

The Auditor-General
Audit Report No.47 2002–03
Performance Audit

Implementation and Management of the Indigenous Employment Policy

**Department of Employment and
Workplace Relations**

Australian National Audit Office

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of Australia 2003

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Canberra ACT
13 June 2003

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Department of Employment and Workplace Relations 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 and the accompanying brochure. The report is titled *Implementation and Management of the Indigenous Employment Policy*.

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

Yours sincerely



P. J. Barrett
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. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Abbreviations/Glossary

ANAO	Australian National Audit Office
ATSIC	Aboriginal and Torres Strait Islander Commission
CDEP	Community Development Employment Projects
DEWR	Department of Employment and Workplace Relations
IEP	Indigenous Employment Policy
STEP	Structured Training and Employment Projects

Summary and Recommendations

Summary

Background

1. The Federal Government introduced the Indigenous Employment Policy (IEP) in July 1999 in recognition of the particular disadvantage experienced by Aboriginal and Torres Strait Islander people in the labour market. The policy is managed by the Department of Employment and Workplace Relations (DEWR) with a budget of \$57.7 million in 2002–03.¹
2. The overall goal of the IEP is to generate more employment opportunities for Indigenous Australians. It has five objectives:
 - increase the level of Indigenous participation in private sector employment;
 - assist Community Development Employment Project (CDEP) sponsors to place their work-ready participants in open employment;
 - support the development and expansion of Indigenous small business;
 - improve outcomes for Indigenous job seekers through Job Network; and
 - build on the spirit of reconciliation in the Australian community.
3. To achieve these objectives the IEP comprises nine elements including:
 - the Indigenous Employment Programme (made up of seven sub-elements);
 - the Indigenous Small Business Fund; and
 - Job Network.

Operating environment

4. When introducing the IEP the Government recognised that Indigenous employment would require a long term effort through the provision of a range of measures that would facilitate the participation of Indigenous Australians as part of the productive workforce.

¹ The administered appropriation for Indigenous employment does not include payments to Job Network members who provide employment services to Indigenous job seekers. DEWR estimate that in 2001–02 approximately \$41 million was paid for employment services provided to Indigenous job seekers participating in Intensive Assistance. This figure is likely to be underestimated as not all Indigenous job seekers that register as looking for work identify themselves as Indigenous.

5. The IEP was a change of policy setting for employment assistance to Indigenous Australians in that the focus was on generating employment and training opportunities in the private sector. In implementing the IEP there were a number of challenges that faced DEWR including:

- generating both demand (employers willing to offer jobs and training) and supply (potential employees who are job ready) and the matching of the two;
- engaging employers and industries which had little or no experience in Indigenous employment and job seekers with little private sector job experience;
- ensuring that Indigenous job seekers had the skills and experience to take advantage of job opportunities;
- ensuring Australia-wide coverage, particularly in rural and remote locations; and
- the requirement for DEWR staff to develop new skills in order to achieve required deliverables.

Objective and scope of the audit

6. The objective of the audit was to examine the efficiency and effectiveness of DEWR's implementation and subsequent management of the IEP.

7. The audit examined the operation of the IEP including all the elements of the Indigenous Employment Programme, the Indigenous Small Business Fund and how Job Network services Indigenous job seekers. As 90 per cent of Indigenous job seekers referred to Job Network are eligible for Intensive Assistance, the audit particularly focused on Intensive Assistance, rather than on Job Search Training or Job Matching aspects of Job Network.

Agencies covered

8. DEWR is the agency responsible for implementing and managing the IEP. The ANAO acknowledges that the Aboriginal and Torres Strait Islander Commission, the Department of Family and Community Services and Centrelink also have responsibilities in relation to Indigenous employment. While no substantive audit work was performed in these agencies, they were consulted during the course of the audit. The audit does not comment on the operations or performance of these latter agencies.

Audit criteria

9. In achieving its objective, the audit sought to determine whether, in relation to the IEP, DEWR had:

- developed appropriate planning processes and performance measures;
- monitored and reported performance results;
- implemented appropriate evaluation and review mechanisms;
- conducted effective marketing and promotion; and
- identified enhancements and addressed performance issues.

Key findings

Planning and performance measurement of the IEP—Chapter 2

10. The overall goal of the IEP is to generate more employment opportunities for Indigenous Australians. DEWR undertakes a range of strategic planning activities related to the IEP and demonstrates regular strategic action. However, DEWR had not complemented this activity by identifying national priority areas for employment growth and business development, thus not directing its focus where there is potential for jobs for Indigenous job seekers. Since 1999, DEWR has not fully expended the Indigenous employment appropriation.

11. Under DEWR's outcome-output framework, the IEP contributes to the departmental outcome—'An effectively functioning labour market'. The ANAO noted that the departmental outcome reflects a high level goal. Partly as a consequence, the ANAO found that DEWR had not clearly defined how the IEP links and contributes to that outcome.

12. The ANAO found that DEWR's performance management framework for the IEP is continuing to develop. DEWR uses 'employment outcomes' to measure the success of some IEP elements such as Job Network Intensive Assistance, Structured Training and Employment Projects (STEP), Wage Assistance and the Corporate Leaders for Indigenous Employment Project. These employment outcomes measure the percentage of Indigenous job seekers in employment following participation in IEP elements. While this measure is useful, it does not provide an indication of the actual number of sustained employment outcomes the IEP is achieving. The actual number of employment outcomes is required to measure the employment opportunities generated by the IEP. DEWR plans to evaluate the impact of the Indigenous Small Business Fund in 2003–04.

13. DEWR has a number of quantitative performance measures to assess its delivery of IEP services. DEWR collects, analyses and monitors information on commencements for all IEP elements. Quantitative measures of performance are comprehensive for Job Network, with a number of measures that track performance and compare Indigenous job seekers' participation to that of other job seekers.

14. DEWR has few quality and cost-based measures for IEP elements. The ANAO considers cost-based measures should be developed as departmental costs account for nearly one-third of the total planned IEP expenditure in 2002–03. Quality measures, such as timeliness, are particularly important for a number of IEP elements such as the Indigenous Small Business Fund and STEP, which rely on an application process. DEWR advised the ANAO that its new Indigenous Resource Information System now enables DEWR to track and monitor timeliness for some IEP elements.

Monitoring and reporting results of the IEP—Chapter 3

15. DEWR produces detailed monthly reports on the performance of the IEP for internal management purposes and formally reviews performance with state managers. These reports and reviews focus on commencements. As a result, DEWR's annual report also presents data mainly detailing commencements. The ANAO found that DEWR had provided greater contextual detail in its 2001–02 annual report than in previous years' reports.

16. The ANAO found that, overall, the IEP has not achieved the number of commencements estimated when the policy was first developed. While commencement data indicates the extent to which participants are entering various IEP elements, a full assessment of IEP performance requires consideration as to how commencements result in sustained, unsubsidised employment. However, when the ANAO examined how DEWR measures the sustained impact of the IEP, it found that the employment outcome percentage rates reported by DEWR do not provide an indication of the actual number of employment opportunities facilitated by the IEP.

17. ANAO analysis of DEWR data indicates that employment opportunities achieved by the IEP, as a whole, are growing steadily. For example, there was a 20 per cent increase from 2000–01 to 2001–02. The ANAO's analysis also indicates that the IEP facilitated approximately 9274 employment opportunities for Indigenous job seekers in 2001–02 through Job Network Intensive Assistance, Wage Assistance and STEP.

DEWR's evaluation and review of the IEP—Chapter 4

18. The Minister of Employment and Workplace Relations released the findings of stage one of the IEP evaluation in February 2003, covering the operation of the IEP to June 2001. The evaluation report provided details of the performance of various IEP elements in terms of employment outcome rates. The report notes an increased participation of private sector companies in the IEP compared to previous Indigenous programmes. However, the report did not calculate the actual number of jobs facilitated by the IEP, or assess whether this number is sufficient to address employment market conditions that led to the establishment of the policy. Such data would provide a clearer view of the overall impacts of the IEP. The effectiveness of the IEP in improving employment prospects for Indigenous job seekers will be the focus of stage two of the IEP evaluation, which is due for completion in mid-2003.

19. DEWR conducted an internal audit of STEP projects in 2001. The internal audit made a number of recommendations to enhance the operation of the STEP programme. Under its corporate governance procedures DEWR established a working group to monitor the implementation of the internal audit recommendations and report progress to the department's Audit Sub-Committee. The ANAO concluded that DEWR management had been responsive to internal audit recommendations.

20. The IEP and elements of the policy (especially Job Network) have been subject to evaluations and reviews. The ANAO found, at the time of its audit fieldwork, that there was no overall coordination of DEWR reviews of the IEP, nor of individual IEP elements. DEWR advised the ANAO that the department's research and evaluation activity is now guided by a Research and Evaluation Sub-Committee to ensure appropriate coordination of such activity.

Marketing and public awareness of the IEP—Chapter 5

21. The ANAO found that DEWR had made considerable effort to market the IEP and had addressed the public awareness project established in the IEP. Furthermore, DEWR had undertaken other marketing initiatives, outside of the public awareness project, to promote the IEP. The effectiveness of this effort could be enhanced by the development of an explicit IEP marketing strategy that guides marketing activity to ensure adequate coordination and consistency. State and territory offices have individually developed marketing material for IEP elements. While this activity focuses on local needs, there is a risk that a lack of national coordination would lead to inconsistency in marketing approach.

22. DEWR has not conducted regular research to specifically assess the impact its IEP marketing has had on Indigenous job seekers or key stakeholders, such as employers. However, DEWR did conduct surveys of Indigenous job seekers

in 2000 and 2001 as part of its monitoring of job seeker satisfaction with employment services. DEWR's stage one evaluation of the IEP made a number of observations concerning the low level of understanding of the IEP and indicated that many employers are unaware of the various IEP elements.

DEWR's enhancement the IEP—Chapter 6

23. DEWR has made a number of enhancements to the IEP since its introduction in 1999. These include changes to Job Network, under the second and third employment services contract, that had an impact on service delivery to Indigenous job seekers. Furthermore, the department has developed a mining industry framework, which seeks to improve employment opportunities in rural and remote locations. DEWR has sought to address persistent performance issues, such as moving CDEP participants into non-subsidised employment through the establishment of Indigenous Employment Centres and Job Network members' limited use of Wage Assistance. These initiatives are indicative of DEWR's responsiveness to emerging Indigenous employment issues.

24. DEWR has implemented a strategy to increase the number of companies participating in the Corporate Leaders for Indigenous Employment Project and to follow-up on existing participating companies to ensure that they fulfil their commitment to provide actual positions for Indigenous job seekers. The ANAO found that the take-up and effectiveness of STEP could be enhanced through proponents having robust recruitment strategies with DEWR performing regular monitoring of these strategies and performance through its network of contract managers.

25. DEWR does not have a strategy in place to disseminate better practice on recruiting and retaining Indigenous job seekers for organisations wishing to utilise IEP programmes to improve the take-up and effectiveness of the IEP.

Overall conclusion

26. The IEP provides an overarching framework for a suite of nine elements intended to address long-standing labour market disadvantages faced by Indigenous Australians. Overall, DEWR has implemented all the elements of the IEP in a changing and challenging environment. DEWR's ongoing management of the policy is broadly effective, although some areas warrant improvement for greater effectiveness.

27. DEWR has many aspects of strategic planning in place that could be drawn together in an IEP strategic plan. DEWR has devoted significant effort to reviewing the IEP overall, as well as individual elements of the policy. The ANAO concluded that DEWR has responded promptly as difficulties and performance issues have emerged, and developed appropriate approaches to address them.

Furthermore, DEWR has engaged in considerable marketing, promotion, and education activities that address the public awareness project initiatives established in the IEP.

28. At the time of the audit DEWR was developing its performance management framework for the IEP and was unable to adequately measure the performance of the IEP, and the extent of its contribution to the departmental outcome—‘An effectively functioning labour market’. This is a result of DEWR not defining what impact the policy seeks to have on Indigenous employment, or how the activities of the IEP link to the departmental outcome.

29. DEWR research has identified the number of jobs required to maintain Indigenous labour force status (25 000) and/or to achieve parity with non-Indigenous job seekers (77 000) over the period 2000–06. ANAO analysis of DEWR data indicates that the number of employment opportunities facilitated by the IEP is growing at a steady rate. However, DEWR’s focus on commencements and percentage outcome rates does not enable the department to readily determine, or report, whether the growth observed is sufficient to improve Indigenous employment.

DEWR’s response

30. The Department welcomes the ANAO conclusion that it has implemented all the elements of the IEP in a changing and challenging environment and that its management of the Policy is effective, specifically in that the Department:

- undertakes strategic planning;
- has reviewed and evaluated the Policy, especially the Job Network;
- was responsive to the recommendations of the STEP internal audit;
- has made a number of enhancements to programme elements since the Policy was introduced to maximise outcomes for Indigenous Australians; and
- has marketed the Policy extensively.

31. After the Government considered the stage one evaluation report of the IEP in late 2002, the Department undertook a range of initiatives, including refocussing business development activity, to improve the take up and effectiveness of the IEP. The Department estimates that it will utilise the IEP appropriation for 2002–03.

32. The Department appreciates the assistance and professionalism of the ANAO staff during the conduct of the audit and believes that the audit has provided a sound basis for ongoing enhancement of the administration and management of the IEP.

Recommendations

Recommendation No.1
Para 2.10

In order to draw together the planning conducted by DEWR and maximise the effectiveness of all IEP elements, the ANAO recommends that DEWR develop a strategic plan for the IEP that identifies opportunities for growth and priority areas for new business development.

DEWR response: Agreed.

Recommendation No.2
Para 2.18

The ANAO recommends that DEWR adequately defines the results being sought for each IEP element, including associated effectiveness measures, to:

- link activities to the goal of the IEP and, therefore, the departmental outcome; and
- allow for the performance of the IEP and its individual elements to be assessed.

DEWR response: Agreed.

Recommendation No.3
Para 2.45

The ANAO recommends that DEWR consider the business case for improving the range and quality of information available on the departmental costs of managing each IEP element.

