

Job Network Services

Audit Report No. 6, 2005–06, Implementation of Job Network Employment Services Contract 3

Audit Report No. 51, 2004–05, DEWR's Oversight of Job Network Services to Job Seekers

Introduction

- 3.1 In mid 2005, the Australian National Audit Office tabled two separate, concurrent audits looking at the Job Network. The two reports were:
- Audit Report No. 6, 2005–06, *Implementation of Job Network Employment Services Contract 3*; and
 - Audit Report No. 51, 2004–05, *DEWR's Oversight of Job Network Services to Job Seekers*.
- 3.2 Audit Report No. 6, 2005–06 assessed whether the Department of Employment and Workplace Relations (DEWR) had implemented the third employment services contract (ESC3) with Job Network providers and the associated computer system, efficiently and effectively. The primary focus of the audit was the transition period from the previous employment services contract to ESC3 and the first full year of operation (2003–04).

- 3.3 Audit Report No. 51, 2004–05 assessed whether DEWR's oversight of the Job Network ensured that job seekers were provided with high quality services.
- 3.4 While the audits were conducted and tabled separately, the Committee considered the reports together given they both focussed upon Job Network services.
- 3.5 The Committee held a public hearing on 27 March 2006 to examine the reports. The Committee also forwarded a number of Questions on Notice to the Department of Employment and Workplace Relations and Centrelink for further information. The departments' responses are published as submissions 4 and 5 to the inquiry.

Audit Report No. 6, 2005-06, *Implementation of Job Network Employment Services Contract 3*

Background

- 3.6 The Job Network is an Australia-wide network of around 109 community-based and private organisations that provide public employment services to the unemployed under contract to the Department of Employment and Workplace Relations. There have been three contracts for these services since the Job Network's inception in 1998. The third contract, Employment Services Contract 2003-06, commenced on 1 July 2003 and was the subject of this audit.
- 3.7 The operation of the Job Network changed significantly with ESC3 as a result of the introduction of a new model of operation, known as the Active Participation Model (APM). APM comprises three elements: Job Placement Services, Job Network Services and Vocation Support Programmes.
- 3.8 The overarching objective of APM was to ensure that job seekers remained 'on the radar' of an employment services provider at all times and actively engaged in either job search, Mutual Obligation or other authorised activities.¹ It was also intended that APM would provide job seekers with easier access to a wider range of job opportunities and more targeted and timely provision of services. Effective incentives would exist for providers

1 ANAO Audit Report No. 6, 2005-06, p. 29.

to invest in all job seekers, especially those most at risk of long term unemployment.

3.9 The key policy elements of APM were:

- a job seeker would be referred to a Job Network provider of their choice;
- the job seeker would receive services from a single Job Network provider for the duration of their unemployment; and
- employment assistance would increase in intensity the longer the job seeker remained unemployed.²

3.10 The introduction of ESC3 and the APM depended on the use of innovative computer technology. DEWR developed a new computer application, Employment Assistant 3000 (EA 3000) for ESC3, which is accessed by the department, Centrelink and Job Network providers on a day-to-day basis.

Overall audit conclusion

3.11 The implementation of ESC3 faced three coinciding challenges: substantial new policy, a simultaneous procurement process to select Job Network providers and a new IT system built with new technology to a deadline.

3.12 ESC3 was to be implemented by 1 July 2003 and critically depended upon EA3000, which was to be used by DEWR, Centrelink and external service providers. Although launched on time, the new system was intermittently unavailable until operational stability was achieved in August-September 2003. This adversely affected the completion of job seeker registrations and referral of job seekers to Job Network appointments. Accordingly, because APM is a continuum, this delay affected the flow of job seekers through the new system and impacted upon payments to Job Network providers.

3.13 Transition to the new model was also affected by a low attendance rate by job seekers at appointments with Job Network providers.

3.14 The ANAO examined the four ministerially endorsed objectives for the transition to ESC3 (see below) and concluded that DEWR largely did not meet these objectives. However, the ANAO notes that following implementation, the IT system was stabilised and job placements and long-term job numbers recovered within a few months.

2 ANAO Audit Report No. 6, 2005-06, p. 43.

- 3.15 DEWR intended that ESC3 would be increasingly outcome rather than process-focused and that paying providers for outcomes would ensure a greater emphasis upon achieving employment for job seekers. The ANAO noted that during the first year, the greater proportion of expenditure went to service fees rather than outcome payments.
- 3.16 The ANAO considered DEWR could update aspects of its performance information to better enable stakeholders to both understand the figures reported by the department and assess whether it has achieved expected performance levels.

ANAO recommendations

- 3.17 The ANAO made six recommendations to DEWR. The department agreed in principle with two recommendations, agreed in part with three recommendations and disagreed with one recommendation.

Table 3.1 ANAO recommendations, Audit Report No. 6, 2005-06

1.	The ANAO recommends that DEWR seek to ensure that unemployed people are able to make an informed choice of Job Network provider. <i>DEWR response: Agreed in principle.</i>
2.	The ANAO recommends that DEWR document the development, use and maintenance of financial models where it uses such models for core business. <i>DEWR response: Agreed in principle.</i>
3.	The ANAO recommends that DEWR provide in its budget documentation and annual reports a breakdown of estimates and actual expenditure on Job Network outcome payments and service fees. <i>DEWR response: Disagreed.</i>
4.	The ANAO recommends that, when implementing a major change, such as the introduction of the APM, DEWR state all its operational objectives unambiguously in advance, and monitors and reports progress against these to stakeholders. <i>DEWR response: Agreed in part.</i>
5.	To enable the Parliament and the public to gain a better understanding of DEWR's performance for its Outcome 1 and, more particularly, the performance of the Job Network, the ANAO recommends that DEWR: <ul style="list-style-type: none"> • clarify its output performance reporting to clearly identify the contribution to those outputs of programmes such as the Job Network and measures such as the introduction of ESC3; and • re-cast its Job Network Performance Profile so as to identify the influence of external factors on the data presented. <i>DEWR response: Agreed in part.</i>
6.	The ANAO recommends that DEWR: <ul style="list-style-type: none"> • improve transparency by reporting against the performance indicators set out in the employment services contract; • include specific reference to the star ratings system and its method of calculation and operation in its contract with Job Network providers; • ensure that information on star ratings of providers is available to job seekers before they are required to choose a Job Network provider; and • inform all stakeholders of the confidence that can be placed in each element of its star ratings calculations. <i>DEWR response: Agreed in part.</i>

