



## Measuring performance in Australia's Job Network (B)

Setting up the Job Network had been a mammoth task for departmental staff. Managing and monitoring more than 300 providers across more than 1400 sites was certainly keeping them on their toes. The initial results from Job Network showed that it was very cost-effective, but that the goal of giving job seekers the opportunity to choose their own service provider was proving to be a challenge. Only a small minority of job seekers were choosing providers on the basis of their perceived performance, whereas many were finding the selection of service provider a daunting process, or allowing Centrelink to choose for them. Whilst some of this confusion would probably clear up as people became used to the new system, it was clear that the Government would have to find some way of measuring provider performance which, among other things, would make it easier for job seekers to choose their providers on an informed basis.

### The Job Network's first report card

Whilst the restructuring of employment services was not without controversy, initial government reports on the performance of Job Network were glowing. A year after its creation the Minister for Employment Services, Tony Abbott, released a "report card" announcing that the Job Network had been consistently more effective than the old Commonwealth Employment Service (CES).<sup>1</sup> In its first year, Job Network providers had lodged more than 500,000 vacancies on the National Vacancy Database and placed 240,000 eligible job seekers using Job Matching. This translated to placing around 6,000 job seekers in a job every week (*Exhibit 1* shows the labour force status of job

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This case was written by Dr Janine O'Flynn, University of Canberra, for Professor John Alford, Australia and New Zealand School of Government, for teaching purposes and to accompany cases 2007-37.1 and 2007-37.3. The use of teaching materials is restricted to authorised persons only. The co-operation of staff of the Department of Employment and Workplace Relations is gratefully acknowledged.

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<sup>1</sup> Tony Abbott, Minister for Employment Services (1999) *Job Network End of Year One Report Card*, Media Release, 30 April.

seekers three months after they had received assistance through the Job Network system). The Minister reported that the Job Matching service was 51 percent better than the CES in terms of outcomes, Job Search Training was 48.6 percent better than the old Job Clubs model, and Intensive Assistance was 60 percent better at achieving outcomes than the previous case management system.

Job Network was also proving an attractive option for employers, with 175,000 more vacancies registered compared to the CES.

Not only was it more effective, but early data showed that Job Network also cost less per outcome. For example, the cost of an employment outcome under Job Search Training was around half that of the Working Nation's Job Clubs scheme.<sup>2</sup>

Despite this success, some changes had had to be made in the first year of Job Network. In August 1998 the Minister for Employment, Dr David Kemp, announced that an additional \$55.5 million in government funding would be allocated to the Job Network to facilitate adjustments. This included increasing the flow of job seekers to providers by broadening the eligibility for Job Matching services. Providers were also able to claim funding of up to \$10,000 per site to assist in the transition to a competitive market. These payments were especially aimed at helping to clear the confusion that some employers and other groups were having with the Job Network and the services that it offered.

Later that year, some providers were facing difficulties, especially those who had exclusively bid to deliver Job Matching services. As Job Matching did not attract any upfront payment, many providers were facing the costs of supplying the service whilst waiting for placement payments. The stories of the struggling providers attracted a lot of media attention, but part of the problem for some of them could be attributed to the low cost bids they had submitted in the tendering process.<sup>3</sup>

In October 1998 the Minister for Employment Services, Tony Abbott, offered a "lifeline" to those who were struggling financially. He commended members of the Job Network, saying that it was "heartbreaking" for them to fail when they were putting "their heart and soul" into helping the jobless.<sup>4</sup> To assist providers, the payment structure for the Job Matching service was amended. From December 1998 they would receive up-front retainers of 30 percent of expected business, an additional \$100 per successful placement, and bonuses of \$45 for placements in regional areas. It was also announced that funding of up to \$1000 per site would be available to help providers market their services to local job seekers and employers. For those who wished to leave the network, funding of up to \$15,000 per site was made available as part of the package.<sup>5</sup>

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<sup>2</sup> It was estimated that the cost per unsubsidised employment outcome for the Working Nation Job Clubs scheme was \$2500 compared to just \$1130 for the Job Search Training service under Job Network. For more information see Department of Employment, Workplace Relations and Small Business [DEWRSB] (2000) *Job Network Evaluation Stage One: Implementation and Market Development*, Canberra, p.67.

<sup>3</sup> Department of Employment, Workplace Relations and Small Business [DEWRSB] (2000) *Job Network Evaluation Stage One: Implementation and Market Development*, Canberra, p. 57.

