



Measuring performance in Australia's Job Network (C)

With the establishment of the Job Network the government had made a political commitment to scrutinising its performance. A range of mechanisms were used to ensure this including external scrutiny provided by parliamentary committees, the audit office, the Productivity Commission, academics and overseas organisations such as the OECD. The department had also set up its own framework for measuring performance¹ which included:

- ongoing monitoring and evaluation of outcomes which included measuring outcomes, service quality and estimating the impact of services on the employment and income support status of job seekers;
- a contract management framework which set out the principles and procedures for monitoring compliance with contractual arrangements;
- a provider code of conduct and complaints mechanism;
- the tendering system which allowed for new entrants to the employment services market; and
- the star ratings system.

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¹ For example, performance measurement for the 2006-2009 Job Network Employment Services was based on three Key Performance Indicators (KPIs): (i) KPI 1: The rate at which job placements were achieved for eligible job seekers; (ii) KPI 2: The proportions of Intensive Support participants for whom outcome payments were paid; and, (iii) KPI 3: departmental satisfaction with the delivery of services, including but not limited to: Evidence of delivery of personalised services to clients, through findings of site visits, quality audit projects or other qualitative information; and number/type of serious complaints, series of complaints, and active management of complaints, including assisting the department in negotiating complaint resolution.

There had also been a strong commitment to publishing performance data on providers. To address some of the challenges that had emerged in the early days of the program, a new performance rating system based on “star” ratings was developed and adopted. A departmental official explained:

“We had to work out a way to judge performance because the government had set up a totally new system. We had to use the tendering environment as a way of informing the public about the relative performance of providers and we had to let job seekers know how good providers in their area were.”

The “Star” solution to the performance puzzle

During 1999, staff from the department worked with the University of Adelaide, Flinders University, and the South Australian Centre for Economic Studies to develop the Star Rating system, a new way of measuring and reporting the performance of Job Network providers. This was seen as a critical part of the development of Job Network. It would become an easy way for job seekers to understand performance and give them a basis for choosing between service providers.

Star Ratings were developed to measure the relative performance of Job Network providers. The ratings ranged from “1-star” (room for improvement) through to “5-star” (excellent performance), with half-star increments included to further differentiate performance. The Star Ratings captured a range of factors, the most important being how good providers were at placing job seekers into jobs. To reflect differences in operating conditions, weightings were included to account for labour market differences and the characteristics of the job seekers receiving assistance, thus allowing for a robust comparison between providers and across the different regions in the network. Whilst many providers had desired an absolute system where their rating was not relative to others, departmental staff explained that it was the simplicity of the relative Star Rating approach which made it attractive:

“Providers get a single rating which captures a complex set of indicators and weightings. This is much better than having five or six different areas of measures.”

The ratings were to be made publicly available from kiosks throughout the Job Network, from Centrelink and via the Internet, making it easier for job seekers to exercise informed choice. The main benefit of the approach was that it allowed a range of complex measures and indicators to be captured and then displayed in a simple manner. A departmental official likened the star ratings for Job Network providers to the system used for hotels but with one significant difference. Unlike hotels, Job Network providers are encouraged to become five star providers and job seekers, unlike hotel guests, are not constrained by price in their choice of provider.

The first full Star Ratings were published by the department in March 2001 covering the year to January 2001.² Various performance indicators were included in the Job Network contracts and these were used to calculate the final rating (see *Exhibit 1*). Job Network providers received a rating for each service they provided and in the first published Star Ratings, 70 percent of providers scored 3 stars or more (see *Exhibit 2*). Because the ratings were relative, any 5-star provider was of equal performance with another, regardless of the

² A report on performance released in December 1999 also used “stars” to reflect performance but this was quite different to the Star Rating system developed and reported on in March 2001.

region. This meant that it was possible to have some regions with no 5-star performers and others with several (see Exhibit 3 for an example).

