

Productivity Commission Submission: Independent Review of the Job Network

Wesley Uniting Employment

Wesley Mission, Sydney conducts a ministry of Word and Deed throughout Australia. Wesley Mission is committed to proclaiming the Gospel of Jesus, teaching the Bible faithfully, as well as helping the community through our program of social action, charity work and care for the community.

Wesley Uniting Employment encompasses the Job Network services provided by a number of Uniting Church agencies around Australia, assisting many people into sustainable employment, training or self-employment through their own small business. Wesley Mission Sydney acts as the lead agency for Wesley Uniting Employment.

We welcome the opportunity to present our views to the Productivity Commission. We are enthusiastic participants of the Job Network, but believe there are a number of shortcomings with the ratings methodology. In summary:

1. The Star Ratings System is totally driven by quantitative measures, risking a Job Network that generates measurable short term outcomes at the expense of quality of service and sustainable service to Job Seekers. We recommend some qualitative measures to include in the rating system.
2. The Regression Analysis system used to provide “equality” of Star Ratings across the country is in our opinion flawed, leading to pockets of high stars in certain regions, and very low stars in other regions. We would like this system reviewed and weightings publicly released.
3. The timeframes suggested by DEWRSB for contract extensions are too early, and look too far backwards. We recommend a delayed assessment based on more recent performance including qualitative as well as quantitative measures.

The Star Ratings

Key Performance Indicators

We like the Key Performance Indicators (KPI) currently being used by DEWRSB, measuring such things as outcome rates for disadvantaged groups and lasting placements of job seekers into work and training.

Any KPI measure risks affecting the behaviour of those being measured (the Job Network Providers) in two ways:

1. The providers will change their behaviour to maximise KPI scores, at the expense of lasting and sustainable results for job seekers
2. The providers may “rort” or manipulate the measures by implementing strategies such as “phantom jobs”.

Recent contractual changes made following the investigation into Leonie Green and Associates have addressed some of these concerns, and we are happy with the continuous improvement in these measures.

Regression Analysis

Underpinning the Star Rating methodology (used by DEWRSB to evaluate providers on a one star to five stars scale) is a regression analysis. The methodologies used are mostly hidden from public view, and we have doubts about their accuracy.

An examination of the Star Ratings released by DEWRSB for the period ending August 2001 shows that some labour markets have significantly higher stars than others. Providers that score highly in some labour markets (eg Melbourne, Brisbane) score lowly in other labour markets (eg Country NSW regions). However, if the regression methodology is accurate we would expect the star ratings for any one provider to be similar across regions.

We would like to see either an independent assessment of the regression analysis, or a public release of the weightings given to the different labour markets.

Qualitative Components in the Star Ratings

At present the Job Network Star Ratings are based solely on quantitative Key Performance Indicators. This has risks for both the Government and the providers.

- Risk for the Government: Star Ratings reward providers that generate outcomes but will reduce client choice by leaving the Job Network dominated by low cost, low service, high turnover organizations.
- Risk for Providers: providers that work to create lasting change in their Job Networks may lose business, as the current star ratings measures are mostly medium term (13 weeks or 26 weeks).

We believe the Star Rating methodology should be changed to include qualitative measures. For instance:

- Customer satisfaction, as measured by random surveys or by DEWRSB's quality team

- Complaints upheld by the complaints line
- Numbers of claims made incorrectly, needing to be repaid
- Sustainable transitions off-benefit – for instance, the KPI measuring numbers of Job Seekers who were off benefits twelve months after commencing a Job Network service.

Continuity of Job Network

Decision Timeframe Inadequate

We expect that DEWRSB will be making decisions on which Job Network providers gain contract extensions early in 2002. We believe however that assessing providers based on their results from start of contract up to 28 February 2002 will result in a poor selection for the future success of the Job Network for two reasons:

1. This disadvantages organizations which grew rapidly, and who therefore got off to a slow start
2. Organisations who have dramatically improved their performance recently, and who are now better providers than their competitors, may still not get refunded if the star ratings are assessed on the totality of performance since February 2000.

We recommend that contract extension decisions are delayed until mid 2003, and that the assessments are made on the performance just in the last twelve months (ie from mid 2002). This will more accurately ensure that top performers are included in the next Job Network. It will also have the benefit of giving the Government time to make changes in light of the decisions and recommendations of the Productivity Commission.

Decisions Based solely on Quantitative Criteria

At present the Star Rating system is based solely on Quantitative criteria. If the Star Ratings are the sole mechanism used for determining which providers gain business and which providers lose business, the nature of the Job Network will change. We will contract renewal should be based on the similar criteria to that used for awarding contracts – for instance, 50% performance, 30% quality, 20% price.

Rollover Process will be disruptive for Job Seekers

The suggested process for rollover (that is, the automatic contract extensions for 70% of providers) will be disruptive for Job Seekers in many areas. We suggest instead that a gradual process is used whereby providers whose performance is in doubt have their contract extended milestone by milestone, with the worst performers dropping out each milestone and their business picked up by the best providers.