

STAFF-IN-CONFIDENCE

Minute

To:

Mr Ian Whitchurch

Contact Officer:

Malisa Golightly

From:

The Secretary

Telephone Number:

6121 7751

cc:

Mr Wayne Gibbons, Deputy Secretary Ms Malisa Golighlty, Assistant Secretary

Mr Bill Bowron, Assistant Secretary

Department Education Training and Youth Affairs

Subject: Review of Concerns regarding the Job Network

Thank you for your report, which Ms Golightly has forwarded to me, detailing your concerns in relation to the Job Network.

On reading the report, it would appear that some further investigation of the issues is warranted. Therefore, it is my intention to forward your report to the relevant program area for their consideration and preparation of a response to the issues raised.

Before forwarding proceeding to this stage of the process I would like your written confirmation that your report represents a full and complete account of your concerns.

Thank you for bringing your concerns to my attention.

Dr Peter Shergold

November 1999

STAFF-IN-CONFIDENCE

Staff-in Confidence



Minute

To:

Mr Ian Whitchurch

Contact Officer:

From:

Dr Peter Shergold

Telephone:

Date:

20 April 2000

Fax:

File:

Location:

National Office

Copy:

Subject: Review of Concerns

On 19 November 1999 you forwarded a formal report to me outlining your concerns regarding the Job Network. I undertook to appoint an independent review team to review your concerns and provide a report for my consideration. This review has now been completed. The purpose of this Minute is to provide you with the outcome of my consideration of all the information provided to me.

- 2. A detailed response to each of your questions is contained in Appendix A. Overall, having considered your report and the information provided to me by the Job Network Group, various Ministerial briefings and other relevant information, I have reached the conclusion that each of your concerns have been satisfactorily addressed.
- 3. The concerns you have raised are understandable given the information that was available to you and I appreciate the action you have taken to bring them to my attention. However, having regard to all the relevant information, and looking at the 'picture as a whole', I am satisfied that there are no issues which require any further investigation.
- 4. The information contained in Appendix A is official departmental information and its confidentiality should be protected. Once again, thank you for taking the time and effort to alert me to your concerns.

Dr Peter Shergold

Appendix A

Response to Mr Whitchurch's Questions

Have we acted honestly (competently)?

Question 1: Why do we have an underspend?

Internal documentation and the Departmental annual report show an underspend of approximately 20% of funds dedicated to Job Network – an underspend of over \$200 million.

This is not explained at all in our annual report, however, it does note that at 30 June 1999 Job Network Members were at 95% of their contracted capacity, so it seems unlikely that the underspend is due to fewer clients than expected being referred to Intensive Assistance (IA).

It is therefore likely that the underspend is due to outcomes in the Employment Services Market being much lower than the Department expected. This raises the question about who has been briefed about this underspend and when, because in a market where much expenditure is outcomes-based, an underspend is a clear warning that something has gone wrong somewhere.

Response:

The underspend was not only mentioned in the Annual Report. Ministers and Cabinet were well briefed on this issue.

Subsequently for the Senate Legislative Committee Hearing of 7-8 June 1999, documents explaining the redirection of funds were provided to Ministers' offices. While a press release was not issued on the subject, it is on public record in the 1999-2000 Budget documentation (Portfolio Budget Statements etc.).

A number of factors contributed to the underspend:

• The Job Network allocation was an allocation based on early estimates. The actual average bid price for Job Matching, Job Search Training, the New Enterprise Incentive Scheme and New Apprenticeship Centres was lower than estimated. Given that it is the first time that such an employment services market has been in operation in Australia, it is not surprising that the estimated price was different and that an over-allocation might have occurred for these services. These differences were well documented and, in fact, are on the public record as part of the Senate Legislation Committee Hansard transcript of 9 June 1998. For example, the following information was provided at the Hearing:

	Original	Original	Actual	Estimated
	Estimated	Estimated	Average Price	Expenditure
	Unit Cost	Expenditure	Bid at Tender	Based on
				Tendered
,				Price
Job Matching	\$250	\$222m	\$200	\$183m
Job Search Training	\$600	\$50m	\$423	\$37.7m
NEIS	\$3,300	\$34m	\$2465	\$25.5m
NACS	\$580	\$110m	\$425	\$84.8m

In addition, in the absence of directly comparable historical data on which to base projected
placements, early projections overestimated the number of placements that would attract
payment under Job Network operational conditions.