DEWR response: Agreed with qualification.

Recommendation No.4
Para 4.12

The ANAO recommends that, in order to more clearly assess the impact of the IEP, the next stage of the IEP evaluation should report on:

- the extent to which the IEP is generating more employment opportunities for Indigenous job seekers; and
- whether the number of additional employment opportunities is sufficient to improve the employment circumstances of Indigenous Australians.

DEWR response: Agreed.

Recommendation No.5
Para 5.30

In order to increase awareness and maximise take-up of the IEP by project proponents, the ANAO recommends that DEWR develop and implement a strategy for the IEP that will formally guide its marketing and awareness activities.

DEWR response: Agreed.

**Recommendation
No.6
Para 6.53**

The ANAO recommends that, to improve the take-up and effectiveness of Structured Training and Employment Projects (STEP), DEWR:

- develop information material about STEP for potential proponents;
- ensure that STEP project proposals have robust recruitment strategies to source Indigenous job seekers and, where appropriate, facilitate communication between Job Network members, STEP proponents and Community Development Employment Projects (CDEPs) in a local area; and
- strategically promotes the use of STEP and local STEP projects (including Corporate Leaders for Indigenous Employment Project) to Job Network members.

DEWR response: Agreed with qualification.

**Recommendation
No.7
Para 6.65**

To improve the take-up and effectiveness of the IEP, the ANAO recommends that DEWR develop a strategy to disseminate better practice on recruiting and retaining Indigenous job seekers for organisations wishing to utilise IEP programmes.

DEWR response: Agreed.

Audit Findings and Conclusions

1. Introduction

An overview of the Indigenous Employment Policy is provided in this chapter.

Background

1.1 The Federal Government introduced the Indigenous Employment Policy (IEP) in July 1999 in recognition of the particular disadvantage experienced by Aboriginal and Torres Strait Islander people in the labour market. The policy is managed by the Department of Employment and Workplace Relations (DEWR) and had a budget of \$57.7 million in 2002–03.²

Origin of the IEP

1.2 The IEP was introduced against a background of:

- an Indigenous population growing at twice the rate of the total Australian population, with a significantly larger proportion of young Indigenous people seeking to join the labour market in the future;
- an Indigenous population that is more widely dispersed than the general Australian population;
- a lower labour market participation rate for Indigenous Australians;
- higher unemployment rates for Indigenous people than for other Australians;
- a reliance on the public sector for employing Indigenous people, with estimates that up to 70 per cent of all jobs held by Indigenous people rely to some extent on public funding; and
- lower skill levels among Indigenous people—nearly a quarter of all jobs held by Indigenous people are in unskilled work, compared to nine per cent for the total workforce.

² The administered appropriation for Indigenous employment does not include payments to Job Network members who provide employment services to Indigenous job seekers. All payments made to Job Network members are paid from Job Network administered funds. DEWR estimate that during 2001–02 expenditure on Indigenous job seekers participating in Intensive Assistance was approximately \$41 million. This figure is likely to be underestimated as not all Indigenous job seekers that register as looking for work identify themselves as Indigenous.

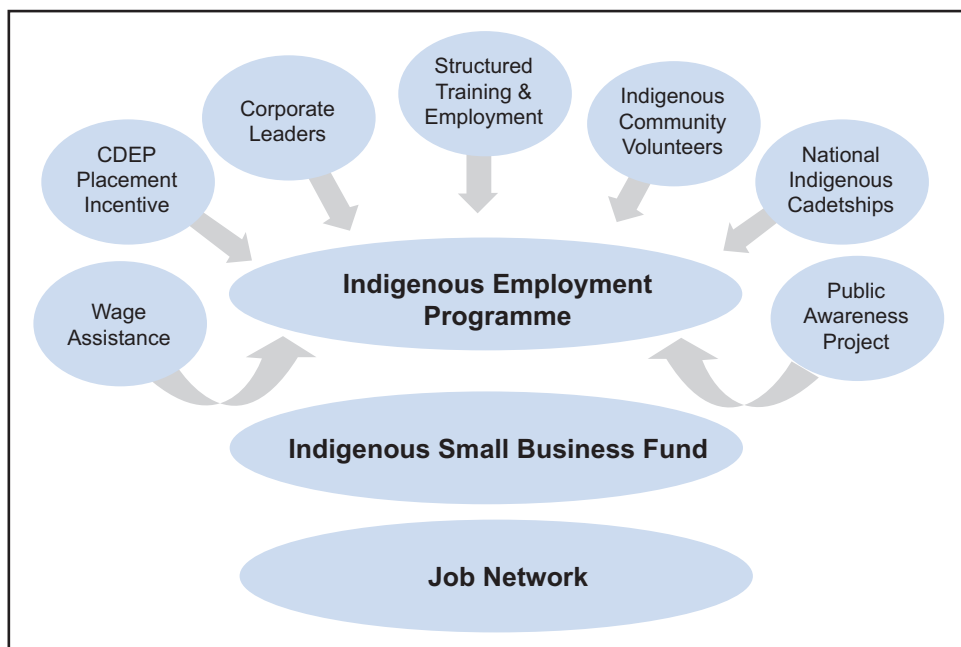
Objectives and elements of the IEP

1.3 The overall goal of the IEP is to generate more employment opportunities for Indigenous Australians. It has five objectives:

- increase the level of Indigenous participation in private sector employment;
- assist Community Development Employment Project (CDEP) sponsors to place their work-ready participants in open employment;
- support the development and expansion of Indigenous small business;
- improve outcomes for Indigenous job seekers through Job Network; and
- build on the spirit of reconciliation in the Australian community.

1.4 IEP has been implemented through nine individual initiatives or elements (illustrated in Figure 1), namely:

- an Indigenous Employment Programme comprising:
 - Wage Assistance—to subsidise the employment of Indigenous job seekers;
 - the CDEP Placement Incentive—to encourage CDEP participants to move into a job outside CDEP (and off CDEP wages);
 - the Corporate Leaders for Indigenous Employment Project—to gain commitment from major companies to improve Indigenous recruitment;
 - Structured Training and Employment Projects (STEP)—to provide flexible funding for the training and employment initiatives of employers and other organisations;
 - Indigenous Community Volunteers—formerly named the Voluntary Service to Indigenous Communities Foundation, the initiative seeks to support and facilitate voluntary assistance to Indigenous communities and organisations;
 - the National Indigenous Cadetship Project—to assist employers who offer cadetships to Indigenous tertiary students; and
 - a public awareness project;
- the Indigenous Small Business Fund—to offer assistance to Indigenous small businesses; and
- a suite of changes to Job Network introduced in mid-2000 to make it more responsive to the needs of Indigenous job seekers, particularly in regard to Intensive Assistance services.

Figure 1**Elements of the Indigenous Employment Policy**

Source: DEWR.

Operating environment of the IEP

1.5 The IEP seeks to address the significant labour market disadvantage faced by Indigenous Australians (as noted in paragraph 1.2) and DEWR is required to deliver the IEP within a complex operating environment.

1.6 The Government, when introducing the IEP in 1999, recognised that Indigenous employment would require a long term effort through the provision of a range of measures that would facilitate the participation of Indigenous Australians as part of the productive workforce. Indigenous Australians have an unemployment rate of around 20 per cent and over 40 per cent when taking into account those participating in CDEP.

1.7 The IEP was a change of policy setting for employment assistance to Indigenous Australians in that the focus was on generating employment and training opportunities in the private sector. In implementing the IEP there were a number of challenges that faced DEWR including:

- generating both demand (employers willing to offer jobs and training) and supply (potential employees who are job ready) and the matching of the two;

- engaging employers and industries which had little or no experience in Indigenous employment and job seekers with little private sector job experience;
- ensuring that Indigenous job seekers had the skills and experience to take advantage of job opportunities; and
- the requirement for DEWR staff to take on board a new skill set in order to achieve deliverables.

1.8 For the IEP to deliver quality outcomes Indigenous job seekers may also require assistance from other agencies to address issues that may affect their ability to successfully find a job. Addressing these issues often requires additional investments of time and resources by DEWR, and other agencies, before many Indigenous Australians are in a position to take advantage of labour market assistance, enter the labour market and sustain their participation.

Processes supporting IEP management

Management structure

1.9 The Indigenous Employment Programme Branch, in DEWR's national office, is responsible for managing a number of the IEP elements. However, it is not responsible for managing Job Network, Wage Assistance, the CDEP Placement Incentive (which are the responsibility of other branches within the Intensive Support Group) and the Indigenous Community Volunteers (which was established as a separate corporate structure).

1.10 National office management is supplemented by staff in all state and territory capitals, and in a number of regional locations. In these offices Indigenous employment managers and business development officers (who's role was established in 2002) seek to identify local opportunities for expanding IEP programmes. These DEWR officers liaise and negotiate with proponents to develop a proposal and finalise a contract.

1.11 Complementing this business development capacity, DEWR established specific contract managers in 2002, to focus on managing a range of contracts for IEP elements such as STEP, the Indigenous Small Business Fund and the Corporate Leaders for Indigenous Employment Project.³ DEWR's departmental contracting standard, the National Contract Management Framework, was extended to IEP elements in 2002.

³ Wage Assistance, the CDEP Placement Incentive, National Indigenous Cadetship Project and Indigenous Community Volunteers are managed centrally, although states and territories are responsible for monitoring Wage Assistance placements.

1.12 In October 2002, the Indigenous Employment Programme Branch restructured to change the focus from managing individual IEP elements to a functional or matrix framework focusing on:

- business development and systems;
- contract management;
- national projects and coordination;
- programme development;
- audit, performance and risk management; and
- marketing and events management.

Information systems

1.13 DEWR has developed the Indigenous Resource Information System to enhance processing for STEP and the Corporate Leaders for Indigenous Employment Project, and increase consistency of project information and reports. While the Indigenous Resource Information System was specifically designed to address issues in the administration these IEP elements, DEWR plans to use the new information system to administer other elements such the Indigenous Small Business Fund and the National Indigenous Cadetship Project.

Guidelines

1.14 The IEP has a comprehensive suite of guidelines structured around the individual IEP elements which explain eligibility and provide guidance on administration. These are complemented by overall IEP guidelines that contain information common to all IEP programmes and projects.

1.15 The guidelines are also supplemented by an Indigenous employment officer handbook, which offers operational staff information on individual IEP elements, roles and responsibilities, and planning and monitoring.

Audit objective and scope

1.16 The objective of the audit was to examine the efficiency and effectiveness of DEWR's implementation and management of the IEP.

1.17 The audit examined the operation of the IEP overall including all the elements of the Indigenous Employment Programme, the Indigenous Small Business Fund and how Job Network services Indigenous job seekers. As 90 per cent of Indigenous job seekers referred to Job Network are eligible for Intensive Assistance, the audit particularly focused on Intensive Assistance, rather than on Job Search Training or Job Matching aspects of Job Network.

1.18 The ANAO notes that the CDEP work preparation trial and the Indigenous Employment Centres are not formally part of the IEP, as they are initiatives developed after the policy was established in 1999. Nonetheless, these initiatives seek to move CDEP participants into open employment, which is an objective of the IEP. The initiatives have thus been included in the scope of this audit.

Agencies covered

1.19 DEWR is the agency responsible for implementing and managing the IEP. The ANAO acknowledges that the Aboriginal and Torres Strait Islander Commission, the Department of Family and Community Services and Centrelink also have responsibilities in relation to Indigenous employment. While no substantive audit work was performed in these agencies, they were consulted during the course of the audit. The audit does not comment on the operations or performance of these latter agencies.

Audit criteria

1.20 In achieving its objective, the audit sought to determine if, in relation to the IEP, DEWR had:

- developed appropriate planning processes and performance measures;
- monitored and reported performance results;
- implemented appropriate evaluation and review mechanisms;
- conducted effective marketing and promotion; and
- identified enhancements and addressed performance issues.

Audit methodology

1.21 The audit methodology included:

- fieldwork in DEWR national office in Canberra, including examination of key documents, databases and files, and interviews with key personnel;
- fieldwork in DEWR state and regional offices;
- observation of DEWR monitoring visits of projects funded under the IEP;
- a survey of employers who had engaged Indigenous cadets;
- observation of IEP projects, Indigenous Employment Centres and Job Network services in metropolitan, regional and remote locations;
- consultation with the Aboriginal and Torres Strait Islander Commission about their role in administering CDEP; with the Department of Family

and Community Services about funding personal advisers; and with Centrelink regarding assessment of job seekers and referral to Job Network;

- consultation with key stakeholders, including the National Employment Services Association and the Australian Council of Social Services; and
- advice on data and service issues from the Centre for Aboriginal Economic Policy Research.

1.22 The audit was conducted in accordance with ANAO auditing standards and cost \$425 000.

2. Planning and Performance Measurement for the IEP

This chapter examines DEWR's strategic planning for the IEP, how outcomes are defined and performance is measured.

Background

2.1 Sound governance and effective management require appropriate strategic planning processes. This ensures that resources are best deployed to achieve overall objectives. Furthermore, the impact of the policy sought by government needs to be clearly defined by the department and appropriate measures developed to gauge performance.

2.2 An effective approach to the management of the IEP is particularly important, and challenging, because of the complex environment in which the policy seeks to achieve outcomes. This includes:

- a diverse client base with complex and varied needs;
- the nature of the policy, with nine elements, some of which can be packaged to increase employment outcomes;
- multiple stakeholders with various interests and varied needs; and
- programme delivery through state, territory and national offices.

2.3 In light of these factors, the ANAO examined the governance arrangements and performance measures DEWR had developed for the IEP, in particular:

- the extent and adequacy of strategic planning for the IEP;
- how the IEP contributes to the overall departmental outcome; and
- how performance is measured.

Strategic planning processes for the IEP

2.4 Strategic planning processes assist organisations to achieve their objectives and planned outcomes, and are an important aspect of governance. Strategic planning is important for managing policies such as the IEP that include multiple elements.

2.5 The ANAO sought to determine if DEWR had:

- established the strategic objectives of the policy, providing a basis for achieving these priorities and approach for implementation;

- consistent with objectives of the IEP, identified opportunities for growth, especially in the private sector;
- established clear targets for performance, including links to the IEP budget;⁴ and
- consolidated the planning work it has already undertaken.