The Active Participation Model

- 3.18 The Active Participation Model was announced by Government in the 2002-03 Budget, following extensive review and evaluation of the Job Network over the previous five years of its operation. It was a major change to the delivery of employment services, intended to simplify the range of services available to job seekers and to provide easier access, better targeted and more timely services. It was also intended to provide incentives for service providers to secure higher levels of outcomes for all job seekers, especially the most disadvantaged.
- 3.19 A key element of APM is that each job seeker will be assisted by a single Job Network provider throughout their period of unemployment. Job seekers must also be given an opportunity to make an informed choice about this provider. The ANAO examined the Business Partnership

Arrangement between DEWR and Centrelink and found that it did not include the obligation for Centrelink to advise job seekers that it would obtain this preference or other requirements governing Centrelink's attachment to Job Network providers.

- 3.20 Given this was one of the key policy objectives of APM, the Committee sought clarification as to whether the Business Partnership Arrangement between DEWR and Centrelink has been altered to include Centrelink's obligations. In response, both DEWR and Centrelink advised that the current transitional Arrangement³ includes a policy guide requiring Centrelink to advise job seekers of star ratings so they are informed about Job Network providers. The 2006-09 DEWR Centrelink Business Partnership Agreement was signed on 30 August 2006.⁴ DEWR and Centrelink have also implemented a system called RapidConnect, designed to not only connect eligible job seekers to the Job Network more quickly but to also ensure they have all relevant information to make an informed choice.
- 3.21 Centrelink advised that one of the primary concerns affecting a job seeker's choice of provider is the provider's location.⁵ The Committee then asked what the main reasons would be for a job seeker to then change Job Network provider. The department responded that in the 2005-06 financial year, 66.74 percent of job seeker transfers had occurred as a result of a change of address.⁶

Modelling and funding

- 3.22 It costs DEWR around \$1 billion each year to purchase employment services from the Job Network. Given this expenditure and the scale of changes that were introduced with ESC3, DEWR undertook modelling to predict the financial consequences of ESC3. The ANAO found that DEWR made considerable efforts to improve its predictive capability. In addition to the number of job seekers likely to be referred, DEWR needed to estimate the proportions of different categories of job seeker, the likely duration of each sort in each type of assistance, the exit rates, outcome rates at various levels, and likely expenditure for the job seeker account.⁷

3 A transitional Business Partnership Arrangement was agreed in September 2005, pending negotiation of the new three-year agreement. Centrelink submission, p. 4.

4 Centrelink, *The Journey: Issue 12*, December 2006, p. 5.

5 Mrs Carolyn Hogg, Centrelink, *Transcript of Evidence*, 27 March 2006, p. 5.

6 DEWR submission, p. 4.

7 ANAO Audit Report No. 6, 2005-06, p. 51.

- 3.23 Part of the purpose of modelling was to forecast the likely effect on the employment services industry as DEWR recognised financial viability was a potential problem for Job Network providers. DEWR's analysis concluded that ESC3 would generally have a positive impact.
- 3.24 In 2004, DEWR and the Department of Finance and Administration agreed to develop a common estimates model (the Forward Estimates Model) to support Job Network estimate bids. The model was to provide more accurate expenditure forecasting for the remainder of ESC3, full documentation allowing for greater quality assurance, and easy manipulation for changing parameters. At the hearing, DEWR advised that the model now has a full range of all assumptions fully and comprehensively documented, enabling the department to determine what is causing differences over time, such as changes in policy or an increase in outcome rates.⁸ The model has been amended and enhanced over the last twelve months and subject to an independent quality assurance which was completed in February 2006. DEWR has ensured that it reflects the new categories of job seeker who were to join the Job Network after 1 July 2006.

Job Network funding

- 3.25 There are two categories of payment to the Job Network under ESC3:
- fees for services provided by Job Network providers to job seekers (Job Network service fees); and
 - payments to providers upon their achievement of an outcome (Intensive Support Outcome Payments).
- 3.26 ESC3 is intended to have a greater focus upon outcomes than earlier contracts, with 50 percent of payments to service providers being for service fees and 50 percent for outcome fees.⁹ The ANAO found that DEWR expected that paying providers for outcomes rather than process would focus them upon getting job seekers into employment.¹⁰ DEWR pays an outcome payment where an intensive support job seeker starts and remains in continuous paid employment or education for a period of at least 13 weeks.

8 Ms Joanne Caldwell, Department of Environment and Workplace Relations, *Transcript of Evidence*, 27 March 2006, p. 8.

9 DEWR evidence to Senate Estimates, *Employment, Workplace Relations and Education Legislation Committee*, 6 December 2003, p. EWRE 113.

10 ANAO Audit Report No. 6, 2005-06, p. 51.

- 3.27 DEWR has tracked and reported its expenditure in detail internally since implementation of ESC3. This shows that, in the first year of ESC3, the department used a greater proportion of funds to pay intensive support service fees (\$486 million) than to pay outcome payments for job placements (\$171 million). However, DEWR reported that the proportion of funds going towards outcome fees had risen to around 50 percent by the end of the second year of the contract.¹¹
- 3.28 The Committee questioned the department about the circumstances in which a provider is considered to have achieved an outcome, particularly if a job seeker finds employment through their own volition. The department advised that providers only receive a job placement fee where the Job Network member had actively matched the job seeker to a vacancy.¹² The placement would however be reported as an outcome against performance measures.
- 3.29 DEWR told the Committee that star ratings are entirely based on performance data, with performance defined as 'getting a person into a job'.¹³ The Committee questioned the department about whether a provider that is working with people who are more difficult to place in jobs would have their star rating affected in comparison with another provider who is working with 'the two week job seeker' if all placements are reported as outcomes against key performance indicators. The department advised that the star rating system is based upon around 14 or 16 factors and that providers receive a higher weighting in their star rating if they place highly disadvantaged job seekers.¹⁴
- 3.30 The outcome payments and service fees are reported by DEWR as a single figure across the entire Job Network programme. The ANAO found that the current level of aggregation of financial information does not allow external stakeholders to identify the contribution that outcome payments and service fees make to Job Network expenditure and any trends that reflect DEWR's success in making the programme outcome-focused. It recommended that a breakdown of estimates and actual expenditure on Job Network outcome payments and service fees be provided in DEWR's budget documentation and annual reports. The department has consistently disagreed, stating that 'Job Network is a single programme
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11 ANAO Audit Report No. 6, 2005-06, pp. 68-69.

