

## Chapter 3

### Job brokerage and activation strategies in Australia

*Jobseekers registered with a Job Services Australia (JSA) provider (i.e. a private or not-for-profit provider of employment services) are allocated to one of four streams or, after a year of unemployment, to the Work Experience Phase, which provide different levels and forms of assistance. JSA providers are funded through a combination of Service Fees, Placement Fees and Outcome Fees, and are reimbursed for certain types of expenditure through the Employment Pathway Fund. Most of the fees are much higher for disadvantaged jobseekers than for regular, short-term unemployed. Centrelink, the benefit administration body, assesses jobseeker disadvantage at initial registration using the Job Seeker Classification Instrument, which is based on a questionnaire and administrative records. Star Ratings, which are measures of placement performance adjusted for differences in jobseeker characteristics and local labour market conditions, are used to eliminate employment service providers that perform poorly. Most provider staff are counsellors, who conduct regular interviews with jobseekers, negotiate their Employment Pathway Plan, and may provide financial assistance with the cost of taking up work or refer clients to job-search training and related activities. The structure of the JSA caseload is complex, with less than half of all clients required to be available for full-time work and complete the maximum number of hours in the Work Experience Phase.*

## Introduction

Since the mid-1990s Australia's unemployment rate has fallen from high to low levels in international comparative terms, in the context of a progressive phasing out of several types of inactive benefits and rising employment rates. Employment services played a role in this labour market performance by keeping job-finding rates high for both the traditional unemployment caseload and the newly-activated groups.

During this process, the more easily employable clients were more often placed, so that among those remaining on the caseload the average levels of disadvantage increased. The greater intensity of placement efforts no doubt revealed previously-unnoticed barriers that prevented clients from being available for work immediately, and increasing numbers were transferred to the Personal Support Program (PSP) or the waiting list for it. In administrative data (in contrast with labour force survey data), the fall in total unemployment was accompanied by an increasing incidence of long-term and very-long-term unemployment. As described in Chapter 4, by 2008 there were strident claims that benefit sanctions – which most often are generated by repeated client non-attendance at interviews – were unjust and counterproductive because they did not take into account clients' personal barriers. Many of the policy changes launched by the incoming government in 2008, including key features of the Jobs Services Australia (JSA) model, were related to the disadvantage profile of the caseload. A number of temporary measures also responded to the recession, in particular the automatic allocation to JSA Stream 2 (which pays much larger fees per client to the provider than Stream 1) of workers made redundant between February 2009 and December 2010, which cost AUD 350 million (about a quarter of the JSA annual budget).

Against this background, the following section of this chapter describes the JSA framework for interventions in the unemployment spell and defining jobseekers' administrative status, as defined by Centrelink procedures and JSA contractual requirements. The third section describes provider funding in terms of service fees, payments into the Employment Pathway Fund (EPF) and outcome fees. The fourth section describes the Job Seeker Classification Instrument (JSCI), Job Capacity Assessment (JCA, from July 2011 the Employment Services Assessment, ESAt) and Star Rating system for providers. The fifth section summarises the incentives for JSA providers created by the fees, JSCI and Star Rating system and the sixth describes the strategies adopted by providers and aspects of their operating environment, such as client exemptions and suspensions. The seventh and eighth sections review aggregate placement performance data, caseload trends and Star Ratings, and discusses some client subgroups within the JSA caseload.

## Scheduled interventions in the unemployment spell in the JSA model

### *Centrelink processes*

#### *Initial contacts*

New benefit claimants can now make a claim online but they typically still visit their local Centrelink office in person. Centrelink establishes their entitlement to a payment in terms of income, assets, household status, etc. For those claiming an unemployment benefit (Newstart or Youth Allowance – other), Centrelink implements the Job Seeker Classification Instrument (JSCI) by working through a questionnaire, with points also scored based on administrative records (see further below). In most cases, based on their JSCI points, individuals are allocated to JSA Streams 1 to 3. However one of their responses may “trigger” referral to a separate JCA/ESAt, which itself may involve referral

to health or other professionals. Based on the outcome of the JCA/ESAt,<sup>1</sup> the jobseeker may be referred to Disability Employment Services (DES), JSA Stream 4 or a lower stream. During the transition into JSA, clients in the former PSP, which often did not impose participation requirements and offered relatively small economic outcome fees to providers,<sup>2</sup> could be transferred into Stream 4 or a lower stream, although they still might be transferred to Stream 4 after further assessment.

Repeat claimants are in principle reassigned to their original JSA provider, if this is still relevant.<sup>3</sup> First-time claimants have the option of choosing a local JSA provider, but otherwise they are randomly<sup>4</sup> assigned to a provider by Centrelink. They then attend an interview with the provider to start their benefit payment. This interview delivers information about services and jobseeker rights and obligations.

In the case of Stream 1 clients, Centrelink establishes the initial Employment Pathway Plan (EPP), while the provider assists the client in preparing a *résumé*. In the case of Stream 2 to 4 clients, the provider establishes the initial EPP, which must include the frequency of contact between provider and jobseeker, and the timing and details of mandatory vocational and non-vocational activities. EPPs should be tailored to individual needs (when DEEWR contract managers sample a provider's EPPs, they look for evidence of individualisation).

In 2010, Centrelink in five disadvantaged locations implemented *Local Connections to Work* (LCTW). Under this initiative, participating organisations called Community Partners co-locate within the Centrelink office to deliver their services on a rostered basis. The Community Partners include employment services providers (JSA and DES providers), as well as health, housing, training and community welfare organisations. They co-locate without additional funding, but their presence in the Centrelink office gives them better access to potential clients and an opportunity to strengthen their connections with other local agencies. Clients participating in LCTW had an average of two to three “wrap around” (joint) interviews. A joint DEEWR and Department of Human Services (DHS) taskforce reported that this was successful in terms of engaging disadvantaged clients, and recommended extending the LCTW initiative to other deeply disadvantaged sites, and extending joint interviews (interviews on the Centrelink site, but with the participation of a JSA provider) to a targeted selection of disadvantaged jobseekers outside the LCTW locations (DEEWR & DHS, 2011). The 2011 budget announced additional funding of AUD 19.5 million to create 15 new LCTW sites between 1 July 2012 and 30 June 2015, bringing the total to 24, and AUD 74.4 million for new “case co-ordination” trials in 44 locations (Plibersek, 2011).

### *Claim updating and Job Search Diaries*

In the past, most jobseekers needed to “lodge” a payment renewal application form (SU19), which included a question about job-search efforts, in person every fortnight. Jobseekers typically needed to go up to a desk for a brief interview, which could result in queues at local offices, although in some circumstances local offices could provide a box where paper forms could be dropped off. Centrelink had increasingly been providing online transaction facilities, and from July 2010 most jobseekers were allowed to and encouraged to submit fortnightly payment renewal applications online. They are still required to attend in person for a Personal Contact Interview (PCI) interview at intervals, often every 8 or 12 weeks, but every two weeks for jobseekers in the first three months of Stream 1 who are not expected to have any regular contacts with their JSA provider. The PCI discussion is work-focused, reviewing job-search efforts and checking whether

the jobseeker's EPP needs updating, as well as checking income earned and hours worked (DEEWR & DHS, 2011).<sup>5</sup> The 2011 budget announced the introduction of Job Seeker Workshops in place of the PCIs at four, eight and ten weeks, starting progressively and to become a standard component of employment services arrangements from 1 July 2012 ([www.humanservices.gov.au/corporate/publications-and-resources/budget/1112-budget](http://www.humanservices.gov.au/corporate/publications-and-resources/budget/1112-budget)).

Short-term unemployed jobseekers are issued with a Job Seeker Diary (JSD) with a required number of job-search efforts per fortnight (up to 10, often fewer outside active urban labour markets). The JSD covers 12 weeks of job search. Failure to complete the diary or return it to Centrelink is treated as a connection failure and the jobseeker is asked to complete a second JSD; a second failure is treated as a reconnection failure which gives rise to a sanction (see Chapter 4).

## ***Job Services Australia***

### *Stream 1 services*

If the client is still unemployed after three months, he/she attends a second interview with his/her JSA provider. At this interview, the provider conducts a skills assessment, and revises the EPP to reflect this.<sup>6</sup> The revised EPP must include regular contacts with the provider at least monthly; it will normally include job-search activities which are reviewed during the monthly contacts; and it must include an Intensive Activity. By the end of the fourth month of unemployment, the provider must arrange an Intensive Activity for at least 60 hours over a fortnight. The Intensive Activity can be similar in terms of content to the Job Search Training implemented in the previous contract,<sup>7</sup> but it can also consist of vocational training or other activities. Although providers can develop the context flexibly and participants may be able to do an Unpaid Work Experience Placement (UWEP),<sup>8</sup> they cannot currently at this stage be required to engage in work-experience activities organised by the provider. Communicare Inc. (2011) described the current format as “ambiguous and administratively heavy” and suggested that Intensive Activity could be replaced by a period in which the requirements of the Work Experience Phase (WEPH) apply. The 2011 budget announced a reduction of participation in Intensive Activity from 60 hours to 40 hours for “job-ready” jobseekers (Australian Government, 2011; and Karvelas, 2011).

### *Services in Streams 2 and 3*

For Stream 2 and 3 clients the initial EPP must include contacts with the provider at least monthly and again, will normally include job-search activities. A *résumé* must be established within three months. However, most other interventions are decided flexibly. A skills assessment, like other services, may be included in the EPP but this is not obligatory.

### *Services in Stream 4*

Stream 4 clients will have complex and/or multiple non-vocational barriers. Again the initial EPP must include contacts with the provider at least monthly. The initial EPP may anticipate only non-vocational interventions at first, or a combination of vocational and non-vocational interventions. The provider has discretion over whether to include job-search activities in the EPP and the nature of any job-search requirements. A *résumé* must be established within 12 months.

### *Change of Circumstance and Stream Services Reviews*

At any time if there is evidence that one of the JSCI items is scored incorrectly, perhaps because during counselling the client reveals additional barriers, the provider can alter the score or refer the client to a JCA/ESAt, which can increase JSCI points (or in some cases, result in transfer to Stream 4). If the JSCI is then above a relevant threshold, the client can be “upstreamed” immediately.

After a year, providers must refer clients (to Centrelink or in the case of Stream 4 clients to a JCA/ESAt provider) for a Stream Services Review (SSR). The SSR reassesses the jobseeker’s JSCI. For Stream 1 to Stream 3 clients, if changed circumstances or the increased duration of unemployment takes the JSCI score over the relevant threshold (20 points or 29 points), the client enters another period in Stream Services at a higher level.<sup>9</sup> If the client is not moved to a higher stream, he/she enters the WEPH. In the case of Stream 4 clients, the SSR may determine that the client can remain in Stream 4 for a further six months, but after this entry to the WEPH still occurs automatically.

These rules imply some peculiar discontinuities in the pattern of client trajectories. For jobseekers who started the year with less than 24 months’ duration on income support, the JSCI score automatically increases by 6 points over the first year due to the duration factor, so clients with initial JSCI score of 14-19 in Stream 1 and clients with an initial JSCI score of 23-29 in Stream 2 are automatically “upstreamed”. However, increases in unemployment duration do not add JSCI points for people who have already been unemployed for 24 months, and would not affect Stream 3 clients since they can only be upstreamed on the basis of a JCA, although the Stream 4 caseload figures suggest that in the first months of JSA (in 2009) reclassifications were made on the basis of existing evidence without conducting a new JCA.

Overall, 34% of SSRs resulted in a change to a higher stream, and 66% in entry to the WEPH (SEEWRLC, 2011). The 2011 budget included an announcement that, from July 2012, SSRs would be abolished, so that entry to the WEPH is automatic for clients who have been in Stream Services for 12 months (or 18 months in Stream 4).

### *Work Experience Phase*

In the WEPH, jobseekers aged 18 to 49 are generally required to participate in a Work Experience Activity for 26 weeks every 12 months. For those with a full-time participation requirement, aged 21-39, the total requirement is for 100 hours of part-time study, 130 hours of part-time work, 240 hours of voluntary work or Defence Force Reserves or 390 hours of participation in Work for the Dole/Green Corps. The current list of Work Experience Activities also includes UWEP, and relocation to an area with higher employment prospects followed by intensive job search activities. With the partial exception of Work for the Dole (WfD), these Activities are far from full-time (390 hours over 26 weeks is an average of 15 hours per week) (DEEWR, 2008a, Table 2.2 and text discussion; [www.deewr.gov.au/Employment/JSA/EmploymentServices/WorkExperience/Pages/overview.aspx](http://www.deewr.gov.au/Employment/JSA/EmploymentServices/WorkExperience/Pages/overview.aspx)). For Principal Carer Parents, those with partial capacity to work, and those with a full-time participation requirement aged 40-49, the participation requirement for voluntary work, Defence Force Reserves, or WfD/Green Corps is considerably lower at 150 hours. People aged 50 or more are not required to participate in a Work Experience Activity. The reduced requirements and exemptions resemble those that applied, up to 2009, during the Mutual Obligation period.<sup>10</sup> They limit the cost to providers of delivering Work Experience Activities, since about 45% of JSA clients on Newstart Allowance are aged 40 or more ([www.deewr.gov.au/lmip](http://www.deewr.gov.au/lmip)).

The number of WfD places has fallen considerably under the JSA arrangements: the stock of participants averaged about 25 000 in the last three years of Job Network (JN) from 2006 to 2009, but fell to 12 695 in April 2010 (*OECD/Eurostat LMP Database*, unpublished data; Karvelas, 2011). In March 2011, 141 380 jobseekers were engaged in a Work Experience Activity, but only 9 360 were of them were in WfD (SEEWRLC, 2011). Among all Work Experience Activity placements for the period July 2009 to August 2010 (which may not entirely representative of later experience), about 40% were into education and training, 30% into voluntary or part-time work, 15% into group-based activities (WfD and similar) and 15% into other programmes (usually non-vocational programmes in Stream 4) (SSCEEWR, 2011a).