Further, as discussed above, there is a lag in the rate of outcomes under Intensive Assistance. As the duration of a job seeker's participation under Intensive Assistance can be up to two years, there is a need to allow sufficient time for job seekers to achieve an outcome. At the time of the 1999-2000 Budget Job Network had been in operation for just 12 months. It would be incorrect to assume that "an underspend is a clear warning that something has gone wrong somewhere", Notwithstanding this, it should be noted that while the rate of outcomes achieved by job seekers and for which Job Network members receive a payment is lower than expected at this stage (16 per cent) the Department's post-programme monitoring surveys of clients show that about 40 per cent of clients were in employment or further education and training three months after leaving assistance.

The paid outcome rate relates directly to Interim Outcome payments and is a measure of the extent to which Job Network members achieve sustained employment for their clients. The post program monitoring (PPM) survey outcome rate relates to post assistance outcomes. Post assistance outcomes measure the extent to which job seekers find jobs after assistance or retained jobs after placement in employment by their provider. The PPM survey data has been the standard measure of outcomes for labour market programs since the mid-eighties.

In comparison, the paid outcome rate is not a full measure of employment outcomes for IA, for example, because it does not include job seekers who may have been in employment but who did not reveal their employment status or who had not ceased or significantly reduced their unemployment allowance. The PPM survey is used to measure the employment outcomes for this group and along with paid outcomes gives a complete picture of post assistance outcomes.

Although the expenditure forecast model includes "built in lags" in terms of commencements and outcomes, actual lags resulted in lower expenditure than anticipated

The 1998-99 allocation is, of course, part of the allocation for the 22 months of the first Job Network contract period. Although expenditure was lower than expected within the financial year, final total expenditure for the first contract period cannot be determined until sometime well after February 2000 when all commitments under the first contracts have been met. In the case of Intensive Assistance, clients can be assisted for up to two years and outcome payments can therefore occur many months after referral/commencement depending on when the client is

placed in a job during the period of assistance. Payments under the first contracts could still be falling due in the year 2001-02.

It is in recognition of the requirement for flexibility between years that the Government had provided the authority to transfer up to 10 per cent of the allocation between years. It should also be noted that before Job Network, funds available for labour market programmes were rarely spent according to annual budgets. In most years funds were carried over to the next year and in other years funds were brought forward from future years' forward estimates. The need to adjust funding between years should be somewhat alleviated with the change from cash-based to accrual-based estimates.

It should not be forgotten that the employment services market is performance-based - during the next contract period business has been redistributed to the higher performing organisations following milestone reviews. This in turn may well drive up the need for additional funding in the out-years.

Question 2: How many placements did PEPE achieve in January 1998?

Several sources give conflicting answers for how many placements were achieved by PEPE in January 1998.

In the answer to Senate question W74, the Department quoted a figure of 10 415 Newstart and Youth Training Allowance clients placed by PEPE in January 1998, in answer to a question about the placement of eligible job seekers by PEPE and Job Network. I find this curious, given that under the Job Network adjustments of August 1998, the main criteria for whether or not a person was eligible for Job Matching was whether they were registered as unemployed, rather than on benefits.

In his press release of 11 June 1999, Minister Abbott quoted a figure of 12 410 placements for PEPE in January 1998, with the footnote that "Placements include eligible placements for Job Network (excluding apprentices and trainees who were not on allowance and were placed prior to the August adjustments) and comparable placements for the CES".

CMIS documentation records 17 537 UE Job Placements in January 1998. Under the Job Network adjustments of August 1998, the main criteria for whether or not a person was eligible for Job Matching was whether they were registered as unemployed, rather than on benefits. These therefore appear to be comparable placements of eligible job seekers.

Response:

Comparison of the performances of the CES and Job Network was always going to be difficult because of different operating conditions. Comparisons were made even more complex when the Government changed the eligibility for paid Job Matching placements in September 1998. Thus, the figures reported when comparing the Job Network and the CES were different at different points in time due to decisions made by Government.

Initial reporting of Job Network and CES performance reflected the decision by Government to target placement assistance primarily to job seekers on income support and youth. As the CES assisted all job seekers, whether employed or unemployed and regardless of age, adjustments had to be made to make them comparable in a fair and just manner. In September 1998, eligibility for Job Matching was extended to job seekers not on income support.