<sup>4</sup> Penelope Green (1998), Abbott Pledges Job Agency Lifeline, *The Australian*, 30 October.

<sup>5</sup> DEWRSB (2000).

## Job Network Mark II

In June 1999 the request for tender for a second round of employment services contracts was publicly released. This was an opportunity for the department to build on the initial strengths of Job Network and address some of the problems that had been identified in the first phase. Some of the key changes between Job Network Mark I and Job Network Mark II were:

- Allowing Intensive Assistance providers to specialise in servicing a specific disadvantaged group (e.g. people with a disability);
- Placing greater emphasis on quality over price with 75 percent of the tender assessment outcome based on quality;
- A reduction in the number of tender regions from 29 to 19;
- The introduction of a Code of Conduct for providers;
- The use of price-based competition for Intensive Assistance (with a minimum total price set by the department);
- The introduction of an outcome payment for Job Search Training; and,
- A requirement for providers to record in more detail the actual services delivered under the Intensive Assistance service.<sup>6</sup>

In February 2000 Minister Abbott announced that 197 organisations had been contracted to deliver services across 2070 sites.<sup>7</sup> Whilst the number of providers was less than in Job Network Mark I, there was a major expansion in the number of sites from the initial 1400. Many providers sought work in the second round of tendering and of those who had participated in Job Network Mark I, 87 percent successfully won business.<sup>8</sup> Non-government providers experienced a major increase in business as the government-owned Employment National lost the bulk of its Intensive Assistance work.<sup>9</sup> Whilst it had successfully increased its Job Matching business it was clear that Employment National was going to struggle financially without the more lucrative Intensive Assistance business.<sup>10</sup> The tendering process also highlighted some areas where it was difficult to attract providers. In the Northern Territory's Alice Springs, Katherine and Tennant Creek, for example, the request for tender failed to ensure full service coverage and the department had moved to a fee for service tender process to ensure adequate provision.<sup>11</sup> Job Network Mark II began operations in February 2000 and, given the range of changes that had taken place, Minister Abbott made a point of publicly commending those involved for their efforts:

“The Job Network 2 start up is a very big and complex mobilisation of resources involving thousands of people, hundreds of sites and millions of dollars worth of equipment. It has involved the establishment of well over 1000 new sites from

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<sup>6</sup> DEWRSB, *Employment Services Tender 1999 Questions and Answers*, [www.workplace.gov.au](http://www.workplace.gov.au)

<sup>7</sup> Tony Abbott, Minister for Employment Services (2000) *Job Network 2 – Open for Business* Media Release, 25 February.

<sup>8</sup> Department of Employment, Workplace Relations and Small Business [DEWRSB] (2001) *Job Network Evaluation Stage Two: Progress Report*, Canberra.

<sup>9</sup> DEWRSB (2001).

<sup>10</sup> John Fahey, Minister for Finance and Administration (1999) *Second Job Network Delivers Better Value for Money*, Media Release, 3 December.

<sup>11</sup> DEWRSB (2001).

scratch in under three months. I congratulate all Job Network members for managing, between them, something like the civil equivalent of the East Timor expedition. Job Network 2 shows what can be done when you harness the goodwill and commitment of community, church-based, private and government sector organisations.”<sup>12</sup>

### Some challenges emerge

Despite such efforts and the Minister’s praise, a range of challenges was emerging which would require considerable attention. Even though the government’s report card was positive, almost from its inception the Job Network had attracted criticism from various quarters: opposition parties had been calling for an independent review, providers were making noise about low payments, and the media was closely watching the experiment to highlight failures.<sup>13 14</sup>

Alongside such criticism, commentators were talking about providers “creaming” the pool of job seekers, “parking” job seekers after they received initial up-front payments, and “churning” job seekers through short-term employment and back into the system. There were even claims that some Job Network providers were creating phantom jobs in order to collect payments. The Labor Party claimed it had been told that some providers were setting up labour hire firms to employ job seekers for the minimum required time to collect their outcome payment before churning them back through the unemployment system. One provider reportedly had placed job seekers into telemarketing jobs and was getting them to call employers looking for jobs for themselves.<sup>1516</sup>

While these stories had garnered lots of media attention, the department argued that in any system there was potential for manipulation, as evidenced by the incidences where people adopted practices which were not “in the spirit of the game”, but that there was the need for balance. As explained by one official, “if the system is too prescriptive this will limit innovation and flexibility but if it is insufficiently prescriptive or too loose then people will manipulate it to their own ends”.