During the WEPH, providers must have minimum bi-monthly (once every two months) contacts with jobseekers, and must continue to support job-search activities.

### **Provider fees and the Employment Pathway Fund**

In the JSA model providers are paid three types of fees: *i*) service fees; *ii*) placement fees; and *iii*) outcome fees. In addition, they receive credits to their EPF. The first three types of fee become the provider's own funds, whereas the EPF can only be used to fund services, with expenses being reimbursed up to the level of available credits. Any unused credits at the end of the contract period cannot be carried forward unless the contract itself is "rolled-over".

#### ***Service fees***

Service fees are paid every quarter in respect of the expected costs of providing services such as interview contacts. Except in remote service areas, the Stream 1 service fee is AUD 63 for the first 13 weeks, then AUD 528 for the second 13 weeks when the skills assessment and EPP update by the provider are carried out and clients participate in Intensive Activities, and then reverts to AUD 94 and AUD 96 respectively for the third and fourth 13 weeks. For other streams, the payments are more evenly distributed across four quarters. Service fees in the WEPH are AUD 456 for the first 13 weeks, AUD 66 for the second 13 weeks, then AUD 133 and AUD 67 for the third and fourth 13 weeks. The annual total is AUD 781 for Stream 1, AUD 885 for Stream 2, AUD 1 120 for Stream 3, AUD 1 919 for the first year in Stream 4, but it falls to AUD 722 in the WEPH (as shown in Table 2.2). However, only half as many interview contacts with the client are required over the year, and Work Experience Activities are in principle mainly funded through the EPF, not service fees.

#### ***Placement fees***

The standard placement payment relates to cases where an eligible participant (generally a person on a benefit) completes a minimum of 50 hours of paid work within ten consecutive working days, *i.e.* two weeks in a job with fairly near to full-time hours. Work of between 15 and 49 hours within ten consecutive working days attracts a lower payment, which in Stream 1 is only paid for clients with partial work capacity.

In Stream 1, no placement fee is paid in the first three months and then after completion of the skills assessment it is AUD 440. The placement fee is AUD 550 in Streams 2 to 4 and the WEPH.

### ***Outcome fees***

A “full outcome” refers in standard cases to 13 weeks in employment, an apprenticeship or traineeship that generates sufficient income to reduce the payment of Newstart Allowance or Youth Allowance (other) to zero; or, in cases of individuals with only part-time work requirements (those with caring responsibilities or partial work capacity), work for 15 hours per week or at least their assessed work capacity. A second full outcome fee can be claimed after a further 13 weeks of employment, so that the total fee for 26 weeks of employment is twice the amount of the full outcome fees discussed below.

Under the 2009-12 JSA model,<sup>11</sup> a provider brokered full outcome fee for a client with unemployment duration of less than 12 months is AUD 1 008 for Stream 2 clients and AUD 1 750 for Stream 3 and Stream 4 clients, but the overall schedule is complex:

- In the case of Stream 1 clients, no outcome fee is paid before the WEPH, and then the provider brokered full outcome fee is AUD 854;
- For Streams 3 and 4, the full outcome fee increases with the duration of unemployment, from AUD 1 750 for clients unemployed for less than 12 months to AUD 2 500 for clients unemployed for 12 to 60 months and AUD 3 300 for clients unemployed for more than 60 months (there are also smaller increases for Stream 2 clients);
- “Provider brokered” outcomes are those where the provider first screened, matched, referred and placed the fully eligible participant in a job vacancy, or unpaid work experience which subsequently led to employment, or an education or training-related activity recorded in the Employment Pathway Plan. In other cases (*e.g.* when the client found a job themselves), the placement in employment, education or training is described as “provider assisted”, and the outcome fee is about AUD 350 lower;
- A 20% bonus is paid for outcomes where the job follows on the completion of training directly related to the job.

Lower “pathway outcome” fees are paid for employment which generates sufficient income to reduce the unemployment benefit payment by at least 60%, and for an apprenticeship or traineeship with reduced hours, and also when a worker transfers to a Youth Allowance (Student) or Austudy payment (which are at lower rates) and completes one semester of a qualifying course. A second pathway outcome cannot be claimed for student outcomes.

The provider must obtain confirmation (until recently, written) from the employer that he/she is employing the client at the 13-week point and again at the 26-week point to claim both outcome fees. In the case of a full outcome, DEEWR systems should usually show that the client is off income support, and one suggestion for simplification is to waive the requirement for a second employer confirmation at the 26-week point.

### ***Employment Pathway Fund***

The EPF is a resource that providers can use to purchase services that help to tackle client barriers, but not to fund basic operations and overheads. Any unspent funds cannot be retained as profit by providers, but they can be accumulated within EPF for later use, with the end of the provider’s JSA contract as the only limit. Although allocations to the EPF are made based on client characteristics and milestones, the money can be used flexibly to provide whichever services the employment agency thinks will enhance employability of any of their registered jobseekers. Providers can also transfer funds

between their sub-offices within the same Employment Services Area (ESA) or, with DEEWR approval, between offices in different ESAs. Agencies have to retain receipts for all purchases under the scheme.

Providers receive a credit to their EPF when a client enters a stream (after 13 weeks of unemployment, in the case of Stream 1) or the WEPH. The credit is AUD 11 for Stream 1, AUD 550 for Stream 2, and AUD 1 100 for Streams 3 and 4 with an additional AUD 550 for clients who are extended for a further six months in Stream 4, and AUD 500 upon entry to the WEPH.

Under the 2009-12 JSA model, payments of the service fee continue for the duration of participation in the WEPH, but a credit to the EPF is made only at first entry to the WEPH even though clients must undertake an approved activity for six months each year. In the Employment Services Contract 3 (ESC3) period many providers took longer than expected to spend their Job Seeker Account (JSKA, equivalent to the current EPF), leading to concerns about underspending. In the current contract, some providers cite the need to hold funds back for future use as a reason for spending only a limited proportion of the EPF. ACOSS (2011) considered that “the major weakness of the new system is that after 12 months of unemployment, most people will be offered a very low level of assistance because the Work Experience Phase of the new system is seriously under-resourced”, a view shared across the industry. DEEWR should in principle enforce the requirement on providers to deliver up to 390 hours of WfD activity for clients in their second year of the WEPH,<sup>12</sup> although in practice requirements are often met though training or other measures involving fewer hours.

The May 2011 budget announced the introduction from July 2012 of a requirement for clients to undertake Work Experience Activities for 11 months in the second year of the WEPH, with a credit of AUD 1 000 allocated to the provider’s EPF (DEEWR, 2008a; Australian Government, 2011). However there is still no funding for clients’ third and later years in the WEPH, which will often arise since many JSA contracts are being extended to cover the six years 2009 to 2015.

Some examples of the current EPF-allowable expenditure items and reporting requirements are:<sup>13</sup>

- For purchases of less AUD 300 (e.g. a batch of bus tickets to be given to clients), only an invoice/receipt is required; for larger amounts, substantiation as to how the purchase addresses barriers is required (DEEWR, 2011b);
- Allowable expenditures include job-search travel assistance, work clothing, uniforms and safety equipment, wage subsidies, drug and alcohol counselling, driving lessons, basic haircuts, mobile phone if the jobseeker has no other phone, employee-specific on-the-job training, work experience and training (SEEWRRRC, 2009);
- A wage subsidy should normally be less than 100% of the wage, although in exceptional circumstances 100% can be paid with the agreement of the provider’s DEEWR contract manager, and should typically be progressively reduced over its duration, which can be up to 26 weeks;
- Training funded through the EPF must be work-oriented;
- The EPF can be used for “reverse marketing” – which is a common provider activity (see below) – “where a vacancy does not exist”;



- The EPF can be used for post-placement support and mentoring to address issues which are likely to impact on the jobseeker’s ability to continue the job, but not to verify employment for the purposes of claiming an outcome fee;
- In the case of Stream 4 clients but not others, the EPF can be used to pay for rent (for up to four weeks; not for board with a family member), crisis accommodation, or other basic needs (Communicare Inc., 2011).

Through to end August 2010, about 36% of EPF expenditure was on Training and associated items, 19% on Self Employment and Wage Subsidy, 13% on Job Seeker Support Contact and Mentoring, 9% on Professional Services including Interpreters and 7% on each of Work Experience Group Activities and Equipment Tools and Clothing, and 9% on other categories.<sup>14</sup> DEEWR (2011a) lists different categories, reporting that the largest EPF categories in terms of the count of purchases through to January 2010 were Training (44%), Reverse Marketing (11%) and Wage Subsidy (8%), whereas for the ESC3 period as a whole 30% of the count of purchases were for Wage Subsidy. In the ESC3 period up to 2006, 29% of expenditure from the JSKA was on wage subsidies and 24% on training (ANAO, 2007).

The rationale for the introduction of the JSKA in 2003 was (DEEWR, 2007):

... as earlier research on Job Network has noted, there was a potential risk that providers would spend funds mainly on job seekers with better prospects of successful outcomes and would not adequately assist the more disadvantaged job seekers... The JSKA addressed this problem by providing Job Network members with funds which can only be used to purchase goods and services to assist job seekers into employment.

However, providers are not constrained as regards which jobseekers they should assist, and they continued to believe that the most disadvantaged clients were “too far from work” to benefit from JSKA expenditure (DEEWR, 2007). In practice, the key feature of the JSKA/EPF is that it is “quarantined”. This has several consequences:

- Expenditure from the JSKA/EPF has to be itemised on DEEWR’s IT system. This is a major cause of “red tape”.<sup>15</sup> DEEWR contract managers may rule that a particular expenditure item was not allowable. Providers can pay themselves from the EPF – for example, a JSA provider may purchase drug counseling for a client from its own professional services arm. However, providers must keep detailed documentation in the form of time sheets, log sheets, file notes, etc. of reverse marketing services (or other in-house professional services) to justify charging them to the EPF at hourly rates (ANAO, 2007; DEEWR, 2011b).
- The itemisation of EPF expenditure enhances DEEWR’s management information. Before 2003, jobseeker surveys were used as sources of information about providers’ expenditure patterns.
- The EPF reduces the “shadow price” of EPF-allowable items, with the result that providers are financed, albeit in a flexible way, partly in terms of certain input prices as well as outputs. For a provider who expects to have an unspent final balance in the EPF at the end of the contract period, the only cost of expenditure on EPF-allowable items is the cost of administration. Currently, providers’ shadow price for EPF-allowable items appears to be above zero but below the price of using their own funds.<sup>16</sup> Lowering the shadow price of “inputs” as perceived by the provider may be justified because outcome fees are below the full social value of an employment outcome,<sup>17</sup> and because inputs such as training result in long-term outcomes that may not be credited to the current provider.

- Excess profits are prevented. If the equivalent of the EPF were paid directly to providers, some providers might keep most of the funds as profit – even if this means they will have to close down at the end of the contract period, due to poor Star Ratings.

## The Job Seeker Classification Instrument, Job Capacity Assessment and Star Rating system

### *The Job Seeker Classification Instrument*

As documented at [www.deewr.gov.au/Employment/JSCI/Pages/JSCI.aspx](http://www.deewr.gov.au/Employment/JSCI/Pages/JSCI.aspx), the Job Seeker Classification Instrument (JSCI) is a points-based system for assessing jobseeker disadvantage used to allocate jobseekers to JSA streams (Stream 2 for 20 to 28 JSCI points, Stream 3 for 29 or more JSCI points). Individual factors within the JSCI score also act as triggers for referral to a JCA/ESAt or an additional service (the Language, Literacy and Numeracy Program, the Adult Migrant English Program, the early school leavers measure, or a Centrelink Social Worker).

Table 3.1 lists the 18 factors in the JSCI along with the source of information used for them. For a non-Indigenous jobseeker, the factors with the greatest weights are age and gender, with a score of 16 points for being a female aged 60 years and over; recency of work experience and jobseeker history, giving together 16 points for a person who has been unemployed on income support for at least 24 months, plus an additional point for a person with more than one spell and for a person who has recently received a crisis payment; disability/medical condition, up to 10 points; ESA location (state of the local economy) up to 7 points, and psychological/behavioural/personal circumstances, up to 7 points. The above variables are all scored mainly on the basis of routine Centrelink information or home address, administrative records, or a JCA/ESAt report (for high points on medical and other personal factors). Items scored directly from jobseeker answers to the JSCI questionnaire generate fewer points: up to 4 or 5 for homelessness, living circumstances (e.g. lone parent) and ex-offender status, and a maximum of 1 or 2 points for educational attainment and vocational qualifications, English proficiency, access to transport and phone contactability.

The JSCI was reviewed in 2009 (DEEWR, 2009c). Among the changes were:

- The addition of the Job Seeker History variable based on administrative records of registration and receipt of income support, and reintroduction of the Proximity to a Labour Market and Access to Transport factors (which had been present in early versions of the JSCI but were dropped for simplicity during the ESC3 period);
- Refined wording of questions and response categories, based on feedback from stakeholders and cognitive testing;
- Econometric analysis, which attributed weights to new factors and response categories and resulted in some changes in the weights on existing response categories.

The dependent variable used in the econometric analysis was the probability of remaining on income support for the following 12 months, for the complete sample of jobseekers registered in July 2007 (about 900 000).