The comments in Question 2 above appear to indicate that we should have changed the basis of comparison immediately the change to eligibility was announced. However, it has to be acknowledged that, following the change in the Job Network eligible cohort, business would take some time to build up under the new conditions and to publicly report an uptake for Job Network and ongoing performance for the CES without allowing that time would have been inappropriate and misleading. The Job Network had to be given time, particularly given the newness of the market, and then the change in eligible cohort, to ensure that public expense of comparative performance was fair. At all times the Minister was kept informed of the comparative performance.

In order to compare performance based on the different approaches and employment services, some adjustments had to be made to CES placement figures. For example, the CES could record 'Found Own Employment' (FOE), 'Raised for job seeker' vacancies or jobs for less than 15 hours as placements whereas for Job Network these are ineligible vacancies (refer Employment Services Contract 1998-1999, Part B subclause 2.2 and 5.1 (h)i). Any published information about CES placements prior to 1 May 1998 (eg, the CMIS data) would include all these categories as these were appropriate to report CES performance at that time.

In all cases where discounting of placements for either the CES or the Job Network was undertaken descriptions of these were provided in the footnotes including in all public documentation.

The Senate Estimates response W74 made the same comparisons of job seekers for both the CES and Job Network in a continuum of the definition as at July 1998 as requested in the question. The Press Release from Minister Abbott of 11 June 1999 took account of the September Adjustments (that is, the broadening of the eligibility criterion for job seekers) and this was reflected in the figures reported for both the CES and Job Network - the placement figures for both changed from September 1998 as a result. The footnotes in each instance were different to reflect what was being counted. In summary, from day one comparing CES and Job Network results was already complex, and it became even more complex when changes were made to Job Network eligibility.

Question 3: How many placements did the Job Network achieve in November 1998?

In Parliament on 7 December 1998, Minister Abbott stated that in November 1998 Job Network achieved 23 700 placements of unemployed people on benefit into work, a figure 50% higher than the old CES in November 1997.

CMIS broadly supports this number, however, only 17 918 of these were claimed for payment under Job Matching. The other 5000 or so were not claimed, presumably because either the JNM did not claim responsibility for the placement (probably because the client found their own employment) or because the client worked for less than 15 hours at the job.

Of these 18 000 odd placement claimed for Job Matching, 3315 had the person starting work 5 or more days before they were recorded as being referred to the job, a situation that is a good indicator that the client in fact found their own employment.

If these 3300 probably invalid claims are removed from the 18 000 claims, then we get a number very close to the number of 15 000 unemployed people on benefit that Minister Abbott stated the CES placed in November 1997. In my opinion, this substantially weakens Mr Abbott's comparison of Job Network and the CES.

Response:

There are three issues to be considered here – the number of placements recorded on the National Vacancy Data Base (NVDB), the number of placements for which payments were claimed by JNMs and the number for which payment was not claimed but which may or may not have been eligible for payment.

On November 1998, the Job Network placed in jobs about 23 700 people on allowance or aged under 21 years of age, of which almost 18 000 were claimed. Under Job Network, the Commonwealth clearly articulates, via the Employment Services Contract 1998-99, what the Commonwealth is prepared to pay for under the Job Matching provisions. The analysis in the Question above of why some placements were not claimed is correct, that is found own employment (FOE) or that the job did not last 15 hours are not payable Job Matching outcomes. Furthermore, some placements are used to anchor Intensive Assistance outcomes and therefore are not claimed. However, the Department encourages JNMs to assist all job seekers and employers, whether the job or job seeker is eligible or not, therefore reporting placement activity is appropriate as it reflects the placement effort of Job Network. The fact that a JNM does not get a payment for placing a job seeker in employment does not devalue the outcome for the job seeker.

The Minister reported the Job Network performance on 7 December 1998 for November 1998, seven days after the end of the month. This accurately reflects the number of placements recorded on the NVDB for job seekers on allowance or under 21 years of age. There may have been subsequent adjustments where JNMs identified overpayments due to administrative errors or the Department recovered invalid claims. The issue of FOE is explored further in response to Question 6.

Question 4: How many placements did Job Network achieve from 1 May 1998 to 30 June 1999?

The DEWRSB annual report states that from 1 May 1998 to 30 June 1999 Job Network achieved 298 400 placements of unemployed people into jobs.

IES extracts show that DEWSRB paid for approximately 234 000 Flex 1 claims in this period (some of which were later recovered as overpayments).

The difference of 60 000 or so is clearly placements that Job Network members recorded on IES but did not claim for, probably either because they were either FOE placements or because the placements were for less than 15 hours work.

