

# Performance measures for welfare-to-work programmes:

The relevance of Australian  
star ratings to the UK

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## **Performance measures for welfare-to-work programmes:**

The relevance of Australian star ratings to the UK

**Dr May Lam**

“A particular feature of labour market programmes is that their society-wide benefits are quite well shown by their impact on public sector finances: lower unemployment and higher earnings after return to work improve the welfare of the individuals concerned while also saving on unemployment benefit budgets and increasing tax receipts.

Effective performance management driven by this criterion will thus improve both social welfare and government financial balances.”

**OECD Employment Outlook: Boosting Jobs and Incomes. OECD 2006, Chapter 3, p. 73**

“It should be emphasised that the role of the star rating model is not perfection (which is impossible) but rather to capture the most salient differences between local labour markets and client mixes.”

**Australian Productivity Commission report on the Job Network, 2002**

“We need a dynamic and effective market where good providers are properly rewarded, whether they come from the public, private or the voluntary not-for-profit sectors.”

**John Hutton, UK Secretary of State for Work and Pensions, Future Services Network conference speech, 2006**

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## Executive summary

The UK Government spends approximately £1 billion per year on contracted welfare-to-work programmes. Is it getting value for its money? Which contract holders are the best? How can this be known?

### **UK star ratings pilots**

In 2006, Jobcentre Plus was charged with the task of developing a star ratings system to compare the performance of contracted welfare-to-work services providers. This was inspired in part by the Australian system of star ratings for the Job Network, which plays a pivotal role in informing procurement decisions.

Jobcentre Plus is currently testing star ratings prototypes for Employment Zone and New Deal contracts, and such ratings are signalled for Pathways to Work and other contracted programmes.

This paper makes a case study of the Australian system of star ratings in order to promote an understanding of:

- different possible purposes for performance ratings in welfare-to-work programmes;
- options and choices for information that might be included in a provider ratings system;
- the administrative and IT system conditions needed for a robust performance measurement system;
- how labour market and job seeker variables can be taken into account to permit valid comparisons of provider performance.

### **Australian star ratings**

Though the account given of the Australian star ratings system here is necessarily detailed, it has been written for the general reader. It is not intended to suggest that the UK should replicate the Australian system, but has been included to provide an illustration of how job seeker and labour market characteristics can be accounted for, thereby permitting valid comparisons of provider service impact.

### ***Why star ratings matter***

The UK Government is advancing the agenda to promote contestability and choice across public services and David Freud's review of the Government's welfare-to-work strategy recommends wider-ranging and longer-term outcomes for the delivery system. As the Government moves towards more strategic contracting, there will be a growing imperative to establish clearly defined and consistent performance measures for welfare-to-work services providers, along with a fair and transparent system to rate and compare their performance.

Addressing that context, this paper identifies some choices that the Department for Work and Pensions should consider, and the points on which it should take action.

### ***Clarify the purpose of star ratings***

There are a number of possible uses of star ratings. What the Government needs to know as a customer buying welfare-to-work services is different from what a job seeker would want to know if given a choice of provider. What the star ratings are intended to achieve needs to be decided.

There is general consensus that the right system of star ratings comparing the performance of contracted providers could legitimately inform procurement decisions. Consideration should also be given to the use of star ratings to measure and compare the performance of the public employment service, Jobcentre Plus, where it delivers the same programmes. Such a system could ultimately provide the evidence base and rationale to determine the extent of privatisation.

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***Account for labour market and client characteristics***

To enable fair comparisons of providers' performance, it is vital that that a star ratings system takes account of different job seeker and labour market characteristics that apply to each provider.

***Understand how ratings would work in a joined-up delivery system***

By its nature a joined-up system of service delivery means that all participating agencies contribute collectively to the overall objective of employment retention. Following the recent recommendations of the Leitch and Freud reviews, they should also contribute jointly to skills development and progression in employment. The possibility of, and implications for, attributing results to individual providers need to be considered.

***Exploit the capacity of IT systems to capture vital information for future service delivery***

The Australian experience demonstrates the importance of timely and accurate management information and the vital role that can be played by an IT system in recording and reporting provider performance information. An integrated IT system with the capacity to record and report job seeker characteristics and case history also has the capacity to generate a service that could see a more effective service to the individual. The imperative to understand IT capability in a contracted system of performance cannot be ignored.

Performance measures and targets are critical to the welfare-to-work system. How they are defined and quantified establishes the conditions of the relationship between the worker on the frontline of welfare-to-work service delivery and the person on benefits, whose future prospects depend on employment. Recognising this, WorkDirections UK is pleased to contribute to discussions with the Government about how to deliver an effective and accountable system of welfare-to-work.

# 1. Introduction

This paper outlines the principles and elements of performance measurement for welfare-to-work services, describes the Australian star ratings system and then considers its relevance to the UK system.

It follows a July 2006 WorkDirections UK paper, 'Buying Quality Performance', which is based on the Ingeus Group's experience of delivering welfare-to-work programmes in the United Kingdom, Australia, France and Germany. That paper discusses the procurement of welfare-to-work services and recommends welfare-to-work contracting based on funded outcomes that give most incentive to achieving results for people furthest from the labour market.

It is particularly relevant at this time to consider the purposes and uses of performance measurement. Improving the performance and accountability of public services is high on the government agenda, as indicated by the current programme of Departmental Capability Reviews.<sup>1</sup> Jobcentre Plus needs to know whether it is getting value for money from its hundreds of providers and the £1 billion spent on contracted welfare-to-work programmes during 2005-06.<sup>2</sup> The Pathways to Work programme for people on Incapacity Benefits will be delivered largely by the private and voluntary sectors, with payment by results.<sup>3</sup> For all of these programmes, Jobcentre Plus needs to know how good its providers really are, and which are better than others, to inform future contracting.

In a welfare-to-work conference address in June 2006, the Secretary of State for Work and Pensions, John Hutton, spoke of the UK Government's aspiration to achieve 'a system of devolved active welfare' that needs to pass some key tests. Importantly, these include:

- Incentives that generate the right kinds of rewards for the best providers achieving desired outcomes;
- Accountability to achieve good performance measurement and monitoring without micro-management.<sup>4</sup>

The recent Freud review highlights the vital function of performance measures in welfare-to-work contracting. It includes proposals to pay providers over a three-year period after a person moves into work and suggests that contracts should offer rewards proportionate to the value to society and the taxpayer of moving into work.<sup>5</sup> These ideas have been supported in principle by the Secretary of State for Work and Pensions.<sup>6</sup>

## What to measure and why

The UK has many different employment programmes for different client groups, delivered in very different labour markets, sometimes by Jobcentre Plus and sometimes by private and voluntary sector providers. Comparisons of the performance of providers delivering the same programmes has been difficult; comparisons of providers delivering different programmes even more so, especially when some involve outputs such as adult basic skills rather than sustained job outcomes. Comparisons of contracted providers' performance with that of Jobcentre Plus is an even bigger challenge, but one that is inescapable if the Government is to generate the necessary evidence to inform its deliberations about contestability.

1 - Cabinet Office *Civil Service Capability Reviews*, 2006.

2 - HM Treasury *Leitch Review of Skills: Prosperity for all in the global economy*, Section 7.8, 2006.

3 - Department for Work and Pensions Green Paper *A New Deal for Welfare: Empowering People to Work*, 2006.

4 - John Hutton, Secretary of State for Work and Pensions, *Speech to Welfare to Work Convention*, Birmingham, 2006.

5 - David Freud *Reducing dependency, increasing opportunity: options for the future of welfare to work*, Independent report to the Department for Work and Pensions, 2007.

6 - John Hutton, Secretary of State for Work and Pensions, *Speech to Centre For Economic and Social Inclusion conference*, London, 2007.



Any government service or private business needs to be clear about what it hopes and expects to deliver for its customers. There is a broad consensus among OECD countries and within the UK that reduced benefits dependency and greater workforce participation should be pursued in order to promote economic independence and social inclusion. However, it is in the way that performance measures and targets are defined that crystallises what this means for the services clients will receive.

Performance measures and targets have immense capacity to determine how frontline staff use their time and establish their priorities. Though the common objective of welfare-to-work programmes is employment, the specific measures and targets applied can affect staff beliefs about whether clients would benefit from, for example, counselling, job search activity, or education and training. This is true both for staff working in a contracted delivery system such as Australia's Job Network<sup>7</sup> or in a public employment system like Jobcentre Plus in the UK.<sup>8</sup>

While the complexity and diversity of programme provision in the UK cannot be underestimated when contemplating a system of performance measurement, it is useful to establish the basis on which common measures might be possible. This means identifying the ultimate objectives of welfare-to-work programmes and then measuring ends rather than means.

Current identified strategic objectives are:

- Sustainable employment achieving increased income and reduced benefits reliance;
- A focus on those furthest from the labour market;
- Outcomes for the greatest number of people in the shortest time;
- Financial efficiency.

These objectives provide the main terms for reliable and meaningful comparisons of provider performance.

### **Why consider star ratings?**

In 1998, the Australian Government comprehensively outsourced its core employment services to create the Job Network, 'a radical transformation of employment services delivery without parallel in OECD countries'.<sup>9</sup> These changes meant greater public scrutiny and accountability, intensifying the need for reliable and valid measures of performance, both to report the progress of the new system and to rank or rate the relative performance of providers who were competing for business in the new quasi-market.

The Job Network in Australia and Employment Zones in the UK share broadly similar policy objectives and contract terms that reward sustained employment outcomes for long-term unemployed and disadvantaged people. This paper takes the Australian star ratings system as a case study to illustrate the options available to quantify and compare the performance of contracted and competing providers.

7 - See, for example, the discussion of education and training outcomes in Australian Productivity Commission *Independent Review of the Job Network*, Section 11, 2002.

8 - Department for Work and Pensions *Evaluation of the Job Outcome Target Pilots*, 2005.

9 - OECD *Innovations in Labour Market Policies*, 2001, p.11.

## Introduction

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Significant differences between Australian and UK programmes are recognised. An examination of the star ratings system in Australia reveals its dependence on common and consistent programme design and contracting terms, administrative arrangements, and fee payments. Such common terms, supporting meaningful comparisons of providers' performance, do not currently exist in the UK and will be considered later in this paper.

This case study of the Australian system provides a practical and detailed example of how a performance measurement and comparison system works. In doing so, it can reveal the important choices that must be made in the UK about:

- The purpose and uses of star ratings;
- How to define performance;
- How to assign weightings to its various elements;
- How to construct provider incentives.

The way that such elements are defined and combined must address both the welfare-to-work policy objectives and contracting conditions unique to the UK.

## 2. Uses of performance measures

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Welfare-to-work policies and programmes in the UK and Australia operate in a complex system of interactions between different stakeholders.

**For clients**, performance measures can:

- Inform expectations of a provider's capacity to help them;
- Inform choice of a provider, where there is competition;
- Determine provider market share through the exercise of client choice;
- Hold providers accountable to clients for the elements of service they value, such as sustained employment outcomes and quality of service.

**For the Government**, performance measures can:

- Define and quantify success for policy and spending;
- Establish clearly delineated targets for the public employment service and contracted providers and monitor achievements against those targets;
- Promote continuous improvement;
- Compare performance between all providers, both contracted and public employment services;
- Inform procurement decisions;
- Extend duration or adjust business levels of contracts already in place;
- Generate aggregate programme performance information for evaluation and strategic review;
- Demonstrate value for money being achieved between programmes or between providers.

**For providers**, performance measures can serve to:

- Monitor and improve service quality and performance outcomes;
- Maintain performance focus among management and frontline staff;
- Incentivise timely and accurate information records and claims evidence;
- Generate understanding of and confidence in government decision-making about funding and contracting;
- Promote stability in the provider base where measures inform future business allocation.

**For taxpayers**, performance measures demonstrate government accountability for programme spending, drive productivity and reduce costs of delivery.