A potential limitation when the JSCI is used to manage referrals to Stream Services is that the predicted probability of remaining unemployed may correlate only loosely with ability to benefit from a particular type of and/or intensity of assistance. The flexibility in the JSA model, allowing providers to assess needs and adapt interventions on an

Table 3.1. Jobseeker classification instrument factors and methods of scoring

Factor	Examples	Maximum points	Information source	Notes
Age and gender	Disadvantaged 15-19 years female; male 60 years and over	16	Routine information provided to Centrelink	Disadvantaged distinction introduced in 2009, applies only to teenagers
Recency of work experience	Main activity in last two years was parttime work	4	Jobseeker answers	
Jobseeker history	12-23 months on income support; 24 months and over on income support; more than one time on income support	14	Jobseeker's registration and benefit payment records.	Added in 2009, includes recent crisis payment
Educational attainment	Year 10/11	2	Jobseeker answers	
Vocational qualifications	No or not useful vocational qualifications	1	Jobseeker answers	
English proficiency	Good/mixed/poor English proficiency	2	Jobseeker answers	
Country of birth	Western Europe, Middle East, Central Africa	3	Routine information or jobseeker answers	
Indigenous status	Aboriginal and Torres Strait Islander, Declined to answer	5	Jobseeker answers	
Indigenous location	Points for particular ESA locations	12	Home address (ESA level)	Scoring of all ESAs by disadvantage level added 2009
Geographic	Points for ESA locations, based on the state of the local economy	7	Home address (ESA level)	
Proximity to a labour market	Metropolitan or inner regional	2	Home address (postcode level)	Reintroduced 2009
Access to transport	Own transport/public transport/no transport	2	Jobseeker answers	Reintroduced 2009
Phone contactability	Not contactable by telephone	2	Routine information	
Disability/Medical conditions	Hours per week work capacity; number of conditions; number of support needs	10	Jobseeker answers, supplemented where relevant by JCA report	
Stability of residence	Primary/secondary homeless	5	Jobseeker answers	
Living circumstances	Refers to lives alone/lone parent/with children	4	Jobseeker answers	
Ex-offender status	Sentenced for more than a fortnight	4	Jobseeker answers	
Personal characteristics	Other personal (own psychological/behavioural issues or domestic situation)	7	Jobseeker answers, supplemented where relevant by JCA report	

ESA: Employment service area.

JCA: Job Capacity Assessment (from 2010, Employment Service Assessment).

Source: DEEWR (2009), "Technical Description of the JSCI"; and DEEWR (2009), "Review of the Job Seeker Classification Instrument".

individualised basis, mitigates this potential problem, although it cannot entirely compensate for an allocation to the wrong point in the fee structure.<sup>18</sup>

In the JSA model, providers have a strong incentive to move jobseekers into a higher stream if possible, since this increases service fees, postpones the provider's obligation to deliver Work Experience Activities, and increases the outcome fee payable for any given outcome. Providers can readminister the full set of JSCI questions themselves and change a client's points for some items on IT system. They can also refer clients for a JCA.<sup>19</sup> Centrelink and DEEWR are able to monitor the frequency and outcomes of referrals for a JCA and the revisions of JSCI points implemented directly by providers, so that systematic "gaming" in terms of attributing high scores is likely to be detected.<sup>20</sup>

Providers frequently complain that Centrelink does not implement the JSCI adequately (the JSCI questionnaire should preferably be addressed in a face-to-face interview, but Centrelink sometimes does it by phone). DEEWR's Quality Assurance studies have consistently found that over 90% of the JSCIs completed are accurate in terms of recording jobseeker responses, irrespective of whether the JSCI is conducted by phone or as a face-to-face interview.<sup>21</sup> However, jobseekers' initial responses may be inaccurate. By some accounts, jobseekers with significant barriers – such as literacy/numeracy, homelessness, etc. – often do not "disclose" them in the initial JSCI interview, and subsequently provider interviews and their placement efforts "reveal" the barriers. Another issue is that 10% inaccuracy rates for newly-registering jobseekers may arise even when inaccuracy rates for the most-disadvantaged jobseekers are considerably higher.

Specialist providers surveyed by Flentje *et al.* (2010) most often reported that they had to get between 25% and 50% of their jobseekers reclassified. These high rates may arise because their intake processes take into account (more than the intake processes of non-specialist providers do) barriers that are not recorded on DEEWR systems. Further problems include:

- Although the JSCI includes 18 factors, the employability of individuals with a given JSCI score can still vary widely, for example because the same JSCI score is given for different levels of disability and factors such as motivation are not included.<sup>22</sup> Over time, clients with less-severe barriers leave unemployment so that a JSA provider's remaining stock of clients is on average more disadvantaged than indicated by JSCI scores.
- Providers query certain features of the JSCI. Mission Australia (2011) recommends that the JSCI categories should take into account the time since the person last worked, which can be different from the time unemployed. Almost one-third of its jobseekers initially assessed as Stream 1 by the JSCI had not worked for more than five years, or had never worked.<sup>23</sup>
- When a jobseeker is upgraded to Stream 4 following the outcome of a JCA, other actors (the JCA provider or Centrelink) may fail to adjust the relevant JSCI points, since they have no operational relevance. However, the jobseeker characteristics recorded on DEEWR systems are still used as inputs to the estimation of the provider's Star Rating.

DEEWR (2011a, Figure 11) shows the frequency distribution of JSCI scores for each of the JSA streams from July 2009 to January 2010. The distributions for Streams 1, 2 and 3 are distinct as expected (the Stream 1 frequency drops and Stream 2 cuts in at 20 points; the Stream 2 frequency drops and Stream 3 cuts in at 29 points), although a few percent of the JSCI scores in these streams are anomalous. The clients who were granted immediate

access to Stream 2 as a crisis measure<sup>24</sup> had a JSCI profile similar to Stream 1. About 20% of Stream 4 clients have a JSCI score below 20, corresponding to Stream 1. This reflects allocation to Stream 4 on the basis of a JCA independently of the JSCI score – and it helps to explain why some providers refer a large proportion of their Stream 1 clients for a JCA/ESAt.

### ***The Job Capacity Assessment***

The JCA, introduced in July 2006, was used for a variety of purposes, primarily: to evaluate JSCI-identified barriers to work (33%), to evaluate the need for exemptions from Newstart and Youth Allowance (other) participation requirements (22%), and to evaluate Disability Support Pension (DSP) claims or reviews (26%). In 2006/07 about 450 000 referrals to a JCA were made and 375 000 JCAs were conducted. The JCAs resulted in referral of the client to JN in nearly 40% of cases, vocational rehabilitation or other disability employment services in nearly 40% of cases and the PSP in 20% of cases (Commonwealth Ombudsman, 2008). In 2008/09 over 50% of JCAs were carried out by Centrelink, nearly 30% by two other public-sector organisations CRS Australia and Health Services Australia (HSA Group), and the remainder by 15 non-government providers. The primary health professional was an accredited or registered exercise physiologist, rehabilitation counsellor, occupational therapist, physiotherapist, or psychologist in over 50% of cases, and was a social worker or “other” (which could include non-registered psychologists) in 33% of cases (Jackson, 2009).

Due to the high and rapidly-increasing number of JCAs conducted (from 375 000 in 2006/07 to 480 000 in 2008/09 and about 550 000<sup>25</sup> in 2009/10), as well as high and increasing unit cost (about AUD 250 in 2006/07 and AUD 330 in 2009/10),<sup>26</sup> the total cost of JCAs nearly doubled from AUD 94 million in 2006/07 to AUD 186 million in 2009/10. This exceeds the cost of a large active labour market programme<sup>27</sup> and is 8% to 9% of the total cost of the Public Employment Service and Administration function (including JSA, benefit administration, and labour market programme management) as recorded the *OECD/Eurostat Labour Market Programme Database* (see Annex 5.A1). Less than a third of the JCAs conducted in 2008/09 were used directly to assess new claims for Disability Support Pension or review entitlement for an existing claim.<sup>28</sup> In other OECD countries, often the public placement service employs medical staff to assess jobseeker capacity to work and which work is suitable, but this is probably a relatively much smaller expenditure item.

The DHS (2008) review of the JCA concluded that it was performing well in terms of Key Performance Indicators, quality and effectiveness: the government announced an increase in fees and strengthened quality assurance with a strong focus on ensuring comprehensive, fully-evidenced assessments. However by November 2009 another Strategic Review had been conducted (Jackson, 2009) and subsequently it was announced that from July 2010 Centrelink staff would decide on exemptions from participation requirements, and from July 2011 a revised assessment called the Employment Services Assessment (ESAt) would be implemented by health professionals within Centrelink for jobseekers, with JCAs used only to assess Disability Support Pension applications (Thomas, 2010). This Strategic Review, undertaken by the Finance department, was expected to generate savings of AUD 383 million over four years (Saunders, 2011). The implementation of this measure was subsequently brought forward with expected savings of AUD 623 million over five years, due primarily to an expected increase in the number of DSP claimants who receive the less-costly Newstart Allowance (Daniels *et al.*, 2011).

One motivation for the reform of the JCA was that employment-related referrals to a JCA raised jobseeker awareness of the DSP payment and this “is considered to partly explain the fact that, notwithstanding the tightening of eligibility for DSP since 2006, the numbers on DSP have continued to rise” (Jackson, 2009). Nearly 24% of jobseeker clients who had a JCA underwent two or more JCAs, and 36% of multiple JCAs were for clients who had applied for DSP after they had already had one or more JCAs. This implies that in 2008/09 about a quarter of all JCAs for a first claim of DSP had been preceded by a JCA for employment-service (JSCI or exemption-related) reasons.<sup>29</sup> The ESAt may reduce this tendency because it is conducted by Centrelink staff on Centrelink premises. There are two types of ESAt, the Medical Condition ESAt, which must rely on the available medical evidence to inform decisions regarding income support payments and to determine the level of participation required for activity-tested jobseekers, and Non-Medical Condition ESAt which focuses on determining the most appropriate service where no medical condition is identified – for example, a young person at serious risk of homelessness ([www.deewr.gov.au/Employment/Programs/Pages/ESAt.aspx](http://www.deewr.gov.au/Employment/Programs/Pages/ESAt.aspx), accessed 2 March 2012).

The abolition of Stream Services Reviews (see above) is likely to reduce the volume of referrals to JCAs/ESAts. Since assessments may result in an increase in the client’s JSCI score or transfer to a higher stream at no direct cost, providers still have an incentive to refer a high proportion of their clients. NESAs (2012) claimed that providers’ ability to trigger an ESAt had recently been removed; according to ALRC (2011), for jobseekers in Streams 1 to 3 providers can submit a “request for ESAt” form for DEEWR approval.

### ***Star Ratings***

The Star Ratings system is based on regressions similar in character to those used to estimate weights for the JSCI. However, for Star Ratings many separate regressions are conducted using different provider outcomes as the dependent variable. Most of the provider outcomes used correspond to the payment of a fee (e.g. “13 week pathway outcomes”) but some do not (e.g. “Time to Paid Placement”) (see Table 3.2). The main steps involved are:

- Using individual-level data, the outcome variable (e.g. “paid or not paid a 13 week pathway outcome”) is regressed on jobseeker characteristics<sup>30</sup> and local labour market conditions;<sup>31</sup>
- The performance measure is then the ratio of actual outcomes to outcomes predicted by the estimated equation. Performance at site level and at contract (ESA) level is a weighted average across all streams, using the weights in Table 3.2; and
- Star Ratings are based on the weighted average ratio of actual to predicted outcomes: five stars if performance is 40% or more above the average, three stars if performance is in the range of plus or minus 20%, and one star if performance is 50% or more below the average.

The Star Ratings system was reviewed by an expert reference group in 2008/09. As a result of this review, the composition of the explanatory variables in the regression analysis was modified, the system basing the ratings on fixed thresholds (40% above average, 50% below average, etc.) was introduced,<sup>32</sup> and “half star” rankings were removed so that there are now five possible rankings instead of nine.

Table 3.2. **Weightings used for JSA Star Ratings**

Percentages

	Stream 1 (overall weighting of 10%)	Stream 2 (overall weighting of 20%)	Stream 3 (overall weighting of 30%)	Stream 4 (overall weighting of 40%)
<b>KPI 1 efficiency</b>				
Time to paid placement <sup>a</sup>	12	–	–	–
Time to jobseeker being off benefit	6	–	–	–
Time to 13-week full outcome <sup>b</sup>	–	7	5	2
<b>KPI 2 effectiveness</b>				
Paid placements <sup>a</sup>	28	10	10	10
Jobseeker off benefit – non-payable placements	14	–	–	–
13-week full outcomes <sup>b</sup>	10	23	25	19
13-week pathway outcomes <sup>c</sup>	5	10	10	9
26-week full outcomes <sup>b</sup>	10	30	30	21
26-week pathway outcomes <sup>c</sup>	5	10	10	9
13-week bonus outcomes <sup>d</sup>	10	10	10	10
Social outcomes <sup>e</sup>	–	–	–	20
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

– Zero.

- a. Placements refer to employment that is sustained for at least 50 hours.
- b. Full outcomes refer to employment outcomes sufficient to remove entitlements to income support, or participation in an educational programme.
- c. Pathway outcomes refer to part-time employment or participation in a less substantial educational programme.
- d. Bonus outcomes refer to placement in apprenticeships in occupational areas of skill shortage, employment outcomes attained within 12 months of completion of a qualifying training programme, and Indigenous outcomes.
- e. Social outcomes refer to participation in six months additional assistance in Stream 4 (15%) and the completion of a Work Experience Activity in Stream 4 (5%).

*Source:* Adapted from DEEWR (2008), “Request for Tender for Employment Services 2009-12”, available at [www.deewr.gov.au/Employment/EmploymentServicesProcurement/esc2009\\_12/Pages/home.aspx](http://www.deewr.gov.au/Employment/EmploymentServicesProcurement/esc2009_12/Pages/home.aspx).

Nearly 2 300 JSA sites across Australia have an overall Star Rating. Star Ratings at regional (ESA) level are also made available to providers, but not published (DEEWR, 2009a). The ratings probably identify good and bad performance, at the level of the 100 or more individual sites run by a large provider, more accurately at lower cost and with greater authority than provider management could do itself. The high level of detail gives DEEWR and the provider insight into performance that would be missed if performance were only assessed at provider level.

At the level of an individual stream, in June 2011 after two years of JSA operation still about 30% of ratings were not published because the numbers involved were too small to be significant. Performance results, starting with those for the period to June 2010, are published on the DEEWR website every three months.<sup>33</sup> However, results are based on outcomes over the entire contract period since 1 July 2009 when JSA began operations, and provide little information about performance over the last three or six months: a three-star performance level of +19% in June 2011 is unlikely to fall below -19% over the following six months, even if the site achieves no more outcomes.