There were multiple benefits to such an approach. A departmental official explained that targeting performance at the level of the individual provider increased its productivity and quality as well as improving the performance of the Job Network as a whole. The relative performance approach was seen as fostering continuous improvement across the network. In fact, when the first lot of Star Ratings were released there were large improvements in performance and this continued over time. The department explained that this was a positive outcome as it provided a basis for moving poor performers out of the network, leaving a residual group of high performers.

An independent review of the Star Ratings method was commissioned by the department in December 2001 and Access Economics produced its final report in March 2002. The review found the model to be sound and that it was able to gauge the relative performance of Job Network providers. In fact the authors commented 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 is similarly universal, comprehensive and objective.”³

Job Network providers raised a series of concerns in the early days. For example, there were questions about how well local labour market conditions were actually captured in the statistical modelling, and about how seasonal fluctuations in employment were built in. Large providers could not understand how their different sites across Australia could receive different ratings, given that they had similar management and service delivery systems.⁴ For the most part, the review found that such concerns reflected a lack of understanding rather than any fundamental flaw with the Star Ratings. Some officials believed that it was only the poor performers that were complaining. After an education campaign, departmental staff said that most of the complaints died down as providers grew to accept the system. In fact, some providers had started to use their Star Rating to demonstrate their service quality when tendering for other services, and many were using it in their marketing and branding. This was especially the case for those providers who were awarded one of the coveted 5-star ratings.

Contracted providers displayed an ongoing interest in the Stars. With each six monthly release of Stars, the department routinely received a limited number of queries from providers who considered their performance could be viewed more favourably or to check the details of the calculation. Such queries did not, however, identify any unexplained or perverse anomalies in the Stars. As late as 2006, there were some contracted providers who argued for a fixed rather than relative performance measure, where a static level of performance (“pass mark”) would be specified in advance. The department resisted such calls, noting the benefits of continuous improvement driven by the comparative nature of the Stars.

³ Access Economics (2002) *Final Report – Independent Review of the Job Network Provider Star Rating Method*, page 35.

⁴ The Access Economics review noted that in no case did providers accept that this could actually reflect different levels of service offered by different sites.

As the Star Rating system developed, it became clear that it could be used for a range of reasons. In fact, with Job Network Mark III based squarely on quality, the ratings were used to allocate business in different ways. As a departmental official explained,

“The Star Ratings system changed the way our tendering was done. For the contract starting in 2003, those providers that had scored three-and-a-half stars and above – around sixty per cent of providers – received an invitation to treat which meant that they didn’t have to tender for their business. Those that scored below this were required to bid in an open tender for continued business.”

The use of the Star Ratings in this way also helped the department to overcome a range of other issues including the “performance dip” which occurred around tendering time.

According to an official:

“The tender process is quite disruptive, both to providers and the department and we have started to address this through continued business arrangements. Managing the process took the time of 300 to 400 staff in the department in the first round. In the last round [2003] we were able to roll over around 70 percent of our business based on our performance ratings system. It’s made a huge difference to the way we go about doing our business.”

The use of Star Ratings in this way was embedded in Job Network. The contract for the period 2006 to 2009, for example, specified Star rating levels below which the department would consider business level reductions or provider exits. By 2005 there was talk of extending the Star Ratings to other services and programs such as Work-for-the-Dole. For departmental staff this showed just what a success their model had been. However, they wanted others to be wary.

“Other programs are complex and have multiple objectives. For example, ‘Work for the Dole’ has an objective of community benefit – how do you measure that? Job Network has simple objectives – we want to get people into a job. This is what this program is about - making a difference – and that is what we are trying to measure.”

The department was satisfied that these issues could be addressed through appropriate Star measures based soundly on the respective contracted Key Performance Indicators for each service and proceeded to develop Stars for both Work for the Dole and for the Disability Employment Network.

Conclusion

After some initial challenges with the Job Network, staff at the department were able to develop an innovative and unique performance measuring system. The Star Ratings system produced three major gains. Firstly, it allowed job seekers to easily assess the comparative performance of providers in their area. Secondly, it provided Job Network members with a means of measuring and gauging their performance. Finally, it provided DEWR with an instrument to drive improved performance across the market and allocate business⁵ in a consistent, stable and transparent manner.