12 Ms Joanne Caldwell, Department of Employment and Workplace Relations, *Transcript of Evidence*, 27 March 2006, p. 10.

13 Ms Malisa Golightly, Department of Employment and Workplace Relations, *Transcript of Evidence*, 27 March 2006, p. 10.

14 Ms Malisa Golightly, Department of Employment and Workplace Relations, *Transcript of Evidence*, 27 March 2006, p. 14.

and is reported as a single programme in accordance with government policy'.¹⁵

- 3.31 The Committee notes that the department has agreed to give consideration to providing additional explanatory information in its annual report and other information publications. The Committee is concerned that interested parties, including parliamentary committees, should be able to readily assess the success of the department in meeting key objectives, in this case the shift to an outcome based programme. Accordingly, the Committee makes the following recommendation.

Recommendation 4

- 3.32 **The Committee recommends that the Department of Education, Employment and Workplace Relations (DEEWR) provide a breakdown of estimates and actual expenditure on service fees and outcome fees for the Job Network programme in its annual reports.**

IT support for ESC3

- 3.33 The audit found that the ESC3 initiative relied upon a major IT release, known as Employment Assistant 3000. EA3000 was developed by DEWR for use by both external service providers and department staff to manage the operation of Job Network services and to enable the department to monitor and regulate job seeker flows. To implement EA3000, DEWR developed web services and Centrelink, as 'gateway' to the Job Network, developed the capability for exchange and updating of job seeker information between EA3000 and Centrelink systems. Centrelink and Job Network providers were dependent upon the timely implementation and proper functioning of EA3000.
- 3.34 The first release of EA3000 occurred on 14 April 2003. The second and major release was on 1 July 2003, when ESC3 commenced.
- 3.35 The ANAO's key findings in relation to implementation of the system were:
- the risks associated with implementing a large, sophisticated and crucial system with new technology were heightened by a tightly restricted time frame;

- although a systematic planning approach was developed by DEWR, EA3000 was not effectively integrated with existing systems at the date of implementation. There were major problems with the DEWR-Centrelink interface and no significant load testing was performed before the 1 July 2003 implementation date;
- IT system instability and intermittent unavailability meant that Centrelink was severely constrained in its ability to complete job seeker registrations, perform job seeker assessments, and book or confirm appointments for vocational profiles. Centrelink had to perform tasks manually, which delayed the referrals and affected the rate at which job seekers attended Job Network appointments. Centrelink was later paid by DEWR for this work;
- operational stability was achieved by August/September 2003, which DEWR has stated is 'well ahead of industry standards for such a large project'; and
- several months after implementation, DEWR substantially improved the performance of the system. At the time of the audit, the majority of Job Network providers agreed that problems had been mostly resolved.¹⁶

3.36 The Committee expressed concern at the hearing about delays in implementing IT changes. DEWR advised that core functionality was delivered on day one but that there was a period of about six weeks in which other issues were dealt with.¹⁷ The ANAO advised that while DEWR delivered what was agreed as baseline functional requirements on 1 July 2003, there were major implementation problems encountered with the interface between DEWR and Centrelink that affected, in particular, the operation of web services. The ANAO concluded that it was about six months before the service was operating as intended.¹⁸

3.37 The ANAO also reported that with each subsequent release following the implementation on 1 July 2003, DEWR implemented substantial changes to EA3000 to realise operating efficiencies and further business objectives.¹⁹

16 ANAO Audit Report No. 6, 2005-06, pp. 89-90.

17 Ms Malisa Golightly and Mr Stephen Moore, Department of Employment and Workplace Relations, *Transcript of Evidence*, 27 March 2006, p. 3.

18 Mr Stephen Lack, Australian National Audit Office, *Transcript of Evidence*, 27 March 2006, p. 4.

19 ANAO Audit Report No. 6, 2005-06, p. 76.

- 3.38 The Committee notes that there appears to be some disagreement between DEWR and ANAO on what constituted 'development' of the system and what DEWR considers should be categorised as 'enhancement'.
- 3.39 The Committee is pleased to note, however, that DEWR had considered the ANAO's findings in its planning for the transition to Welfare to Work from July 2006 and taken steps to work more closely with Centrelink on both development and testing of necessary IT system changes.²⁰

Management of the transition to ESC3

- 3.40 DEWR established four principles for the transition to ESC3, which were endorsed by the Minister:
- minimise any disruption to services for job seekers and employers;
 - minimise any reduction in outcomes achieved during the transition period;
 - have all eligible job seekers referred to Job Network members contracted under ESC3 as quickly as possible; and
 - provide, in consultation with the industry, a consistent, manageable flow of job seekers to Job Network members, which maintained appropriate cash flows.²¹
- 3.41 The ANAO found that although DEWR undertook ongoing and regular monitoring of the transition process, it did not monitor directly against these four objectives.
- 3.42 Two major issues arose during transition. These were difficulties with EA3000, particularly for Centrelink, and low job seeker attendance at vocational profile appointments.
- 3.43 Individual job seekers enter the APM by attending their Job Network provider for a vocational profile interview. A prerequisite to providing job seekers with Job Network services after 1 July 2003 and ensuring smooth commencement of ESC3 was the development of vocational profiles for both existing job seekers and those referred during the transition period.
- 3.44 DEWR estimated 450,000 job seekers would need vocational profiles before 30 June 2003 and providers were advised to expect a substantial workload. However by 27 June 2003, although nearly 451,000

20 Mr Michael Moore and Ms Malisa Golightly, Department of Employment and Workplace Relations, *Transcript of Evidence*, 27 March 2006, p. 19.

21 ANAO Audit Report No. 6, 2005-06, p. 92.

appointments had been scheduled, only 184,200 attendances had been recorded. This affected provider workloads and diminished cash flows.²² The ANAO emphasises that because the APM is a continuum of service, any problem affecting the initial vocational profile would have ongoing consequences. This could include delaying long term job outcomes and lowering cash flow to Job Network providers.