Outside of these rumours, claims and counterclaims, a more fundamental issue had arisen. One of the aims of Job Network was to encourage competition based on customer choice, and it was expected that this would empower job seekers and encourage providers to deliver high quality services:

“The power to choose between different service providers is very important for consumers of human services, especially those such as unemployed people who are economically and politically marginalised. There are many instances of poor quality

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<sup>12</sup> Abbott (2000).

<sup>13</sup> Green (1998).

<sup>14</sup> Dockery, A.M. (1999) *The Job Network: A Unique Australian Experiment in the Delivery of Employment Services*, The Centre for Labour Market Research, Discussion Paper 99/10, Murdoch University, Western Australia.

<sup>15</sup> Christine Jackman (2001) *Overhaul for Job Network*, Hobart Mercury, 25 July 2001.

<sup>16</sup> See DEWRSB (2001) *Report of Enquiry Arising from Senate Estimates Hearings on 4–5 June 2001 into Matters Concerning Job Network*, Department of Employment, Workplace Relations and Small Business, July 2001 <http://www.workplace.gov.au/NR/rdonlyres/C74764D9-2202-4CA1-8B4F-6BD74725CB7A/0/reportjnse.pdf>

service provision by organisations that occupy monopoly positions in the provision of human services for vulnerable people.<sup>17</sup>

“Job seekers and employers ... benefit from the diversity in provider type, philosophy and approach to employment services by choosing a provider that suits them best ... service quality and provider reputation ... influence choice and public information on the services and provider performance ... facilitate it.”<sup>18</sup>

From the outset job seekers were able to choose between service providers. However, the department’s research showed that while the new system was designed to give job seekers the *opportunity* to choose, most of them were finding it difficult to *exercise* that choice in a meaningful way.<sup>19</sup> A range of factors was canvassed to explain this: job seekers may have been confused by the new system; their preferred provider had already met their contracted caseload limit; there was a limited number of providers in their area; or they were happy to let Centrelink refer them to a provider who was close by. However, one Job Network client indicated that it might have something to do with the information that was (or was not) provided:

“When I went into Centrelink and had my interview I asked questions about [the different providers] and I got no information. I wasn’t told that I had to go and register with five, I wasn’t told I was *allowed* to register with five.”<sup>20</sup>

The Productivity Commission undertook an independent review of the Job Network and, in its report, expressed concern that choice was playing a minimal role because of information deficiencies.<sup>21</sup> As a result, only a small proportion of job seekers were truly exercising choice. This finding reflected the view of several parties who had prepared submissions for the review.

“People do not exercise their choice ... because there is no true choice. There is not enough quality information available about why one service should be chosen over another. The information available ... does not say much about what services a provider offers which set him/her apart from other providers.”<sup>22</sup>

“... many job seekers are so ill informed ... and have limited knowledge of the various providers that they do not exercise a choice and are referred through an automated process ....”<sup>23</sup>

“A further concern is the lack of assistance that job seekers are given in selecting the Job Network provider ... It can cost substantial time and stress to ‘shop around’ for a

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<sup>17</sup> Australian Council of Social Services [ACOSS] submission cited in Productivity Commission (2002) *Independent Review of the Job Network*, Report No. 21, AusInfo, Canberra, p.8.2.

<sup>18</sup> Department of Employment and Workplace Relations [DEWR] submission cited in Productivity Commission (2002) *Independent Review of the Job Network*, Report No. 21, AusInfo, Canberra, p. 8.2.

<sup>19</sup> Job seekers were provided with a list of providers from which to make a choice. If they failed to nominate a provider within a set time period they were automatically referred by Centrelink, the government agency with whom they registered for income support, to a provider in the area.

<sup>20</sup> Australian Broadcasting Corporation (1998) *Lateline – Job Lot*, screened 26 August.

<sup>21</sup> Productivity Commission (2002) *Independent Review of the Job Network*, Report No. 21, AusInfo, Canberra, p.8.8.

<sup>22</sup> Un(der)employed People’s Movement Against Poverty submission cited in Productivity Commission (2002) *Independent Review of the Job Network*, Report No. 21, AusInfo, Canberra, p.8.6.

