

Job Network evaluation

Stage three: effectiveness report

Evaluation and Programme Performance Branch
Labour Market Policy Group
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Executive summary

Job Network was implemented in May 1998 to deliver employment services to job seekers and employers. It is a national network of about 200 private, community and government organisations. Job Network replaced publicly funded job brokerage delivered by the Commonwealth Employment Service (CES), a range of labour market programmes which delivered short-term training, wage subsidies and work experience, and a case management system.

The Job Network model represents a radical change in the way employment services are delivered, with the role of government changing from a direct provider to a purchaser and regulator of services. The model was underpinned by a focus on outcomes. While Australia is not alone among OECD (Organisation for Economic Co-operation and Development) countries in introducing market-type mechanisms in employment servicing, Job Network is the most comprehensive example of this approach.

The objectives of Job Network are to:

- deliver a better quality of assistance to unemployed people, leading to better and more sustainable employment outcomes;
- target assistance to job seekers who need it and who can best benefit from it;
- address the structural weaknesses and inefficiencies inherent in previous arrangements for labour market assistance, and put into effect the lessons learnt from international and Australian experience; and
- achieve better value for money (especially in a tight budgetary environment).

Evaluating Job Network

At the time the changes were announced there was considerable public interest in the process for reviewing such a radical shift in delivery arrangements. A comprehensive Evaluation Strategy was developed following the Budget announcement in 1996 and released publicly in April 1998 (DEETYA 1998a). The evaluation's purpose was to assess how well Job Network was working and to provide information for later policy adjustment. The strategy involved three reporting stages, recognising that the reforms would take several years to develop and mature.

The first two stages of the evaluation reported in May 2000 and May 2001. These reports were largely based on performance under Job Network's first contract. Stage 1 focused on the implementation of Job Network and its early operation, while Stage 2 examined equity of access to assistance and outcomes, early indicators of the impact of assistance (on the likelihood of leaving income support) and regional performance.

This final report provides information on the lessons learnt from evaluating Job Network over the period of its operation since May 1998. In assessing effectiveness, the evaluation has examined the sustainability of employment outcomes, the impact of the major services in improving employment prospects, how well Job Network is endorsed by its clients, its responsiveness to special needs and its macro-economic impacts. The evaluation has also considered the relative contribution of factors that can explain the level of effectiveness achieved and how Job Network has progressed against its design principles.

The Evaluation Strategy also included an independent review of the policy framework underpinning Job Network, which is being conducted by the Productivity Commission. A draft report of the Commission's review was released in March 2002 (Productivity Commission 2002). A final report is due in June 2002.

Numbers assisted

Each year Job Network helps many job seekers and employers. In 2000–01, more than 860 000 job vacancies were lodged on Australia's National Vacancy Data Base, which can be accessed through JobSearch. Also in that year, 319 600 job seekers were placed into jobs of at least 15 hours over five consecutive days through Job Matching, 74 800 participated in Job Search Training, 278 600 participated in Intensive Assistance, 6500 were helped to start their own business through the New Enterprise Incentive Scheme (NEIS) and 20 800 were placed into harvesting jobs.

Outcomes and their sustainability

Outcomes achieved from Job Network services three months following assistance (post-assistance outcomes) have generally reflected the level of disadvantage of participants and local labour market conditions (DEWRSB 2001d). In 2000–01, positive outcomes (those either employed or studying) were:

- 71% (66% employed) for Job Matching;
- 52% (43% employed) for Job Search Training; and
- 45% (39% employed) for Intensive Assistance.

NEIS achieved positive outcomes of 85% (83% employed). Outcomes for Intensive Assistance were more likely to be in part-time jobs, while outcomes for Job Search Training were evenly shared between full-time and part-time jobs.

Achieving sustainable outcomes is one of Job Network's main objectives. The evaluation found that employment outcomes in the short-term are a good indication of employment outcomes in the longer-term. Across the three main services, about four out of five of those in jobs three months after assistance were employed in the longer-term:

- for Job Matching, 83% of job seekers who were employed three months after placement were employed 12 months later; and
- for Job Search Training and Intensive Assistance, 82% and 76% of those employed in the short-term were also employed after eight months.

For many job seekers the quality of outcome (in terms of both income and skill levels) improves over time, supporting the view that for some job seekers a low quality initial job can provide a 'stepping stone' to a better quality job. It is significant, moreover, that the sustainability of outcomes appears to hold generally for most job seekers, including those who are more disadvantaged.

There are, however, a group who return to income support over time. Among job seekers referred to Intensive Assistance who leave income support, for example, about 30% had subsequently returned to the income support register by 15 months after referral. Of course, such people may regain some employment after this point, but this figure highlights the intractability of the problems confronting certain job seekers in securing a sustained transition from income support to financial independence. This problem of returning to income support is also evident

among the long-term unemployed in other countries and was very apparent under labour market programmes that preceded Job Network. Notwithstanding the progress made in recent years, there is considerable scope to improve targeting and design of optimal interventions for job seekers with different characteristics in different labour markets, so they achieve lasting results. This is an important area for ongoing research within Australia, as in other OECD countries.

Impact of assistance on employment

The evaluation presents estimates of the ‘net impact’ of Job Search Training and Intensive Assistance on the employment prospects of participants. Net impact measures the effectiveness of a programme, as it controls for outcomes that would have occurred in the absence of assistance. It does this by comparing the employment rate of job seekers involved in a labour market intervention (a programme group) with those of a group that (as far as possible) has not experienced this intervention (a control group).

Net impact findings need to be understood in the context of what can realistically be expected from labour market interventions. International evidence is that relatively few interventions for disadvantaged job seekers achieve substantial impact. The findings also need to be interpreted very carefully because of the inherent difficulty of forming a control group in the presence of universal entitlement to assistance.

In particular, the new estimates presented in this report are likely to be conservative because it is not possible to develop a pure control group: members of this group may be—and some actually are—referred to assistance, which may in turn affect their outcomes so that the net impact measure of the programme is reduced. Consequently, the new net impact measures do not reflect a pure comparison between an intervention and no intervention; rather, they compare an intervention to a combination of no intervention and other forms of assistance. In addition, the estimates do not measure the improved employment prospects of participants in assistance who have not yet secured a job. Finally, it needs to be remembered that positive net impacts are a static measure of effectiveness. Even if modest, these benefits compound over time for successive groups of participants, producing more significant effects on the level of disadvantaged job seekers when considered over a longer time frame.

Unlike previous net impact studies (reported in DEETYA 1997 and DEWRSB 2001c), the preliminary estimates in this report use a new methodology that attempts to measure the *cumulative* effect of three elements: compliance, programme and attachment effects. Compliance effects result from referral to a programme and derive from the fact that some job seekers increase job search activity or report existing activities to avoid the requirements of participation in a programme. The programme effect represents the ‘value added’ by the programme, as reflected in changes in the level and effectiveness of job search activity and employability that comes from participation. The reduction in job search activity that results from actual participation in the programme constitutes the attachment effect.

It is now possible to obtain a qualified measure of these effects by estimating net impact *from referral* to a programme and *from commencement* in assistance. For the reasons detailed above, these estimates are preliminary, are likely to be understated and need to be interpreted with due caution, especially as they still need to be replicated. Previous employment net impact studies (DEETYA 1997), which measured net impact *after participation*, did not provide estimates of compliance and attachment effects. The same methodology applied to current employment assistance (Job Search Training and Intensive Assistance) indicates significant net impacts, particularly for disadvantaged job seekers, when compared to the programmes that they replaced.

The revised methodology now being adopted, however, offers additional insights that favour its application into the future.

The net impact of Job Search Training and Intensive Assistance, based on the new methodology, was found to be modest, particularly for Intensive Assistance. For many job seekers, the benefits of participation in Intensive Assistance were substantially reduced by the attachment effect which is likely to reflect the extended programme duration and activity levels. This suggests that the current 12 to 15 month period for Intensive Assistance is too long, and that reducing the duration of assistance and intensifying the level of activity during participation, including job search, could improve overall impacts. For both programmes, a considerable part of the net impact from referral came from the effects of compliance. For Job Search Training, however, the evaluation also found that participation in assistance seemed to increase the motivation to look for work and to improve job search techniques.

Disaggregation of the results indicated a degree of variation among client groups. Significantly, the more disadvantaged among those referred to Intensive Assistance appeared to benefit most from the programme (compared to other job seekers). The compliance effect from referral to Intensive Assistance was highest for the mature-aged and those with low levels of education. Job seekers aged 25 and over, and those from a non-English-speaking background, were found to benefit most from Job Search Training. Both Job Search Training and Intensive Assistance, however, were associated with significant levels of deadweight cost (this is the proportion of job seekers who would have got jobs even in the absence of assistance), suggesting the need for even tighter targeting.

Cost-effectiveness

The introduction of Job Network has resulted in a substantial reduction in the cost of achieving employment outcomes. Job Network costs per employment outcome have been the lowest achieved in the past decade: at about \$5000–\$6000 since mid-1998, compared to between \$10 000 and \$16 000 in the mid-1990s and \$8000–\$9000 in the early 1990s.

In 2000–01, costs per employment outcome were \$560 for Job Matching, \$1390 for Job Search Training and \$5440 for Intensive Assistance. These costs for Job Search Training and Intensive Assistance were dramatically below those of the comparable programmes that they replaced—respectively, \$2600 for Job Clubs and \$12 100 for the group of programmes replaced by Intensive Assistance. These substantial efficiency gains have translated into improved cost-effectiveness.

Raising effectiveness

The net impact findings suggest that there is scope to increase Job Network's effectiveness. By examining a range of factors that contribute to the performance of Job Network as an employment service—targeting of assistance, Centrelink's performance of its 'gateway' functions, provider behaviour, the fee structure and the quality of services to job seekers and employers—the evaluation canvassed several areas for possible improvement to Job Network.

Targeting

Targeting of assistance has improved significantly with the introduction of an objective screening tool. Effective targeting, however, relies on the accuracy of the Job Seeker Classification Instrument (JSCI) to determine a job seeker's relative likelihood of remaining unemployed and eligibility for Intensive Assistance. While there is scope to improve this process through better data gathering and adjustments to the instrument's weights (something

which is now in train), the net impact analysis suggests effectiveness could also be increased by raising the threshold at which job seekers become eligible for Intensive Assistance. Many job seekers currently referred to Intensive Assistance, especially those with relatively low JSCI scores and unemployed for shorter periods, may well have secured employment in the absence of assistance. The potential for job seekers to benefit from assistance is also an important issue for targeting. The finding that about 60% of participants leave Intensive Assistance and do not secure a job (in the short term), and that about half of all those commencing Intensive Assistance since July 2000 have already participated in Intensive Assistance, points to the need to revise the assistance regime and review the extent to which people can or should recycle through a programme that has not achieved a positive outcome.

Centrelink's role

Access to Job Network for most job seekers occurs via Centrelink. Centrelink has the responsibility to explain the Job Network system to job seekers and to facilitate contact between job seekers and the Job Network member (including choice of provider). While Centrelink provides job seekers with information on the services available from Job Network, the evaluation found that many job seekers were unclear about Job Network's role and the distinction between Job Network and Centrelink. Many job seekers do not appear to fully understand all their rights and responsibilities under Job Network, or how to maximise their chances of finding work. Relatively few providers thought that the job seekers referred to them had a good knowledge of the services they could obtain from Job Network, how Job Network worked or the role expected of them in relation to active job search.

Services to job seekers

Providers can make a difference to the employment prospects of the job seekers they assist. The performance of providers has been found to differ according to both their approach to business and in the level and type of services delivered (DEWRSB 2001f). In respect of services, the evaluation found that high-performing Intensive Assistance providers seem to be more pro-active and more responsive to the needs of both job seekers and employers, including providing a screening function for employers. The more successful providers were more likely to offer training in both job search and job-specific skills and to have more frequent contact with their job seekers. For Job Search Training, high-performing providers were perceived by their clients to be more responsive to job seeker needs. These providers were seen as offering more services and access to facilities, being pro-active in referring job seekers to employers and in keeping them motivated, and also being more likely to submit participation reports to Centrelink when participation fell short of what was required.

Analysis of possible factors that explain better outcomes found that, in general, job seeker characteristics and previous work experience were the most important determinants (rather than the type of assistance). For Intensive Assistance, a positive relationship was found (when other factors were controlled for) between post-assistance employment and participation in voluntary work for both males and females; and in education level and specific job training for males. Previous work experience and helping job seekers to stay motivated to look for work were found to have a positive influence on post-assistance employment for Job Search Training participants.

The evaluation found that 74% of job seekers surveyed in 2001 reported that they were either satisfied or very satisfied with the services. Among the reasons for job seekers' satisfaction with Job Network were that the services helped them stay connected with the workforce and that they were 'treated like an individual'. For those dissatisfied, the main reason across all service types was a reported lack of assistance. The quality of services under Job Network reportedly has

improved compared with previous arrangements. Job seekers who had experience under both the CES and Job Network reported that Job Network had improved access by having shorter queues and waiting times. The greater incentive to perform provided by the competitive nature of Job Network translated into a higher level of service. From a comparative perspective, the main criticisms voiced by job seekers and providers were that less financial assistance was available for longer and more expensive training of people with more significant employment barriers, for assisting with transport costs, or for purchasing equipment such as tools and clothing.

Job seeker motivations and attitudes influence the level of services. More pro-active clients were found to demand and obtain more services from their providers. In addition, Job Network has successfully equipped many job seekers with skills to search for their own jobs, including improving their self-promotion and preparation of résumés, which improves their employability.

Many job seekers, however—especially those who were unlikely to obtain an outcome—received limited assistance from their provider. The evaluation found that provider behaviour in this regard was consistent with aspects of the incentives in the Intensive Assistance fee structure. Given the risks associated with investing heavily in job seeker support for uncertain outcomes, providers have tended to focus their efforts on those job seekers whose prospects of securing an outcome are strongest, and who do not require a substantial investment to overcome their barriers to employment. This finding favours a revised incentive structure where provider risks are reduced and the returns from investing in outcomes for the very disadvantaged are improved. It should be noted, however, that the incentives in the fee structure are not the only incentives providers respond to. The star ratings (an outcome-based measure of relative performance) and contract renewal also exert a strong influence on the quality of the services that providers deliver.

As mentioned above, there would also appear to be substantial scope for increasing the intensity of Intensive Assistance but reducing its length. Reducing the length, combined with a requirement that job seekers maintain job search activities while in assistance, has the potential to increase effectiveness. It would also reduce the significant attachment effect noted earlier, which is associated with Intensive Assistance in its current form.

Employer servicing

The evaluation found that employers have increased their use of employment agencies to recruit staff, in line with an increase in the use of recruitment methods generally. The proportion of employers using Job Network, however, was unclear. While reported usage of Job Network appears to have declined recently, many employers were not aware that they were dealing with a Job Network member. Those employers who did use Job Network rated the service highly. In 2001, 90% of employers were satisfied or very satisfied with their agency—a substantial increase from 84% in 1999. Employers indicated that the benefits of Job Network included screening and short-listing applicants; interviewing job seekers; and providing employers with access to a large pool of applicants.

Research with Job Network members found that high-performing providers devoted a significant amount of energy to developing strong relationships with selected employers. Providers reported spending a considerable proportion of their time cultivating relationships with employers as a way of maximising placement outcomes, with some seeking exclusive relationships with employers.

The evaluation found that there is scope for improving Job Network's performance through attracting employers who previously have not used Job Network. For the third Job Network contract, Job Matching services are to be expanded to a wider range of job placement agencies. This should increase Job Network's market share by attracting more employers who have not previously used it. More extensive and effective marketing by Job Network members to employers (particularly medium and smaller employers) is also warranted. Qualitative evidence indicates that many employers have misconceptions about the services available from Job Network, including that it only caters for unemployed people on income support, or that it mainly deals with those who are perceived as unemployable or who do not want to work.

Progress against design principles

The evaluation also examined Job Network's progress against the design principles underpinning the 1996 reforms to labour market assistance. These principles, which were based on the lessons of overseas and Australian evaluations, relate to the integration of income support with participation in labour market assistance; competition in service delivery; targeting of services (discussed above); flexibility in the provision of services; a focus on (job) outcomes; and job seeker and employer choice.

Structural integration between income support and gateway access to employment services was achieved with the establishment of Centrelink. The *Australians Working Together* (AWT) package, which will be progressively implemented from July 2002, is designed to strengthen integration by improving the linkages between different types of assistance. The evaluation has considered integration in terms of stakeholder perceptions of how well Centrelink facilitates access to Job Network and the relationship between Job Network members and Centrelink. The evaluation found that there are still job seekers and employers who remain unclear about all the services that Job Network has to offer. Over 80% of providers reported that they were satisfied with Centrelink's service. Providers identified areas for improvement as a need for better communication between Centrelink and Job Network and for Centrelink staff to have a better understanding of Job Network.

While open tender rounds disrupt the market and temporarily reduce placement activity, they provide an opportunity to raise market performance overall. Competition in service delivery was found to be widely supported among Job Network stakeholders because it increases choice and focuses activities on performance. The adverse effects of competition, mentioned by some stakeholders, were reserving job vacancies by some providers, inappropriate practices and minimal assistance to some disadvantaged job seekers. Removing limits on provider case loads would strengthen competition, but any move in this direction would have to be implemented carefully to avoid market failure.

Providers have the flexibility to design innovative ways of addressing their client's employment barriers. There are indications that higher-performing providers, through their recruitment practices, are more likely to be innovative. The evidence at this time, however, is not yet conclusive. Moreover, the evaluation found that while job seekers can choose which provider to go to, the services offered by providers were often regarded by job seekers as similar. This is of concern if the services were ineffective.

A focus on outcomes is reflected in the considerable cost efficiency gains achieved by Job Network compared with previous labour market assistance arrangements. Under the second contract, this focus was strengthened with the awarding of business based on provider performance and the release of increased performance information, including star ratings. The

evaluation has explored some of the different ways that providers have responded to Job Network incentives which are designed to focus providers on securing outcomes. Evidence suggested that, as noted above, most stakeholders seemed to support the focus on outcomes. The evidence of job sustainability and progression added further support. Short-term job outcomes, however, may not be suitable for all job seekers, especially those who require a substantial investment to overcome their barriers to employment. The outcomes focus, involving star ratings of relative performance, was also seen by some as contributing to some inappropriate practices in Job Network.

The extent to which job seekers exercise an informed choice when selecting a Job Network provider is unclear. Over 50% of Job Search Training and Intensive Assistance participants surveyed in 2001 reported that they chose their provider. Of those who did choose, most did so on the basis of the provider's location. The release of the star ratings and streamlining of the referral process, which has recently been piloted, are expected to facilitate more informed choice. The operation of choice, however, is constrained by current limits on providers' contracted capacity and the lack of incentive this creates for providers to market their services actively. The evaluation suggests consideration be given to a gradual relaxation on these limits.

Ongoing policy adjustments and further research

The performance of Job Network clearly demonstrates that substantial private and community sector involvement in the delivery of employment services is viable. Much has been achieved in the relatively short life of the new arrangements, which have proved to be significantly more cost-effective than those applied previously.

Job Network, however, necessarily remains a 'work in progress' which needs to evolve further as lessons are learnt and more information on what supports high performance becomes available. As part of this process of improvement, the evaluation has explored ways of further raising the effectiveness of Job Network. There is considerable scope for incremental policy adjustments to build on the successful performance to date, especially for the most disadvantaged job seekers.

The evaluation has also highlighted issues where further research is warranted. These include the following areas.

- The lack of a pure control group and the need for replication of the findings confound to some extent the new net impact measures developed for this evaluation. Further investigation is also needed to measure the level of any bias in the control group and the extent to which alternative approaches can control this bias. The current net impact study only measures job outcomes 12 months after referral to and commencement in a programme. While this approach potentially represents a considerable improvement over previous methods, the current study could be supplemented by estimates of the sustainability of net impact, improved job prospects in the absence of having a job and changes over time in labour force behaviour relative to labour market interventions. Insights from such research will be important in achieving further reductions in the incidence of churning.
- The evaluation suggests that the current approach to targeting, which largely relies on the JSCI, could be refined. The JSCI is important in determining the level of disadvantage that job seekers face, but is not the optimal means of determining the most appropriate form of assistance to address this disadvantage. The report discusses an approach to targeting that is based on the likelihood of success from existing assistance options. This approach has the

potential to increase the effectiveness of current types of assistance as well as the extent to which any new forms of assistance are needed.

- The segmentation approach to job seekers' attitudes could make possible tighter targeting of different types of assistance. Informed by job seeker attitudes, providers could better allocate additional assistance to the job seeker on the basis of the available attitudinal information. The job seeker may then be perceived to have a greater capacity to benefit. More research, however, is needed to investigate the quantum and stability of segmentation, its relationship to outcomes and whether it has application within a system of targeted interventions. Research is also needed into the effect of job seekers' attitudes on the net impact of assistance.
- The evaluation has identified some servicing issues where further research is warranted:
 - specialist providers were introduced into Job Network for the second contract. While they seem to have improved the quality of service, their impact on effectiveness has yet to be established;
 - consideration could be given to greater tailoring of assistance in Job Search Training. Currently most Job Search Training courses are generic. Using different training packages for job seekers whose circumstances are different may offer scope to further increase the effectiveness of Job Search Training; and
 - the performance of Job Network for job seekers from a non-English-speaking background was examined in the evaluation. Within this diverse group, however, more understanding is required of how well Job Network meets the needs of job seekers with different cultural backgrounds.

1 Introduction

This report, the third and final report of the Job Network evaluation, provides information on the lessons learnt from three years of evaluating Job Network. This stage of the evaluation analyses the effectiveness of Job Network in meeting its objectives and the relative contribution of factors that can explain the level of effectiveness achieved. The evaluation also assesses how Job Network has progressed against the design principles underpinning the 1996 reforms to labour market assistance (detailed in Vanstone 1996), makes judgements on Job Network's progress in the context of the employment services changes announced in the 2001–02 Budget as part of the *Australians Working Together* (AWT) package (Vanstone and Abbott 2001) and, where relevant, looks at the performance of Job Network relative to overseas experience with the delivery of employment services.

The evaluation complements not only other work undertaken by the Department of Employment and Workplace Relations (DEWR), but a range of other analyses now available on the actual and potential performance of Job Network. Other analyses include the major OECD (Organisation for Economic Co-operation and Development) review of Australian labour market policies, released in July 2001 (OECD 2001b); and work by Dockery (1999), Harding (1998), Webster (1999a), Webster and Harding (2000), Kelly et al. (1999), Eardley et al. (2001) and Considine (2001). The Productivity Commission is also currently undertaking an Independent Review of Job Network. A draft report of this inquiry was released in March 2002 (Productivity Commission 2002). A final report is expected to be provided to the Government in June 2002.

1.1 What is Job Network?

Job Network was implemented in May 1998 to deliver employment services to job seekers and employers. It is a national network of about 200 private, community and government organisations. Each organisation in Job Network is awarded business through a competitive tender process. Job Network replaced publicly funded job brokerage delivered by the Commonwealth Employment Service (CES); a range of labour market programmes, which delivered short-term training, wage subsidies and work experience; and case management.

The introduction of Job Network saw the role of government in employment services change from a direct provider to a purchaser and regulator of services. These functions, however, are not the only role that government has in the employment services market. To help develop the market, the government fosters best practice among providers of labour market assistance. As part of a strategy to improve provider performance, the government makes performance information available to Job Network members.

Job Network represents a radical change in the way employment services are delivered. While Australia is not alone among OECD countries in introducing market-type mechanisms in this area of government servicing, Job Network constitutes the most comprehensive example of this approach.

The entry point or gateway for job seekers on income support¹ into Job Network is Centrelink. Apart from assessing eligibility for income support, Centrelink provides access to job vacancies recorded in the National Vacancy Data Base and access to self-help job search facilities, and also administers the Job Seeker Classification Instrument (JSCI). The classification instrument is

¹ Young people aged 15–20 years who are not on income support and are not full-time students are also eligible for Job Network services and gain access through Centrelink.

used to estimate the relative disadvantage of job seekers, based on their likelihood of becoming or remaining long-term unemployed, and helps identify those eligible for assistance. Centrelink also has a crucial role in explaining the Job Network system to job seekers and facilitating contact with Job Network members.

The National Vacancy Data Base provides job seekers with immediate access to vacancies that have been lodged by employers Australia-wide. Job seekers access jobs on the data base through JobSearch² touch screen units (located in all Centrelink offices and many Job Network service providers) and through the Internet. The National Vacancy Data Base provides employers with a national vacancy distribution service, free of charge. Employers may choose to lodge a job vacancy either directly on the data base or with a Job Network member organisation, which then records details of the vacancy on the data base.

1.2 Policy objectives and design principles

1.2.1 Objectives

Job Network aims to improve job seekers' chances of securing jobs by providing assistance that increases their motivation to find work, their skill level relative to skills in demand and their capacity to search effectively for jobs. The objectives of Job Network are to:

- deliver a better quality of assistance to unemployed people, leading to better and more sustainable employment outcomes;
- target assistance to job seekers who need it and who can best benefit from it;
- address the structural weaknesses and inefficiencies inherent in previous arrangements for labour market assistance, and to put into effect the lessons learnt from international and Australian experience; and
- achieve better value for money (especially in a tight budgetary environment).

1.2.2 Design principles

The process of reform through which Job Network was established was underpinned by several design principles. These principles were based on international and Australian evidence on factors that contribute to the effectiveness of labour market assistance.

Integrating income support with participation in assistance

The effectiveness of previous labour market assistance arrangements was considered to have been limited by the separation of access to employment services and income support (DEWRSB 2000a). Integration, essentially a *one-stop shop* concept, would serve to remove duplication and simplify processes for job seekers and, at the same time, would strengthen and make more explicit the link between receipt of income support and active job search. The OECD had for a number of years advocated the one-stop shop approach (OECD 1994). Strengthening this link encourages participation in the labour market and recognises that employment is fundamental to reducing poverty and maintaining social cohesion.

² JobSearch offers the following services to employers:

- a registered employer can lodge a job directly onto JobSearch 24 hours a day through 'Advertise-A-Job' (currently over 6000 active positions);
- use of 'Résumé Search' to access a data base of 80 000 résumés via Résumé Search;
- the ability to find a suitable Job Network member using maps; and
- links to other useful sites such as 'Wagenet' for award conditions and the 'Business Entry Point' for a range of business assistance.

In relation to employment assistance, the Government opted to introduce a combination of a *first-stop* rather than a *one-stop-shop* approach and a competitive market for employment services. The establishment of Centrelink in 1997 combined the income support facilities of the former Department of Social Security and the job seeker registration, assessment and referral functions of the CES. Setting up Centrelink with these functions achieved integration of income support and access to employment services (DEWRSB 2000a). Substantial efficiency gains were made by combining staff resources and office networks to minimise the extent of double handling and to enable staff to focus on linkages between the various services within Centrelink. It was not feasible, however, for competitive Job Network providers to operate from the same location as Centrelink. Rather, Centrelink was established as a 'first-stop-shop' for access to both income support and to Job Network services.

Competition in service delivery

The potential benefits of a competitive market, based on competitive neutrality and separation of purchaser-provider, include improved accountability, quality of service and efficiency (Vanstone 1996). Two competitive Job Network tenders have now been conducted. The first contract, for \$1.7 billion of services, ran from May 1998 until February 2000. The second contract, worth about \$3 billion, runs from February 2000 until June 2003. The competitive process was expanded in the second tender with price competition extended to Intensive Assistance (a minimum price was set as a safeguard to protect service quality and to reduce the risk of market failure). In the first tender, Intensive Assistance was contracted for a set price because of concerns that tenderers would initially lack experience in costing such a service accurately. In the second contract, providers were able to bid for the provision of specialist services to meet exclusively the needs of particular groups of job seekers, where the need for such services could be demonstrated. Arrangements were also made to improve the regional coverage of services.

Previous performance by providers played an important role in the awarding of business in the second tender. This resulted in a shift in the market. Community-based and charitable organisations increased their share of the market from 30% to 45%. The private sector expanded from 33% to 47%.

A potential risk with a competitive tender is that some locations may not attract suitable tenderers. To manage this risk the Government adopted a two-staged approach. The first involved contracting providers on a fee-for-service basis. If this still meant some regions did not have a provider of employment services, the Government could arrange for Employment National, the public provider, to deliver services at cost through its Community Service Obligation. The Government purchased services on a fee-for-service basis in four locations in the first tender and in six locations for the second. To date the Government has not needed to direct Employment National to deliver services.

Targeting services

International evaluation evidence suggests that careful targeting of employment assistance, based on need and capacity to benefit, optimises the efficiency and effectiveness of that assistance (Martin 2000). Careful targeting helps to avoid deadweight costs (where assistance is provided to job seekers who would have obtained a job by themselves in its absence) and poor outcome levels (where assistance is provided to job seekers who do not have the capacity to benefit from it). Clearly, assistance should be targeted to those job seekers for whom it is most likely to make a difference.

Good targeting therefore relies on accurate assessments of the needs (and capacity to benefit) of job seekers and the ability to match these needs to appropriate assistance. The mechanism for targeting assistance in Job Network is the JSCI. Job seekers with significant employment barriers can also be identified via a secondary process of classification (known as the JSCI Supplementary Assessment or JSA) and offered assistance and support through the Community Support Programme or disability employment services funded by the Department of Family and Community Services (FaCS). These processes allow alternative interventions to be applied to disadvantaged job seekers with major non-vocational barriers.

Targeting of assistance within Job Network occurs both within and between services (DEWRSB 2001d). While all job seekers can access Job Matching, those with specific job search needs or relatively few barriers to employment are directed, after a period, to Job Search Training. Those with a high risk of long-term unemployment are referred to Intensive Assistance. Targeting also occurs as providers make decisions about the levels of assistance they will provide to individual job seekers. Under Intensive Assistance, providers are required to service all job seekers referred to them, but have the flexibility to provide whatever service (type and level of assistance) may best help the job seeker within the resources available. In Job Search Training, however, providers are able to make judgements about whether a job seeker will benefit from assistance and may refuse to take a job seeker referred to them.³

Increasing flexibility

Flexibility is intended to encourage providers to tailor assistance to individual needs and pursue innovative ways of assisting job seekers. Flexibility is achieved through a case management approach that allows providers to determine the level and type of assistance they offer. Such flexibility is not without risks. The purchaser (DEWR) attempts to manage this risk by judging providers on performance, through contract management and accountability measures.

Under Job Network's competitive market, the purchaser also has flexibility with regard to the awarding of contracts. Flexibility in this case enables the purchaser to remove weaker performers from the market and award their business elsewhere, either by introducing new players or by expanding the role of existing providers. The purchaser can also re-allocate business within the contract period to address poor performance.

Focussing on outcomes

Payment structures reflect the importance of job placement and maintaining sustainable employment, and of ensuring providers have sufficient funds to address the barriers faced by job seekers who are not job-ready (DEWRSB 2000b). Funding for performance under Job Network comprises a mix of service fees, up-front fees and payments based on the achievement of outcomes, especially unsubsidised employment. Job Network's fee structures vary by services and by type of outcome. Details of fee structures relevant to each service are provided in subsequent chapters of this report.

Fee structures in Job Network are designed to give providers incentives to pursue job placements. Within Intensive Assistance they are also structured in such a way as to encourage equity in the provision of assistance to job seekers with different levels of disadvantage.

³ If a provider considers that a referred job seeker has other barriers that would result in the job seeker not benefiting from participation in Job Search Training, the provider may notify Centrelink that the person is 'unsuitable' or 'unavailable'. If assessed as 'unsuitable' the job seeker is unlikely to be referred again to the provider (DEWRSB 1999).

Providing choice

The exercise of choice within Job Network is intended to strengthen competition and increase the quality of services. Choice applies to both job seekers and employers. Job Network contracts do not guarantee a level of business but allocate a *maximum* number of job seekers who can be assisted at a point-in-time.⁴ Providers compete to attract job seekers and for employer vacancies.

To operate fully, choice-driven competition requires job seekers and employers to be informed of the quality of services available locally and to be motivated to make a choice (DEWRSB 2000a). Providers must also be able to substantially increase their share of the market as a result of client choice.

The scope for Job Search Training and Intensive Assistance providers to increase their shares of the market is limited. The maximum numbers of job seekers a provider can assist simultaneously is set by the contract. The Intensive Assistance market has operated in such a way as to ensure providers achieve about 85% point-in-time capacity. Job Network has operated in this way to ensure market viability. Under these contractual conditions, providers who achieve higher turnover are able to help more job seekers than their competitors.

It should also be noted that information on the performance of providers and the quality of services could not be supplied from day one of Job Network. Reliable performance information takes time to become available. The release in 2001 of the Job Network provider ‘star ratings’ system on JobSearch has boosted the potential for informed choice.

1.3 Job Network services

Job Network offers five⁵ distinct services—Job Matching, Job Search Training, Intensive Assistance, the New Enterprise Incentive Scheme (NEIS) and Project Contracting.

- Job Matching is intended to increase the speed and efficiency with which vacancies are filled by helping eligible job seekers enter sustainable jobs. It delivers job brokerage services to employers and job seekers, regardless of whether they are on income support. Services include canvassing for vacancies, preparing résumés, and matching and placing unemployed people into jobs.
- Job Search Training’s objectives are to improve job search skills, motivate job seekers to look for work and expand their job search networks. It provides training to job-ready job seekers in job search techniques, such as preparing résumés, interview skills and presentation techniques.
- Intensive Assistance is aimed at obtaining sustainable employment for the most disadvantaged job seekers in the labour market by providing the services and support they need to address their barriers to employment. Services are provided for up to 15 months⁶ with a provision to extend for a further six months.
- NEIS helps unemployed people to establish and run viable new small businesses through small business training, mentoring, business viability assessments and payments of income

⁴ This applies to Job Search Training and Intensive Assistance. For Job Matching, providers are expected to achieve a specified number of job placements over the life of the contract.

⁵ New Apprenticeship Centres were included in the first contract for Job Network, but following reorganisation of portfolio responsibilities in October 1998 are now administered by the Department of Education, Science and Training (DEST).

⁶ Up to 12 months for job seekers with funding level A and up to 15 months for funding level B job seekers. Under AWT, assistance will generally be for 12 months.

support. Income support can last up to 12 months. NEIS providers also offer viability assessments on a fee-for-service basis for Self-Employment Development. This gives job seekers the opportunity to research and develop business ideas while receiving income support.

- Project Contracting (Harvest Labour Services) supplies labour in regions that require considerable numbers of out-of-area workers to supplement the local labour force in order to harvest crops.

Table 1.1 indicates the scope of Job Network. In 1999–00, Job Network accounted for 26% of expenditure in Australia on active labour market assistance. Expenditure on apprenticeships, traineeships and youth, employment services for Indigenous job seekers and disability employment services accounted for the bulk of the remainder.

Table 1.1: Job Network service: number of organisations and sites and numbers assisted

Job Network Service	Job Network members ¹	Sites ¹	Numbers assisted ²
Job Matching	161	1 779	319 600
Job Search Training	95	715	74 800
Intensive Assistance	121	1 170	278 600
NEIS	52	355	6 500
Project contracting	3	18	20 800
Total	200	2 133	na

1 As at 31 July 2001.

2 Year to end June 2001. The data for Job Matching refer to placements. For other services, the data refer to commencements.

Source: Integrated Employment System

Since its introduction, Job Network has undergone a number of changes to fine-tune its operations. Further changes to Job Network were also foreshadowed in the 2001–02 Budget as part of the AWT package (Vanstone and Abbott 2001). These latest changes will be introduced progressively from July 2002. They include universal access to Job Search Training; access to Training Accounts for Indigenous and mature-age job seekers; and greater access to complementary forms of assistance for job seekers commencing Intensive Assistance (Attachment C gives more details of these changes).

Depending on their circumstances, job seekers may also be eligible for and participate in a range of other employment services. Access to these can affect participation in Job Network services. They include the Indigenous Employment Programmes of the Indigenous Employment Policy and Work for the Dole, administered by DEWR; the Apprenticeship and Traineeship System, administered by the Department of Education, Science and Training (DEST); employment services for job seekers with disabilities, administered by FaCS (see Attachment C for details); and a variety of State and Territory government programmes.