2.6 The ANAO found that DEWR undertakes strategic planning related to the IEP and demonstrates regular strategic action and management, including:

- at a national office level, DEWR has a group business plan for the Intensive Support Group (responsible for the IEP), identifying high-level risks for the group;
- in 2002–03, DEWR developed a business plan for the Indigenous Employment Programme Branch which identifies high-level business priorities and change-management strategies for the branch;⁵
- DEWR's state and territory offices have developed planning processes that help identify areas of growth for Indigenous employment, including particular industries and geographic locations;
- DEWR holds an annual planning meeting at which state and territory Indigenous employment managers and programme team leaders discuss the performance of IEP elements and areas for improvement;
- there is a national business risk assessment, which includes the IEP, that is based on the broader DEWR planning and risk framework; and
- DEWR has a systematic financial planning process that allocates resources based on bids from state and territory offices and the demographics of existing clients.

2.7 Notwithstanding these initiatives, DEWR does not complement such activities by formally conducting a national assessment of industry sectors or geographic locations that have the potential to generate more Indigenous employment. Nor are priorities for business development established. Such a formal assessment would assist in coordinating the planning undertaken by different state and territory offices, along with sections in national office responsible for IEP elements. The ANAO considers that establishing employment growth priority areas and coordinating DEWR's planning activity is especially important in light of the objective of the IEP (to generate more employment opportunities for Indigenous Australians) and also the number of elements

⁴ The ANAO *Internal Budgeting* Better Practice Guide (February 2003) provides guidance on linking corporate plans and priorities to budgets (pp. 11–12).

⁵ As noted in paragraph 1.9 the Indigenous Employment Programme Branch is not responsible for the management of all elements of the IEP.

contained in the policy. DEWR advised the ANAO that, since the completion of audit fieldwork, DEWR has announced the creation of a new Industry Strategies Projects team to drive its industry-based strategies. The team will support identification of priority industries, which will provide a focus for IEP activity.

2.8 The coordination of planning activities is required to ensure resources are best deployed to achieve overall goals and to maximise the impact of each IEP element. The effective and efficient use of the administered appropriation is critical for Indigenous employment, not only due to the issues the IEP seeks to address, but also given the cost of managing such an initiative. The departmental appropriation for Indigenous employment in 2001–02 was \$19.9 million to manage an administered appropriation of \$54.7 million.

Table 1

Indigenous employment administered appropriation, 1999–2000 to 2002–03

Year	Budgeted expenditure (\$ million)	Actual expenditure (\$ million)	Underspend (\$ million)
1999–2000	52.0	36.9	15.1
2000–01	55.7	43.9	11.8
2001–02	54.7	43.5	11.2
2002–03	57.7	--	--

Source: DEWR Annual Reports.

2.9 As highlighted in Table 1, the administered appropriation for Indigenous employment (which comprises the Indigenous Employment Programme and the Indigenous Small Business Fund) has not been fully expended over the past three financial years. The ANAO considers that the significant underspend over the life of the IEP illustrates the need for an overall strategic plan which focuses on options and priorities for utilising available funds. Alternatively, improvements are required to its estimation procedures.

Recommendation No.1

2.10 In order to draw together the planning conducted by DEWR and maximise the effectiveness of all IEP elements, the ANAO recommends that DEWR develop a strategic plan for the IEP that identifies opportunities for growth and priority areas for new business development.

DEWR Response

2.11 Agreed. The Department has announced that it is establishing a new Industries Strategies Projects team within Outcome 1. This new team will have

project managers for each targeted industry, and will drive the Department's industry based strategies. The industry strategies initiative will support all work of the Department, including for Indigenous employment. It will support identification of priority growth areas and tight targeting of employment opportunities for Indigenous job seekers.

Outcome definition and measurement

2.12 DEWR has two departmental outcomes that form the basis of its outcome-output framework. The IEP sits under DEWR's Outcome One—'An effectively functioning labour market'. Departmental outcomes are broad, high level statements. Therefore, policies and programmes need to clearly identify how they link and contribute to the overall outcome.

2.13 The ANAO sought to determine if DEWR had:

- clearly and succinctly defined the goal of the IEP, and how the IEP contributes to the overall departmental outcome;
- defined what results are sought for each policy element which links and supports the goal of the IEP; and
- established adequate performance measures.

Defining the goal the IEP

2.14 The Government defined the goal of the IEP as to 'generate more employment opportunities for Indigenous Australians.' The ANAO considers this goal is clear and succinct.

2.15 DEWR has not described how the IEP contributes and links to its high level departmental outcome. Nor has DEWR established any associated effectiveness measure for the IEP as a whole. DEWR does not define what an 'employment opportunity' is and how this relates to 'employment outcomes' which are DEWR's main measure of success for employment programmes (see paragraph 2.21).

Results sought from policy elements

2.16 At a programme level, individual IEP elements vary markedly in the extent to which they have established a definition of an acceptable result that supports the goal of the IEP and, in turn, the departmental outcome. For example:

- a DEWR internal audit of Structured Training and Employment Projects (STEP) found that its guidelines had no clear definition of a STEP outcome and as such DEWR staff have different interpretations of what constitutes

an outcome under STEP. The internal audit recommended that DEWR establish a clear definition to allow for the programme's success to be measured, which is now being developed;

- the Corporate Leaders for Indigenous Employment Project, the Indigenous Small Business Fund and the National Indigenous Cadetship Project guidelines also lack clear outcomes, with each having only broad objectives;
- CDEP Placement Incentive has both a clear objective (to facilitate the movement of CDEP participants into on-going employment), and a measure of success;
- Wage Assistance also has both an objective (to provide an incentive to employers to provide ongoing employment for eligible Aboriginal and Torres Strait Islander job seekers), and a clear outcome or definition of success; and
- changes to Job Network have a broad goal of improving employment outcomes for Indigenous job seekers.

2.17 As highlighted above, there is no clear description of the results sought for some IEP elements. Most notable is STEP, which is the largest (in dollar value and participant numbers) Indigenous specific element of the IEP and offers the most flexibility in terms of its delivery. The ANAO considers that clearly defining the results sought, similar to that developed for Wage Assistance, would assist in informing management and external stakeholders of the achievements of each element and how it contributes to the IEP goal and, therefore, the departmental outcome.

Recommendation No.2

2.18 The ANAO recommends that DEWR adequately defines the results being sought for each IEP element, including associated effectiveness measures, to:

- link activities to the goal of the IEP and, therefore, the departmental outcome; and
- allow for the performance of the IEP and its individual elements to be assessed.

DEWR Response

2.19 Agreed. The internal audit report of STEP, finalised in 2002, identified the need to better define an outcome under STEP. The Department has reviewed the STEP and Corporate Leaders for Indigenous Employment Project guidelines

and is amending the guidelines to better articulate the desired results. This is also being undertaken for all other elements of the IEP.

How DEWR measures success

2.20 It is important for departments to measure and report on how successful policies and programmes have been in meeting their goals. Developing robust, readily understandable measures of success is challenging, as it can be difficult to isolate the contribution of a particular programme to, for example, growth in job opportunities for Indigenous job seekers.

2.21 DEWR uses ‘employment outcomes’ to measure the success of its employment programmes, including those in the IEP. As noted in paragraph 2.16, for a number of IEP elements, especially STEP, the results sought are not clearly defined. While noting these limitations, Table 2 presents the employment outcome measures DEWR has established for the IEP programmes.

2.22 DEWR has established a system of post-programme monitoring across many IEP programmes (including Job Network, STEP, Corporate Leaders for Indigenous Employment Project and Wage Assistance) to monitor employment outcomes. Post-programme monitoring surveys participants, three and six months after they leave a programme and cease receiving assistance, and seeks information about current employment status. DEWR research shows that being in employment at these milestones is a lead indicator of likely continued employment.⁶

2.23 The ANAO note that DEWR is yet to determine the impact of the Indigenous Small Business Fund on Indigenous business or employment. DEWR advised the ANAO that this will be addressed through an evaluation of the programme in 2003–04.

⁶ DEWR conducts the surveys by post and receives a response rate of around 33 per cent. DEWR notes that comparisons with the first year of the IEP are difficult due to the low level of commencements and exits during programme implementation, as well as the long-term nature of assistance, particularly in relation to STEP.

Table 2**DEWR's employment outcome measures for IEP elements**

IEP element	IEP employment outcome measures/target
Job Network	<ul style="list-style-type: none"> - percentage of Indigenous job seekers still in employment three months after participation, based on post-programme monitoring - target: 45% of job seekers in either employment or education/training
STEP	<ul style="list-style-type: none"> - percentage of Indigenous job seekers still in employment three months after participation, based on post-programme monitoring - target: 60.5% of job seekers in employment
Wage Assistance	<ul style="list-style-type: none"> - percentage of Indigenous job seekers still in employment three months after participation, based on post-programme monitoring - target: 60.5% of job seekers in employment
Indigenous Small Business Fund	<ul style="list-style-type: none"> - n/a
National Indigenous Cadetship Project	<ul style="list-style-type: none"> - percentage of Indigenous job seekers still in employment three months after participation, based on post-programme monitoring - target: 60.5% of job seekers in employment - (post-programme monitoring has been conducted but sample is currently too small to allow firm conclusions to be drawn)
Corporate Leaders Project	<ul style="list-style-type: none"> - percentage of Indigenous job seekers still in employment three months after participation, based on post-programme monitoring - target: 60.5% of job seekers in employment
CDEP Placement Incentive	<ul style="list-style-type: none"> - Nil
Indigenous Community Volunteers	<ul style="list-style-type: none"> - n/a
Public Awareness Project	<ul style="list-style-type: none"> - n/a

Source: ANAO analysis of DEWR data.

Notes: n/a—Not applicable. These programmes do not have a specific employment focus.

2.24 Post-programme monitoring results allow DEWR to monitor the *rate* at which employment outcomes are achieved, by reporting what percentage of Indigenous job seekers leaving a DEWR programme are still employed. The results are reported quarterly and are publicly available on the DEWR website.

2.25 The post-programme monitoring employment outcomes rate is an important measure of performance in employment initiatives. In particular, it clearly identifies which initiatives are more effective at facilitating entry to sustained employment, rather than short-term and subsidy-dependent employment.

2.26 Given the high Indigenous unemployment rate, internal and external stakeholders also need to be informed of the *number* of sustained employment outcomes the IEP is facilitating. Such a measure, with associated targets, would allow judgements to be made about the extent to which the IEP as a whole is contributing to an improved employment situation for Indigenous job seekers, and highlight areas for improvement. The ANAO used existing post-programme monitoring data to create a measure of the actual number of jobs (see Table 8 on page 37) and notes that DEWR's evaluation of the IEP, discussed in Chapter 4, does not present such information.

2.27 Some elements, such as the Indigenous Small Business Fund and Indigenous Community Volunteers, do not have employment outcome measures. DEWR is developing clearer outcomes for these programmes. This should enhance the selection of outcome-related performance measures.

2.28 Overall, DEWR's system of monitoring the rate at which programmes achieve employment outcomes provides useful information for stakeholders and internal management. The ANAO suggests that DEWR complement its existing measure of the percentage of employment outcomes by comparing performance against the number of employment opportunities facilitated by the IEP.

Performance measures

2.29 Performance measures show the extent to which a policy or programmes operational targets or milestones are being achieved. They are a valuable management tool for monitoring trends and enable prompt corrective action. For employment programmes, performance measures may provide an indication of participation, programme take-up, demand and awareness.

2.30 The ANAO examined DEWR's performance measures for the IEP to determine whether they assess:

- quantity;
- quality; and
- cost.

Quantity

2.31 While the IEP consists of a number of discrete elements, DEWR has only one inclusive performance measure for the IEP that is specified in the Portfolio Budget Statements. The measure is described as ‘utilisation of programme places’, with a target of a five per cent increase in commencements. The measure was introduced in the 2002–03 Portfolio Budget Statements and indicates an enhancement in performance measurement and reporting. The extent to which this target has been achieved will be reported in subsequent departmental annual reports. However, it is not clear how this overall performance measure contributes to DEWR’s overall outcome.

Table 3

Performance measures for IEP elements

IEP element	Quantity	Quality (timeliness measure)
Job Network	<ul style="list-style-type: none"> - rate of registrations at Centrelink - rate of referrals and entries to Job Network - paid ‘outcomes’ to Job Network members - the relative share of Job Network participation by Indigenous job seekers - the relative number of DEWR payments to Job Network members for Indigenous job seekers compared to other job seekers 	-
STEP	<ul style="list-style-type: none"> - number of projects - number of places approved and filled 	-
Wage Assistance	<ul style="list-style-type: none"> - number of Indigenous job seekers placed in subsidised employment - number completing Wage Assistance period 	- approval of fully completed applications within 24 hours of receipt
Indigenous Small Business Fund	<ul style="list-style-type: none"> - number of projects 	-
National Indigenous Cadetship Project	<ul style="list-style-type: none"> - number of cadets subsidised 	-
Corporate Leaders Project	<ul style="list-style-type: none"> - number of projects - number of places approved and filled 	-
CDEP Placement Incentive	<ul style="list-style-type: none"> - number of Indigenous job seekers placed in non-CDEP employment 	- approval of fully completed applications within 24 hours of receipt
Indigenous Community Volunteers	<ul style="list-style-type: none"> - number of agreements made 	-
Public Awareness Project	<ul style="list-style-type: none"> - n/a 	-

Source: ANAO analysis of DEWR data.

Notes: n/a—Not available.

2.32 The amount of performance information varies between IEP elements, with Job Network being the most comprehensive. In regard to Wage Assistance, DEWR collects a range of information on the take-up of assistance, including the number of applications, the success rate of applications, and the proportion and number of commencements actually completing a period of Wage Assistance. DEWR has a detailed reporting system for the number of projects/ places established or cadets placed, under the National Indigenous Cadetship Project.