- 3.45 Job Network members raised concerns about cash flows, which were addressed, following discussions between the Minister and Job Network CEOs with changes to payment arrangements. In July 2003, \$100 million was paid in advance payments for services that DEWR had expected to be provided and \$33 million worth of additional services were purchased.²³ An additional change was made in September 2003, which allowed payments to be made quarterly, in advance, to Job Network providers for all Intensive Support Customised Assistance (ISca) contacts with job seekers.
- 3.46 The ANAO made a specific assessment against each of DEWR's transition objectives. It concluded that job seekers were disrupted during the transition period with a greater number of complaints recorded by DEWR than in the previous transition period. There was a more marked dip in reported outcomes and, as noted above, poor attendance at vocational profile appointments and payment issues for providers. The ANAO concluded that DEWR largely did not meet the transition objectives. However, it also found that job placements and long term job numbers recovered within a few months, with job placements and long term job rates exceeding those recorded at a similar point during the previous contract.²⁴
- 3.47 The ANAO recommended that all operational objectives be stated clearly and unambiguously in advance when implementing major changes, such as the implementation of APM, and that these objectives be monitored with progress reported to stakeholders.
- 3.48 The Committee asked DEWR how it has addressed this recommendation. The department advised that it developed and set clear transition objectives for the ESC3 transition period, which were notified to providers on 22 February 2006. The purpose of these objectives was to allow DEWR to focus on key aspects of performance during the transition period, namely the continuation of high quality services to job seekers. The

22 ANAO Audit Report No. 6, 2005-06, p. 99.

23 ANAO Audit Report No. 6, 2005-06, p. 103.

24 ANAO Audit Report No. 6, 2005-06, p. 118.

department indicated that new transition reports have been developed and progressive monitoring and reporting arrangements, including ongoing stakeholder consultation, are in place.²⁵

Recommendation 5

The Committee recommends that DEEWR provide an evaluation in its annual report of progress against the transition objectives identified for the extension of Third Employment Services contract.

Provider performance information

- 3.49 The performance of Job Network providers is monitored and managed through two different systems: the performance measures set out in ESC3 and DEWR's star ratings system. There are three objectives and key performance indicators within ESC3. The ANAO considered the first two performance indicators, which are 'to help eligible job seekers find work as quickly as possible' and 'to maximise outcomes for eligible job seekers – particularly the long-term unemployed and those identified as highly disadvantaged' and concluded that both were quantitative, unambiguous and measurable.²⁶
- 3.50 The ANAO found that while DEWR collected relevant data, it did not measure and report on individual provider performance against these indicators. This was commented upon by Job Network CEO's when surveyed by the ANAO in September 2004.
- 3.51 Star ratings range from one star (room for improvement) to five stars (performance that is well above average), and DEWR adjusts Job Network providers' share of business at the site level according to the star rating that the provider has achieved.
- 3.52 The star ratings measure relative rather than absolute performance, compared with all other providers. The performance measures and ratings used to assess performance are balanced by DEWR against external factors such as local unemployment rates, employment growth in the region, type of industries that are most prevalent in the region, the individual job seeker's duration of unemployment, the job seeker's age, the job seeker's highest level of education attainment, the number of job seekers with

25 DEWR submission, p. 10.

26 ANAO Audit Report No. 6, 2005-06, p. 138.

disabilities assisted at the Job Network site, and the number of indigenous Australians assisted at the Job Network site.²⁷

- 3.53 Overall the ANAO concluded that the star ratings system is primarily a means for DEWR to press providers for higher levels of performance. It also considered that there were opportunities for the department to improve the transparency of the system and its method of operation and calculation, and to ensure that job seekers are informed of star ratings and how they should be interpreted.²⁸

Committee comment

- 3.54 The Committee acknowledges that ESC3 represented a significant shift in government policy with introduction of the Active Participation Model, and that considerable work was required on the part of both DEWR and Centrelink to implement the necessary operational reforms in accordance with the government's deadline.
- 3.55 While the extension of the ESC3 employment services contract does not represent the same level of change as implementation of the original contract (the subject of this audit), the Committee considers it important that DEWR properly assess and report on how well the transition objectives for the extended contract are met. The Committee also feels that it is essential that interested parties, such as parliamentary committees, are able to easily assess how well the department is meeting the objectives of APM. The Committee therefore concurs with the ANAO's comments about reporting of performance information.

Audit Report No. 51, 2004-05, *DEWR's oversight of Job Network services to job seekers*

Background

- 3.56 While Audit Report No. 6, 2005-06 examined ECS3 specifically, this audit examined DEWR's oversight of the Job Network more broadly to determine whether the department had appropriate mechanisms in place to ensure that job seekers are provided with high quality services. The audit focused upon DEWR's corporate approach, its oversight of

27 ANAO Audit Report No. 6, 2005-06, p. 142.

28 ANAO Audit Report No. 6, 2005-06, p. 149.

Centrelink and Job Network Members, management of complaints, improvements to service delivery and job seeker experiences.

- 3.57 As noted earlier, DEWR purchases services from a national network of organisations, including Centrelink and 109 Job Network providers. DEWR purchases and monitors these services through the employment service contracts and a Business Partnership Arrangement with Centrelink. It is ultimately accountable for the quality of services provided by Job Network providers.
- 3.58 At the time of this audit (May 2004), the Job Network programme was in its seventh year and third phase (ESC3).
- 3.59 Job Network providers provide two major services to job seekers: Job Search Support and, for job seekers who remain unemployed after three months, Intensive Support. The services are designed to form a continuum that increases in intensity the longer a job seeker remains unemployed.

Audit objectives

- 3.60 The audit objective was to assess whether DEWR's oversight of the Job Network ensured that job seekers were provided with high quality services. In particular, the ANAO examined whether DEWR had:
- an appropriate strategic approach to, and focus on, service quality across the Job Network;
 - appropriate specification of the services to be provided to eligible job seekers, and of the quality of service provision;
 - provided job seekers with a high quality of service at key Job Network service points; and
 - appropriately monitored and reported the quality of service delivery, and appropriately managed service performance.
- 3.61 The ANAO also examined whether the Job Network had appropriate mechanisms for identifying, assessing and implementing improvements to service delivery.