Changes in the Star Rating framework as compared to the JN framework described in ANAO (2005, Table 7.2) include:

- Greater complexity, with 36 weights in Table 3.2 – taking into account the stream-level overall weightings and the two components of the Stream 4 social outcome weight – determining the overall Star Rating (previously only seven weights);
- Higher weighting on outcomes attained by the most disadvantaged jobseekers: 40% for those in Stream 4, compared with 10% for those in Stream 1 (previously, outcomes achieved after one year of unemployment or three years had the same weight);
- Higher weighting on 26-week outcomes as compared with 13-week outcomes (previously, 40% on 13-week outcomes, and 20% on 26-week outcomes);
- 10% weight on “bonus outcomes” which include training/apprenticeship outcomes (previously, there was a 10% weight on the disadvantaged jobseeker share in the 13-week outcomes);
- A weight on “social outcomes” for jobseekers who complete Stream 4 assistance (previously, “social outcomes” were paid for completion of two years in the PSP: Perkins, 2007).<sup>34</sup>

As mentioned in Chapter 2, the government announced some time ahead that most JSA providers in non-remote areas would have their current contracts renewed from July 2012, but the business of providers performing below average, *i.e.* with Star Ratings 1 and 2, would be offered to high-performing providers or put up for a new tender (see also DEEWR, 2011d).

### ***DEEWR contract management and the quality performance indicator***

DEEWR contract managers, working within a regional and national management structure, are each responsible for a number of sites. Their activities when visiting sites could include sampling EPPs; sampling documentation for, and discussing the nature of, expenditure from the EPF; checking how the site manager responds to a complaint transmitted through DEEWR’s customer contact number; and evaluating performance for different factors in the Key Performance Indicator 3 (KPI3) for “quality”. While the contacts are partly about supervision and evaluation, the KPI3 Factor 1, Organisational Health, is also described as a discussion and continuous improvement process that provides advice about good governance (see Chapter 2).

## **Incentive implications of the JSA funding model**

### ***Main model***

The JSA model changed provider incentives in several ways:

- The reward for achieving a short-term or 13-week placement during the first year of unemployment is (in the case of jobseekers referred to Stream 1) zero in the first three months of unemployment, and much lower than it was under JN for the next nine months. Even the relatively low (10%) weight on Stream 1 outcomes in the Star Rating system relates partly to outcomes that can only arise for the long-term unemployed in the WEPH. The recent experiences of Denmark and New Zealand, two other countries that greatly reduced their unemployment benefit caseload in



the 2000s, but also shifted the policy focus away from mainstream employment services for the regular unemployed and towards the hard-to-place, suggest this strategy can be risky because unemployment benefit claims more than doubled in 2009 and 2010.<sup>35</sup> Payments for Stream 1 performance could be linked to providers' impacts on short-term outcomes (which are already being measured by the Star Ratings, see Table 3.2) rather than gross placements. This might pay for itself, in terms of reductions in benefit expenditure.<sup>36</sup>

- The fee for achieving a 26-week employment outcome for the client group that previously was referred to PSP<sup>37</sup> (assuming that this client group is in JSA Stream 3 or 4 with an unemployment duration of more than 12 months) is several times higher than previously. For the client group of very-long-term unemployed, the fee was already high (*cf.* Davidson and Whiteford, 2012, Table 9), but the weight in Star Rating was not.
- The funding of WfD activities through the EPF does not support the previous volume and unit cost of this programme. Before 2009, referrals to WfD were made by Centrelink as part of its processes for implementing Mutual Obligation: neither Centrelink nor the JN provider had a clear incentive to take the cost of referrals into account, and the WfD provider was not involved in maximizing subsequent employment outcomes.
- JSA partly replaces fee differentiation by duration of participation in employment services with fee differentiation by stream, which is determined at the point of entry to unemployment. The previous incentive to delay placements until a client attracts a higher outcome fee has been reduced.<sup>38</sup> Another consideration may be that restrictions on access to inactive benefits have increased inflows of people who are short-term unemployed according to administrative records but need relatively intensive assistance. However, fee differentiation by stream creates an incentive for providers to coach clients into disclosing barriers or refer them for further external assessments that may increase the client's JSCI score and take them into a higher stream.
- Providers have a strong incentive to achieve a placement early in the WEPH, since then they can retain a large service fee and payment into the EPF without the cost of delivering Work Experience Activities in future years.

### ***Training***

Several features of JSA promote training and study outcomes:

- Early school leavers (ESLs, jobseekers who have not completed year 12) cannot be given job-search requirements and are required to participate in full-time study or training, or part-time study or training in combination with other approved activities (or other approved activities only if waiting for a study or training place). A full outcome is paid when an ESL or an Indigenous Australian participates in part-time employment which reduces but does not cancel their unemployment benefit payment, but is combined with part-time education (DEEWR, 2008a; 2009d).
- For providers, directing jobseekers to part-time study or reasonably cheap training avoids the need to provide more costly forms of Work Experience Activity. Training may be relatively cheap primarily because *i)* as discussed elsewhere, WfD projects require full-time supervision and the traditional type of off-site project is now regarded as relatively expensive; *ii)* fewer total hours of Work Experience

Activity are required in the case of accredited training,<sup>39</sup> and *iii*) jobseekers can participate in externally-funded training.<sup>40</sup>

- A 20% bonus is added to an outcome fee paid after the completion of relevant vocational training, and the Star Rating system gives some weight to this type of training outcome and to placements into apprenticeships.
- Placements into an apprenticeships and traineeships count as a full outcome. Placements into eligible education attract a lower pathway outcome fee.<sup>41</sup>

JSA providers recorded many jobseeker completions of training through the Productivity Places Program (PPP) following on commencements in 2008 when PPP was federally-managed, but fewer completions since then (see Chapter 5 for further discussion of PPP statistics).

## Providers' operational strategies and operating environment<sup>42</sup>

### *Office and staff structure*

Provider offices (which are individual sites, in the Star Rating system) can be small – with for example a reception desk, waiting area and one or two client interview desks, and a separate waiting room and back office, two staff and a part-time manager. But in urban areas some can be relatively large, with a row of desks, a training room, multiple computer terminals and several other meeting rooms and ten or more staff on the premises. Offices may be co-located with a training centre, New Enterprise Incentive Scheme (NEIS) provider and various other employment-related services that are part of the same – or a different – organisation.

Larger offices may employ a receptionist, or have junior counselling staff playing this role. Counsellors can represent up to 80% of staff at an office. Larger offices tend to have one “reverse marketer” for every five or six counsellors, whose role is to find undeclared job vacancies in the local economy or, more often, persuade an employer to create a vacancy suitable for a particular jobseeker client.<sup>43</sup> This structure may be favoured because it allows *de facto* funding of a regular staff position through the EPF rather than the provider's own funds.

### *Operational strategies*

Counsellors implement the minimum schedule of monthly or two-monthly interviews with clients as specified in the JSA contract, revising the individual's Employment Pathway Plan (EPP) and “casenoting” the interview on the IT system. Most providers will do something beyond the minimum, for example:

- administer an in-house questionnaire that is more detailed than the JSCI to determine detailed client needs and aspirations;
- refer the client to provider-designed group induction and job-search training sessions;
- get clients to agree (include in their EPP) to relatively frequent job search, or attendance twice a week for search using the provider's resource room;
- schedule interviews fortnightly (*i.e.* more frequently than the contractual minimum) since maximising contact with clients contributes to outcomes, and allows the contractual minimum of contact to be attained despite client failure to attend.

Disney *et al.* (2010, Table A3) report that JN in 2008/09 and JSA in 2009/10 scheduled 6.7 million and 8.95 million appointments respectively. This was around 10.5 times the average stock of JN/JSA clients in 2008/9 and 12.3 times in 2009/10.<sup>44</sup> However, the number of appointments actually attended in 2009/10 averaged about 7.1 per person in the registered JSA caseload. Because approaching 40% of the JSA caseload is voluntary, exempt or suspended (see below), these statistics would be roughly consistent with an average of about one appointment attended per month by active jobseekers with a participation requirement, and one appointment attended every four months by people in the voluntary, exempt and suspended JSA caseload, with little evidence that providers achieve much above the required minimum level of contacts.

Some providers decided from the outset of the JSA contract to devote minimal resources to the Stream 1 client group (in the first year of unemployment), due to the low placement fees and low (10%) weight given to Stream 1 performance in the Star Ratings.

Counsellors use the EPF for Stream 2 to Stream 4 clients to overcome minor barriers to employment – for example, to buy work boots or finance a two-day safety training certificate for a construction worker. They may compete in terms of wage subsidy offers to place their client with an employer who has a suitable job vacancy,<sup>45</sup> but they usually have to get the employer to sign a commitment to continuing employment. In some cases a counsellor might wait until a client has finished training or his/her personal circumstances have stabilised, and then refer him/her to the reverse marketer to identify a possible vacancy. During the first 26 weeks after placement, the counsellor may call the client or the employer occasionally to check whether the placement is continuing satisfactorily.

Provider strategies for creating Work Experience Activities are varied. Providers regard EPF funding as too low to support the implementation of WfD projects with a full-time supervisor off the provider's site according to the former model (*e.g.* restoring park facilities, or documenting local history). However, some providers still implement building projects or similar work experience. Providers may also set up collective activities on their own premises, or co-operate with a training provider to create low-cost training. They consider that hardly any publicly-financed training is suitable for their WEPH clients.

Counsellors and office managers have clear views on the employability of their caseloads – for example, they may regard only a quarter of their Stream 2 and 3 caseload as immediately employable, or consider that a quarter of their Stream 4 caseload will never be employable – but are ambiguous about the impact of employment services. Some staff say many people are not employable and services will make no difference to this, but managers may well claim that they are achieving significantly higher outcomes for disadvantaged clients than in the past.

### ***Provider caseloads, exemptions and suspensions***

Jobs Australia (2011) states that the JSA contract has undeniably resulted, in number of cases, in too many providers servicing some ESAs, and lists ten ESAs which have four to seven providers and an average of less than 1 000 jobseekers per provider. Tenderers did not know in advance how many providers DEEWR would offer business to in a given area, and much of the increase in unemployment that was expected in early 2009, when the offers were made, did not occur. Specialist JSA providers have found the first half of the contract period particularly difficult, since not only did they have lower-than-anticipated caseloads but also referrals to them were varying combinations of jobseekers targeted by their service and general jobseekers (if not enough clients with special needs volunteer,

Centrelink refers general jobseekers to specialist providers to maintain market share), resulting in strain on their service delivery model and inefficient use of specialist expertise.

Jobseeker exemption and suspension rates are key determinants of the number of jobseekers that are active with a provider, in terms of qualifying for the payment of service fees, or the provider being able to deliver services<sup>46</sup> in order to achieve a payable outcome. Statements and statistics on this topic are confusing owing to inconsistent use of terms such as “jobseeker” (which may or may not include “exempt” and “suspended” benefit recipients) and “suspended” (which may or may not include “exempt”), and variable subcategories,<sup>47</sup> different algorithms used for extracting administrative data, and the complex structure of the JSA caseload. However, in a relatively precise use of these terms, a distinction can be made between the “exemption” or “meeting participation requirement” status of activity-tested benefit recipients as determined by Centrelink, and the “suspension” status of all people who are registered with a JSA provider.

“Exemptions” are waivers of participation requirements for a specified period of time. Reasons for exemption include (but are not limited to) temporary illness, injury or disability, caring responsibilities and a range of special circumstances including expectant mother, major personal crisis and domestic violence. There are also Centrelink clients who are not required to search for work, often for relatively long periods, because they are meeting participation requirements under Social Security Law, for example by participating in training, study, part-time work or other approved activities. The distinction between people who are “meeting participation requirements” and those who are exempted from requirements is not clear-cut: a single mother raising four children or a handicapped person working eight hours per week are exempted from the standard requirement to be available for full-time work, but are meeting requirements adapted to their personal circumstances.

“Suspension” refers to a situation where a client is registered with a JSA provider, but a service fee is not being paid and the client is not actively engaged with the provider. In the JSA contract, providers can apply suspensions from their active caseload without fully exiting the client, which was not the case in the JN contract period. Neither Centrelink nor DEEWR determine JSA suspensions in individual cases, but DEEWR may supervise providers’ general compliance with guidelines in this area through statistical monitoring and its network of contract managers. Generally clients are suspended when they:

- have been granted an exemption or are meeting participation requirements as determined by Centrelink: in these cases, an unemployment benefit may often still be payable;
- have a “provisional exit” applied (see the discussion of this status below): in this case, unemployment benefit payments would typically cease;
- are participating in JSA as volunteer, but choose not to participate for a specified period of time (JSA volunteers may be on DSP without a participation requirement, or not on any benefit).

However, periods of exemption, work, reduced work capacity, or other situations without job search as determined by Centrelink do not automatically result in suspension:

- because service fees are paid for 13-week periods, one or two fortnights without a job-search requirement as determined by Centrelink will typically not prevent the next payment of a service fee to the JSA provider;

- although a regular pattern of fortnights without a job-search requirement will usually result in suspension, some jobseekers continue active engagement with their provider on a volunteer basis even when this is not a requirement.

The service fee and the possibility of achieving a paid outcome give providers an incentive to encourage continued participation on a voluntary basis even when the job-search requirement is not applied by Centrelink. However, the Star Rating system and the limits on a provider's market share may also give providers an incentive to exit volunteers who are unlikely to achieve a paid outcome due to their frequent non-attendance.