<sup>23</sup> Salvation Army Employment Plus submission to Productivity Commission (2002) *Independent Review of the Job Network*, Report No. 21, AusInfo, Canberra, p.8.6.

provider, if you have only been provided with a list of organisation names by Centrelink. It ... can cost substantial funds for a job seeker to travel to a provider to find out more information.<sup>24</sup>

“Job seekers need to be ‘empowered’ ... According to some unemployed people who are registered with Centrelink they feel disempowered in a number of ways. When job seekers first register there is a great deal for them to think about and take in, for many this is at a time of great stress ... Job seekers are not given information about success rates of [providers]; they are given a piece of paper with a number of names and addresses of [providers] and told they can make a choice if they want to. Centrelink staff are reluctant [to] recommend one service over another, presumably this includes talking about success.”<sup>25</sup>

One submission put it bluntly: “A sheet of providers’ names with street address and generic description of services is insufficient to make an informed choice”.<sup>26</sup> Departmental research showed that job seekers found this whole process daunting.<sup>27</sup> Even where job seekers were choosing their provider the evidence showed that this rarely had much to do with the provider’s performance. Whilst a survey of job seekers in 1999 showed that 55.7 percent chose a Job Network provider based on provider attributes, these “attributes” had more to do with location than how good the provider was at getting people into jobs.<sup>28</sup> Of those citing provider attributes as the basis for their decision the most important attributes were: convenience of location (30.2 percent), reputation or recommendation (11.5 percent), response to advertising or personal approach (3.7 percent), special services (3.3 percent), personal experience (2.6 percent), and “other” attributes (4.6 percent). A further 11.1 percent based their “choice” on random factors (i.e. not provider attributes) and 28.4 percent indicated that they did not choose but rather allowed Centrelink to assign them a provider. For the department, which was trying to build a choice-driven market, this was developing into a serious problem:

“The challenge is to increase choice in ways that have desirable impacts on the efficiency and equity of the Job Network ... this will require that job seekers are better informed about the quality differences in Job Network providers and that Job Network providers have incentives to market themselves to job seekers.”<sup>29</sup>

One of the great strengths of the Job Network arrangements was the focus on employment outcomes. As the Minister for Employment, Education, Training and Youth Affairs had noted in 1996, the old arrangements had “emphasised process rather than purpose” and had focused attention on placing job seekers into programs rather than jobs.<sup>30</sup> With the creation of Job Network, services were to be focused on

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<sup>24</sup> UnitingCare submission to Productivity Commission (2002) *Independent Review of the Job Network*, Report No. 21, AusInfo, Canberra, p. 8.6.

<sup>25</sup> WISE Employment – Certain Employees submission to Productivity Commission (2002) *Independent Review of the Job Network*, Report No. 21, AusInfo, Canberra, p.8.6.

<sup>26</sup> National Employment Services Association [NESA] submission to Productivity Commission (2002, p.8.6).

<sup>27</sup> As reported in DEWRSB (2000, p.131).

<sup>28</sup> Source: *Job Seeker Satisfaction with Job Network Members Survey 1999* cited in Productivity Commission (2002, p.8.3).

<sup>29</sup> Productivity Commission (2002, p.8.8).

<sup>30</sup> Senator Amanda Vanstone (1996), *Reforming Employment Assistance – Helping Australians Into Real Jobs*, Budget Statement.

individual needs and placing people into jobs, and payments were tied to employment outcomes. A senior manager in the department reiterated the point:

“A conscious decision has been made that the principal measure will be the achievement of a job outcome ... a provider may meet the service guarantee and the code of practice in providing assistance to job seekers. However, if this is not delivering job outcomes, then this is not high performance.”

This required the department to be clear about its objectives and in a position to communicate this to providers. As one official explained, “some providers have other objectives, but we are buying employment services, not social welfare. It took a while for some providers to realise that this is what the service actually is.”

Nevertheless, there were some concerns about the service experienced by job seekers. One departmental manager focused on the “balancing act” that had to occur between getting jobs and ensuring a quality service was provided:

“In the court of public opinion is it enough to say ‘we outsourced and we got people a job’? Do we care how they get the job, what it is and how they get treated? You can count jobs but you need to have checks and balances.”