## 3. Performance drivers and measures

A list of examples of various kinds of performance measures currently in evidence in employment services programmes in Australia, the UK, France and Germany is provided in Appendix I. This shows that the key common outcomes measure typically takes the form of a job placement which is sustained for 13 weeks. This generates a fee payment, usually the largest part of the total fee providers receive for services to each job seeker, and it is this defined outcome that also serves as the main measure used to compare provider performance.

Although fee payments and future business prospects are the primary market forces driving the performance of contracted providers, there are other means by which governments can manage provider performance. They include the contract management process, licensing, auditing or accreditation of various kinds. Examples of these can also be found in Appendix I.

The interaction of these various performance levers in a market setting is illustrated in the following brief account of the Australian Job Network in its early years of implementation. This shows how the government purchaser created market-like conditions, such as competitively tendered fees and multiple competing providers, but also needed to moderate some of the consequences of competitive market behaviour through differently structured financial and performance ratings incentives and also increased contract monitoring and regulation.

### Performance drivers in a market setting

When tenders were invited for Job Network services in Australia during the first contracting round in 1997, prospective providers were required to supply a range of information about financial viability, past experience and performance, and their proposed approach to service delivery. They were also invited to propose a single fee for listing and filling vacancies on the public labour exchange service, another for job search training courses, and another for achieving a sustained job for a client through intensive case management (then called Intensive Assistance). Multiple providers were to operate in a competitive environment across all labour market areas.

Through precedents in earlier contracting for similar services, intensive case management fees were expected to be high enough to fund the overall business infrastructure costs required to deliver a comprehensive suite of services. Because of the need to demonstrate previous performance in achieving employment outcomes, providers hoping to win Job Network contracts had very strong incentives to perform as well as they could in any pre-Job Network case management contracts they held.

Providers also needed to consider how low they were prepared to bid while ensuring sufficient resources to deliver a quality service. Some providers decided to offset higher prices for Intensive Assistance services with low bid prices for the labour exchange service. In at least one case, a fee of AUD \$0.00 was bid for vacancy listing, presumably in an attempt to increase the attractiveness of the accompanying bid for Intensive Assistance. This was despite the Government publishing in its tender documents an 'indicative' illustration of AUD \$250.00 per vacancy listed and filled.

When tenders were let and Job Network services commenced, the numbers of vacancies being listed on the public labour exchange were lower than anticipated. At the fee levels that had been established for this service, providers tended to concentrate on identifying vacancies suitable for their own clients in case management rather than contributing to the growing larger pool that the Government had hoped to create for the benefit of all clients using Job Network services. As a result, only seven per cent of all placements achieved for Intensive Assistance clients up to 2002 were through vacancies listed by other Job Network agencies, with Job Network-listed vacancies overall accounting for 37 per cent of such placements.<sup>10</sup>



It also appeared that the services intended to support vacancy listing, such as preparing CVs or meeting with job seekers to determine and record their skills and abilities, were not being delivered. Concerns about provider viability were made public; some providers gave up their Job Matching contracts and towards the end of the first year of the Job Network the Government announced supplementary funding measures to support vacancy matching services.<sup>11</sup>

The Productivity Commission questioned whether it was necessary for the Government to fund a vacancy exchange service at all but was persuaded by providers and the Department of Employment and Workplace Relations (DEWR) that this function would generate more outcomes for disadvantaged clients. Greater fee incentives for Job Matching providers to place disadvantaged clients were introduced.

Since 2003, the Australian Government has opened up the vacancy listing service to all organisations that meet industry standards for labour exchange services, awarding Job Placement Organisations licences that entitle them to claim fees for listing and filling vacancies for Job Network clients and other eligible people.

In the early stages of the Job Network market, achieving Intensive Assistance outcomes was the greatest priority for providers with those contracts. A full Job Network re-contracting process in 1999 relied heavily on 13 or 26-week employment outcomes as evidence of performance, and in 2002 invitations for a third Job Network contract were based on the star ratings. These began to be reported in 2001 and were derived largely from employment outcomes results, with the greatest weightings in the ratings given to 13-week outcomes. Fee payments (after July 2003, a fixed government fee applied) also put the greatest weighting on 13-week outcomes.

Many providers initially achieved employment outcomes through the payment of wage subsidies. Concern about whether these were 'real' jobs led to Departmental clarification of policy about payable employment outcomes and employer incentives, and this was communicated through the contract management process. In 2006, the Department established the further requirement for providers to scale down the amount of wage subsidies paid to employers as the outcome period for a job seeker progresses, though for the purposes of performance measurement no distinction is made between employment outcomes achieved with wage subsidies and those without.

Education and training outcomes also contributed significantly to the performance of some providers in the first few years of the Job Network. On the basis of analysis that showed education and training outcomes to be disproportionately high (in some cases where organisations had linked training operations), both the fees paid for education and training outcomes and their performance weighting in the star ratings were subsequently downgraded.

This sketched example of the Job Network system reveals some of the various kinds of performance levers deployed by the Government in the quasi-market it created. It shows how the market did not respond well to the lesser incentive to deliver the vacancy exchange service, leading to relaxed conditions of market entry in that case. By contrast, the business incentives to pursue 13-week employment outcomes were powerful, and had consequences that led to more regulation than had been anticipated: greater contract scrutiny, policy clarification and new qualifying conditions for the payment of fees.

10 - Australian Productivity Commission *Independent Review of the Job Network*, 2002, Section 7.2.

11 - Australian Parliamentary Library Research Brief *Changes to Employment Assistance: More or Less Effective*, 1999.

## Performance drivers and measures

The Job Network experience also demonstrates the critical role that performance measures play in a competitive market, and the following section lists different kinds of performance measures: their uses, some examples, and their implications.

### Performance measures

#### Sustained employment outcomes

*Contracted examples include:*

- Job placement and retention to 13 weeks (with varying minimum hours in work or off-benefits requirements specified) eg. Job Network, Employment Zone, UNEDIC France, Nuremberg ARGE contract
- Job placement and retention to 26 weeks (with varying minimum hours in work or off-benefits requirements specified) eg. Job Network, Pathways to Work, UNEDIC France, Nuremberg ARGE contract
- Job placement and retention to 52 weeks eg. RMI France contracts.

With a government objective to promote workforce participation and reduce benefits dependency, it is logical that employment outcomes should be given significant weight in a performance measurement and comparison system. To date in both Employment Zones (UK) and the Job Network (Australia), the common definition of an employment outcome is one that lasts for 13 weeks. In the case of the Job Network, however, an extra fee is payable after 26 weeks and such outcomes are recognised in the star ratings.

The timing of outcome achievement at 13 weeks of sustained employment merits consideration. In Australia, the 13-week outcome achievement was applied to the range of labour market programmes preceding the Job Network in the early 1990s, though in some cases such outcomes were for work experience or training programmes that substituted benefits for training payments. A key element of reforms to employment assistance implemented by the newly elected Howard Government in 1996 was an emphasis on 'real' jobs, and a way of counting outcomes that will 'substantially reduce or end a job seeker's allowance or benefit for at least six months'.<sup>12</sup>

Determinations of the number of weeks that might define an employment outcome for the purposes of a fee payment, a performance rating or a programme evaluation do not have to be the same. In the case of fee payments and performance ratings, however, contracted providers need a setting for sustained-employment weeks that takes account of their administrative capacity to retain contact with the client and produce the necessary evidence to support an outcome claim.

#### Earnings over time

Earnings over time or earnings progression measures are good indicators of the quality of employment outcomes, indicating a contracted provider's contribution to the improved capacity of people to find jobs for themselves, sustain employment in the longer term and increase income and longer-term prospects. In devolving welfare funding to the States in 1996, the US Federal Government put in place a high performance bonus to measure State success in earnings growth as well as employment entries and sustained workforce participation.<sup>13</sup>

<sup>12</sup> - DEETYA Budget Statement *Reforming employment assistance - helping Australians into real jobs*, 1996, Chapter 2.

<sup>13</sup> - See for example, Mark Greenberg, 'Welfare reform and devolution: looking back and forward', *The Brookings Review*, 19 (3), 2001, pp. 20-24.



The feasibility of measuring and rewarding longer-term employment outcomes has improved in the UK with the new capacity to match Inland Revenue data with client records to track employment status and earnings over a previous period, though at this point there is no capacity to identify the provider, or in the case of Jobcentre Plus, the site or personal advisor who has assisted the individual to find a job.

In Australia, a DEWR discussion paper proposing ways to develop a star ratings performance measurement system for contracted services to place and maintain people with disabilities in the open competitive employment market notes that ‘average hours [of employment] per week and average wages have been identified as important aspects of employment that should be captured’ in such a star ratings system.<sup>14</sup>

If such income could be achieved by referring to taxable income, it would be able to generate more reliable, longer term, and less administratively burdensome ways to collect information about provider performance. It also opens up new possibilities for performance definition, fee payments, ways to compare providers, and contracting strategy.

### **Client progress or ‘distance travelled’**

#### *An example from Australia*

The contract for the Personal Support Programme (2006), which supports people to move from crisis assistance and employment assistance programmes, acknowledges a wide range of outcomes which include:

- Personal achievements: eg. in decision making, personal care, the management of finances, reduced offending;
- Social achievements: eg. in improved family relationships, the establishment of support networks, anger management;
- Practical achievements: eg. stabilised accommodation, ability to use public transport;
- Health achievements: eg. weight loss, pain management, drug or alcohol reduction;
- Vocational achievements: eg. education, training, work, improved job search skills, or participation in the Job Network.

There are periodically debates about the feasibility and desirability of establishing ‘distance travelled’ performance measures, which might serve to establish targets and chart milestone achievements made in moving clients closer to employment. ‘Soft’ outcomes such as those listed above are considered relevant for clients who are deemed to be a long distance from the labour market. However, this can entail the risk of funding and rewarding activities or processes that may not lead to employment.

Vocational training is sometimes described as a ‘hard’ outcome. In the context of an employment programme, though it may provide valuable support towards sustainable employment, it is not a substitute for it.

According to the terms of the Department for Work and Pensions (DWP) funding agreement in 2003-2004, the Department agreed to consider possible measures for distance travelled. However, by February 2006, the Permanent Secretary for the DWP, Leigh Lewis, told the Select Committee for Work and Pensions that although the DWP had “consulted very widely” on the subject, it had concluded that “it was very difficult to identify a workable measure”.<sup>15</sup> Accordingly, there are no examples of these kinds of measures in large-scale UK welfare-to-work contracts.

<sup>14</sup> - DEWR *Star Ratings for Disability Open Employment Services Discussion Paper*, 2006, p.8.

<sup>15</sup> - Select Committee on Work and Pensions *Minutes of Evidence*, 6 Feb 2006.

## Performance drivers and measures

### Administrative process

*Examples from Australia and the UK include:*

- Numbers referred and commenced on the programme.
- Numbers and types of clients being provided services.
- Time lag between referral of the client to commencement with the provider.
- Frequency of client contact.
- Appointment attendance rates.
- Lodgement of client activity agreements or action plans.
- The validity and accuracy of fee claims.

The value of administrative process measures in relation to employment outcomes for the purposes of provider comparison is debatable. Frequency of client contact, appointment attendance, or action plans (recorded as administrative events) may be achieved by providers in ways which are independent of any capacity to result in employment.

These measures are important for monitoring minimum job search activity levels, and achieving consistent client services. They can also diagnose reasons for poor employment outcomes levels, can promote efficiency and reduce fraud. However, all these kinds of measures could and should be monitored and managed as minimum requirements for contract operation, rather than as measures of the relative effectiveness of providers.

### Service quality

*Examples:*

- In Australia, DEWR conducts client satisfaction surveys and post-programme monitoring around three months after a person leaves the Job Network. Complaints received through post-programme surveys are sent to the Department's complaints hotline system for attention.<sup>16</sup>
- Numbers and types of complaints and their management is one of the main elements of the key performance indicator for quality in the Job Network contract (2006-2009).
- In the UK, Ofsted inspects Jobcentre Plus programmes to award grades for the quality of provision and the effectiveness of organisations in guiding and supporting learners and meeting their needs.
- In the UK, Jobcentre Plus sets annual targets for customer service in four key areas: speed of response (phone and face-to-face); accuracy of information provided; proactivity in understanding, anticipating and meeting needs; and the environment and ease of access to information and services.<sup>17</sup>

Given that governments need to be assured of the quality of service delivered to all clients, not only those who get employment outcomes, client service satisfaction and service quality monitoring and measurement are essential. Devising customer service feedback for clients of welfare-to-work services is difficult - many clients are mandated and subject to possible sanctions.