“Provisional exits” are particular case of suspension from JSA. Providers should apply a provisional exit when a client is in employment, and they expect this employment to result in a full outcome.<sup>48</sup> On 31 May 2011, 26 167 JSA clients had a status “provisional exit: jobseeker has commenced employment or education but is yet to achieve a 13 week outcome” (SSCEEWR, 2012a).<sup>49</sup> However, some clients could be employed but not provisionally exited because the provider does not expect a full outcome to result, and some clients may volunteer to stay engaged during the provisional exit period.<sup>50</sup>

Around 20% of the JSA caseload are suspended from JSA. Disney *et al.* (2010, Table A1) report that in the fourth quarter of 2009/10 (*i.e.* the second quarter of 2010), temporarily suspended and exempt jobseekers represented 25% of total jobseekers. In March 2011 only 21.5% of all jobseekers (166 000 in a total of 774 803) were suspended, and of these 82 208 or 49% were suspended for work or study-related reasons. Of the suspended JSA caseload, about 15% have a Centrelink-applied exemption due to temporary illness or injury.<sup>51</sup> Another 15% is suspended due to a determination by a JCA/ESAt that they have a work capacity of less than 15 hours per week, either temporarily for a given period or currently and into the future (SSCEEWR, 2012a).<sup>52</sup>

As JSA providers see it, “suspended job seekers” are mainly those with individual circumstances which prevent participation in JSA such as temporary illness or injury, recently subject to domestic violence, or caring responsibilities, and generally “the reason a job seeker is suspended is the same reason that they are finding it difficult to gain employment” (Flentje *et al.*, 2010). According to Jobs Australia (2011), suspensions are particularly high among Stream 4 jobseekers, and providers are penalised by suspensions because “circumstances beyond their control prevent them from working with job seekers they are contracted to support, and from accessing others in their stead with whom they could work”. In the latter statement, provider concern appears to refer to people for whom a service fee is still being received but with poor prospects of achieving a paid outcome.

Mission Australia (2011) recommends “Remove suspended job seekers from the responsibility of JSA providers, allowing staff to concentrate on commenced and pending job seekers”. However Job Futures (2011) suggests that jobseekers participating in a complementary programme (such as the Australian Apprenticeships Access Program or National Green Jobs Corps, see Chapter 5) should be “dual serviced”, continuing contact with their JSA provider rather than being suspended, because difficulties in re-engaging clients after training discourage referrals to the training. NESA (2011) suggests that jobseekers who are temporarily exempt from job search due to medical conditions should in some cases still be required to participate in preparation for work. TSAEP (2011) also argues for a general reduction in avenues for suspension of older workers (see below).

Systematic provider contact with groups that are currently suspended from JSA would tend to need specific funding, which could perhaps be automatic for certain target groups, or flexible in the sense that contacts with suspended jobseekers are allowable activities for the EPF. NESA (2011) notes that all suspensions require monitoring to ensure that the

status of clients has not changed, and calls for the introduction of a general administration fee to cover the cost of the managing jobseekers during suspension periods (except for provisional exits, *i.e.* clients in the first months of a new job) during which service fees are not claimable.

The proportion of unemployment benefit recipients who are not jobseekers, according to Centrelink administrative data, is reported as about 50% in Labour Market and Related Payments (LMRP) Monthly Profile data (see Table 4.4 in Chapter 4, and Davidson and Whiteford, 2012) and 55% in FaHCSIA (2011, Table 35).<sup>53</sup> Likely reasons for the apparent discrepancy between the 20% rate of suspension (including suspensions due to exemptions) from the JSA-registered caseload and much higher share of non-jobseekers in the data relating to unemployment benefit recipients are:

- About 11% of unemployment benefit recipients are not registered with JSA.<sup>54</sup> Centrelink does not normally refer a person with exempt status (*e.g.* ongoing personal crisis) or who is meeting their participation requirements (*e.g.* a principal parent carer working enough hours to meet participation requirements but still receiving some benefit payment) to a JSA provider.
- In November 2010 about 67 000 NSA clients, over 10% of the total, were registered with a DES provider (DEEWR, 2011i), and they are not statistically classified as “jobseekers”. In legal terms the NSA requirements still apply to them and their EPP (agreed with the DES provider) may include independent job search, so the exclusion of this group from the “jobseeker” category is a restrictive statistical treatment.
- A large proportion of Youth Allowance (other) clients are in training or education (see Table 4.4 in Chapter 4), but many of them may be registered with JSA and not suspended: they may still have compulsory job-search requirements in their EPP.
- Jobseekers who are on an activity-tested payment, and are registered with JSA and not suspended, may still have a Centrelink “exempt” or “meeting participation requirements” status, for reasons mentioned above.
- The JSA-registered caseload includes people who are not on an unemployment benefit, including volunteers who do not have participation requirements (about 13% of the total, see Table 3.6 below).

The percentage of unemployment benefit recipients classified as jobseekers has declined through each employment service contract period. In 1997 and 1998, 90% of unemployment benefit recipients were classified as jobseekers. From 1999 to 2002, following the introduction of the Job Network in 1998, the jobseeker share was much lower at around 75%. In 2003, the first year of ESC3, the active share briefly increased to slightly 78%, but it then declined to 48% in 2005 and 45% in 2008 (Davidson and Whiteford, 2012, Table 5).<sup>55</sup> In July 2009, the first month of the JSA contract period, the jobseeker share jumped back up to 70%. This is likely to be because “the transitional arrangements ‘restarted the clock’ for many jobseekers” (Davidson and Whiteford, 2012).<sup>56</sup> However, the share declined again to 51% by July 2011 (see Table 4.4 in Chapter 4).<sup>57</sup> Although the total unemployment benefit caseload fell over this period, based on the percentages cited, the number of non-active-jobseekers on unemployment benefit rose from about 90 000 in 1997 and 1998 to 150 000 in 1999-2003, 250 000 in 2004-09 and 330 000 in 2011 (Table 4.4; Davidson and Whiteford, 2012). Note that this includes people in education, training and other programmes, and voluntary/part-time work, who are active in the sense that they are already studying or working, but not in the sense that they are required to search for work (or for more work).

## Placement performance and Star Rating outcomes

### *Placement performance*

Administrative data for JSA paid placements and paid outcomes are only available from scattered official statements. JSA achieved more than 449 000 placements through to end August 2010 and more than 850 000 by about end June 2011.<sup>58</sup> These figures probably relate to effective periods of about 11 months and 21 months respectively, since in first three months of JSA official data related to outcomes achieved under the Job Network (DEEWR, 2010b). The rate of placements is considerably lower than the total 638 000 paid placements in 2005/06 and 645 000 in 2006/07 reported in JN “Performance Profile” publications at the time. However, in JN placements were paid in the first three months of unemployment (which is now not the case for Stream 1 unemployed) and some paid placements were made by Job Placement Licensed Organisations, which have now been abolished.

Through to end March 2011, JSA recorded 252 259 13-week outcomes (Table 3.3). The number of outcomes from Stream 4 was less than 20% of the number from Stream 2. In early 2010 the stock of jobseekers in Stream 4 of the JSA caseload was slightly below half the number in Stream 2, but it subsequently increased to well above half of the stock in Stream 2 (note that the paid outcomes reported include outcomes achieved both before and after early 2010). Clearly, the rate of paid outcomes per person in the JSA caseload has been much lower for Stream 4.<sup>59</sup> This is in line with previous experience that exit rates for jobseekers in an identified high-disadvantage category are several times lower than for jobseekers with only moderate disadvantage identified.<sup>60</sup> DEEWR (2011d) states that “... employment outcomes for the most disadvantaged job seekers (Stream 4) are up to 50% higher than the former Personal Support Program”.<sup>61</sup>

Table 3.3. **Caseloads and paid employment outcomes by JSA stream**  
Levels and percentages

	Stream 1	Stream 2	Stream 3	Stream 4	All streams <sup>a</sup>
<b>JSA caseload</b>					
July 2009	157 713	66 246	92 078	34 094	350 131
January 2010	222 279	190 670	164 484	84 805	662 238
Active, 31 March 2010 <sup>b</sup>	201 695	173 505	133 856	81 652	590 708
Fully eligible, 31 August 2010 <sup>c</sup>	161 862	244 864	205 406	144 746	756 878
31 March 2011 <sup>d</sup>	152 700	149 410	127 580	112 166	541 856
<b>Paid outcomes from 1 July 2009 to 31 March 2011</b>					
13 weeks	1 286	163 095	59 698	29 180	253 259
26 weeks	643	99 944	31 810	13 400	145 797

- Not including Stream 1 (Limited).
- Active caseload does not include jobseekers who are “suspended” *e.g.* due to illness or part-time work.
- Fully eligible caseload, streams including the Work Experience Phase.
- The source for this line probably refers again to “active” jobseekers [*cf.* Disney *et al.* (2010), “Independent Review of the Job Seeker Compliance Framework: A Report to the Parliament of Australia”, Table A1].

*Source:* DEEWR (2011), “The Impact of the Global Economic Downturn on Job Services Australia”, July 2009-January 2010; SSCEEWR (2011), “Questions on Notice EW0165\_11. JSA”; SSCEEWR (2011), “Questions on Notice EW0532\_11. Job Seeker Assistance Data”; and SEEWRLC (2011), “Estimates: Tuesday, 31 May 2011”, Official Committee Hansard.

In the 1980s, the number of unemployment benefit recipients was about 80% of labour force survey unemployment, but since 1994 the ratio has usually exceeded 100%, except in the recession years of 2001 and 2009 when LFS unemployment rose more rapidly than the benefit recipient numbers (Davidson and Whiteford, 2012, Figure 6). The ratio then recovered to 109% in 2010/11 (Table 3.4). This is probably because a significant proportion of the short-term unemployed are not benefit recipients.<sup>62</sup> At the same time, as discussed above, around half those on unemployment benefit are not statistically classified as jobseekers.

Table 3.4. **Unemployment payments and labour force survey unemployment**  
Levels and ratios

Fiscal year	ABS unemployment <sup>a</sup>	Unemployment benefit recipients <sup>b, c</sup>	Ratio of benefit recipients to ABS unemployment
	Thousands		Ratio
2002/03	613.5	648.6	1.06
2003/04	570.1	614.6	1.08
2004/05	537.3	587.0	1.09
2005/06	527.4	559.2	1.06
2006/07	490.6	541.4	1.10
2007/08	473.1	500.1	1.06
2008/09	567.5	548.7	0.97
2009/10	636.2	669.7	1.05
2010/11	602.5	656.5	1.09

a. Unemployed aged 15 to 64, ABS series ID A2426041K.

b. Recipients of Newstart Allowance and Youth Allowance (other).

c. In addition to people on an unemployment payment, there are about 130 000 recipients of Parenting Payments with child ages that normally imply a job-search requirement (although this figure includes many who are exempt for another reason, or are working part-time) (see Table 3.6).

Source: ABS (2012), "Catalogue 6202.0 – Labour Force, Australia"; DEEWR Labour Market and Related Payments; and [www.deewr.gov.au/lmip/](http://www.deewr.gov.au/lmip/) – Job Services Australia data.

Although at first sight the number of people on an unemployment benefit has grown in line with LFS unemployment, in 2011 there were also about 130 000 Parenting Payment recipients with child ages that normally imply a job-search requirement (although this figure includes many who are exempt for another reason, or are working part-time). If they are counted as unemployment benefit recipients, the ratio of unemployment benefit recipients to LFS unemployed is about 1.27. This is relatively high in international comparison. Similar ratios that arise in Ireland and Finland are probably related to low levels of job-search monitoring and job search among the unemployed (Duell *et al.*, 2009). In Australia, the high ratio is expected given that some unemployment benefit recipients do not have job-search requirements and some who do have job-search requirements are in part-time work (see Chapter 4). In principle, only active jobseekers with zero hours of work are LFS unemployed.



Table 3.5. Features of the June 2011 Star Ratings

<b>Sites by JSA stream<sup>a</sup></b>	Sites with a rating	One-star and five-star ratings (percentage of all ratings)
Stream 1 rating	1 350	38.9
Stream 2 rating	1 622	9.4
Stream 3 rating	1 766	19.9
Stream 4 rating	1 582	17.6
JSA overall rating	2 247	6.3
<b>Number of sites by JSA overall star rating</b>	Sites	Percentage of all sites
1-Star rating	37	1.6
2-Star rating	443	19.7
3-Star rating	1 335	59.4
4-Star rating	327	14.6
5-Star rating	105	4.7
Total	2 247	100.0
<b>Ten largest providers in terms of number of sites</b>	Sites	Average JSA overall star rating
Job Futures Ltd	183	2.79
Jobfind Centre	128	2.85
MAX Employment	119	3.39
Salvation Army Employment Plus	117	2.93
Mission Australia Employment Services	96	3.31
Campbell Page	85	2.99
Sureway Employment and Training	81	3.42
ITEC Employment	76	2.50
Joblink plus	58	2.91
Tracy the Placement People	58	3.03
<b>Specialist sites by specialisation</b>		
Culturally and linguistically diverse migrants and refugees	26	3.04
People with a disability	112	3.06
Youth	24	2.71
Youth at risk	93	2.57
Mental health	14	2.57
Indigenous Australians	162	2.80
Homeless or at risk of homelessness	26	2.50

JSA: Job Services Australia

a. The average ratings for each stream, as well as for the JSA overall rating, are three by construction.

Source: DEEWR (2011), “30 June 2011 Job Services Australia Star Ratings”, available at [www.deewr.gov.au/Employment/JSA/PerformanceFramework/Pages/JSAstarratings.aspx](http://www.deewr.gov.au/Employment/JSA/PerformanceFramework/Pages/JSAstarratings.aspx).