1.4 Evaluating Job Network

When Job Network was announced, the Government made a commitment to a full evaluation. It endorsed a three-stage strategy including three reports—covering implementation, progress and effectiveness (DEETYA 1998a). The evaluation's main purpose is to assess how well Job Network is working and to provide for policy adjustment over time in the light of experience. The evaluation strategy also foreshadowed an independent review of the Job Network policy framework. This review, scheduled for completion in June 2002, is currently being undertaken by the Productivity Commission as a public inquiry.⁷

⁷ The Review's terms of reference and public submissions are available from the Productivity Commission's internet site (www.pc.gov.au). A draft report was released in March 2002.

The staged approach to the evaluation recognised that the reforms would take several years to develop and mature, and that its full impact would only be realised gradually. A full assessment of performance will not be possible until Job Network has operated through a complete economic cycle (OECD 2001b). It is possible, however, to obtain some indication of Job Network's performance in varying economic conditions by assessing its performance across labour markets of varying degrees of strength.

1.4.1 Key criteria for evaluating Job Network

The key issues for the Job Network evaluation have been grouped into five criteria:

- effectiveness in achieving sustained employment outcomes for job seekers, especially the contribution that Job Network makes to these outcomes and the contribution of different elements of Job Network;
- efficiency or value for money—by examining cost-effectiveness and whether or not Job Network contributes to income-support savings;
- equity of access to assistance, especially by disadvantaged job seekers, and in the outcomes achieved by these job seekers relative to others;
- quality of service—which includes responsiveness in assisting job seekers and employers and their satisfaction with services provided; and
- market development—which has potential impacts on all of the above criteria and the policy principles put in place in establishing Job Network. High quality, efficient service is reliant on a range of providers operating successfully.

The first stage of the evaluation of Job Network (released in May 2000) examined its implementation and early market experience over the first 17 months of operation—up to September 1999 (DEWRSB 2000a). Stage two of the evaluation (released in May 2001) was essentially a progress report on Job Network. It examined Job Network's operation over the whole of the first contract and early months of the second, generally up to September 2000 (DEWRSB 2001d). The main focus was on equity of access to assistance and outcomes achieved from assistance. Some early information on the effectiveness and efficiency of services was also examined. These two reports are largely based on performance under the first Job Network contract. The results of a further study into the net impact of Job Network services (its effectiveness in helping job seekers move off unemployment allowances) was released in April 2001 (DEWRSB 2001c).

Main findings to date

A major focus of the evaluation to date has involved examining Job Network's performance against the evaluation criteria discussed above. So far, the evaluation has judged the overall performance of Job Network to be positive and encouraging—especially when account is taken of the extensive nature of the changes embodied in the reforms to employment assistance introduced with Job Network and its relatively short period of operation (DEWRSB 2000a and 2001d).

Effectiveness

The effectiveness of Job Network has been assessed by examining outcome measures, together with estimates of its impact on the employment prospects of job seekers following assistance ('post-assistance outcome levels').

Post-assistance outcomes

Post-assistance outcome levels for Job Network services were found to compare well to those of previous labour market programmes. Three months after a Job Matching placement (between October 2000 and September 2001), 71% of job seekers had achieved a 'positive' outcome—ie, were either employed (66%) or in education and training. Post-assistance positive outcome rates for those who left assistance between April 2000 and March 2001 were 52% (45% employed) for Job Search Training and 45% (39% employed) for Intensive Assistance. The positive outcome rate for NEIS in this period was 85% (83% employed).

Research into the longer-term outcomes of job seekers placed through Job Matching indicates that the quality of jobs improves over time. A survey of job seekers placed in 1999 showed that 68% were employed three months after placement, and 83% of these were also employed a year later. In addition, job seekers in temporary, seasonal and casual jobs had a good chance of moving into permanent positions—42% of job seekers in these types of jobs three months after placement, who were employed 12 months later, had moved to permanent positions.

Net impact

Net impact is a measure of programme effectiveness which takes into account outcomes that would have occurred in the absence of assistance. Net impact was measured by comparing outcomes following referral to and participation in assistance with those of a comparison group of similar job seekers who had not been involved in the assistance. The difference in outcomes provided a measure of the difference that a programme makes to post-assistance outcomes. The analysis identified both compliance impact and the impact from participation (programme impact) (DEWRSB 2001c). The first derives from referral to a programme and potential loss of income support if the offer of assistance is refused. Job seekers, rather than participating, may increase their job search activity and subsequently find employment.⁸ Programme impact derives from participating in a programme and aims to measure the 'value added' to the job seeker from the assistance provided.

Preliminary estimates of net impact for Job Search Training and Intensive Assistance show that Job Network has improved the prospects of those assisted. For Job Search Training participants who left assistance in August 1999, the post-assistance off-benefit net impact was about three percentage points. (Off-benefit rates measure the proportion moving off unemployment allowances after referral to or participation in assistance.) The study also found that Job Search Training was associated with a compliance effect of about 10 percentage points, from job seekers leaving benefits between referral to and commencement in the programme (DEWRSB 2001c). Intensive Assistance achieved a post-assistance off-benefit net impact of about 10 percentage points. Intensive Assistance was associated with a compliance effect of about three percentage points.

To help make judgements about the impacts achieved by these two Job Network services, the evaluation also compared Job Network performance to that of the main labour market programmes that operated previously. The post-assistance programme impacts of Job Search Training and Intensive Assistance were similar to levels experienced under the labour market programmes operating before Job Network (under the banner of *Working Nation*). Compliance effects, however, were not measured when the previous labour market programmes operated.

⁸ There may also be an effect where those inappropriately claiming income support stop doing so because of their lack of availability for participation or the increased scrutiny they are likely to be subjected to if they take-up the offer of programme assistance.

Factors that could contribute to net impact were also analysed. The evaluation considered the types of services offered by high-performing and low-performing providers and the activities and attitudes among Intensive Assistance participants, relative to their length of time in assistance. Successful Job Search Training providers were more likely than other providers to help job seekers to prepare for interviews and to send them to interviews. High-performing providers of Intensive Assistance were more likely to use training in job search skills than training in job-specific skills. The focus on interviews was also stronger and associated with greater outcomes. High-performing providers also tended to have more success in improving job seekers' self-confidence.

The evaluation found that job seekers' activity levels decline as duration in Intensive Assistance lengthens, but increase again after about a year. The types of activities job seekers typically undertake early on also differ from those undertaken later. Pro-active job search activities are much more common in the early months of an Intensive Assistance placement, while increased activity levels later in assistance are characterised by involvement in community work.

Efficiency and cost-effectiveness

The performance of Job Network has also been assessed in terms of its efficiency with regard to the cost of assistance and cost-effectiveness, as measured in terms of the *cost per programme net impact*. The cost-per-participant (unit cost) in 1999–00 was \$200, \$420 and \$2260 for Job Matching, Job Search Training and Intensive Assistance respectively. Costs-per-employment outcome at this time were \$290 for Job Matching, \$1130 for Job Search Training and \$6200 for Intensive Assistance. Cost-effectiveness (cost per 'off-benefit' net impact) was \$13 800 for Job Search Training and \$22 010 for Intensive Assistance. The cost of additional off-benefit outcomes for Job Search Training and Intensive Assistance was markedly lower than the cost applying to the programmes replaced by these services (by about 15–35%). The inclusion of impacts associated with compliance effects reduced the cost per net impact to \$1400 for Job Search Training and \$16 500 for Intensive Assistance.

Equity of access to assistance and outcomes achieved

The evaluation to date has also examined participation and outcomes to explore how disadvantaged job seekers have fared since Job Network was introduced. For most job seekers, participation in Job Network is close to what would be expected—based on their share of assistance compared to their share of the Job Network-eligible population and their participation relative to the rate of participation in Job Network for all job seekers. Outcome levels compare favourably with the outcomes achieved under the previous labour market assistance arrangements.

Some job seeker groups, however, were found to have participation rates either below their representation in the Job Network-eligible population or below their predicted participation rates. These groups included Indigenous job seekers (whose participation rates in Intensive Assistance were lower than those for any other group of disadvantaged job seekers), youth, sole parents and job seekers in receipt of income support other than Newstart Allowance. Moreover, there was considerable variation in the outcome levels for different job seeker groups and some groups had consistently lower outcomes than other job seekers across all services. These included older job seekers (aged 55–64), those on unemployment allowances for more than two years, job seekers with less than year 10 education, Indigenous job seekers and those with a disability.

Factors that influence equity, including the performance of the mechanisms for targeting assistance, perceptions of service quality and the extent to which job seekers take-up assistance were also examined. Participation and outcomes were found to be influenced by:

- Centrelink's performance in identifying those job seekers who are most likely to remain unemployed in the longer-term (including the application and accuracy of the JSCI⁹). Two groups of job seekers (Indigenous job seekers and mature-age job seekers) were less likely than others to have a JSCI score;
- where job seekers live, relative to the strength of the local labour market and the availability of services. Job seekers in more remote areas were less likely to have had the JSCI applied¹⁰, their local labour market was more likely to be weaker and they were less likely to have access to Job Network services; and
- the take-up of services, measured in terms of the proportion of job seekers referred to assistance who actually commence, which in turn is influenced by a wide variety of interrelated factors. These factors include perceptions of the usefulness of the service, whether or not participation is voluntary, the exemption rate¹¹, the application of benefit sanctions and the rate at which job seekers leave unemployment between referral and date of commencement. Young people, Indigenous job seekers and sole parents had low take-up rates, particularly in Intensive Assistance. Many young job seekers and sole parents are not on activity-tested allowances and their participation in Job Network is voluntary. This is likely to have contributed to their low take-up of assistance.¹² Research with Indigenous job seekers demonstrated the importance of services that are culturally appropriate. Access to Indigenous staff or staff who were sensitive and familiar with Indigenous communities was found to be important, particularly for job seekers living in remote locations and in communities.

Quality of service

Surveys with job seekers and employers were conducted in 1999 to measure perceptions of service quality. The 1999 surveys found that the quality of service to job seekers has improved with the implementation of Job Network.

Job seekers rated the new arrangements as better at providing a professional service, providing individual assistance and improving job seeker chances of getting a job. The majority of job seekers (75%) thought the service they were receiving was of high quality. Employers rated Job Network as better than the CES on many aspects of service—in particular, for providing a quick, individually-tailored service and for showing an understanding of the commercial environment.

Market development

Judgements about market development included an examination of the processes for setting up the market, its geographic coverage and quality of employment service providers, and progress made against the underlying design principles. The Australian National Audit Office reported favourably on the process for setting up the market, including the conduct of tendering and management of the risk of market failure (Australian National Audit Office 1998). Geographic coverage of employment services has expanded under Job Network. The second tender resulted

⁹ A job seeker must have a JSCI score to be able to access Job Search Training or Intensive Assistance.

¹⁰ It is worth noting that Centrelink has the discretion to not apply the JSCI in those remote areas where there are no Job Network services.

¹¹ The extent to which job seekers are exempt from complying with the activity test. Exemption may occur for a number of reasons, including ill-health. Job Seekers who are exempt cannot be compelled to participate in labour market assistance.

¹² Take-up is some four times higher for those sole parents on an activity-tested payment than for those on income support that is not activity-tested (eg, Parenting Payment (Single)).

in further development of the competitive market. Geographic coverage again expanded and competition was introduced into the bids for Intensive Assistance. Intensive Assistance providers were also able to bid to specialise and deliver services exclusively to any group or groups of job seekers where they could demonstrate there was a need for that service.¹³

Full open tenders have allowed for the entry of potentially high-performing providers into the market. The second contract emphasised good performance and meant less competitive providers were removed from the market. The tender process, however, also involved some adverse side effects. Uncertainty of prospective business and substantial turnover in contracts, particularly for Intensive Assistance, affected commencement and placement activity in the early months of the second contract period.¹⁴

The extent to which the design principles are fully implemented is necessarily a function of market maturity, but it is clear that progress against these principles has been made. The establishment of Centrelink achieved integration of income support and access to labour market assistance. The mechanisms for targeting services to job seekers, which rely on the application and accuracy of the JSCI, have been enhanced since Job Network was implemented. Changes to the JSCI include fine-tuning the factors used to identify relative labour market disadvantage; the introduction of a more effective geographic indicator; and system and administrative changes to facilitate the instrument's application.¹⁵ Changes have also been made to the eligibility requirements for access to services (detailed in Attachment C).

As noted above, the open tendering process resulted in a substantial increase in the number of sites and range of providers of employment services compared to previous arrangements. Flexibility means that Job Network members can pursue innovative ways of assisting job seekers. Both the tender process, which rewards good performance, and changes to fee structures to give greater weight to outcome payments, have strengthened Job Network's focus on outcomes. Choice of providers is available to both employers and job seekers, although to function as intended choice needs well-informed clients.

1.5 Scope of this report

This report attempts to answer a series of key questions on the performance of Job Network, particularly as it relates to issues of effectiveness.

- What are the types and intensity of services that job seekers receive from Job Network providers?
- What can be realistically expected by way of employment impact from labour market assistance and to what extent does Job Network meet these expectations?
- What is the relative contribution to employment outcomes of the characteristics of job seekers, their attitudes, the intensity of activities they undertake while in assistance, the types of services received, the type of provider, job search behaviour and local labour market conditions?
- How well does Job Network respond to the needs of job seekers from different groups (such as Indigenous job seekers, the mature-aged and the long-term unemployed)?

¹³ Between the first and second contracts the number of Job Network sites increased by over 50%. Specialist services were offered from 110 sites under the second contract (DEWRSB 2001d).

¹⁴ Consideration is being given to how this instability can be mitigated in future contract rounds.

¹⁵ A new weighting for the JSCI, introduced during March 2002, increases the weight attributed to unemployment duration.

- Why are the prospects of some job seekers apparently not improved by Job Network services? Who are these job seekers and what happens to them after they have been through a spell of assistance?
- Within the framework of the Job Network employment services, are there areas (ie, eligibility, targeting, referral, services provision and incentive structures) where improvements are required?
- To what extent have the key design principles underpinning Job Network been met and do they drive performance (especially contestability, competition, flexibility and a focus on outcomes)?

1.5.1 Criteria for assessing Job Network's effectiveness

Criteria for assessing Job Network's effectiveness have been developed to answer these questions. These criteria are based on:

- an assessment of the extent to which assistance makes a difference to post-assistance outcomes and broader labour market indicators; and
- a recognition that effectiveness is also a function of the capacity of eligible job seekers to access assistance. If some job seekers are not participating in assistance because of systemic weaknesses in the arrangements for accessing services, the overall effectiveness of the system is compromised. Thus, any consideration of the factors that contribute to effectiveness (as measured for individual services) must also consider factors that influence participation (including individual characteristics of job seekers, such as attitudes and motivation).

The specific criteria include:

- Job Network's performance in delivering better and more sustainable outcomes than in the past;
- Job Network's financial performance, or value for money within the system;
- the extent to which the services are endorsed by major stakeholders;
- whether it is assisting special groups, particularly Indigenous job seekers, mature-age job seekers and youth;
- evidence on overall impact on the labour market; and
- Job Network's integration with related programmes/policy objectives.

1.5.2 Structure of the report

The report aims to examine performance against the criteria above; to identify and analyse the key factors that contribute to effectiveness; and to make an overall assessment of Job Network's performance against its objectives, design principles and international standards for the delivery of employment services.

In assessing effectiveness and the factors that contribute to it, a distinction is made between the performance of particular services and Job Network's overall performance. The criteria for assessing effectiveness at these different levels depend on the availability of data and the methodologies available.

The structure of the report involves:

- separate chapters on the three main Job Network services, Job Matching, Job Search Training and Intensive Assistance. NEIS has not been considered separately in this stage of the evaluation. NEIS was comprehensively evaluated in 2001 by the Centre for Labour Market Research (Kelly et al. 2001);
- a chapter on further aspects of Job Network's performance, which includes consideration of the effectiveness of Job Network for particular job seeker groups and macro-economic issues; and
- an examination of Job Network's performance against its objectives, the policy design principles, and its articulation with other labour market policies and services in the light of overseas experience and evidence.

Attachment A contains a description of trends in the labour market. Data sources for the report and descriptions of the methodologies underpinning the research reported in subsequent chapters are included in Attachment B.

2 Job Matching

2.1 Background

2.1.1 *The Job Matching service*

In the post-war period, governments took on increased responsibility for preventing cyclical unemployment through macro-economic policy. Many policy makers became convinced that the labour market would function more efficiently with state intervention. It was in this context that the Australian government released a White Paper in 1945, *Full Employment in Australia*, and shortly after created the Commonwealth Employment Service (CES). The CES, essentially a labour exchange, was set up to improve the efficiency of the labour market through improving the process for filling vacancies.

Australia's commitment to a publicly funded labour exchange was reaffirmed in 1948 on becoming a signatory to the International Labour Organisation's (ILO) Employment Service Convention. Article 1 of the convention states that each member of the ILO "shall maintain or ensure the maintenance of a free public employment service" (ILO 1948, p. 1).

The CES operated for over 50 years. In the 1980s and 1990s successive governments attempted to improve its services through both structural and employment assistance reforms. These changes were set against a background of dissatisfaction with the quality of services delivered, especially to employers, who were particularly critical of the CES's ability to understand their needs and to refer appropriate job seekers (DEETYA 1996).

In reforming labour market assistance in 1996, the government believed that employers would benefit from the introduction of competition in labour exchange services. The rationale was that if employers were provided with greater choice of agencies with which to lodge their vacancies, then this choice would lead to better quality service. In turn, getting job seekers into employment and off income support more efficiently would lower welfare cost and contribute to reducing the long-term effects of structural unemployment.

The new labour exchange, Job Network's Job Matching service, has the dual purpose of helping job seekers to find work and employers to find suitable personnel. Job Matching provides vacancy lodgement and screening services to employers, assistance in the preparation of résumés and referral and placement services to eligible job seekers.

Job Network members advertise employers' vacancies on the National Vacancy Data Base (which job seekers access through JobSearch¹⁶ touch screen units) and provide job seekers with self-help employment services for their job search effort (such as access to JobSearch, newspapers, computers, photocopiers and telephones). All Job Network members—with the exception of some New Enterprise Incentive Scheme (NEIS) providers—are contracted to deliver Job Matching. Payment for the service is based on performance. Job Network members

¹⁶ DEWR's internet-based vacancy information system. JobSearch allows job seekers immediate access via the internet to vacancies lodged by employers Australia-wide. JobSearch operates through a National Vacancy Data Base which provides employers with a free national vacancy distribution service. Employers may choose to lodge a vacancy on JobSearch directly on the data base or with a Job Network member organisation. A Job Network member may register vacancies on JobSearch as 'open' or 'closed' vacancies. Closed vacancies display a description of the vacancy but do not show the employer's details or the job address. Job seekers must contact the Job Network member to apply for a job created as a closed vacancy. Open vacancies, on the other hand, display a description of the job along with the employer's details. Job seekers are able to apply for open vacancies via the Job Network member or directly to the employer.

receive payments on an outcome basis (ie, for each vacancy¹⁷ filled by an eligible job seeker¹⁸). Job Network members are free to charge employers for their service but only a minority appear to.

Under Job Network's second contract Job Matching was delivered from about 1800 sites (including almost 245 outreach¹⁹ sites) across the country.

2.1.2 Job Matching evaluation findings to date

Stages 1 and 2 of the Job Network evaluation reported on implementation issues, equity of access, the level and distribution of outcomes achieved, regional performance and some initial consideration of effectiveness and job search activities and attitudes (DEWRSB 2000a and 2001d). The main findings of these studies in relation to Job Matching are summarised below:

- *Participation*—access to Job Matching, initially limited to income support recipients and young people registered with Centrelink as unemployed, was extended in August 1998 to include people working fewer than 15 hours per week and who were not in full-time education and adults who were not receiving income support. Over time the proportion of 'Job Matching only' placements increased from 24% in September 1999 to 31% in September 2000.
- *Outcomes*—Job Matching achieves positive outcomes (ie, job seekers in employment and/or education and training three months after placement) of about 70%. Outcomes were found to vary by job seeker group, with younger job seekers, those with higher education levels or on shorter durations of income support doing best in Job Matching. Women were also more likely to remain employed than men.
- *Sustainability*—preliminary research suggested that 83% of outcomes were sustained over 15 months after placement. Evidence also suggested that being placed in less secure jobs gave job seekers a good chance of moving into permanent positions, with 42% of those doing so. Sustainability (off-benefit after six months) also varied substantially by job seeker characteristics.
- *Service to employers*—employers considered that Job Network provided better service than the CES in providing quick, individually tailored services to employers, in being commercially focused and in sending job seekers who were interested in the job.
- *Market share*—the evaluation has examined a number of indicators of market share, including employer usage and Job Network's share of total placement activity of the employment placement industry. JobSearch's share of total vacancies lodged averaged 46% per month in 1999–00 and its share of total internet vacancies, as measured by ANZ, was 36% in the period July 1999 to November 2000.

2.2 Assessing the performance of Job Matching

Job Matching aims to improve both labour market efficiency and equity. The desire to increase equity reflects a concern that prolonged unemployment leads to skills atrophy, labour force detachment and a range of social problems. Targeting assistance to job seekers disadvantaged in

¹⁷ Payments are made for each eligible job seeker placed into a vacancy that provides at least 15 hours' paid employment within a period of five consecutive days (DEWRSB 1999). Job Network members are paid 30% of this fee in advance, based on an estimate of provider capacity expected to be achieved within a milestone period. Members also receive payments for hosting self-help facilities. All Job Matching vacancies and subsequent placements are recorded on the National Vacancy Data Base and Integrated Employment System.

¹⁸ 'Eligible job seeker' excludes full-time students, people working in paid employment for 15 hours or more a week, people in receipt of Mature Age Allowance and persons prohibited by law from working in Australia.

¹⁹ Outreach sites are not permanent sites; they operate as the need arises.

the labour market reallocates employment opportunities and increases their employability. These job seekers are then capable of competing for jobs on a more equal footing with other job seekers. Meeting equity objectives can also improve labour market efficiency because persistent long-term unemployment impedes the smooth operation of the labour market—it reduces effective labour supply that is available to fill vacancies so labour costs are higher than they otherwise would be (DEWRSB 2001e). Employment assistance can address de-skilling and labour force detachment, both of which affect efficiency.

Conceptually, measuring the effectiveness of Job Matching in meeting its labour market efficiency objective would involve comparing the time it takes to fill vacancies without Job Matching²⁰ with that under a Job Matching service. This type of analysis is not possible, however, because a valid control group (ie, a group of job seekers eligible for Job Matching who do not participate in this service and who are equivalent to those who do) is not readily available.

A range of labour market efficiency indicators is, nevertheless, available. These include movements in the Beveridge curve (which plots the vacancy rate and unemployment rate over time) and changes in the time taken to fill vacancies. These measures, which essentially relate to macro-economic impacts, are discussed in Chapter 5 of the report. Measures of Job Network's market penetration and the sustainability and quality of Job Matching jobs also provide an indication of the effectiveness of Job Matching. This chapter assesses the performance of Job Matching in terms of these indicators.

2.3 Share of the market

It is important for Job Network to capture a significant share of vacancies. The greater the pool of vacancies available, the better the chance that disadvantaged job seekers will obtain employment. When the vacancy pool is reduced, disadvantaged job seekers may be forced to look for work through other avenues and increasingly compete for employment with people already in jobs but seeking a job change.

Indicators of market penetration (ie, Job Network's share of the *recruitment* or *vacancy-filling* market) include Job Network's share of total vacancies, the proportion of entrants to employment from the unemployed who have come through Job Network and the extent to which employers use Job Network. Each indicator measures something different. Taken together, however, they provide a strong indication of how much of the market Job Network has captured. The measures, reflecting the different aspects of market penetration that have been examined, include:

- the number of vacancies lodged by Job Network as a proportion of all vacancies available to be filled;
- the number of Job Matching placements recorded as a share of the flow of job seekers into employment; and
- Job Network's share of the recruitment market, measured in terms of employer recruitment patterns.

The performance of Job Matching in capturing market share needs to be seen in the context of what can realistically be expected, given other well-established informal mechanisms. Moreover, as discussed below, employer recruitment patterns seem to have been undergoing

²⁰ Other factors (such as the presence of skill shortages and regional mismatches) influencing labour market efficiency would also have to be controlled for.

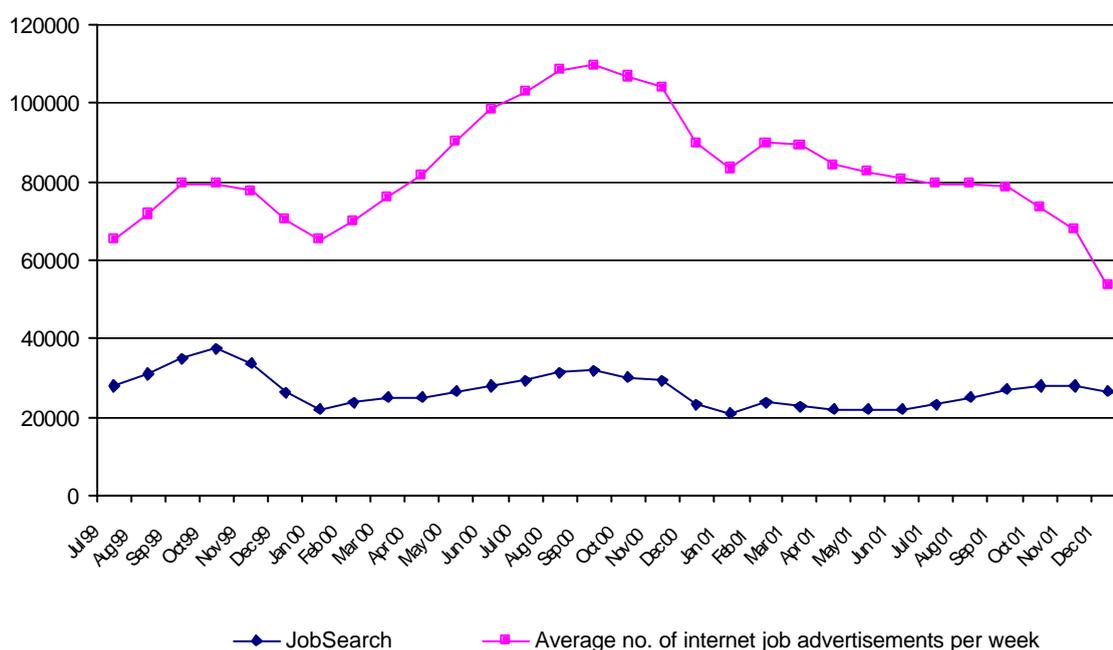
significant change and diversification in recent years which is affecting the use of public employment services. Based on overseas experience, public employment services in OECD (Organisation for Economic Co-operation and Development) countries capture and fill only a minority of total vacancies. Most vacancies are filled by other recruitment methods and the share captured by public employment services has declined in the last 20 years (Walwei 1996).

2.3.1 Vacancy share

A complete picture of the number of vacancies on JobSearch relative to all vacancies is not available. The OECD has estimated that in 1999–00 Job Network's share of registered job vacancies, as a proportion of hirings, was 37% (OECD 2001b). The extent to which Job Network captures vacancies on the Internet also provides a partial indicator of vacancy penetration: for December 2001 it was about 50%, as measured by the ANZ Bank (ANZ Internet series²¹). JobSearch's share of the Internet job market has varied over time (Figure 2.1).

The gap between JobSearch and the ANZ Internet series broadened about the start of the second Job Network contract. At this time (March 2000) the ANZ series rose steadily while the rise for JobSearch was more gradual. Factors that may have contributed to this divergence include increased recruitment activity in the lead-up to the Sydney Olympics (there is evidence, discussed below, that Job Network lost relative market share in this period of strong recruitment activity) and disruption to Job Network activity caused by the transition from the first to the second Job Network contracts (DEWRSB 2001d).

Figure 2.1: Internet job vacancies, 1999 to 2001¹



1 The data are not seasonally adjusted. Seasonal adjustment normally requires at least five years' data.
Source: JobSearch and ANZ (1999–2001)

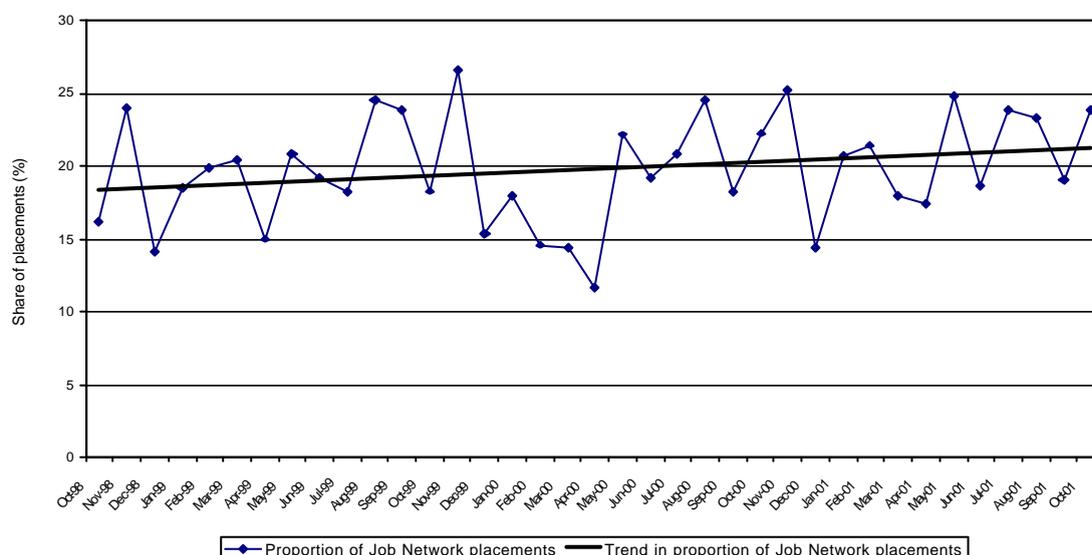
²¹ ANZ series data are based on information provided by the operators of the following sites: *Seek.com.au*; *Jobnet.com.au*; *Morganbanks.com.au*; *Employment.com.au*; *HotJobs.com.au*; and the JobSearch site, *jobsearch.gov.au*. and they represent the average number of advertisements carried by each of the sites contributing to the series on the same day of each week in the month indicated. The day (which is not necessarily the same for each site) is selected by the site operator as broadly representative, in its judgement, of its activity levels. The data are thus not directly comparable with that for newspapers (which are based on a complete count of their advertisements).

Since September 2000 the ANZ Internet series has trended downwards and the gap between JobSearch and the ANZ series has narrowed markedly. The trend in the ANZ series has been attributed to the aftermath of the Olympic games in Sydney and a decline in the Information Technology industry, evident from March 2001 (ANZ 2001).

2.3.2 Job Network's share of placements

The proportion of unemployed people placed into employment through Job Network (as a percentage of the total number of persons moving from unemployment to employment²²) provides an indication of Job Network's share of placement activity. Since late 1998, Job Network has captured about 25% of placements. This level of activity varies according to seasonal factors (Figure 2.2). The transitional impact of the move to the second Job Network contract is also evident in Figure 2.2 in the decline in Job Network's share of placements between December 1999 and April 2000, which subsequently recovered with an overall rising trend in placement share over the life of Job Network.

Figure 2.2: Job Network's share of placements as a proportion of all persons moving from unemployment to employment, 1998 to 2001



Source: ABS, *Labour Force, Australia* (Cat. No. 6203.0) and Integrated Employment System

2.3.3 Employer usage of Job Network

Employers have increased their use of employment agencies to recruit staff, in line with an increase in recruitment methods generally. A national industry-wide survey in mid-2001 found that 53% of employers recruiting in the previous 12 months reported that they had lodged a vacancy with an employment agency (Table 2.1). The corresponding proportion in 1999 was 48%. The proportion of employers actually using Job Network is unclear because available survey information cannot give a definitive estimate. The 2001 survey found that 23% of employers recruiting in the previous 12 months had lodged a vacancy with Job Network. This significantly understates employer use of Job Network, however, as it appears that many employers who used Job Network were not aware of it. The survey was not able to identify all cases where this occurred.²³ Bearing this caveat in mind, this figure compares to 38% of

²² As measured by the Australian Bureau of Statistics' (ABS') gross flows.

²³ It is notable, however, that of a sub-set of employers known from administrative data to have used Job Network, almost a third reported not having done so.

employers who reported using Job Network in the 12 months before June 1999 (when public awareness and marketing of the introduction of Job Network was prominent) and 32% of employers who reported using the long-established CES in a similar industry-wide survey conducted in 1997. The recent survey findings should also be viewed in the context of the rising trend in Job Network's share of placements (noted above). Taken together these findings suggest Job Network members are securing a higher proportion of vacancies which are being filled by those employers with whom they have a relationship and a rise in employer usage of labour hire intermediaries, including Job Network members. The latter development would have added to under reporting by employers of their usage of Job Network in departmental surveys.

Table 2.1: Type of recruitment used by employers by year

Type of recruitment used ¹	1997	1999	2001
		%	
Advertising in newspapers, television, radio	28	52	54
Headhunting/recommendations/word of mouth/employed family/friends/personal contact	25	57	70
Cold calling/résumés/CVs sent in or handed to employer	16	32	63
Employment agencies ²	na	48	53
Government-funded agencies ³	32	38	23
Other agencies	14	27	na
Internal recruitment	8	19	26
Labour hire company	-	6	20
Internet ⁴	-	3	17

1 Categories are not mutually exclusive.

2 Includes both Job Network and non-Job Network agencies.

3 Includes the CES in 1997 and Job Network in 1999 and 2001.

4 This includes 'on-line recruitment' and 'other types of advertising on the internet'. In 1997, on-line recruitment was measured at less than 1%.

Source: 1997 Employer Survey and 1999 and 2001 Survey of Employers' Use and Perception of Job Network

Reported usage declined across all industry types, with the exception of Agriculture, forestry and fishing where Job Network's share of recruitment activity was maintained. It is notable, however, that Job Network's industry distribution broadened between 1999 and 2001, indicating that Job Network has made progress in attracting 'non-traditional' industries. The three main industry types from the 1999 survey—Wholesale and retail trade, Finance, insurance and property and business services, and Manufacturing—have maintained their relative positions but reportedly lost share (Table 2.2).

Job Network's capacity to attract employers who have not previously used the service, and the range of methods used by employers for each vacancy they attempt to fill, contribute significantly to Job Network's relative market share. The level of employer awareness and understanding of Job Network, employer recognition of the Job Network brand, and employer attitudes to disadvantaged job seekers also influence the extent to which employers report use of Job Network.

Table 2.2: Distribution of Job Network users by industry

Industry	Distribution of Job Network users by industry ¹		Use of Job Network	
	1999	2001	1999	2001
		%		% of employers
Agriculture, forestry and fishing	4	7	24	26
Manufacturing	14	13	52	27
Construction	7	5	30	25
Wholesale trade and Retail trade	30	29	46	23
Transport and storage	5	4	42	23
Finance and insurance and Property and business services	18	15	34	21
Health and community services	4	5	28	14
Cultural and recreational services and Personal and other services	6	9	25	20
Accommodation, cafés and restaurants	9	8	51	23
Other industries ²	4	6	30	22
Total	100	100	38	23

1 Due to rounding, some columns do not add to 100%.

2 Other industries includes Mining, Electricity, gas and water, Communication, Government administration and defence, and Education.

Source: 1999 and 2001 Survey of Employers' Use and Perception of Job Network

Awareness of Job Network and impact on reported usage

The findings of the 2001 employer survey suggest that employers who use Job Network perceive the quality of service to be high and that providers are responsive to their needs.²⁴ Employers generally reported that they had good relationships with their agencies. Most employers who use Job Network are repeat users, suggesting that Job Network providers have not successfully pursued or attracted new users on a significant scale—especially among smaller employers. The most common reason that employers gave for not having used Job Network (identified by the 2001 employer survey) was that they had no reason to use it (47%) and that they used other recruitment methods. The second most common response was that they did not know enough about Job Network or how to access it (19%).

Employers' level of awareness and understanding of Job Network appears to be a likely factor in the relative decline in Job Network usage reported between the 1999 and 2001 surveys. Seventy-eight per cent of employers were aware of Job Network. Of those who were aware, however, only about 35% reported fully understanding it. This level of understanding has declined since 1999 when 45% of employers reported an understanding of Job Network. Knowledge levels were low even in key Job Network user industries, such as wholesale and retail-trade (where 32% reported an understanding), finance, insurance, property and business services (38%) and the manufacturing industry (36%). Most employers acknowledged receiving some brochures or other printed material from at least one Job Network agency.