Overall audit conclusion

- 3.62 The ANAO concluded that DEWR, as the purchaser of Job Network programme services, required additional assurance that job seekers were being provided with key aspects of employment services as intended by the department.

- 3.63 The lack of objective and measurable performance indicators relating to specified service standards limited DEWR's ability to gain assurance that job seekers were receiving high quality services from Job Network providers. DEWR was also hampered over 2003-04 by delayed commencement of the monitoring of Job Network contracts.
- 3.64 Further, delays in the development of the DEWR-Centrelink 2003-06 Business Partnership Arrangement meant that at the time of the audit in May 2004, DEWR had no management information to assess Centrelink's performance against agreed service standards.
- 3.65 The ANAO found substantial weaknesses in the collection and recording of complaints data, compromising this otherwise valuable source of performance information.
- 3.66 The ANAO also questioned whether the customised and individualised contracts and services required by ESC3 were being provided to the most disadvantaged job seekers.
- 3.67 The ANAO concluded that the next round of Employment Service Contracts would provide an opportunity for DEWR to draw on its experience and the matters raised in this audit to improve its assurance about the quality of services being provided to job seekers.

ANAO recommendations

- 3.68 The ANAO made eight recommendations, which DEWR agreed with either wholly, in part or in principle. Centrelink agreed with the two recommendations specifically related to Centrelink's responsibilities.

Table 3.2 ANAO recommendations, Audit Report No. 51, 2004-05

<p>1. To assist staff and stakeholders to better understand DEWR's approach to linking the goal of sustainable employment outcomes with high quality service delivery, the ANAO recommends that DEWR refine its corporate statement on Job Network service quality by:</p> <ul style="list-style-type: none"> • adding the quality of services to be delivered by Centrelink; • clearly articulating the priority to be given to service quality; and • clarifying the role job seeker perceptions of service quality play in informing the development of services, and management of service delivery. <p>DEWR should communicate this statement to relevant staff, service providers and stakeholders.</p> <p><i>DEWR response: Agreed in part.</i></p>
<p>2. To assist JNMs and Centrelink to understand and comply with service requirements, and provide a sound basis for DEWR to assess the adequacy of service provision, the ANAO recommends that DEWR ensure that the Employment Services Contract and Business Partnership Arrangement are complete and kept up-to-date.</p> <p><i>DEWR response: Agreed in principle.</i></p>

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3. In order to allow DEWR to assess better the level of service being provided to job seekers, the ANAO recommends that DEWR:
- supplements the principles-based requirements in its Code and Service Guarantee with objective indicators and corresponding measurable performance standards for key aspects of service delivery;
 - ensures that job seekers are provided with clear statements about their expected manner of behaviour in their interaction with JNMs and the role played by JNMs in the Job Network compliance function;
 - takes steps to improve job seeker awareness of the Code, Service Guarantee and associated complaints mechanisms; and
 - reviews its job seeker survey research to ensure that information is gathered from job seekers on JNM achievement of service commitments made in the Code and Service Guarantee.

DEWR response: Agreed in part.

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4. The ANAO recommends that, in order to provide assurance that DEWR's monitoring effort is appropriately aligned with its assessments of risk and that monitoring activity covers all key service risks, DEWR establish:
- minimum requirements for monitoring visits in relation to different types and levels of risk exposure; and
 - targets for monitoring activity, including site monitoring visits, required to meet corporate priorities, such as complaints handling, with a view to complementing the professional judgement of local contract managers.

DEWR response: Agreed.

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5. The ANAO recommends that, in order to provide DEWR with assurance over the services delivered by Centrelink on behalf of DEWR:
- DEWR and Centrelink establish a planned process for developing agreed management information for both the current and the next Business Partnership Arrangement, including: interim measures of service performance, where necessary, and agreed timeframes and responsibilities for producing final measures;
 - Centrelink introduce mechanisms to directly monitor the key services delivered by Centrelink on DEWR's behalf; and
 - DEWR establish an appropriate quality assurance process to enable the effective monitoring and management of Centrelink's service performance.

DEWR response: Agreed.

Centrelink response: Agreed.

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6. The ANAO recommends that, in order to strengthen its accountability for the services provided by JNMs and Centrelink, DEWR introduces a facility to obtain data on the complaints received by JNMs and Centrelink.

DEWR response: Agreed in part.

Centrelink response: Agreed.

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7. In order to improve the quality of information about job seeker complaints contained in DEWR's complaints database, and consequently its ability to use complaint information for performance management and continuous improvement purposes, the ANAO recommends that DEWR review:
- complaint data entry processes and systems design to identify and resolve issues with inconsistency in the recording of complaints; and
 - the current complaint classification system with a view to establishing a structure that will provide a more accurate reflection of the key complaint sources in the Job Network programme, and the frequency with which job seekers complain about them.

DEWR response: Agreed in part.

8. In order to meet the continuous improvement commitments set by DEWR in its Request for Tender and Code of Practice, the ANAO recommends that DEWR:
- clarifies its approach to continuous improvement by specifying the roles of DEWR, JNMs and Centrelink;
 - monitors the continuous improvement practices of JNMs at the site and organisational level as appropriate; and
 - works with JNMs to identify the extent to which their information needs could be met by job seeker satisfaction survey data already held by DEWR.

DEWR response: Agreed in principle.

DEWR's corporate approach

- 3.69 The ANAO examined DEWR's corporate planning framework, including the specification of services in ESC3, the job seeker account, Centrelink services and service standards. While the ANAO considered this framework to be sound, there were aspects that it considered should be more clearly defined or articulated.