### ***Star Rating outcomes***

Features of the June 2011 Star Ratings (Table 3.5), which relate to cumulative performance in the first two years of JSA operation, are:

- Only 1 350 (60%) of the total 2 247 sites were rated for Stream 1 performance, probably because sites with high scores on the Geographic, Proximity to the Labour Market and Indigenous Location factors of the JSCI have few Stream 1 clients (see Table 3.1). Nearly 30% of sites had no Stream 4 rating but did have an overall rating.
- In nearly 39% of sites that have a Stream 1 rating, the rating is 1 or 5. This probably reflects the decisions by some providers but not others to devote minimal resources to Stream 1. Since a rating of one implies performance 50% or more below average and five implies 40% or more above average, the differences in performance are large.<sup>63</sup>
- About 20% of sites had an overall Star Rating of one or two (average Stars about 1.9, and average outcomes around 65% of the predicted level) and 20% had an overall Star Rating of four or five (average stars about 4.2, and average outcomes around 133% of their predicted levels). This means that the top 20% of sites achieved (regression-adjusted) outcomes twice as high as the bottom 20%.<sup>64</sup> Considering the ten largest providers by number of sites as shown in Table 3.5 – each provider having about 100 sites – and their average across all their sites, performance variability is much lower: the top two of these large providers have an average rating of 3.4 and the bottom two have an average rating of 2.65, implying that the top two out of these ten achieved (regression-adjusted) outcomes about 25% higher than the bottom two. This should probably be seen as a fairly low range of variation, suggesting that the variability of performance has declined as compared to the early years of the Job Network.<sup>65</sup>
- Job Futures which includes many specialist sites, Jobfind which has many remote sites, and ITEC Employment which operates sites that are scored in the Indigenous Location factor of the JSCI (sites with a high Community Development and Employment Project (CDEP) component and Disadvantaged Labour Market component, half of them in the Northern Territory) all had below-average ratings.

Providers specialised in culturally and linguistically diverse migrants and refugees and People with a disability have slightly above-average Star Ratings. However, those specialised in youth at risk, mental health and homeless or at risk of homelessness have particularly low ratings. The general reason for the lower ratings is the low level of outcomes achieved, but research should investigate whether the low ratings could also be partly caused by mismeasurement of client characteristics. Flentje *et al.* (2010) report that specialist providers are getting from 25% to 50% of their clients reclassified, which suggests that their initial intake is probably selected on unobservables, which could in turn bias the Star Ratings (see the discussion of selection effects and unobservables in Chapter 5). This is unlikely to concern all specialist sites and indeed, 7% of specialist contracts achieved four or five stars in the December 2011 Star Ratings, but it could be an issue for the sites that serve the hardest-to-help. Data for the incidence of JSCI revisions (changes of circumstances) or rates of exemption by Centrelink at site level might provide a basis for estimating and correcting such a bias.

Specialist providers might also be suffering from issues of operational effectiveness (*e.g.* referrals of general jobseekers which disrupt their operations, as mentioned above) or

perhaps negative labelling of clients. Job Futures (2008) highlights some other issues that could bias Star Ratings, such as:

- Poor labour market conditions that are too localised to appear in the available unemployment data; and
- High transfer rates that can result in jobseekers being counted in the denominator for calculating the outcome rate when they are no longer available.

However, the Australian Government argues that:

- If poor labour market conditions were too localised to appear in the available unemployment data, this would equally affect all providers in the same detailed location. In practice, providers in the same location have varied Star Ratings: for example, Ararat County in Victoria has a five-star, a four-star, a three-star and a two-star site.
- Providers are not disadvantaged in the Star Ratings by high transfer rates. The Star Rating model's statistical regression methodology accounts for the time that a jobseeker was in assistance at a site (in addition to many other jobseeker and labour market characteristics), so if a jobseekers spend a short period of time at a site before being transferred, the expected number of outcomes at the site is correspondingly lower.

### JSA client groups

In June 2011, approximately 76% of JSA clients were on an unemployment benefit (Newstart and Youth Allowance – other), 11% were Parenting Payment (PPs and PPs) recipients with child ages that usually imply participation requirements, and 13% were voluntary registrants receiving a Parenting Payments with a younger child or Disability Support Pension (DSP) (2%) or another allowance or no allowance (11%) (Table 3.6).

The lower parts of Table 3.6 present estimated breakdowns of the JSA caseload by type of participation requirement, and by remote/non-remote status. These estimates are approximate because they use published information that does not relate exactly to June 2011, and an uncertain estimate for how many of the Parenting Payment recipients in the JSA caseload have a child aged less than six and thus do not have a participation requirement but are registered with a JSA provider on a voluntary basis. Note that in Table 3.6:

- The breakdown by type of participation requirement takes into account only primary determinants of modifications to participation requirements, as listed in the table, *i.e.* early school leaver status; older worker, partial incapacity, and sole parent status, among people on Newstart Allowance; and the age of youngest child for Parenting Payment recipients. More detailed factors, such as the exemption for PPs recipients with four or more children irrespective of child age, are not taken into account.
- Exemptions and suspensions by Centrelink for reasons such as temporary illness or participation in training are also not taken into account. If they were, the reported proportion of the JSA caseload that has a “standard” participation requirement (notably, a requirement to be available for full-time work, and to participate in Work Experience Activities if the unemployment spell continues into the WEPH) would be below the 42% shown.

- The category “without participation requirements (voluntarily registered)” includes only people who do not have a participation requirement in terms of the primary determinants listed in the table (see the examples above), and are registered with JSA. It does not include, for example, people who are on an unemployment benefit with regular participation requirements but are temporarily exempted or suspended by Centrelink (see the examples above), but continue to be registered on a voluntary basis.

### *Voluntary registrants in JSA Stream 1 (Limited)*

Table 3.6 estimates that about 10% of JSA clients do not have a participation requirement and the majority of them are non-allowees. People who are not full-time students, are not an overseas visitor or student, and are not working for 15 or more hours per week (with an exception if they are still receiving an income support payment), can be registered by JSA providers as Stream 1 (Limited) participants. In the case of walk-in clients, JSA providers should also first determine whether the person is already receiving an activity-tested Centrelink payment (or is likely to qualify for one). If so, the provider should refer them to Centrelink and if not, the provider can register them into Stream 1 (Limited) directly. Providers are paid a fixed fee of AUD 63 for registration of Stream 1 (Limited) participants, a maximum of one time per person over the 2009-12 contract, and Stream 1 (Limited) participants are removed from DEEWR’s IT systems 90 days after commencement. These administrative arrangements may imply that people who are not entitled to an “active” benefit and who have been unemployed for more than three months are not generally listed on the caseload of a JSA provider. About 20 000 people, nearly all with an unemployment duration of less than 12 months according to administrative records, were in Stream 1 (Limited) on 31 August 2011 (SSCEEWR, 2012b).<sup>66</sup>

Table 3.6. **Particular categories of JSA clients, June 2011**

Levels and percentages

Type of benefit or other category	Centrelink Allowance caseload	Job Services Australia caseload	
	Total	Total	Percentage of total
Youth Allowance (other)	85 972	83 991	11.2
Newstart Allowance	559 797	488 452	65.2
Parenting Payment Single (PPs)	326 211	78 154	10.4
<i>Of which: with youngest child aged 6 or 7 or more<sup>a</sup></i>	110 000		
Parenting Payment Partnered (PPp)	117 751	11 673	1.6
<i>Of which: with youngest child aged 7 or more<sup>b</sup></i>	24 000		
Disability Support Pension	798 269	6 151	0.8
Other allowance and non-allowee	–	80 786	10.8
<b>Total</b>	<b>2 022 000</b>	<b>749 207</b>	<b>100.0</b>
<b><i>Of which, by type of participation requirement</i></b>			
Youth Allowance (other) early school leavers (ESL), subject to education but not employment participation requirements		48 000 <sup>c</sup>	6.4
Newstart mature age (50 or more), exempt from Work Experience requirements <sup>d</sup> and able to satisfy requirements through part-time or voluntary work from age 55		119 000 <sup>e</sup>	15.9
Newstart and Youth Allowance (other) with reduced hours requirement due to partial disability		95 000 <sup>f</sup>	12.7
Newstart Allowance with part-time participation requirement due to sole parent status		22 000	2.9
PPs with part-time participation requirement		70 154 <sup>g</sup>	9.4

Table 3.6. Particular categories of JSA clients, June 2011 (continued)

Type of benefit or other category	Centrelink Allowance caseload	Job Services Australia caseload	
	Total	Total	Percentage of total
PPs without participation requirement		8 000 <sup>h</sup>	1.1
PPp with part-time participation requirement		9 173	1.2
PPp without participation requirement		2 500 <sup>i</sup>	0.3
<b>Subtotals by type of participation requirement</b>			
With standard participation requirements		288 443	38.5
With modified participation requirements (including ESL and mature age: before exemptions or suspensions)		363 327	48.5
Without participation requirements (voluntary), Total		97 437	13.0
<b>Subtotals by remote location</b>			
Remote location		32 000 <sup>j</sup>	4.3
Non-remote location		717 207	95.7

ESL: Early school leaver; JSA: Job Services Australia; PPp: Parenting Payment Partnered; PPs: Parenting Payment Single.

- Estimated number of participants with child ages that qualify them for participation requirements. Among the 23 000 PPs recipients with youngest child aged 6, an estimated 11 000 (those whose claim started before 2007) are exempt until their child turns 7.
- Estimated from data for PPp by age of youngest child in SLCEEWR (2008), “Questions on Notice EW137\_08”.
- In September 2010, 62% of Youth Allowance (other) recipients were ESLs [SSCEEWR (2011), “Question on Notice EW0536\_11”]. The percentage among JSA registrants may be somewhat lower: Boystown (2010) reported that 44% of its youth caseload were ESLs.
- Although they are exempt from work experience requirements, many individuals in this age cohort participate voluntarily.
- Estimate regrouping statistics for the 45-54 year age group. Note that Newstart Allowance recipients aged 55 or more also have only a part-time or voluntary work participation requirement.
- Data refer to 2009. The estimate is about three times the inflow to Newstart with partial capacity to work (15 to 29 hours) in 2006/07 [see DEEWR (2008), Welfare to Work Evaluation Report]. Some people in this category may also appear in the other categories.
- Data refer to 2009.
- Assumes that about 4% of the 200 000 PPs recipients without a participation requirement are registered with JSA on a voluntary basis. A significant proportion of the JSA PPs recipients aged under 20 (766 in December 2011: data from [www.deewr.gov.au/lmip](http://www.deewr.gov.au/lmip) accessed 26 January 2012) and aged 20 to 24 (3 412 in December 2011) are likely to have a youngest child aged less than six and thus, be registered on a voluntary basis.
- Assumes that about 50 000 PPp recipients have a youngest child aged less than 7 and 4% of them are registered with JSA on a voluntary basis. In 2007, PPp recipients had a slightly older child-age profile than PPs recipients (Fok and McVicar, 2011) and this difference is expected to increase through time.
- DEEWR (2011), “The Future of Remote Participation and Employment Servicing Arrangements: Discussion Paper”, states that as of 31 March 2011, there were over 32 000 jobseekers registered with JSA in remote Australia. The JSA registration rate for the Indigenous population is four times higher than the rate for the non-Indigenous population, but less than 30% of the remote-area population is Indigenous [AIFS (2011), “Families in Regional, Rural and Remote Australia”].

*Source:* For the non-estimated data, [www.deewr.gov.au/lmip](http://www.deewr.gov.au/lmip) accessed September 2011, with advice from DEEWR updating the JSA caseload data including “Other allowance”; for the estimated data, Boystown (2010), “BoysTown’s Submission in Response to the Discussion Paper on Future Purchasing of Employment Services Mid-term Business Reallocation”; DEEWR (2008), “Welfare to Work Evaluation Report”, Research Branch and Evaluation and Program Performance Branch; DEEWR (2011), “Labour Market Assistance Outcomes”; DEEWR (2011), “The Future of Remote Participation and Employment Servicing Arrangements: Discussion Paper”; SLCEEWR (2008), “Questions on Notice EW137\_08”, Data on Parenting Payment, Disability Support Pension, Newstart and Youth Allowance; SSCEEWR (2009), “Questions on Notice EW0021\_10”, Newstart Allowance and Youth Allowance (other) recipients with a partial work capacity; SSCEEWR (2011), “Questions on Notice EW0532\_11”, Job Seeker Assistance Data; and Fok, Y. and D. McVicar (2011), “Activation and Welfare Dependency”, Final Report of Project 3/10, Melbourne Institute of Applied Economic and Social Research.

Providers are expected to offer Stream 1 (Limited) clients assistance with preparing a *résumé* or CV, advice about the local labour market, and information about the Productivity Places Program (WRC Queensland, 2011). Providers point out that they have no incentive to offer further services or achieve placements for Stream 1 (Limited) clients after initial registration. Their arguments for providing additional resources for this group include: “Many job seekers who initially connect to Job Services Australia as Stream 1 (Limited) at a later time become fully eligible. However in the intervening period their circumstance and outlook has deteriorated and they have many more barriers to address” (NESA, 2011), and: “If Stream 1 outcome fees were payable (even if only for brokered outcomes) providers would have more incentive to promote job ready clients to employers to build relationships and service confidence with employers to enable introduction of Stream 2 to 4 clients over time.” (Boystown, 2011).

### ***JSA clients groups with modified participation requirements***

#### *Early school leavers*

About 35 000 ESLs, identified as young people who have not completed year 12 of school, are required to participate in full-time study or training or part-time study or training in combination with other approved activities (or other approved activities only, if waiting for a study or training place). Statistics in Table 4.4 indicate that since July 2010 about 30% of Youth Allowance (other) recipients have been in education or training, which is consistent with a higher rate among ESLs. Job search cannot be included in the EPP for this group, although Boystown (2011) argues that disadvantaged ESL clients often have issues that prevent them from successfully completing school and can benefit more from work.

#### *Older workers*

Many OECD countries applied reduced job-search requirements to older unemployed workers in the 1980s and 1990s, and restored them to a considerable extent in the 2000s. In Australia, “mature age” assistance measures and exemptions apply variously from ages 45, 50, 55 or (in the case of the former Mature Age Allowance) 60. Currently, nearly 120 000 workers aged 50 or more are not required to participate in a Work Experience Activity, which is a key activation measure for younger workers, although they have the option of participating if they wish to do so. Mutual Obligation requirements were extended to jobseekers aged 35-49 in the Australians Working Together package of 2001: in opinion surveys, a large majority of respondents supported the application of this principle to young people and middle-aged groups, with less support for application to older workers (OECD, 2001). Some of the current exemptions may no longer be appropriate, in the light of changing social expectations and recent evidence about the impact of assistance and incentives.