The reason for low knowledge levels may be partly the extent to which Job Network members are identified by employers with the Job Network brand. In qualitative research (conducted in 2001), employers' broad awareness of the decentralised system was relatively high, but actual delivery of Job Network was not perceived as integrated with the brand, resulting in its low recognition. In the survey, many employers using Job Network (via a Job Network member, Jobline, JobSearch, or Centrelink) did not realise that they were doing so until prompted and,

²⁴ Recent qualitative research found that high-performing Job Network sites delivering Intensive Assistance devoted a large amount of energy to developing strong relationships with a select group of employers (DEWRSB 2001f). This implies that Job Network members invest less time in canvassing new employers, but focus efforts on their *existing* employer base which results in repeat business.

even then, many made no connection between the services they were using and ‘the government’s employment services’. These findings are supported by research conducted in 2001 into the effectiveness of the Job Network communications campaign, which found that 23% of employers had never heard of Job Network and a further 36% knew only the name but little else. Job Network members, however, may have reasons not to market their Job Network links to employers, both because they have their own market brands to promote, but also because some employers would be less inclined to lodge vacancies if they perceived Job Network as only dealing with lower quality candidates (an issue discussed Chapter 5). Ultimately it is more important that Job Network’s actual market penetration rise than that employers are necessarily aware that they are using it.

Employers’ use of Job Network may also have been disrupted by the transition from the first to second Job Network contracts. During this period a temporary decline in placement activity occurred and there was considerable change in the mix of providers delivering services (DEWRSB 2001d). In qualitative research, some employers reported difficulties in establishing contacts with providers after the change to the second contract.

Employers’ Recruitment Patterns

As noted earlier, employers’ recruitment patterns in recent years appear to have changed significantly. The 2001 employer survey found that employers are increasing their use of multiple methods to recruit staff including those carrying implications for Job Network usage. The change in recruitment patterns seems to be due to both a wider range of recruitment methods now available (compared to those recorded in 1999), as well as an increasing tendency for employers to engage employees on a short-term basis (eg, using labour hire companies). Changing conditions of employment is an international trend. Most OECD countries have experienced a rise in the share of temporary jobs in total employment (OECD 2001a).

Cold calling,²⁵ labour hire companies and the Internet²⁶ appear to have significantly increased their share of the recruitment market between 1999 and 2001. Job Network was the third most common method in 1999 after newspaper advertisements (52%) and head hunting/recommendations (57%). According to the 2001 survey, Job Network is now the fifth most common recruitment method. Increases have occurred in the use of résumés/cold calling, as well as the use of labour hire companies and the Internet (Table 2.1). The share of vacancies going to private employment agencies has also increased. Again, this would understate Job Network usage and influence where employers are using approaches linked to Job Network but are unaware of this (eg, as noted below some providers are also major labour hire companies). Employers also benefit indirectly from Job Network member strategies that promote active cold canvassing of employers by their job seeker clients.

Cold Calling

Relative to other methods of job search, cold calling is more popular when the number of vacancies decreases. The Committee on Employment Opportunities, for example, attributed a rise in cold calling in the late 1980s and early 1990s to the recession. According to the Committee, where “there is a large number of people looking for work and few vacancies, there is less need of intermediaries like the CES. This could be expected to partly reverse as more vacancies become available and the level of unemployment declines” (Committee on

²⁵ Cold calling refers to job seekers directly approaching employers for jobs not knowing in advance whether or not a vacancy exists.

²⁶ The employer survey estimated that 17% of employers used the Internet to recruit staff in the 12 months to June 2001. This estimate appears low compared to data on Internet usage recorded in the ANZ vacancy series. The series shows a dramatic rise in vacancies from zero in the late 1990s to a high of over 100 000 per month in mid to late 2000.

Employment Opportunities 1993, p. 140). While overall vacancy numbers have declined in the last 12 months,²⁷ the rise in cold calling may also be related to other factors.

Cold calling seems to be viewed positively by employers, although there is no evidence to indicate this represents a change in attitude. In qualitative research, employers cited it as their main avenue of recruitment. The consensus was that making the effort to come in and leave a résumé showed initiative, and indicated a genuine desire to find work. Job seekers may now be more likely to promote themselves to employers than previously. Qualitative research found that activation strategies that promote self-reliance are used extensively in Job Network. It is feasible that participation by job seekers in Job Network has increased the amount of cold calling by job seekers. Increased participation requirements leading to more active job search may also have contributed to a rise in cold calling, as could job seekers' perceptions of service levels. Some job seekers indicated that lack of service and results (contrary to their expectations) had forced the more motivated to become more pro-active in their job search efforts.

Private Employment Agencies and labour hire companies

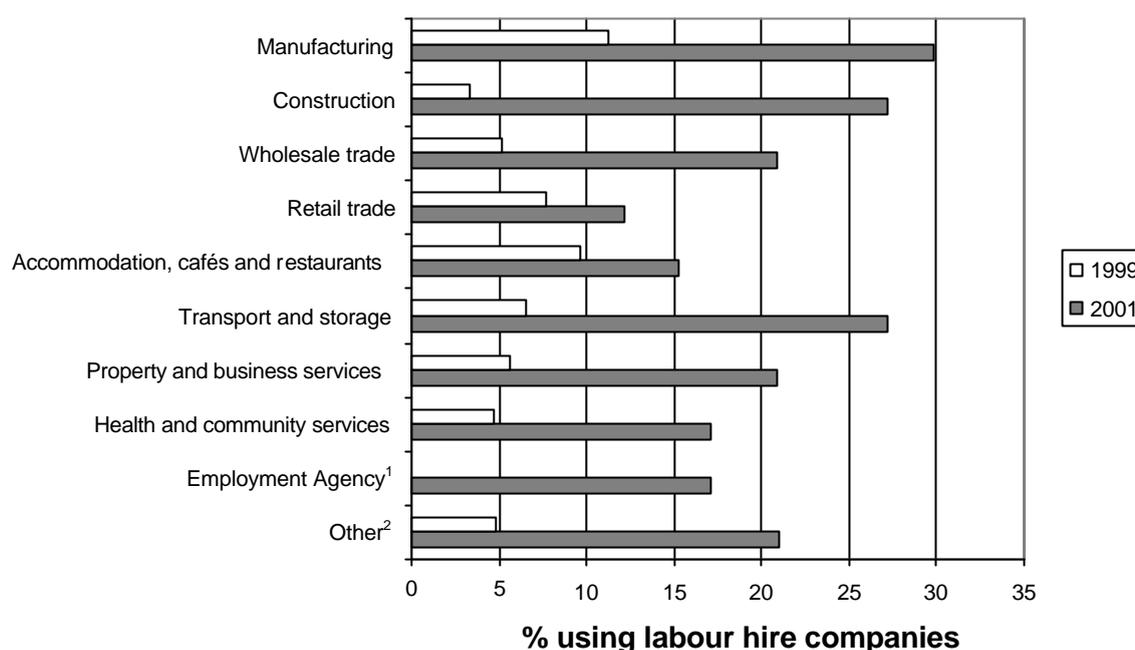
The use of private agencies and labour hire companies appears to have increased. Labour hire companies represented 6% of the recruitment market in 1999 but 20% in 2001 (Table 2.2). Many employment agencies (including some larger Job Network agencies) have subsidiary labour hire companies. The rise in their popularity reflects the changing nature of employment arrangements in Australia (Waite and Will 2001) and indicates that in some cases employers' choice of recruitment method is dependent on the terms under which they hire staff.²⁸ Labour hire companies are used to varying degrees across all industries. Over the past two years, however, all industry groupings seem to have increased their use of these companies (Figure 2.3). The use of labour hire companies in industries such as manufacturing, for example, has enabled firms to achieve greater flexibility of production by restricting their hiring of permanent employees to core activities while hiring contractors when needed (Benson 1996).

Employer perceptions of the risk in taking on employees, particularly unemployed job seekers, may also explain the increased usage of labour hire companies. Some employers see these job seekers as potentially costly to dismiss (as a result of unfair dismissal laws). In qualitative research carried out in 2001 employers expressed concerns about the unfair dismissal laws. They indicated that these made it difficult to dismiss unsatisfactory staff members and, as such, were an active disincentive to employ new people. The use of labour hire companies averts this perceived risk by allowing employers to take on employees on a temporary basis, allowing them to trial the job seeker.

²⁷ This effect is exacerbated by the decentralised nature of the Job Matching service. The vacancies available at any one Job Matching provider outlet will only be a small proportion of those available overall and potentially those available in any one region.

²⁸ Employers have the option of hiring staff on their own books (as permanent, temporary or casual under an individual contract, enterprise agreement or award); or as dependent (ie, hiring staff through a labour hire company) or independent contractors (self-employed contractors).

Figure 2.3: Use of labour hire companies in 1999 and 2001 by industry distribution



1 Employment agencies not separately identified in the 1999 survey.

2 Includes Agriculture, forestry and fishing, Mining, Electricity, gas and water supply, Communication, Finance and insurance, Government administration and defence, Education, Cultural and recreational services, and Personal and other services.

Source: 1999 and 2001 Survey of Employers' Use and Perception of Job Network

Employer attitudes towards disadvantaged job seekers

As noted above, it is important for Job Network to capture a significant share of the vacancy market. The greater the pool of vacancies available, the better the chance that disadvantaged job seekers will gain employment through Job Network. A key factor affecting employers' usage of a public employment service is their attitude towards the unemployed, and the long-term unemployed in particular.

The *Working Nation* initiatives sought to encourage employers to take on disadvantaged job seekers through incentives such as the JobStart wage subsidy programme. The attitude of employers towards the long-term unemployed, however, was a critical factor behind the lack of success of the initiatives. The evaluation of *Working Nation* indicated that many employers had concerns about the level of skills and motivation of the long-term unemployed and were unwilling to take them on regardless of government incentives (DEETYA 1996).

There is no evidence to indicate employers are much more prepared to take on disadvantaged job seekers now, including the long-term unemployed. In a qualitative study carried out in 2001, employers were generally negative towards long-term unemployed people. Most acknowledged that there was a 'stigma' attached to unemployment that influenced their hiring decisions. Reactions towards hiring mature-age men were also negative, with some employers perceiving that older unemployed men were lacking in confidence and resistant to change. Of employers surveyed in 2001, 22% reported that they had taken on a long-term unemployed person in the previous 12 months.

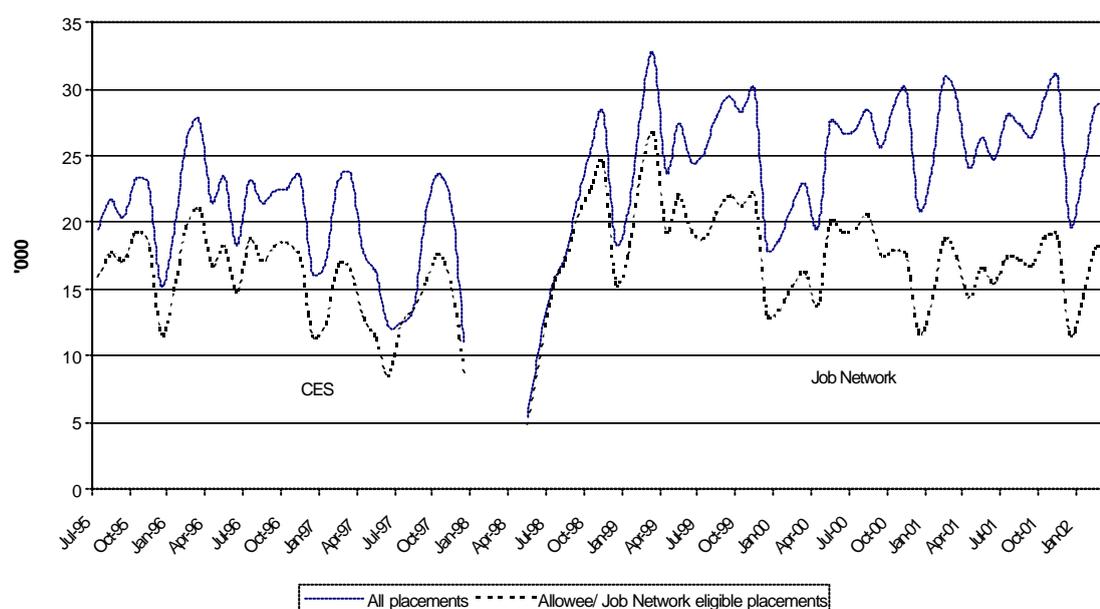
2.4 Job Matching jobs

2.4.1 Placements

Since 1995, job placements by Australia's public employment assistance arrangements (from the CES to Job Network) have averaged about 22 000 per month (Figure 2.4). The monthly average for the 12 months ending March 2002 was 26 500. This level fluctuates in response to seasonal factors and the economic cycle. Figure 2.4 also shows the general upward trend in placements with the implementation of Job Network (notwithstanding the lowered activity levels resulting from the change from the first to second Job Network contracts in early 2000).

It should also be noted that Job Network places more job seekers into employment than can be claimed for under contracted arrangements. In 2001, for example, some 12% of placements involved no fees being claimed under the contract. These additional placements, which are *not* shown in Figure 2.4, were generally into positions below the minimum standard set in the contract, such as short-term positions. Job Matching placements also do not cover those job seekers who obtain jobs using Job Network self-service facilities available from Centrelink and many Job Network member offices. These facilities include touch screens and a range of other facilities and information designed to facilitate job search and job matching.

Figure 2.4: Job placements, 1995 to 2002

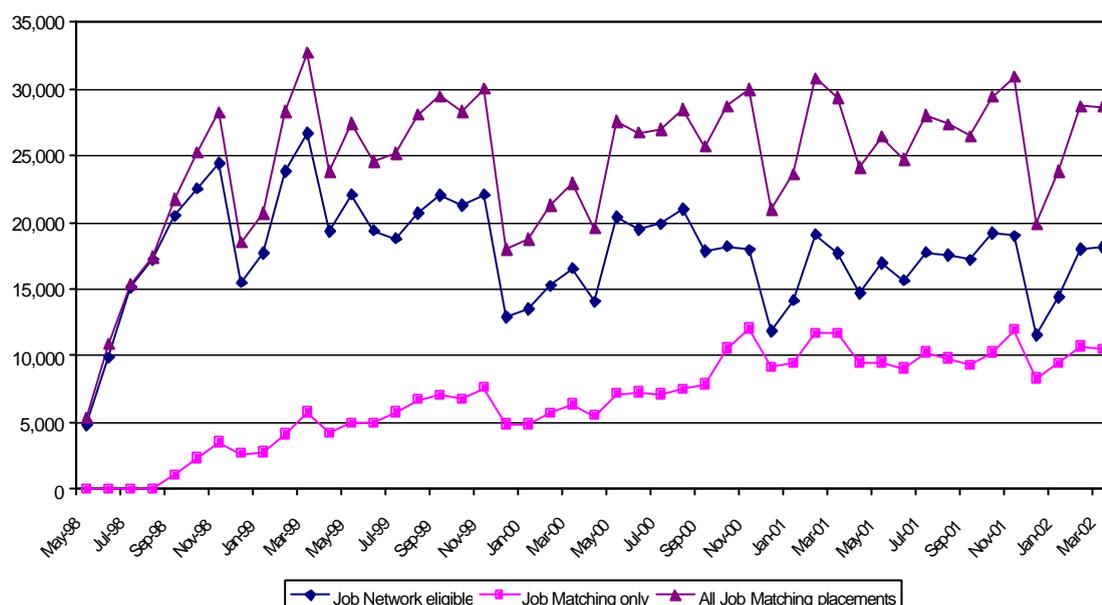


Note: Original data smoothed. Very short-term casual jobs, labour market programme places and other placements that would not qualify for payments under Job Matching contract guidelines have been excluded from the CES estimates.

Source: Integrated Employment System

2.4.2 Who is being placed by Job Network?

Most placements within Job Matching go to job seekers who may be eligible for other Job Network services (the more disadvantaged job seekers). The proportion of job placements going to such disadvantaged job seekers, however, has steadily decreased since eligibility for Job Matching was extended to the 'Job Matching only' population in August 1998 (Figure 2.5).

Figure 2.5: Job Matching placements¹, 1998 to 2002

1 Total includes apprenticeships and traineeships until February 2000.

Source: Integrated Employment System

In the 12 months to March 2002, job seekers eligible for 'Job Matching only' accounted for 37% of all placements. Excluding the 'Job matching only' job seekers, just under half of all placements (48%) in the same period went to job seekers with durations on income support of less than six months, whereas this group comprised only 31% of the eligible pool (Table 2.3). This is not surprising, since Job Matching was designed to cater for job seekers who are job-ready and only need access to suitable vacancies to find work. Thirty-six per cent of placements went to those with duration on income support of 12 months or more. This group represented 53% of the eligible pool.

2.4.3 Outcomes

Of job seekers who were placed in the 12 months to September 2001, 71% had achieved a positive outcome (employed or studying) three months after placement, with about two-thirds (66%) still being in employment (Table 2.3). While females made up a smaller proportion of total Job Matching placements compared to males (34% and 66% respectively), they were more likely than males to be employed three months after placement (72% compared with 62%) and to have secured a positive outcome (77% compared to 66%). Generally, the likelihood of still being employed or studying three months after placement varied according to the level of disadvantage. Yet even among those groups with relatively more disadvantaged job seekers—such as those on income support for 36 months or more, those with less than year 10 education, Indigenous job seekers and job seekers with a disability—positive outcome rates were still above 50%.

2.4.4 Sustainability of employment

Job Network aims to support job seekers into *sustainable* employment, thereby increasing economic participation and lowering welfare costs. It is important therefore to examine whether Job Matching provides a 'stepping stone' to improved employment. This occurs where the 'quality' of outcomes improves over time. These issues have been examined through post-

placement surveys which measured outcomes for job seekers three and 12 months (or later) after being placed in employment.

Job seekers' employment outcomes three months after placement were essentially sustained at the same level at the 12-month mark: at 67% compared to 66% respectively (Table 2.4). Overall, this is a very positive outcome for Job Matching clients from the sustainability point of view. Moreover, between these points there was some shift from part-time to full-time employment, with the proportion employed full-time increasing from just under 36% at the three-month mark to 38% 12 months after placement.

Table 2.3: Job Matching placements and outcomes by job seeker characteristics, year to September 2001

Job seeker characteristics	Eligibility for Job Matching ¹	Job Matching placement ¹	Post-assistance outcomes ²	
			Employment	Positive outcomes ³
	%		% in each category	
Gender				
Male	66.8	65.9	61.8	66.0
Female	33.2	34.1	71.9	77.4
Age group (years)				
15 to 20	18.0	26.0	65.6	74.5
21 to 24	14.2	16.9	66.9	72.2
25 to 34	24.9	26.5	66.5	70.1
35 to 44	28.1	23.6	66.5	70.0
45 or more	14.8	7.0	65.3	68.0
Duration on income support (months)⁴				
0 to less than 6	30.5	47.6	67.3	71.7
6 to less than 12	17.1	16.3	61.6	67.9
12 to less than 24	15.9	12.5	55.7	60.7
24 to less than 36	9.6	7.3	57.1	62.0
36 or more	27.0	16.3	47.6	52.3
Educational attainment⁴				
Less than Year 10	24.7	21.5	52.0	56.2
Year 10	37.5	40.7	60.4	64.4
Year 12	18.7	21.2	67.2	72.7
Post-secondary	19.1	16.6	66.2	71.7
Equity groups⁴				
With a disability	19.4	9.7	51.0	56.6
Indigenous Australian	6.0	3.8	48.3	53.9
Non-English-speaking background	14.5	10.1	60.4	66.0
Sole parents	2.5	1.6	59.1	62.7
<i>Job Network-eligible</i>	<i>na</i>	62.0	61.6	66.4
<i>Job Matching only</i>	<i>na</i>	38.0	73.2	77.9
Total	100.0	100.0	66.2	71.0

1 Includes job seekers registered with Centrelink as unemployed and in receipt of the activity-tested allowances Newstart and Youth Allowance (Other) or other types of income support payments not subject to activity test requirements at 30 September 2001. Placements in Job Matching vacancies between October 2000 and September 2001.

2 Job Matching outcomes are derived from a sample survey of 10% of job seekers placed in Job Matching vacancies between July 2000 and June 2001. Job seekers who achieved a Job Matching placement within three months of leaving labour market assistance, such as apprenticeships and traineeships, Job Search Training, Intensive Assistance and Work for the Dole are excluded.

3 Positive outcomes include employment and education/training outcomes. Positive outcomes are less than the sum of employment and education/training outcomes because some job seekers achieve both an employment and an education outcome. Positive and employment outcomes exclude Indigenous job seekers who return to Community Development Employment Projects after leaving labour market assistance.

4 Outcomes refer to Job Network-eligible job seekers only. Equity groups are not mutually exclusive.

Source: Integrated Employment System and Post-programme Monitoring Survey

Table 2.4: Job Matching post-assistance outcomes¹

Time after placement	Employed			Education and training %	Positive outcomes ²	Unemployed ³	NILF ⁴
	Full-time	Part-time	Total				
Three months	35.5	30.6	66.1	10.7	70.3	29.2	4.8
12 months	38.1	28.5	66.6	13.2	71.5	25.3	8.1

1 Outcomes for job seekers placed in an eligible Job Matching job in July and August 2000.

2 Positive outcomes include employment and education/training outcomes, but are not the sum of these two outcomes because some job seekers can achieve both an employment and education outcome.

3 Unemployment outcomes decreased significantly to 25% due to an increase of those not in the labour force. Nearly a quarter of those who moved out of the labour force were aged 45 or older.

4 Not in the labour force.

Source: Post-programme Monitoring Survey

Indications are that, at an individual level, labour force status at three months after placement provides a strong indication of labour force status at the 12-month mark. The survey estimated that 83% of job seekers employed three months after placement were also employed at the 12-month point (Table 2.5). Across all labour force status categories, nearly three-quarters of those surveyed had the same status three and 12 months after placement. Significantly, however, almost 38% of those unemployed three months after placement and 13% of those not in the labour force three months after placement were employed 12 months after placement.

Table 2.5: Changes in labour force status¹

Three months after placement	12 months after placement			Total
	Employed	Unemployed	NILF ²	
Employed	83.1	11.7	5.2	100.0
Unemployed	37.7	54.6	7.8	100.0
Not in the labour force	13.1	36.1	50.8	100.0
Total	66.6	25.3	8.1	100.0

1 Outcomes for job seekers placed in an eligible Job Matching job in July and August 2000.

2 Not in the labour force.

Source: Post-programme Monitoring Survey

Other factors that affect labour force status 12 months after placement include the duration of income support at the time of placement and, for those employed at three months, the permanency of the job. As indicated in Table 2.6, those self-employed or in permanent jobs at the three-month mark were, as might be expected in the case of ongoing jobs, much more likely than those in temporary, seasonal or casual employment to be employed 12 months after placement.

Table 2.6: Labour force status at 12 months by type of job at three months¹

Job type three months after placement	Labour force status 12 months after placement			Total
	Employed	Unemployed	NILF ¹	
Self-employed	90.9	9.1	-	100.0
Permanent employment	89.6	7.3	3.1	100.0
Temporary/Seasonal/Casual	78.2	15.0	6.9	100.0
Not employed	34.3	52.0	13.8	100.0
Total	66.6	25.3	8.1	100.0

1 Outcomes for job seekers placed in an eligible Job Matching job in July and August 2000.

2 Not in the labour force.

Source: Post-programme Monitoring Survey

2.4.5 Progression

Analysis of outcomes three and 12 months after placement indicates that securing a job in the short-term is critical to having a job in the longer-term. It is also important to know whether the quality of Job Matching jobs improves over-time, as would be suggested by the increase in full-time jobs as a proportion of all those with jobs after placement. Previous research has found that a substantial number of low paid job seekers do move to higher paying jobs over time²⁹ (Dunlop 2000 and Carino-Abello et al. 2001). Take-up of employment options among income support recipients also helps the movement off income support and increases hours of employment over time (Flatau and Dockery 2001).

To test the hypothesis that securing any job is a 'stepping stone' to a better job, job seekers placed through Job Matching between April and May 1999 were surveyed three and 15 months after placement. The results of a similar survey of job seekers placed in July and August 2000, who were followed up three and 12 months after placement were also examined. The analysis uses change in skill requirements of the job as the measure of change in job quality.³⁰

Increases in skill level took place for 19% of job seekers placed in 1999 and 13% of those placed in 2000 (Table 2.7). As would be expected, the likelihood of an increase in skill level was higher for those initially placed into low skilled jobs (43% and 27% for those placed into elementary clerical, sales and service worker jobs in 1999 and 2000 respectively). Also, short-term income support recipients were more likely than those on income support for 12 months or more to increase their skill levels. Of those placed in 2000, 14% of short-term recipients increased skill level compared to 8% of long-term recipients. For some job seekers, placement in a low skilled job provided an opportunity to move, over time, into higher quality jobs.

Table 2.7: Changes in skill level by occupation¹

Skill level and occupation	Changes in skill level						Left employment	
	Increased		Maintained		Decreased		1999	2000
	1999	2000	1999	2000	1999	2000		
	%							
1 Managers and administrators and Professionals	na	na	*	*	*	*	*	*
2 Associate professionals	-	-	14	38	63	53	23	9
3 Tradespersons and related workers	2	-	57	70	31	19	10	11
3 Advanced clerical and service workers	12	6	46	19	42	63	-	13
4 Intermediate clerical, sales and service workers	13	7	56	71	19	7	12	15
4 Intermediate production and transport workers	8	2	58	58	11	14	23	25
5 Elementary clerical, sales and service workers	43	27	38	59	na	na	19	15
5 Labourers and related workers	28	20	49	59	na	na	23	21
<i>Short-term income support recipients</i>	<i>20</i>	<i>14</i>	<i>51</i>	<i>61</i>	<i>14</i>	<i>10</i>	<i>15</i>	<i>15</i>
<i>Long-term income support recipients</i>	<i>17</i>	<i>8</i>	<i>47</i>	<i>58</i>	<i>10</i>	<i>7</i>	<i>26</i>	<i>27</i>
Total	19	13	51	61	13	10	17	17

* Not statistically reliable.

1 Job seekers placed in an eligible Job Matching job in April and May 1999 or July and August 2000.

Source: Post-programme Monitoring Survey

²⁹ This movement is often associated with a transition from part-time to full-time work.

³⁰ Other measures could have been used, including changes in earnings and job tenure (DEWRSB 2001d). These measures, however, are probably less appropriate than changes in occupation skill requirements. Changes in earnings are influenced by movement between junior and adult wages, while job tenure change may reflect work preferences rather than improved job quality.

A more detailed analysis of the issue of progression is provided in *Job Matching: A Stepping Stone to a Better Future?* (DEWRSB 2001b). This study analysed the findings of the survey of job seekers placed through Job Matching in April and May 1999, and found progression occurred for both earnings and job tenure, in addition to occupation skill level, as reported above.

It should be noted, however, that these longitudinal surveys excluded job seekers whose Job Matching placement was part of either Job Search Training or participation in Intensive Assistance. Consequently, the job seekers surveyed may have been less disadvantaged than all Job Network-eligible job seekers placed through Job Matching. Further research is needed to establish whether the results of these surveys can be replicated for all job seekers receiving a Job Matching placement.

2.5 Factors which contribute to the success of Job Matching

It is not possible to know the extent to which the outcome levels observed and the evidence of progression to better skilled jobs reflect the influence of Job Matching and what would have occurred without participation in the programme. Job Matching's ability, however, to 'add value' is likely to be influenced by a number of factors, including: the types of employers and job seekers using Job Network; the extent of employer usage and recruitment patterns; the level and type of services provided by Job Network members; and the relationship between quality of service and fees, and quality of outcomes. Ease of access is also a crucial factor, not only for employers but also to facilitate usage by job seekers.

2.5.1 Targeting of Job Matching

Two issues relating to targeting arise from an analysis of employer usage of Job Network and the types of job seekers placed through Job Matching. Trends in market share and in the proportion of placements going to job seekers only eligible for Job Matching have implications for the extent to which job seekers on unemployment allowances are placed into employment. Many of those employers using Job Network to recruit staff have used it previously. This implies that Job Network is successfully servicing the needs of current users but is not attracting sufficient new employers to increase or even sustain its reported market share (even though the volume of placements has held up, buoyant conditions have seen a relative decline in Job Network's market share). In a downturn, placements would probably decline unless Job Network's market penetration increased significantly.

Job Matching brings together job seekers who are job-ready with employers who are filling vacancies. If Job Network is to place increasing numbers of disadvantaged job seekers into sustainable employment, a strategy is needed to encourage usage by employers who have not previously used Job Network. Such a strategy needs to address issues of awareness and understanding. There may also be scope for Job Network members to market their services to employers more proactively. Whether such a strategy should also address the issue of poor recognition among employers of the Job Network brand depends on whether greater recognition can be shown to increase usage. As noted above, the extent to which Job Network members should identify themselves to employers with the Job Network brand may be unrelated to actual employer usage of Job Network.

About 38% of Job Matching placements are now going to job seekers only eligible for Job Matching, and this proportion has been increasing steadily since Job Matching was extended to this client group. More research is required to identify the implications of this trend for the more disadvantaged Job Network-eligible population. An important question is whether there is

displacement of the ‘Job Network-eligible’ by the ‘Job Matching only’, or whether placements are complementary—in that employers take on job seekers with a range of qualities and that a wider pool of clients is more likely to satisfy their needs.

2.5.2 Access to vacancies

In 2000–01 over 860 000 job vacancies were lodged on JobSearch. This represented more than one million positions that were available nation-wide to job seekers through touch screen units and the Internet. The development of JobSearch has greatly increased the number of vacancies available to job seekers.³¹ Despite increased Job Network coverage and the technological innovations in job search, access to vacancies can be an issue for job seekers. Job Network members are obliged to screen candidates on behalf of employers. This can mean that job seekers are required to attend interviews with their providers. In qualitative research conducted for this evaluation, job seekers consistently reported that pursuing job vacancies through Job Network was time-consuming and costly³² because they had to visit individual Job Network members to access vacancies. To register for closed vacancies, job seekers can be required to travel long distances and they perceive that this puts them at a considerable disadvantage as the vacancy may be gone by the time they get to the provider where the vacancy is lodged. The OECD has described access to vacancies as ‘fragmented’ (OECD 2001b).

Successfully pursuing vacancies registered outside the job seeker’s local area is also reported to be difficult because job seekers are unlikely to have had the opportunity to establish rapport with the provider. Job Matching providers reported a tendency to refer to vacancies ‘enthusiastic’ job seekers who came into their office more frequently. Providers also reported attempting to fill vacancies with their own job seekers, including their Intensive Assistance clients, in preference to others. Some job seekers were critical of this, describing it as ‘vacancy hoarding’. Reserving vacancies for particular job seekers is consistent with the equity objective of labour market assistance, but can contribute to a reduction in labour market efficiency (OECD 2001b) because it potentially increases the time taken to fill vacancies.

2.5.3 Quality of service

Job Matching is essentially a service for employers because to be successful providers must attract sufficient job vacancies from employers. The attitudes and behaviour of employers towards Job Network is important in determining the size and the quality of the pool of vacancies available to place job seekers. Competition between providers, however, will also depend on the quality of the service to job seekers, especially where the matching service is part of Intensive Assistance and Job Search Training. If job seekers are not satisfied with the quality of the service from their providers, they can, in most locations, choose other providers.

The 2001 employer survey found that 90% of employers who used Job Network were satisfied or very satisfied (40% reported being very satisfied) with the quality of the service, 85% of employers rated providers as good or very good in understanding vacancy requirements and a similar proportion of employers were satisfied with the time taken to fill vacancies. The relationship between provider and employer is important; in qualitative research providers universally emphasised the importance of quality referral services to employers as a key determinant of their success in Job Network.

³¹ JobSearch gets over eight million page accesses every week and employers are able to search through 80,000 résumés on-line.

³² Under Job Matching, job seekers are required to travel to different providers to register interest in particular jobs. Some job seekers in qualitative research were critical when local vacancies had to be accessed through providers located outside the job seeker’s local area.

Benefits to job seekers are more likely if providers and employers develop good relationships. Providers in qualitative research reported that they tended to use their less disadvantaged 'Job Matching' job seekers to build a relationship with employers. Once a relationship of trust was established, they referred their Intensive Assistance job seekers. The use of less disadvantaged job seekers to facilitate the placement of the more disadvantaged is supported by overseas evidence on the adverse impact of confining the public employment service job brokerage activities to the hard-to-place (Bishop 1992). It also supports the decision in the early days of the market to extend Job Matching to job seekers not eligible for other Job Network services. Further aspects of the perceptions of employers on Job Network are discussed in Chapter 5.

Overall, 56% of job seekers surveyed in 2001 reported that they were satisfied or very satisfied with Job Matching. Perceptions of quality are influenced by the level of service expected by job seekers compared with the level of service received and probably also by outcomes—Job Matching does not aim to provide a substantial service to all job seekers. Job seekers who reported they were satisfied with the Job Matching service were more likely to have received specific services than those who indicated overall that they were not satisfied. As Table 2.8 indicates, for example, 30% of job seekers received help with their résumé, whereas 40% of job seekers satisfied with the Job Matching service reported receiving this assistance, compared to 16% of those who were not satisfied. Of job seekers who reported receiving a job referral that resulted in a job, 89% thought their Job Matching agency played a role in getting them the job.³³

Table 2.8: Assistance and support received from Job Matching, 2001

	Job seekers dissatisfied with overall service	Job seekers satisfied with overall service %	Total job seekers
Agency helped with résumé/application	16	40	30
Took copy of résumé/application	92	92	92
Subsequent follow up contact	29	70	53
No subsequent follow-up contact	70	29	46
Agency knew your skills	37	82	62
Was informed about jobs	46	81	67
Contacted you about a job they thought may suit	29	57	31
Provided useful information about job	65	94	90
Gave any other information regarding jobs	44	74	64
Referred to job interview/spoke to employer about a job for you	21	52	39
Referral resulted in paid work	20	55	45
Helped with preparation with interview ¹	5	36	28
Happy with how often you were in contact with agency ²	47	84	68
Provided accurate and correct information	62	92	78
Information is easy to understand	76	97	88
Service at the agency is reliable and consistent	27	85	62

1 Only asked of those referred to an interview or for whom the provider spoke to an employer about a job.

2 Includes contact made by job seeker with the agency as well as contact initiated by the provider.

Source: 2001 Job Network Participants Survey

As noted above, Job Matching is fundamentally a service for employers and job-ready job seekers and does not aim to provide comprehensive job seeker assistance. Job seeker

³³ Qualitative research offers some further insights into the reasons why some job seekers were not satisfied with Job Matching. Many job seekers in this research reported lack of service (with some regarding the assistance as not providing much additional assistance over and above looking through the newspapers or through 'cold calling') and difficulties navigating the system.

expectations may differ to those of their providers.³⁴ Many job seekers expect referral to an employer and are disappointed when this does not occur. Of job seekers who registered with a Job Matching agency in the six months to April 2001, 69% reported having contact with their agency about a job. Of these, 39% reported that they were sent to an interview or their provider contacted an employer on their behalf. It should be noted, however, that the availability of jobs and providers' perception on the suitability of job applicants would also influence decisions on referral.

Some providers support job seekers' views on limited service. The reason given by such Job Network members for this approach to Job Matching was the low level of fees, particularly when compared with other Job Network services. Some Job Matching providers who placed a high priority on Job Matching indicated that they cross-subsidised Job Matching from other services to increase the level of service. The OECD also echoed this concern in its recent review (OECD 2001b). The OECD argued that the payment system for Job Matching is unprofitable and that this may be due to providers with the capacity to cross-subsidise their operations submitting low tender bids (because they also have Intensive Assistance business, which is regarded as more lucrative). The OECD proposed splitting the Job Matching fee into two parts (a fee for the provider who lists the vacancy and a fee for the provider who places the job seeker) as a means of increasing the profitability of the service.

2.5.4 Quality of placements

The analysis of job retention and progression reported above demonstrates that getting an initial job can lead to a better job and the key to a job in the longer-term is having a job in the short-term. A low quality job is better than no job for future employment prospects. It is important for the success of Job Matching that Job Network members get the message to their clients that what may seem an 'inferior' initial job (when compared to a job seeker's aspirations) can lead to good quality jobs down the track. A dynamic view is required that does not see the initial job as a career destination, but as an opportunity to establish a foothold in the paid workforce and to develop on-the-job skills. From such a position, a person can better compete for more desirable jobs—mindful that employers who are hiring tend to favour those who have a recent work record.