⁵ It should be noted that the Australian Auditor-General expressed some concerns about the use of the Star Ratings system to allocate business to providers on the basis that is used relative performance data rather than measurement against specific performance standards. A full discussion of concerns is provided in chapter 7 of the report *Implementation of Job Network Employment Services Contract 3*, Audit Report No. 6, 2005-06, Australian National Audit Office, Canberra. The report is available at: www.anao.gov.au

Exhibit 1: How the Star Ratings were calculated

Star Ratings were in operation since 2000 and generally produced every six months.

- The ratings were estimated by statistically examining performance against a series of performance indicators. These indicators were determined for each program and reflected objectives. For example, the main performance indicator for the Job Network was placing people in sustainable employment.
- For each indicator, logistic regression analysis was used to calculate an expected outcomes level for each Job Network site and this outcomes level was compared to the actual outcomes level for that site. Logistic regression controls for a range of factors outside the control of the provider such as client demographic characteristics and local labour market conditions. This ensured that the expected outcomes level calculated allowed for differences in client mix and local economic conditions.
- Where the expected outcomes level exceeded the actual, the provider was rated as underperforming on that performance indicator. Where actual outcomes exceeded expected, the provider was considered to have over-performed. The extent of this over or under performance was measured by the relative difference between these outcomes levels. A site performing at a level that was better than the majority of other sites would receive a high rating (4 Stars, 4 ½ Stars or 5 Stars). A site that was performing at around the average would receive a moderate to good rating (3 Stars or 3 ½ Stars). A site performing at a level that was not as good as the majority would receive a lower rating (2 ½ Stars or less).
- Because a series of outcome measures were used in the derivation of a single star rating for each provider, results for individual KPIs were combined into a final score using weights that reflected the importance of each KPI. Job outcomes were weighted more highly than education outcomes, for example, and jobs which lasted at least 13 weeks were weighted more highly than jobs which did not last.

Variables controlled for included age, gender, duration of unemployment, education, Indigenous status, disabilities, non-English speaking background, local unemployment rate, geographic location, local employment growth and local industry composition.

The Job Network Star Ratings model was developed in consultation with the South Australian Centre for Economic Studies (SACES), a joint venture between the University of Adelaide and Flinders University. The model has been reviewed by Access Economics.

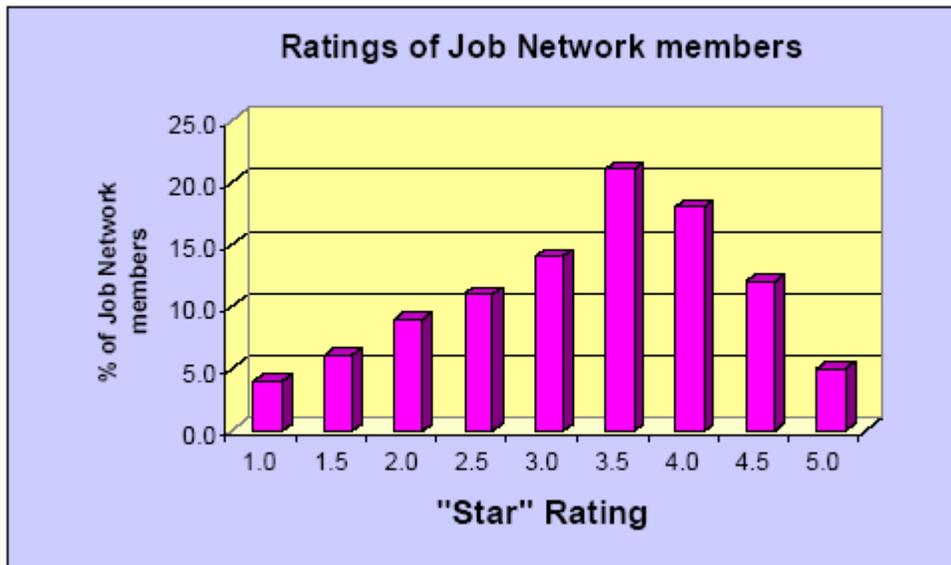
**Exhibit 2: Performance indicators used to measure
Job Network provider performance⁶**