TSAEP (2011) reports that 45% of its mature age caseload is currently suspended (as compared with 21% overall), which makes it very difficult to engage with them. Primarily due to reduced job-search requirements, jobseekers disengage from active measures when they reach 50 years. People aged 55 or over can fully satisfy participation requirements through voluntary work of 30 hours per fortnight, but this may be difficult to verify: the participation requirements of those aged 55 or over undertaking voluntary work could be increased and a “Participation Allowance” could be paid to encourage their active participation in employment services (TSAEP, 2011) or the participation requirement for 50-54 year-old jobseekers could be fully applied to the 55-64 cohort (ITEC Employment, 2011).

Nearly 80% of 55-59 year-old men in Australia are now employed. Older workers engaged in voluntary work are still expected to be available for suitable paid work, including full-time work ([www.fahcsia.gov.au/guides\\_acts/ssg/ssguide-3/ssguide-3.2/ssguide-3.2.9/ssguide-3.2.9.130.html](http://www.fahcsia.gov.au/guides_acts/ssg/ssguide-3/ssguide-3.2/ssguide-3.2.9/ssguide-3.2.9.130.html)), so it “seems inconsistent that 15 hours of voluntary work can meet all requirements” (NESA, 2011). Jobs Australia (2011) also notes that “improved communication from Centrelink is required so that job seekers who are 55+ years of age and meet activity test requirements remain commenced [*i.e.* in the JSA caseload] since they are still required to accept a suitable job offer”.

### *Part-time and reduced hours requirements*

Table 3.6 indicates that about 200 000 JSA clients – nearly a third of those with any participation requirement – are not required to accept full-time jobs due to work capacity of 15 to 29 hours (95 000), status as a sole parent on Newstart Allowance (22 000) or as a recipient of PPs or PpP (80 000). In addition, as noted above, JSA clients on Newstart Allowance and aged 55 or more can fully satisfy participation requirements through either part-time or voluntary work. There is evidence that when JSA clients in these groups take up a job it is often part-time.<sup>67</sup>

In general, JSA service, placement and outcome fees and EPF allocations for clients with part-time work requirements are the same as for those with full-time requirements, but for them a full outcome fee is payable after 13 and 26 weeks in employment of at least 30 hours per fortnight, *i.e.* 15 hours per week. Their maximum requirement for participation in Work Experience Activities during each year of the WEPH is 150 hours or less, whereas it can be up to 390 hours for people who are expected to accept full-time work.

### *Remote-area JSA clients*

Table 3.6 estimates that about 4% of all JSA clients are “remote” clients. This status is determined by the jobseeker’s postcode, although if a remote jobseeker moves to a non-remote location on a temporary basis for activities that are part of their EPP, or while being supported by the provider, he/she retains “remote” status. In remote locations, the less than 30% of the total population is Indigenous but probably more than half the JSA caseload is indigenous.

In remote areas, service fees and the EPF credits are increased by 70% in recognition of the increased servicing costs in these locations. The need for such premia is, of course, related to the fact that Australia is the least-densely populated country in the OECD area, and providers may need to travel hundreds of kilometres to deliver services. Outcome payments are not increased, but they are payable for a broader range of educational and skills outcomes (DEEWR, 2008a).

Despite the existing 70% loading, Jobs Australia (2011) states that there is a clear need for a new service delivery model in remote Australia and also a need for a different funding model to reflect higher costs in regional (*i.e.* non-remote but non-metropolitan) areas. Observations and suggestions along these lines have been made over the years by providers (*e.g.* Job Futures, 2008 and 2011). In May 2011, the government announced a review of remote employment services, and announced that providers servicing remote ESAs would be offered a blanket extension for 12 months rather than participating in the mid-term business reallocation process to take place in July 2012 (DEEWR, 2011d; Arbib *et al.*, 2011).

An important policy change in relation to Indigenous clients in non-remote locations was the removal of the Community Development Employment Projects (CDEP) programme on 1 July 2009 and introduction of Job Services Australia (JSA) as the main provider of employment services (see Chapter 5 for further discussion of Indigenous programmes).

## Key points

In the JSA model, the allocation of clients to service streams is primarily driven by their individual's Job Seeker Classification Instrument (JSCI) score, together with a Job Capacity/Employment Services Assessment in relevant cases. A relatively large payment to the provider's Employment Pathway Fund (EPF) is made when the client enters the Work Experience Phase (WEPH), which is typically after a year in Stream Services, but after that the provider has to deliver Work Experience Activities each year without additional funding according to the initial terms of the contract (although funding for the second year of client participation in the WEPH has now been announced). In the "time-based" Job Network (JN) contract which operated from 2003 to 2009, provider fees increased more strongly with the duration of the unemployment.

The increased reliance on JSCI scores has some cost in terms of encouraging providers to devote resources to assessments and reclassifications because this increases fees, rather than because this contributes directly to achieving placements. JSA providers often seem to be as focused on issues of jobseeker assessment, classification and engagement – JSCI scores, referrals of clients to a JCA/ESAt, suspended caseloads, participation reports and contact requests when clients fail to attend interview – as much as CVs, training, job vacancies, etc. Assessments to determine eligibility for a particular benefit, remaining work capacity, the appropriate employment service referral, temporary exemptions from job-search requirements, and whether excuses for failure to attend were reasonable – are a large element of overall system costs, with expenditure on JCAs alone reaching AUD 186 million in 2009/10. In 2011, the JCA was replaced by a shorter and less-costly Employment Service Assessment (ESAt), and in 2012 the Stream Services Reviews separately administered by Centrelink was abolished, which reduces the direct cost of the focus on formal identification of client barriers. There are still some issues about appropriate provider incentives – identifying a client as homeless may directly increase the fees payable, whereas solving the homelessness problem does not – and a risk that assessment processes focus client attention on their barriers, and the formal identification of client barriers demotivates job search or encourages clients to apply for a disability payment if possible.

Stream 1 clients do not normally see their JSA provider for three months after initial registration. JSA providers now cannot earn a placement fee for the first three months, or outcome fees in the first 12 months, of unemployment and many providers decided to devote few resources to this group. At Centrelink offices, the frequency of in-person attendance was reduced for most clients in 2010. However, for jobseekers in the first three months of Stream 1 services, the fortnightly frequency was maintained, and from 2012 Centrelink will schedule participation in several job-search workshops during these three months, restoring public provision of employment services for the shortest-term unemployed.

For the most-disadvantaged jobseekers in Stream 4, high fees are paid to providers from the start of the unemployment spell. About 80 000 jobseekers who previously were in, or waiting to join, the formerly-separate Personal Support Program (PSP) are now JSA clients, with stronger provider incentives to achieve economic outcomes. Economic outcomes for Stream 4 clients are thought to be better than they were under the former PSP,



but is it not clear that they are high enough to stabilise growth in the Stream 4 caseload, or the number of jobseekers with reduced work capacity.

In the WEPH, the JSA provider must organise and finance Work for the Dole (WfD) and other Work Experience Activities. As compared to previous arrangements where WfD was a separate programme without performance measurement, providers have an incentive to save costs on the more expensive forms of supervised off-site work experience, and to maximise the resulting employment outcomes. Providers now promote compliance with requirements through participation in voluntary or part-time work or short-term training which is less costly, and the number of participants in WfD has fallen sharply.

Unemployed clients have a more disadvantaged profile now than was the case in the early years of the Job Network. Nearly 50% of JSA clients have modified participation requirements, counting those with part-time work requirements due to partial disability or parenting responsibilities, ESLs who are required to accept referrals to education or training rather than jobs, and older workers who are exempt from participation in Work Experience Activities. Many other clients are temporarily exempt or suspended from requirements to search for work for other reasons, or are voluntarily registered with JSA, so that only a limited proportion of all JSA clients at any point in time are required to be available for full-time work and to participate in a Work Experience Activity if they are in the WEPH. At the same time, more than 10% of people who are receiving an unemployment benefit, and higher proportions of those on a Parenting Payment with a child age that qualifies them for a participation requirement, are not registered with a JSA provider. It would be helpful to statistically profile people who are on an income support payment in a more detailed and systematic way, in terms of their benefit type, JSA caseload status, participation requirements by reason, and exemptions and statuses that comply with participation requirements without a requirement for continuing job search by reason. JSA now implements many different interventions and labour market measures and serves many different client groups, and although certain types of detailed statistics are available others are not, with a risk that some aspects of the operations “fall under the radar” for years at a time.

Providers’ paid outcomes, and the characteristics of their clients as known from administrative records and the JSCI and other assessment procedures, are key inputs to the system of Star Ratings, which are regression-based estimates of comparative performance at the level of over 2 200 individual JSA sites. Star Rating at this level of detail motivates and facilitates a focus on placement performance at the site level more effectively than rating at provider level only would do, and it supports DEEWR contracting for employment service provision separately at the level of 116 different Employment Service Areas. This seems to be an underlying driver of good overall performance. It is all the more important to identify and minimise any statistical or other bias against providers handling hard-to-place client groups.

The distinct roles of Centrelink and JSA providers, different participation requirements and exemptions from them, the four JSA streams, the assessment and performance rating instruments, different types of provider fees (service fees, placement fees, outcome fees and the EPF), the multiple rates of outcome fees, etc., make the structure of labour market policy – and the working environment of even a small JSA provider – complex. As compared to a “black box” approach to outsourcing, the more structured approach has costs in terms of reporting and surveillance, and possibly incentives for “gaming”, but it also generates much information about services, client characteristics and outcomes, and provider performance that allows effective management, and facilitates adjustments to policies in specific areas.

## Notes

1. In principle the JCA for unemployment benefit applicants determined the need for services, and individuals were not granted Disability Support Pension (DSP) based on this assessment. A person who has reason to believe they may qualify for DSP needs to apply for it as a separate process.
2. In the PSP, interim and final economic outcome payments totalling AUD 1 540 were payable when the client had been employed for 26 weeks, well below the maximum payments in the Job Network (JN) or JSA models.
3. After a switch of provider, the original provider's investment in seeing the client frequently, setting up a tailored employment plan and spending from the EPF (e.g. on specialised assessments, training and work clothes, etc.), benefits a different provider: for effective functioning of the job-services market, switching needs to be minimised. Clients are allowed to switch against the wishes of their original provider on the basis of good cause, subject to DEEWR approval.
4. The parameters of the random assignment process are variable, e.g. referrals are not made to providers whose caseload is already at nominal capacity plus a "tolerance" of 30%.
5. LCTW "draws heavily on the New Zealand Community Link model" (DEEWR & DHS, 2011). In the Netherlands, handover problems in client transfers have long been identified as a source of transaction costs, and policy makers promote the principle of "warm handover" of service users between the respective parts of the delivery chain (Tergeist and Grubb, 2006; and Finn, 2008).
6. In many countries, a detailed registration interview will record the client's education and training background, and it is not clear how far the skills assessment goes beyond this in practice. It was a new measure (mentioned 40 times in DEEWR, 2008a) introduced in 2009 which should identify training or other interventions the jobseeker needs. Jobs Australia (2011) recommends abolition of the skills assessment as a separate process with incorporation of its elements into the EPP.
7. Under Job Network Employment Services ESC1 and ESC2, Job Search Training was a separately-contracted service. In ESC3 it was incorporated into the main contract as Intensive Support Job Search Training, and the training was for "up to" 100 hours over three weeks with an abridged 30-hour version for jobseekers who had completed a course within the last 12 months (DEEWR, 2008b).
8. Participation in UWEP is voluntary. However, providers are reluctant to proceed with UWEP, due to extensive and often undocumented variation in what states consider permissible in terms of their industrial relations regulations, and a lack of consistent and reliable advice as to what is permitted (NESA, 2011).
9. For jobseekers who move directly from Stream 2 to Stream 3 in this way, service fees are limited to six 13-week periods in total, i.e. combined participation in both streams is limited 18 months (DEEWR, 2011a).
10. From 1998 to 2009 jobseekers entered the Mutual Obligation period after six months of unemployment. Initially Centrelink rather than the JN provider was responsible for referring them to a WfD place if they had no other qualifying activity, but under the APM the JN provider was "able to influence the type of activity the job seeker undertakes to meet their mutual obligation", and if no activity had commenced after seven months, was responsible for arranging a referral with a Community Work Co-ordinator (which organised WfD projects) (DEEWR, 2007).
11. As noted in Chapter 2, from July 2012 there is no longer a separate category of "provider brokered" outcomes.
12. The enforcement mechanism would be the assessment by DEEWR contract managers of provider performance against Key Performance Indicator 3 (KPI3), Factor 2, which evaluates

- a provider's service delivery including compliance with the requirements of the Employment Services Deed.
13. Early changes to the list of JSKA-allowable items, illustrating some of the tensions that arise, are described by ANAO (2007).
  14. Advice from DEEWR. In data that omit items not recorded against individual jobseekers (such as Work Experience Group Activities and batch purchases under AUD 300), the Training share was relatively high in Stream 1 and the Professional Services including Interpreters share was relatively high in Stream 4, and expenditure across the four streams (in the first 14 months of JSA) totalled about AUD 350 million (SSCEEWR, 2011b).
  15. Jobs Australia (2011) proposes to pay the EPF directly to the provider and radically reduce administration by abolishing itemisation: "Existing requirements should be replaced by a clear set of principles about how funds can be spent... Providers would be accountable for their decisions through the results they achieve."
  16. ANAO (2007) found that "the fact that Job Network Members generally have healthy notional account balances reduces their incentive to economise in their use of the JSKA... DEWR needs to ensure that Commonwealth money is not being wasted". Unspent balances towards the end of ESC3 seem to have been nearly on target although there was some spike in expenditure in July 2009 which "reflects providers' use of the remaining funds in JSKA in the final month of the contract" (DEEWR, 2011a). Providers currently claim that the EPF is unable to fund high-quality Work for the Dole activities and that their unspent balances are needed to cover future WEPH obligations. Mission Australia (2011) reports that its best-performing ESAs have spent as much as 80% of the EPF on training, "limiting its use for other support".
  17. In a simplistic model, this problem could be solved by raising the outcome fee, but complications such as wide variation in the social value of outcomes and the risk of "gaming" when fees are high may constrain this solution.
  18. For example, a provider may determine that a Stream 1 jobseeker will not find work without an assistance measure that costs AUD 750, which is not viable in terms of the outcome fee payable during the first year of unemployment.
  19. One indicator of the role played by JCAs is that the Stream 4 caseload (including "suspended" jobseekers, as discussed below) increased from 34 000 in July 2009 to 145 000 in August 2010 (see Table 3.3 below), and jobseekers can only be transferred to Stream 4 based on the outcome of a JCA/ESAt.
  20. In 2006, the Salvation Army paid back AUD 9 million after DEWR detected that its staff had been over-scoring jobseekers on JSCI disability factors, thus channelling them into Customised Assistance with higher provider payments (ABC Local Radio, 2006; Lilley and Hartwich, 2008).
  21. Advice from DEEWR.
  22. Lipp (2005) reports tests in which jobseekers were asked to rate their level of agreement with 21 statements designed to differentiate their motivation and openness in relation to job search. The tests suggested that jobseeker attitudes could be measured and that they are associated with employment outcomes, but this approach was not pursued further.
  23. Note however that a mother returning to the labour market may be relatively employable, so that the variable "has not worked for more than five years" is not necessarily a powerful predictor for future long-term unemployment.
  24. Workers made redundant between 24 February 2009 and 31 December 2010 were eligible for immediate access to JSA Stream 2 (SSCEEWR, 2011c). This measure registered 280 464 jobseekers as redundant, which probably covered most new entrants with a recent employment record.
  25. Estimate based on the total cost of AUD 186 million and cost per assessment of AUD 330 (DEEWR, 2011c).