Job Matching outcomes, however, must be legitimate. Job Network has recently been criticised because of concern about a small number (relative to total placement) of inappropriate placements. As recommended in the *Report of Enquiry Arising from Senate Estimates Hearings on 4–5 June into Matters Concerning Job Network* (DEWRSB 2001e), the Government has strengthened integrity measures and contract management, to ensure programmes and services are delivered in accordance with contractual obligations and to high ethical standards. At the same time, while integrity is critical, it is also important not to unduly burden providers with restrictions that would stifle the innovation and flexibility that are necessary to improve legitimate outcomes.

2.6 Conclusion

In Australia, the public employment service under Job Network appears to capture market share comparable to that achieved by services in similar OECD countries. This level of penetration, however, has been challenged by other methods of recruitment, which appear to have become more popular. Again, this is consistent with experience overseas. For the third Job Network contract, Job Matching services are to be expanded to a wider range of job placement agencies.

³⁴ In qualitative research, some job seekers in Job Matching had the impression that all they needed to do was register with a provider who would then take responsibility for identifying and referring them to suitable job vacancies.

This should increase market share of Job Network by attracting more employers who have not previously used the service.

Market share will be affected by employers' attitudes towards the pool of unemployed job seekers eligible for Job Network services. Many employers, for example, appear reluctant to take on the long-term unemployed. The quality of service to employers will also influence the extent to which employers are prepared to lodge vacancies with Job Network members. The overwhelming majority of employers (90%) who use Job Network were found to be satisfied or very satisfied with the quality of the service. Not surprisingly—given that Job Matching is fundamentally a service for employers—job seekers were much less likely than employers to be satisfied with the quality of services in Job Matching.

Job seekers placed through Job Network achieve employment retention rates of about 65%, three and 12 months after placement—a very positive result. Moreover, 83% of those employed three months after their placement were employed a year after their initial placement. Evidence also indicates that for some job seekers placed through Job Matching, job quality improves over time. It is unclear to what extent, however, these outcomes result from the programme itself. They may have been achieved, at least in part, without any intervention. The message from this finding is that it is important for job seekers to appreciate that a job in the short-term, even one less attractive than was sought, carries a prospect of leading to a better quality job over time. In other words, take-up of job opportunities should not be unduly delayed in the hope that the desired job will come along.

Since Job Matching was extended to 'Job Matching only' clients, their share of total placements has increased steadily, and in the 12 months to the end of September 2001 was 38%. More research is needed into the level of total placements taken by these job seekers, to establish an optimum level of 'Job Matching only' placements from the perspective of employers' needs on the one hand, and disadvantaged job seekers on the other.

3 Job Search Training

3.1 Background

3.1.1 Participation in Job Search Training

Job Search Training provides individually tailored assistance to job-ready job seekers. Its objectives are to improve job search skills, motivate job seekers to look for work and expand their job search networks. Job Search Training is based on the Job Clubs programme that operated in the mid-1990s.³⁵

Job seekers who participate in Job Search Training have the opportunity to work on a range of skills, including: writing and updating their résumés; preparing job applications; obtaining references; following up 'leads'; and approaching employers. They are also given the opportunity to practise preparing for an interview and being interviewed.

These and other training activities are designed to give job seekers the skills and confidence to perform well when marketing themselves to employers. Job Network members providing Job Search Training will establish which areas of a person's job search skills most need development and then negotiate an individual Job Search Skills Plan to work on those specific areas over the 15 consecutive days of support. During the period of assistance, job seekers can expect to have access to telephones, computers, photocopiers and other office equipment when preparing job applications and résumés, and the Internet and newspapers when searching for suitable jobs.

Job Search Training is directed to job seekers who are not eligible for Intensive Assistance and who: have been in receipt of income support for between 3 and 24 months, or are aged 15–20 years and not in full-time education or training, or are Aboriginal or Torres Strait Islanders participating in Community Development Employment Projects, or are returning to the workforce after two years of unpaid care giving. Job seekers need to be job-ready,³⁶ have attained at least a year 10 or equivalent education qualification³⁷ and have English language skills. Job seekers may also volunteer to participate in Job Search Training, subject to Centrelink's assessment of their eligibility.

The referral mechanism to Job Search Training involves eligible job seekers being sent a letter after receiving income support for more than eight weeks. The letter advises them that they have been selected for Job Search Training and offers them the option of selecting a Job Search Training provider. After 10 days, if no preferred provider has been nominated, automatic referral to a local provider with capacity to offer Job Search Training takes place. Auto-referral only applies to job seekers on activity-tested allowances (Newstart Allowance and Youth Allowance). Job Search Training providers can refuse to take a job seeker referred to them if they consider that the job seeker will not benefit from participation in Job Search Training.

For both Job Network contract rounds the Job Search Training commencement fee was determined through competitive tender. The fee is payable when the job seeker starts assistance. Usually, this is when a provider has interviewed the job seeker and negotiated and developed a

³⁵ Evaluations in Australia and elsewhere have found job search assistance to be relatively cost-effective (Fay 1996 and Martin 2000).

³⁶ That is, they have, at most, a low-impact disability and access to transport. Job seekers who do not meet these eligibility requirements can volunteer to participate in Job Search Training.

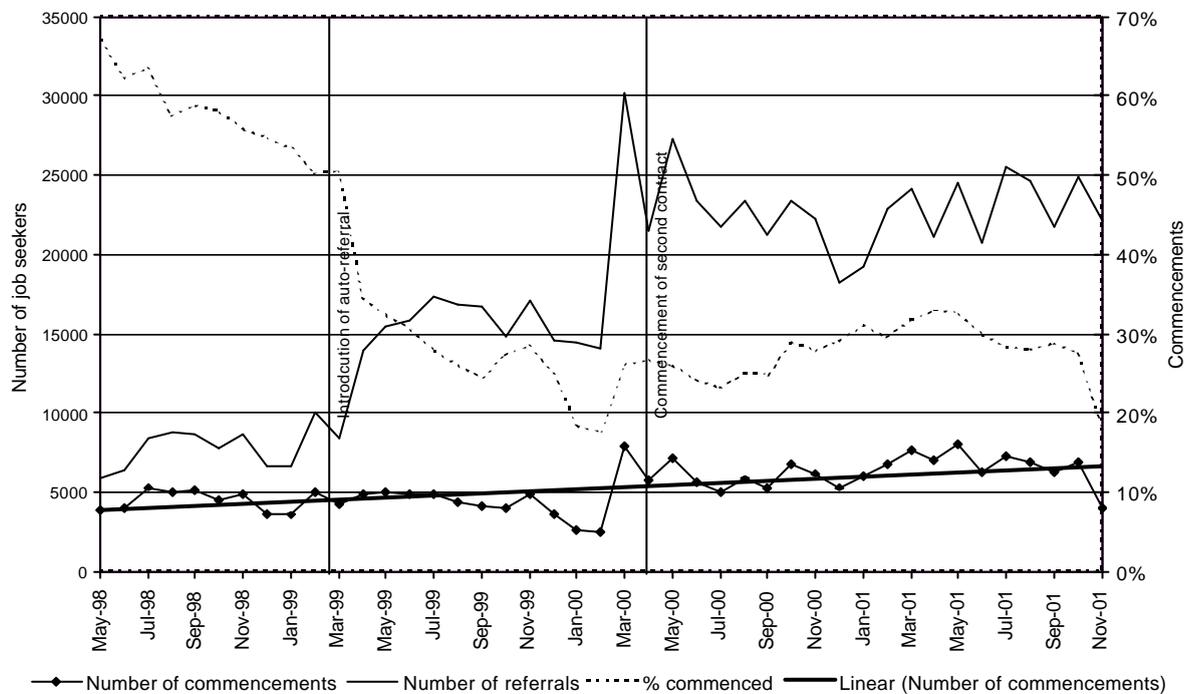
³⁷ Up until early 2002, job seekers with an educational qualification of year 10 or less were excluded from the automated referral process.

Job Search Skills Plan or renegotiated a new Preparing for Work Agreement to include 15 days of Job Search Training.³⁸

Since the start of Job Network (up to the end of December 2001), more than 757 800 referrals have been made to Job Search Training, including 610 400 referrals (81% of the total) of job seekers on activity-tested allowances. Thirty-one per cent of these referrals have resulted in commencements. Of those who commenced, about 93% were on activity-tested allowances.

Figure 3.1 shows the number of referrals to and commencements in Job Search Training each month, and commencements as a percentage of referrals. The proportion of referrals that result in commencement dropped substantially with the introduction of the automated referral mechanism in March 1999.³⁹ While auto-referral resulted in an increase in the number of referrals and is administratively efficient, it also meant less screening of job seekers before referral.

Figure 3.1: Referrals, commencements and percentage commencements in Job Search Training, 1998 to 2001



Source: Integrated Employment System

Since the start of the market, the number of commencements in Job Search Training each month has trended upwards (Figure 3.1). Also, from the start of the second contract there has been an increase in the proportion of job seekers who commence Job Search Training, reflecting enhancements to the auto-referral mechanism. In the second contract period there have been an average of 22 800 referrals and 6000 commencements per month.

³⁸ During the first contract, providers were paid a Job Matching bonus of \$250 for each eligible job seeker who remained for a period of 13 weeks in a job that qualified for a Job Matching outcome. For the second contract, a Job Search Training outcome fee of \$268 replaced the Job Matching bonus. The new fee was also payable for job seekers who found their own employment or were self-employed. The outcome fee is payable when a job seeker who has received Job Search Training starts employment within 13 weeks of ceasing Job Search Training, if the employment generates sufficient income to reduce their basic rate of allowance by an average of at least 70% over 13 consecutive weeks.

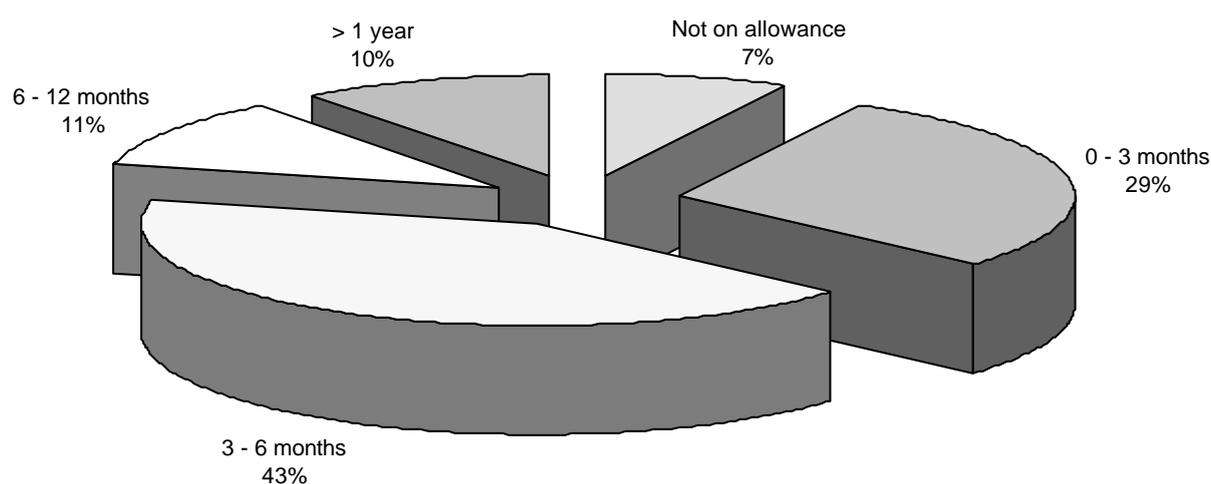
³⁹ When Job Network was implemented, all referrals to Job Search Training and Intensive Assistance were made manually by Centrelink. An automated process was introduced to increase the number of referrals and to ensure a consistent flow of job seekers to providers. See DEWR 2002 for more details.

There is considerable variation in Job Search Training commencement rates for different job seeker groups. Older job seekers, job seekers from a non-English-speaking background and job seekers with less than year 10 level education are more likely to have commenced Job Search Training than other job seekers. This is probably a reflection of the relative disadvantage of these job seekers; they are less likely than other job seekers to find employment after referral and before commencement, and so tend to enter Job Search Training. Another factor contributing to differential take-up rates is the level of volunteers within each group (job seekers who nominate a provider are likely to be more motivated to participate than other job seekers and would be expected to have a higher take-up rate). Many participants with less than year 10 education would be volunteers since these job seekers have been excluded from auto-referral.

For some job seekers, there may be a considerable gap between becoming eligible for Job Search Training and being referred. Once a job seeker is eligible to be referred, that person remains eligible for up to two years, unless he or she leaves unemployment or becomes eligible for Intensive Assistance. As would be expected, a job seeker's likelihood of being referred and commencing increases as their period of eligibility increases. Figure 3.2 shows that 11% of job seekers referred in 2000–01 were first referred to Job Search Training after they had been on income support for between six months and one year, and that 10% were first referred during their second year on income support. The time between becoming eligible for Job Search Training and being referred is caused, in part, by job seekers being exempt from referral for a period due, for example, to ill-health; or to lack of provider capacity.

Under *Australians Working Together* (AWT), most job seekers will be referred to Job Search Training after three months on unemployment payments. Mature-age and Indigenous job seekers will be able to undertake Job Search Training as soon as they start receiving income support.

Figure 3.2 Duration of income support receipt at referral



Source: Integrated Employment System

3.1.2 Evaluation findings to date

The main findings from the first two stages of the Job Network evaluation (DEWRSB 2000a and 2001d) in relation to Job Search Training are summarised below:

- *Participation*—take-up rates of Job Search Training has declined over time. Preliminary research found that the main reason job seekers did not take-up Job Search Training was because they were no longer eligible for income support. This includes job seekers who found a job after referral.
- *Outcomes*—short-term income support recipients fared better than other job seekers in obtaining full-time work, while women and sole parents were more likely to get part-time employment. Job seekers whose positive outcomes were well below average included the mature-aged, those with lower education levels, those receiving income support over two years, those with disabilities, and Indigenous people.
- *Sustainability*—preliminary analysis of how sustainable the outcomes were has indicated that 40% of participants were off-benefit six months after leaving Job Search Training. Results for equity groups were mixed, with job seekers from non-English-speaking backgrounds faring relatively better than other job seekers.
- *Impact*—a preliminary estimate of the net impact of Job Search Training in getting people off benefit, as reported in Chapter 1, was similar to that of Job Clubs, but was achieved at substantially lower cost.
- *Service strategies*—high-performing providers appeared to provide more help in preparing job seekers for interviews and sent more job seekers to interviews or to speak to employers about a job. Evidence from the first stage of the evaluation showed that many older job seekers considered that the training offered was more suited to the needs of younger people.

3.2 The effectiveness of Job Search Training

As noted earlier, Job Search Training seeks to improve job search skills and motivation to look for work and expand job search networks. These changes are intended to improve job seekers' chances of employment by making them more competitive in the labour market. It is therefore important that any study of effectiveness should measure Job Search Training's contribution to improved employment prospects, especially for those job seekers who do not obtain employment after assistance.

This section explores the effectiveness of Job Search Training by examining post-assistance outcomes and the sustainability and quality of outcomes. Statistics on employment and education outcomes, however, are not enough to determine if a programme itself is effective. It may be that some of the job seekers who obtained work after participating in Job Search Training would have done so anyway. A net impact study was therefore conducted to determine the extent to which outcomes after assistance are a function of referral to and participation in Job Search Training. This analysis compared the employment outcomes of a sample of job seekers referred to Job Search Training with those of a comparable group who were not referred.

3.2.1 Outcomes from Job Search Training

In 2000–01, 43% of job seekers who left Job Search Training were employed three months later, compared to 36% in 1998–99 and 38% in 1999–00 (Table 3.1). Those with employment outcomes were approximately evenly split between full-time and part-time jobs. Following Job Search Training, 52% of participants were either in a job or in further education and training (referred to collectively as a 'positive outcome').

Table 3.1: Post-assistance outcomes¹ for Job Search Training, 1998–99 to 2000–01

	1998–99 ²	1999–00 ³	2000–01 ⁴
		%	
Employed			
Full-time	18.3	19.9	21.5
Part-time	17.9	18.3	21.6
Total	36.2	38.2	43.2
Unemployed	55.0	51.6	44.5
Not in the labour force	4.6	4.7	5.4
In further assistance	4.2	5.5	6.9
Total	100.0	100.0	100.0
Further education	13.6	12.6	12.9
Positive outcomes ⁵	45.5	46.7	52.1

1 Three months after assistance.

2 Outcomes relate to job seekers who ceased assistance between April 1998 and March 1999.

3 Outcomes relate to job seekers who ceased assistance between April 1999 and March 2000, and differ from those in the Department of Employment, Workplace Relations and Small Business (DEWRSB) 1999–00 Annual Report and *Labour Market Assistance Outcomes June 2000*. In addition, outcomes changed very slightly because of changes to the estimation methodology, introduced in *Labour Market Assistance Outcomes March 2001*.

4 Outcomes relate to job seekers who ceased assistance between April 2000 and March 2001.

5 Positive outcomes include employed and education/training outcomes, but are not the sum of these two outcomes because some job seekers can achieve both an employment and an education outcome.

Source: Post-programme Monitoring Survey

Outcome levels vary according to labour market conditions and the level of disadvantage of participants. Specifically for 2000–01:

- females were more likely to be employed than males (49% and 40% respectively);
- older job seekers (45 years and over) were less likely to be employed (39% compared to 43% for all job seekers), while those aged 21–24 were the most likely to be employed (49%);
- as the level of education rose, the likelihood of being in employment also increased: 31% for job seekers with year 10, up to 46% for job seekers with post-secondary qualifications;
- job seekers with other barriers to employment were less likely to be employed (36% for job seekers with a disability, 27% for Indigenous Australians, 39% for job seekers from a non-English-speaking background and 37% for sole parents); and
- women, sole parents and younger job seekers were more likely to be in part-time employment.

Providers can potentially influence outcome levels by focussing on securing employment for those they assist. This issue is explored in greater depth below by examining the contribution that assistance makes to post-assistance employment and the factors that contribute to this. For the second Job Network contract, the introduction of outcome fees for Job Search Training increased the incentives offered to providers to secure jobs for participants. Between 1998–99 and 2000–01, outcome rates for Job Search Training rose. Importantly, this occurred for disadvantaged job seekers (discussed in Chapter 5). In the absence of further analysis, however, it is not possible to determine whether the introduction of outcome fees has contributed to this increase in post-assistance outcomes.

3.2.2 Sustainability of outcomes

The measure of employment status three months after participating in Job Search Training is collected through the Department of Employment and Workplace Relations' (DEWR) Post-programme Monitoring Survey. This survey, however, does not indicate whether or not employment is sustained over time. To measure sustainability of outcomes, job seekers who

participated in Job Search Training in February 2001 were surveyed initially three months (on average) after leaving assistance and again eight months after leaving. This approach (the 2001 Job Network Participants Survey) provided a longitudinal perspective.

Eight months after assistance the proportion of Job Search Training participants who were employed had risen substantially compared to the proportion employed three months after assistance. Thirty-nine per cent were employed three months after assistance, rising to 57% eight months after assistance (Table 3.2). It is also worth noting that at three months after assistance, a further 9% had had some episode of employment, although they were not employed at the time of the survey, and this had increased to 16% at the eight-months point.

Table 3.2 Employment Status 3 and 8 months after assistance, 2001

Time after assistance	Employed			Unemployed %	Not in the labour force	Total
	Full-time	Part-time	Total			
Three months	17.7	21.1	38.8	55.4	5.8	100.0
Eight months	32.8	24.2	57.0	34.1	8.9	100.0

Source: 2001 Job Network Participants Survey

Employment status shortly after assistance appears to provide a good indication of employment in the longer-term. Over 80% of those employed three months after assistance were employed five months later (Figure 3.3). A further 51% of job seekers who had had an episode of employment when first surveyed were employed at the time of the follow up survey, compared with only 40% of respondents who had had no employment when surveyed the first time.

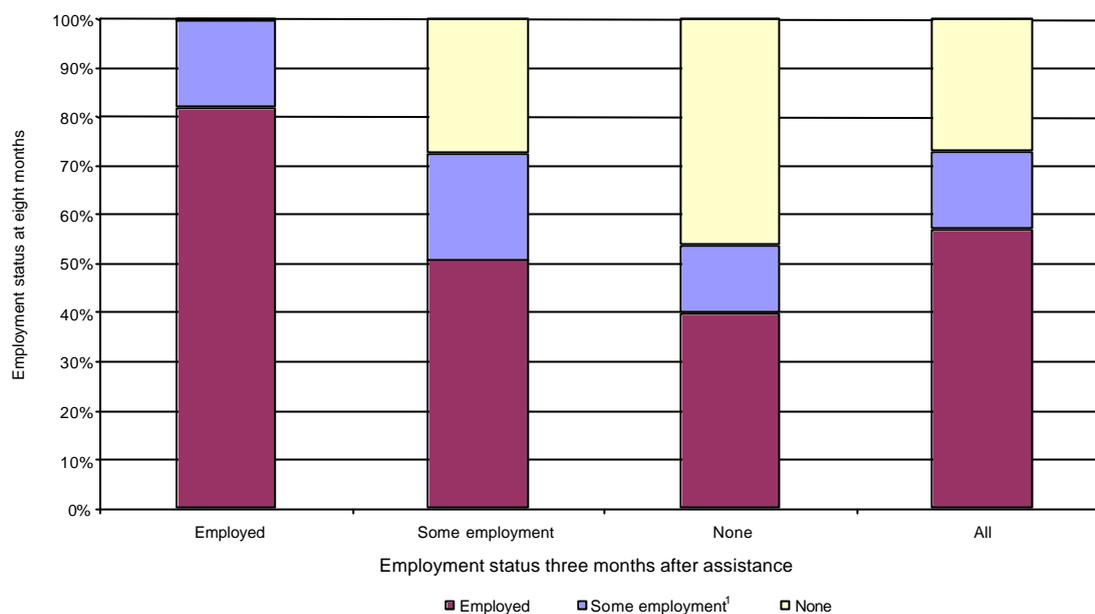
Overall, 32% of respondents were employed at both interview points and 74% of these job seekers were employed with the same employer. Not surprisingly, respondents who were permanent employees when first surveyed were more likely to be with the same employer at the second interview than respondents employed as casuals—85% compared to 70%.

The survey also explored whether providers are perceived to contribute to the *sustainability* of outcomes. Providers could, for example, provide post-assistance follow-up to help job seekers to stay in a job (although there is no contractual requirement that they do so). Forty-two per cent of job seekers who were with the same employer, reported that their provider contacted them after they had left assistance.⁴⁰ Overall, however, the relationship between post-assistance contact and retention by employers was not significant.⁴¹ This does not imply that providers did not make a difference to the decision of some job seekers to stay with their employer. Of those who stayed and reported post-assistance contact, 36% reported that this contact had encouraged them to stay employed.

⁴⁰ Qualitative research suggested that providers do post-assistance follow-up with all their job seekers, but this follow-up is limited to a phone call 13 weeks after the course.

⁴¹ As measured by a Chi-square test.

Figure 3.3: Employment status eight months after assistance by employment status three months after assistance



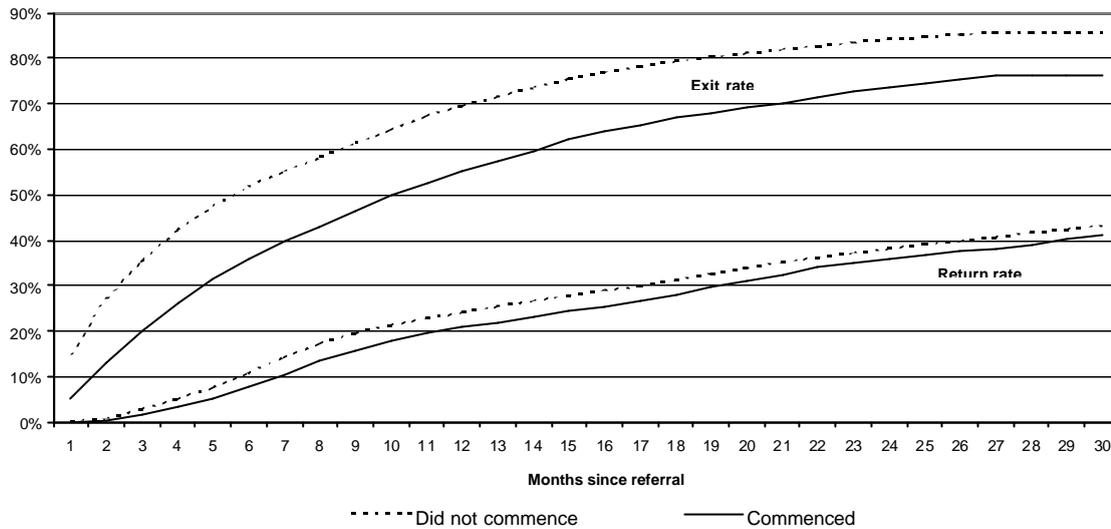
1 People who were not employed when surveyed, but who had had an episode of employment since leaving assistance.
Source: 2001 Job Network Participants Survey

Knowing that almost 60% of Job Search Training participants were employed within eight months of leaving assistance raises the question of what happens to those job seekers over even longer periods, eg, two to three years after assistance. Using a survey as a means of follow-up over this period of time would be costly and its results may be biased by sample loss. It is possible, however, to obtain a longer-term perspective of the labour force experience of programme participants from administrative data. These data record changes in income support status over time, including any return to unemployment.

Figure 3.4 presents data for a cohort of job seekers who were referred to Job Search Training in the June quarter of 1999. These job seekers were tracked for 30 months after referral. It can be seen that the proportion who left the register increases, but the rate slows over time. This is consistent with expectations, as is the fact that the rate of leaving income support was higher for those who did not actually start the programme than for those who were referred and who went on to commence. The difference between the trend lines for those referred who commenced and those referred who did not commence may, in part, reflect level of disadvantage, the more disadvantaged being less likely to leave unemployment after referral (because they were less likely to get a job) and also being more likely to commence assistance.

Some job seekers from the cohort who left income support returned to benefit at varying stages in the 30 months of follow up. Although the return rate was less for those job seekers who commenced assistance, this may be at least partly due to the lag between referral and completion of Job Search Training (which on average is six weeks), rather than necessarily all due to the impact of participation in Job Search Training.

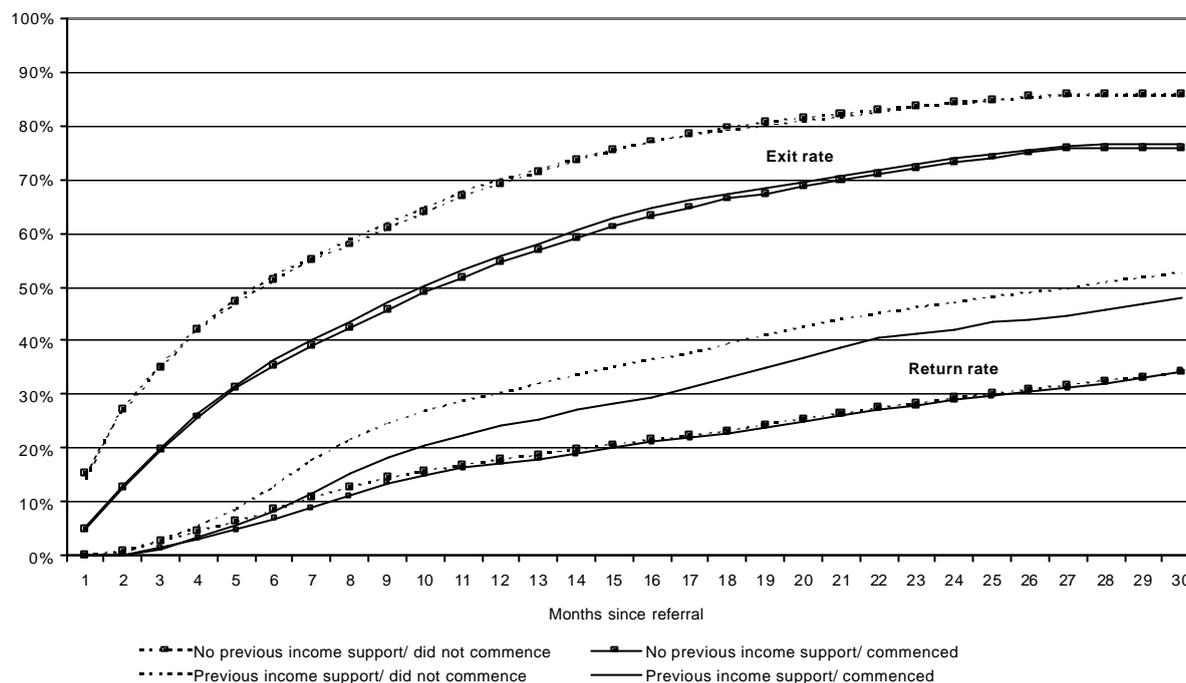
Figure 3.4: Job seekers referred to Job Search Training: off-benefit exit rate and return rate by month after referral and commencement status¹



¹ A maximum of one exit and return is recorded for each job seeker. The return rate refers to job seekers who have left income support and returned at some time. It may not reflect a job seeker’s current income support status.
Source: Integrated Employment System

It is also likely that job seekers with previous periods of income support will have different longer-term outcomes than those of other job seekers. Figure 3.5 compares the monthly figures for job seekers referred to Job Search Training who left and returned to income support. Job seekers with previous episodes of income support are examined separately from those with no previous episodes. The figure also distinguishes those who were referred to assistance and commenced from those referred who did not commence. The figure shows that the exit rates for those with and without previous periods of income support were very similar, regardless of whether they commenced Job Search Training. Importantly, however, the rate of return to income support was higher for job seekers with previous periods of income support receipt. Again, the return rate was lower for those who started Job Search Training compared with those who had not, perhaps reflecting the lag between referral to and completion of Job Search Training.

Figure 3.5: Job Seekers referred to Job Search Training: off-benefit exit rate and return rate by month after referral and commencement status and whether or not a previous period of income support



1 A maximum of one exit and return is recorded for each job seeker. The return rate refers to job seekers who have left income support and returned at some time. It may not reflect a job seeker's current income support status.

Source: Integrated Employment System

3.2.3 Quality of employment outcomes

In assessing the effectiveness of Job Search Training, it is important to consider not only the quantity but also the quality of the employment outcomes achieved; and whether quality improves over time for job seekers who secure post-assistance employment. These issues were explored in the 2001 Job Network Participants Survey which collected data on the hours worked and whether the job was casual or permanent. While the survey measured these indicators of job quality, it is not possible from these findings to establish the extent to which Job Search Training contributed to improved quality.

Forty-eight per cent of job seekers employed within three months of participation in Job Search Training were working full-time. Five months later, this proportion had increased to 55% (Table 3.3). Overall, 35% of job seekers working part-time within three months of assistance increased their hours of work to full-time, while 3% decreased the number of hours they were working from full-time to part-time. This lends support to the contention that part-time employment can provide a pathway to full-time employment.

Job status also improved over time. Of those employed within three months of participating in Job Search Training, 72% were in casual jobs (Table 3.3). Five months later, the proportion of employed job seekers in casual jobs had declined to 55%. Data for those employed on a permanent basis rose from 27% to almost 44% over this period.

Table 3.3: Hours worked and job status, 3 and 8 months after assistance, 2001

Time after assistance	Hours worked				Job status	
	Less than 15	15-24	25-34	35+	Permanent	Casual
Three months	23.0	17.0	11.7	48.4	27.0	71.8
Eight months	14.3	17.2	12.6	55.3	43.9	54.8

Source: 2001 Job Network Participants Survey

3.2.4 Employment net impact

Overseas experience suggests help with job search is one of the most effective means of active labour market assistance, although the form it takes and how it is used relative to other interventions varies considerably (Fay 1996). It appears to provide at least some benefit to most groups of job seekers, though younger job seekers seem to benefit least. Fay (1996) concluded that properly targeted job search assistance using profiling methods—such as the Job Seeker Classification Instrument (JSCI)—to minimise any deadweight losses was a good ‘first step’ in getting people back to work. It was, however, unclear whether it worked best alone or as part of a mix of programmes, or what the longer-term benefits might be.

Caution is necessary when comparing results from different countries, as the timing of the evaluations, the specific features of different job search assistance programmes and the persons targeted for assistance vary from country to country. Furthermore, what works for one group of job seekers in one country may not necessarily work for the same group in another country.

Net impact provides a measure of programme effectiveness which attempts to control for outcomes that would have occurred in the absence of assistance. Estimates of net impact indicate the *difference* that a programme makes to post-assistance outcomes. These estimates are derived by comparing the outcomes of a group of job seekers who are referred to a programme (a treatment group) with the outcomes for a similar group who are not (a control group).

Ideally, estimates of net impact indicate the difference between an intervention and no intervention. As discussed below, this is virtually impossible in Australia because most job seekers are eventually referred to some form of assistance. Moreover, most of those eligible for referral must undertake job search activity to maintain their entitlement to income support under the provisions of the Activity Test.⁴² The net impact estimates, therefore, should not be interpreted as measuring the precise difference between an intervention and no intervention. Rather, they compare an intervention to a combination of no intervention and other interventions.

Conceptually, net impact measures the cumulative effect of three elements: a *compliance effect*, an *attachment effect* and a *programme effect*. Referral to a programme can itself generate employment outcomes prior to commencement that would not have occurred otherwise. This is because referral can act as a catalyst to increase job search activity in order to avoid the requirements of participation in a programme. It can also prompt those who have yet to report a change in circumstances that precludes eligibility for income support to declare their change in status. Both effects are referred to as *compliance (or motivational) effects*.

Job seekers who proceed from referral to programme commencement become subject to both *programme* and *attachment effects*. The *programme effect* refers to the change in the level and

⁴² The Activity Test, however, does not apply equally to all job seekers. In some circumstances, job seekers participating in a labour market intervention may have the Activity Test applied more liberally (or not effectively applied at all) than job seekers who are not participating. Where job search activity is diminished, this can strengthen the (negative) attachment effects of programme participation.

effectiveness of job search activity, and in the employability of the job seeker that comes from participation. This is typically thought of as the value added by the programme, and as leading to an increase in the probability of gaining employment. The *attachment effect* derives essentially from the reduction in job search activity that comes from actual participation in the programme (OECD 2001b). This leads to a reduced probability of an employment outcome. Measuring net impact from referral captures all three effects, with the compliance effect being the difference between this referral net impact and the net impact from commencement.

Previous employment net impact studies have measured net impact from the point of exit from assistance (DEETYA 1997).⁴³ This methodology is based on the assumption that participation in assistance is effectively ‘time-out’ from the labour market to allow barriers to employment to be addressed. Using this methodology, the employment net impact of Job Search Training was estimated to be 6.1 percentage points. This compares to a net impact of about 12 percentage points for Job Clubs. Improved access in recent times to more comprehensive administrative data, in particular to data on referrals, however, has now made it possible to measure net impact from referral to assistance and from commencement in that assistance, thereby capturing a greater range of programme impacts than was possible using the old methodology.

Constructing a control group

Construction of a valid control group is crucial to accurately measuring net impact. Evaluations in a number of overseas countries (particularly the United States) have used an experimental approach that involves randomly assigning job seekers to a treatment group and a control group and comparing outcomes between these groups. Provided that the sample sizes are large enough, this approach can be expected to control for factors that are likely to have a substantial impact on outcomes, including traditionally unobservable characteristics such as level of motivation, presentation, attitudes and behaviour. If careful design and implementation are achieved, random assignment potentially provides the most rigorous method of measuring net impact.

Overseas experience suggests, however, that the adoption of the random assignment methodology is far from easy in practice. If job seekers know they are part of a random assignment experiment, they may change their job search behaviour—the so-called Hawthorne effect. Service providers may also change their behaviour for the same reason. Random assignment experiments are also costly (relative to non-experimental approaches based on an analysis of administrative data) and the integrity of experiments is often difficult to maintain over a long observation period. Careful design and implementation are, therefore, essential to prevent loss from the control group.

Random assignment of individuals to particular groups can also lead to ethical problems in the presence of entitlement programmes. On the assumption that a programme reduces a job seeker’s barriers to employment, denial of that service is equivalent to keeping the job seeker at his or her current level of disadvantage. Providers may also resist involvement in a random assignment experiment if they consider it unethical, or if it leads to under-utilisation of capacity without compensation. Resistance by service providers has been a serious issue in random assignment experiments conducted overseas (Schmid et al. 1996). When this leads to bias in the control or treatment groups, it becomes difficult to generalise from the experimental sample to the entire population.