Job Seeker Account

- 3.70 The Job Seeker Account is a nominal pool of funds that each JNM can use to purchase additional assistance for job seekers, such as clothing, fares and petrol, employer incentives and training. In 2003-04, credits to Job Seeker Accounts totalled \$297 million. DEWR's approach to the use of the funds is not prescriptive. It instead encourages Job Network providers to use funds 'flexibly and innovatively' to assist job seekers.²⁹
- 3.71 The ANAO expressed concern about the length of time taken by DEWR to issue detailed guidance on use of this account, the purchase of assets, and incentive payments.³⁰ The Committee asked DEWR how it monitors and ensures appropriate use of these funds. The department advised that the account is subject to normal contract management framework arrangements, including a risk management plan and monitoring through contract managers, programme assurance activities, targeted investigations and quality audits. DEWR also has a number of mechanisms to provide regular updates and advice to Job Network providers as to what kinds of expenditure are appropriate.³¹
- 3.72 When asked about the long term advantages of providing this additional assistance to job seekers, the department replied that it is examining whether the Job Seeker Account has been used by providers in the way

29 ANAO Audit Report No. 51, 2004-05, p. 48.

30 ANAO Audit Report No. 51, 2004-05, pp.48-49.

31 DEWR submission, p. 18.

intended and the extent to which it has contributed to job seekers finding employment. This evaluation was finalised in August 2006.³²

Centrelink services

- 3.73 At the time of the audit, DEWR was working with Centrelink to develop a new Business Partnership Arrangement. In response to questions on notice, Centrelink advised that a transitional 2005-06 Business Partnership Arrangement was negotiated after the audit was completed. This agreement was to expire on 30 June 2006, after which a new three-year agreement was scheduled to commence.³³ The Committee notes that the new agreement will align with implementation of the Government's Welfare to Work initiatives that were introduced in July 2006.^{34 35}
- 3.74 The Committee is pleased to note that a number of changes have been made to the Business Partnership Arrangement in response to the findings of this audit. These changes include:
- development of a Business Assurance Protocol to provide assurance to DEWR that Centrelink is meeting the provisions of the transitional Arrangement. This protocol is being reviewed and carried over into the Business Partnership Arrangement 2006-09;
 - development of measurable key performance indicators;
 - provision of quarterly data to DEWR about complaints received from job seekers about employment service providers;
 - the introduction of joint site visits by Centrelink and DEWR staff to assess Centrelink's delivery of programmes; and
 - expansion of the Management Information Protocol in the Business Partnership Arrangement to include arrangements and responsibilities for the production of mutually agreed management information.³⁶

32 URL:
<http://www.workplace.gov.au/workplace/Category/Publications/ProgrammeEvaluation/JobseekerAccountEvaluation.htm> , accessed 2 March 2007, updated by DEWR – 13 December 2006.

33 Centrelink submission, p. 2.

34 DEWR submission, p. 11.

35 URL

<http://mediacentre.dewr.gov.au/mediacentre/AllReleases/2006/July/WelfaretoWorkEmploymentReformsBeginToday.htm> , accessed 2 March 2007.

36 Centrelink submission, p. 2.

- 3.75 When asked about the steps Centrelink has taken to improve assurance of the quality of service being provided, Centrelink outlined a number of initiatives, including:
- establishment of the Working Age Business Line, which is focussed upon improving areas of network performance to meet the department's performance targets;
 - development of a Business Assurance Protocol with DEWR;
 - introduction of Rolling Random Sample Surveys, which are used to measure the accuracy and correctness of payments to Australians of working age; and
 - introduction of joint site visits by DEWR and Centrelink to Customer Service Centres and Call Centres to assess Centrelink's delivery of programmes.³⁷
- 3.76 In response to the same question, DEWR indicated that it has developed a Quality Assurance project plan for 2005-06 to focus on the quality of services delivered by Centrelink. Effective monitoring of the quality of Centrelink's service delivery is also examined by the Business Assurance Sub-committee, convened under the auspices of the Business Partnership Review Group that was established as part of the transitional arrangement.³⁸

Oversight of Job Network providers

- 3.77 The ANAO examined DEWR's framework for managing the performance of Job Network providers as well as the extent to which DEWR's monitoring mechanisms provide it with reasonable assurance that Job Network providers are delivering high quality client service to job seekers. It found that DEWR has a sound overall approach to managing its Job Network contracts.
- 3.78 ESC3 is performance based, allowing DEWR to reward or sanction Job Network providers on the basis of their performance against Key Performance Indicators (KPIs) and compliance with the contract. The ANAO considered one performance indicator during the audit, the Quality KPI, which is 'to maximise the delivery of high quality, ethical, employment services'³⁹.

37 Centrelink submission, p. 1.

38 DEWR submission, p. 24.

39 ANAO Audit Report No. 51, 2004-05, p. 65.

- 3.79 The Quality KPI is used by DEWR as a pass/fail 'hurdle' to be assessed by contract managers through subjective judgements. All Job Network providers receive a pass unless a clear reason for a fail has been identified.
- 3.80 The ANAO considered it was difficult for contract managers to consistently and objectively assess the quality of performance due to a lack of clarity over terminology and the expected level of performance. The ANAO concluded that the current approach to the Quality KPI does not provide a basis for systematically and objectively measuring and assessing the quality of service.
- 3.81 The Committee noted that DEWR can present data to demonstrate outcomes that have been achieved by Job Network providers. It asked the department how it measures the quality of the service being provided by those members. DEWR responded that it considers the question of quality to be very difficult to separate from the question of outcomes and that improvements in outcome performance are a good indication that quality is improving.⁴⁰ On the question of comparisons between providers, the department indicated that outcomes are regularly measured and assessed as part of a provider's star rating, which as noted earlier, is a relative measure against other providers.⁴¹
- 3.82 When questioned about the latest assessment of Job Network providers against the Quality KPI, DEWR responded that all Job Network providers had passed the latest assessment, although it noted that issues raised during the assessment may still be subject to investigation or may have resulted in sanctions being imposed for breaching other elements of the contract.⁴²
- 3.83 The Committee asked DEWR about the sanctions that were available under ESC3. DEWR may temporarily suspend referrals to eligible job seekers to any or all sites, or reduce the provider's share of available places for all or part of the remaining contract period at any or all sites. DEWR can also terminate the contract.⁴³

40 Mr Michael Manthorpe, Department of Employment and Workplace Relations, *Transcript of Evidence*, 27 March 2006, p. 15.