Given that these were placements that our contractors either did not claim responsibility for, or asserted that were for very short term casual jobs, I do not understand why we included them in our annual report, given that the objective is about sustainable employment.

Response:

As mentioned above, the Department encourages JNMs to assist all job seekers and employers, whether the job or job seeker is eligible or not. To this end, the Department does not restrict the use of the NVDB to Job Matching claimed placements only. The report is correct – Job Network placed around 298 400 eligible clients into jobs as recorded on the NVBD. The Report does not report the number of claimed Job Matching fees. This would not reflect the amount of placement activity undertaken by Job Network, claimed or not.

In other words, Job Network members record placement activity for the purposes of eligible claims for Job Matching fees. In addition, placements are recorded, for example, to anchor Intensive Assistance (IA) outcome fees (where no Job Matching claim is payable) and to indicate IA and Job Search Training performance (eg in facilitating employment). Furthermore, Job Network members may record placements which they expect will result in a payable outcome, however conditions are not met (eg the job seeker leaves the positions before working the minimum 15 hours required) and a claim is not made.

In the vast majority of instances, at the time a vacancy is lodged on the NVBD, it is not clear whether the job will be eligible for a Job Matching fee as the person in the job might not last the required time, the job seeker may be ineligible, the job itself may be ineligible, etc. It is up to the JNM to determine if the job in question is eligible for a Job Matching fee. In some cases the JNM chooses to service the employer's recruitment requirements, even though they will not get a Job Matching fee, in the hope that at a future time the employer will return to use their service for Job Matching eligible jobs. This is generally the case for short term day labour type jobs/casual seasonal jobs.

Vacancy gathering is also a legitimate role of Job Network members, whether or not they place an eligible job seeker.

Question 5: Is this an outcomes-based, performance-driven market?

This is a summary of all claims paid for under the ESM to about October 1999.

It also references the ESM contract, with whether each payment type is defined in the contract as either an Outcome fee or as a Service fee.

Claim	ESM Contract defines as	Total Amount
1BON	Outcome	\$ 1,574,750
1FEE	Outcome	\$ 53,128,830
2COM	Service Fee	\$ 30,340,931
31PF	Outcome	\$ 17,762,400
31PI	Outcome	\$ 37,798,200
31SF	Outcome\$ 1,242,200	\$ 1,242,200
31SI	Outcome	\$ 5,841,000
31UF	Service Fee	\$ 383,268,000
31UO	Service Fee	\$ 47,532,100
31UT	Service Fee	\$ 3,654,150
32PF	Outcome	\$ 6,509,850
32PI	Outcome	\$ 11,475,000
32SF	Outcome	\$ 281,100

32SI	Outcome	\$ 1,433,000
32U <u>F</u>	Service Fee	\$ 190,308,000
32UO	Service Fee	\$ 23,461,200
32UT	Service Fee	\$ 2,141,300
33PF	Outcome	\$ 681,000
33PI	Outcome	\$ 1,632,000
33SF	Outcome	\$ 23,000
33SI	Outcome	\$ 180,450
33UF	Service Fee	\$ 66,475,500
3FLE	Varies	\$ 830,225
Grand total		\$ 887,574,186

The summary is that approximately 80% of money paid out under Job Network has been for payments defined in the ESM contract as being for Service Fees related to process, not Outcome fees related to clients achieving employment or training outcomes.

Response:

The funding regime for Job Network is very different from previous arrangements. This is reflected in both the contracted delivery arrangements and the payments. JNMs receive the major part of the payment for a job seeker when outcomes are delivered. The up front service fee is paid in recognition that these job seekers are the most disadvantaged and will need assistance before securing employment. Compared to previous arrangements and those for similar services in States, the Commonwealth and overseas, the Job Network is more outcomes-based and performance driven.

Job Network is still in the early stage of the contracted payments. While most of the payments to date would be up front payments, outcome payments even at the end of this contract period may be realised by JNMs for up to 6 months after the termination of the contract. The modelling prepared by the Department was based on this premise.

Data provided by the Job Seeker Strategies Branch indicates that the ratio of up-front fees to total outcomes has been increasing since the start of the market.

In January / February 2000 when referrals to Intensive Assistance cease, this will result in a decrease and eventual cessation of commencements. It is likely, however, that the total number of interim and final outcomes will continue to increase for almost the next 24 months. It should be noted that the transition of 100,000 or so job seekers to new Job Network Members (and hence paid under Employment Services Contract 2000-2003 conditions) will, to some extent, have the effect of reducing this potential number of outcomes achievable. Not withstanding this, we should continue to see the ratio of up-front fees as a proportion of outcomes continue to increase over time.