Service⁷	Performance indicators
Job Matching	<ul style="list-style-type: none"> • Job placements as a proportion of contracted number. • Proportion of placements that are full time jobs. • Proportion of job placements taken up by job seekers who have been unemployed: <ul style="list-style-type: none"> ○ for more than 6 months; and ○ for more than 12 months. • Proportion of job placements taken up by: people with disabilities; people from non-English speaking backgrounds; and, indigenous peoples.
Job Search Training	<ul style="list-style-type: none"> • Proportion of job seekers placed in jobs within 3 months after their participation in Job Search Training. • Proportion of job seekers no longer receiving income support payments 3 months after their participation in Job Search Training. • Proportion of job placements for Job Search Training participants taken up by: people with disabilities; people from non-English speaking backgrounds; and, indigenous peoples.
Intensive Assistance	<ul style="list-style-type: none"> • Proportion of Intensive Assistance participants placed in jobs of a minimum 13 consecutive weeks duration – and resulting in income support payment reductions of at least 70 percent. • Proportion of Intensive Assistance participants receiving job placements. • Proportion of job placements for Intensive Assistance participants taken up by: people with disabilities; people from non-English speaking backgrounds; and, indigenous peoples.

⁶ Source: DEWRSB Job Network Performance Ratings as at January 2001, Canberra www.workplace.gov.au

⁷ Only those job placements of sufficient duration to attract Job Network fees are counted for performance assessment purposes. Job Network members may place eligible job seekers into additional short term temporary or casual jobs that, due to their brief duration, do not attract fees.

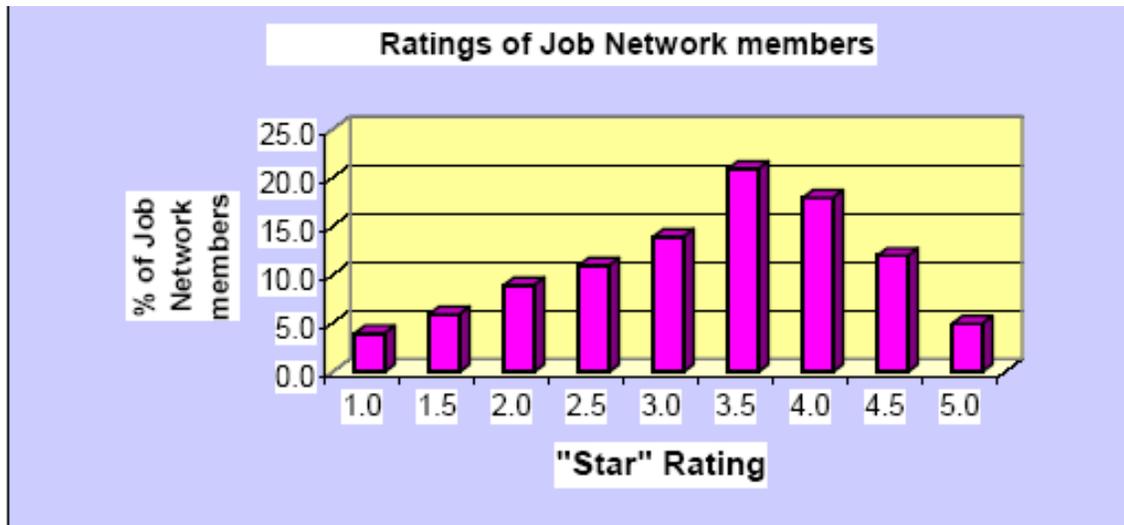
Exhibit 3: The distribution of Star Ratings as at 31 January 2001⁸