41 DEWR submission, p. 21.

42 DEWR submission, p. 19.

43 DEWR submission, p. 19.

Risk assessment

- 3.84 The ANAO found that DEWR's risk assessment and management processes were poorly implemented, including untimely risk assessments, lack of substantiation of risk assessments, limited weighting of monitoring effort toward higher risks and inadequate updating of risk assessments.
- 3.85 The Committee asked DEWR about the steps it had taken to improve its risk assessment and management. DEWR advised that a number of ongoing reviews and subsequent improvements have been made and continue to be made. This includes a new risk assessment and management tool that is compliant with Australian Standards, which is being used by contract managers to systematically manage risks. It also includes an annual review of all risks, indicators, benchmarks and monitoring processes; monitoring analysis and quality assurance of risk assessments; and a review of training for employment services on the risk management process.⁴⁴

Oversight of Centrelink

- 3.86 There are three key differences in the relationship between DEWR and Centrelink compared with the relationship between DEWR and the Job Network providers:
- Centrelink is the sole provider of its services. There is no alternative provider;
 - payments are linked to the number of services delivered, not to outcomes; and
 - DEWR does not undertake substantial direct monitoring of Centrelink, but relies on agreed performance information, Centrelink's own internal monitoring, indirect feedback from Job Network providers, and its own state office network.
- 3.87 The ANAO examined performance assessment under the Business Partnership Arrangement between DEWR and Centrelink and found that 14 months into the Arrangement, measures for most of the performance indicators, reciprocal requirements and business processes had not been developed.⁴⁵ Development of these measures was affected by delays in finalising the Agreement itself, the need to develop a new reporting framework, and issues relating to data ownership and quality.

44 DEWR submission, p. 23.

45 ANAO Audit Report No. 51, 2004-05, p. 81.

- 3.88 The ANAO considered that when the Business Partnership Arrangement was renegotiated, DEWR and Centrelink should pay close attention to the process by which agreed management information, including performance information and benchmarks, were developed for measuring and assessing Centrelink's service performance. The Committee is pleased to note the arrangements, as outlined above, that have been put in place.

Management of complaints

- 3.89 During ESC3, the ANAO found that the average number of complaints received per month was double the levels experienced before this contract started. In the nine months prior to April 2003, the average number of complaints was 634 per month. In the nine months following the end of the Contract transition period in October 2003, the average number was 1287 per month. During the hearing, DEWR emphasised that it is dealing on a day-to-day basis with a far larger number of clients that it previously did and that the number of complaints received by it and Centrelink have reduced quite significantly from the peak numbers around the time of transition to the third contract.⁴⁶
- 3.90 The Committee was concerned about the apparent increase in complaints and sought information from DEWR as to the trend in the number of complaints received from job seekers. DEWR referred the Committee to its annual reports, where the following statistics are noted:
- of 31 596 calls to the customer service line in 2003–04, 24 889 (79%) were complaints. According to DEWR, this was a 76 percent increase in calls over this reporting period reflecting the transition to the new contract. DEWR goes on to state:

Following the transition to the APM, complaint numbers fell significantly. In the second half of the financial year 7 109 fewer complaints were made, representing a 44 percent decline. Of all complaints made, about 97 percent (compared with the benchmark of 95 percent) were resolved within 20 working days. Over the year the data indicates that approximately 2.2 percent of clients referred to employment services made a complaint.⁴⁷

46 Mr Michael Manthorpe, Department of Employment and Workplace Relations, *Transcript of Evidence*, 27 March 2006, p.15.

47 DEWR Annual Report 2003-04 at <http://www.annualreport.dewrsb.gov.au/2004/part2es/1207.htm>, accessed 14 June 2006.

- of 26 794 calls to the customer service line in 2004-05, 16,300 (61 percent) were complaints.⁴⁸
- 3.91 While DEWR is unable to provide trend data on the nature of these complaints, it can advise that the five main complaint categories for 2005-06 (as at 31 March 2006) and their percentage of the total complaint issues, are:
- commitment to clients (26 percent)
 - provider choice (15 percent)
 - Job Seeker Account (8 percent)
 - policy (7 percent)
 - system issues (2 percent)⁴⁹
- 3.92 The Committee notes DEWR's comment that only in the order of 1 to 2 percent of job seekers lodge a complaint.⁵⁰
- 3.93 In 2003-04, job seekers made 332 complaints to Centrelink in relation to the services it delivers under its Business Partnership Arrangement with DEWR, however DEWR does not receive any systematic data from Centrelink about complaints.
- 3.94 The Committee asked both DEWR and Centrelink why systematic data is not provided. In response, both agencies indicated that this data is now being provided. Centrelink forwards systematic data via quarterly reports to DEWR about complaints recorded on the Customer Relations Unit Database about Job Network providers and other contracted employment service providers.⁵¹ DEWR notes that Centrelink does not provide data on complaints concerning Centrelink as this can not readily be broken down by each Department Centrelink delivers services for. DEWR and Centrelink have put other business assurance measures in place to monitor the quality of service delivered by Centrelink.⁵²
- 3.95 The ANAO also found that while DEWR requires Job Network providers to record all complaints that they receive, DEWR does not collect aggregate data from Job Network providers on the number and nature of complaints. The ANAO found that DEWR is unable to determine how

48 DEWR Annual Report 2004-05 at <http://www.dewr.gov.au/NR/rdonlyres/D7E3DE90-91DE-4D5A-AC9A-AA2E1941665A/0/DEWRARPart21.pdf>, accessed 14 June 2006.

49 DEWR submission, p. 26.

50 DEWR submission, p. 26.

51 Centrelink submission, p. 3.

52 DEWR submission, p. 27.

many complaints job seekers make directly to Job Network providers or to monitor trends in the number and type of complaints.

- 3.96 The ANAO notes that in the past DEWR has rejected recommendations that it obtain regular mandatory reports from Job Network providers on complaints. The ANAO considers that the lack of collected data about complaints weakens the accountability of Job Network providers and Centrelink to DEWR.
- 3.97 The ANAO found a number of weaknesses in DEWR's complaints database, ESQIS, including ambiguous and unclear issue codes, substantial overlap between issue codes, and the absence of codes that could be required to cover common sources of complaint. The ANAO considered that the information drawn from the system would be of limited use for management purposes. The Committee is therefore pleased to note that DEWR's complaints management system was enhanced in the July 2006 release.⁵³
- 3.98 The ANAO found inconsistencies in the manner in which Job Network providers recorded complaints and that the recording of complaints by Job Network providers was generally poor. In addition, complaints registers were not adequately examined during site monitoring visits. DEWR has indicated that, in response to the audit, the department has increased its monitoring of the complaint registers that the Job Network members are required to have in place. It has been identified as a priority for contract managers when they are visiting Job Network sites.
- 3.99 The Committee agrees with the ANAO that the proper collection and assessment of complaints data would provide one useful mechanism to monitor the performance of Job Network providers. Examining trends in the nature of complaints should provide a means to identify any systemic issues that may exist with the Job Network.