⁴³ Previous studies have also measured the net impact on income support status of Job Search Training from referral and from the point of exit from assistance (DEWRSB 2001c). The new approach is consistent with the views of the OECD and others who have pointed out the limitations of the post-exit measure of net impact. The OECD (2001b) has suggested that the post-exit net impact methodology does not show the complete picture of the impact of different types of assistance. Stromback and Dockery (2000) have also suggested that programme attachment effects should be considered when net impact measures are estimated.

Matched comparison groups

So far, random assignment approaches have not been applied in Australian evaluations of employment assistance, primarily because of the inherent difficulty of selecting a control group in the presence of universal entitlement to assistance.⁴⁴ Instead, Australian evaluations have used a ‘matched comparison group’ approach to control for observable characteristics likely to influence employment prospects, such as gender, age and duration of unemployment.⁴⁵

The main difference between matched comparison groups and random assignment approaches is that unobservable characteristics (such as motivation and attitudes) can be fully controlled for in an experimental design using random assignment whereas only partial control is possible in a matched comparison group approach. Partial control of unobservable characteristics, or characteristics that are very hard to measure, can be achieved by controlling for observable characteristics associated with the unobservable. Controlling for duration of unemployment, for example, achieves some control over motivation since length of unemployment and loss of motivation are related. The compulsory nature of assistance in Australia also provides an opportunity to achieve some control over unobservable characteristics. Job seekers risk loss of entitlement to income support if referral to assistance is not acted upon. This serves to reduce the extent to which the less motivated are over-represented in the control group compared to the treatment group. The key issue (and challenge) for the matched comparison group approach is the extent to which there are differences between the control and treatment groups which contribute to post-assistance outcomes and which differ between the two groups.

Under the new methodology for measuring net impact, control groups are selected at the point of referral to and commencement in assistance, depending on the form of net impact being measured. It is possible, however, that members of the control group will be referred to or will commence in other programmes (including Job Search Training) after being selected in the control group, and that outcomes for this group will be affected by these events.⁴⁶

Where participation in employment assistance increases the probability of exiting to employment, including in the control group job seekers who, after selection, participate in Job Search Training, will overstate employment outcomes of the control group and therefore reduce net impact. As such, any estimate of net impact based on such a control group can be expected to contain a conservative bias. Analysis of the control group for measuring the impact from referral to Job Search Training indicated that a small proportion⁴⁷ was subsequently referred to Job Search Training in the 12 months after selection in this group. In addition, a smaller proportion of the control group was referred to other forms of assistance, such as Work for the Dole.⁴⁸

Interpreting the findings

The net impact analysis reported below estimates the impact on a job seeker’s employment prospects of referral to and commencement in Job Search Training. Impacts are measured in

⁴⁴ There may also be a legal impediment to denying assistance to job seekers on income support when they are required under the Activity Test to look for work and take steps to improve their employability.

⁴⁵ Regression analysis has been used to control for variations in other factors such as level of education, location and previous labour market programme participation. Very little additional information has been derived, however, by controlling for these additional factors.

⁴⁶ This leakage from the control group is not unique to the matched comparison group methodology. It can arise in an experimental approach where job seekers randomly assigned to the control group subsequently participate in other forms of assistance.

⁴⁷ Currently estimated to be 9%.

⁴⁸ On the other hand, including job seekers in the control group who have not been referred to Job Search Training because they have employment barriers that make them not ready for this type of assistance will understate the control group’s employment outcomes and increase net impact. Also, some job seekers referred to Job Search Training may not commence because they have employment barriers that are different from the barriers faced by those who participate.

terms of the proportion in employment 12 months after being referred to or commencing assistance. The estimates are *point-in-time* measures and do not reflect the dynamics of labour market experience and the possibility of longer-term benefits from participation in assistance.

Generally, compliance and programme effects may be expected to be positive, whereas the attachment effect, by definition, would be negative. This implies that programmes should seek to minimise any attachment effect while maximising compliance and programme effects. The size of the attachment effect will vary from programme to programme, depending on the duration of assistance. Thus, Job Search Training (which lasts 15 days) would be expected, on average, to have a very small attachment effect.

The relative strengths of attachment and programme effects can also change over time. This suggests that, for some job seekers, the shorter-term impact of a programme could be a poor guide to longer-term impact. Job Network is primarily focused on getting job seekers into jobs, or alternatively education and training. There are good reasons for this as considerable evidence is available to suggest that a job in the short-term is crucial to having a job in the longer-term, and even a lower quality job has the potential to lead to better quality work.⁴⁹ Another perspective is that programme participation has longer-term benefits which are not always reflected in the short-term. For disadvantaged job seekers, little is known of the longer-term impact of a short-term investment in skills development (implying a high attachment effect) relative to taking up a job in the short-term. An analogy exists in the labour market generally where people who pursue a tertiary education are, in the short-term, disadvantaged in the labour market compared to those who opt for a job first. In the longer-term, however, the investment (for the most part) pays off.⁵⁰

The net impact of Job Search Training

Under the new methodology, the preliminary estimate of employment net impact (including part-time work) from *referral* for job seekers referred in May 2000 was 6.7 percentage points (Table 3.4). This was the difference between the actual employment rate of those referred (52.4%) and the estimated employment rate for the control group (45.7%). The estimated employment net impact of Job Search Training for job seekers who *commenced* in May 2000 was 8.3 percentage points⁵¹ (the difference between the actual employment rate of 51.5% and a estimated employment rate of 43.2% for the control group).

The evidence also suggests that the programme effect of Job Search Training varies between job seeker groups, with significantly different levels of impact being found for different age groups and for job seekers from a non-English-speaking background (Table 3.4). The programme appeared to exercise least impact on young people (which is consistent with overseas experience). Job seekers who had participated in labour market programmes previously had a much lower referral net impact than other job seekers.

⁴⁹ The issue of progression is explored more fully in Chapter 2.

⁵⁰ Related to the issue of potential longer-term benefits of programme participation is the situation where a job is not the immediate objective of an intervention. An attachment effect in this case may be of secondary concern to the potential benefits to the community from improved infrastructure and social cohesion. Arguably, some Work for the Dole projects, where completion of the project is important to the participants and the broader community, are examples of this type of intervention.

⁵¹ Net impact from commencement in Job Search Training was measured by recording the employment outcomes of a sample of 1264 survey respondents who had started Job Search Training in May 2000. These employment outcomes were compared with predicted outcomes based on a matched comparison group of the same size that had not been referred to, or participated in the programme in the previous six months. The comparison group consisted of job seekers receiving Newstart and Youth Allowance (Other) at the end of May 2000. Employment outcomes were recorded 12 months from commencement in Job Search Training, in May 2001.

Some caution is necessary when interpreting the two different net impact measures. Conceptually, net impact measured from referral would be greater than net impact measured from commencement because net impact from referral measures all three effects—compliance, programme and attachment. Measuring net impact from commencement only measures two effects—programme and attachment. For Job Search Training the net impact measured from commencement (8.3 percentage points) is higher than net impact measured from referral (6.7 percentage points), probably because most (70%) of the job seekers referred to the programme do not commence.

Table 3.4: Employment net impact (indexed¹) of Job Search Training by job seeker characteristics

Job seeker characteristics	Net impact from:	
	Referral ²	Commencement ³
	<i>Percentage points</i>	
Gender		
Female	101	98
Male	100	101
Age group (years)		
15–24	96*	93*
25–44	102*	101*
45 and over	102*	107*
Duration on income support (months)		
Less than 12 months	100	101
12–24 months	100	96
24 months and over	na	na
Educational attainment		
Less than year 10	na	na
Year 10	101	102
Year 12	97	97
Trade/TAFE	100	102
Degree	103	99
Labour market strength		
Strong	102	101
Moderate	100	100
Weak	99	100
Equity groups⁴		
Non-English-speaking background	101	107*
With a disability	102	100
Previous labour market programme	95*	96
Total	100*	100

* significant at the 95% confidence level.

1 Expressed as the percentage point difference between the total net impact estimate (ie, 6.7 percentage points for net impact measured from referral and 8.3 percentage points for net impact measured from commencement) and the estimated net impact for each group.

2 Job seekers referred to Job Search Training in May 2000.

3 Job seekers who commenced Job Search Training in May 2000.

4 Equity groups are not mutually exclusive.

Source: Net Impact Study

Overall, the net impact findings indicate that, for some job seekers, referral to Job Search Training provides a sufficient spur for them to find (or declare) a job. For others, participation in the assistance is the difference between them getting a job or not. In terms of the number of job seekers affected, the greater impact appears to derive from compliance effects.

Who would have got a job anyway?

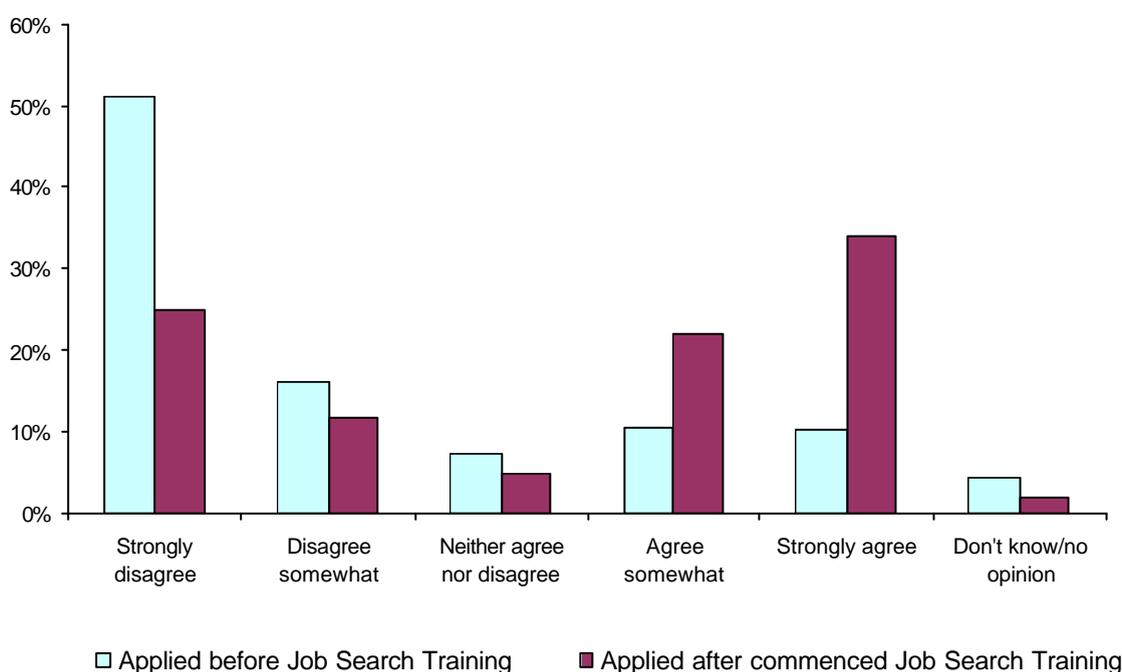
The methodology used to estimate net impact from commencement can also be used to estimate post-programme 'deadweight'. This is the proportion of job seekers who participated in Job

Search Training and were employed after assistance, but who would have got a job anyway. Careful targeting of an intervention to reduce deadweight cost can raise a programme's effectiveness. The employment rate of the comparison group (or the estimated employment rate, reported above) provides an estimate of deadweight. This suggests that the vast majority of job seekers who were referred to or who participated in Job Search Training in May 2000 and who were employed after referral or participation would have got their jobs anyway. It is important to note, however, that in financial terms the deadweight costs of referral are insignificant compared with the deadweight costs of participation in a programme.

The issue of Job Search Training's contribution to post-assistance employment was explored further in the 2001 Job Network Participants Survey. This survey looked at the perceptions of participants regarding the impact of Job Search Training on post-assistance employment.

Of the respondents to this survey who had had some employment since leaving Job Search Training, over 30% considered that participation in the programme had helped them to get their jobs (Figure 3.6). This proportion, not surprisingly, varied according to whether job seekers had applied for their job before or after commencing Job Search Training, from one in five of those who had applied *before* the training to over half for those who applied for their job *after* commencing. The fact that some job seekers who applied for a job before starting Job Search Training believed that the programme helped them to get that job suggests that the benefits of participating, in these cases, relate to 'selling' yourself to the employer.

Figure 3.6: Proportion of job seekers who agreed that Job Search Training helped them to get a job, by time of job application



Source: 2001 Job Network Participants Survey

3.2.5 The effect of Job Search Training on job search skills and motivation

The objectives of Job Search Training include improving job search skills and maintaining the motivation to look for work. The net impact analysis found that participation in Job Search

Training improved the employment outcomes of some job seekers. These job seekers may have either improved the way they look for work, become more motivated to look for work, or both.

Job seekers followed up eight months after participating in Job Search Training generally agreed that the assistance had improved the way they looked for work (68%) and encouraged them to apply for a greater variety of jobs (68%). The great majority of job seekers (84%) reported that participation in Job Search Training had helped them to stay motivated to look for work. Job seekers, regardless of employment status, were equally positive in their perceptions of the effect of Job Search Training on their motivation. Most job seekers also believed that participating in Job Search Training improved their self-confidence (74%).

The effect of assistance on job search motivation is considered further in Section 3.3.4.

3.3 Factors contributing to effectiveness

Given that Job Search Training appears to achieve both compliance and programme effects, it is important to understand the factors that contribute to these effects. Doing so may identify areas where there is scope to increase the effectiveness of Job Search Training even further.

Factors that could influence effectiveness have been investigated in the evaluation, including:

- the referral process;
- the timing of intervention;
- the strategies used by high-performing and low-performing providers; and
- the relative impacts of the assistance received and the characteristics of participants.

3.3.1 The referral process

As reported in Section 3.2.4, a significant component of Job Search Training's net impact is a compliance effect that derives from referral to the programme. Referral to assistance spurs some people to obtain a job or to declare that they already have a job. A question this finding raises is whether there are job seekers who are eligible for referral but currently are not being referred; and whether the programme's compliance effects could be extended if they were referred. A similar issue may also apply to some job seekers currently not eligible for Job Search Training.

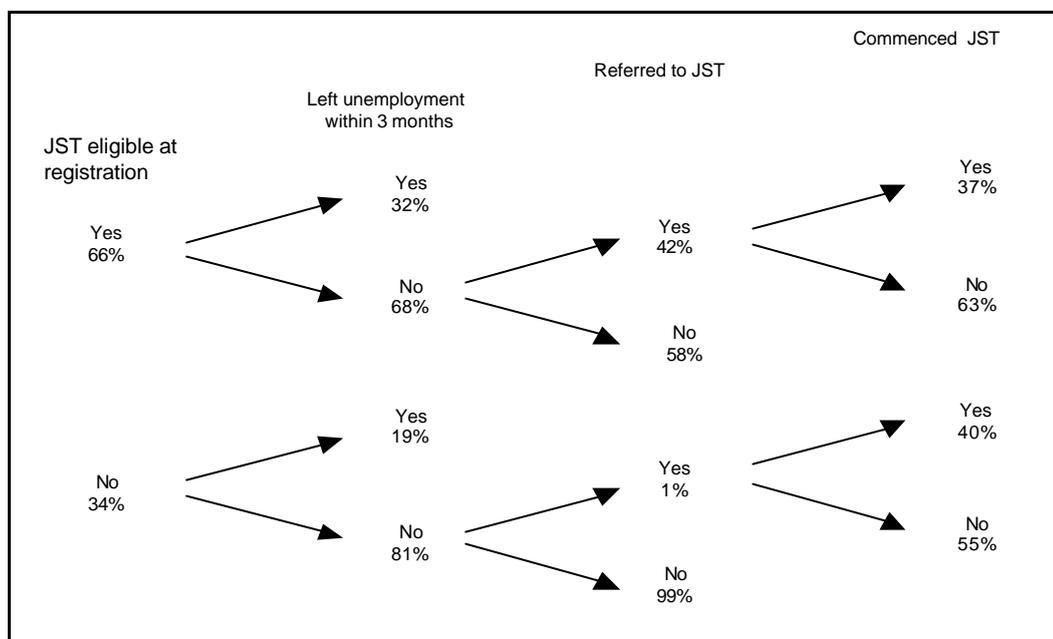
Should more job seekers be referred to Job Search Training?

To test the extent to which there may be job seekers who potentially could be referred to Job Search Training, but are not, a cohort of new registrants in the four-month period May to August 1999 were followed on the administrative system over the two years in which they were potentially eligible for Job Search Training. Figure 3.7 shows the flows of these job seekers into Job Search Training. If they remained unemployed, 66% of these job seekers would be expected to become Job Search Training eligible. About 32%, however, ceased registration before they became eligible for Job Search Training—within three months of registering as unemployed. Of those job seekers who remained unemployed for three months or longer, 42% were referred to Job Search Training, and 37% actually commenced. The small proportion who was not eligible for Job Search Training yet commenced probably refers to job seekers (eg, sole parents on Parenting Payment) who volunteered for assistance.

Figure 3.7 indicates that about 58% of job seekers eligible for Job Search Training at registration and still unemployed three months later were not referred to Job Search Training, but potentially could have been. These job seekers represent 26% of all new registrants. Obviously not all

these job seekers were available for referral; some lost eligibility before referral, some were exempt because they were studying (2%) or in part-time work (2%), while others were exempt due to ill-health (less than 1%) or because they were participating in other activities, such as Work for the Dole or Intensive Assistance. The availability of Job Search Training places with providers also operated as a further constraint on being able to refer all potentially eligible job seekers.

Figure 3.7: Flows into Job Search Training, May to August 1999



Source: Integrated Employment System

Maximising net impact

The current methodology for measuring net impact may not account for all the compliance effect associated with referral. To understand how the net impact of referral occurs it is necessary to understand the process of referral to Job Search Training. The first stage of the process involves a letter being sent to job seekers (unemployed for about eight weeks), advising them that they have been selected for Job Search Training and inviting them to nominate a provider. This letter could have several effects: it could either encourage job seekers to more actively seek and find work to avoid participating in Job Search Training; or it could delay their attempts to find work as they decide to wait for the assistance offered by Job Search Training.

After 10 days from the despatch of the letter, if no preferred provider has been nominated, the job seeker is automatically referred to Job Search Training and is allocated (randomly) to a Job Search Training provider with available places.⁵² Job seekers are then advised of their referral to Job Search Training, and have 15 days in which to commence. There is a potential additional net impact—not currently being measured—which derives from any compliance effect generated by the *first* letter (ie, that occurs before the job seeker is notified of their ‘auto-referral’).

Data are not available on what happens to job seekers in this period (between receipt of the first letter and auto-referral) which, at a minimum, is two weeks. Some indication, however, can be obtained by examining what happens to job seekers after referral to Job Search Training and

⁵² Since the introduction of automated referral, the overwhelming majority of job seekers referred to Job Search Training have been auto-referred.

before commencement. As noted earlier, 70% of job seekers referred to Job Search Training do not commence. An analysis of administrative data for this large group indicated:

- 32% are found not to be still eligible for Job Search Training. This figure could include job seekers in part-time employment or education, or could reflect time delays in recording changes in the employment status of job seekers on the Integrated Employment System;
- 39% failed to comply with their activity test (including the requirement to start Job Search Training);
- 11% were considered unsuitable for Job Search Training by their provider;
- 7% had found employment; and
- 11% had other reasons for not commencing.

To help clarify the administrative data, a sample of job seekers referred to Job Search Training who did not commence assistance were surveyed in October 2000. This survey found that more than half of those referred did not commence because they had found a job or already had a job (56.3%). The other main reasons for not commencing included studying (9.9%), ill health or injury (6.5%) and caring responsibilities (5.2%).

3.3.2 Timing of Job Search Training

The net impact study suggests that Job Search Training is an effective means of getting some job seekers into employment but it also shows that there is significant deadweight associated with the programme. A means of reducing deadweight and increasing effectiveness would be to target the assistance to more disadvantaged job seekers. Intervening at six months rather than the current three months, or raising the threshold for referral to Intensive Assistance could possibly achieve this. These job seekers would, by default, then be eligible for referral to Job Search Training.

The compliance net impact established for Job Search Training, however, favours early intervention. Although the net impact for job seekers who participate in the programme is higher than the compliance effect, in terms of numbers affected, the compliance effect appears to get more job seekers into work than programme participation. Moreover, it does so at a lower cost.

Under AWT, most job seekers will be referred to Job Search Training after three months on unemployment payments, maximising the compliance impact of Job Search Training. Older job seekers will be able to undertake Job Search Training as soon as they start receiving income support, in keeping with the higher programme net impact for this group. Indigenous job seekers will also be able to participate, from the start of receiving income support.

3.3.3 High-performing and low-performing providers

A key component of Job Network is the flexibility that providers have to develop their own strategies to provide the most appropriate service and products to job seekers. To assess which strategies are successful in terms of achieving outcomes, Job Network members were classified into three categories of performance—high, medium and low.⁵³ This analysis (which corresponds to a similar analysis reported in Chapter 4 for Intensive Assistance providers)

⁵³ Performance was based on the star ratings. The ratings range from 1 for low performers to 5 for high performers. The ratings are derived from a model that examines outcomes (measured three months after assistance) as the key performance measure, taking into account commencements, the local labour market and job seeker characteristics. For the purposes of this study high-performing providers were those with a rating of 4 or more, low-performing providers had a rating of 2 or less.

compared high-performing and low-performing providers in terms of job seekers' perceptions of the quality of staff, and the types and quality of assistance provided.

Job seekers are only with their Job Search Training provider for a relatively short period of time, which limits the extent to which a working relationship can develop. Job seekers from high-performing providers, nevertheless, were more likely to rate their provider higher on a number of aspects. This is evident with:

- 89% of job seekers from high-performing providers agreeing that the provider gave them the time and attention required, compared with 80% from low-performing providers;
- 86% of job seekers from high-performing providers indicated that the provider acted quickly to meet the job seeker's needs compared with 76% from low-performing providers; and
- 94% of job seekers from high-performing providers indicated they received a reliable and consistent service compared with 80% from low-performing providers.

Significant differences were also found for the effort applied and discipline expected by the provider, as reflected in helping the job seeker to stay motivated and the propensity to forward a participation report to Centrelink for investigation. A greater proportion of job seekers from high-performing providers reported that their provider helped them stay motivated and that their provider was more likely to forward a participation report than job seekers from low-performing providers. Access to facilities also varied between high-performing and low-performing providers—job seekers from high-performing providers being more likely to have access to touch screens, newspapers and computers for writing applications (Table 3.5).

Table 3.5: Strategies used by high- and low-performing providers, 2001

	High-performing providers	Low-performing providers
	%	
Access to facilities:		
JobSearch	93.1	84.4
Computer for writing applications	87.0	83.8
Newspapers	94.5	83.8
Mail facilities – envelopes and stamps	65.4	63.5
Referral to vacancy:		
Sent to a job interview or spoke to an employer	36.0	17.9
Referral resulted in paid full-time job	29.5	51.2
Job Search Training helped get job	41.5	50.0
Job retained	46.6	9.3
Was the job you were after	88.2	45.4
Perception of quality of service:		
Overall satisfaction	80.8	83.4
Agreed that provided with enough information on Job Network	51.5	73.8
Total services received		
Four or more	87.2	68.3
Three or less	12.8	31.7
Job Search Training services received		
Four or more	79.3	69.8
Three or less	20.7	30.2

Source: 2001 Job Network Participants Survey

Job seekers from high-performing providers were also more likely to be sent to a job interview or have their provider speak to an employer on their behalf (36% compared to 18%, Table 3.5). Although low-performing providers were less likely to refer their job seekers to jobs, the referral

from a low performer was more likely to result in a paid full-time job. A possible explanation for this is that high-performing providers offer a more intensive personalised service. They refer more job seekers to jobs and, although (and perhaps because of) a smaller proportion of referrals result in paid work than for lower performing providers (30% compared to 51%), the job is more likely to be retained (47% compared to 9%) and more likely to be the type of job wanted (88% compared to 45%).

Job seekers from high-performing providers were more likely to receive a range of services than job seekers assisted by low performers, with 87% of these job seekers indicating they had received four or more services compared to 68% of job seekers from low-performing providers (Table 3.5). In relation to the four main services received under Job Search Training:

- 92% of job seekers from high-performing providers indicated they received help to prepare for interviews, compared with 84% of job seekers from low-performing providers;
- 96% were offered the opportunity to have their résumés checked, compared with 93% of job seekers from low-performing providers; and
- 79% discussed suitable vacancies, compared with 69% of job seekers from low-performing providers.

3.3.4 Factors associated with employment outcomes

The extent to which participation in labour market assistance achieves post-assistance employment is a function of the availability and accessibility of jobs, the characteristics of the people participating in assistance, the type of assistance they receive (including the approach used by the provider⁵⁴) and, importantly, whether this assistance improves their employability. Understanding the relationship between outcomes and job seeker characteristics and the nature of the assistance received is important to understanding what works and for whom.

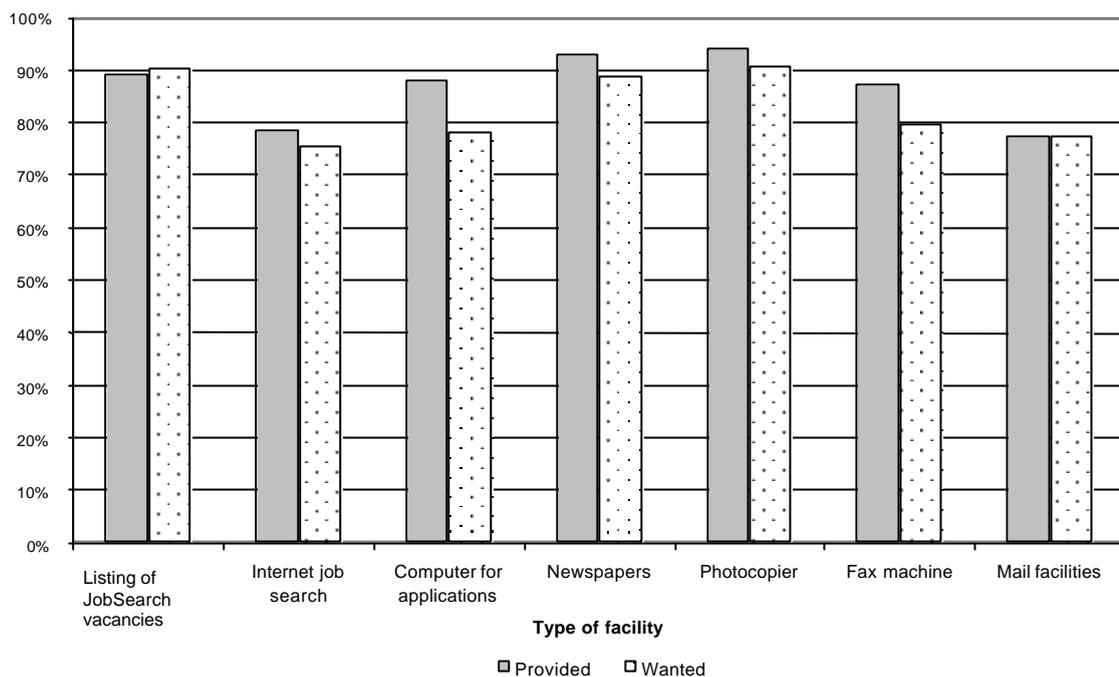
Services and assistance provided under Job Search Training

The Job Search Training Provider Contract requires that the provider, at a minimum, gives participants access to job vacancies, job search activities on the internet, word processors, photocopiers, telephones, facsimile machines and mail facilities. Providers are required to offer Job Matching and to ensure that job seekers acquire the essential skills (job application and interview skills) and products (résumé, job applications and references) needed. Providers are also required to assess the individual needs of the participant and offer assistance accordingly. Figures 3.8 and 3.9 indicate the types of assistance job seekers in Job Search Training *recalled*⁵⁵ receiving.

The 2001 Job Network Participants Survey found that more than half of those surveyed reported having access to all the facilities specified in the provider contract. Most job seekers reported having access to some of the facilities, and that the desired facilities correlated with those received (Figure 3.8). About 10% stated that there were facilities that they wanted but were unable to access. There were no indications, however, that access to assistance or facilities differed by the characteristics of job seekers.

⁵⁴ This includes the provider's skills and commitment and the degree to which the training course is structured and customised to participants.

⁵⁵ Respondents may not recall or may not be aware of all the assistance provided.

Figure 3.8: Job seekers' access to Job Search Training facilities

Source: 2001 Job Network Participants Survey

In the survey, job seekers generally considered that their providers delivered the sort of assistance that was wanted, particularly with job search skills. Over 70% of job seekers were helped to prepare for interviews, given advice on how to dress for interviews and/or discussed suitable vacancies with the provider. Some job seekers indicated that they would have liked more assistance in gaining work experience and discussing suitable vacancies, and help with petrol money, fares or transport to interviews. Most job seekers (79%) reported that they received the assistance they wanted, indicating that providers are tailoring assistance to needs (Figure 3.9). Only about 1% of job seekers stated that they did not receive any assistance, which may reflect provider assessments that the job seeker was fully competent in job search and therefore did not require any training.

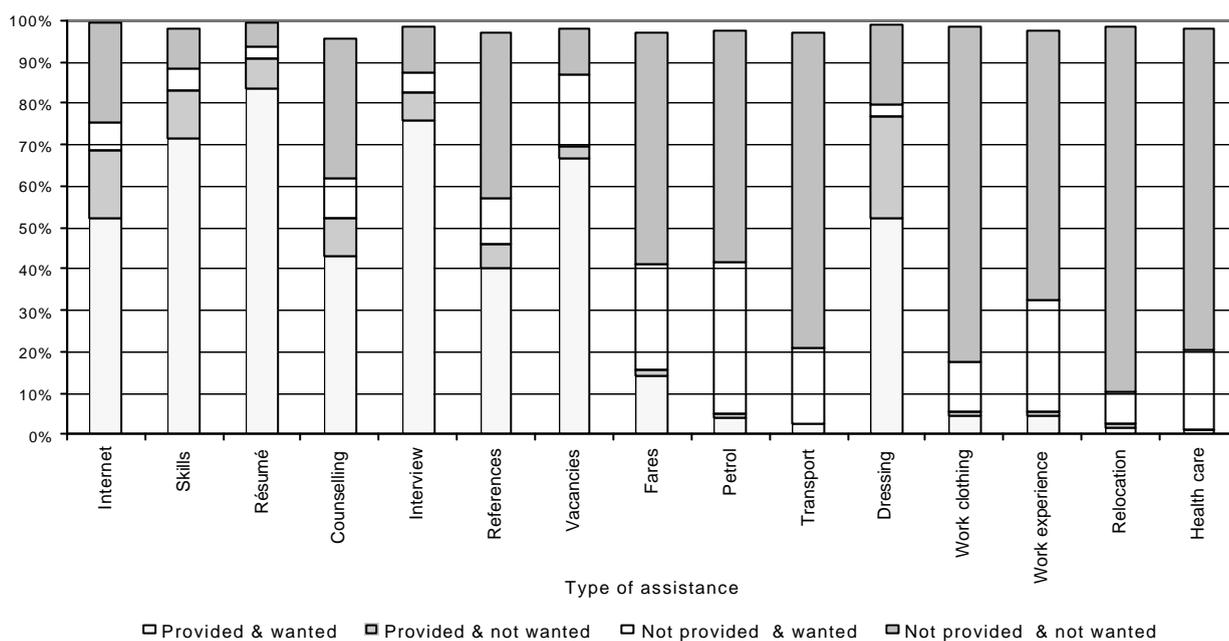
Most job seekers surveyed (92%) recalled receiving multiple assistance:

- half received core assistance (ie, that specified in the Job Search Training Provider Contract), advisory assistance (services not specified in the contract, such as advice on how to dress for an interview) and other assistance (including the provision of business cards and improvement of telephone skills); and
- a further 17% recalled receiving a combination of core and advisory assistance.

On average, Job Network providers sent a quarter of their job seekers to a job interview or to meet with an employer.

Qualitative research for the evaluation found that new entrants to the workforce had different needs from other job seekers who participate in Job Search Training. This suggests that specialised or tailored Job Search Training courses are more effective for new entrants to the labour market.

Figure 3.9: Assistance provided by Job Search Training



Source: 2001 Job Network Participants Survey

Not surprisingly, the more types of assistance received, the more likely job seekers were to credit Job Search Training with the potential to get them a job. From the job seekers' perspective, financial assistance, discussion of suitable vacancies and provision of work experience were perceived to be the most helpful in improving their employment prospects.

The relative strengths of different factors

In order to establish the statistical significance of the impact of personal factors and assistance on outcomes⁵⁶ in a multivariate context (controlling for the influence of other variables), the data were examined using logistic regression. The results from this analysis are presented in Table 3.6 in terms of the increase in the probability of an outcome associated with a particular explanatory variable. These marginal probabilities are calculated relative to the probability of an outcome for a designated 'reference person'.⁵⁷ Only statistically significant explanatory variables are displayed.

This analysis suggests that characteristics of job seekers rather than the type of assistance were the more important determinants of employment outcomes. Being female was estimated to increase the probability of employment by 10 percentage points, whereas being aged 45 and over was estimated to decrease the probability by about 9 percentage points. Not surprisingly, previous work experience increased the likelihood of employment by 17 percentage points. Having TAFE or trade qualifications increased employment outcomes by 8 percentage points.

⁵⁶ It is important to stress that this is an analysis of the relationship between outcomes and potential explanatory variable and not an analysis of the relationship between net impact and these variables.

⁵⁷ The 'reference person' is male, aged under 25, with an educational attainment of less than year 12 and a duration of income support of less than three months, who had not received financial assistance, had received a low level of assistance, had not previously worked, had not recently worked, was not serviced by a community-based provider, had a provider with a low 'star' rating, was neutral as to whether Job Search Training had improved his/her job prospects, did not agree that his/her provider would breach him/her, was neutral about whether his/her provider had kept him/her motivated, had not been retrenched from his/her last job, had not been referred to work experience or voluntary work and lived in a weak labour market. This approach is necessary because "the effects of changes in the explanatory variables on the probability of employment varies with the value of all the explanatory variables in the model. Therefore the marginal effects must be interpreted as relative to a reference person defined by the omitted categories of explanatory variables." (Hunter, Gray and Jones 2000, p. 60).

Table 3.6: Marginal effects on the probability of employment, 2001

Explanatory variable	Change in probability
Female	0.10
Aged 45 and over	-0.09
Trade/TAFE	0.08
Previous work experience	0.17
Disagreed: Job Search Training provider helped me to stay motivated	-0.19
High level of assistance	-0.11

Source: 2001 Job Network Participants Survey

While no specific forms of assistance were found to significantly change the probabilities of employment, the regression confirmed that job seekers with higher levels of assistance (ie, who had received multiple types of assistance) were 11 percentage points less likely to be in employment after assistance. This is probably the result of providers giving more assistance to those job seekers who are more disadvantaged in the labour market in an attempt to boost their prospects of employment. This finding tends to suggest that providers are allocating assistance according to job seeker need.

The only other factor found to influence employment outcomes was if job seekers disagreed that their provider had helped them to stay motivated to look for work. This reduced the probability of employment by 19 percentage points, suggesting that assistance in maintaining motivation is an important component of Job Search Training. It may also reflect, to some degree, a job seeker blaming the provider for not being able to get a job.

3.4 Conclusion

The net impact analysis indicates that Job Search Training is successful in getting job seekers into employment. This finding is consistent with evidence from overseas on the success of this form of assistance. Job Search Training's positive impact derives from both referral to and participation in the programme. Relative to the number of job seekers involved, the major portion of the net impact is the result of the behavioural influences from referral to the programme (compliance effects). While participation in Job Search Training has a substantial deadweight cost, the combination of high compliance effects and positive impact from participation means that the programme provides a cost-effective form of assistance.

Programme effectiveness can usually be increased by reducing the deadweight cost of assistance (ie, by reducing the likelihood of participation of job seekers who will secure jobs without assistance). In the case of Job Search Training this could be achieved by delaying eligibility for the programme. Currently, eligibility for referral occurs after eight weeks registered with Centrelink as unemployed, and entry to assistance occurs after two to three months. This could be delayed to, say, six months. Reducing the deadweight from participation in Job Search Training, however, may not necessarily increase its overall effectiveness. With Job Search Training there appears to be a trade-off between the impact of being referred to assistance and the impact of participating in the assistance. Delaying referral to Job Search Training would most likely reduce its compliance effects. Delaying referral would also increase the amount spent on income support payments for those job seekers who would have been affected by compliance had the referral been earlier. The decision to maintain eligibility at three months under AWT may therefore be seen as balancing the relative benefits and costs of the timing of intervention.