2.33 Performance measures for STEP are less robust. Limitations in STEP data systems and in the quality of some data make it difficult for DEWR to monitor important aspects of STEP. These include not recording the *type* of project. As STEP funds several different types of projects, being able to assess the relative performance of the type of projects would contribute to decision-making on project funding and broader policy.

2.34 The ANAO identified that some providers have difficulty in recruiting their contracted number of participants, and in retaining participants once they enter a STEP project. DEWR need to use available data to:

- accurately forecast likely commencements, and therefore outcomes and expenditure;
- identify areas or service types where recruitment may be particularly difficult; and
- identify, at an early stage, particular providers who may have difficulty recruiting participants.

2.35 DEWR expects that one benefit of the newly established business development and contract managers role will be a more consistent focus on developing and monitoring the progress of 'quality' projects with realistic contract numbers.

Timeliness

2.36 Timeliness is an important quality measure for elements that rely on applications from proponents. As illustrated in Table 3, the ANAO found that only Wage Assistance and the CDEP Placement Incentive had timeliness standards established for internal programme management purposes. Both programme guidelines noted, in regard to the time within which applications will be approved, that the delegate will endeavour to approve all routine, fully completed applications within 24 hours of receiving them.

2.37 Other IEP elements have no service standards or indicators of timeliness. Stakeholders consulted by the ANAO expressed concern about delays in granting

approvals for grants under STEP and the Indigenous Small Business Fund. The ANAO found that the number of Indigenous Small Business Fund projects undergoing assessment was high compared to the number approved. However, as DEWR does not track the timeliness of project approvals, there was insufficient data to verify stakeholder concerns.

2.38 DEWR advised the ANAO that the introduction of the Indigenous Resource Information System (explained in paragraph 1.13) would improve the availability of timeliness information, and enhance DEWR's ability to monitor the timeliness of project processing through standard milestones. DEWR considers that the use of timeliness standards for processing grant or project applications is not appropriate for some IEP elements, given the diversity of circumstances and project types, and the time needed to develop and negotiate project specifications with proponents. Rather, DEWR now tracks and monitors timeliness utilising the Indigenous Resource Information System. The ANAO agrees with this approach.

Cost

2.39 The resources required to deliver policy and programme elements involve both departmental and administered expenditure. Departmental items are controlled by DEWR and used in producing their outputs, including the cost of processing applications. Administered items are controlled by the government and managed by DEWR on behalf of the government, including expenses from subsidies and grants payments.

Measures of departmental expenditure and efficiency

2.40 Overall, departmental items account for nearly one-third of total planned IEP expenditure in 2002–03.⁷

2.41 The ANAO found that DEWR had few measures of programme efficiency for the IEP. For example, no programme element has indicators of the average cost of processing applications or administering a project. Some data was available on the costs of Wage Assistance. This indicated that the cost of managing Wage Assistance is around 50 cents per dollar of Wage Assistance paid, as shown in Table 4.

⁷ This planned expenditure does not include Job Network services to Indigenous job seekers.

Table 4**Administered and departmental expenditure - Wage Assistance, 2001–02**

Cost item	\$
Wage Assistance payments to employers (Administered expenditure)	5 730 000
Average payment to employer	2 740
Cost of administration (Departmental expenditure)	2 840 000
Average cost per approval	1 321
Average cost per application (includes non approved applications)	1 168

Source: ANAO analysis of DEWR data.

2.42 While there are no clear benchmarks, the audit highlighted key ratios, as shown above. DEWR took action on the departmental cost of administration during 2002 by commissioning a process review to identify areas for efficiency gains in administering Wage Assistance, the CDEP Placement Incentive and the National Indigenous Cadetship Project. The ANAO examined the methodology and early findings of these reviews. We consider that this work will assist DEWR increase the efficiency of programme administration.

2.43 In regard to other programs, DEWR advised that it would not be cost-effective, and possibly not feasible, to separately identify the departmental costs of each IEP element. The ANAO noted these difficulties. However, as departmental items are a significant part of overall expenditure, the absence of comprehensive data on such costs limits DEWR's ability to fully identify the net cost of a particular programme or package of services.

2.44 On the whole, a challenge for DEWR is to allocate funds across the various IEP elements in a way that maximises employment opportunities. While the department is reviewing the efficiency of individual programmes, systematic information on the costs of administering the IEP would strengthen DEWR's ability to target resources and management effort to the most cost-effective elements.

Recommendation No.3

2.45 The ANAO recommends that DEWR consider the business case for improving the range and quality of information available on the departmental costs of managing each IEP element.

DEWR response

2.46 Agreed with qualification. The Department has a comprehensive system of reporting output pricing as identified in the Portfolio Budget Statements.

Output pricing is reported against 'Indigenous Employment Programmes', namely, Output 1.2.3. Given the flexibility and range of the elements of the IEP and delivery arrangements, the Department doubts the value of reporting pricing at the individual element level. However, the Department will examine the feasibility of capturing this information to determine whether a further disaggregation of costs will add value to its business planning processes and achievement of IEP outcomes.

Conclusion

2.47 The overall goal of the IEP is to generate more employment opportunities for Indigenous Australians. DEWR undertakes a range of strategic planning activities related to the IEP and demonstrates regular strategic action. However, DEWR had not complemented this activity by identifying national priority areas for employment growth and business development, thus not directing its focus where there is potential for jobs for Indigenous job seekers. Since 1999, DEWR has not fully expended the Indigenous employment appropriation.

2.48 Under DEWR's outcome-output framework, the IEP contributes to the departmental outcome—'An effectively functioning labour market'. The ANAO noted that the departmental outcome reflects a high level goal. Partly as a consequence, the ANAO found that DEWR had not clearly defined how the IEP links and contributes to that outcome.

2.49 The ANAO found that DEWR's performance management framework for the IEP is continuing to develop. DEWR uses 'employment outcomes' to measure the success of some IEP elements such as Job Network Intensive Assistance, STEP, Wage Assistance and the Corporate Leaders for Indigenous Employment Project. These employment outcomes measure the percentage of Indigenous job seekers in employment following participation in IEP elements. While this measure is useful, it does not provide an indication of the actual number of sustained employment outcomes the IEP is achieving. The actual number of employment outcomes is required to measure the employment opportunities generated by the IEP. DEWR plans to evaluate the impact of the Indigenous Small Business Fund in 2003–04.

2.50 DEWR has a number of quantitative performance measures to assess its delivery of IEP services. DEWR collects, analyses and monitors information on commencements for all IEP elements. Quantitative measures of performance are comprehensive for Job Network, with a number of measures that track performance and compare Indigenous job seekers' participation to that of other job seekers.

2.51 DEWR has few quality and cost-based measures for IEP elements. The ANAO considers cost-based measures should be developed as departmental costs account for nearly one-third of the total planned IEP expenditure in 2002–03. Quality measures, such as timeliness, are particularly important for a number of IEP elements such as the Indigenous Small Business Fund and STEP, which rely on an application process. DEWR advised the ANAO that its new Indigenous Resource Information System now enables DEWR to track and monitor timeliness for some IEP elements.

3. Monitoring and Reporting Results of the IEP

This chapter presents the performance results of key IEP elements, and the IEP as a whole, and how these results are reported. Comparisons are made with the level of commencements established in developing the IEP.

Background

3.1 Against the background of the performance management framework detailed in Chapter 2, the ANAO reviewed existing data on the results of the IEP. The ANAO examination particularly focused on:

- internal management reporting of IEP performance;
- the IEP performance information DEWR presents in its annual report;
- the level of commencements achieved by IEP elements; and
- the achievements of individual employment outcomes, and thus the number of jobs facilitated by the IEP.

Management reporting of performance

3.2 Sound management reporting is timely, highlights key trends, such as the extent to which programme goals are being met, addresses major risks and presents information to management in a format that facilitates decision-making.

3.3 The ANAO sought to determine if DEWR's management reporting for the IEP:

- identifies performance trends;
- highlights areas for management attention and facilitate decision-making; and
- presents data and analysis on employment outcomes and performance measures.

3.4 DEWR's national office produces information on programme achievements. In particular, it produced an annual report on the IEP for each of its first two years, which identified broad trends and impacts of the policy. However, these reports and data also tend to emphasise contracted commencements rather than final employment outcomes. The ANAO notes that no such annual report was produced for 2001–02.

3.5 DEWR also produced a detailed monthly report on the IEP that included data such as:

- new projects approved;
- programme commencements and expenditure (excluding Indigenous-specific Job Network expenditure);
- performance of each state and territory against the policy; and
- trends in administrative activity, such as acquittals.

3.6 However, the ANAO considers that the data was not reported in a way that facilitated decision-making. For example, the reports:

- focused on commencements rather than eventual likely employment outcomes, and thus overestimated effectiveness; and
- lacked consideration of the trend in actual commencements in forecasting financial expenditure.

3.7 Subsequent to audit fieldwork, DEWR developed a refined reporting framework, known as *IEP Essentials*, which is designed to address the issues raised by the ANAO, as well as incorporate other enhancements. The ANAO notes that the new report details performance against commencement targets. Whilst the report also incorporates employment outcome data, it does not compare this data with employment outcome targets. The report provides updated financial and commencement forecasts each month.

3.8 DEWR also produces an *Employment Services Summary* report for its Employment Management Committee that specifically reports against Portfolio Budget Statement output targets, including in relation to Indigenous employment. Further, in late 2002, DEWR senior management determined that it was appropriate to meet on a monthly basis with state and territory managers to specifically review the performance of Indigenous employment programmes.

Results reported in DEWR's annual report

3.9 Agency annual reports are the primary vehicle for reporting programme performance, particularly effectiveness, to the Parliament and the public. ANAO better practice suggests that the focus of annual reports is moving away from simply reporting administrative detail to providing more information about actual programme performance.⁸

⁸ ANAO 2002, *Performance Information in Portfolio Budget Statements* Better Practice Guide, pp. 34–35.

3.10 The ANAO examined whether DEWR's annual reports provide:

- information on IEP employment outcomes; and
- information on actual IEP programme performance.

3.11 DEWR's 2001–02 annual report provides background information on the performance and operation of the Indigenous Employment Programme, Indigenous Small Business Fund and Job Network. The annual report presents mainly quantity indicators (that is, number of commencements or projects) rather than an analysis of results for programme performance.

3.12 The ANAO considers that the 2001–02 annual report provides greater contextual detail on the operation of the IEP than previous DEWR annual reports. The ANAO notes that improvements in performance measures in the 2002–03 Portfolio Budget Statements will further enhance information presented in the annual report.

Commencements achieved by the IEP

3.13 In developing the IEP, DEWR initially estimated that the policy would help establish 11 000 commencements a year. These estimates were based on DEWR's experience with previous labour market programmes and the then emerging Job Network. To establish to what extent these estimates of expected usage were realised, the ANAO examined whether:

- expected commencements established in the IEP have been realised; and
- how the performance of individual policy elements contributes to the overall performance of the IEP.

Performance against expected commencements

3.14 The ANAO compared the actual number of commencements of the IEP for 2001–02 against the expected number of commencements established in the development of the IEP. Table 5 presents this comparison.

Table 5**Distribution of expected and actual commencements across the IEP**

IEP element	Expected commencements (in a full year)	Actual commencements in 2001–02
Job Network	*	*
STEP	3000	5660
Wage Assistance	5000	2092
Indigenous Small Business Fund	*	*
National Indigenous Cadetship Project	+	157
Corporate Leaders for Indigenous Employment Project	1000	181 [^]
CDEP Placement Incentive	2000	274
Indigenous Community Volunteers	*	*
Public Awareness project	*	*
Total	11 000	8364

Source: ANAO analysis of DEWR data.

- * DEWR did not estimate how many commencements would be achieved in these elements. The ANAO notes 22 143 Indigenous job seekers commenced in Job Network Intensive Assistance in 2001–02.
- + In the development of the IEP DEWR estimated that by 2002–03 300 cadets would commence employment.
- [^] A total of 799 commencements were made through the Corporate Leaders for Indigenous Employment Project which included 599 STEP and 19 in the National Indigenous Cadetship Project.

3.15 Overall, the expected commencements established in the IEP have not been realised, although STEP has significantly exceeded its estimated number of annual commencements. DEWR considers STEP commencement rates to be high when compared with past programme performance levels. However, as presented in Table 6 below, only around two-thirds of all planned commencements are actually filled.

3.16 The Government also made substantial changes to the administration of Job Network as part of the IEP in recognition that the bulk of employment services to Indigenous job seekers are provided through Job Network.

Commencements of IEP elements

3.17 The overall performance of the IEP is affected by the performance the individual policy elements. The ANAO examined the performance information available for each element. The major performance issues are presented in Table 6.

Table 6**Commencement performance of IEP elements**

IEP element	ANAO analysis of performance data	ANAO comment
Job Network	<ul style="list-style-type: none"> - A large drop-off in the number of Indigenous job seekers referred to Job Network to those actually commencing with a Job Network provider is observed. - The number of Indigenous job seekers who achieve an interim outcome (13 weeks) by remaining in employment is small compared to commencements, but this is growing, with 4599 interim outcomes in 2001–02 compared to 2643 in 2000–01 (an increase of 74 per cent). - Indigenous job seekers accounted for a growing share of job seekers who achieve interim and final outcomes. 	<ul style="list-style-type: none"> - Job Network's performance in assisting Indigenous job seekers has improved since the establishment of the IEP and the subsequent changes to the second Job Network contract in 2000.
STEP	<ul style="list-style-type: none"> - The number of commencements in 2001–02 (5472) is higher than expected (3000). - The number of contracted places was 7494. 	<ul style="list-style-type: none"> - STEP has exceeded its estimated performance in terms of the number of commencements. - Contracted places often do not translate into actual commencements.
Wage Assistance	<ul style="list-style-type: none"> - The number of Wage Assistance commencements in 2001–02 (2061) was substantially less than the expected 5000 placements per year estimated. - The 'retention rate', or what share of Indigenous job seekers commencing actually complete was 61.3 per cent after more than 25 weeks. This retention rate is high compare to other forms of assistance and previous Indigenous employment programmes 	<ul style="list-style-type: none"> - Wage Assistance has achieved less than half of the annual estimated commencements.
Indigenous Small Business Fund	<ul style="list-style-type: none"> - Of the 49 applications received in 2001–02, 38 were approved. - Applications often require negotiation and additional information from the proponent. As at June 2002 45 applications were under assessment. 	<ul style="list-style-type: none"> - No estimates of actual jobs facilitated through the fund were established in the development of the IEP.
National Indigenous Cadetship Project	<ul style="list-style-type: none"> - The project has grown strongly since the launch of the IEP with 157 commencements in the 2001–02 year. - While DEWR planned that the cadetships would focus on the private sector, much of the growth has been in the public sector. 	<ul style="list-style-type: none"> - Information on long-term outcomes of cadetships is not yet available, given that most cadetships last for four years.⁹

⁹ DEWR 2002, *Indigenous Employment Policy Evaluation Stage One: Progress Report*, p. 90.