26. The JCA can include examination of large medical files. DEEWR (2008c) announced a 10% increase in the fee paid to JCA providers from July 2009.
27. In 2008/09, expenditure on the Personal Support Program was AUD 107 million and expenditure on Work for the Dole was AUD 134 million.
28. In 2008/09 nearly a third of JCAs were “related to DSP related claims” although it is also stated that JCAs were conducted in relation to 79 000 new claims for DSP and 25 000 DSP medical reviews, which add up to less than a quarter of the 480 000 JCAs conducted (Jackson, 2009).
29. Of the 480 000 JCAs in 2008/9, around half were first JCAs (rather than second or later JCAs) for employment-service reasons. Of these, about 20 000 ( $= 240\ 000 \times 0.24 \times 0.36$ ) were followed by another JCA for a DSP claim.
30. Lipp (2005) stated that all the jobseeker characteristics taken into account were factors in the JSCI. The current model, however, includes a number of characteristics sourced from administrative records, including “age of youngest child”, “allowance type” and “days available” (the number of days which the provider has had to place the jobseeker) and “Earn or Learn” status, along with characteristics scored by the JSCI (DEEWR, 2010a).
31. The Star Rating estimates take into account local labour market conditions at the time that the jobseeker was in assistance, whereas the geographic factor in the JSCI reflects the likelihood of remaining a job seeker for at least another 12 months based solely on the job seeker’s ESA (*i.e.* locality) of residence (DEEWR, 2009b). Labour market conditions, which are attributed to individuals using their postcodes, include the employment growth rate, the employment shares of particular industries at the level of about 70 ABS Statistical Regions, and the registered job vacancy/jobseeker ratio and the survey-based unemployment rate at the level of around two thousand ABS Statistical Local Areas (DEEWR, 2010a).
32. Previously the distribution of stars was fixed, *e.g.* five stars were given to the 5% of sites at which the ratio of actual to predicted performance was highest.
33. Publication was previously every six months: end-March and end-September Star Ratings were first published in 2011.
34. Previously, participants who completed two years in the PSP were deemed to have achieved a social outcome, which generated a payment. DEEWR (2008a) referred to a “new social outcomes measure... based on the progress a job seeker has made towards work readiness”, but this has not appeared. Specialist providers call for greater recognition for social outcomes, suggesting that they might be measured in terms of completion of language training, undertaking counselling, drug or alcohol rehabilitation, finding accommodation or ensuring a health condition is stabilised (Flentje *et al.*, 2010). However, robust and non-distortionary certification of such outcomes, as distinct from participation in programmes, seems scarcely feasible.
35. In these countries, labour market flexibility would also be involved, but labour force survey unemployment rose 80% in a year in Denmark which is exceptional even for flexible labour markets. In the mid-2000s Denmark dropped the requirement for the long-term unemployed to participate in a full-time labour market programme 75% of the time; and in 2007, existing PES structures in Denmark were wound up and the PES and local authority employability service departments were co-located in ninety-one municipality-level one-stop-shop “job centres” (Lindsay and Mailand, 2007). Lindsay and McQuaid (2009) describe concerns about the dispersal of PES expertise, loss of institutionalised knowledge and the capacity of the new localised governance structure. In August 2009, the national PES was abolished and the 98 municipalities (which previously had managed only social assistance benefits) were made responsible for activation and employment projects for people receiving unemployment insurance benefits. Parties in the labour market, experts and the political opposition warned that this would, in the face of rising unemployment, make matters worse (Nordic Labour Journal, 2009). From 2009, New Zealand converted its employment offices into Community Link Centres, which provide integrated social services (17 new offices opened in 2009/10, see MSD, 2010).

36. DEEWR & DHS (2011) considered a number of options to “allay the concerns of some job seekers that JSA providers are not interested in servicing them” but concluded that the reintroduction of job-placement fees in the first 13 weeks “would not be warranted under the current tight Budgetary environment” due to the likelihood of deadweight.
37. The stock of participants in the Personal Support Program had increased from 20 000 in 2002/03 to 53 000 by the last year of the Job Network with, in addition, a waiting list of 30 000 (see Annex 5.A1 and SEEWRLC, 2010).
38. The “time-based” ESC3 model involved large jumps in outcome fees at the point where clients pass thresholds of 12 months, 24 months or 36 months of unemployment. DEEWR (2007) shows there was some decline in the rate of exits from assistance in the 10<sup>th</sup> and 11<sup>th</sup> month of unemployment and recovery in the 12<sup>th</sup> month (as well as the following few months), but considers that the figures “tend to cast doubt on concerns that large numbers of providers were keeping job seekers in assistance for at least 12 months to take advantage of the higher outcome payments”. In the JSA model, outcome fees are still linked to unemployment duration, but not so strongly.
39. See [www.fahcsia.gov.au/guides\\_acts/ssg/ssguide-3/ssguide-3.2/ssguide-3.2.10/ssguide-3.2.10.30.html](http://www.fahcsia.gov.au/guides_acts/ssg/ssguide-3/ssguide-3.2/ssguide-3.2.10/ssguide-3.2.10.30.html). Accredited training can be a group-based activity such as computer training, not leading to a qualification. Unfortunately, published statistics for Work Experience Activities (SSCEEWR, 2012c) fail to distinguish between accredited and non-accredited training.
40. Jobs Australia (2008) anticipated that under the JSA model, providers would be unable to continue WfD in its then-current form, but “Work Experience placements with private employers or into training will be able to draw on the resources external to the provider and can be relatively cheap for providers to establish”. Davidson and Whiteford (2012) note “The recent shift towards voluntary work and short training courses and away from unpaid work experience activities may be brought about by greater opportunities for jobseekers to choose activities, by the lower cost of these activities for providers, or both”.
41. The detailed conditions for a full outcome to be payable when a client enters an apprenticeship or eligible education are complex. Placements when the earnings take the client off income support have always qualified for a full outcome payment. Since ESC3, a full outcome payment can also be paid (although this required a special claims process) for placements into full-time apprenticeship or traineeship that did not cancel income support. In ESC2, placements into eligible education (with a change of status, typically a transfer to an education allowance) attracted only the lower secondary outcome fee, and in ESC3 they attracted a full outcome fee (with an interim payment after the completion of one semester and a final payment after completion of the second semester, rather than 13 and 26 weeks), but in JSA they again qualify only for the lower pathway outcome fee (OECD, 2001; ANAO, 2009; DEEWR, 2008a).
42. Part of the description in this section is based on notes from the authors’ visits to discussion with providers and visits to several providers’ premises in August 2010.
43. DEEWR (2011a) noted extensive use of the EPF for reverse marketing.
44. The stock of JN/JSA clients is estimated as 87% of the Newstart Allowance caseload, 93% of the Youth Allowance (other) caseload, 24% of the Parenting Payment – Single (PPs) caseload, plus 10% for Parenting Payment – Partnered (PPp), DSP and other voluntary clients (factors based on June 2011 data from [www.deewr.gov.au/lmip](http://www.deewr.gov.au/lmip)).
45. Particularly in the last few months of the Job Network, when providers had to spend down their Job Seeker Accounts or lose them.
46. Exempt or suspended clients can visit their JSA provider voluntarily in principle, but this is infrequent.
47. SSCEEWR (2011d) never mentions “exempt” status, instead reporting that 28% of the total JSA caseload had “pending and suspended” status.

48. The 2008 request for tender had advised that “the job seeker will be considered to have been provisionally exited where, as a result of their placement, the job seeker no longer received benefits” (DEEWR, 2008a), but revised wording appeared in the Employment Services Deed 2009-2012 (DEEWR, 2011e) and current advice is that “provisional exits must be recorded by a Job Services Australia Provider when a job seeker is placed in employment that is expected to result in a full outcome. A provisional exit can be recorded at any time the provider makes this determination” (<http://foi.deewr.gov.au/node/1400>, accessed 7 March 2012).
49. If clients for whom a full outcome is achieved spend an average of 13 weeks in the JSA caseload with a “provisional exit” status, the number on provisional exit at a particular point in time will correspond to three months’ flow of 13-week full outcomes. In late 2010 and early 2011 JSA was generating around 10 000 13-week full outcomes per month, although this is only a rough estimate (based on the sources cited in Table 3.3).
50. See “Volunteering during a Provisional Exit Job Aid” (<http://foi.deewr.gov.au/node/1442>, accessed 14 March 2012).
51. Since March 1996, temporarily incapacitated (*i.e.* sick) beneficiaries have no longer been required to transfer to Sickness Allowance, and they continue to receive unemployment benefit (OECD, 2001, note 143).
52. These jobseekers meet their participation requirements under Social Security Law through attending a quarterly interview with Centrelink.
53. In the LMRP publication, allowees who are meeting their participation requirements through approved activities (other than education or training), but still have compulsory job-search requirements in their EPP, may be reported in the “jobseeker” category (this is a case of the “different extract rules” referred to by FaHCSIA, 2011).
54. This estimate is based on comparison of the Centrelink allowance caseload and JSA caseload in June 2011 (see Table 3.6 below).
55. DEEWR (2007) reports that the proportions of jobseekers with disabilities or who were parents had grown from 2003 to 2006, and notes that this was “consistent with Job Network members’ claims that the proportion of the job seekers on their caseload facing ‘hard’ barriers to employment, such as poor health... increased during the first three years of the APM”.
56. Clearly records were reviewed in July 2009 because the stock of jobseekers registered for employment services for over 72 months fell by about 25% (DEEWR, 2011a, Figure 10). In the first six months of JSA, only 3.5% of new entrants went into Stream 4, in contrast to the 15% which had been expected (DEEWR, 2011a, Table 4), and transfers to Stream 4 after that would have taken some time, since they depended on a referral to a JCA and its outcome.
57. The figures in Table 4.4 are not strictly comparable with those cited earlier in the paragraph (see a footnote to the “unemployed customers” tables in FaHCSIA, 2011).
58. See speeches by Minister Kate Ellis to the Jobs Australia National Conference (29 October 2010) and NESA National Conference (9 August 2011): the second speech does not state the exact timing of the data (<http://kateellis.com.au/speeches/>).
59. According to survey statistics, in the year ending March 2011, exits from the labour force were about six times less frequent than employment outcomes for Stream 1 jobseekers, but they were considerably more frequent than employment outcomes for Stream 4 jobseekers (DEEWR, 2011f).
60. Figure 4 in Lipp (2005) presents benefit exit rates by JSCI score: the 12-month exit rate is about 50% for a JSCI score of 12 and 17% for a JSCI score of 48. In the current JSCI system, which has been revised since 2005, Stream 2 jobseekers have JSCI scores of 20 to 28 and Stream 3 jobseekers have JSCI score of 29 or more.
61. The definitional basis of this statement is not certain: it may refer to the proportion of former participants who were in work three months after exiting, respectively, PSP and JSA Stream 4,

as reported in *Labour Market Assistance Outcomes*. However, as compared to the recent JSA Stream 4 population, the PSP population was much smaller (and thus may have been more disadvantaged). Also, exits from Stream 4 normally occur when there is some change in labour market status, whereas PSP was time-limited so that in this case the sample includes exits without a change in labour market status.

62. The short-term unemployed may be subject to the Liquid Assets Waiting Period for benefits, or not bother to claim immediately, or be disqualified from benefit on income and asset grounds.
63. DEEWR & DHS (2011) suggest that because 25% of jobseekers exit JSA in the first 13 weeks which is unchanged from the pattern in 2003-06, there is no evidence that the lack of incentives is affecting outcomes.
64. The relative outcomes cited are estimated using the relationship between actual-to-predicted outcome ratios and Star Ratings (*i.e.* below 0.5 for one-star performance, 0.5 to 0.8 for two-star performance, etc.).
65. The performance of JN Intensive Assistance providers that survived in the second (2000) tender round was nearly 25% above the average for the first Job Network period (OECD, 2001).
66. The contrast between about 20 000 people in Stream 1 (Limited) and the 50 000 non-allowees in the JSA caseload as shown in Table 3.6 arises because some non-allowees qualify for JSA Streams 1 to 4: mainly young people aged 15–20 who are not employed for more than 15 hours a week or in full-time education, and Indigenous participants in Community Development Employment Projects (DEEWR, 2008a).
67. Among JSA clients who are employed three months after exit from JSA Streams 1 to 4, around four-fifths of sole parents, three-quarters of those with a disability, and two-thirds of those aged 50 or more are employed part-time (DEEWR, 2011f).

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