Job Search Training has been more successful in getting some job seekers into employment than others. The net impact study found that older job seekers have both the highest referral and participation net impacts, although they have a lower probability of employment than other job seekers. As older job seekers are less likely to be referred to Job Search Training than younger job seekers (DEWRSB 2001d), because they are more likely to be referred to Intensive Assistance, consideration could be given to referring more older job seekers to Job Search Training, perhaps as a precursor to Intensive Assistance. One way to achieve this would be to allow some job seekers awaiting an Intensive Assistance placement to participate in Job Search Training.

4 Intensive Assistance

4.1 Background

4.1.1 *The development of Intensive Assistance*

Intensive Assistance is the major element of Job Network and accounts for about 70% of the funds the Government allocates to Job Network's employment services. It is designed to help disadvantaged job seekers achieve sustainable employment through placements into jobs and tailored support and assistance (DEWRSB 1999). Relative disadvantage (and eligibility for Intensive Assistance) is identified through the application of the Job Seeker Classification Instrument (JSCI).⁵⁸ Job seekers with a JSCI score of 24 or higher are selected for participation in Intensive Assistance and invited to choose a Job Network member who offers Intensive Assistance. If they do not make a choice within 10 working days they are automatically referred to a local Job Network member.

Job seekers referred to Intensive Assistance are classified into two levels of disadvantage. Those with a score between 24 and 32 are referred to as level A participants and can participate for up to 12 months in Intensive Assistance, with a JSCI score of 33 or higher are considered to be significantly more disadvantaged (while level B participants) and can participate for up to 15 months.⁵⁹ In practice, the average duration in Intensive Assistance has been about eight months for level A participants and about nine months for level B participants.

Some job seekers eligible for Intensive Assistance may also be given a JSCI Supplementary Assessment (JSA) to determine whether there are significant non-vocational barriers to employment that must be addressed before participation in Intensive Assistance will be beneficial.⁶⁰ This assessment is initiated either by Centrelink or a Job Network member.

When job seekers commence Intensive Assistance,⁶¹ an Activity Agreement is developed in consultation with their provider. For job seekers receiving Newstart or Youth Allowance, the Agreement is based on their Preparing for Work Agreement, signed with Centrelink at registration. This agreement specifies the activities the job seeker will be required to undertake while in Intensive Assistance. If the job seeker has not been placed into employment or education within 13 weeks of assistance, an Intensive Assistance Support Plan must also be completed. The Support Plan specifies the assistance⁶² the job seeker will be provided while in Intensive Assistance.

Consistent with other Job Network services, Intensive Assistance includes a performance incentive framework. This framework is the most comprehensive framework of all Job Network services and is designed to encourage providers to focus on employment outcomes⁶³ for job

⁵⁸ The JSCI is applied at the initial registration with Centrelink, reviewed after 12 months' registration and at further 12-month periods and when the job seeker finishes an approved activity. Automatic updates also occur when a job seeker crosses an age or unemployment duration threshold that is associated with higher points in the JSCI. Updates can also be applied by Centrelink in an *ad hoc* manner.

⁵⁹ In some cases, participation can be extended by a further six months.

⁶⁰ There were some 36 000 JSAs undertaken in 2000-01.

⁶¹ Of those referred to Intensive Assistance in 2000-01, about 61% commenced.

⁶² It is up to the provider to determine the type of assistance offered to job seekers. This may include vocational training, work experience, training in language/numeracy/literacy, employer incentives including wage subsidies, workplace modifications or post-placement support and provision or subsidisation of fares, clothing or equipment to secure employment.

⁶³ Outcomes are classified as either primary or secondary. The definition of a primary outcome is somewhat complex but in most cases means employment that generates sufficient income to cease receiving the base rate of Newstart/Youth Allowance (Other). A secondary outcome

seekers. Job Network members receive an up-front payment for each job seeker they service, an interim outcome payment when that outcome is maintained for 13 weeks, and a final outcome payment when the outcome is maintained for a further 13 weeks.

The up-front payment recognises costs associated with assisting job seekers. It aims to ensure that cash flow problems that might limit the provision of services do not occur. The interim and final payment structure and criteria aim to encourage providers to achieve sustained outcomes. The payments for level B clients are higher than those for level A clients to encourage providers also to deliver outcomes for the most disadvantaged.

The current structure of Intensive Assistance has been arrived at progressively. Over time changes have been made to the number of funding levels, the JSCI thresholds of disadvantage (Table 4.1), the fee structure and the basis for tendering for Intensive Assistance business. Outcome payments and upfront fees for Intensive Assistance were fixed under the first Job Network contract but only floor prices were set for the second contract, with price being part of the tender bid. The details of the pricing structure under the second contract are outlined in Attachment C. These changes were designed to increase competition in Intensive Assistance and to simplify the classification of job seeker disadvantage and the associated fee structure.

Table 4.1: Summary of bandwidth changes since May 1998

First contract funding level	JSCI bandwidths for first contract			Second contract funding level	JSCI bandwidths for second contract (since 28/02/00)
	1/5/98 to 22/7/98	23/7/98 to 25/7/99	26/7/99 to 27/2/00		
3.1	27–34	26–33	24–30	A	24–32
3.2	35–44	34–41	31–38	B	33+
3.3	45+	42+	39+		

Source: DEWSRB 1997 and 1999

Further changes to Intensive Assistance were announced in the 2001–02 Federal Budget as part of the *Australians Working Together* (AWT) package, to apply from July 2002. In most cases the time limit for Intensive Assistance has been set at 12 months, reflecting the fact that almost all outcomes are achieved within that period. A more extensive upfront assessment of those referred to Intensive Assistance will be undertaken by the provider to establish whether the best option is referral to a complementary programme⁶⁴ before starting Intensive Assistance. A Training Account of up to \$800 will also be made available to Indigenous and mature-age job seekers who participate in Intensive Assistance, in recognition of their special needs.

4.1.2 The characteristics of the Intensive Assistance population

Since referral to Intensive Assistance is based on the job seeker's JSCI score exceeding a given threshold, those who participate are relatively disadvantaged (DEWRSB 2000a and 2001d). Table 4.2 compares the characteristics of those commencing Intensive Assistance in 1999–00 with those in 2000–01. Overall, there has been little change in these characteristics.⁶⁵

typically means employment that generates sufficient income to reduce the base rate of Newstart/Youth Allowance (Other) by at least 70% averaged over 13 consecutive weeks. Higher outcome payments are paid for level B clients.

⁶⁴ For example, Work for the Dole to improve motivation.

⁶⁵ The change to the weights in the JSCI in March 2002, which increases the weight for long-term unemployment, could be expected to increase this group's representation in Intensive Assistance.

Table 4.2: Intensive Assistance commencements by job seeker characteristics, 1999–00 and 2000–01

Job seeker characteristics	Commencements in Intensive Assistance			
	Job Network-eligible		Newstart/Youth Allowance (Other)	
	1999–00	2000–01	1999–00	2000–01
			%	
Gender				
Male	69.1	70.7	71.6	72.1
Female	30.9	29.3	28.4	27.9
Age group (years)				
15 to 20	11.6	12.4	10.4	11.4
21 to 24	11.4	11.2	11.8	11.6
25 to 34	25.3	24.6	25.5	24.7
35 to 44	22.6	22.5	22.5	22.2
45 or more	29.1	29.4	29.8	30.1
Duration on income support (months)				
0 to less than 6	26.9	31.9	24.6	30.5
6 to less than 12	11.5	10.8	12.0	10.8
12 to less than 24	17.1	13.1	17.8	13.1
24 to less than 36	14.7	11.6	15.2	11.7
36 or more	29.9	32.7	30.4	33.9
Educational attainment				
Less than year 10	30.7	30.7	30.9	30.8
Year 10	41.2	41.4	40.8	41.2
Year 12	15.5	14.9	15.5	14.9
Post-secondary	12.6	13.0	12.8	13.1
Equity groups¹				
With a disability	14.7	14.4	14.9	14.4
Indigenous Australian	5.1	7.0	4.9	6.9
Non-English-speaking background	20.0	20.7	20.2	20.7
Sole parents	2.8	1.7	na	na
Total	100.0	100.0	100.0	100.0

¹ Equity groups are not mutually exclusive.

Source: Integrated Employment System

The most notable change has been an increase over time in the proportion of job seekers who are Indigenous (an issue discussed further in Chapter 5). This reflects efforts to make Centrelink and Job Network members more pro-active in dealing with this client group. There has also been an increase in the proportion of job seekers receiving short-term income support and these with durations of income support of 36 months or more, with a corresponding decline among other duration categories.

4.1.3 Intensive Assistance evaluation findings to date

The main findings of Stages 1 and 2 of the Job Network evaluation (DEWRSB 2000a and 2001d) for Intensive Assistance are summarised below.

- *Participation and Outcomes*—several job seeker groups (youth, sole parents and Indigenous job seekers) have had lower than predicted participation in Intensive Assistance. Outcome levels have also varied according to labour market disadvantage, with older job seekers and those with longer durations of unemployment, in particular, having outcomes well below those of other job seekers.
- *Sustainability*—preliminary analysis of the sustainability of positive outcomes indicated that 36% achieved an off-benefit outcome six months after leaving Intensive Assistance. Sustainability, however, varied by job seeker characteristic, particularly by duration on income support.

- *Impact*—preliminary estimates of the off-benefit net impacts of Intensive Assistance were made and, as noted in Chapter 1, the impact of Intensive Assistance was found to be similar to the impact of the labour market programmes it replaced but was achieved at significantly lower cost.
- *Nature of assistance and client attitudes*—surveys of Intensive Assistance participants revealed a characteristic pattern. There was high activity and positive attitudes in the early months, a waning of activity and enthusiasm in the middle period, but in the last months, some increase in motivation and activity (reflecting an increase in community or volunteer work) and a willingness to take any job. Job seeker groups with low outcome levels were more likely than other job seekers to be more selective about finding the right job; these groups found it harder to get motivated to go for interviews; and they appeared to be less attached to work. This suggested that “within Intensive Assistance there is the potential for some disadvantaged job seekers to increase their activities aimed at securing employment and that some Job Network members could focus additional efforts in the second half of Intensive Assistance” (DEWRSB 2001d, p 66).

4.2 Effectiveness

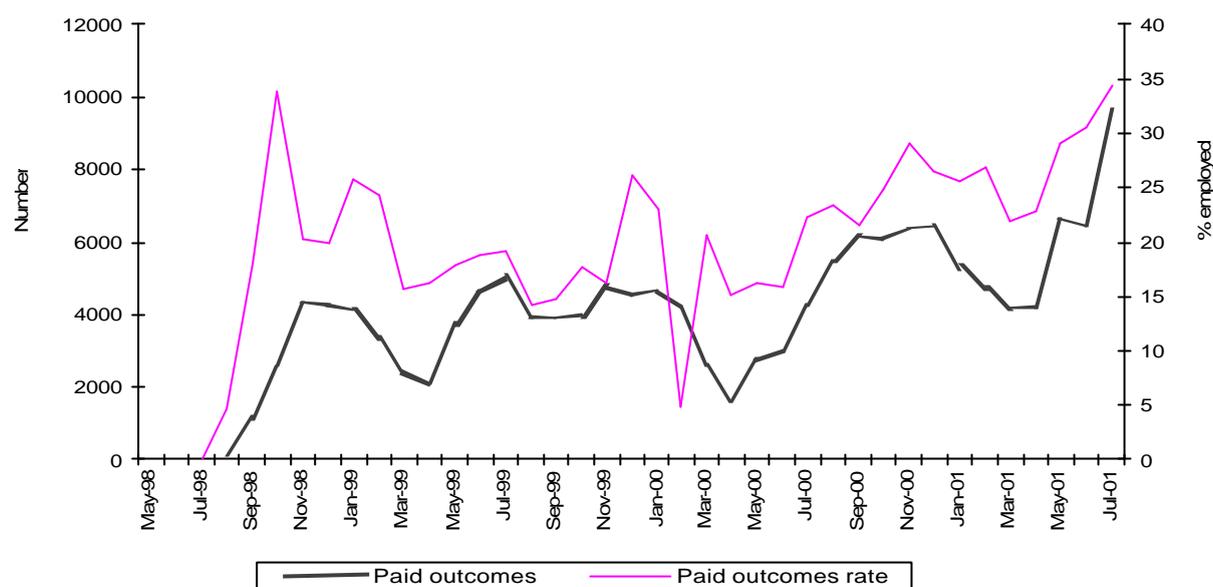
4.2.1 Measuring effectiveness

Intensive Assistance providers deliver a range of services that aim to make job seekers more successful in their job search activity, and less dependent on income support in the longer-term. An assessment of the effectiveness of Intensive Assistance therefore comprises two important components:

- the measurement of how sustained the outcomes are from Intensive Assistance; and
- the measurement of the net impact of Intensive Assistance on employment outcomes.

4.2.2 Outcomes from Intensive Assistance

Job Network providers receive an interim outcome fee for job seekers placed in a job (or in education and training) that lasts a minimum of 13 weeks. If the job continues for a further 13 weeks (26 in total) the provider may receive a final outcome payment. Since the market was implemented, paid outcome rates have averaged 19% of monthly exits from Intensive Assistance. To encourage providers to focus more on outcomes, the fee structure for the second Job Network contract was changed to put greater emphasis on the interim outcome payment relative to upfront fees. Since this change, paid outcomes as a proportion of exits have averaged 24% per month, an improvement on the 16% level achieved before the change. These trends, however, do not attempt to control for changes in the characteristics of job seekers participating in Intensive Assistance or in the state of the labour market.

Figure 4.1: Interim paid outcomes from Intensive Assistance, 1998 to 2001

Source: Integrated Employment System and Post-programme Monitoring Survey

In 2000–01, 39% of job seekers who left Intensive Assistance were employed three months later, compared to 40% in 1998–99 and 33% in 1999–00 (Table 4.3). Those with employment outcomes were more likely to be in part-time jobs than full-time. Looking at overall positive outcomes, between 39% and 46% of participants were either in a job or in further education and training.

Table 4.3: Post-assistance outcomes¹ for Intensive Assistance, 1998–99 to 2000–01

	1998–99 ²	1999–00 ³	2000–01 ⁴
		%	
Employed			
Full-time	18.8	14.4	16.3
Part-time	20.8	18.3	22.3
Total	39.6	32.7	38.6
Unemployed	45.1	51.7	39.7
Not in the labour force	12.9	12.2	14.1
In further assistance	2.5	3.3	7.6
Total	100.0	100.0	100.0
Further education	7.7	8.0	7.7
Positive outcomes ⁵	45.8	39.3	44.6

1 Three months after assistance.

2 Outcomes relate to job seekers who ceased assistance between April 1998 and March 1999.

3 Outcomes relate to job seekers who ceased assistance between April 1999 and March 2000, and differ from those in the Department of Employment, Workplace Relations and Small Business (DEWRSB) 1999–00 Annual Report and *Labour Market Assistance Outcomes June 2000*. Intensive Assistance outcomes in these reports were based on commencements in the first year of Job Network. In addition, outcomes changed very slightly because of changes to the estimation methodology, introduced in *Labour Market Assistance Outcomes March 2001*.

4 Outcomes relate to job seekers who ceased assistance between April 2000 and March 2001.

5 Positive outcomes include employed and education/training outcomes, but are not the sum of these two outcomes because some job seekers can achieve both an employment and an education outcome.

Source: Post-programme Monitoring Survey

4.2.3 Sustainability of employment outcomes

While the short-term goal of most forms of employment assistance is to assist a job seeker obtain a job, there is an underlying objective that both the employment assistance and the resultant

employment will lead to a reduction in the job seeker's reliance on income support over his/her working life. In today's more flexible labour market, the expectation is that this reduced income support dependency will come less from one job and more from ongoing employment in a number of jobs.

To measure the sustainability of employment following participation in Intensive Assistance, the employment status of job seekers who obtained an interim paid outcome in August 2000 was measured by survey in October 2001 (ie, 14 months after their interim outcome). This survey also followed up (in April 2001 and again in October 2001) a sample of job seekers who left Intensive Assistance in February 2001, thereby providing employment status measures some three and eight months after assistance (more detail of the survey is at Attachment B).

Employment rates following Intensive Assistance rose over time and most of this rise was in full-time employment. Three months after assistance, 42% of participants who left assistance in February 2001 were employed and just under half of these (20%) were employed full-time. Eight months after participation, these proportions were 46% and 23% respectively (Table 4.4). Almost three-quarters (73%) of job seekers who obtained an interim outcome in August 2000 were also employed some 14 months later, in October 2001.

Table 4.4: Intensive Assistance longer-term post-assistance outcomes, 2001

Time after assistance	Employed			Unemployed	Not in the labour force	Total
	Full-time	Part-time	Total			
	%					
<i>People who left Intensive Assistance in February 2001</i>						
Three months	20.0	22.4	42.3	40.6	17.1	100.0
Eight months	23.2	22.7	45.9	35.3	18.7	100.0
<i>People who obtained an interim paid outcome in August 2000</i>						
14 months	46.6	26.6	73.3	19.7	7.0	100.0

Source: 2001 Job Network Participants Survey

The survey also examines various factors influencing the sustainability of an interim outcome. These factors included job seeker and provider characteristics, and the job seeker's experience of Intensive Assistance. Both tabular and multivariate analysis (using logistic regression) showed little variation from these characteristics on whether or not the interim outcome was sustained. The two statistically significant exceptions were gender and duration of unemployment.⁶⁶ Females were more likely (82%) than males (70%) to achieve a sustained outcome. Those with income support durations of between six months and two years were somewhat less likely (70%) to achieve a sustained outcome than those of both shorter (77%) and longer (73%) durations.

The multivariate analysis indicated that, compared to an otherwise similar job seeker, a female had an increased probability of a sustained outcome of 16 percentage points relative to a male. Compared to a job seeker with an income support duration of less than six months, a duration of six months to two years was estimated to reduce the probability of a sustained outcome by about 13 percentage points. This may indicate a decline in labour market attachment and skills, although this argument should also apply for those with durations of two years or more unless providers were investing much more assistance in the latter group to counteract such barriers. The analysis, however, did not differentiate this group from those with a short duration.

The fact that the likelihood of a sustained outcome seemed to vary little with a wide range of client characteristics is positive, given the intention of Intensive Assistance to flexibly tailor

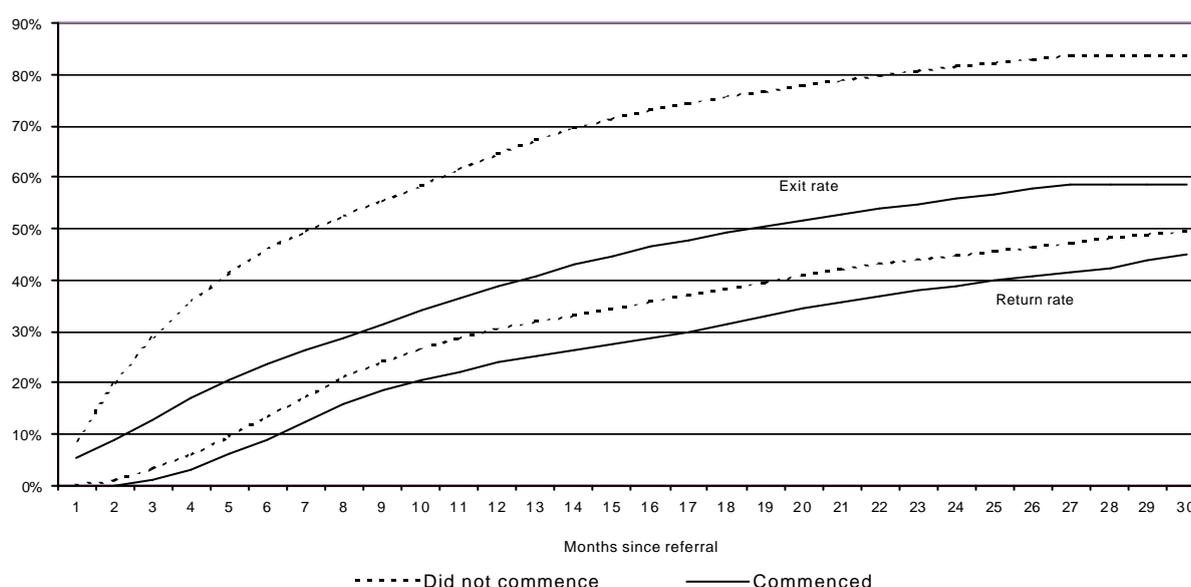
⁶⁶ At referral to Intensive Assistance.

assistance to individual need, and promote more equitable outcomes by improving employability. Regardless of the relative disadvantage of the job seeker, if he or she obtains employment then there is a strong chance of remaining in employment. As discussed in Chapter 2, both Australian and overseas evidence supports this argument.

The survey findings on the sustainability of Intensive Assistance also provide important indicators of what happens to people after assistance. They do not, however, provide information on either the dynamics of labour force participation or the important issues of return to income support and when this occurs relative to time in assistance. These dynamics can be measured, to a limited extent from an examination over time of exit rates (measured in terms of the proportion of job seekers who leave the income support register relative to the date of referral to Intensive Assistance) and the rate of return to income support.

Figure 4.2 presents data for a cohort of job seekers referred to Intensive Assistance in the June quarter of 1999. These job seekers were tracked for 30 months after referral. Consistent with expectations, the proportion that left the register increased over time (but at a rate that slowed over the period), and those who started assistance were less likely to exit than those who did not (consistent with these being the more disadvantaged job seekers and harder to place in work).

Figure 4.2: Job seekers referred to Intensive Assistance: off-benefit exit rate and return rate by month after referral and commencement status¹



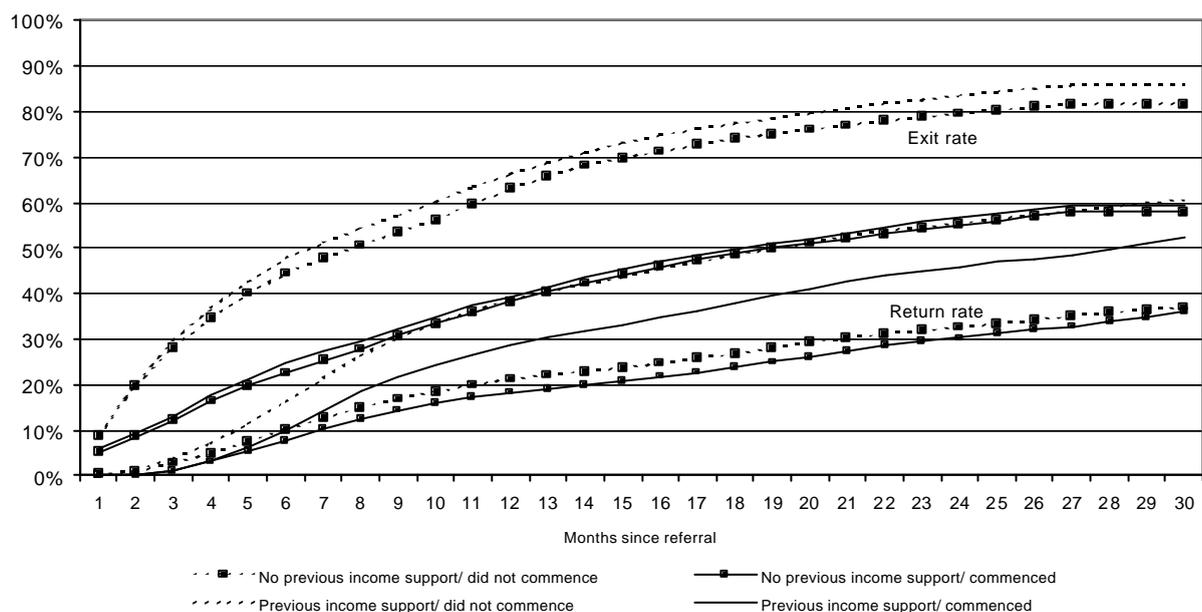
¹ A maximum of one exit and return is recorded for each job seeker. The return rate refers to job seekers who have left income support and returned at some time. It may not reflect a job seeker's current income support status.
Source: Integrated Employment System

Job seekers returned to income support at a stable rate after referral. After 15 months, about 31% of those referred to Intensive Assistance who exited after referral had returned to income support and after 30 months, this proportion was about 50%. The corresponding proportion for job seekers who commenced Intensive Assistance was about 45% after 30 months. It is not clear from the analysis at this stage whether the lower rate of return to income support among Intensive Assistance participants (relative to job seekers who do not participate) is due to the benefits of assistance or from participation delaying the process of exit and return.

Exit and return to benefit rates could be expected to differ according to the characteristics of job seekers. Figure 4.3 illustrates this for those with and without previous episodes of income support. Among those referred to assistance, the figure also distinguishes job seekers who commenced assistance from those who did not. The figure shows that differences in exit rates reflect commencement status rather than previous episodes of income support. The exit rates for those who commenced assistance were similar for those with and without previous episodes of income support.

For the return to benefit rate, the pattern is different. Job seekers with no previous episodes of income support were less likely to return to benefit, irrespective of participation in Intensive Assistance. Thirty months after referral, about 36% of those without a previous episode of income support and who left income support after referral had returned to benefit. For those with a previous income support history (presumably the more disadvantaged), participation in Intensive Assistance actually slowed their rate of return to benefit. For those who commenced assistance and then exited income support, just over 50% had returned to income support within 30 months of their referral to Intensive Assistance. The proportion for those who did not commence assistance was almost 60%. The lower rate of return for those who commenced assistance is a positive finding, but difficult to interpret without further analysis.

Figure 4.3: Job seekers referred to Intensive Assistance: off-benefit exit rate and return rate by month after referral and commencement status and whether or not a previous period of income support¹



¹ A maximum of one exit and return is recorded for each job seeker. The return rate refers to job seekers who have left income support and returned at some time. It may not reflect a job seeker's current income support status.

Source: Integrated Employment System

The distribution of exits following referral to Intensive Assistance, shown in Figures 4.2 and 4.3, was similar to that found for Job Search Training (see Figures 3.4 and 3.5), although the difference in off-benefit rates for those who commence compared with those who did not commence assistance was greater in the case of Intensive Assistance. This was due largely to the lower exit rate for Intensive Assistance commencements relative to Job Search Training commencements—which is to be expected, since Intensive Assistance participants are more disadvantaged than those in Job Search Training. Again, the distributions of return to benefit

were similar for both forms of assistance, but the rate of return was higher for Intensive Assistance in the case of those with previous episodes of income support.

4.2.4 The impact of Intensive Assistance

Evidence from both Australia and overseas suggests that relatively few interventions for disadvantaged job seekers appear to achieve very substantial impact. Generally, only a small minority of those who participate find a job directly as a result of an intervention (DEWRSB 2000a, p. 87).⁶⁷ OECD reviews of the effectiveness of active labour market policies (Fay 1996 and Martin 2000) conclude that while active intervention policies have mixed results in increasing the employment and earnings prospects of job seekers, at best the individual gains are limited.⁶⁸

In a similar vein, Meagar and Evans (1997) have highlighted a degree of scepticism in the literature about the magnitude of the impact of policies for the most disadvantaged, noting that there is little evidence on the extent to which interventions result in sustainable jobs or whether people return to the register after the intervention. The issue is complicated by the fact that estimates of programme impacts may, to a substantial degree, reflect the timing of evaluations. The US Department of Labor (1995), for example, has argued that many successes have come from programmes that have been operating for five years or more before being evaluated—suggesting that a build-up of knowledge and experience may be an important ingredient. In this regard, it needs to be remembered that Job Network has only operated for four years.

Measuring net impact

Net impact, as discussed in the previous Chapter, provides a measure of programme effectiveness which attempts to control for outcomes that would have occurred in the absence of assistance. It does this by comparing the employment rate of job seekers involved in a labour market intervention (a programme group) with those of a group that (as far as possible) has not experienced this intervention (a control group). While net impact ideally seeks to measure the difference between an intervention and no intervention, in Australia this is virtually impossible because most job seekers are eventually referred to some form of assistance and most of those eligible for referral are required to undertake job search activity.

As discussed in Chapter 3, net impact measures the cumulative effect of three elements:

- a *compliance effect* which results from referral to a programme and derives from the fact that some job seekers increase job search activity or report existing activities to avoid the requirements of participating in a programme;
- a *programme effect* which represents the ‘value added’ from participation in the programme; and
- an *attachment effect* which derives from a reduction in job search activity that results from actual participation in a programme.

By measuring net impact from referral it is possible to capture these three effects.

Accurately measuring net impact relies on a valid control group. Unlike a number of overseas countries (particularly the United States) Australia has not adopted an experimental design

⁶⁷ The GAIN programme operating in Riverside County of California is often cited as a successful welfare-to-work program. It achieved an employment net impact of 7% (Lawson 1997).

⁶⁸ Martin (Martin 2000) reports that much of the evaluation literature relates to the United States and Canada with few European countries having carried out rigorous evaluations until recently, with the exceptions of Norway, Sweden and the United Kingdom.

approach that involves randomly assigning job seekers to programme and control groups. As discussed in the previous chapter, this approach, if carefully designed and implemented, offers the most rigorous method of measuring net impact. Random assignment can control for traditionally unobservable factors, such as level of motivation, attitudes and presentation, which are likely to have a substantial impact on outcomes. In practice, however, random assignment is far from easy:

- job seekers and providers may change their behaviour if they know they are part of an experiment;
- it may create ethical problems in the presence of entitlement programmes and providers may be reluctant to endorse an approach that denies or delays the provision of assistance to a disadvantaged job seeker; and
- there may be a legal impediment to denying assistance to job seekers on income support when they are required under the Activity Test to look for work and take steps to improve their employability.

Instead of random assignment, Australian evaluations have used a ‘matched comparison group’ approach to control for observable characteristics likely to influence employment prospects, such as gender, age and duration of unemployment. Regression analysis has been used to control for variations in other factors such as level of education, location and previous labour market programme participation. Unlike an experimental design, matched comparison groups can only achieve partial control over unobservable characteristics.

The key issue for accurately measuring net impact, when using matched comparison groups, is the extent to which there are differences between the control and treatment groups, which contribute to post-assistance outcomes. The Department of Employment and Workplace Relations (DEWR) has now developed preliminary measures based on a revised methodology for measuring net impact. These involve selecting control groups at the point of referral to and commencement in assistance, depending on the form of net impact being measured. As noted earlier, however, it is possible that members of the control group will be referred to or will commence in other programmes (even including Intensive Assistance) after being selected in the control group, and that outcomes for this group will be affected by these events.⁶⁹ This will potentially reduce net impact if the participation in the assistance by members of the control group increases their probability of finding a job. Analysis of the control group for measuring the impact from referral to Intensive Assistance indicated that a very substantial proportion (more than one-third⁷⁰) were subsequently referred to Intensive Assistance in the 12 months after selection in this group. In addition, a smaller proportion of the control group were referred to other forms of assistance, such as Work for the Dole.⁷¹ These factors underline the tentative nature of the estimates, suggesting the need to focus on them more as broad indicators rather

⁶⁹ This leakage from the control group is not unique to the matched comparison group methodology. It can arise in an experimental approach where job seekers randomly assigned to the control group subsequently participate in other forms of assistance.

⁷⁰ Currently estimated to be 39%.

⁷¹ On the other hand, including in the control group job seekers who have not been referred to Intensive Assistance because they have employment barriers that make them not ready for this type of assistance will understate the control group’s employment outcomes and increase net impact. This proportion, however, is likely to be smaller than the proportion of the control group referred to Intensive Assistance. Examining the reasons why job seekers referred to assistance do not commence can also help in understanding potential differences between the programme and control groups. About 40% of job seekers referred to Intensive Assistance do not commence. Reasons for non-commencement may reflect employment barriers that are different from the barriers faced by those participating in Intensive Assistance. In an attempt to obtain a better understanding of these reasons, DEWRSB surveyed a sample of those who had not commenced in Intensive Assistance three months after referral. Some 34% had found employment after referral (a third of these in fact responded that they were already employed *at* referral) and 19% cited injury or ill health as the reason for non-commencement. Nine per cent cited caring responsibilities as the reason, while 10% reported they were told they were no longer eligible to participate.

than as precise measures of the actual magnitude of net impact. Moreover, they are especially helpful for indicating the *relative* net impact of Intensive Assistance on different groups.

Interpreting the findings

The results reported below estimate the net impact on a job seeker's employment prospects of referral to and commencement in Intensive Assistance. Impacts are measured in terms of the proportion in employment at a point-in-time—12 months after either referral to, or commencement in, assistance. The estimates provide no insights into the relative effectiveness of the different services provided under the Intensive Assistance umbrella, nor do they reflect the dynamics of labour market experience and the possibility of longer-term benefits from participation. It should also be noted that by measuring net impact 12 months after either referral to or commencing in assistance, some job seekers will still be participating, since Intensive Assistance can last more than 12 months. Future estimates will seek to overcome this factor.

Within Intensive Assistance, job seekers receive various forms of help (at different levels of intensity), depending on the flexibility of providers to tailor services to individual needs and on the diversity of approaches between providers. Assistance can include counselling, training, work experience or various combinations of these. This variety complicates any simple interpretation of the overall net impact findings since there may also be considerable variation in net impact depending on the type of assistance received. From a policy perspective, the ideal situation would be to separately estimate net impact for each type of assistance received in Intensive Assistance, in conjunction with the alternative strategies adopted by the different providers offering this assistance. This is not currently possible.

Generally, compliance and programme effects may be expected to be positive, whereas the attachment effect, by definition, would be negative. This implies programmes should seek to minimise any attachment effect while maximising compliance and programme effects.

The size of the attachment effect will vary from programme to programme, depending on the duration of assistance. Thus, as noted in the previous Chapter, Job Search Training (which lasts 15 days) would be expected, on average, to have a lower attachment effect than Intensive Assistance, which can last over 12 months.⁷² For participants in Intensive Assistance, the attachment effect will be influenced by their response to the assistance. Where the participant undertakes activities which limit their time for job search, the effect may be more prevalent in the early months of assistance. At this time, contact between provider and job seeker is more frequent and intense (DEWRSB 2001d). In other circumstances, job seekers may reduce their job search activity because their specified activity requirement is low or is not being closely monitored; or because they may believe their Intensive Assistance provider will find a job for them.

As discussed in Chapter 3, the relative strengths of attachment and programme effects can change over time, suggesting that, for some job seekers, shorter-term impact of a programme could be a poor guide to longer-term impact. For many job seekers there is evidence that a job in the short-term is crucial to having a job in the longer-term. Moreover, some job seekers progress to better quality jobs over time (discussed in Chapter 2). Participation in a programme may also produce longer-term benefits which are not always evident in the short-term. More research is

⁷² As noted earlier, the average duration of Intensive Assistance participation is eight months for level A job seekers and nine months for level B job seekers.

needed of the longer-term benefit of investing in skills development relative to taking-up a job in the short-term.⁷³

The net impact of Intensive Assistance

Previous studies have measured employment net impact from the point of exit from assistance (DEETYA 1997).⁷⁴ Using this methodology, the employment net impact of Intensive Assistance was estimated to be 13.6 percentage points. This compares very favourably to an average net impact of about nine percentage points for the labour market programmes replaced by Intensive Assistance. These results, because they are based on the same methodology, are the only direct comparisons of employment net impact available between Intensive Assistance and the programmes it replaced that operated in the mid-1990s.

Drawing on the revised methodology, the preliminary estimate for the employment net impact of Intensive Assistance for job seekers *referred* in May 2000⁷⁵ was 2.2 percentage points (Table 4.5). This was the difference between the actual employment rate (just over 28%) for those referred to Intensive Assistance and the estimated employment rate of the control group (just under 26%). The estimated employment net impact of Intensive Assistance for job seekers who *commenced* in May 2000 was just over half a percentage point.⁷⁶ This was the difference between the actual employment rate (25.6%) and the estimated employment rate of the control group (25%). From the preliminary estimates in Table 4.5 it is possible to derive a compliance net impact, which was estimated to be almost 2 percentage points.

- It must be noted that, because of the difficulties discussed above in the construction of the control group, these estimates of employment net impact are likely to be under-stated. Moreover, it is not possible to obtain comparable estimates using the same methodology for programmes that previously operated. Consequently, no conclusions should be drawn from these estimates about the relative effectiveness of Intensive Assistance compared to the programmes that it replaced. As noted above, any such comparisons must rely on net impact estimates developed on the old (*post-exit*) basis.