For the next contract period the Department has also further strengthened the obligations between the JNM and the Intensive Assistance client. It has made it mandatory for the JNM to submit a Declaration of Intent (DOI) which lists a range of activities that the JNM will undertake with Intensive Assistance clients. DOIs form part of the contract. Contract Managers will monitor Activity Agreements against the DOI. In addition, if the job seeker has not been placed

in the first three months the JNM and the job seeker will have to enter into an Intensive Assistance Support Plan (ISAP). Again, this will be monitored by Contract Managers.

As part of the assessment process for Job Network 2, each JNM's performance was taken into account.

Have we provided robust advice, soundly based on knowledge and analysis? Ouestion 6: Did the FOE briefing happen?

Programme Liaison Committee meetings (PLCM) between June and November of 1998 had FPBCB raising thousands of probable cases where Job Matching claims had been made where the only involvement of the Job Network member was to claim the payment on IES.

At December 1998 there were 22 185 claims identified as suspect, because the person started work 5 or more days before the client started work (approximately 20% of total Job Matching claims between May 98 and December 98). This had been shown to be a strong indicator of Found Own Employment under Contracted Job Brokerage, and later compliance work reinforced that it was a good proxy for detecting claims for Found Own Employment.

Job Network Group committed to brief the Minister on the issue of Found Own Employment.

Whilst I know that the relevant Group Managers knew the size of the perceived problem, I am not certain that the briefing of the Minister ever occurred, or if it did occur if it contained the percentage of claims that FPBCB regarded as suspect.

Not keeping the Minister and the Executive informed about the level of claims identified as suspect by FPBCB staff carries clear and obvious risks, especially if this number had been leaked outside the Department.

The size of the FOE problem in 1998 was confirmed by the Victorian State Office's surveying in January 1999 of a random sample of 10% of all paid Job Matching claims made in September. This survey involved reviewing 489 claims. 124 of these were proven to be Found Own Employment, or otherwise not payable under the ESM contract – a figure of approximately 25% of claims reviewed (note document 2j – Minutes of PLCM of 15 February 99). If this percentage held across the country and throughout 1998, then serious concerns exist about the amount of Job Matching claims that were made and paid when the Job Network members had not delivered the services required under the contract.

Response:

The practice of counting a job seeker who finds their own employment as a legitimate placement was widely practiced in the CES and is not a practice created by the Job Network. In the CES these were generally identified by backdating placements, in other words the placement date was before the date that the vacancy was entered into the National Vacancy Data Base (NVDB). Job Network providers exhibited different operating practices to the CES (and indeed the Contracted Job Brokerage arrangements which paralleled CES arrangements) in that for purposes of economy, and in some cases staff expertise on the NVDB, they would put their vacancies, referrals and placements in as a batch. Therefore, this operating practice would have the placement date prior to the vacancy create date, which is the proxy referred to in Question 6.

Initially, in its compliance checking methodology to identify cases which might be FOE, the Department used as an indicator placements which pre-dated by at least 5 days the entry of the referral on the system.

The practice of JNMs claiming for FOE was raised very early in the market and was a subject discussed at a number of Programme Liaison Committee Meetings on how to redress this practice. The Minister was briefed on FOE during regular Minister/Departmental meetings followed by a formal brief which was submitted in April 1999. Minister Abbott was advised of the Department's concerns relating to the payment of Job Matching fees where job seekers had FOE and to inform the Minister of arrangements that the Department was intending to put in place to address the risk of invalid claims for placement fees, in particular eliminating claims for FOE.

In addition, the Minister was advised that given the hundreds of thousands of claims that the Department would pay each year it was simply not possible to validate each claim and that we would manage the risk through a regime of:

- educating and advising providers on what are acceptable and unacceptable practices; and
- post payment monitoring and fraud control activity.

Furthermore, this approach was discussed with the Australian National Audit Office and they accept that sample checks rather than checks of all individual transactions are undertaken and followed up as necessary.

The brief also informed the Minister of the number of Job Matching claims being validated and, while not all cases were FOE, the percentage of overpayments being raised on these claims.

Minister Abbott requested that the Department consult with NESA and a number of providers on proposed IES changes to reduce the risk of FOE. The outcome of these consultations was reported to the Minister and IES changes introduced in June 1999. These changes require vacancy, referrals and placements to be recorded in that order. As a consequence of these changes, the compliance review methodology was reviewed. We continue to review claiming patterns in order to improve business practices.