Corporate Leaders for Indigenous Employment Project	<ul style="list-style-type: none"> - By January 2003, 64 companies had signed a statement or a memorandum of understanding, or were participating in a project. - A total of 799 Indigenous job seekers commenced work with companies under the project in 2001–02, with 181 commencements made directly through the project. A further 599 commencements came through STEP and 19 through the National Indigenous Cadetship Project. - The project has facilitated fewer commencements than the 1000 originally estimated. 	<ul style="list-style-type: none"> - Although there has been steady growth in the number of companies participating in the corporate leaders project, only around two-thirds of the companies that have signed a public statement have established funded projects.
CDEP Placement Incentive	<ul style="list-style-type: none"> - There were 267 approved placements under the CDEP Placement Incentive in 2001–02, down from the 325 placements in 2000–01. - In developing the IEP it was estimated the 2000 CDEP participants would be placed annually using the incentive. - A further 150 CDEP participants moved off CDEP wages under the CDEP work preparation trial and 7 through Indigenous Employment Centres. 	<ul style="list-style-type: none"> - The take-up of the CDEP Placement Incentive has been poor. DEWR has developed other initiatives to facilitate moving CDEP participants off CDEP wages and into open employment.
Indigenous Community Volunteers	<ul style="list-style-type: none"> - At the time of audit fieldwork (August 2002) over 60 projects were completed or under development. 	<ul style="list-style-type: none"> - Although announced in July 1999, Indigenous Community Volunteers was not formally established until mid-2000. The effectiveness of the programme is difficult to establish at this time.
Public Awareness project	<ul style="list-style-type: none"> - DEWR has undertaken considerable public awareness activities. A detailed analysis of these is presented in Chapter 5. 	<ul style="list-style-type: none"> - See Chapter 5.

Source: ANAO analysis of DEWR performance information.

3.18 Table 6 indicates mixed performance of IEP elements in relation to commencements, especially the poor performance of the CDEP Placement Incentive. However, of note is the increasingly positive performance of Job Network in commencements, and interim and final outcomes. Job Network is the major means for delivering government employment assistance to Indigenous Australians. Positive increases in the levels of commencement with Job Network and ultimately increases in final (paid) outcomes will affect the performance of the IEP overall.

Achievement of individual employment outcomes

3.19 While the commencement data discussed above indicates the extent to which participants are entering, and remaining in, the various IEP elements, a full assessment of the IEP's performance requires consideration of the extent to which the commencements result in ongoing unsubsidised employment for Indigenous job seekers. The ANAO examined the:

- extent to which IEP participants are still employed after leaving assistance; and
- number of jobs facilitated by the IEP.

Individual outcome rates for key elements

3.20 DEWR's system of post-programme monitoring that surveys job seekers three and six months after they leave DEWR programmes is used as a measure of 'outcome rates'. Until 2002–03 no target had been set for these rates. As presented in Table 2, DEWR's 2002–03 Portfolio Budget Statements established target outcome rates for key programmes as follows:

- for Intensive Assistance—that 45 per cent of job seekers are in employment and or education/training (positive outcomes) three months following participation; and
- for other the elements of the IEP which focus on individual employment (that is, STEP and Wage Assistance)—that 60.5 per cent of job seekers are in employment three months following participation.

3.21 Employment outcomes-based targets, including the target of five per cent growth per year in positive outcomes across all disadvantaged groups and programme commencements, established in the 2002–03 Portfolio Budget Statements are an improvement on the largely commencement-based measures used previously.

3.22 While noting that the employment outcome rate targets established in the 2002–03 Portfolio Budget Statements are new, the ANAO sought to determine how performance in the 2001–02 year compared with the improved outcome measure. Table 7 highlights that Wage Assistance exceeded the target, but STEP and Job Network Intensive Assistance outcomes were substantially below the new target.

Table 7**Post-programme monitoring outcome rates for Intensive Assistance, Wage Assistance and STEP, 2001–02**

IEP element	2002–03 Target % employment outcomes	2002–03 Target % overall positive outcomes	2001–02 Achieved % employment outcomes	2001–02 Achieved % total positive outcomes
Intensive Assistance	–	45	29.0	38.6
Wage Assistance	60.5	–	64.7	68.9
STEP	60.5	–	45.8	51.2

Source: DEWR.

Note: Outcomes exclude returning to CDEP.

Total outcomes may not equal the sum of employment and education outcomes, as participants may have more than one outcome.

3.23 The rate of positive outcomes for Wage Assistance has exceeded the target established by DEWR. However, high positive outcome rates are at least partly due to the requirement that an Indigenous job seeker must have already been offered an ongoing position before a Wage Assistance application is approved.¹⁰

3.24 While the number of contracted STEP places is high, these places often do not translate into actual commencements. The ANAO examined a sample of closed STEP projects in order to establish if STEP proponents met their contracted targets over the life of the contract. The ANAO analysed data on all projects recorded as closed at the time of audit fieldwork. While DEWR contracted for nearly 4000 STEP commencements in these projects, only around 2500, or two-thirds of the potential commencements, were actually filled.¹¹ There was also some level of 'leakage' as participants left projects early. However, limitations in DEWR's recording of the reasons for participants exiting precluded the ANAO quantifying this. The department advised that, although STEP participants may not complete their project, they may still find employment and therefore employment outcomes from STEP may be understated. However, in the absence of quantifiable data, the ANAO was unable to verify this.

Estimate of the number of jobs facilitated by the IEP

3.25 As discussed previously, percentage outcome rates do not indicate the number of employment outcomes. The ANAO found that DEWR does not monitor or report the actual number of Indigenous job seekers that remain in employment after IEP assistance finished. Such monitoring is possible. The

¹⁰ The ANAO note that comparisons between elements is not appropriate as some programmes, such as STEP, may focus on training as well as ongoing employment.

¹¹ Once participants entered the project, completion rates are around 75 per cent.

ANAO used publicly available DEWR data to illustrate this.¹² The results are summarised in Table 8.

Table 8

Estimated employment opportunities (jobs) achieved by the IEP, 1999–2000 to 2001–02

IEP element	1999–2000	2000–01	2001–02
Intensive Assistance	4579	4619	5947
Wage Assistance	493	1372	1282
STEP	1571	1654	2045
Total	6643	7645	9274

Source: ANAO analysis of DEWR data.

Note: Data on the CDEP Placement Incentive, National Indigenous Cadetship Project and Corporate Leaders for Indigenous Employment Project is not collected. Post-programme monitoring outcomes in 1999–2000 include some job seekers who returned to CDEP after leaving assistance. Data for subsequent years excludes these job seekers.

3.26 When compared with the outcome rates DEWR monitors and reports (Table 7), Table 8 highlights several trends:

- although employment outcome rates are low and there are high levels of drop-off between referral and commencement in Job Network Intensive Assistance, Job Network facilitates a large number of jobs due to the high number of Indigenous job seekers entering the system;
- while Wage Assistance has relatively high outcome rates (as the job seeker must be offered ongoing employment), there has been a low take-up of Wage Assistance, resulting in a lower number of final job outcomes; and
- STEP has achieved a significant number of job outcomes, but requires a high number of Indigenous job seekers to achieve these outcomes as many STEP participants are not guaranteed employment.

3.27 As DEWR does not monitor or report the number of jobs created through the IEP, it does not monitor the growth of jobs facilitated by the policy. Monitoring these factors is important in light of the overall objective of the IEP: ‘generating more employment opportunities for Indigenous Australians.’ ANAO analysis of DEWR data indicates an increasing number of employment opportunities are being created through the IEP. The number of employment opportunities in 2001–02 was around 20 per cent greater than for the previous year.

3.28 DEWR’s focus on commencements and percentage outcome rates does not enable the department to readily determine or report on how effectively the IEP is dealing with the demographic trends (the high unemployment of Indigenous job seekers and the rapid growth in the Indigenous labour force)

¹² The estimate is derived by multiplying the number of job seekers who complete the period of assistance by the percentage rate (provided by DEWR’s post-programme monitoring system) still in employment three months later.

the IEP seeks to address. While DEWR research has identified how many jobs are required to maintain Indigenous labour force status (25 000) or achieve parity with non-Indigenous job seekers (77 000) over 2000–06, it does not use these estimates as a basis for gauging the performance of the IEP over time.

Conclusion

3.29 DEWR produces detailed monthly reports on the performance of the IEP for internal management purposes and formally reviews performance with state managers. These reports and reviews focus on commencements. As a result, DEWR's annual report also presents data mainly detailing commencements. The ANAO found that DEWR had provided greater contextual detail in its 2001–02 annual report than in previous years' reports.

3.30 The ANAO found that, overall, the IEP has not achieved the number of commencements estimated when the policy was first developed. While commencement data indicates the extent to which participants are entering various IEP elements, a full assessment of IEP performance requires consideration as to how commencements result in sustained, unsubsidised employment. However, when the ANAO examined how DEWR measures the sustained impact of the IEP, it found that the employment outcome percentage rates reported by DEWR do not provide an indication of the actual number of employment opportunities facilitated by the IEP.

3.31 ANAO analysis of DEWR data indicates that employment opportunities achieved by the IEP, as a whole, are growing steadily. For example, there was a 20 per cent increase from 2000–01 to 2001–02. The ANAO's analysis also indicates that the IEP facilitated approximately 9274 employment opportunities for Indigenous job seekers in 2001–02 through Job Network Intensive Assistance, Wage Assistance and STEP.

4. DEWR's Evaluation and Review of the Indigenous Employment Policy

This chapter examines DEWR's evaluations and reviews of the IEP and its various elements.

Background

4.1 Evaluation and review are important aspects of managing government programmes. Periodic evaluation and review can contribute to improved programme management, more informed decision-making, and greater accountability.

4.2 The ANAO examined DEWR's:

- stage one evaluation of the IEP;
- internal audit of the administration of STEP and
- coordination of reviews.

4.3 In examining DEWR's evaluation and review activity the ANAO sought to determine whether:

- a strategy for the evaluation of the IEP has been developed;
- evaluations address the impact of the IEP;
- evaluations and reviews provide recommendations for improvement;
- appropriate action is taken on findings and recommendations; and
- reviews are effectively coordinated.

Stage one evaluation of the IEP

4.4 In developing the IEP, a requirement for DEWR to produce an evaluation was established.

4.5 In November 2001, DEWR developed an evaluation strategy for the IEP. The strategy noted that the evaluation would focus primarily on the Indigenous Employment Programme components of the IEP, with separate evaluation of the Indigenous Small Business Fund and Job Network. The evaluation of the Indigenous Small Business Fund was proposed to take account of the long lead times required for business development. The Indigenous employment component of Job Network would be evaluated as part of the broader Job Network evaluation work required by government.

4.6 The evaluation strategy noted that the evaluation would be influenced by the rate of programme implementation, the nature of individual elements and the importance of examining sustainable outcomes after assistance. As a result, DEWR would report the findings of the evaluation in two stages:

- stage one—a progress report focusing on implementation of the Indigenous Employment Programme; and
- stage two—an effectiveness report (due in mid-2003) drawing together, as far as possible, findings from the three main components of the IEP.

4.7 In February 2003, the Minister for Employment and Workplace Relations released the *Indigenous Employment Policy Evaluation Stage One: Progress Report* covering the operation of the IEP to June 2001. This report presents an overall assessment of the implementation and early experience of the IEP and provides detail on the policy's interaction with employment services delivered through Job Network. The report presents key data obtained through quantitative and qualitative research.

4.8 The major findings of the IEP evaluation are outlined below:

Key findings of DEWR's IEP stage one evaluation

The evaluation found:

- the early performance of the IEP was promising, but further refinements are needed;
- the growth in the number of job seekers placed in jobs using Wage Assistance in 2000–01 is encouraging, but the rate of growth will need to increase to make a significant difference to the challenge presented by a growing Indigenous population;
- the Community Development Employment Project (CDEP) Placement Incentive has had limited impact in helping Indigenous people move into open employment. The reasons are complex and are related to the long-term participation in CDEP of many participants;
- implementation and transition issues affected progress in the first year, while the second year showed encouraging signs of growth in participation and job outcomes;
- outcomes achieved three months after participation in Wage Assistance or STEP (post-assistance outcomes) compare favourably with those achieved under previous labour market assistance arrangements for Indigenous people, although direct comparison is limited by changes in measurement techniques and programme requirements;
- in 2000–01 the cost per job following assistance was \$3457 for Wage Assistance and \$11 366 for STEP;
- variable levels of awareness of IEP elements by Indigenous job seekers, employers and Job Network;
- take-up of assistance by the private sector has increased; and
- a low level of use of IEP elements by Job Network.

Source: DEWR 2002, *Indigenous Employment Policy Evaluation Stage One: Progress Report*.

4.9 Although the evaluation identified a number of ‘challenges’ to improving outcomes for Indigenous job seekers, it did not make any specific recommendations. The ANAO suggests that, in order to enhance the contribution of evaluations to planning changes to the IEP, future evaluations include specific recommendations.

4.10 The evaluation extensively reviewed the performance of the various IEP elements in terms of outcome rates. However, the evaluation did not calculate the number of actual jobs facilitated, or assess whether this number was sufficient to address the poor employment market that led to the establishment of the IEP. The ANAO analysis presented in paragraph 3.25 illustrates that such a calculation is possible using publicly available DEWR data. Stage two of the IEP evaluation will examine how effectively the IEP improves employment opportunities.

