendation No.1**

**4.57** To better support informed consideration by Parliament and understanding by the public of the significant expenditure involved, the ANAO recommends that the Department of Employment, in the context of developing revised Employment Services program arrangements from 2015–16, improve its public reporting approach to clearly describe the intended impacts of the program, and provide an easy-to-understand assessment of the actual contribution of the funded activities to those intended impacts.

### **Department of Employment's response:**

**4.58** *Agreed. The Department will review its public reporting approach as part of the Employment Services programme arrangements from 2015.*

## Conclusion

**4.59** In addition to managing JSA service delivery by contracted service providers, the department has a broader responsibility for managing and monitoring its implementation of the JSA program. The department had reasonable arrangements to monitor its own performance as a program and contract manager. The department has been active in undertaking evaluation activities and has prepared 17 evaluation reports about JSA, with seven publicly released so far. There was an appropriate approach to managing program-level risks, with scope to continue improving this approach.

**4.60** In terms of reporting on program performance, the department has many well-developed aspects to its approach to reporting program performance, such as the use of measurable and relevant indicators based on comprehensive data sources. However, there are important opportunities to improve performance reporting, in terms of clarifying the expected impact of the program, better focusing the indicators to give a balanced and complete perspective on performance, and on improving the ease of understanding of the performance information.

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Ian McPhee  
Auditor-General

Canberra ACT  
11 June 2014



# Appendices





## **Appendix 1: Agency Response**



**Australian Government**  
**Department of Employment**

Your Ref JSA 2013-14

Secretary  
Renée Leon PSM

Dr Andrew Pope  
Group Executive Director  
Performance Audit Services Group  
Australian National Audit Office  
GPO Box 707  
CANBERRA ACT 2601

Dear Dr Pope

**Performance Audit on the Management of Services Delivered by Job Services Australia**

Thank you for the opportunity to provide comment on the Australian National Audit Office's performance audit of the Management of Services Delivered by Job Services Australia (JSA) provided to me on 30 April 2014.

The Department appreciates the positive feedback regarding its management of the delivery of JSA services. The Department agrees with the recommendation in the report and provides the following response:

Recommendation No. 1 Agreed. The Department will review its public reporting approach as part of the Employment Services programme arrangements from 2015.

If you have any questions regarding the Department's response please contact  
Mr Anthony Parsons on (02) 6240 0793.

Yours sincerely

Renée Leon  
27 May 2014

GPO Box 9880, Canberra ACT 2601 | Phone 13 33 97 | [www.employment.gov.au](http://www.employment.gov.au) | ABN 542 012 184 74

**Department of Employment's response for inclusion in the Audit Report Summary.**

The Department welcomes the report and appreciates the positive feedback regarding its management of the delivery of JSA services. The Department will review its public reporting approach as part of the Employment Services programme arrangements from 2015. The Department will endeavour to be more explicit about what the programme is intending to achieve, how it is influenced by external factors and how success is measured.

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