At the Senate Legislation Committee hearing on 2 December 1999, in response to a question regarding FOE, the Department responded that about 2 per cent of Job Matching claims fell into this category. This data was extracted from SEYMORE and provided by CLPAS. Recent reports based on preliminary results from surveys sent out to both job seekers and employers indicate that the FOE issue is now a marginal one, and that the strategies put in place, particularly educating JNMs and the system change to the NVDB, are working.

Question 7: What Job Matching performance advice has been provided?

The following list is an extract from CMIS of the number of Job Matching claims paid month by month from the start of Job Network. These are placements that, by claims, Job Matching providers asserted were for 15 or more hours work and that they provided services to the employers and jobseekers concerned. Paid claims are counted from the month they were made, rather than from when the job seeker was recorded as starting work. They have not been adjusted in any way (this table is duplicated as a bar graph at Attachment 17).

1998	May	3,197		
1998	Jun	7,843		
1998	Jul	10,279		
1998	Aug	12,388		
1998	Sep	15,432		
1998	Oct	27,050		
1998	Nov	21,593		
1998	Dec	17,479		
1999	Jan	12,135		
1999	Feb	18,437		
1999	Mar	29,634		
1999	Apr	18,967		
1999	May	19,408		
1999	Jun	20,291		
1999	Jul	16,967		
1999	Aug	21,448		
1999	Sep	22,450		
1999	Oct	23,309		

This data seems to exhibit a secular rise up until about October 1998, and then go into a seasonal pattern of low placements around Christmas and the end of the financial year.

Judging on paid claims, there does not appear to have been a marked performance jump from the Job Network adjustments of December 1998 – Job Matching outcome payments appear to be floating within the same band of 17-29 000 before and after the adjustments.

This level of achievement is well under the Department's target, as expressed in the original Job Network request for tender.

Response:

Performance data on all services was provided to the Minister and Executive on a weekly basis from the week ended 29 May 1998 and has been provided fortnightly since 17 September 1999. In addition, Minister Abbott's office is provided with more detailed monthly reports on Job Matching performance. This reporting regime was more frequent in the early phase of the market. Additional reports are provided on particular aspects as necessary.

Since day one of Job Network, JNMs have had access to data at individual site level about their own performance for Job Matching. This includes tables describing total placements, eligible placements, permanent full time placements, eligible job seekers in full time jobs — all of these based on placement date. Information on milestone performance is also provided. In addition, JNMs have access to the number of placements for which they have claimed a Job Matching fee, based on claim date. These reports are available to JNMs through the IES Reports function of the DEWRSB Intranet. Information about access to these reports is regularly provided to JNMs through various forums including: NESA meetings, Provider Club meetings, the National Information Technology Working Group, and the Job Network Bulletin. These reports are updated weekly.

In relation to the issues that the level of achievement for Job Matching was well under the target based on the indicative business level as stated in the Employment Services Market Request for

Tender 1997 (RFT), the business level as stated in the RFT was an indicative figure based on early projections and CES experience (as mentioned earlier). What we did not realise was how many CES placements would not have been eligible under Job Network and, therefore, we underestimated the proportion of activity which would not attract payments. It would, therefore, be more appropriate to monitor the trend in Job Matching performance to determine the progress made and the effect of the December adjustments. Data shows that the average number of weekly placements before end December 1998 was 4245 compared to the weekly average of 6270 since then.

It is also noted that a recent CMIS report on paid Job Matching claims does not show the level of increase in October 1998 reported in the data provided in Question 7 above.

Question 8: What advice has been given on IA outcomes?

The Department's annual report states that:

"It is too early to assess the full impact Intensive Assistance has had on the market gaining employment for job seekers. Job seekers referred for Intensive Assistance to Job Network members are eligible for up to two years of assistance. However, even at this early stage Job Network members are achieving high levels of placements into jobs as well as achieving an increasing number of sustained employment outcomes. Early data indicates that Intensive Assistance Job Network members are achieving around 60 per cent more outcomes than Case Management organisations."

I do not believe that this is entirely the accurate, as Intensive Assistance has many clients who have completely passed through the IA process. A micro-example is the cohort of clients who entered IA with the Salvation Army in June 1998 (I picked this example at random). This is a table concerned with the claims made about this group of clients.