Clients' views and their perspectives have a critical role to play in performance measurement, so further research is needed to determine the relationship between service satisfaction, employment outcomes, whether sanctions have applied, and clients' perceptions about whether they would be better off working.

<sup>16</sup> - Australian National Audit Office *DEWR's oversight of Job Network services to job seekers, 2004-05, Section 6.3.*  
<sup>17</sup> - Jobcentre Plus 2006-07 annual performance targets are published and reported on the Jobcentre Plus website.

# 4. Accounting for client and labour market characteristics

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Contextualising provider performance requires information about the potential job seeker's circumstances, including the conditions of the labour market where they are looking for work. Data sets about the chances of becoming or remaining employed according to, for example, levels of education, English language competence, or place of residence, and so on, can be used to generate some kind of overall measure of a person's distance from the labour market. This implies an actuarial approach, i.e. the need to assess the risk of further unemployment by quantifying a person's disadvantage in order to work out who should have greater priority of access, or who warrants more spending, or where incentives need to be created to work with those who are harder to help.

In contrast, eligibility for benefits does not give a clear indication of a person's distance from the labour market, yet in the UK this has frequently determined both the level of available employment services and the outcomes payment.

In the UK, there has been mixed success with client profiling and some uncertainty about its value, while in Australia, client profiling is regarded as a necessary feature of the system.<sup>18</sup> Though there are ongoing debates about how well the client profiling instrument captures a client's real level of disadvantage, client profiling remains an integral part of the Job Network system.

In large part, this difference in attitude can be attributed to the two countries' different models of employment services. To understand the differences better, it is useful to list various possible functions of client profiling:<sup>19</sup>

1. Decide whether the client could get a job without programme assistance.
2. Determine programme/service eligibility.
3. Decide the programme or type of service most likely to achieve a result for a particular type of client.
4. Trigger a further specialist assessment.
5. Determine fee payments if the client is deemed to be more highly disadvantaged.
6. Recognise and reward providers' achievements in getting outcomes for those at greater risk of long-term unemployment.
7. Monitor caseload profile and avoid cherry-picking.

And more generally,

8. Improve programme design and inform the allocation of limited funding between different programmes.

Fulfilling these functions requires a profiling tool that is valid, reliable, and accurately and consistently administered. Profiling becomes more central when employment assistance is rationed rather than universally available, when the programmes to which clients might be referred are diverse and come with different levels of funding, and when programmes are more prescriptive or limited in terms of what they offer clients.

18 - Chris Hasluck *The role of profiling: A review of research evidence*, for Department for Work and Pensions, 2004.

19 - Client profiling is taken here to mean the observation and scoring of client and labour market characteristics that might impact on the chances of a client becoming employed.

## Accounting for client and labour market characteristics

### Client profiling in the Job Network

In Australia, all services for unemployed people able to work are delivered through the Job Network. All unemployed people are referred to the Job Network on the same day that they register for benefits with Centrelink, the statutory body established in 1997 to process government benefit payments and to deliver various other Commonwealth Government health, human and welfare services.

Client profiling takes the form of the Job Seeker Classification Instrument (JSCI), and this is administered at the point when a person first claims benefits through Centrelink, either face-to-face or on the phone. The JSCI scores a client on each of the 15 personal and socio-economic factors that have been identified as most important for the chances of remaining unemployed, based on Job Network and other data. The relative impact of each of the factors is re-calculated, and the scores adjusted, from time to time (see Figure 1).

The current Job Network system delivers a relatively standardised and continuous service regime for the entire duration of a person's unemployment. The service continuum starts with self-help job search, usually for three months, followed by job search training or work preparation, then intensive case management and referrals to the Work for the Dole programme.<sup>20</sup> The system progressively invests more, and expects more, the longer a client is unemployed. Service fees, outcome fees and job seeker discretionary expenditure amounts are fixed by the Government.

Given these arrangements, JSCI profiling is intended to serve as a risk indicator, complementing and counterbalancing a system designed to provide only 'light touch' self-help service in the first three months followed by standardised provision of job search and other required activities for the first 12 months.

In this context, the main function of the JSCI profiling tool is to identify people who qualify for 'Highly Disadvantaged' status or who need further specialist assessment of their capacity to work or the assistance they would need to get into paid work. Customised Assistance for Highly Disadvantaged clients is accompanied by higher fees for outcomes and a greater allowance for discretionary spending on the client. Since July 2006, these arrangements have been extended to previously inactive benefits claimants, people with disabilities who are deemed able to work, and parents with school age children.

JSCI profiling also functions as a way to recognise and reward providers' achievements in getting outcomes for those at greater risk of long-term unemployment. A later section in this paper illustrates how the star ratings system adds 10 per cent bonus performance value to 13-week employment outcomes achieved for clients designated Highly Disadvantaged by the JSCI.

The reliability and accuracy of JSCI scoring is evidently important in this kind of system. People newly claiming benefits are asked 30 questions by Centrelink customer service staff, either face-to-face or over the phone. Benefit claimants may not always be aware of the uses to which their answers to JSCI questions will be put, and are not always willing to disclose their levels of literacy, disabilities or medical conditions, ex-offender status, or 'the possession of personal characteristics requiring further specialist assessment', particularly when being asked these questions by call centre operators.

20 - Work for the Dole is an unpaid work placement in a not-for-profit organisation, with requirements to participate varying according to client age and type of benefit. This is similar to the voluntary sector option or intensive activity element in the UK New Deal programme.

**Figure 1 - The Job Seeker Classification Instrument**

<b>Job seeker classification instrument factors</b> Those marked * will trigger a face-to-face Job Capacity Assessment undertaken by Centrelink or contracted government or non-government agency	<b>Range of points values and examples</b>	<b>Factors used as explanatory variables in star ratings regression modelling (See Appendix V)</b>
<b>Age and gender</b>	<ul style="list-style-type: none"> <li>Up to 15 points eg. 2 points if male 20-24, 16 points if 60+ female</li> </ul>	✓
<b>Personal characteristics requiring further specialist assessment*</b> eg. stress, addictions, caring responsibilities, self-esteem, motivation or presentation issues	<ul style="list-style-type: none"> <li>Up to 8 points for no impact to high impact</li> </ul>	
<b>Language and literacy*</b>	<ul style="list-style-type: none"> <li>Up to 4 points eg. 4 points if poor reading writing skills, 0 points if good</li> </ul>	✓
<b>Rural Indigenous location</b>	<ul style="list-style-type: none"> <li>Up to 10 points eg. 10 points if locations such as Alice Springs, 1 point North East New South Wales</li> </ul>	✓
<b>Indigenous/Australian-born South Sea Islander status</b>	<ul style="list-style-type: none"> <li>Up to 10 points eg. 10 points if Aboriginal and/or Torres Strait Islander, 7 points South Sea Islander, 0 points non-Indigenous</li> </ul>	✓
<b>Disability or medical condition*</b>	<ul style="list-style-type: none"> <li>Up to 9 points eg. 9 points if fewer than 15 hours assessed work capacity</li> </ul>	✓
<b>Country of birth</b>	<ul style="list-style-type: none"> <li>Up to 4 points eg. 4 points if very high disadvantage Asia or the Americas</li> </ul>	
<b>Recency of work experience*</b> Main activity over past two years, usual hours worked per week, any paid work at all	<ul style="list-style-type: none"> <li>Up to 7 points eg. 5 points if part-time work less than 8 hours</li> </ul>	
<b>Geographical location</b> Points are based on where the job seeker lives and reflect the likelihood of finding employment within 12 months based solely on the labour market area	<ul style="list-style-type: none"> <li>Up to 6 points</li> </ul>	✓
<b>Stability of residence*</b>	<ul style="list-style-type: none"> <li>Up to 3 points</li> </ul>	
<b>Vocational qualifications</b> Vocational or trade certificates or licences	<ul style="list-style-type: none"> <li>Up to 1 point</li> </ul>	
<b>Educational attainment*</b> Highest level of education or qualifications completed	<ul style="list-style-type: none"> <li>0-3 points eg. 3 points if special school, 0 points if degree</li> </ul>	✓
<b>Family status and living arrangements</b>	<ul style="list-style-type: none"> <li>0-6 points eg. 6 points if lone parent with youngest child less than 6 years, 0 points if live alone</li> </ul>	
<b>Disclosed ex-offender*</b>	<ul style="list-style-type: none"> <li>0-6 points eg. 6 points if sentence more than a month</li> </ul>	
<b>Contactability</b>	<ul style="list-style-type: none"> <li>0 points if contactable by phone, 2 points if not</li> </ul>	

Source: Department of Employment and Workplace Relations (Australia) Job Seeker Classification Instrument Factors, DEWR website, 2007

## Accounting for client and labour market characteristics

Since 2003, there has been provision for Job Network providers to supplement and update a job seeker's JSCI information. This can result in reclassification of a person to Highly Disadvantaged status, fast-tracking that person to Intensive Support Customised Assistance, which results in higher fees and greater star ratings weightings for a successful outcome. In 2005, some Job Network providers reclassifying disproportionate numbers of their clients to Highly Disadvantaged status were required to repay fees. DEWR also clarified and strengthened the evidence requirements for reclassifications.<sup>21</sup>

Job Network providers are able to arrange for client re-assessments by Centrelink but these are reported to be sometimes slow and can result in a further backlog of assessments required.

### Points system for Job Entries in Jobcentre Plus

In the UK, the principle of giving greater weight to job placements for certain kinds of clients is partly realised in the Jobcentre Plus system of allocating points to job entries achieved for clients according to their employment or benefit status. The higher the priority of the customer group, the more points are earned for the job entry. The highest priority group is people on inactive benefits such as lone parents, or people on Incapacity Benefits. A job entry for this group earns 12 points. A job entry for a client on Jobseeker's Allowance for less than six months earns two points, for over six months, four points, and so on. Additional points are assigned if clients come from Local Authority Wards with higher rates of benefits dependency or lower rates of employment. These points weightings are reviewed and adjusted from time to time.<sup>22</sup>

Jobcentre Plus also operates a classification scheme to confer 'early entrant' status. This is based on a Jobcentre Plus personal advisor's assessment of a new benefit claimant according to whether they should qualify for immediate access to programmes that are usually only available to those unemployed for at least 18 months. The criteria used for this decision include the lack of basic skills, recently released prisoner, disability, or ex-member of the armed forces.

The purpose of the priority groups and points system has been to define the annual national and District level targets to be achieved by Jobcentre Plus and to monitor progress against those targets. This points system was also used until April 2006 to identify individual Jobcentre Plus advisors' performance achievements, with points awarded when a person on benefits was placed into a job. Since April 2006, though annual national and local area targets continue to be expressed according to the points system as before, performance reports are only available at Jobcentre Plus District level. This is because the information reporting employment outcomes is now supplied by HM Revenue and Customs rather than being collected by Jobcentre Plus.<sup>23</sup>

The benefits-category points system has been intended to promote placement of the highest priority groups into work. But these categories do not indicate what individual clients will need to achieve employment, and therefore by implication what impact a provider has had in achieving an outcome in each case. Also, such categories cannot recognise a compounded set of difficulties to be managed and addressed to move a person into work. For example, an ex-offender in temporary accommodation might be harder to place in

21 - Senate Committee Hansard, Budget Estimates Committee for Employment, Workplace Relations and Education, 29 May 2006, p.12 ff.

22 - Jobcentre Plus website 2007. This includes a webpage providing information about performance targets and progress of performance against annual targets.

23 - Department for Work and Pensions *Evaluation of the Job Outcome Target Pilots*, 2006.



employment than someone in secure accommodation who has never been in jail, but both could have been on Jobseeker's Allowance for the same amount of time and therefore be 'worth' the same number of points should they start work.