The preliminary estimates of net impact derived using the revised methodology could be expected to be considerably lower than net impact estimates based on the previous method (DEETYA 1997). This is mainly because the new methodology captures attachment effects, not measured in the former approach, but which typically reduce the measure of net impact.

Given their preliminary and limited nature (eg, the factors contributing to understatement), and that further research is warranted to refine them, undue emphasis should not be placed on the new estimates. Within these limitations, it is interesting to examine the relative net impact findings for different job seekers characteristics—increasing with age, but declining with education. Generally, net impact was found to be higher for the more disadvantaged job seekers,

⁷³ A related issue is the situation where a job is not the immediate objective of an intervention. In this case, an attachment effect may be of secondary concern to the potential benefits to the community from improved infrastructure and social cohesion.

⁷⁴ Previous studies have also measured the net impact on income support status of Intensive Assistance from referral and from the point of exit from assistance (DEWRSB 2001c).

⁷⁵ Net impact from referral to Intensive Assistance was measured by recording the employment outcomes of a sample of 2402 survey respondents who had been referred to Intensive Assistance in May 2000. These employment outcomes were compared with predicted outcomes based on a matched comparison group of the same size that had not been referred to, or participated in, the programme in the previous six months. Employment outcomes were recorded 12 months from referral to Intensive Assistance.

⁷⁶ Net impact from commencement in Intensive Assistance was measured by recording the employment outcomes of a sample of 1332 survey respondents who had commenced Intensive Assistance in May 2000. These employment outcomes were compared with predicted outcomes based on a matched comparison group of the same size that had not been referred to, or participated in, the programme in the previous six months. The Intensive Assistance participants included both those who completed their placement and those who left early. The comparison group consisted of job seekers in receipt of Newstart and Youth Allowance (Other) at the end of May 2000. Employment outcomes were recorded 12 months from commencement in Intensive Assistance, in May 2001.

which confirms the desired impact of the programme (Table 4.5). This is so even though these job seekers have lower recorded post-assistance outcomes from Intensive Assistance than other job seekers. Job seekers with less than year 10 education, for example, were found to have a net impact from referral of more than double the average for all Intensive Assistance participants, which is significant at the 95% confidence level, and a net impact from commencement that is three times that of all participants.

Table 4.5: Employment net impact (indexed¹) of Intensive Assistance by job seeker characteristics

Job seeker characteristics	Net impact from:	
	Referral ²	Commencement ³
	<i>Percentage points</i>	
Gender		
Female	99	101
Male	101	100
Age group (years)		
15–24	92*	95*
25–44	101*	103*
45 and over	103*	99*
Duration on income support (months)		
Less than 12 months	98*	98
12–24 months	101*	97
Two years and over	101*	102
Educational attainment		
Less than year 10	103*	101
Year 10	100*	102
Year 12	96*	98
Trade/TAFE	97*	96
Degree	97*	na
Labour market strength		
Strong	101	98
Moderate	99	100
Weak	100	101
Equity groups⁴		
Non-English-speaking background	102	101
With a disability	102	103
Previous labour market programme	100	102
Total	100	100

* significant at the 95% confidence level.

1 Expressed as the percentage point difference between the total net impact estimate (ie, 2.2 percentage points for net impact measured from referral and 0.6 percentage points for net impact measured from commencement) and the estimated net impact for each group.

2 Job seekers referred to Intensive Assistance in May 2000.

3 Job seekers who commenced Intensive Assistance in May 2000.

4 Equity groups are not mutually exclusive.

Source: Net Impact Study

The analysis of net impact suggests that many job seekers employed after either referral to, or participation in, the current Intensive Assistance regime would probably have obtained jobs anyway. As discussed in the previous Chapter, this is referred to as the deadweight cost of a programme—although the limitations apparent in the control group above also apply to any estimation of deadweight. The employment outcome for the control group relative to that of the programme group provides a measure of deadweight. This indicates the overwhelming majority of the job seekers who obtained jobs after participating in Intensive Assistance would have got jobs anyway.

Implications

The net impact findings reported above indicate that, for some job seekers, referral to Intensive Assistance provides a sufficient spur for them to find (or declare) a job. For others, participation in assistance is the difference between them getting and not getting a job. Significantly, those who fit into this latter category are more likely to be the more disadvantaged among job seekers referred to Intensive Assistance. Overall, however, and mindful that the measures are likely to be understated, the estimates suggest a modest net impact for Intensive Assistance. This is broadly consistent with what may realistically be expected, given overseas experience of employment assistance programmes (noting that some programmes can actually have negative net impacts).

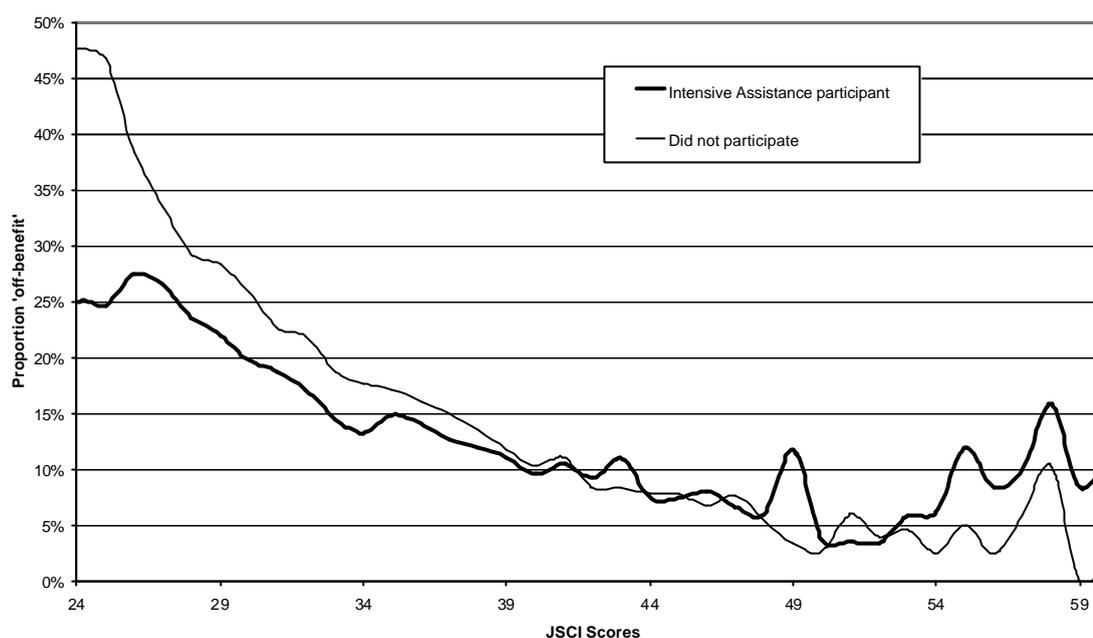
Most of the recorded impact appears to derive from compliance effects rather than from participation in the programme. The difference between net impacts measured from commencement in and after exiting Intensive Assistance indicates that the positive benefits of participating are substantially outweighed by the attachment effect. The magnitude of these negative attachment effects would be affected by the fact that the programme runs for lengthy periods during much of which job search activity may be very low, particularly when compared to those in the control group who remain subject to the normal Activity Test.

These findings carry important implications for the optimal duration of Intensive Assistance, the level of activity required during assistance and the most effective targeting of who is referred. From July 2002, Intensive Assistance will generally be reduced to 12 months while increased scope will exist for providers to re-refer eligible job seekers to other programmes following a detailed upfront assessment.

As to targeting, relevant findings are reflected in the off-benefit exit rates for job seekers in 1999–00. Figure 4.4 shows that job seekers receiving Newstart or Youth Allowances (Other) with a JSCI score of between 24 and about 40—broadly speaking the less disadvantaged group—who are eligible for referral to Intensive Assistance and who participated in Intensive Assistance were in fact less likely to exit income support to employment or education than those who did not participate. On the other hand, for the more disadvantaged (those with higher JSCI scores) the exit rate of participants is marginally ahead of non-participants. The higher exit rate for non-participants with the relatively lower JSCI scores arguably reflects the compliance impact from referral to Intensive Assistance and the continuing influence of the Activity Test.

It appears that there are too many less disadvantaged job seekers (eg, with short unemployment durations) being referred to Intensive Assistance who are capable of achieving outcomes without such assistance. The new JSCI weights introduced from late March 2002 will reduce this considerably, as they favour those with longer unemployment spells being referred into Intensive Assistance. Further consideration of optimal arrangements appears warranted.

Figure 4.4: Off-benefit outcome rates¹ by JSCI score, 1999–00



1 The proportion of registered job seekers at June 1999 on income support known to exit benefit to employment or education at any time in 1999–00 for at least six weeks (if duration of income support was less than 12 months) or 13 weeks (if duration of income support was 12 months or longer).

Source: Integrated Employment System

4.3 Factors associated with greater effectiveness

The above discussion of effectiveness has focused on *how* successful Intensive Assistance has been in meeting its objectives. But for those job seekers whose employability has increased after participation in Intensive Assistance, there is the issue of *what* made this assistance successful. As noted above, not all those who participate in Intensive Assistance obtain an interim outcome or post-assistance employment. Similarly, not all of those who leave assistance to take-up a job achieve a *sustainable* outcome. Establishing the reasons for the variation in outcomes and impact among those who participate in Intensive Assistance has benefits for both policy makers and Job Network providers and ultimately for job seekers.

While availability of jobs is a key determinant of a successful outcome, the level, nature and frequency of services supplied by Intensive Assistance providers are also likely to affect outcomes. The appropriateness of these services is also likely to be a factor in the success or failure of the provider's strategy for a job seeker.

In addition, job seeker characteristics can be critical in determining outcomes. Factors such as the attitude to job search, to the Intensive Assistance providers and to themselves are important. Low self-confidence and lack of motivation, for example, are likely to reduce demand for the services that providers have to offer and the extent to which a person actively seeks work. If providers fail to take these attitudes into account and do not respond with appropriate strategies, their chances of success will be reduced. Employers place strong emphasis on the attitudes of job applicants. Research into employer perceptions of job applicants indicates that reliability (66%) and willingness to work (62%) are two of the most important characteristics.

Feedback from Intensive Assistance providers confirms the importance of job seeker attitudes. Evidence suggests that providers consider the attitude of the job seeker and his or her level of commitment to finding work to be key determinants of how well Job Network can facilitate successful job search. Providers also respond positively to initiative and enthusiasm shown by job seekers, offering such job seekers more assistance and keeping them in mind when job opportunities arise.

The process through which employment outcomes are achieved for individual participants is integral to understanding the overall effectiveness of labour market assistance. These major issues are explored in the following sections through a number of separate analyses:

- the types of assistance and strategies used by high- and low-performing providers.⁷⁷ Preliminary research, reported in the second stage of the evaluation, found that more successful providers placed greater emphasis on getting job seekers to go to interviews and preparing them for job search rather than job-specific skills training. They also focused on improving job seekers' self-confidence and better matching of training to job seeker needs (DEWRSB 2001d). A more comprehensive assessment has since been undertaken. This indicates that the strategies adopted by Job Network member organisations largely determine decisions about whom to assist and the level and intensity of that assistance;
- the relative contributions of supply and demand factors to employment outcomes following Intensive Assistance and the sustainability of these outcomes. Cross tabulations and regression analysis are used to quantify the impact of factors such as client and provider characteristics, employment services received and local labour market conditions; and
- the classification of job seekers into groups or segments based on common attitudes. The aim of such segmentation is to see whether it may give providers insights into more effective tailoring of their services to job seekers—informed by the 'attitude group' to which they have been assigned. One aim of such an approach might be to use resources to get the job seeker to change attitudes and move from a poorly motivated group to one that is more responsive to provider services. This analysis has examined whether there are links between segments and characteristics such as age and duration of unemployment.

4.3.1 The nature and frequency of provider services

Intensive Assistance providers have a large degree of freedom in their choice of strategies to achieve positive outcomes for job seekers. From the perspective of market development and best practice, it is important to identify whether certain strategies are associated with either high or low performance.

Recent research with Intensive Assistance provider organisations identified key factors that were associated with consistently high performance (DEWRSB 2001f). The factors included having skilled staff with appropriate experience who were able to operate with a degree of autonomy; a focus on outcomes,⁷⁸ and a wide range of well-tailored interventions and effective communication channels,⁷⁹ both internally and externally. Organisations with an inclusive approach to performance monitoring, a business orientation and commitment to working with disadvantaged job seekers were also found to perform better.

⁷⁷ As measured by the star ratings system. The performance of Intensive Assistance providers is assessed by DEWR and a star rating is assigned from a 1 to 5 scale on the basis of outcomes. These ratings take into account a number of factors including the level and types of positive outcomes achieved, the characteristics of clients who obtain positive outcomes and the strength of the labour market in which positive outcomes occur. High-performing providers are those with at least a four star rating. Low performers are providers with at most a two star rating.

⁷⁸ This suggests different provider philosophies, an issue discussed in Chapter 6.

⁷⁹ Including partnerships with employers.

Similar factors associated with effectiveness arose from focus groups and interviews with job seekers and providers. This research found that the range of services provided was related to the size of the organisation. Large organisations, especially those offering combinations of Job Matching, Job Search Training and Intensive Assistance, were often more able to offer an expanded range of assistance and were in a better position to cater for the needs of larger employers. Smaller organisations, however, were perceived to provide greater flexibility and customisation.

The qualitative research also highlighted the importance of staff continuity and size of case load. Continuity was seen as important to building a relationship of trust between provider and job seeker. Where the case load was very large there was greater potential (and likelihood) for services to some job seekers to be limited, thereby focussing more attention on those who were easier to assist, which has the same effect as reducing the case load.

The research reported above suggests that the type and level of service does make a difference. To explore these issues further, the characteristics of high- and low-performing providers (in terms of the type and level of services provided, as reported by job seekers) were compared.

High-performing providers were considered more likely (87%) than low-performing providers (80%) to act quickly to meet job seeker needs and generally outperformed their low-performing counterparts on aspects of case management (Table 4.6). Low-performing providers were considered more likely (88%) than high-performing providers (78%) to forward a participation report for investigation by Centrelink, if a job seeker failed to satisfy their activity requirements.

Table 4.6: Job seekers' perceptions of case managers in high- and low-performing providers, 2001

Job seeker perceptions of their case manager	Job seekers from high-performing providers	Job seekers from low-performing providers
	%	
Case manager assistance		
Gave you the time and attention you require	92.6	87.0
Acted quickly to meet your needs	87.3	79.7
Provided accurate and correct information	96.7	90.7
Treated me like a person not a number	92.6	94.2
Reliable and consistent	91.3	87.3
Perceptions of case manager		
Believed I could get a job	86.7	86.3
Would breach ¹ me if I did something wrong	78.1	87.7
Expected too much of me	12.8	11.2
Improved self confidence	67.0	63.2
Provider knew a lot about training I needed	73.3	69.2
Helped me stay motivated to look for work	84.4	80.6

¹ By forwarding a participation report for investigation by Centrelink.

Source: 2001 Job Network Participants Survey

From the perspective of job seekers, there generally appears to be little difference between the types of assistance provided by high and low performers. One exception, however, is that low-performing providers are more likely (21%) than high-performing providers (14%) to send all suitable résumés when attempting to fill a job vacancy (Table 4.7). Qualitative data suggest that more successful providers also have better relationships with employers, and provide a screening function for them among job applicants. Training also seems more likely to be offered by high-performing providers; consistent with earlier research (DEWRSB 2001d) the emphasis in training tends to be more often on training in job search skills.

Table 4.7: Types of assistance and strategies used by high- and low-performing providers, 2001

Types of assistance	High-performing providers	Low-performing providers
	%	
Training received		
Job search skills such as writing résumés, preparing interviews and writing job applications	21.2	16.6
Computing	10.5	10.7
Motivation self help	3.3	3.8
General numeracy/literacy	2.2	0.3
English as a second language	3.1	1.7
Training for a specific job	9.0	4.4
Access to facilities		
Access to JobSearch	85.0	76.9
Access to computer for writing applications	60.4	66.3
Access to newspapers	76.2	70.9
Access to mail facilities – envelopes and stamps	53.2	43.3
Filling vacancies strategy		
Send all suitable résumés	14.2	21.4
Send a limited number of screened résumés	50.3	48.5
Send screened job seekers for interview with employer	29.9	24.3
Referral to vacancy		
Sent to a job interview or spoke to an employer	43.7	28.7
Referral resulted in paid full-time job	30.1	26.8
Interviews		
Prepared for job interview	69.7	62.0
Attended a job interview	61.1	54.5
Special arrangements		
Arrangements with other recruitment agencies	65.4	62.1
Arrangements with employers on an ongoing basis	83.4	83.5

Source: 2001 Job Network Participants Survey

High-performing providers are also more likely (71%) than low-performing providers (59%) to have frequent contact (more than once a fortnight) with their clients (Table 4.8). This greater frequency of contact may help to boost job seeker motivation and maintain a positive attitude to employment prospects.

Table 4.8: Overall satisfaction, frequency of contact and job seeker employment outcomes for high- and low-performing providers, 2001

	High-performing providers	Low-performing providers
	%	
Overall satisfaction	84.6	90.3
Level of contact		
More than once a fortnight	71.1	59.2
Less than once a fortnight	28.9	40.8
Intensive Assistance clients now employed		
Currently work	37.4	37.7
Intensive Assistance helped you to get this job	47.5	10.8
Satisfaction with job	95.0	87.5

Source: 2001 Job Network Participants Survey

4.3.2 The relative strengths of different factors

Analysis of historical data suggests that post-assistance employment outcomes is largely a function of job seekers' characteristics and local labour market conditions. These characteristics, however, are not the only factors associated with variation in outcome levels.

To examine the extent to which other factors (such as the assistance provided by the Job Network provider) influence outcomes and their relative contributions, a survey of Intensive Assistance participants was undertaken early in 2001.⁸⁰

The survey gathered a range of data, including: employment and education status at time of interview; the type of services received from the provider; what (if any) training was undertaken; the frequency and nature of contact between the job seeker and the provider; the type of provider; and the job seeker's perception of what impact Intensive Assistance had on his or her job prospects.

The survey findings are summarised in three tables. Table 4.9 cross-tabulates job seeker characteristics by the types of services that job seekers reported receiving from their Intensive Assistance provider. Tables 4.10 and 4.11 cross-tabulate a range of survey variables against two outcome measures (employment and employment/education). The analysis is limited to observable factors considered to be associated with employment and education outcomes. Where associations occur it is important to note that this may be a reflection of an underlying unobservable relationship.

Table 4.9: Interaction between job seekers and Intensive Assistance providers, 2001

Interaction	Gender		Age group (years)			Duration on income support (months)			All
	Female	Male	< 25	25–44	45 plus	< 6	6–23	24 plus	
	%								
Intensity of contact									
High	55	59	60	56	58	57	61	57	58
Medium	23	20	20	22	20	20	20	23	21
Low	22	21	20	21	22	23	20	20	21
Total	100	100	100	100	100	100	100	100	100
Frequency of contact									
High	38	40	42	42	35	43	42	35	40
Medium	32	33	32	34	31	31	28	37	32
Low	30	27	27	24	34	26	30	28	28
Total	100	100	100	100	100	100	100	100	100
	% receiving different types of assistance/training								
Type of assistance									
Job search	93	93	94	95	91	94	92	94	93
Financial ¹	40	42	49	43	33	44	39	40	41
Personal ²	51	56	59	56	49	55	54	54	54
Work experience	9	7	9	8	6	6	10	9	8
Type of training									
Information Technology	9	6	3	7	10	6	6	9	7
Personal	5	5	5	6	5	5	5	6	5
Language/literacy/numeracy	2	2	3	2	2	2	4	2	2
Job specific	7	8	7	8	6	9	6	7	7

1 Includes assistance with transport and clothing.

2 Counselling and presentation advice.

Source: 2001 Job Network Participants Survey

The nature of contacts between providers and job seekers was examined from the perspective of intensity and frequency. Intensity of contact refers to the nature of the main form of contact between the job seeker and the Intensive Assistance provider. Overall, just under 60% of job seekers reported high (face-to-face) intensity of contact (Table 4.9), while the remaining 40%

⁸⁰ Just over 2000 Intensive Assistance participants who left or who were scheduled to leave during one week in February 2001 were interviewed some 4 to 6 weeks later. Note that the findings rely on the accuracy of job seeker recall. See Attachment B for more detail of the survey.

were split evenly between medium intensity (equal face-to-face and telephone) and low intensity (all other main forms). There was little differentiation among different job seeker groups.

Forty per cent of job seekers had a high frequency of contact with their provider (once a week or more), while the remaining 60% were more or less evenly split between medium frequency (once a fortnight) and low frequency (once a month or less). There was some differentiation, with older job seekers and those with long durations of income support somewhat less likely to have a high frequency of contact.

The great majority of job seekers (over 90%) received job search assistance in the form of help with résumés and interview preparation. Just over half of the job seekers reported receiving some personal assistance (counselling and presentation advice), with younger job seekers more likely to receive this form of assistance. Over 40% of job seekers received financial assistance (including assistance with fares and the cost of special equipment), with older job seekers less likely to receive such help.

Apart from training in job search skills, some job seekers received training in information technology, personal presentation, language/literacy/numeracy, as well as training linked to a specific job. Generally, these different forms of training were provided to less than 10% of job seekers assisted. A similar proportion of job seekers obtained work experience.

Some job seekers reported that they received either no assistance or very little assistance. Four per cent claimed to have received none of the 15 categories of assistance included in the survey. About 10% stated that they had either received no assistance or had only received a discussion about suitable vacancies and help with a résumé. Some of these job seekers may have only been in Intensive Assistance for short periods at the time of the survey.

The relationship between outcome levels and participant characteristics is generally consistent with expectations (Table 4.10). Outcomes tend to deteriorate as level of disadvantage increases. Some exceptions to this general finding include outcomes for females being much the same for those with medium-term and long-term durations of income support; and females with short- and long-term durations having similar levels of employment outcomes. Outcomes for those with a non-English-speaking background were similar to those of other job seekers. Males with degrees had both employment and positive outcome (defined as the sum of employment and education outcomes) levels similar to those of participants who had completed only year 10, suggesting that some other factor is limiting outcomes for these job seekers.

Table 4.10: Outcomes¹ by job seeker characteristics and experience in Intensive Assistance, 2001

Job seeker and provider characteristics	Males		Females	
	Employed	Employed/ education	Employed	Employed/ education
<i>% of job seekers in each category</i>				
Age group (years)				
15–24	36	59	47	66
25–44	41	55	53	70
45 and over	40	49	44	54
Duration on income support (months)				
0-5 months	47	59	51	67
6-23 months	37	53	43	60
24+ months	35	49	48	61
Educational attainment				
Less than year 10	36	43	44	54
Year 10	38	50	47	57
Year 11	43	64	51	68
Year 12	42	67	53	72
Trade/TAFE	51	65	52	73
Degree	31	50	42	67
Indigenous Australian				
Yes	31	49	48	72
No	40	48	54	63
Non-English-speaking background				
Yes	40	43	54	60
No	40	49	54	64
With a disability				
Yes	32	35	42	42
No	42	51	57	68
JSCI score				
Less than 27	42	59	52	68
27–32	46	57	48	63
33 or higher	28	42	42	55
Labour market strength				
Strong	43	55	51	62
Moderate	39	54	51	67
Weak	39	53	45	61
Previous episode of Intensive Assistance				
Yes	37	50	51	62
No	39	57	47	64
Previous episode of Job Search Training				
Yes	43	62	49	75
No	40	53	48	62
Previous episode of Work for the Dole				
Yes	44	60	51	79
No	40	53	48	62
Provider type				
Not community based	41	55	49	64
Community based	37	52	47	62
Provider rating				
High	39	53	51	65
Medium	41	54	46	59
Low	40	56	50	77
Total	40	54	48	63

¹ Measured approximately three months after participation in Intensive Assistance.

Source: 2001 Job Network Participants Survey

Moreover, there is little evidence of variation for either males or females with changes in labour market conditions, a previous episode of assistance, or the type of provider. The level of both intensity⁸¹ and frequency of contact also seemed to make little difference to outcomes. This finding may seem at odds with earlier analysis indicating that most activity and outcomes occur in the early period of assistance (DEWRSB 2001d). It should be reiterated, however, that the findings in Table 4.11 do not control for differences between job seekers, where they live or for the types of assistance they have received.

The cross-tabulations imply, however, a degree of variation of outcome levels with variation in type of service (Table 4.11). Both males and females who received personal assistance (eg, counselling) or job placement/work experience assistance had lower rates of outcomes, suggesting that job seeker disadvantage determines the provision of these forms of assistance (not that they are not useful). There is little evidence of variation in outcomes according to whether core assistance or financial assistance was received. Variation in types of training, however, appeared to exert some impact. Males and females who undertook language/literacy/numeracy training had much lower employment outcomes than those who did not, which also suggests some previous disadvantage. Males who participated in job-specific training had much higher rates of both employment outcomes and overall positive outcomes. Females who received information technology training also had higher employment outcomes. In both of these cases, there is some likelihood that training would have been linked to job offers. Males and females who undertook voluntary work as part of job search activity were much more likely to obtain employment and positive outcomes.

In order to establish the statistical significance of these factors on outcomes in a multivariate context (controlling for the influence of other variables), the data were examined using a logistic regression approach. The results from this analysis are presented in Table 4.12, in terms of the increase in the probability of an outcome associated with a particular explanatory variable. These marginal probabilities are calculated relative to the probability of an outcome for a reference person.⁸² Separate regressions were estimated for males and females. Only statistically significant explanatory variables are displayed.

⁸¹ Intensity was measured as high if the main form of contact was face-to-face, medium if both face-to-face and by telephone, and low if mainly by phone or mail.

⁸² For both males and females the reference person is aged under 25, did not complete year 10, did not come from a non-English-speaking background, was not an Indigenous Australian, did not have a disability, had not commenced a previous period of Intensive Assistance, was not serviced by a community-based provider, had a low 'star' provider, had a low frequency of contact with the provider, had a low intensity of contact with the provider, did not receive core assistance, did not receive financial assistance, did not receive personal assistance, did not receive job placement assistance, did not undertake community or voluntary work as part of job search, was neutral as to whether Intensive Assistance had improved job prospects, had an unemployment duration of less than six months, had not undertaken Information Technology training, had not undertaken personal training, had not undertaken language/numeracy/literacy training, had not undertaken job training, was in a 'weak' labour market region and had a JSCI score of 26 or less.

Table 4.11: Outcomes¹ by job seeker characteristics and experience in Intensive Assistance, 2001

Type and level of assistance and perception of Intensive Assistance	Males		Females	
	Employed	Employed/ education	Employed	Employed/ education
<i>% of job seekers in each category</i>				
Intensity of contact				
High	38	52	44	60
Medium	41	55	52	66
Low	45	59	55	68
Frequency of contact				
High	41	51	45	62
Medium	37	54	50	66
Low	41	58	51	63
Received core assistance²				
No	35	55	50	64
Yes	40	54	48	63
Received financial assistance				
No	37	52	48	63
Yes	43	56	49	64
Received personal assistance				
No	40	56	50	67
Yes	39	52	47	60
Received job placement assistance				
No	40	55	50	65
Yes	32	45	33	51
Undertook voluntary work				
No	35	50	42	59
Yes	59	68	65	74
Received Information Technology training				
No	40	54	47	63
Yes	40	57	61	68
Received personal training				
No	40	54	48	64
Yes	41	52	46	57
Received language/literacy/numeracy training				
No	41	57	49	63
Yes	16	47	31	56
Received job-specific training				
No	39	52	49	63
Yes	52	72	44	62
Intensive Assistance improved job prospects				
Agreed	40	55	49	65
Neutral	34	47	38	60
Disagreed	43	53	49	58
Total	40	54	48	63

1 Measured approximately three months after participation in Intensive Assistance.

2 Includes assistance with the Internet, identification of skill needs, references and help with résumés and job applications.

Source: 2001 Job Network Participants Survey

This analysis suggests that being aged 45 and over (relative to a person aged less than 25) is estimated to decrease the probability of a positive outcome by about 9 percentage points for males and females. Compared to an otherwise similar female job seeker who has not completed year 10, completing year 12 is estimated to increase the probability of an employment outcome by about 6 percentage points. A high frequency of contact was estimated to reduce the probability of a positive outcome for males by 8 percentage points, a counter-intuitive result which may reflect the existence of unobservable characteristics such as low motivation.

The receipt of work experience assistance was estimated to reduce the probability of employment by 10 percentage points for males, and 19 percentage points for females. Participation by males in language/literacy/numeracy training was associated with a reduced probability of employment by a similar level. Again, these findings are likely to reflect the relative disadvantage of those who receive such assistance, rather than the impact of the assistance itself—although the relative weight of these factors is unknown. Participation in *voluntary* work as part of job search boosted the probability of both employment and positive outcomes for males and females. It was estimated to increase the probability of employment by 24 percentage points for females, and 27 percentage points for males. This may reflect the level of motivation of the job seeker, as well as the skills and contacts made through voluntary work.

Compared to being unemployed for less than six months, being unemployed for more than two years decreased the probability of employment and positive outcomes by 8 percentage points for males. Undertaking specific job training increased the probability of both types of outcomes for males. The presence of a disability reduced the probability of both an employment and positive outcome for males and females, with the reduction being greater for females.

Compared to an otherwise similar job seeker with a JSCI score of 26 or less, male job seekers with a level B classification had a decreased probability of an employment outcome of 8 percentage points. The fact that the JSCI variable exercised a statistically significant impact suggests that the score reflects a range of factors other than those of a standard demographic nature.

Table 4.12: Marginal effects on the probability of employment and employment/education, 2001

Type and level of assistance and perception of Intensive Assistance	Males		Females	
	Employed	Employed/education	Employed	Employed/education
	<i>Change in probability</i>			
Aged 45 and over	ns	-0.09	ns	ns
Unemployed for 6 to 23 months	-0.08	ns	-0.11	ns
Unemployed for 2 years or more	-0.08	-0.08	ns	ns
Year 11	ns	0.15	ns	ns
Year 12	ns	0.18	ns	0.06
Trade/TAFE	0.11	0.20	ns	ns
Indigenous Australian	-0.11	ns	ns	ns
With a disability	-0.07	-0.12	-0.17	-0.19
Funding level B	-0.08	ns	ns	ns
Provider rating of medium	ns	ns	ns	-0.14
Community provider	-0.05	ns	ns	ns
High frequency of contact	ns	-0.08	ns	ns
Received financial assistance	0.08	0.06	ns	ns
Received personal assistance	ns	ns	ns	-0.07
Received work experience	-0.10	-0.15	-0.19	-0.12
Information Technology training	ns	ns	0.19	ns
Language/literacy/numeracy training	-0.19	ns	ns	ns
Specific job training	0.11	0.18	ns	ns
Undertook voluntary work	0.27	0.19	0.24	0.08

ns: not significant at the 95% confidence level.

Source: 2001 Job Network Participants Survey

4.3.3 Attitudes and job search activity

Attitudes and behaviour will also influence the effectiveness of assistance. The previous analysis only takes these factors into account in an indirect manner. Attitudes will be reflected in the level of job search activity and responsiveness to the strategies offered by the Intensive

Assistance provider. The success of these strategies can be expected to be affected by the extent to which they address and/or acknowledge the attitudes of the job seeker. Optimally, providers would tailor their strategies having due regard to the attitudes, motivations and behaviours of job seekers.

Stage 2 of the Job Network evaluation reported that optimism about finding a job and pro-active job search declined as duration of unemployment increased (DEWRSB 2001d). The frequency of contact between Intensive Assistance participants and their employment officers, as noted above, also declined somewhat as duration of unemployment increased, notably in the case of those that had been receiving high frequency contact. Regression indicates that in most cases there is not a strong relationship between the level of contact and outcomes, when other factors are controlled for.

The comparative study of high- and low-performing Intensive Assistance providers (reported above) found that the more successful providers had greater contact with job seekers and worked hard to establish good rapport with them. Low-performing providers were more likely to provide a standardised and limited range of assistance for job seekers. Earlier research indicates that many providers adopt strategies that require self-reliance and initiative from job seekers (DEWRSB 2000a and DEWRSB 2001f). An approach based on self-reliance may be appropriate for the less disadvantaged job seekers in Intensive Assistance, but could be less successful for the more disadvantaged. This may also be the case for those who see participation in Intensive Assistance as a compliance activity, rather than a pathway to improved employment prospects.

There is also likely to be considerable variation in attitudes to job prospects and job search among the job seeker population who pass through Intensive Assistance. If groups with broadly similar characteristics can be identified, then strategies that address the attitudes and job search behaviours of each of these groups could be developed and implemented. This would not rule out individual tailoring, but may help to avoid inappropriate strategies. Groups would not be assigned permanently, as people are likely to change groups through self-initiated change and development, and as a result of intervention by Intensive Assistance providers.

To find out more about job seekers' attitudes and to determine whether these could be presented in a logical framework, job seekers were interviewed about their personal attitudes, desires and experience. This qualitative study formed the basis for a conceptual model of the attitude segments existing among job seekers. The study found that there appears to be at least two key dimensions that differentiate job seekers: motivation (in terms of job search activity and desire for a job) and limitation (in terms of the types of jobs applied for and the types of job search methods used). Within this framework, eight job seeker segments were identified (Figure 4.5).⁸³

Following this, a set of attitudinal statements⁸⁴ was developed to enable a classification of job seekers into these eight different segments. These statements were used in a survey⁸⁵ of over 900 Intensive Assistance participants to quantify the model of job seeker segmentation.

- Segment 1 contains those job seekers who are doing everything they can to find work. They are confident, motivated and open to any job opportunity and to different job search methods. They want to work, dislike being unemployed and are optimistic that they will find work

⁸³ It should be noted that the labels used to describe these segments are preliminary.

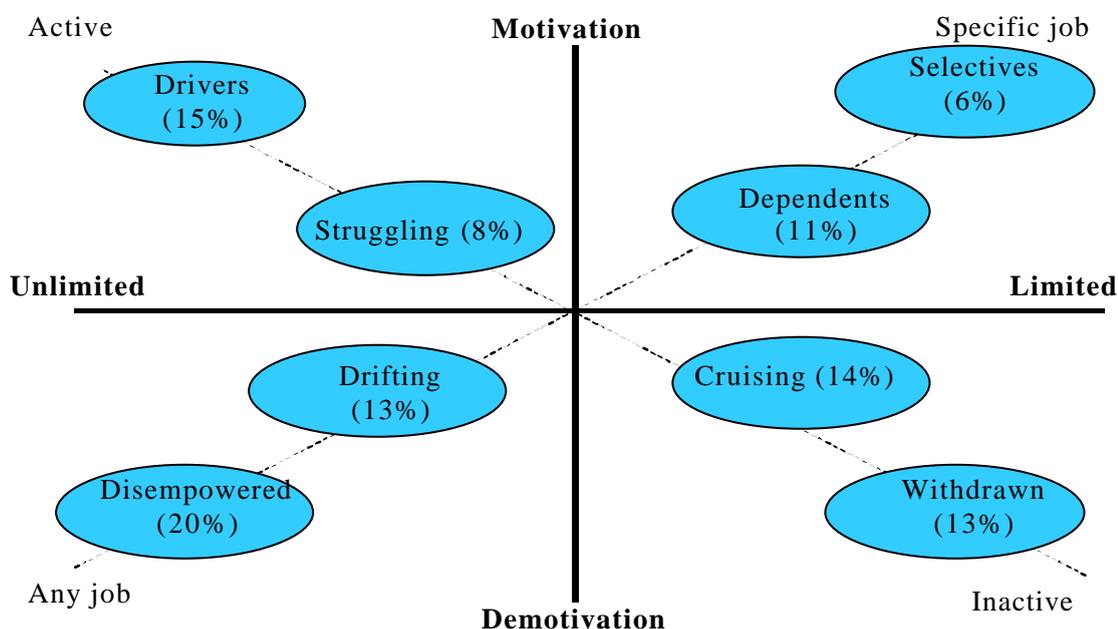
⁸⁴ Statements related to looking for work, the type of job wanted and attitudes to employment and unemployment.