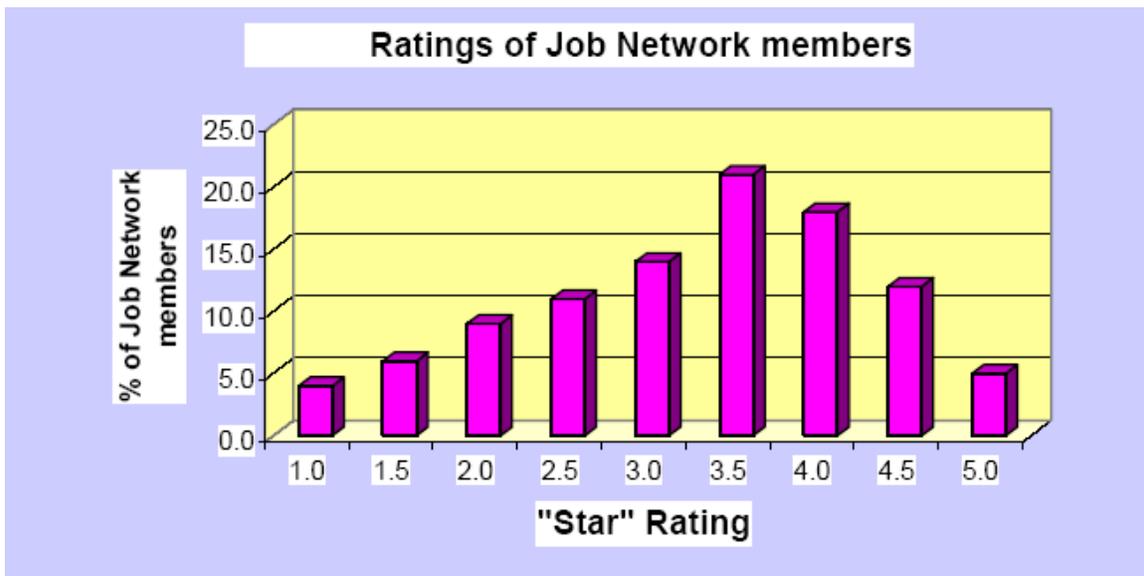
⁸ Source: Job Network Performance Ratings as at 31 January 2001, DEWRSB, available from www.workplace.gov.au

Exhibit 4: The distribution of Star Ratings⁹

Distribution of Star Ratings as at 30 April 2002



Distribution of Star Ratings as at 28 February 2003



⁹ Source: Job Network Performance and Evaluation Reports available at www.workplace.gov.au

Distribution of Star Ratings as at 31 March 2004



Distribution of Star Ratings as at 28 February 2005



Distribution of Star Ratings as at 31 March 2006



Exhibit 5: Star Ratings for the Perth Employment Region as at 31 January 2001.

Job Network Member	Job Matching	Job Matching Placements	Job Search Training	Intensive Assistance	Intensive Assistance Speciality
Aboriginal Group Training				★★	ATSI ¹⁰
Bedford Workforce	★★★★	461	★★★★☆		
Centacare Employment	★★★★☆	1,856	★★★★	★★★★	
Centacare Employment				★★	People from NESB ¹¹
Communicare Inc	★★★★	638	★★★★☆	★★★★☆	
Employment National	★☆	2,887			
IPA Personnel	★★★★	212		★★★★☆	
Job Futures2	★★★★	1,629	★★★★		
Jobfind Centre	★★☆	1,051	★★★★	★★★★	
Jobs Australia	★★★★☆	511	★★★★☆	★★★★☆	
Manguri Employment Services	★★★☆	110		★★★☆	ATSI
Mission Employment	★★★★	2,058	★★★★☆	★★★★	
ORS Employment Solutions	★★★★★	90		★★★☆	People with disabilities
PVS Workfind	★★★★☆	1,110		★★★★☆	
South Metropolitan Youth Link Inc	★★★☆	1,062			
Salvation Army Employment Plus	★★★☆	978		★★★★	

¹⁰ ATSI = Aboriginal peoples and Torres Strait Islanders

¹¹ NESB = non-English speaking background