The risk that contracted providers might be cherry-picking (finding jobs for the easiest-to-place) could be tested and prevented through the introduction of a client profiling system capable of reflecting the extent of a person's employment barriers more accurately than benefit duration and type. Along these lines, the Freud review recommended that the Department for Work and Pensions should develop a means to identify the risk that a person on benefits might remain out of work and, through this, to target early intervention more cost-effectively over time.<sup>24</sup>

<sup>24</sup> - David Freud *Reducing dependency, increasing opportunity: options for the future of welfare to work*, Independent report to the Department for Work and Pensions, 2007.

## 5. The Job Network and star ratings system

In May 2006, there were 106 providers operating from 1,114 sites in the Job Network.<sup>25</sup> The five largest providers account for 40 per cent of the total market share. Market share is divided more or less equally between private and not-for-profit providers following the winding up of the Government-owned employment services provider, Employment National, in 2003.<sup>26</sup>

Since July 2003, Job Network providers' contracted business levels have been expressed in terms of a percentage of the flows of job seekers available for referral to a Job Network member within a contracted employment services area. This contracted share can be increased to 120 per cent to accommodate the opportunity job seekers are given to choose a Job Network provider. Correspondingly, providers can experience business levels down to 80 per cent of their initial contracted share. These indicative levels are intended to maintain the viability and continued operation of providers, and may be varied at the discretion of contract managers according to local conditions and requirements.

When star ratings were first released to Job Network providers in March 2001, they reported aggregated provider performance at employment service area level. Since July 2004, they have been reportable at site level. The February 2007 release of the star ratings is the first to base the ratings on performance over the previous two-year period. Previously, ratings were calculated on the basis of contracted performance to date. This change is consistent with current provisions to extend Job Network contracts for several years where a provider's performance is satisfactory.

The Job Network star ratings model was originally developed for DEWR by the South Australian Centre for Economic Studies. Since then there has been one full review and some changes to the system which will be discussed in a later section.

DEWR cites three uses for the star ratings:

- **For job seekers**, they are a way to assess the comparative performance of Job Network members in their local area.
- **For Job Network providers**, they are a measure of performance.
- **For DEWR**, they drive improved performance and allocate business share to providers.<sup>27</sup>

Ratings can range from one to five stars, including half-star intervals. The star ratings are designed to allow meaningful comparison of the performance of any site in Australia with any other site – statistical regression analysis is applied to take account of different client and labour market characteristics.

### A system of relative performance

It is important to note that the star ratings are a system of relative performance reporting. That is, the ability of a provider to achieve a high rating will not depend on its achievements against performance outcomes targets expressed in any absolute terms. Key performance indicators in the Job Network contract define performance measures and the source data on which they will be based, rather than specifying numerical targets to be achieved (see Appendix III).

25 - DEWR defines and contracts employment services for 19 Labour Market Regions which break down to 137 Employment Service Areas (ESAs) covering the entire geographic region of Australia. There are several competing Job Network providers in each of the contracted ESAs, except for 16 in remote regions where this is not viable and where services are delivered on a differently contracted basis.

26 - Nick Minchin, Minister for Finance and Administration media release: Sale of Employment National businesses, 18 Nov 2002.

27 - This information accompanies the release of the ratings on the DEWR public website.



Star ratings are instead derived from how a provider's outcomes compare to the performance achievements of other providers in the Job Network. Such comparisons are possible because of multiple regression treatment which enables labour market differences and the individual characteristics of each client to be accounted for in generating expectations of the outcomes providers should be able to achieve at a given site.<sup>28</sup>

This means that a provider could be achieving outcomes at the same high level as before, but if other providers are performing at a higher rate, its star rating could decline. Conversely, a provider might perform worse than previously, but if other providers have experienced a relatively greater reduction in performance, the provider's star rating could conceivably remain the same, or might even improve.

The Australian National Audit Office has noted that an important benefit of this system of measuring *relative* performance is that it allows for differences in general labour market conditions over time. There is no need to re-calibrate standards when the economic conditions change.<sup>29</sup>

### **Star ratings and business allocation**

The star ratings are the primary determining factor in DEWR's contracting decisions. The current Job Network contract provides for DEWR to conduct six-monthly reviews of a provider's performance at each of its sites, and to increase or decrease a provider's business share subject to performance. This market share can be allocated to another provider currently operating in the area, or DEWR can invite new tenders.

Star ratings are also the primary determinant for decisions to extend Job Network contracts, but the number of stars needed to retain a contract can be varied over time, with consequences for the proportion of Job Network business made available for open tender.

During 2002, DEWR announced that it would automatically extend offers of contracts for 2003-2006 to providers achieving three or more stars. Forty per cent of Job Network business was re-tendered during that contract round.<sup>30</sup> In the next contracting round in 2005 for the 2006-2009 period, DEWR reserved the right to examine performance at sites with two-and-a-half star ratings or lower, but some providers with only two stars retained their business. Only five per cent of the business was put to open tender in that round.<sup>31</sup>

This might be attributed to the Government's acknowledgement that the star ratings, since they were introduced in 2001, have effectively 'weeded out' or reduced the market share of poorer providers, and DEWR may have taken that weeding effect into account in setting the bar lower in 2005. It is also possible that by reducing the proportion of business being transferred to new providers, DEWR meant to avoid repeating the significant dip in the performance of the Job Network as a whole that occurred during the July 2003 transition to the new contract.<sup>32</sup>

28 - Multiple regression analysis is a statistical technique that in this case uses a (statistically significant) number of observations to assign numerical values to the relative impact of a range of job seeker and labour market variables on the chances of a person getting a job. See Appendices V-VII for more detailed information.

29 - Australian National Audit Office report *Implementation of Job Network Employment Services Contract 3, 2005-06, Section 7.20.*

30 - DEWR, Job Network Bulletin, No 23, December 2002, p.1.

31 - DEWR, Employment and Related Services Purchasing Outcomes, DEWR website, 2006.

32 - Job Network Performance Profile, 12 months to end Dec 2004, DEWR website

## The Job Network and star ratings system

The Job Network contract for 2006-2009 included provision for DEWR to decrease or potentially to eliminate a provider’s business share at site or contracted employment area if the provider’s star rating for an employment service area is either:

- i) two-and-a-half stars or lower;
- ii) two stars or more lower than another provider’s star rating in the area.<sup>33</sup>

The May 2007 business re-allocation process was largely based on a benchmark minimum requirement of more than two-and-a-half stars to retain existing Job Network business. This has resulted in approximately 10 per cent of Job Network business being made available for open tender. This is discussed further in the section entitled ‘Reviews and analyses of the star ratings system’ below.

### Data used to calculate ratings

The Employment Services Contract defines the various kinds of services or outcomes for which Job Network fees will be paid. Fee claims are submitted through the centralised IT system created and managed by DEWR, and these payable outcomes serve as the units of performance needed to calculate the ratings. They have the advantage of being readily available as well as generally reliable, given the processes of validation and scrutiny surrounding fee claims.

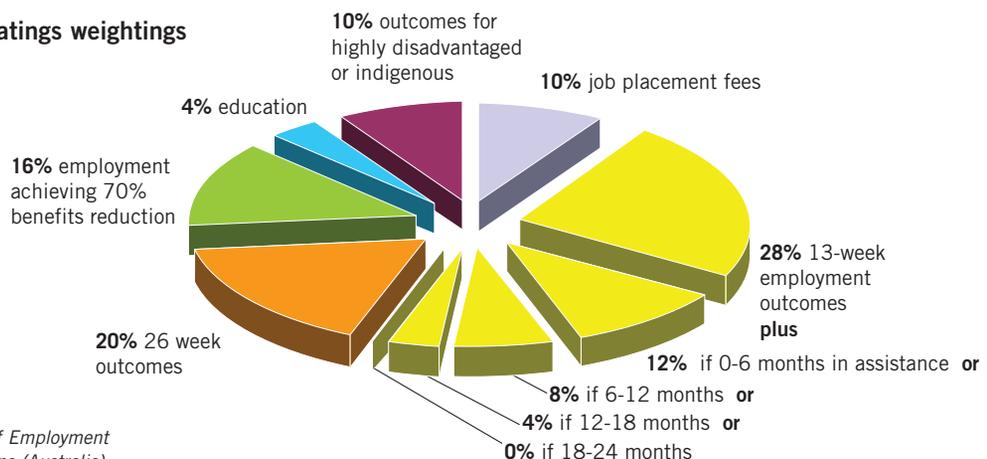
The system of fee payments for different kinds of outcomes achieved by Job Network providers can be found in Appendix II.

Regression modelling for job seeker variables is derived from information recorded in DEWR and Centrelink systems about each individual client (see Appendices V and VI). The regression modelling for labour market variables (see Appendix VII) is based on Australian Bureau of Statistics data for the employment rate, employment growth, and industry type of the statistical local area in which the services are delivered. There were 1,353 statistical local areas in Australia at the most recently reported census.<sup>34</sup>

### Performance priorities and weightings

Weightings for the star ratings are distributed between these different elements of performance.

**Figure 2 - Star ratings weightings**



Source: Department of Employment and Workforce Relations (Australia)

33 - Employment Services Contract 2006–2009, Part B - Specific Conditions for Job Network.  
 34 - Australian Bureau of Statistics, 2001 Census of Population and Housing - Geographic Areas, ABS website.



The weightings for the star ratings system give most value to full-time employment outcomes sustained for 13 weeks or more which are achieved as soon as possible after clients have entered assistance. This new weighting to reward the timeliness of employment outcomes was introduced in 2006, and serves as a counterweight to a fees system that gives relatively little incentive to providers to place people until they are more than 12 months unemployed (unless they qualify for higher fees through being classified as Highly Disadvantaged).

Seventy per cent of the star ratings are based on outcomes achieved for full-time employment and/or for those deemed to be furthest from the labour market. This is comprised of 28-40 per cent for full-time employment outcomes (according to the client's duration in assistance before the outcome is achieved), a further 20 per cent for such outcomes sustained to 26 weeks, and a 10 per cent bonus where such outcomes have applied to Indigenous or Highly Disadvantaged people.

### How star ratings are calculated

The method used to calculate the star ratings involves four main stages:

1. Expected job outcomes are calculated using multiple regression to control for differences in client and labour market characteristics.
2. Expected outcomes are compared with actual outcomes to achieve performance scores.
3. Performance scores are weighted.
4. Sites are ranked and stars allocated based on the total performance score.

A complete list of job seeker and labour market regression variables, together with more detailed technical information about the calculation of actual to expected outcomes, can be found at Appendices III to VII.

### Ranking of providers

Every site is put in rank order according to the performance score achieved through the steps outlined above. Stars are allocated according to the fixed percentages illustrated below. This means that the top-ranked 70 per cent of sites will be guaranteed at least three stars, the top-ranked five per cent of sites will automatically be awarded five stars, and so on.

Figure 3 - Star ratings distribution



Source: Department of Employment and Workplace Relations (Australia)

## The Job Network and star ratings system

### Continuous improvement and the star ratings

DEWR has undertaken analyses to demonstrate how the star ratings have contributed over time to improved rates of outcomes for clients on Job Network caseloads. A DEWR graph used in presentations about the star ratings shows average outcome rates at less than 20 per cent before star ratings were released in 2001. Eighteen months later, outcome rates had risen steadily to an average of above 35 per cent.<sup>35</sup>

In 2004, a DEWR representative described the star ratings as a self-propelling means to improve performance:

*Job Network performance has improved significantly over time... Despite this improvement the set distribution for star ratings has remained the same. This maintains strong pressure on Job Network members, driving them to continuously increase the rates at which they achieve outcomes for job seekers.<sup>36</sup>*

### Reviews and analyses of the star ratings system

In 2002, an independent review of the star ratings system was conducted for a joint government and Job Network provider group by Access Economics, a private econometric consultancy company. The review consulted providers, reviewed the methodology used to calculate the star ratings, checked the statistical properties of the model, and concluded that:

*The use of a model such as that developed by DEWR to assess performance is a sound, leading-edge approach to performance measurement. The statistical model used to determine provider relativities has the advantages of objectivity, replicability, and reliance on data generated by the Job Network's operation. These are considerable advantages. There is no obvious replacement approach that can produce comparable national, comprehensive, objective assessments.<sup>37</sup>*

The Access Economics review suggested some adjustments to take more account of differences between regional and metropolitan labour markets, which were subsequently made.