4.11 Presenting such data in the next phase of the evaluation would provide decision-makers and other stakeholders with a clearer view of the overall impacts of the IEP and whether it is meeting its overall objective of generating more employment opportunities for Indigenous Australians.

Recommendation No.4

4.12 The ANAO recommends that, in order to more clearly assess the impact of the IEP, the next stage of the IEP evaluation should report on:

- the extent to which the IEP is generating more employment opportunities for Indigenous job seekers; and
- whether the number of additional employment opportunities is sufficient to improve the employment circumstances of Indigenous Australians.

DEWR response

4.13 Agreed. As identified in the stage one IEP evaluation report, stage two of the IEP evaluation will examine the overall effectiveness of the Policy, and the effectiveness of each of the elements in achieving employment, education and training outcomes in terms of:

- the extent to which outcomes are achieved in the private sector;
- impacts in rural and remote areas;
- the level of reduction in the dependence on public funding, including income support and CDEP; and
- the extra outcomes produced by participating in assistance compared to a group of people who do not receive the assistance, where and if it is possible to identify a suitable control group.

DEWR internal audit of STEP

4.14 STEP is the major Indigenous specific component of the IEP. Recognising that there were significant improvements that could be made to the administration of STEP, the group manager responsible for STEP instigated an internal audit of the programme in 2001.

4.15 The objectives of the audit were to:

- assess the extent to which STEP projects are administered in accordance with the IEP and the department's corporate governance framework, having regard to the STEP guidelines; and
- identify areas where STEP administration could be improved, and make recommendations where appropriate.

4.16 The internal audit made a number of recommendations for improvement to the administration of STEP. The major findings of the internal audit are outlined below.

Key findings of the STEP internal audit

The STEP internal audit found that there was:

- no definition of a STEP outcome in the IEP or STEP guidelines;
- no stated criteria for assessing STEP project proposals;
- a lack of formal contract management training for staff responsible for administering STEP contracts;
- no national strategy for promoting the programme or raising awareness about it among prospective proponents;
- a lack of documentary evidence in STEP administrative files;
- no management information system to allow state and territory staff to adequately track and monitor STEP projects; and
- varied use of brokers and third parties to assist in delivering STEP, with the role of brokers not defined in the STEP guidelines.

Source: DEWR

DEWR action on findings and recommendations of the STEP audit

4.17 As STEP accounts for approximately half of IEP expenditure and places, the ANAO specifically sought to validate the findings of the audit. The ANAO reviewed the audit methodology, sampled a range of files, and examined and reviewed DEWR application, administration and management processes and procedures. The ANAO's findings support those of the internal audit, noting that DEWR has subsequently initiated a major improvement project.

4.18 The ANAO examined DEWR files and working documents to establish what action was taken on the findings of the STEP internal audit. To address the audit recommendations, a detailed action plan for each recommendation, including timeframes was developed. A working group was convened, in line with DEWR corporate governance procedures, to report progress on the implementation of the recommendations to DEWR's Audit Sub-Committee. The ANAO considers that DEWR was quick to respond to the internal audit findings and the nature of the follow-up was appropriate.

Coordination of reviews

4.19 The ANAO identified 15 evaluations and reviews relating to IEP elements that have been produced since 1999. Nine of these relate specifically to the operation of Job Network, including the review of Job Network conducted by the Productivity Commission and three internal evaluations of Job Network. The ANAO acknowledges that a number of the evaluations of Job Network are conducted by external agencies or are set by broader priorities. The ANAO found at the time of audit fieldwork there was no coordination of DEWR evaluations and reviews relating to IEP elements. The ANAO considers that a lack of coordination and control of evaluation and review activities can lead to gaps and inefficiencies.

4.20 The ANAO suggested that, in order to ensure the IEP is reviewed in a coordinated and efficient manner, DEWR develop an overarching review plan for the IEP, consistent with the IEP strategic plan, that identifies:

- how the various elements of the IEP will be reviewed; and
- what aspects (that is, outcomes or administration) will be addressed by reviews.

4.21 Subsequent to the ANAO's fieldwork, DEWR advised the ANAO that a Research and Evaluation Sub-Committee was established in November 2002 to coordinate and oversee research and evaluation activity for Outcome One. As at May 2003, this sub-committee was finalising a Research and Evaluation Plan for 2003–04.

Conclusion

4.22 The Minister of Employment and Workplace Relations released the findings of stage one of the IEP evaluation in February 2003, covering the operation of the IEP to June 2001. The evaluation report provided details of the performance of various IEP elements in terms of employment outcome rates. The report notes an increased participation of private sector companies in the

IEP compared to previous Indigenous programmes. However, the report did not calculate the actual number of jobs facilitated by the IEP, or assess whether this number is sufficient to address employment market conditions that led to the establishment of the policy. Such data would provide a clearer view of the overall impacts of the IEP. The effectiveness of the IEP in improving employment prospects for Indigenous job seekers will be the focus of stage two of the IEP evaluation, which is due for completion in mid-2003.

4.23 DEWR conducted an internal audit of STEP projects in 2001. The internal audit made a number of recommendations to enhance the operation of the STEP programme. Under its corporate governance procedures DEWR established a working group to monitor the implementation of the internal audit recommendations and report progress to the department's Audit Sub-Committee. The ANAO concluded that DEWR management had been responsive to internal audit recommendations.

4.24 The IEP and elements of the policy (especially Job Network) have been subject to evaluations and reviews. The ANAO found, at the time of its audit fieldwork, that there was no overall coordination of DEWR reviews of the IEP, nor of individual IEP elements. DEWR advised the ANAO that the department's research and evaluation activity is now guided by a Research and Evaluation Sub-Committee to ensure appropriate coordination of such activity.

5. Marketing and Public Awareness of the IEP

This chapter examines DEWR's marketing and education strategies for the IEP and its implementation of a public awareness campaign.

Background

5.1 Effective marketing of the IEP to Indigenous job seekers, potential project proponents and other stakeholders, such as Job Network members, is necessary to ensure the IEP achieves its goals in a cost-effective manner and maximises the overall uptake of IEP programmes. Employers particularly need to be aware of the IEP and what assistance is available, especially those who have not previously employed Indigenous job seekers.

5.2 Marketing includes researching client attitudes, identifying potential markets, and effectively placing products through promotion and positive media coverage. Potential users of programmes need to be aware of their existence (promotion) and understand how the programmes can help them meet their own goals (education).

5.3 The ANAO examined DEWR's marketing and public awareness activities in relation to the IEP, including:

- the development of a specific public awareness project;
- the extent of DEWR's marketing and education activities; and
- the impact of DEWR's marketing and education.

Public awareness project

5.4 An important IEP element is a public awareness project, with funding of \$0.5 million set aside for this project in 1999–2000 and \$0.1 million each year thereafter. The project has four main components:

- working with Area Consultative Committees to support attitudinal change in the private sector and within Indigenous communities;
- producing information products about the IEP directed at employers and job seekers;
- working with the Australian Chamber of Commerce and Industry and with local Chambers of Commerce to support attitudinal change in the private sector and within Indigenous communities; and

- producing motivational materials directed towards young people, showcasing Indigenous people as successful role models.

5.5 The ANAO sought to determine how DEWR had addressed the four main components of the public awareness project.

Working with Area Consultative Committees

5.6 Area Consultative Committees, administered by the Department of Transport and Regional Services,¹³ act as a communication channel between government, business and the community. The ANAO found that DEWR had devoted substantial effort to working with Area Consultative Committees. Initiatives have included:

- using the consultative committees to publicise the IEP;
- presenting awards to five consultative committees for work in promoting Indigenous employment; and
- funding positions in a large number of consultative committees to promote the IEP, generate employment outcomes and, in some cases, develop local promotional products. In 2002–03, DEWR funded Area Consultative Committees (\$1.57 million) for this activity.

5.7 More broadly, the charter for Area Consultative Committees was amended in 2000 so that, for example, the committees were specifically charged with fostering Indigenous employment during 2001–02.

Producing information about the IEP

5.8 The ANAO sought to determine what information products and initiatives DEWR had produced and conducted for the IEP. The ANAO found that DEWR had undertaken a sustained effort to market the IEP and educate relevant stakeholders since the establishment of the IEP. Initiatives include:

- launching the IEP in 1999, including developing logos and branding, and a promotional video;
- developing a general IEP website, and programme-specific websites (such as for the National Indigenous Cadetship Project);
- sponsoring the CrocFest events (DEWR has committed \$0.75 million for three years sponsoring the festivals until 2004–05);
- placing television advertisements in the Northern Territory;

¹³ The administration of Area Consultative Committees was the responsibility of the Department of Employment Workplace Relations and Small Business until machinery of government changes in October 2001.

- attending job fairs in Melbourne and Sydney;
- advertising in publications such as the *Koori Mail* and other Indigenous publications;
- establishing the Corporate Leaders for Indigenous Employment Project Awards and associated video; and
- regularly promoting Indigenous employment issues and the IEP in the monthly *Job Network Bulletin*, including through a special issue in February 2001 and special supplements in February 2002 and 2003.

5.9 In addition to these specific activities, ongoing marketing occurs through promotional activities by DEWR national, state and territory staff.

Working with the Australian Chamber of Commerce and Industry

5.10 A third element of activity was contracting the Australian Chamber of Commerce and Industry, through a Structured Training and Employment Project (STEP), to develop marketing strategies and to promote Indigenous employment for the IEP to private sector employers and achieve 2000 employment placements. DEWR allocated \$2.482 million over three years for the project. The project, which commenced in June 2000, was due for completion in May 2003.

5.11 In March 2002, DEWR conducted an internal audit of its administration of the project (in the context of the broader internal audit of national STEP projects detailed in Chapter 4). The internal audit found that DEWR management of the project was mainly confined to processing payments, and receipt of progress reports and acquittals. The internal audit found there was no documentary evidence to indicate whether DEWR had monitored delivery of the marketing strategy component of the contract to determine whether the services claimed had been delivered and were in accordance with specific marketing activities agreed to in the contract. As a result, the delivery of contracted employment places had been slow.

5.12 DEWR management was quick to respond to the findings of the internal audit and worked with the Australian Chamber of Commerce and Industry to establish improved reporting and monitoring practices. In addition, DEWR funded an independent evaluation of the Australian Chamber of Commerce and Industry project. The Department is currently working with the Australian Chamber of Commerce and Industry to develop an enabling project that builds on the strength of the Chamber's peak body status to raise awareness of the IEP with industry and employer organisations. DEWR state offices and local Chambers of Commerce and Industry will be able to enter into local

arrangements to develop business opportunities with local employers. These approaches reflect the key findings of the evaluation.

Motivational materials

5.13 The final element of the public awareness project established in the IEP focused on production of motivational materials directed towards young people. The ANAO was unable to find evidence of the development of specific motivational material for the IEP. DEWR acknowledges that there has not been a significant amount of material developed. However, the department considers that some activities go some way to addressing the intent of this aspect of the public awareness project, including:

- the Corporate Leaders for Indigenous Employment Project Awards, and associated booklet and video which profiles employees, managers and companies;
- Corporate Leaders for Indigenous Employment Project newsletter; and
- a video developed for the launch of the IEP.

Effectiveness of marketing and education activities

5.14 The IEP is a complex initiative that relies on a range of stakeholders (such as Job Network members and STEP proponents) to be effective. In addition to the public awareness project, other marketing and education activities are required to seek to ensure stakeholders contribute effectively. Stakeholders need to be aware of the IEP's existence and fully understand how the various IEP elements work.

5.15 The ANAO examined the effectiveness of DEWR's marketing and education activities, in regard to the IEP, to determine whether they:

- were guided by an overall marketing strategy; and
- enhanced awareness and understanding of the IEP.

Marketing strategy

5.16 An effective marketing strategy enables organisations to maximise uptake of services within available resources. A marketing strategy needs to:

- align with, and support, overall policy objectives; and
- provide guidance on which audiences to target, and how to prioritise and implement marketing objectives.

5.17 The ANAO found that the IEP had no explicit marketing strategy. In August 1999, DEWR developed a draft communication strategy for the IEP. The strategy outlined an overall communication strategy for the policy, setting out a proposed communication objective, the target audience, key messages and communication activities. This strategy was not finalised. In September 2000, DEWR developed a discussion paper on marketing the IEP, which suggested that a more holistic approach than that being followed was required. However, no further plans or strategies were developed.

5.18 During 1999 and 2000 DEWR's national, state and territory offices individually developed various marketing materials for the individual IEP elements. In some cases individual offices developed their own marketing kits for IEP elements and, in the case of the Northern Territory, their own marketing strategy. However, in the absence of an overall national marketing plan or strategy, the materials varied in style and content. In 2001, DEWR identified that these materials were not well integrated across the IEP and, in some cases, were inconsistent with each other. DEWR advised the ANAO that it is currently developing an IEP marketing strategy.

5.19 DEWR's national office started to develop a new set of materials in 2001 and engaged a consultant to develop a new marketing concept for the IEP. A proposed marketing concept was accepted at a departmental seminar in March 2001. DEWR planned to have all materials produced and distributed by the end of June 2001. In fact, the revised materials were not distributed to state and territory offices until June 2002.

Awareness and understanding of the IEP

5.20 The most reliable information on the impact of marketing activities is regular market research monitoring the awareness and understanding of key stakeholders.

5.21 DEWR has not conducted research to specifically assess the impact its marketing has had on Indigenous job seekers or key stakeholders, such as employers. DEWR does conduct quantitative research to monitor job seekers satisfaction with employment services. DEWR recognised that, due to the nature of this research, response rates from Indigenous job seekers were low. DEWR has sought to gain the views of Indigenous job seekers through qualitative research including face-to-face interviews. Complimenting this, DEWR conducted a series of community case studies in 2001–02 to identify the roles of different stakeholders and investigate service delivery networks in selected communities.