Claim Type	ESM Contract defines	Data	Total
	as		
31PF	Outcome	Number	184
		Amount	220800
31PI	Outcome	Number	282
		Amount	423000
31SF	Outcome	Number	33
		Amount	16500
31UF	Service Fee	Number	1892
		Amount	2838000

Out of \$13.75 million dollars, we got 275 Final Outcomes for 6520 clients in Intensive Assistance, plus another 283 Interim outcomes that did not lead to Final outcomes.

Dividing 275 Final outcomes into the \$13.75 million means on a pure Final-Outcome-only basis they had a cost per impact of \$50 000 each. This includes "deadweight loss" – outcomes that would have occurred without the client being in Intensive Assistance.

If we count the 558 Interim outcomes then by the same methodology (275 Final Outcomes plus 283 Secondary outcomes that did not lead to Final outcomes) then each Final or Interim outcome cost \$16 000 or so.

If we include the 558 up-front fees associated with these Interim outcomes, then each outcome cost approximately \$13 500.

Both sets of numbers count "secondary" outcomes (education outcomes for non-youth or those with year 12, or work that does not completely take clients off benefits).

If we accept that the category 3 clients are still in Intensive Assistance, then we have approximately 5000 clients achieving these outcomes — in other words, 89% of clients who commenced in Intensive Assistance with the Salvation Army in June 1998 have not achieved outcomes.

Clearly, this is a level of achieved outcomes that brings into doubt both the effectiveness and the cost-effectiveness of Intensive Assistance in achieving sustainable outcomes for unemployed Australians. One risk that I believe is worth close analysis is to see whether "parking" of jobseekers – the practice alleged by ACOSS among others, of signing up but not providing assistance to clients judged unlikely to achieve outcomes – has contributed to the low level of achieved outcomes.

Whilst this analysis has only been done on the clients of one provider in one slice of time, I believe that the performance of this provider with this group of clients is representative of the performance of Intensive Assistance as a whole, and my fundamental conclusions would be supported by a more comprehensive analysis of those clients who have completely passed through Intensive Assistance.

Response:

From the comments in the question above, it may be possible that the "60% more outcomes than Case Management" statement has been misinterpreted. This outcome analysis was provided by the Labour Market Policy Group (LMPG) who have had many years experience in analysing the outcomes for many different programmes. While the example of data discussed in Question 8 above provides a simplistic way of looking at Intensive Assistance outcomes, it is not related to the quotation used that deals with the comparative performance of Intensive Assistance and Case Management.

The assertion in the quote from the Annual Report that "It is too early to assess the full impact (of) Intensive Assistance" is also questioned. Because of the definition of interim and final outcomes there was an expected delay in data on outcomes from IA. Using PPM data (the situation 3 months after assistance is finished) the delay is longer.

There has been ongoing advice to Ministers about the performance of Intensive Assistance, including concerns and details as provided below.

Early feedback on outcomes was based on raw numbers of interim and final outcomes and provided within the context of the number of referrals and commencements. This was provided in the weekly report which went to Ministers and senior staff in Job Network Group.

As the data on IA outcomes became available, this information was included in other briefing provided to the Minister. Also, a comprehensive brief submitted in March 1999, Job Network Performance of Intensive Assistance went to Minister Abbott and was copied to Minister Reith. As well as reporting progress to date, this brief included detailed comparisons with Case Management outcomes. Direct comparisons between Intensive Assistance and Case Management are difficult because of the significant differences in the two approaches. The methodology and some of the analysis for the comparison was done independently by the LMPG. The methodology, assumptions and constraints were included in the detailed attachment to the brief.

As data continued to become available, there was extensive discussion within Job Network Group and with LMPG regarding the methodology to be used to compare outcomes in IA between providers and sites. As a result of this discussion, a cohort approach was adopted and used in the performance brief prepared for Ministers in May 1999. The brief included a section on the calculation of outcome rates for Intensive Assistance including advice that this was an interim measure for this stage of the market.

This brief and the comprehensive brief on the Release of Job Network Performance Information in May 1999 included details of the methodology and constraints.

In relation to the cost of Intensive Assistance outcomes, it is more relevant to consider the ultimate cost of IA on the basis of post program monitoring surveys and compare it with earlier Working Nation programs. Recent post program monitoring survey data shows that 40 per cent of IA clients were in employment (33.2 per cent) or in further education (6.4 per cent) compared to 21 per cent, 25.8 per cent, 33.7 per cent in employment under New Work Opportunities (NWO), LEAP and JobTrain respectively. The costs per employment outcome are \$6850, \$55,900, \$28,600 and \$8,900 for IA, NWO, LEAP and Job Train respectively. These comparisons are more relevant in determining the efficiency and effectiveness of IA. We expect that Intensive Assistance outcomes will continue to improve following the introduction of changes to this service (eg Declaration of Intent and Intensive Assistance Support Plans) made for Job Network 2.