The Australian National Audit Office (ANAO) investigated the implementation of the third Employment Services Contract in 2003 and considered the star ratings system and its uses. The ANAO concluded that such a system has value while there is substantial variation among Job Network providers' performance:

*While there remains substantial variation among Job Network provider performance the system has enduring value and DEWR can continue to use it with a reasonable expectation that it will continue to provide an incentive for further performance improvement.<sup>38</sup>*

This implies that the stars system has diminished capacity over time to represent significant differences in the performance of providers, given that the business share of poor performers has already been successively reduced or removed. If that were the case, over time the number of stars needed to retain Job Network business would logically be reduced. This seemed to be the rationale behind the offer of contract renewals to existing Job Network providers in 2005, some of which were performing at two stars.

35 - DEWR presentation to Job Network providers, 2005. Also see DEWR website for Performance and Evaluation Reports Archive.

36 - Australian National Audit Office report *Implementation of Job Network Employment Services Contract 3, 2005-06*, Section 7.29.

37 - Access Economics, *Independent review of the Job Network provider star ratings method*, Final report for the steering committee of the review, 2002.

38 - Australian National Audit Office report *Implementation of Job Network Employment Services Contract 3, 2005-06*, Section 7.49.



However, while the 2005 business re-allocation process resulted in the re-tendering of five per cent of Job Network business overall, the 2007 process was based in general on an increase in the minimum number of stars required to retain business, to more than two-and-a-half stars. This has resulted in the re-allocation of business to existing providers and the re-tendering of 10 per cent of Job Network business.

Setting the benchmark of stars to be achieved at a higher level than in the past demonstrates an increased commitment, as declared by DEWR in 2004, to maintain 'strong pressure on Job Network members, driving them to continuously increase the rates at which they achieve outcomes for job seekers.' According to DEWR analysis presented to Job Network providers in 2006, differences in provider performance cannot be attributed merely to the arbitrary rationing of available stars, and continued efficiency gains can continue to be expected and achieved.

While remaining committed to star ratings as a broadly reliable system of performance measurement and comparison, WorkDirections shares with other Job Network providers some concerns about the system:

1. With expectations of ever-increasing performance, and the risk of losing business as a result of lower star ratings, there is increased collective pressure on providers to achieve for job seekers, as quickly as possible, any placement that can be sustained for 13 weeks. Whether this achieves the objective of longer-term labour force attachment for the job seeker is not known.
2. Though the business re-allocation process is intended to increase Job Network efficiency, it poses a risk to the stability of services to job seekers. It also reduces the capacity of Job Network providers to attract and retain high quality staff and to invest in fitting out and leasing high quality premises.
3. In assessing contracts for re-tendered Job Network services, it is not clear how the performance record and performance claims of a newly bidding organisation can be valued and compared with existing Job Network providers' star ratings.

### **Star ratings in other programmes**

DEWR also uses star ratings to measure and report the performance of other contracts. Star ratings are now reported for Community Work Coordinator (CWC) contract holders, who manage delivery of a mandatory unpaid work experience programme called Work for the Dole. These were first released in October 2005 and are updated every six months.

The Work for the Dole programme was designed originally as a form of 'mutual obligation' for job seekers to return something to the community as a condition of benefit payment while gaining work habits and general employability skills. The star ratings for CWCs are therefore largely derived from administrative and quality types of performance measures. These include measures for:

- The timeliness of client placement;
- The ratio of commencements to referrals;
- The efficient utilisation of unpaid work experience placements created;
- Job seeker feedback on the placement and its impact.

## The Job Network and star ratings system

During 2006, DEWR consulted with disability and employment services providers about a proposed star ratings system for contracted providers of Disability Open Employment Services (DOES). This programme helps people with disabilities to get and maintain employment in the competitive employment market. Performance measures proposed for this system are similar to those for the Job Network, measuring retention in employment but introducing the elements of earnings, average weekly wages from work and average weekly hours in work.

One of the key challenges in introducing star ratings for this disability programme is the regression analysis to identify the impact of different kinds of disabilities on the chances of achieving a 13-week outcome. A pool of 22,310 observations from DEWR data was used to generate regression analysis for 62 kinds of disabilities.<sup>39</sup>

### Job seeker choice and star ratings

As noted above, the original purpose of the Job Network star ratings was to support and inform job seeker choice. As the Minister for Employment Services declared upon the first release of Job Network star ratings in October 2001: “Star ratings will allow job seekers to make better informed choices about service providers”<sup>40</sup>, and five years earlier, the new Job Network had been founded on “The use of competition to drive greater efficiency for the taxpayer and increased choice for consumers.”<sup>41</sup>

In 2001, the Productivity Commission reviewed how job seekers were using the star ratings to inform their choice of provider, as part of its study of the Job Network. The Commission estimated that only around a third of people referred to the Job Network chose their own provider, with convenience of provider location by far the most significant determinant of choice. A relatively limited voluntary survey completed by Job Network participants at the time showed that the reputation or recommendation of a provider was two-thirds less important to them than location convenience. Analysis of a 2001 Departmental survey of job seeker satisfaction did not find evidence that highly star-rated providers were more likely to be chosen than low-rated ones.<sup>42</sup>

The Productivity Commission suggested the relative insignificance of star ratings in informing the choice of a provider was due to job seekers’ low awareness of the star ratings, in terms of both where to find them and what they meant. In May 2002, when the Commission published its report, star ratings were not available from touch screens for job seekers in Centrelink. Although this information could be accessed from the DEWR website, the Commission found that this was only in a ‘relatively roundabout manner’, and in any case at that time the stars only rated a provider’s average performance by Employment Service Area rather than by site.<sup>43</sup>

There are continuing reports of low interest by job seekers in the star ratings and lack of understanding by Centrelink staff about what the star ratings mean. The DEWR website advises job seekers the following:

39 - DEWR *Star Ratings for Disability Open Employment Services Discussion Paper*, 2006, p.8.

40 - Mal Brough, Minister for Employment Services media release: Job Network Ratings, 05 Oct, 2001.

41 - Amanda Vanstone, Minister for Employment, Education, Training and Youth Affairs DEETYA Budget Statement, 20 August 1996.

42 - Australian Productivity Commission *Independent Review of the Job Network*, 2002, Section 8.1.

43 - Section 8.2.



*Choosing your preferred Job Network member is an important decision as you will be connected to this Job Network member until you find work. To help you with your choice, you should refer to the Australian Government's Star Rating system for Job Network members, which measures the success of Job Network members in finding jobs for job seekers. The system is also designed to show how each Job Network member is performing compared to other Job Network members.<sup>44</sup>*

However, job seekers tend to see the ratings as signifying customer service, job search facilities, and so on, associating the ratings - perhaps not unreasonably – with the more widely known hotel star ratings system. The Australian National Audit Office reported in 2006 that 'the [star ratings] system is not meeting all of the objectives set for it by DEWR; in particular, the available evidence shows that few job seekers make use of them to choose a provider.'<sup>45</sup> The ANAO recommended that job seekers should be informed about star ratings and how to interpret them before they are required to choose a Job Network provider. However, in a different Job Network report a year earlier, the ANAO had raised concerns about the adequacy of information provided by Centrelink to job seekers about employment assistance and how to choose a provider.

The Australian experience suggests that for star ratings to inform job seekers' choice of provider effectively, the information behind them needs to be explained and communicated to demonstrate how good star ratings could lead to benefits for job seekers. It is possible that in Australia the convenience of a provider's location informed many people's choice of provider because this is a choice factor that can at least be readily understood. Other factors that might inform choice, such as employment outcomes or an overall service quality measure may seem less immediately relevant to job seekers, and are likely to rely on their understanding in advance about what the service offers.

In addition, performance measures, such as customer satisfaction or employment outcomes, require job seekers to regard these as relevant to their individual needs and circumstances. Focus group research with clients of WorkDirections in the UK has revealed that they typically see their own situation as uniquely difficult or complex in the beginning. It is not until after experiencing the service over a period of time that they recognise what they have in common with other clients.<sup>46</sup>

It is not known at this point whether aggregating different aspects of provider performance into star ratings is meaningful and helpful to job seekers. According to their differing orientation to job search and their circumstances, job seekers might well have different interests in the various components of providers' scores in choosing a provider. For example, information about unit cost, quality and compliance and contractor responsibilities is relevant for the purchaser but much less so for the job seeker, though these aspects of performance are to be included in Jobcentre Plus star ratings prototypes being trialled during 2007.<sup>47</sup> It is possible that job seekers will not understand these aspects of the ratings or find them relevant.

44 - The hyperlink for Star Ratings system takes the user to the DEWR pages giving provider star ratings.

45 - Australian National Audit Office *Implementation of Job Network Employment Services Contract 3*, Section 7.64.

46 - Six focus groups were conducted during October-December 2006 with WorkDirections UK clients on Incapacity Benefits, Jobseeker's Allowance, and Income Support, to elicit information about perceptions and experiences of unemployment and the Employment Zone programme.

47 - Correspondence to Jobcentre Plus' contracted providers from Planning and Monitoring Division, Jobcentre Plus, 24 Jan 2007.

## 6. Summary of Australian star ratings conditions

These are the systems and processes in Australia that make the star ratings possible and validate comparisons of provider performance:

### **The ability to count the same things**

- Standardised client assessment and referral processes;
- Common and universal provision for all job seekers (and in future the same platform for employment services for those previously on inactive benefits);
- A common definition of employment outcomes;
- A common fees schedule, so standard unit costs;
- A common system of disadvantage scoring, generating recognition and reward for working with harder to help clients.

### **The information system and data to make the counting possible**

- A centrally managed information system. DEWR designed and manages the information system responsible for keeping job seeker records, generating claims, reporting performance and so on. The Job Network contract includes a requirement for data accuracy and specifies standards for information technology requirements of providers. DEWR develops, tests and delivers training for Job Network staff on the use of the system;
- Reliable and verifiable performance data. The outcomes counted in the star ratings calculations are based on claims information. This maximises data reliability and avoids a separate data collection process;
- Sufficient lead time to generate the data. A certain amount of lead time is needed to generate sufficient information to calculate star ratings, both to achieve a sufficiently large data set to permit valid calculations and to capture six-month retention outcomes if these apply.

### **Consistent programme guidelines and contract management**

- Contract management and interpretation of contracts need to be consistent to ensure that providers are operating on a level playing field in terms of the kinds of outcomes they achieve and the conditions in which they achieve them.

# 7. Conclusions and recommendations

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Australia and the UK share the common policy objectives of giving priority to assisting people furthest from the labour market, promoting workforce participation for inactive groups and applying moderate sanctions for non-participation. Both countries have contracted with providers to achieve these objectives, comprehensively in the case of Australia, and both countries are continually looking for ways to do this as efficiently as possible.

Such shared policy objectives point towards the common relevance of star ratings for both countries. However, in terms of contracting and operational delivery, the UK and Australian systems are very different. Common terms for service requirements, fees, and outcomes are not currently possible in the UK, given its patchwork of differently contracted programmes. Fees for Pathways to Work and New Deal for Disabled People programmes vary as tendered. Employment Zone contracts can be delivered on a single-provider or multiple-provider basis. New Deals may be Private Sector Led or Prime Contractor, within which there are a wide variety of sub-contracting arrangements. Programme eligibility, service requirements and outcome definitions vary. There is currently inadequate capacity in the UK to record the range of job seeker characteristics that are likely to have an impact on their ability to get a job, and though performance outcomes are recorded for all programmes, this information is not always timely, complete, or available to providers.