These concerns were also surfacing in job seekers’ assessments of their experience in the Job Network. Findings from a series of workshops organised for the Productivity Commission review showed that many job seekers were experiencing frustrations with the new system.<sup>31</sup> When asked to provide a single word to describe how they felt about the Job Network, 61 percent of job seekers used a negative term. Unfortunately this was around the same percentage who reported they were not satisfied with outcomes from their provider.<sup>32</sup> The major irritants for job seekers were:

- A lack of support and help in finding a job;
- A lack of feedback and/or poor communication;
- Not being sent to, or getting the job desired or suitable for; and,
- Poor staff attitude.

During the workshops many job seekers expressed disappointment that the system was not working for them and claimed that it was only through their own efforts that they got a job in the end. A range of opinions were voiced: “you don’t get a job unless you search for it yourself”; “Job Network only find out about your history and [providers don’t] help you get a job”; “most of it is self-help – there is a lack of assistance”; “the Job Network should be working for us – we are the customer”; and, “unless you make the effort nothing is done – it’s often up to the individual.”<sup>33</sup> The department had been grappling with this issue. As one official explained:

“We are supposed to reward providers for the work that they have done or their intervention, but how do we find out the real effect of this? The provider might call a person for an interview and find out they are working – does this equal a placement?”

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<sup>31</sup> The Value Creation Group (2001) *Value Creation Workshop – Review of Australia’s Job Network by the Productivity Commission*, Consolidation Report, available at [www.pc.gov.au](http://www.pc.gov.au)

<sup>32</sup> 28% of job seekers in the study used a positive term and 10% recorded mixed or neutral feelings.

<sup>33</sup> The Value Creation Group (2001, p.12).

Should they be allowed to do that? They have had some intervention but there is no easy way to determine this. It probably evens out ... but how do we find out?"

Whatever the concerns, however, studies by the department found high levels of job seeker satisfaction with employment outcomes. A longitudinal study of Job Matching found that around 80 percent of clients were satisfied with the job in which they were placed. Further, 68 percent of job seekers were still employed three months after their placement via Job Matching and, of these, 82 percent were still employed after 15 months. And whilst the study showed that the majority of job seekers were placed into lower skilled, often part-time and casual jobs, low income earners who were still employed 15 months after their placement had significantly increased their incomes and many people moved into better jobs over time.<sup>34</sup>

## **Conclusion**

The Government had committed to a thorough evaluation of the performance of Job Network. Departmental research and evaluation had shown that the network was producing employment outcomes at lower cost than the prior arrangements and that, generally, employers and job seekers were satisfied. However, a range of issues had been identified which demanded attention.

Job Network Mark II had addressed some of the concerns of providers. But it was becoming clear that the department would have to design some way of helping job seekers to better understand the Job Network – and as part of that, to give them some tools for choosing between different Job Network providers.

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<sup>34</sup> DEWRSB (2001) *Job Matching: A Stepping Stone to a Better Future?* EPPB Report 4/2001, Commonwealth of Australia, Canberra.

**Exhibit 1: Labour force status of job seekers three months after assistance by type of assistance, May 1998 to September 2000.<sup>35</sup>**

Outcomes	Job Matching <sup>36</sup>	Job Search Training <sup>37</sup>	Intensive Assistance <sup>38</sup>		Total
			Funding A	Funding B	
Employed	69.7	38.4	40.1	24.7	35.4
• Full-time	42.6	19.8	18.9	10.6	16.3
• Part-time	27.1	18.6	21.3	14.1	19.1
Unemployed	26.8	52.0	43.3	55.0	46.9
Not in labour force	3.5	4.7	13.7	17.5	14.9
Further assistance <sup>39</sup>	-	4.9	2.9	2.8	2.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Education/training	10.0	13.6	8.5	7.3	8.1
Positive outcomes <sup>40</sup>	72.9	47.1	46.8	31.1	41.9

<sup>35</sup> DEWRSB (2001, p.44).

<sup>36</sup> Job seekers placed between March and June 2000.

<sup>37</sup> Outcomes achieved three months after assistance for job seekers who ceased assistance between 1 May 1998 and 30 June 2000.

<sup>38</sup> Funding levels reflected the level of disadvantage. In the first contract there were three levels with Level 3 being the most disadvantaged. These were later combined into two levels – Funding A is the previous Level 1; Funding B brings together prior Level 2 and Level 3.

<sup>39</sup> These figures include commencements in Job Network and other services (e.g. Work for the Dole, Indigenous Employment Program or New Apprenticeships).

<sup>40</sup> These figures include education and training outcomes but not the sum of both because some job seekers could achieve both an employment and an education outcome.