5.22 The findings of this research are discussed in DEWR's stage one evaluation of the IEP. The evaluation made a number of observations regarding stakeholder awareness and understanding of IEP elements. The evaluation noted a low level of understanding of the IEP and indicated that many employers are unaware of IEP elements, such as Wage Assistance.¹⁴

5.23 Consistent with this, ANAO discussions with some stakeholders identified a low level of awareness of the IEP, for example:

- some Community Development Employment Project (CDEP) organisations were unaware or have poor knowledge of the CDEP Placement Incentive, leading to missed opportunities to claim the subsidy;
- marketing of the National Indigenous Cadetship Project is concentrated in July and August each year, notwithstanding that matching occurs throughout the year; and
- most employers participating in the National Indigenous Cadetship Project interviewed by the ANAO said they found out about it indirectly from other employers.

5.24 As well as being aware of the existence of the IEP, stakeholders need to have a comprehensive understanding of the IEP element they are directly participating in, and its relationship to other IEP elements.

5.25 Although stakeholders are aware of the existence of some IEP elements, there is a lack of appropriate understanding of how some elements the IEP operates, most notably STEP. For example:

- some Job Network members advised the ANAO they were unaware they could claim outcome payments for clients entering STEP projects, and said that this led to less than desirable cooperation between STEP proponents and Job Network members. This was confirmed by STEP proponents, who advised the ANAO they had difficulty in gaining Job Network support in some instances. DEWR's stage one evaluation of the IEP also identified issues regarding Job Network's performance in promoting elements of the IEP;¹⁵
- some STEP proponents assumed that DEWR has a list of Indigenous job seekers from which they can recruit, when in fact this is not the case;
- the ANAO found several instances where STEP proponents had little understanding of how Job Network operates, leading to difficulties recruiting participants into projects; and

¹⁴ DEWR May 2002, *Indigenous Employment Policy Evaluation Stage One: Progress Report*, p. 52.

¹⁵ *ibid.*

- according to DEWR surveys and evaluations there is mixed understanding about the role of the Wage Assistance card. Awareness by Indigenous job seekers is rising with 67 per cent surveyed in 2001 (up from 60 per cent in 2000) stating they had enough information to know how and when to use the card. DEWR's stage one evaluation of the IEP noted most employers were unaware of the availability of Wage Assistance. Furthermore, the evaluation noted that while most Job Network personnel were aware of Wage Assistance, there were some who only found out about it as a result of DEWR's research.

5.26 More broadly, Job Network members and other stakeholders interviewed by the ANAO considered there had been insufficient publicity and education about the IEP generally, and that take-up of IEP elements could be considerably enhanced through better marketing. In particular, there was no educational material that set out the role of the IEP and its elements from a proponent's perspective. All stakeholders agreed that gaining employer awareness, and deeper understanding and support for the goals of the IEP, was essential to the policy's success.

5.27 In 2002, DEWR also commenced a study into the information needs of Job Network members. The qualitative research highlighted that there was scope for better education of stakeholders, such as project proponents. In response to such concerns, in 2002 DEWR commenced a study into the information needs of Job Network members and how the department can better communicate with Job Network. The preliminary findings of this research indicate that:

- many Job Network members consider that DEWR communication was too detailed;
- the *Job Network Bulletin* was well known and there is support for both hard copy and electronic versions to suit different needs; and
- communication between Job Network members appeared to be infrequent. However, many Job Network members called for a greater sharing of ideas and best practice case studies on Indigenous employment issues.

Conclusion

5.28 The ANAO found that DEWR had made considerable effort to market the IEP and had addressed the public awareness project established in the IEP. Furthermore, DEWR had undertaken other marketing initiatives, outside of the public awareness project, to promote the IEP. The effectiveness of this effort could be enhanced by the development of an explicit IEP marketing strategy that guides marketing activity to ensure adequate coordination and consistency.

State and territory offices have individually developed marketing material for IEP elements. While this activity focuses on local needs, there is a risk that a lack of national coordination would lead to inconsistency in marketing approach.

5.29 DEWR has not conducted regular research to specifically assess the impact its IEP marketing has had on Indigenous job seekers or key stakeholders, such as employers. However, DEWR did conduct surveys of Indigenous job seekers in 2000 and 2001 as part of its monitoring of job seeker satisfaction with employment services. DEWR's stage one evaluation of the IEP made a number of observations concerning the low level of understanding of the IEP and indicated that many employers are unaware of the various IEP elements.

Recommendation No.5

5.30 In order to increase awareness and maximise take-up of the IEP by project proponents, the ANAO recommends that DEWR develop and implement a strategy for the IEP that will formally guide its marketing and awareness activities.

DEWR response

5.31 Agreed. The Department has implemented all aspects of the public awareness project established under the Policy. As acknowledged by the ANAO, the Department has engaged in significant additional marketing activity. The Department is continuing its strategic involvement with the Australian Chamber of Commerce and Industry and Area Consultative Committees to promote Indigenous employment and IEP programme elements. The Department has commenced development of an IEP marketing strategy, tightly targeted to key industry and segment opportunities, which will provide the focus for future activity.

6. DEWR's Enhancement of the IEP

This chapter examines DEWR's activities to strengthen the IEP and new initiatives to address performance issues.

Background

6.1 The IEP operates in a dynamic and complex environment. Implementing and managing a policy with nine elements in such an environment requires responsiveness to performance issues highlighted by performance monitoring and evaluation. Furthermore, maximising employment outcomes from contracts established with proponents and developing opportunities that may arise to further enhance programme delivery is important to the on-going growth of the IEP.

6.2 In examining DEWR's effectiveness in enhancing the IEP the ANAO sought to determine whether:

- improvements and enhancements to programmes are identified and actioned;
- new initiatives are developed to address persistent performance issues;
- action is taken to maximise the number of placements from contracted proponents; and
- better practice is captured and disseminated to proponents to enhance the effectiveness of the IEP.

Improvements and enhancements to programmes

6.3 In examining DEWR's improvements and enhancements to IEP elements the ANAO identified two major initiatives:

- changes to Job Network; and
- the development of a mining industry framework under STEP.

Changes to Job Network under the IEP

6.4 One of the objectives of the IEP is to 'improve outcomes for Indigenous job seekers through Job Network'. Job Network, established in 1998, is the main provider of government employment services. DEWR research indicates that Job Network's early performance in providing services to Indigenous job seekers was poor.¹⁶ The research found that Indigenous job seekers had a low rate of

¹⁶ DEWR 2000, *Job Network Evaluation: Stage One*, p. 125.

registrations and referrals to Job Network, and that a significant proportion of Indigenous job seekers referred to Job Network did not commence assistance.

6.5 In response to these issues, and as part of the implementation of the IEP, DEWR made major changes to Job Network for the second contract in February 2000 (which will operate until June 2003).

6.6 DEWR intends to make more changes to Job Network as part of the next contract to improve outcomes for Indigenous job seekers. In May 2002, DEWR announced proposed changes to Job Network services for the third contract due to start on 1 July 2003. The changes are intended to strengthen Job Network's performance in regard to disadvantaged job seekers, including Indigenous job seekers.

6.7 The ANAO examined key material produced by DEWR regarding the third employment services contract. It also noted that DEWR performed extensive information seminars and consultation processes with current and prospective members during 2002, and used the feedback to further enhance the model for the third contract.

6.8 Several aspects of the third Job Network contract are aimed at further assisting Indigenous job seekers, including:

- higher outcome fees paid to Job Network members for the successful placement of highly disadvantaged job seekers, which will include a large proportion of Indigenous job seekers;
- higher service fees paid to Job Network members for interviewing highly disadvantaged job seekers, including Indigenous job seekers; and
- a 'job seeker account', including supplements for highly disadvantaged job seekers and those affected by locational disadvantage, which can be used only to purchase services for job seekers and cannot be retained as profit by Job Network members. It is therefore likely to increase the expenditure by providers on, for example, training Indigenous job seekers.

6.9 Overall, the ANAO noted that these changes are designed to address the issues identified both in the wider evaluations of Job Network and the specific IEP evaluation. However, as these changes were still being finalised during the ANAO's fieldwork, their effectiveness was not examined as part of the audit.

The mining industry framework

6.10 In 2001, DEWR developed a mining industry framework in recognition of the important role the mining industry plays in providing employment in rural and remote areas. This framework seeks to generate additional Structured

Training and Employment Projects (STEP) with established mining industry companies that participate in the Corporate Leaders for Indigenous Employment Project. In essence, the framework provides for more generous funding arrangements for STEP-like projects. This is justified by DEWR on the grounds of generally high initial start-up costs for mining companies in remote locations. While DEWR has established maximum unit costs per participant, it determines the level of funding on a case-by-case basis.

6.11 The ANAO examined DEWR documentation detailing the development and implementation of the framework, sampled a number of individual project files, and spoke to some participating companies.

6.12 In examining DEWR project files and in discussions with stakeholders, the ANAO found that, contrary to departmental policy, DEWR contracting practices could enable more than one proponent to claim for a single placement. For example, one proponent was funded to provide preparatory training and placement services. When it made placements with a company that also had a STEP project, both the initial proponent and the company employing the participant were able to claim outcome payments. DEWR had also identified this issue and, at the time of the audit, was seeking to strengthen its contracting practices to avoid such multiple claims.

6.13 The ANAO sought to establish how successful the framework has been in generating employment for Indigenous job seekers. DEWR reports that at April 2003 it had finalised negotiations with 14 companies under the mining industry framework. Mining industry framework companies have contracted 2137 commencements, with 1063 actual commencements (a commencement rate of 52 per cent).

6.14 DEWR advised the ANAO that it is seeking to increase commencement rates through increased communication and follow-up of contracted companies, as well as approaches to presently uncontracted companies. State and territory offices report progress and performance on a monthly basis to national office. DEWR also noted that the terms of reference for an evaluation of the mining industry framework are being finalised. The evaluation will focus on assessing progress and outcomes, and will seek to make recommendations for future direction.

6.15 Notwithstanding the need to improve commencement rates, the ANAO considers the mining industry framework to be a practical measure to grow IEP business in an important industry and in rural and remote locations.

New initiatives to address performance issues

6.16 The ANAO identified two major initiatives DEWR had developed to address performance issues related to IEP elements, namely:

- initiatives to encourage Community Development Employment Project (CDEP) participants to move off CDEP wages and into open employment; and
- seeking to increase Wage Assistance placements through Job Network.

Encouraging CDEP participants into open employment

6.17 In light of the poor take-up the CDEP Placement Incentive (only producing 274 employment outcomes in 2001–02), DEWR investigated new models for encouraging CDEP participants to enter the open labour market. These new models, discussed below, are not formally part of the IEP, as they are initiatives developed after the policy was established in 1999. Nonetheless, these DEWR-managed initiatives seek to move CDEP participants into open employment, which is an objective of the IEP. As such, the initiatives were examined as part of this audit.

CDEP work preparation trial

6.18 In 2000, DEWR developed a work preparation model and ran a trial during 2001–02 with eight metropolitan and regional CDEPs. The trial sought to encourage CDEPs to help participants move to paid employment, including utilising Job Network members. Each of the participating CDEPs was contracted to place between 20 and 50 participants into employment for at least six months, receiving up to \$6600 per trial participant depending on the outcome.

6.19 Eight CDEP's accepted work preparation trial contracts in early 2001. The contracts established an overall target of 255 placements off CDEP and into open employment.

6.20 In August 2002, DEWR evaluated the work preparation trial and found:

- 241 participants were placed in employment (achieving 95 per cent of the contracted target);
- 210 participants achieved the 26-week milestone;
- the trial was successful in its key objective of placing and maintaining participants in open employment and off the CDEP schedule in both metropolitan and regional locations;
- a high proportion of placements were made in the private sector;

- increased motivation and enthusiasm of participants and CDEP staff was reported, creating a positive profile for the CDEP in the community; and
- a lack of effective Job Network contact or liaison, and a reported limited responsiveness from many Job Network members.

Indigenous Employment Centres

6.21 In the 2001 Budget, as part of the Australians Working Together policy, the Government announced the establishment of Indigenous Employment Centres. It proposed that Indigenous Employment Centres would assist up to 10 000 participants over four years, including 1000 in 2001–02.

6.22 Indigenous Employment Centres provide services that complement those of Job Network members. Indigenous Employment Centres and Job Network members are to work in close partnership and draw on their respective expertise and resources to provide a comprehensive package of assistance to centre participants. Participants can access Job Network services concurrently with their Indigenous Employment Centre assistance or at the end of their 12-month participation in the centre. Both the Indigenous Employment Centre and Job Network members are eligible for outcome payments if a participant is placed in employment.

6.23 The first five Indigenous Employment Centres began operating in April 2002, with another five in July and August 2002, and two in October 2002. The contracts for these Indigenous Employment Centres run until 30 June 2003. This will enable DEWR to amend the operating framework and contracts if required, and reflect any changes in the third Job Network contract, which will commence on 1 July 2003.

6.24 As at February 2003, DEWR had contracted 12 Indigenous Employment Centres to assist 840 participants at any one time. DEWR reported to the ANAO that the Indigenous Employment Centres had provided services to 914 participants with 123 participants having been placed into a job as 28 February 2003.

6.25 The ANAO considered the design of the Indigenous Employment Centres to be a suitable response to the low movement of CDEP participants into open employment.

Increasing Wage Assistance placements through Job Network

6.26 Job Network members have an important role in explaining Wage Assistance to both job seekers and employers, promoting its use, and advocating on behalf of job seekers. However, DEWR's IEP evaluation notes that the level

of Job Network utilisation of Wage Assistance to assist Indigenous job seekers access job opportunities is low.¹⁷

6.27 In 2002 DEWR sought to increase Job Network's use of Wage Assistance by contracting 53 Job Network members throughout Australia to place Indigenous job seekers using Wage Assistance. DEWR data indicates that, in 2001–02, around 36 per cent of Wage Assistance placements were coordinated through a Job Network member.¹⁸

6.28 For each approved Wage Assistance placement, the Job Network member was paid up to \$1000, in addition to their standard outcome fee. Most contracts were made between March and July 2002.