Jobcentre Plus is currently implementing star ratings systems for Pathways to Work, Employment Zone and New Deal contracts, and these incorporate performance outputs, unit cost, quality and compliance and contractor responsibilities. Given the current conditions of programme contracting, it is logical that such ratings will only be able to reflect the performance of a particular provider for a particular programme at a particular location. This will be helpful for contract managers to monitor and promote provider performance in particular locations. However, where the Department for Work and Pensions might need to inform procurement decisions for providers seeking contracts in different locations or for different programmes, the relevance of such star ratings will be more limited.

WorkDirections UK has argued in previous policy papers that longer-duration contracts and retention-based fee payments are more conducive to sustainable employment outcomes, particularly for harder to help client groups. The 2007 Freud review recommends a simplified system of universal provision for harder to help clients along the same lines.

As the Government develops its employment strategy for the next two decades there will be both demand and opportunity for a better system of performance measurement and accountability for contracted providers, as well as for Jobcentre Plus where it delivers any of the same services as contracted providers.

A key condition of such measures is a way to assess a client's level of labour market disadvantage. This can then be used to attach values to the 13, 26 and 52-week sustained outcomes and earnings progression measures that WorkDirections UK recommends.<sup>48</sup>

## Conclusions and recommendations

### Recommendations:

1. DWP should develop an instrument to assess and score clients' labour market disadvantage, as well as the procedures to apply them in a fair and consistent manner.
2. DWP should establish some common terms for employment outcomes and earnings progression which can be applied to different programmes.
3. DWP should consider whether a star ratings system can equally serve the purposes of:
  - informing client choice;
  - procurement decision making;
  - comparisons, where relevant, of Jobcentre Plus and contracted programme delivery.
4. If DWP uses star ratings to inform procurement decisions, it should consider the terms on which the performance of new bidders might be assessed.
5. If star ratings are used to inform job seekers' choice of a provider, DWP should: a) undertake research to establish whether employment outcomes, customer satisfaction, location or other factors are more associated with job seekers' willingness to choose them; and b) clearly explain the ratings system and its elements to job seekers.

The Australian star ratings system demonstrates how quality and administration performance measures, though monitored and required through other means, can be left out of a system of provider performance comparisons. Under this rationale, 'quality' to a certain standard is a categorical necessity and qualification to operate, not a competitive advantage.

### Recommendations:

6. Service process and administrative functions should be avoided as performance measures for provider comparisons on the basis that these can be met through other contract requirements.
7. Any customer satisfaction measures applied to rating providers or used to inform job seeker choice should be consulted and agreed with providers, and any survey administration process should be conducted independently.

Given the number and diversity of funding streams in the UK supporting social equity programmes, joining up programme provision remains a challenge. To deliver effective welfare-to-work services in the joined-up fashion contemplated by the Department for Work and Pensions, it will be necessary for Local Authorities, Jobcentre Plus, the European Social Fund, Learning and Skills Councils, contracted providers and other stakeholders to 'buy in' to some common terms for performance outcomes, to ensure that all agencies are able to contribute in a coherent and coordinated manner to overall welfare-to-work objectives. This will be particularly needed to measure and review the success of the various Cities Strategies, and to demonstrate how they contribute to the achievement of DWP Public Service Agreement targets, and also perhaps those of the Department for Education and Skills.



With such a large range of agencies and funding sources involved, it will be necessary to devise and agree on performance measures that are simple, can be readily communicated to all stakeholders, and are relevant to all stakeholders' respective forms of performance accountability. It will also be necessary to establish some common definitions of job seeker and labour market characteristics so that the value of employment outcomes can be fairly valued and compared.

The Australian system demonstrates the importance of comprehensive, accurate and up to date management information in demonstrating accountability for programme performance. In the UK, tracking the agreed inputs and outputs for a welfare-to-work system would similarly require a carefully designed information technology system to support it – but such a system in the UK could go further and take up the opportunity to link information about client services with programme interventions from various funding sources, and also to track progress and earnings (via Inland Revenue). Such an information system would recognise the necessarily coordinated nature of measures to address poverty and social exclusion.

This is a significant information technology challenge, and one that would rely heavily on accurate record keeping and data entry, but there is immense potential for such a system to achieve not just better tracking of performance outcomes but better co-ordinated and more effective services for clients.

### **Recommendations:**

8. DWP should consult its contracted providers and Cities Strategy stakeholders about simple and commonly agreed measures of performance for welfare-to-work initiatives which can capture the objectives of employment retention and progression.
9. Cities Strategy agreements between DWP and stakeholders should formalise responsibilities and requirements to collect the data about client characteristics, unit costs, and outcomes which will be needed to review, evaluate and compare the success of various Cities Strategies.
10. DWP should explore the feasibility of a common information system that could in the future be used by Jobcentre Plus, contracted welfare-to-work providers, and other agencies to record client characteristics, service interventions across different agencies, fee claims, and outcomes.

## Conclusions and recommendations

In the report of its inquiry into the Job Network in 2002, the Australian Productivity Commission noted the impossibility of achieving perfection in a performance measurement system:

*It should be emphasised that the role of the star rating model is not perfection (which is impossible) but rather to capture the most salient differences between local labour markets and client mixes.<sup>49</sup>*

It is widely recognised that Jobcentre Plus and the Department for Work and Pensions face many challenges in designing future provision and the performance measures to support it. WorkDirections UK welcomes the commitment of Jobcentre Plus to develop a performance measurement system that:

1. Captures and measures performance and permits meaningful comparisons between providers;
2. Compares like for like performance as far as possible;
3. Gives the Government clear measures of efficiency improvements over time;
4. Gives the Government a clear indicator of value for money achieved.

Contracted providers need the scope to do what they do best: apply innovative solutions to the challenge of connecting unemployed and inactive people to sustainable work. The contracting terms on which providers do this, including performance measures, should be designed so as to hold providers accountable for the public funding they receive.

Correspondingly, WorkDirections UK supports and recommends a system that permits value for money comparisons, not just between providers but between providers and the public employment service, in cases where they deliver the same services. For these comparisons to be meaningful, WorkDirections UK supports longer-duration, high-volume contracts. Current developments towards a purchaser/provider split, the centralisation of procurement, and the development of procurement expertise in DWP are also welcomed.

The Freud review sets out a rationale for investing more heavily in welfare-to-work programmes to realise longer-term gains both for people dependent on benefits and for the Government.<sup>50</sup> Expanded services for a broader range of client groups and more contracting of private and voluntary sector providers will rightly demand high levels of efficiency and accountability. In designing the terms of a new welfare system, the UK has the opportunity to create a performance measurement system that is the best in the world.

49 - Australian Productivity Commission *Independent Review of the Job Network*, Section 11.26, 2002.

50 - David Freud *Reducing dependency, increasing opportunity: options for the future of welfare to work*, Independent report to the Department for Work and Pensions, 2007.

# Appendix I

## *Examples of performance mechanisms in welfare-to-work*

### **Fee and bonus payments**

- Fees for service process or at service points eg. listing and filling a vacancy (Job Network, Australia), generating a vocational profile for a client (Job Network, Australia), commencing on a programme (New Deal, UK; UNEDIC, France; ARGE, Nuremberg), submitting an action plan (Employment Zone, UK).
- Fees for job placement eg. Job Network, Australia; New Deal, Employment Zone, UK; UNEDIC, France; ARGE, Nuremberg.
- Fees for job retention to 13 weeks eg. Job Network, Australia; New Deal, Employment Zone, UK; UNEDIC, France; ARGE, Nuremberg.
- Fees for job retention to 26 weeks eg. Job Network, Australia; UNEDIC, France; ARGE, Nuremberg.
- Fees for job retention to 52 weeks eg. RMI, France.
- Higher fees for particular categories of clients eg. longer-duration unemployed (Job Network, Australia), or for non-mandated clients (New Deal, Employment Zone, UK).
- Fees for client attendance hours eg. Work for the Dole, Australia.
- Payment of a bonus eg. Employment Zone contracts 2004-2006 provided for bonus payments to providers if they achieved the placement of a certain proportion of their caseloads into employment. There is a five per cent bonus loading for all placement and retention fees if job placement occurs within three months of commencement in the case of UNEDIC, France.

A WorkDirections UK policy paper on procurement discusses the respective merits of payment for service processes and payment on achievement of outcomes, and proposes a 'target accelerator' model of contract terms to reward achievements in placing people who are harder to help into sustained employment.<sup>51</sup>

### **Contract management**

This can take the form of monitoring management information, regular or spot check visits, or requirements for self-reporting:

- Numbers referred and commenced on the programme;
- Service processes completed, such as action plans or agreements;
- Suitability of premises and facilities;
- Adequacy of client record keeping and confidentiality management;
- Fee claims validity and accuracy of fee claims;
- Timeliness of information provided to the contract manager.

### **External audit**

In the UK, Ofsted inspects Jobcentre Plus programmes to award grades for quality of provision and the effectiveness of organisations in guiding and supporting learners and meeting their needs.

### **Market share**

- The reduction or increase of business share based on performance is provided for in the 2006 Employment Services [Job Network] Contract. The star ratings are the primary determinant of the offer of contract rollovers, the adjustment up or down of business levels, and the assessment of bids by providers for any newly tendered business (see section 5).
- Suspension of client referrals is provided for in the 2006 Job Network contract where a provider's performance is 'less than satisfactory'.
- Loss of contract in cases where minimum performance levels required are not met (Job Network, Australia), and, in principle, New Deal, Employment Zone, UK.
- Client choice of provider is currently available for voluntary participants on Employment Zones and choice was introduced for mandatory clients in April 2007. In the Job Network, client choice of provider can result in business level adjustments to contracted capacity.

51 - Jane Mansour and Richard Johnson, *Buying Quality Performance: Procuring Effective Employment Services*, 2006.

## Appendix I

### Quality standards mechanisms

- **Accreditation schemes.** In the UK, Jobcentre Plus can require organisations to undertake an accreditation process to ensure that they meet financial viability, health and safety, equality and insurance requirements.
- **Pre-qualification to submit tender bids.** In the UK, a pre-qualification questionnaire requires organisations intending to submit tenders to provide information that is used to determine their capacity, capability and suitability to deliver the service being tendered.
- **Ofsted inspections.** In the UK, Ofsted inspects Jobcentre Plus programmes to award grades for the quality of provision and the effectiveness of organisations in guiding and supporting learners and meeting their needs. Before April 1 2007, inspections were conducted by the Adult Learning Inspectorate.
- **Licence to operate.** In Australia, recruitment companies meeting the conditions required to be awarded a Job Placement Organisation licence can claim fees for the job placement of eligible Job Network clients. Requirements include government registration as a recruitment organisation, past experience in providing recruitment services and a minimum level of activity in placing Job Network clients.
- **Compliance with Code of Conduct and Service Guarantee.** The Code and Service Guarantee for Job Network providers establish quality standards for services to be delivered and if organisations are not compliant with these their contracts may be discontinued or their market share reduced.