Case studies

- 3.100 The ANAO presented a case study that examined access to Job Network services through Centrelink and identified concerns about the quality of information being provided to job seekers, identifying a number of cases where information was out-of-date or not provided. It also examined the information seminar conducted by Centrelink and made a number of suggestions to improve the quality and effectiveness of information provision to job seekers. DEWR advised at the hearing that since the audit

53 DEWR submission, p. 51 and DEWR email correspondence of 27 April 2007.

was performed, the information seminar has been replaced through implementation of the Government's RapidConnect initiative.⁵⁴

3.101 This system enables accurate and timely assessment of job seekers and rapid referral to a Job Network provider. It is also intended to ensure that a job seeker receives the correct information up-front and as early as possible.⁵⁵ The initial interview is followed by a new claim interview during which Centrelink provides further information to job seekers. Centrelink also has a range of publications for job seekers that are regularly reviewed.

3.102 The Committee is pleased to note that currently 94 percent of RapidConnect job seekers have an appointment booked within two days and that since the introduction of this initiative there has been a noticeable increase in attendance rates at Job Network appointments with an average attendance rate of 72 percent at initial RapidConnect appointments compared with 54 percent for all initial appointments.⁵⁶

3.103 In a second case study, the ANAO examined the Intensive Support customised assistance program and concluded that:

- there were delays in commencing job seekers in ISca;
- Job Network providers were not meeting with job seekers as often as required despite being paid to do so;
- detailed assessments of a job seeker's capabilities and barriers to employment were not being adequately undertaken; and
- Job Search Plans (JSPs) were not being updated.

3.104 DEWR survey results for October 2003 to February 2004 indicated that 84 percent of job seekers were satisfied or very satisfied with customised assistance they received from Job Network providers. However, an ANAO assessment of the services received by an indicative sample of job seekers raises concerns about whether assistance is actually intensive and customised, with problems including level of contact between Job Network providers and job seekers, documentation and customisation of job seekers' JSPs.

54 Mr Michael Manthorpe, Department of Employment and Workplace Relations, *Transcript of Evidence*, 27 March 2006, p.5.

55 Mr Michael Manthorpe, Department of Employment and Workplace Relations, *Transcript of Evidence*, 27 March 2006, p.5.

56 DEWR supplementary submission, p. 5.

- 3.105 The Committee questioned DEWR as to how it ensures that Job Network providers are fulfilling their contractual obligations, particularly when it pays up front for the provision of services through the Intensive Support customised assistance program.
- 3.106 The Department advised the fee structure that applies to Job Network services creates a mix of incentives to encourage increased job placements and sustained employment outcomes as well as increased job seeker activity and improved service and assistance. Service fees that are paid are based on what the provider has delivered at various stages of the continuum of assistance. DEWR has a comprehensive range of monitoring tools, practices and guidelines in place to assist contract and account managers and compliance staff to ensure providers comply with their contract. These include:
- the Risk Management Framework which enables the assessment of the provider's service delivery against nationally established risk criteria;
 - the development of risk management plans to manage risks of concern (extreme or high risks);
 - site visits to all full time sites at least once a year and more often if deemed necessary;
 - desk top monitoring including Health Check Reports, survey results and provider outcomes; and
 - regular programme assurance activities, such as surveys of jobseekers and checks on provider documentation.⁵⁷
- 3.107 The Committee notes, as discussed earlier, that DEWR has a range of penalty options, and that the department took the opportunity when extending ESC3 to tighten sanctions that are available to the department and provide clearer advice on requirements.⁵⁸

Committee comment

- 3.108 The ANAO concluded that the next round of Employment Service Contracts would provide an opportunity for DEWR to draw on its experience and the matters raised in this audit to improve its assurance about the quality of services being provided to job seekers.

57 DEWR submission, p. 31.

58 DEWR submission, p. 12.

- 3.109 The Committee notes however that rather than negotiate new contracts, the majority of contracts under ESC3 have been extended for a further three years to 30 June 2009 using existing contractual provisions. It further notes that the department has made a number of small variations to the contract, including tightening sanctions for failure to comply with the contract and including guidelines (such as those for the use of the job seeker account) as part of the contract material.⁵⁹
- 3.110 The Committee endorses the ANAO's overall conclusion that the negotiation of a new contract would have provided an opportunity to strengthen DEWR's oversight of the Job Network and provide it with greater assurance about the quality of service. The Committee notes with concern the current investigations⁶⁰ being undertaken into allegations of financial mismanagement and false claims by Job Network providers and is interested in the outcome of investigations that are currently underway. While it notes the department's comment that it is only a very small number of Job Network providers⁶¹, it is nevertheless essential that appropriate monitoring and accountability mechanisms are in place.
- 3.111 The Committee therefore considers that the department should maintain a rigorous process of review and assessment of the services being provided by Job Network members to ensure that the system is not only providing a high quality of service to job seekers, but that Job Network providers are also implementing the system fairly and honestly.
- 3.112 The Committee also considers that a comprehensive review of the extended contract should be undertaken to address any residual issues arising from this audit and any new issues that arise throughout the life of the contract before it expires in 2009. It therefore makes the following recommendations.

59 DEWR submission, p. 12.

60 Advised in email correspondence of 27 April 2007 that the investigations are still proceeding.

61 Ms Malisa Golightly, Department of Employment and Workplace Relations, *Transcript of Evidence*, 27 March 2006, p. 9.

Recommendation 6

The Committee recommends that DEEWR undertake a comprehensive review of the existing Employment Services Contract prior to its expiry in 2009 and that the results of this review inform future renegotiations or extensions of the contract.

Recommendation 7

The Committee recommends that DEEWR regularly assess the effectiveness of its risk management, monitoring, and penalty regimes in ensuring the highest standard of service from Job Network providers.