6.29 The ANAO sought to establish how successful this initiative was by analysing data on DEWR's Wage Assistance Application Management System and comparing the results of placements made by individual contracted Job Network members from September 2001 to September 2002.

6.30 The ANAO found a high correlation between the establishment of the Wage Assistance contract with Job Network members and a national increase in Job Network coordinated Wage Assistance applications. However, analysis of Job Network coordinated applications that were not approved shows a significant rise in rejected applications during the course of the contract.

6.31 While it is likely the contract assisted in increasing Job Network coordinated applications, the ANAO also notes that DEWR increased the profile of Wage Assistance with all Job Network members through specific articles in the *Job Network Bulletin* during this period.

6.32 At the time of the audit, DEWR had not fully evaluated the effectiveness of the trial. Nonetheless, DEWR data indicated that the performance of contracted Job Network members had been mixed. DEWR advised the ANAO that, while the initiative was not to be continued, it would continue to actively promote Wage Assistance to Job Network members.

Maximising the number of placements

6.33 Maximising the number of placements available to Indigenous job seekers can enhance employment outcomes. Two IEP elements, Corporate Leaders for Indigenous Employment Project and STEP are based on proponents, such as employers, committing to place a certain number of Indigenous job seekers. The ANAO sought to determine how DEWR seeks to ensure these commitments

¹⁷ DEWR 2002, *Indigenous Employment Policy Evaluation Stage One: Progress Report*, pp. 37, 71–72.

¹⁸ DEWR was unable to provide data on the first two years of operation of Wage Assistance due to the incompleteness of data held on its information systems.

are fulfilled to maximise outcomes. The ANAO examined DEWR's initiatives to:

- maximise Corporate Leaders for Indigenous Employment Project commitments; and
- improve the effectiveness and outcomes of STEP.

Maximising the commitments of Corporate Leaders for Indigenous Employment Project companies

6.34 The aim of the Corporate Leaders for Indigenous Employment Project is to generate jobs in the private sector for Indigenous people by encouraging major companies to develop and implement strategies to increase their employment of Indigenous people. The intention was that engaging large employers to support the goals of the IEP would have a marked impact on employment prospects for Indigenous job seekers. DEWR also intended that strategies generated through the employment project would become models of better practice for other companies.

6.35 The Corporate Leaders for Indigenous Employment Project comprises three elements: the corporate leaders statement, the memorandum of understanding, and project agreement.

The three elements of the Corporate Leaders for Indigenous Employment Project

At the first stage, companies are invited to sign the corporate leaders statement. This document is a broad statement of commitment by the company to provide equal employment opportunities for Indigenous Australians.

Once a company has signed the statement, DEWR starts negotiating a memorandum of understanding with the company. This sets out undertakings by DEWR, such as to provide funding and other assistance to the company in developing an Indigenous employment strategy. It also sets out a commitment by the company to increase the number of Indigenous people it employs, and develop a strategy to do this.

Companies that have signed a statement or memorandum of understanding may seek funding from DEWR for a project (along the lines of projects funded by STEP) to employ a certain number of Indigenous job seekers. Companies can be funded for projects either through STEP or through the corporate leaders project. Funding is based on the number of outcomes achieved.

Source: DEWR.

6.36 By January 2003, 64 companies had signed a statement or a memorandum of understanding, or were participating in a project. However, although there has been steady growth in the number of companies participating in the corporate leaders project, only around two-thirds of the companies that have signed a public statement have established funded projects.

6.37 Reflecting this, the Corporate Leaders for Indigenous Employment Project has facilitated fewer commencements than expected. DEWR originally estimated that, when mature, the project would place 1000 Indigenous job seekers each year. DEWR reports indicate that a total of 799 Indigenous job seekers commenced work with companies under the project in 2001–02.

6.38 For the Corporate Leaders for Indigenous Employment Project to demonstrate its effectiveness, companies must follow up their commitments with action to recruit and retain Indigenous job seekers. DEWR then needs to document this action. However, DEWR does not have any systematic process for capturing this information. As a result, there is no clear evidence to show how, and to what extent, companies have increased their number of Indigenous employees outside of funded placements.

6.39 An additional concern is whether companies who have signed up to the Corporate Leaders for Indigenous Employment Project implement their commitment. File reviews by the ANAO identified that in most cases companies made efforts to recruit Indigenous job seekers, but with varying success. At the time of the ANAO's fieldwork, DEWR had no formal mechanism to review a company's performance, and whether the company should continue to participate in the project.

6.40 The lack of a review mechanism may have encouraged some companies to participate in the Corporate Leaders for Indigenous Employment Project without fully considering the implications of such commitments, and lead to a reduction in the credibility of the statement as a sign of good corporate citizenship.

6.41 In November 2002, DEWR management began to review the status of current Corporate Leaders for Indigenous Employment Projects and establish which companies had not progressed to signing contracts. The performance of the Corporate Leaders for Indigenous Employment Project is now examined at the national monthly IEP performance review meetings. Furthermore, DEWR has made changes in its management structure (noted in Chapter one) such as the establishment of business development officers and contract managers, and the placement of a senior officer in New South Wales to directly promote the project.

6.42 The ANAO considers these processes are necessary to maximise the credibility and effectiveness of the Corporate Leaders for Indigenous Employment Project.

Improving the effectiveness and outcomes of STEP

Communication with proponents

6.43 Indigenous employment projects often face challenges in achieving the expected number of placements. STEP relies on contracted project proponents to deliver programme outcomes. DEWR support for these proponents is important as, in many cases, they may not have operated a STEP project before, and require assistance in planning and managing the project to ensure the desired outcomes are achieved.

6.44 As noted in Chapter 3, only around two-thirds of contracted placements are actually filled, and a similar ratio of filled placements completed. The ANAO found there were several factors leading to the lower than expected level of commencements and outcomes.

6.45 One issue identified by the ANAO was a variable understanding of STEP, its objectives and operation. As discussed previously, there is often poor understanding of STEP, and the operation of government labour market programmes in general. While proponents are generally positive about STEP and DEWR's administration of STEP projects (after contract signing), they did identify a range of concerns about the development of projects, including:

- the comprehensiveness of the application forms;
- gathering of information such as financial data to process applications;
- uncertainty about how and when their application would be handled; and
- lack of understanding of contractual requirements and how unit cost payments would be set.

6.46 Another factor was that, in a number of instances, project proponents had not fully considered how to recruit participants. An ANAO review of a sample of STEP project files and interviews with proponents confirmed that some proponents did not understand how to access Indigenous job seekers, or the role Job Network can play in supplying job seekers. In some cases the STEP proponent did not know who the local Job Network provider was. The ANAO also found that some Job Network members were not aware of funded STEP projects in their area, nor that they could claim outcome payments for placing clients in STEP projects. As a result, the ANAO frequently found that proponents

had positions available for Indigenous job seekers, but were unable to source sufficient participants.

6.47 In regard to retention, employment arrangements or support were sometimes inappropriate or inadequate, reflecting proponents' lack of experience in employing Indigenous staff. In particular, the ANAO found that structured mentoring processes for Indigenous staff were important for retaining staff. However, proponents often had difficulty finding suitable mentors. Proponents also expressed a desire for more general advice on the impact of cultural factors on employment practices.

6.48 DEWR has undertaken a number of initiatives to improve the impact of STEP projects. These are discussed below.

6.49 In September 2002, DEWR started piloting a suite of consistent national documents to help in the effective management of the IEP. These documents included:

- a guide to proponents on the STEP guidelines—for anyone who requests information on STEP and what they need to do to apply for STEP funding;
- a standard application for STEP funding form—to be used by all applicants for STEP funding; and
- a request for financial information form.

6.50 DEWR's restructure of state and territory, and some regional offices, should also improve the effectiveness of STEP. Most notably, business development officers who are to focus on identifying opportunities and working with proponents to establish projects, along with contract managers who focus on project performance and monitoring

6.51 These initiatives will go some way to improving the success, and number, of STEP projects. However, the ANAO found that information in the guide for proponents is largely a re-statement of the STEP guidelines, and offers little advice about how to establish a successful project, and in particular how to efficiently recruit participants.

6.52 Overall, the effectiveness and growth of STEP depends on increasing the successful number of individual STEP projects. Insufficient understanding of STEP, its relationship to other IEP and DEWR services, and inadequate consideration of recruitment strategies and of the particular needs of Indigenous job seekers reduce the likelihood of success for projects. DEWR can play a valuable facilitating role to educate providers and facilitate access to other providers and sources of advice. Such education activities would be best delivered in the context of the broader marketing and awareness strategy recommended in Chapter 5.

Recommendation No.6

6.53 The ANAO recommends that, to improve the take-up and effectiveness of Structured Training and Employment Projects (STEP), DEWR:

- develop information material about STEP for potential proponents;
- ensure that STEP project proposals have robust recruitment strategies to source Indigenous job seekers and, where appropriate, facilitate communication between Job Network members, STEP proponents and Community Development Employment Projects (CDEPs) in a local area; and
- strategically promotes the use of STEP and local STEP projects (including Corporate Leaders for Indigenous Employment Project) to Job Network members.

DEWR response

6.54 Agreed with qualification. Under the industries strategies approach the focus will be on the development of solutions targeted to industry and employers' needs, which will provide significant Indigenous employment opportunities. The Department will be using its full range of programmes, including STEP, to meet those needs. The Department is finalising a business development model to support this approach.

6.55 The Department has already taken action to ensure providers have articulated recruitment strategies and that facilitating communication between STEP providers, CDEPs and Job Network members is standard operating procedure by business development officers and contract managers. Particular STEP marketing and information exchange will continue through Job Network Bulletins.

Project monitoring in STEP

6.56 Sound project monitoring is an important part of programme management. It identifies difficulties faced by project proponents, and enables prompt corrective action where appropriate. This is particularly important for programmes such as STEP, where DEWR relies on the contracted party to deliver outcomes. The ANAO considers that effective monitoring can help direct DEWR's attention to projects that may need additional assistance to meet their targets.

6.57 The ANAO examined DEWR guidelines for administering STEP projects and found they do not directly address contract monitoring, except to suggest using project steering committees to guide projects. An ANAO examination of

STEP project files highlighted that, in practice, such committees are used infrequently, and some state and territory offices have dispensed with them entirely.

6.58 The ANAO verified the findings of DEWR's internal audit, that project monitoring is not optimal, and varies between the different states and territories. In particular, ANAO analysis of project files and observation of DEWR monitoring visits indicate that some project proponents may have overestimated the number of participants that could be recruited and placed, and, therefore, the contracted number of places is unachievable. The ANAO considers that DEWR needs to monitor the issue of optimistic contracted places and to be aware of when placements may not be achieved, so that it can adjust programme and financial projections. DEWR advised the ANAO during the course of the audit that business development officers will focus on establishing realistic project targets, with achievement of contract targets being a monitoring focus of contract managers.

6.59 An important aspect of project monitoring is to ensure that outcomes reported by projects are actually being achieved. The ANAO found that DEWR also has plans to verify that required training has actually been delivered by introducing a system of 'participant monitoring', currently performed by one state office.

6.60 The ANAO suggests that DEWR, as part of regular project monitoring, examine proponents' strategies and performance to ensure contracted places are filled.

Dissemination of better practice

6.61 Identification and dissemination of better practice can lead to two main improvements:

- providing a toolkit to potential providers, reducing concerns about their ability to engage in the IEP, and thus increase the number of projects; and
- illustrating to all providers how their current project or service can be improved, contributing to better outcomes.

6.62 The ANAO sought to determine if DEWR had adopted a formalised approach to better practice.

6.63 The ANAO found that DEWR had distributed better practice in the IEP, including:

- DEWR project officers providing advice to potential proponents in developing proposals;

- being involved with the Indigenous Employment Special Interest Group of the National Employment Services Association;
- highlighting key factors for higher performing Job Network member sites in the delivery of Intensive Assistance to Indigenous job seekers in the *Job Network Bulletin* (February 2003);
- convening a conference of companies involved in the Corporate Leaders for Indigenous Employment Project to discuss and exchange, among other things, ideas on better practice; and
- developing an internet-based Indigenous toolbox for Job Network members.

6.64 Notwithstanding these initiatives, the ANAO found that Job Network members, STEP proponents, and providers under the corporate leaders project frequently expressed an interest in more regular and structured dissemination of better practice in dealing with Indigenous job seekers. This would address issues such as:

- dealing with literacy and numeracy;
- the impact of family and community cultural values;
- the role of mentoring; and
- more effective ways of structuring employment.

Recommendation No.7

6.65 To improve the take-up and effectiveness of the IEP, the ANAO recommends that DEWR develop a strategy to disseminate better practice on recruiting and retaining Indigenous job seekers for organisations wishing to utilise IEP programmes.

DEWR response

6.66 Agreed. The Department will develop such material building on work undertaken through an IEP facilitation project. This material will be distributed to current and potential users of the IEP by the Department's business development officers and contract managers.

Conclusion

6.67 DEWR has made a number of enhancements to the IEP since its introduction in 1999. These include changes to Job Network, under the second and third employment services contract, that had an impact on service delivery

to Indigenous job seekers. Furthermore, the department has developed a mining industry framework, which seeks to improve employment opportunities in rural and remote locations. DEWR has sought to address persistent performance issues, such as moving CDEP participants into non-subsidised employment through the establishment of Indigenous Employment Centres and Job Network members' limited use of Wage Assistance. These initiatives are indicative of DEWR's responsiveness to emerging Indigenous employment issues.

6.68 DEWR has implemented a strategy to increase the number of companies participating in the Corporate Leaders for Indigenous Employment Project and to follow-up on existing participating companies to ensure that they fulfil their commitment to provide actual positions for Indigenous job seekers. The ANAO found that the take-up and effectiveness of STEP could be enhanced through proponents having robust recruitment strategies with DEWR performing regular monitoring of these strategies and performance through its network of contract managers.

6.69 DEWR does not have a strategy in place to disseminate better practice on recruiting and retaining Indigenous job seekers for organisations wishing to utilise IEP programmes to improve the take-up and effectiveness of the IEP.

Canberra ACT
13 June 2003



P. J. Barrett
Auditor-General

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