# Appendix II

## Job Network fees schedule

<p><b>Job Search Support</b></p> <ul style="list-style-type: none"> <li>• For people 0 to 3 months unemployed unless identified as Highly Disadvantaged.</li> <li>• After first appointment, access to job search resources on a self-help basis.</li> </ul>	<p><b>10% weighting for star ratings</b></p>
<ul style="list-style-type: none"> <li>- Job Placement Fee - for job seekers broadly defined and not registered as unemployed - \$165</li> <li>- Bonus Payment - for job seekers registered as unemployed who get a minimum 50 hours' employment - \$165</li> </ul>	
<ul style="list-style-type: none"> <li>- Job Placement Fee - for job seekers registered as unemployed - \$275</li> <li>- Job Placement Fee - for job seekers who have been registered unemployed for 12 months or more - \$385</li> </ul>	
<p><b>Intensive Support</b></p> <ul style="list-style-type: none"> <li>• For people unemployed for more than 3 months or identified as Highly Disadvantaged.</li> <li>• If 13 months or more unemployed, advisor appointments, individual action plan and intensive activity, otherwise commences with job search training at 3 months followed by Work for the Dole or other kind of volunteer work.</li> </ul>	<p><b>90% weighting for star ratings</b></p>
<p>For people unemployed 4 to 12 months achieving an employment outcome sustained for 13 weeks - \$550</p>	
<p>For people unemployed for at least 13 months OR identified as Highly Disadvantaged achieving sufficient employment to result in an average <b>70% income support reduction over 13 weeks</b>, these payments apply:</p> <ul style="list-style-type: none"> <li>- 13 to 24 months unemployed - \$550</li> <li>- 25 to 36 months unemployed - \$550</li> <li>- 3 years or more unemployed - \$1,100</li> </ul>	
<p>Further payments apply when these outcomes have been <b>sustained for 26 weeks</b>:</p> <ul style="list-style-type: none"> <li>- 13 to 24 months unemployed - \$550</li> <li>- 25 to 36 months unemployed - \$550</li> <li>- 3 years or more unemployed - \$1,100</li> </ul>	
<p>For people unemployed for at least 13 months OR identified as Highly Disadvantaged and who pursue an <b>acceptable course of study for 13 weeks</b>, these payments apply:</p> <ul style="list-style-type: none"> <li>- 13 to 24 months unemployed - \$1,650</li> <li>- 25 to 36 months unemployed - \$3,300</li> <li>- 3 years or more unemployed - \$4,400</li> </ul>	
<p>Further payments apply when these outcomes have been <b>sustained for 26 weeks</b>:</p> <ul style="list-style-type: none"> <li>- 13 to 24 months unemployed - \$825</li> <li>- 25 to 36 months unemployed - \$1,650</li> <li>- 3 years or more unemployed - \$2,200</li> </ul>	
<p>For people unemployed for at least 13 months OR identified as Highly Disadvantaged achieving <b>employment sustained for 13 weeks</b>, these payments apply:</p> <ul style="list-style-type: none"> <li>- 13 to 24 months unemployed - \$1,650</li> <li>- 25 to 36 months unemployed - \$3,300</li> <li>- 3 years or more unemployed - \$4,400</li> </ul>	
<p>For people unemployed for at least 13 months OR identified as Highly Disadvantaged achieving <b>employment sustained for 26 weeks</b>, these payments apply:</p> <ul style="list-style-type: none"> <li>- 13 to 24 months unemployed - \$825</li> <li>- 25 to 36 months unemployed - \$1,650</li> <li>- 3 years or more unemployed - \$2,200</li> </ul>	
<p>Share of employment outcome payments achieved for all Indigenous and Highly Disadvantaged job seekers referred directly to Intensive Support</p>	

# Appendix III

## Job Network Key Performance Indicators (KPIs) 2006-2009

From Employment Services [Job Network] Contract 2006-2009		
KPI	OBJECTIVE	MEASURES
<b>KPI 1</b> - Average time taken for eligible job seekers to achieve employment placements.	To help eligible job seekers find work as quickly as possible.	DEWR will assess performance against this Key Performance Indicator based on the average time from registration with the provider to the placement of eligible job seekers in employment and the payment of job placement and employment outcome payments.  The assessment will include eligible job seekers with different durations of unemployment, eligible job seekers from special groups (Indigenous Australians, people with disabilities, mature age people, people from other than main English speaking countries, youth and lone parents) and eligible job seekers identified as Highly Disadvantaged.
<b>KPI 2</b> - The proportions of fully Job Network eligible job seekers for whom outcome payments are paid.	To maximise outcomes for eligible job seekers - particularly the long-term unemployed and those identified as Highly Disadvantaged.	DEWR will assess performance against this Key Performance Indicator based on the proportions of eligible job seekers for whom different types of outcome payments are paid, including job seekers with different durations of unemployment, those from special groups (Indigenous Australians, people with disabilities, mature age people, people from other than main English-speaking countries, youth and lone parents) and those identified as Highly Disadvantaged.
<b>KPI 3</b> - DEWR satisfaction with the delivery of services in compliance with the Code of Practice and Service Guarantees.	To maximise the delivery of high-quality, ethical employment services.	DEWR will assess performance against this Key Performance Indicator on the basis of the principles and commitments set out in the Code of Practice and Service Guarantees.

Source: Department of Employment and Workplace Relations (Australia), 2006

# Appendix IV

## Calculating the star ratings

### Step 1: Calculating expected outcomes using multiple regression

The probability of a successful outcome for each job seeker on the caseload of a particular site for the relevant period is predicted, based on each client's particular characteristics and local labour market conditions. This generates a score for the probability of an expected outcome for each client for each possible type of outcome. This collected information generates a total expected performance score for a particular site.

Caseload of job seekers starting intensive assistance at each site	Job seeker characteristics							Local labour market characteristics				Probability of an expected outcome for each job seeker for each type of outcome		
	Duration unemployed	Time assisted	Disability	Age	Education	Gender	Indigenous / metropolitan	English as other language	Type of benefits payment	Size of labour market	Unemployment rate		Employment growth rate	Industry type
eg. Client A	32 months	180 days	Autism	22	Year 10	F	None	No	DSP	Large	3%	12%	*	9%
eg. Client B	12 months	438 days	None	41	Year 12	F	None	No	Newstart	Regular	7%	-1%	*	45%
etc...														

\*Industry share has 17 different variables

Source: Department of Employment and Workplace Relations (Australia)

## Appendix IV

### Step 2: Comparing expected with actual outcomes

For each possible type of outcome, a ratio for actual to expected outcomes is established with reference to the numbers of clients who started in that part of the service and therefore might have achieved that particular type of outcome. For example:

Type of outcome	Expected outcomes scores	Actual outcomes scores	(Actual - Expected) / Caseload = Score
13-week employment outcomes	200	250	$(250 - 200) / 1,000 \text{ starts} = 0.05$
26-week employment outcomes	80	70	$(70 - 80) / 800 \text{ starts} = 0.0125$
Employment leading to 70% benefits reduction	300	200	$(200 - 300) / 1,000 \text{ starts} = 0.1$
Education outcomes	120	100	$(100 - 120) / 1,200 \text{ starts} = 0.016$
Job placements for unemployed people	400	200	$(200 - 400) / 3,000 \text{ clients registered and eligible} = 0.066$
Bonus fees for job placements (minimum 50 hours) or job placements for people not registered unemployed	300	350	$(350 - 300) / 3,000 \text{ clients registered and eligible} = 0.016$

To make it possible to combine the ratios for each outcome type, extreme values are moderated, and distributions for each type of outcome normalised so that means and standard deviations from the means are both equal to one.



### Step 3: Weighting the performance scores

Performance measure (ie. Type of outcome)	Performance weighting in star ratings	Performance score* (Note explanation of + .1 value adopted here below)	Weightings applied
13-week employment outcomes	28%	+ .1	+ 0.28
<i>AND if achieved at 0-6 months add**</i>	12%		+ 0.12
<i>OR if achieved at 6-12 months add**</i>	8%		or + 0.08
<i>OR if achieved at 12-18 months add**</i>	4%		or + 0.04
<i>OR if achieved at 18-24 months add**</i>	0%		or + 0.0
26-week employment outcomes	20%	+ .1	+ 0.20
Employment leading to 70% rates reduction	16%	+ .1	+ 0.16
Education outcomes	4%	+ .1	+ 0.04
Job placements for unemployed people	6%	+ .1	+ 0.06
Bonus fees for job placements (minimum 50 hours) or job placements for people not registered unemployed	4%	+ .1	+ 0.04
Share of 13-week employment outcomes achieved for Highly Disadvantaged and Indigenous clients***	10%	27%	+ 0.10
	100%	TOTAL PERFORMANCE SCORE	+ 1.0

\* As determined by ratios of actual to expected outcomes and following standardisation as described.  
To illustrate the calculations of weightings, an assumption has been made that actual = expected outcomes

\*\* This rewards the speed of job placement leading to a 13-week outcome from when the client became eligible for service leading to that outcome.

\*\*\* Note that the performance measure for the share of interim outcomes achieved for Indigenous or Highly Disadvantaged job seekers cannot be subjected to regression treatment.

Source: Department of Employment and Workplace Relations (Australia)

## Star ratings regression variables - job seeker characteristics

VARIABLE	ABBREV	DEFINITION
Age	Age	Age at commencement (Vocational Profile completion date is used).
Age (squared)	Age 2	For some variables, the relationship with outcomes is more complex than a single variable in the regression can allow for. For example, young and older people generally do worse than those aged between 25 and 45. The use of the squared variables allows this effect to be captured.
Allowance Type	Allow Type	Type of benefit job seeker was on at commencement (Vocational Profile completion date is used).
Days in Assistance	Days Assist	The number of days the job seeker has been in assistance.
Days in Assistance (squared)	Days Assist <sup>2</sup>	Days in assistance squared (captures additional outcome effects).
Disabled	Disabled	Job seeker is recorded as disabled (based on the most recent JSCI/Centrelink record prior to commencement). Since December 2006, the regression has included disabilities individually, based on some 182 separate disability classifications (see table below).
Education 1	Educ1	Job seeker's highest education level is < Y10 (from current registration record).
Education 3	Educ3	Job seeker's highest education level is Y12 (from current registration record).
Education 4	Educ4	Job seeker's highest education level is TAFE level (from current registration record).
Education 5	Educ5	Job seeker's highest education level is Tertiary level (from current registration record).
Gender	Gender	Job seeker is male.
Indigenous	Indigenous	Job seeker is Indigenous (from current registration record).
Indigenous Metro	Indigmetro	Job seeker is Indigenous and is being assisted by a Metropolitan site. This is any site situated within the Sydney, Melbourne, Brisbane, Adelaide or Perth Regions. This definition is currently being reviewed with the potential for the ACT Region to also be defined as Metropolitan and/or the Blue Mountains ESA to be defined as Non-Metropolitan.
Metro	Metro	Job seeker is being assisted by a Metropolitan site (see Indigenous Metro definition).
NESB1	NESB1	Job seeker was born in a Non English Speaking Background country. Countries with similar outcomes are grouped together.
NESB2	NESB2	Job seeker was born in a Non English Speaking Background country. Countries with similar outcomes are grouped together.
NESB3	NESB3	Job seeker was born in a Non English Speaking Background country. Countries with similar outcomes are grouped together.
Unemployment Duration	UE Duration	Unemployment duration at commencement
Unemployment Duration (squared)	UE Duration 2	This variable is squared to allow for the larger number of outcomes at shorter durations of UE.