Question 9: Have we tested our advice for robustness by submitting it to objective, informed analysis?

This is a question that cannot be answered except by those who can access the advice given by our Department.

I hope I have shown enough examples of where statements that I believe were made on Departmental advice lacked robustness.

I believe that the Department needs to investigate a process of "stress testing" advice given to our Ministers, to ensure that the advice we give is completely supportable.

A good model for this would be the critique of the Working Nation programs delivered in Evaluation and Monitoring Branch's Internal Discussion Papers of February 1998.

Response:

Responses to previous questions indicate that advice provided was not lacking. Job Network Group has officers from several Branches involved in monitoring Job Network performance. The Group also works closely with LMPG to ensure that methodologies for monitoring and

reporting Job Network performance are robust. (For information, LMPG was the area that prepared the Internal Discussion Papers of February on the Working Nation programmes.) As stated above, the cohorts and process for selection and delivery of Intensive Assistance compared to the Working Nation programmes are different but these have been explained when reporting to Ministers and indeed more broadly.

Briefs to Ministers on IA outcomes are based on actual data obtained from the Department's system and post program monitoring data is based on well founded surveys which the Department has been conducting for some time. Furthermore, the cost assumptions as discussed above are on public record.

It is also worth noting that the Minister also meets regularly with NESA and, therefore, obtains other points of view.

Question 10: Was our advice thorough - did it provide bad news as well as good?

Again, I cannot answer that question, given the information available to me.

However, the Indigenous Employment Policy had it's genesis in a cabinet submission that argued that Intensive Assistance was failing to achieve employment outcomes for Aboriginal and Torres Strait Islander clients – in short, in a briefing that did provide bad news.

The government's response was to accept a move away from the Job Network strategy of providing essentially untied funding to Job Network members, and towards a series of more traditional labour market programs.

A prominent part of this policy was the Wage Assistance Programme, which received funding of \$50 million in 1999-2000.

Indeed, this return to past methods was explicitly recognised in Minister Reith's press release of 1 July 1999 on the program (document 19), which in part stated that "Wage subsidies such as these have worked well in the past".

The importance that the Department has placed on this element of the broader Indigenous Employment Policy is shown by the "star billing" of this direct wage subsidy on the Indigenous Employment Policy web page.

This program is, in my opinion, Jobstart rebadged, except with rather more protection for Commonwealth funds than existed under the old programme. It relies on the same mechanisms – a canvassing card issued directly to clients to empower them, subsidies paid directly to employers of eligible clients and no limits on who referred the client to the employment opportunity.

Rather than introduce a new 'Flex 4' category, as was argued for by ACOSS in their 14 January 1999 press release, or offer Job Network members an 'Intensive Assistance Bonus payment' similar to what has been done with the CDEP providers under the CDEP Placement Incentive, Cabinet chose to approve a move away from Job Network and back to direct wage subsidies paid to employers.

Response:

We have been forthright in our presentation to Ministers providing balanced advice, including any concerns or caveats on individual matters as well as reporting on good and bad performers in the Job Network. Reponses to previous questions are also relevant.

Question 11: Have we administered Job Network so that it achieves improved performance in the labour market?

I believe that this question is best answered by referring to the 20% underspend in the Job Network allocation, to the fact that 80% of funds paid out have been paid out for events defined in the ESM contract as fees for service rather than outcomes, and the fact that the Minister described a key element of the Job Network adjustments of December 1998 as being to improve the income and cash flow of Job Network members.

I believe that we have placed too much emphasis on maintaining good relations with our contractors, and too little on making sure that outcomes have been achieved.

Response:

Responses to previous questions are relevant. Intensive Assistance is very tightly targeted to the most disadvantaged job seekers. This has been confirmed by the Post Implementation Review of the Job Seeker Classification Instrument (JSCI). Intensive Assistance performance is expected to further improve under the second Job Network contract as, overall, we will have better providers who have been offered business based primarily on their previous good performance in providing Intensive Assistance or similar services. The average performance of successful Intensive Assistance tenderers for Job Network 2 is 25% better than the average outcome rate for current Job Network members.