Source: Department of Employment and Workplace Relations (Australia) information sessions, 2005

# Appendix VI

## Star rating regression variables – job seeker characteristics - disabilities

Acquired brain impairment	Congenital heart disease	Multiple chemical syndrome
Acquired brain injury - conversion	Congenital limb deformity	Multiple sclerosis
Alcohol dependence	Coronary artery disease	Musculo skeletal disorder other
Alzheimers disease	Crohns disease	Musculo / Skeletal & Connective Tissue
Amputation	Curvature of the spine	Myocardial infarction (heart attack)
Amputation - conversion	Cystic fibrosis	Myopathy other
Amputation above elbow	Depression	Neck disorder
Amputation above knee	Diabetes - conversion	Nerve root compression other
Amputation below elbow	Diabetes - insulin dependent	Nervous system
Amputation below knee	Diabetes non insulin dependent	Nervous system other
Anorexia nervosa	Diverticular disease	Obsessive compulsive disorder
Anxiety	Drug dependence	Oesophageal disorder
Arthritis other	Eczema	Osteoarthritis
Aspergers disease	Emotion disturb; child /adolescent	Osteomyelitis
Asthma	Empysema	Pancreatic disorder
Attention deficit / hyperactivity disorder	Endocrine and immune system	Paranoid
Autism	Endocrine system dysfunction other	Paraplegia (paralysis)
Behaviour disorder	Endometriosis	Peripheral vascular disease
Bi polar affective (manic depression)	Epilepsy - absence seizure	Personality disorder
Blind both eyes	Epilepsy - complex seizure	Phobias
Blind one eye	Epilepsy - conversion	Poliomyelitis
Brain injury toxic (eg. alcohol)	Epilepsy - grand mal (tonic clonic)	Post traumatic stress disorder
Brain injury traumatic	Epilepsy - myoclonic seizure	Psoriasis
Bronchitis	Epilepsy - simple seizure	Psychol / psychiatric disorder other
Bulmia	Eye anomaly unspecified	Psychosocial deprivation
Burns and their effects	Fibromyalgia	Psychotic
Bursitis, capsulitis & tendonitis	Fractures and crush injuries	Rectal disorder
Cancer / tumor bone	Gallbladder disorders	Regional pain syndrome
Cancer / tumor bowel	Gastro-intestinal system	Renal tract disorders
Cancer / tumor brain	Glandular fever	Reproductive problem other
Cancer / tumor breast	Glaucoma	Reproductive system
Cancer / tumor liver	Gout	Respiratory disorder other
Cancer / tumor lung	Gynaecological disorder other	Respiratory System
Cancer / tumor oesophagus	Haemophilia	Rheumatoid arthritis
Cancer / tumor other	Hearing loss complete	Rotator cuff injury
Cancer / tumor ovarian	Hearing loss partial	Schizophrenia
Cancer / tumor prostate	Hemiplegia (paralysis)	Sciatica - nerve root compression
Cancer / tumor renal	Hepatitis A	Senile dementia
Cancer / tumor skin	Hepatitis B	Sense organs conversion
Cancer / tumor stomach	Hepatitis C	Shoulder & upper arm disorder
Cancer / tumor testicular	Hernia	Skin disorder and Burns
Cancer / tumor thyroid	HIV / AIDS category 4	Skin disorder other
Cancer / tumor pancreas	HIV category 3	Speech disorder other
Cancer / tumor sarcoma	Hyperthyroidism	Speech disorder stuttering
Cancer hodgkins / non hodgkins disease	Hypothyroidism	Spina bifida
Cancer leukemia (acute)	Influenza	Spinal disorder other
Cancer leukemia (chronic)	Intellectual disability - conversion	Spondylosis
Cancer / Tumor	Intellectual / learning	Sprains & strains
Carpel tunnel syndrome	Intervertebral disc disorder	Stomach disorder (eg. ulcer)
Cataracts	Irritable bowel syndrome	Synovitis, tenosynovitis & OOS
Cerebral palsy	Kidney disorders	Thalassaemia
Chronic fatigue syndrome	Klinefelters syndrome	Tinnitus
Chronic obstructive airways disease	Lactose intolerance	Tourettes syndrome
Chronic pain	Learning disability	Tuberculosis
Chronic pulmonary heart disease	Liver disorder ie. cirrhosis	Ulcerative colitis
Circulatory system	Low vision both eyes	Urinary tract disorders
Circulatory system other	Low vision one eye	Urogenital system
Coeliac disease	Lower limb disorder	Vertigo
Complications of pregnancy	Lupus	Visceral Disorder
Congenital abnormalities	Menieres disease	Visual loss unspecified
Congenital abnormality other	Motor neurone disease	

# Appendix VII

## Star rating regression variables - labour market characteristics

VARIABLE	DEFINITION
Employment Growth	Employment growth based on ABS Statistical Regions.
Metro Location	Job seeker is being assisted by a Metropolitan site (see Indigenous Metro definition).
Statistical Local Area size	Job seeker lives in a Statistical Local Area which has an area of 2000 or more square kms.
Unemployment rate	The Unemployment rate of the job seeker's Statistical Local Area.
Industry type 1	Agriculture, Forestry and Fishing. Based on ABS Statistical Regions. Note that the 17th industry category, Personal and Other Services acts as a base for comparison.
Industry type 2	Mining
Industry type 3	Manufacturing
Industry type 4	Electricity, Gas and Water Supply
Industry type 5	Construction
Industry type 6	Wholesale Trade
Industry type 7	Retail Trade
Industry type 8	Accommodation, Cafes and Restaurants
Industry type 9	Transport and Storage
Industry type 10	Communication Services
Industry type 11	Finance and Insurance
Industry type 12	Property and Business Services
Industry type 13	Government Administration and Defence
Industry type 14	Education
Industry type 15	Health and Community Services
Industry type 16	Cultural and Recreational Services

Source: Department of Employment and Workplace Relations (Australia) information sessions, 2005

# Glossary

<b>ARGE</b> (Germany)	The Arbeitsgemeinschaft (ARGE) is the German Public Employment Office that oversees individuals not entitled (or no longer entitled) to unemployment insurance payments. Ingeus has a partnership contract involving the ARGE to deliver employment services to this group.
<b>Centrelink</b> (Australia)	Centrelink is the agency responsible for paying benefits and administering sanctions when participation requirements are not met. Centrelink also screens clients and refers them to the Job Network, further specialist assessment, or another programme.
<b>Cities Strategy</b> (UK)	Cities Strategies are being tested in 15 disadvantaged areas in the UK to join up the work of government agencies, local government and the private and voluntary sectors in consortia to tackle worklessness.
<b>Disability Open Employment Services</b> (Australia)	Disability Open Employment Services provide specialist services to assist job seekers with disabilities to find and keep a job.
<b>Disability Support Pension</b> (Australia)	The Disability Support Pension (DSP) is the payment for people of working age.
<b>Employment Zones</b> (UK)	Employment Zones (EZ) were introduced in 2000 to areas of the UK with consistently high levels of long-term unemployment. They deliver employment assistance services through personal advisor case management to those claiming Jobseeker’s Allowance for 12 months, or earlier at the discretion of Jobcentre Plus. Participation is mandatory. Lone parents (on a voluntary basis) and those who would otherwise return to New Deal are also assisted by Employment Zones. There are seven multiple-provider Employment Zones and six single-provider Zones.
<b>Incapacity Benefits</b> (UK)	Incapacity Benefits (IB) are for people with illnesses or disabilities who are unable to work.
<b>Income Support</b> (UK)	Income Support is a means-tested benefit available to certain groups of people on low incomes. Lone parents on low incomes are usually eligible to claim Income Support.
<b>Ingeus</b>	Australian-owned group of companies providing welfare-to-work and recruitment services in Australia (WorkDirections Australia, Your Employment Solutions and Clements), the UK (WorkDirections UK), France (Ingeus SAS) and Germany (Ingeus GmbH).
<b>Job Network</b> (Australia)	The fully privatised system of employment services delivery created by the Australian Government in 1997. All people claiming unemployment benefits are referred to the Job Network for assistance, remain with the Job Network provider until they find employment, and return to the same provider if they become unemployed again. Services in the Job Network include: <b>Job Search Support services</b> Access to vacancy information and facilities on a self-help basis. <b>Employment Preparation</b> Service for parents, carers and mature age job seekers to promote engagement with work. <b>Intensive Support</b> For those who have not found work after three months, access to more assistance including job search training, more intensive support from an advisor (Intensive Support Customised assistance) and eligibility for discretionary expenditure to achieve employment.
<b>Job Seeker Account</b> (Australia)	A flexible pool of funds to purchase services and products for individual job seekers. Account funds are quarantined so that if Job Network providers do not utilise the funds they are retained by the Government.
<b>Jobcentre Plus</b> (UK)	Jobcentre Plus is the UK benefits agency responsible for the assessment of benefits, work tests and sanctions. It also provides vacancy exchange and employment services to job seekers.
<b>Jobseeker’s Allowance</b> (UK)	Jobseeker’s Allowance (JSA) is a working age benefit for people aged 18-60 seeking work.

## Glossary

<b>New Deal</b> (UK)	The New Deal for Young People was introduced in 1997 to guarantee 18 to 24-year-olds out of work for six months or more a combination of employment advice and assistance from a personal advisor followed by education, training or unpaid work experience. Participation is mandatory, as is participation in New Deal 25 plus. There are voluntary New Deals for disabled people and lone parents, partners, people aged 50 plus and musicians. New Deal services may be delivered by Jobcentre Plus or by contracted providers (Private Sector Led New Deals).
<b>Newstart Allowance</b> (Australia)	Newstart Allowance is paid to unemployed people over the age of 21 and under the pension eligibility age.
<b>Ofsted</b> (UK)	The office for Standards in Education, Children's Services and Skills inspects publicly funded adult skills and employment-related training. This includes New Deal and Employment Zone services. Before April 1 2007, these were inspected by the Adult Learning Inspectorate, now incorporated into Ofsted.
<b>Parenting Payment</b> (Australia)	Parenting Payment (Partnered or Single) is paid to primary carers of children.
<b>Pathways to Work</b> (UK)	The Pathways to Work programme helps people on Incapacity Benefits to return to work through work-focused interviews, work preparation, disability or health condition management, financial help, travel, etc. Pathways to Work contracts are being rolled out across the UK in 2007.
<b>Personal advisor</b> (UK)	Staff working in Jobcentre Plus or contracted employment programmes such as New Deal, Employment Zone or Pathways to Work, who assist clients on an individual basis.
<b>Personal Support Programme</b> (Australia)	The Personal Support Programme (PSP) aims to help individuals to tackle barriers such as homelessness, mental health issues, alcohol or drug dependency so that they can utilise Job Network services.
<b>RMI</b> (France)	The Revenu minimum d'insertion (RMI) is for unemployed individuals who cannot access contributions-based unemployment benefits, and is paid at a lower level for those not eligible for the UNEDIC benefit. Ingeus has a contract in the Hauts-de-Seine to deliver employment services to people on this payment who have been unemployed for a minimum of two years.
<b>UNEDIC</b> (France)	The National Occupational Union for Employment in Industry and Commerce (English translation) is the French national employment insurance agency. Ingeus has contracts with UNEDIC to deliver early intervention employment services to those assessed as being at risk of remaining unemployed.
<b>Work for the Dole</b> (Australia)	Community Work Coordinators are contracted by DEWR to arrange unpaid work experience (Work for the Dole) placements in community organisations.
<b>WorkDirections</b> Australia	Delivers Job Network, Work for the Dole, Job Placement Employment Training (JPET) and Personal Support Programme services in New South Wales, Queensland, Victoria and Tasmania.
<b>WorkDirections UK</b>	Delivers Employment Zone services from Nottingham, Birmingham, and London (Brent, Haringey and Southwark). Also delivers Private Sector Led New Deal programmes from two London sites - Hammersmith and Westminster - and New Deal for Disabled People programme in Birmingham.
<b>Youth Allowance</b> (Australia)	Youth Allowance is paid to young people aged 16-20 (or in some cases younger) and to full-time students or apprentices aged 16-24.

# WorkDirections UK and Ingeus

WorkDirections UK is part of the Australian-owned Ingeus Group of companies which provides effective, accountable welfare-to-work services. The Group, which has been operating since 1989, now delivers services through subsidiaries in the UK, Australia, France and Germany.

We produce research and responses to policy initiatives and consultations which can be found in the 'About us' section of our website – [www.workdirections.co.uk](http://www.workdirections.co.uk).

- Launched in the UK in November 2002, WorkDirections UK supports socially excluded and disadvantaged individuals to find suitable and sustainable employment.
- Our welfare-to-work operations assist people who have become long-term unemployed, as well as single parents, and those who are not working as a result of health issues.
- WorkDirections delivers **Private Sector Led New Deal** programmes in Central and West London, as well as **Employment Zones** in Nottingham, Birmingham, Brent, Haringey and Southwark. In addition, services for people on Incapacity Benefits are provided through our **New Deal for Disabled People** programme in Birmingham and **Incapacity Benefit Employment Project** in Brent.

Jane Mansour  
**Director of Policy and Research**  
Ingeus Europe Ltd  
[jmansour@ingeus.co.uk](mailto:jmansour@ingeus.co.uk)

or

Andrew Wilson  
**Head of New Business Development**  
WorkDirections UK Ltd  
[awilson@workdirections.co.uk](mailto:awilson@workdirections.co.uk)

The Registry  
3 Royal Mint Court  
London  
EC3N 4QN  
United Kingdom  
Tel: +44 (0)20 7265 3000

[www.workdirections.co.uk](http://www.workdirections.co.uk)

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