⁸⁵ This survey was conducted as part of the Job Seeker Evaluation of Employment Services (Centrelink) Survey 2001.

soon. This group accounts for about 15% of job seekers. They could be described as *drivers*. Segment 2 (about 8%) contains job seekers who are willing, motivated and actively looking but have less confidence and may use more limited job search techniques, perhaps due to rejection from unsuccessful job search attempts. Overall, they are *struggling*.

- Some job seekers are unsure about what sort of job they want or how to go about looking for a job. They are, in effect, *drifting*. They may be too shy to get a job on their own or feel they need help to get a job. The group with this primary characteristic comprised about 13% of job seekers. About 20% of job seekers have lost motivation and self-confidence completely. They feel *disempowered* with many barriers to getting a job. They have often experienced rejection and perceived discrimination, and are resigned to never getting a job and hence are less active in looking.
- Other job seekers are motivated but have placed specific limits on the type of job they want. They are very *selective* about their future employment. They have specific criteria the job must meet - such as the type of work, the hours or level of remuneration. They are actively looking for a particular job and feel confident they will get it. These people comprised 6% of job seekers. Some job seekers have had this attitude previously but are now losing optimism and motivation. Finding the right job is difficult, but they are only open to other job opportunities or job search activities that they are completely comfortable with. They are dependent on assistance to help them find the 'right' job. These *dependents* comprised about 11% of job seekers.

Figure 4.5: Segmentation classification of Intensive Assistance participants



Source: Job Seeker Evaluation of Employment Services (Centrelink) Survey 2001

- Some job seekers (for some period at least) appear to opt to remain unemployed (or under-employed). They are not motivated to find full-time work and are not active in searching for work other than to meet their obligations at Centrelink. They may, in effect, be seen as *cruising*. This group accounts for about 14% of job seekers. Finally, there are those job seekers who are not motivated and not looking for work because they believe that they are unable to work, or should not have to work, because of health conditions or other barriers. These are referred to as the *withdrawn* (about 13% of job seekers).

It is interesting to ask whether there is any correlation between these attitude groupings and the more traditional demographic characteristics. Table 4.13 presents a breakdown of the characteristics of each group but this does not provide strong evidence in support of such an hypothesis.

Table 4.13: Segmentation group by job seeker characteristics for Intensive Assistance participants, 2001

Job seeker characteristics	Segment							
	Drivers	Struggling	Drifting	Disempowered	Selectives	Dependents	Cruising	Withdrawn
	%							
Gender								
Female	11	8	16	19	4	12	14	15
Male	17	8	11	21	8	10	15	11
Age group (years)								
Less than 25	21	6	18	17	4	12	13	10
25–44	15	8	13	20	8	11	15	10
45 or more	10	9	11	23	6	9	14	18
Female								
Less than 25	16	9	19	15	3	15	14	9
25–44	11	6	15	21	5	12	16	14
45 or more	8	9	17	20	3	10	12	22
Male								
Less than 25	25	4	17	18	4	10	12	11
25–44	18	9	11	19	10	11	15	7
45 or more	12	10	7	24	8	9	15	15
Educational attainment								
Below Year 11	16	8	12	21	4	10	15	14
Years 11–12	15	6	15	18	7	14	15	11
Post-secondary	13	10	12	20	11	8	13	12
Duration on income support (months)								
<= 6 months	18	9	12	21	8	10	11	11
6–12 months	15	6	18	21	4	12	13	13
12–24 months	15	10	12	16	7	7	18	15
24 months plus	12	7	12	21	6	13	16	13
Female								
<= 6 months	12	10	17	18	6	11	12	15
6–24 months	12	5	18	18	2	9	18	18
24 months plus	10	8	15	21	5	17	12	13
Male								
<= 6 months	22	9	10	22	9	10	11	8
6–24 months	17	10	12	19	9	9	14	11
24 months plus	13	6	11	20	7	11	19	14
Total	15	8	13	20	6	11	14	13

Source: Job Seeker Evaluation of Employment Services (Centrelink) Survey 2001

A number of consistent patterns are, however, worth noting. Older males are less likely than younger males to be in both the *drivers* and *drifters* segments. Older females are more likely than younger females to be in the *withdrawn* segment. Males with income support durations of less than six months are more likely to be in the *drivers* segment and less likely to be in the *withdrawn* segment than those with longer durations. Males on income support for two years or more are more likely to be in the *cruising* segment than those with shorter durations.

While the usefulness of this segmentation approach is still being assessed,⁸⁶ preliminary indications are that it could prove useful in improving our understanding of the disposition and needs of different job seekers, and thereby help in targeting assistance appropriately.⁸⁷ With a better understanding of the client, programme managers and service providers would be in a better position to refine levels and types of assistance, to ensure that services meet the needs of the individual job seeker, and to achieve the desired response that improves employability. In the longer term, the approach may also assist in providing a more informed assessment of effectiveness. In addition, there may be scope for this sort of information to improve the JSCI classification process.

One likely conclusion is that a self-reliance strategy is unlikely to be appropriate for all. A significant proportion of Intensive Assistance participants are having particular difficulty in their job search, and appear to have effectively ‘withdrawn’ from job search. A self-reliant approach to job searching may well be inappropriate for these people. Changes to Intensive Assistance as part of the AWT package will go some way towards addressing this issue in the future. More intensive upfront assessment will occur for those referred to Intensive Assistance and, as a result, some will be re-referred to other programme assistance before any continuation in Intensive Assistance. For example, those who are identified as having low motivation could be referred to Work for the Dole or Community Work. Those who are identified as having significant non-vocational barriers that affect their capacity to benefit from Intensive Assistance will be referred to the Personal Support Programme—the enhanced and expanded replacement for the Community Support Programme, starting in July 2002.

4.4 Incentives in the Intensive Assistance fee structure

The research reported above and in earlier stages of the evaluation (DEWRSB 2000a and 2001d) suggests that the assistance provided under Intensive Assistance, and the activities that job seekers pursue as a result, do not work well for all job seekers. This is particularly the case for those who have been in assistance longer and who are more disadvantaged. While some job seekers indicate that they received a good level of support and assistance (in line with or exceeding their expectations of the service), some others received very little. In qualitative research, providers confirmed that they often ‘give up’ on job seekers who are too hard to assist. They indicated that they were extremely unlikely to obtain employment for these job seekers and that their time would be better spent helping others. Such ‘hard-to-help’ job seekers receive the minimum assistance required to meet contractual obligations.

Job seekers who were more likely to fit into this category included:

- people with physical barriers ranging from mild physical disabilities through to those who have serious drug dependencies;
- people with emotional barriers ranging from lack of motivation, through to mild mental disabilities;
- older job seekers, particularly those who have low skills and/or a low propensity to learn new skills; and

⁸⁶ Preliminary analysis of the relationship between outcomes and attitudes was undertaken in the context of an econometric model which also included the JSCI score. The analysis found that there was an association between measured attitudes and employment outcomes. Four of the eight segments (‘drivers’, ‘struggling’, ‘cruising’ and ‘withdrawn’) were found to be significant.

⁸⁷ It is important to ensure, however, that this approach does not result in providers adopting a group approach in dealing with clients.

- people who have been unemployed for a long time. Often these job seekers have previously received Intensive Assistance from other providers. The fact that they have been unemployed for an extensive period can, of course, reflect the influence of other factors.

Intensive Assistance consultants perceived that they were often under pressure to achieve outcomes, not only to ensure the financial viability of their organisation, but also to boost their *star rating* for contract renewal purposes. This meant that some providers who wanted to help those most in need were under financial pressure to focus on those job seekers who were more likely to obtain an employment outcome. In addition, the bias in the fee structure toward employment outcomes may, in some cases, favour the pursuit of short-term employment outcomes over training and educational outcomes which may, in the longer-term, be of greater benefit to job seekers.

As noted earlier, the fee structure for Intensive Assistance is intended to provide incentives for providers to pursue outcomes for *all* their clients. But the fee structure is not the only incentive and does not operate in isolation from other ones. The current incentives in Intensive Assistance include:

- The process for awarding contracts for the provision of Intensive Assistance. This is weighted towards relative performance.
- The publicly available nature of the star ratings that prospective Intensive Assistance clients can use to assist them in their choice of Intensive Assistance provider.
- The fee structure itself which, while providing a commencement payment, gives most weight to employment outcomes that reflect non-receipt of income support (other than family assistance), and greater weight to such outcomes for the more disadvantaged level B clients. The percentages for commencement payments have been reduced considerably from the first to the second Job Network contracts and can be as low as 23% for both level A and level B clients (Attachment C contains more details on the current fee structure).
- Client turnover—while the fee structure is weighted towards securing outcomes, the upfront fee, payable on each commencement, gives the Job Network member an incentive to get job seekers off their books quickly. Strategies used by providers to increase turnover are discussed further in Chapter 6.

The services provided to Intensive Assistance clients are not driven just by the short-term profit or loss associated with a particular client. Contractual obligations apply, as do longer-term profit and contract renewal considerations. These obligations were strengthened under the second contract with the introduction of the Declaration of Intent. Failure to provide the services specified in this Declaration can lead to the exclusion of a provider from the Job Network system.

This section discusses whether the fee structure provides an explanation of what is happening in Intensive Assistance. It uses results from modelling that simulates revenue and cost outcomes for Intensive Assistance providers, their interaction with the net impact of assistance and the resultant profit outcomes.

4.4.1 Incentive effects of the fee structure

At face value the Intensive Assistance payment structure appears to provide strong incentives for providers to increase the outcomes achieved by their clients. It is important to remember, however, that in the absence of assistance the chances of any job seeker gaining an outcome are

greater than zero and for some job seekers quite high. This means Intensive Assistance providers will be paid for some outcomes that would occur in the absence of any assistance.

The modelling (described in Attachment B) examined two issues:

- whether the Intensive Assistance payment structure provides sufficient incentives for providers to offer assistance that *increases the chances of clients gaining an outcome* above the level one would expect in the absence of assistance; and
- whether the Intensive Assistance payment structure provides incentives for providers to offer different levels of service to clients in their caseload.

From the perspective of short-term profit, this involved a comparison of the *costs* of achieving an increase in outcomes above the level that would have occurred anyway (ie, in the absence of Intensive Assistance) relative to the *revenue* received from doing so. For assistance to be cost-effective, outcomes must increase above this base level sufficiently for the additional revenue gained to cover the cost incurred. There is, however, an additional complexity since the provision of assistance may reduce the length of time a client spends in a programme. Reducing the average length of assistance (ie, increasing turnover⁸⁸) can lead to increased revenue for the provider but will also result in extra costs, since assistance for additional clients needs to be financed.

Two forms of assistance under Intensive Assistance were modelled—wage subsidies and skills training.⁸⁹ In each case assumptions were made about the costs incurred (including administrative expenses) and the effect of assistance on turnover. In respect of these assumptions it is important to note that it is virtually impossible to incorporate all the complexities of the real world into a theoretical model. The findings, therefore, need to be treated with due caution.

The modelling indicates that, compared to doing nothing, wage subsidies or skills training would be unlikely to increase provider profits. It suggests that the outcomes payments under the current Intensive Assistance fee structure provide little monetary incentive to *improve* the outcomes of clients via such types of assistance. The modelling also suggests that the additional returns associated with the payment rates for level B job seekers should tip the balance in their favour when a provider is committed to delivering assistance but is undecided whether to invest in either a level A or B job seeker of approximately equivalent potential.

If Intensive Assistance providers respond in a way consistent with the model's findings, they will maximise their likelihood of profit by servicing those clients who would not obtain outcomes on their own, but require only a minimum level of assistance in order to do so, thus potentially achieving high net impact at low cost for these clients. The corollary to this is that there is an incentive not to waste funds on those clients with a perceived *limited* capacity to benefit. From a profit-maximising perspective, certain very-hard-to-place clients may not be assisted because of the perception that it is likely to have little impact on their probability of getting a job. The most job-ready clients may also not be serviced substantially, because further improving their already relatively high job prospects may not be easy.

⁸⁸ Turnover will only be increased where there are available job seekers to fill unused capacity.

⁸⁹ Previous net impact studies suggest wage subsidies achieve high net impact although, if untargeted, they are associated with high deadweight costs, while skills training was found to have a relatively low net impact (DEWRSB 1997).

4.4.2 Implications of the modelling

The main implication of this modelling is not that providers will do nothing for some job seekers, but that the fee structure makes it rational for a provider across a range of job seekers to minimise the level of assistance required to meet contract conditions, productively utilise those investments that cannot be avoided and win business in subsequent tender rounds. The incentives in the fee structure and the modelling of these incentives help explain the empirical evidence on lack of service for some job seekers. This finding is consistent with the findings of Harding (1998) and Webster (1999a) who argued that the Intensive Assistance fee structure did not offer profit-oriented providers an incentive to use wage subsidies, which they considered a cost-effective form of assistance.

As noted earlier, however, provider-client relationships are more complex than the modelling suggests. A strong incentive to achieve and/or maintain a high level of positive client outcomes is provided by the publicly accessible provider performance star ratings and their impact on providers' outcomes in competitive tender rounds. In practice, all Intensive Assistance providers will also give some assistance to clients. Their contracts commit them to negotiate activity agreements with clients and offer the assistance specified within them. In addition, setting up as a provider requires an investment in staff and facilities. Providers will want to use these resources as productively as possible. There will be a range of activities which may positively affect clients' outcomes—eg regular reporting on job search activity, provision of self help facilities for doing job applications—and the marginal costs of these will be very low.

The relationship between providers and clients is two-way, with the client not being just a passive recipient of assistance. Qualitative research indicates that more active clients will demand more from their provider, and some of these clients will include the more disadvantaged. On the other hand, the segmentation research suggests that some job seekers (eg, some of those categorised as *withdrawn* or *disempowered*) are likely to rely more on the pro-activity of the provider.

4.4.3 An alternative fee structure?

The above discussion raises the question of whether Intensive Assistance payments could be restructured so as to provide financial incentives to increase clients' employment prospects. It also raises the question of whether other changes could be made to the fee structure to optimise the performance of Intensive Assistance.

When a similar performance-related approach was applied in the United States, there was been considerable variation in the timing and percentage allocation of commencement, interim and final outcome payments, as illustrated in Table 4.14. Similar frameworks are used in New York (Yates 1997a), Florida (Yates 1997b) and Pennsylvania (Yates 1998). Performance of the model in these states ranges from the more successful in Florida, to below average (Pennsylvania) and poor in New York (Rector and Youssef 1999). While payment points vary under each programme, the fact that the two least successful programmes are at opposite ends of the pay-for-performance spectrum, suggests there is no clear relationship between payment structure and programme success.

Other states have provided incentives to obtain outcomes through purely performance-based contracts, similar to those used initially for Job Network's Job Matching service. In Indiana, for example, service providers were given their first payment at job placement, with subsequent payments for retention, wage and benefit levels and other factors. At the same time, contracts were monitored intensively and clear links made between monitoring and contract renewals.

Indiana contractors, however, were unable to achieve contract goals and experienced cash flow difficulties (similar to the early experience in Australia with Job Matching). The high costs of achieving an increase in clients' employment prospects make it difficult to design an outcomes-based payment arrangement for labour market assistance which would not have potentially perverse impacts.

Table 4.14: Pay-for-performance structures in Australia and the United States

Payment point	Pennsylvania	Florida	Australia ¹	New York
Up-front	50%	40%	23%	-
Employment:				
On placement	25%	50%	-	18%
After three months	25%	-	54%	-
After four months	-	-	-	70%
After six months	-	10%	23%	-
After seven months	-	-	-	12%

¹ Second Job Network contract. Based on a bid at the floor price and achieving a primary outcome.

Another possible payment structure for Intensive Assistance has been applied in Wisconsin. This involves providers taking responsibility for administering income support payments. Providers are paid a job seeker's allowance up-front and are allowed to keep as profit any payments that they saved in a six-month period through helping the job seeker into employment. The level of funds depends on factors such as the size and strength of the labour market and its location, and the job seeker's level of disadvantage. To encourage efficiency, providers retain a proportion (not all) of their profits—up to 7% of the flat fee. Where savings exceed 7%, providers retain as additional profit a further 10% of the savings. Of the remainder, 45% goes to the provider for compulsory reinvestment in infrastructure services available from that provider for job seekers. The balance is returned to the government. The advantages of this approach are that providers are rewarded for any period of employment they obtain for their clients and profits are reinvested into services. Not surprisingly, the focus on profit runs the risk of 'failure to serve'.

Wisconsin attempted to minimise this risk by including in contracts a \$5000 fine for failure to serve. After a year of operation, however, contractors were found to be financially efficient in providing services and avoiding the penalties (which were not rigorously imposed), while performance levels varied (Wisconsin Legislative Audit Bureau 2001). Service quality issues and the high incidence of breaching were raised as major concerns with the Wisconsin model (Wisconsin Legislative Audit Bureau 2000 and 2001). In some cases providers' sanctioning rates stood at over 30% of the clients (reflecting the fact that the monies saved as a result of the sanctions remained with the service provider as profit). Almost half of the sanctions were reversed on review. In response to these concerns, the contract round commencing January 2002 will include a performance element relating to client satisfaction, case management and agency accountability.

The OECD (Organisation for Economic Co-operation and Development) has suggested that (in addition to upfront fees) payments should be based on outcomes above a 'threshold' that would be expected in the absence of assistance (OECD 2001b). Arguably, this model would effectively be based on net rather than gross outcomes. In the current Intensive Assistance model, providers are paid for gross outcomes even though a significant proportion of these outcomes would have occurred anyway. In such a model it is easier for providers in strong labour markets (other factors being equal) to obtain outcome payments than it is for providers in weak labour markets. As a result, providers in strong labour markets have relatively more funds available for their

clients. While the OECD's model may focus providers on net impacts as opposed to outcomes, it would be far more complex to implement. It may also cause problems as the payments related to outcomes would need to be larger (potentially creating perverse incentives) and would be less predictable.

The star rating system, which performs a complementary incentive function to that of the payments structure, is somewhat closer to the model suggested by the OECD as it reflects net outcomes. Provider ratings are adjusted for labour market conditions and job seekers' characteristics, and performances above (or below) the average are rewarded (or penalised). In this sense at least, there is an element of inconsistency in the current incentive approach.

The OECD also suggested providers bid for clients on a regular basis, for example, fortnightly. This would seem impractical as the resources required by both providers and the Government to build and sustain such a system are likely to outweigh any associated benefits, especially given the limited nature of the market at a local level over short periods.

Perhaps the single largest disadvantage of the current Intensive Assistance payment structure is that there is insufficient incentive for providers to assist the difficult-to-place job seekers. This is largely because of the perceived high costs and low net impacts associated with this client group. It is not clear, however, that changes to the fee structure alone will improve the servicing of these job seekers significantly. If payments are lower than the costs of achieving a marginal increment in participants' chances of achieving a payable outcome, the financial incentive is for a provider to minimise costs, let nature take its course and collect the proceeds from participants finding work largely unassisted. On the other hand, if payments are too high providers may be encouraged to engage in 'artificial' arrangements. This could involve, for example, creating work experience-style jobs or paying individuals a 'wage' to stay off income support for 13 weeks. Alternative structures have been explored in other countries and Australia has varied the ratio of commencement to outcome payments, yet problems with servicing the highly disadvantaged seem to remain. One possibility, from a practical point of view, might be to continue to allow cross-subsidisation from one category of client to another, but require that more intensive efforts be made by providers for the most disadvantaged.

4.5 Conclusion

Referral to assistance alone is sufficient to get some job seekers into a job. Other job seekers benefit from participation in assistance. For Intensive Assistance, those who seem to benefit the most are the more disadvantaged, even though these job seekers have lower outcomes from assistance than other job seekers. Generally, however, many job seekers who are referred to or who participate in Intensive Assistance and who are subsequently employed would have got their job anyway. For those who benefit from participation, the programme's attachment effects (in what is currently a programme of lengthy duration) outweigh much of this benefit. This means the measured benefits of Intensive Assistance are derived primarily from the compliance effects associated with referral to assistance, rather than from participation.

The findings in this chapter confirm issues raised earlier in the evaluation about minimal servicing of some job seekers. About 60% leave Intensive Assistance and do not secure a job, either at the end of their referral period or beforehand. This group includes those job seekers who are unlikely to obtain an outcome and who receive minimal assistance. The modelling of the incentive effects of the current fee structure suggests that this is a predictable outcome under the current structure of Intensive Assistance. The financial incentives in the fee structure make it

rational for providers to focus assistance on those who require only a limited level of assistance to obtain outcomes.

Providers, however, can make a difference to the employment prospects of the job seekers they assist. An analysis of the relative contribution to outcomes of job seeker and provider characteristics, and of the type and intensity of assistance, found a significant positive relationship between participation in voluntary work and employment and positive outcomes for both males and females. The best providers seem to be more pro-active and more responsive to the needs of both job seekers and employers. On average, the more successful providers are the ones who are more likely to offer training, covering both job search and job-specific skills.

The attitude segmentation approach to looking at job seekers seems also to have the potential to help providers improve the way assistance is delivered. This approach could enable better targeting of different types of assistance. Appropriate assistance based on job seeker attitudes may facilitate a change in attitude and behaviour that will then justify to the Job Network member the allocation of further services. More research, however, is needed to investigate the stability of segmentation, its relationship to outcomes and whether it has application within a system of targeted interventions. It is also important that the findings on the impact of Intensive Assistance and the factors associated with greater effectiveness be put into context. Building up a body of information on net impact and other measures of effectiveness is needed to ensure the findings reported here hold for different labour market conditions and different Job Network contracts. This includes developing a better understanding of the extent to which education and training outcomes provide pathways to employment and the quality of these jobs.

The findings should also be viewed from the perspective of what realistically can be expected from labour market assistance. The employability of a job seeker may have improved, even if he or she does not have a job after assistance (and most do not). Programme participation is also likely to maintain a job seeker's labour market attachment. The benefits obtained from participation in Intensive Assistance, therefore, need to be seen in a longer time frame. Very little is currently known of possible benefits beyond job and education outcomes.

Notwithstanding these qualifications, the evaluation findings have implications for Intensive Assistance. The apparent high deadweight costs and low success rate overall suggest the need for better targeting. Deadweight cost could be reduced by raising the JSCI threshold for eligibility for referral to Intensive Assistance. Inevitably this would lower gross outcome levels but should improve effectiveness. Most people leave Intensive Assistance without an outcome. This implies some job seekers currently being referred to Intensive Assistance may be better placed on other programmes such as Work for the Dole. As noted earlier, the AWT reforms seek to address this issue. Using segmentation classification before referring to Intensive Assistance might eventually have a role to play here. Of course both these changes would lower the flow of job seekers through Intensive Assistance and could reduce the viability of some current providers. Their implementation would have to be handled carefully.

A question of some importance is whether changing the fee structure is justified in an attempt to increase the incentives for providers to assist more disadvantaged job seekers. Different fee structures are used elsewhere but the evidence that they operate any better than the fee structure in Australia is not compelling and is still being assembled. Suggestions, for example, by the OECD to link the fee structure to impact appear commendable from a theoretical point of view but would be very difficult to implement. It may increase the risk of 'perverse behaviour' in the form of 'make work' schemes. It might be worth considering whether there would be merit in an

increase in the proportion of the fee going to the final outcome payment relative to the upfront and interim outcome fees. Currently, for a provider with a contract fee at the floor price who achieves a final primary outcome payment, 23% of the fee is allocated upfront, 54% on the basis of the interim outcome (paid 13 weeks after placement of a job seeker in a job) and 23% on the basis of the final outcome (paid 26 weeks after placement). A relative increase to the final outcome fee may provide an incentive to providers to try to keep placed job seekers in jobs longer. The rate of conversion from interim outcomes to final outcome is less than 70%. This is probably no higher than the six-month job retention rate for those employed three months after assistance, irrespective of whether a paid outcome is involved. Another option would be to establish a mechanism that reduced the risk to the provider of not achieving an outcome from assistance, thereby encouraging greater servicing than would otherwise occur based in incentive payments alone.

A related question is whether there would be benefit from changing the length and intensity of assistance. Intensive Assistance has a high attachment effect. This means job seekers in Intensive Assistance are less competitive in the labour market than similar job seekers not participating in this assistance. Also, for many job seekers who remain in assistance longer, there is a reduction in the intensity of their assistance, especially in the middle period of assistance. A number of strategies could be considered to increase the overall effectiveness of Intensive Assistance. The attachment effect could be reduced by shortening the length of time job seekers spend in Intensive Assistance. The fact that most Intensive Assistance outcomes occur early on in assistance supports such a reduction. Attachment effects could also be addressed by ensuring that job seekers who participate in Intensive Assistance maintain their job search activity, at a level closer to those not participating in Intensive Assistance. For some job seekers, increasing effectiveness may require an increase in the intensity of assistance, combined with moves to ensure labour force attachment is maintained. This would not necessarily mean a reduction of time in assistance. For these job seekers, the duration of assistance should depend on the degree of their barriers to employment and the time it takes for these barriers to be addressed. A significant issue for this type of change is how such a requirement would be implemented. It seems unlikely it could be implemented through adjustments to market settings, such as a variation in the fee structure. A more prescriptive approach, such as that adopted under AWT, may be required.

5 Further aspects of the performance of Job Network

Earlier chapters of this report examined the effectiveness of Job Network's three major services—Job Matching, Job Search Training and Intensive Assistance. The focus was on the contribution these services made to the post-assistance employment prospects of job seekers (ie, the net impact of these services in the case of Job Search Training and Intensive Assistance) and to the sustainability of outcomes.

Various contributing processes has an influence on the performance of an employment service. Job seekers may miss out on assistance, for example, because their barriers to employment are not accurately identified. Employers and job seekers may be reluctant to participate because they do not believe the services are responsive to their needs or because they are not well informed on the options available to them. An employment service provided to a job seeker may have an impact on the individual but this does not necessarily mean value for money or whether the service has an impact on aggregate levels of employment and unemployment.

This chapter examines a range of indicators to measure these broader issues of performance, including:

- Job Network's responsiveness to both employers and job seekers. The notion of responsiveness encompasses issues such as the effectiveness of the mechanisms for targeting assistance to job seekers, Centrelink's gateway role, whether Job Network is endorsed by its users (based on perceptions of quality of service), and Job Network's ability to address the employment barriers faced by job seekers (especially those from special groups, such as Indigenous job seekers);
- job seekers who do not benefit from Job Network assistance;
- the cost-effectiveness of Job Network; and
- the macro-economic impact of Job Network. Impacts at an individual or micro-economic level are not necessarily reflected at an aggregate or macro-economic level.

5.1 The responsiveness of Job Network

The extent to which services address the needs and capacities of job seekers is an indication of responsiveness (Schmid 1996). A key indicator of Job Network's responsiveness is its capacity to appropriately target services to job seekers. Other indicators include Centrelink's performance as the gateway to Job Network, job seeker and employer perceptions of the quality of service and Job Network's capacity to assist job seekers from different groups.

5.1.1 *Application of the Job Seeker Classification Instrument*

If job seekers can be reliably identified and streamed to the service that is most likely to make a difference to their employment prospects, resources can be targeted to where impact is highest. Under current arrangements, effective targeting relies on the application and accuracy of the Job Seeker Classification Instrument (JSCI) and the processes in place for referring job seekers to providers.

The JSCI seeks to identify job seekers who are most likely to remain unemployed or become long-term unemployed. As such it is the key component of an early intervention strategy. The

JSCI Supplementary Assessment (JSA) is used to indicate whether a job seeker has special needs or barriers to employment such as a disability, personal factors or homelessness.⁹⁰

The performance of the JSCI depends on Centrelink's capacity to classify job seekers at registration and to reclassify them at appropriate intervals if their circumstances change. Almost 90% of eligible job seekers have a JSCI classification, although the classification rate is lower for some groups of job seekers, especially among those from more remote locations (DEWR SB 2001d). The accuracy of the score is a function of the accuracy of the information volunteered by job seekers,⁹¹ the ability of Centrelink staff to maximise job seeker disclosure and record this information accurately, and the predictive power of the factors that make up the instrument. As noted in the Department of Employment and Workplace Relations' (DEWR) submission to the Productivity Commission's review of Job Network, the JSCI is only "as good as the data on which it is based and there is reason to believe that a number of data items such as those relating to language and literacy, in particular, could be improved" (DEWR 2002, p. 68). Inaccurate information or poor predictive power may result in the misclassification of some job seekers. Misclassification can lead to some job seekers being denied assistance appropriate to their needs and others being provided with unnecessary assistance.

While the JSCI has been subject to a process of ongoing improvement,⁹² including a Post-Implementation Review in 1999 and re-estimation of the instrument's weights in 2001, the information available on the accuracy of Centrelink's interview process and the instrument's predictive capacity is limited. The views of both providers and Centrelink staff and the extent to which providers seek to have classifications changed provide some indication of the perceived accuracy of JSCI scores. A survey of providers in 2001⁹³ found that 21% of Job Search Training providers and 4% of Intensive Assistance providers thought that over half the job seekers referred to them were inappropriately classified.

In qualitative research some providers indicated that many of the job seekers referred to them should have been referred to either a more intensive service or to services outside Job Network. Providers surveyed who believed job seekers were misclassified attributed this mainly to Centrelink's administration of the instrument. This includes job seekers not disclosing personal information because they did not understand the purpose of questions in the instrument,⁹⁴ inadequate probing by Centrelink staff and administration of the instrument's questionnaire over the phone (in some rural and remote locations). Some providers expressed the view that Centrelink staff had neither the time nor skills to adequately overcome a job seeker's reluctance to disclose their barriers to employment. The physical environment in some Centrelink offices may also compound concern about disclosure.⁹⁵

It is important, however, to put the views of providers⁹⁶ on the level of misclassification into context. Some of their concern may result from a desire to increase the proportion of job seekers

⁹⁰ Previously referred to as Special Needs Assessment. The process includes an interview with a Centrelink specialist officer, who will decide whether the job seeker is likely to benefit from Intensive Assistance. If not, support may be provided through the Community Support Program. Job seekers with disabilities who are assessed as having moderate to severe disabilities are provided with support through the Department of Family and Community Services specialist disability employment services.

⁹¹ This process is described in detail in DEETYA 1998b.

⁹² More information on the processes for evaluating the JSCI is available from DEWR (2002). See also DEWR SB (2001d) for an analysis of the sensitivity of the JSCI regional factor to local conditions.

⁹³ 2001 Service Provider Evaluation of Employment Services (Centrelink) Survey.

⁹⁴ In qualitative research, many providers felt that job seekers were trying to play down their barriers so that they would be perceived as more competent, not appreciating the implications of non-disclosure.

⁹⁵ Twenty-five per cent of job seekers reported in a 2001 survey of Centrelink users that Centrelink's office layout did not make them feel comfortable about giving personal information (an increase from 20% in 2000).

⁹⁶ NESAs, for example, reports that many providers misunderstand the role of the JSCI (Productivity Commission 2002).

classified at a higher level and unrealistic expectations about what the application of the JSCI can realistically achieve (DEWRSB 2000a).

In consultations held as part of a recent review of the JSCI interview process,⁹⁷ most Centrelink staff indicated that the current training on the JSCI and SPRITE⁹⁸ tools was sufficient to give them an overall understanding of the interview process. Some argued, however, that they would have also benefited from targeted training by experts (such as occupational psychologists, medical officers and multicultural liaison offices)⁹⁹ on the interpretation of questions and in interviewing people from culturally and linguistically diverse backgrounds. Centrelink, in conjunction with DEWR, is developing an improved training package and a Quality Assurance process to improve administration of the JSCI.

Better assessment arrangements under *Australians Working Together* (AWT) will assist in the disclosure of information. From July 2002 an assessment period at the front-end of Intensive Assistance will allow providers to determine if job seekers have foundation skills,¹⁰⁰ motivational or work experience barriers. Personal Advisers, in Centrelink Offices from September 2002, will provide case-by-case assessment and assistance for particular income support recipients, thereby enhancing (for example) the scope to identify and address non-vocational barriers.

Providers can request reclassification of job seekers from level A to level B (at no charge) or, if a job seeker has started assistance, a Supplementary Assessment to determine whether a job seeker would be eligible for referral to the Community Support Programme or Department of Family and Community Services' (FaCS) disability employment services (for a \$536 fee) if they are concerned about inappropriate referrals. In 2001, over 60% of providers who wanted to request a review did so. Some providers, however, regarded seeking a review as 'too much trouble' or too expensive, while others thought it may put them at a disadvantage in future contract rounds. The majority (70%) of reviews were successful in changing the funding level.

The recent review of the JSCI interview process (noted above) identified some measurement errors and inconsistencies in its application. Six factors (recency of work experience, educational attainment, instability of residence, formal qualifications, English literacy and disability) were found to either involve a degree of ambiguity or present difficulties for job seekers to answer accurately. Job seekers who had been in and out of the workforce and had had different types of employment had difficulty assessing their 'main activity' over a five-year period—tending to place greater weight on more recent experiences. The review recommended the use of reference tools and on-line search facilities to improve the recording of information. The review's recommendations and other refinements to the JSCI, including improvements to staff training, are in the process of being implemented.¹⁰¹

The ongoing process of refining the JSCI should continue to improve the accuracy of the instrument.¹⁰² These include (as noted above) a Quality Assurance Programme, introduced by DEWR and Centrelink, to monitor and improve application, accuracy and consistency of the JSCI. Adjusting the timing of the interview and its structure may also assist greater disclosure. DEWR is examining ways to encourage closer engagement between a job seeker and his/her

⁹⁷ Conducted in April and May 2001.

⁹⁸ SPRITE is a system used by Centrelink officers that facilitates the accurate recording on Centrelink and DEWR administrative data bases of information collected in job seeker interviews.

⁹⁹ In qualitative research, providers also recommended the use of specialist staff in Centrelink.

¹⁰⁰ For example language, literacy or numeracy.

¹⁰¹ In March 2002, revised questions were included on the form used to collect information for the JSCI.

¹⁰² As noted earlier, reweighting of the JSCI took effect from March 2002.

provider so that information disclosed over time can be considered in service delivery. In this regard, improved assessment arrangements under AWT will assist in the disclosure of information to support correct application of the JSCI.

These improvements would be expected to contribute to improved targeting of services. Further research is needed, however, on the predictive accuracy of the instrument. There would also appear to be scope to improve stakeholder understanding of the JSCI. If stakeholders are better informed about the purpose of the JSCI, they are more likely to endorse and support it. In the case of Job Network members, recent changes announced in the AWT package to give providers a greater role in undertaking assessments of job seekers' assistance requirements, as mentioned above, should also help to clarify the instrument's purpose.

5.1.2 Facilitating job seeker participation in Job Network

Job Network is not clear. People don't know their rights. Don't know they can choose. *Intensive Assistance job seeker*

Centrelink (in particular) and Job Network members play a major part in facilitating job seeker participation in Job Network. Centrelink facilitates access to Job Network by informing job seekers about Job Network services and providing job seekers with information to help them choose a provider. The marketing efforts of individual Job Network members also contribute to the extent to which job seekers exercise choice of provider. Effective marketing and the provision of relevant information to job seekers is particularly important in a new market, where new institutions have been established and new services offered. Moreover, if job seekers are better informed about the services available to them they are more likely to make an informed choice about which provider to go to.

How well informed are job seekers about Job Network services?

Most job seekers recall Centrelink providing them with information on the services available from Job Network and how to access these services. Almost 90% of job seekers surveyed in 2001 recalled receiving information from Centrelink on how to contact Job Network and 93% recalled being advised that they could choose a provider (Table 5.1). Despite this, a substantial minority (about 30%) of job seekers reported that at registration they were not given a good understanding of the types of services and help available from Job Network. At registration some job seekers may not be very receptive to receiving and comprehending a lot of information about Job Network because they are more focused on establishing their eligibility for income support.

Table 5.1: Job Network information received¹ during registration at Centrelink, 2000 and 2001

Information from Centrelink	2000	2001
		%
On how to contact Job Network providers	78	88
Advice about choosing a provider	83	93
Given a good understanding of the types of services and help from Job Network	70	70
Staff clearly explained how to contact Job Network providers	-	81
Staff encouraged use of the services of Job Network providers for Job Matching	78	83
Given information about rights when using Job Network	66	66
Aware of the Job Network code of conduct	-	46
Given phone number to call if have a problem or complaint about a Job Network provider	31	42

¹ As recalled by job seekers.

Source: 2000 and 2001 Job Seeker Evaluation of Employment Services (Centrelink) Survey

Job seekers were less likely to recall marketing by providers to promote their services than to recall the provision of information from Centrelink. While about one in four job seekers surveyed in 2001 said they attended an information session at Centrelink with other job seekers,¹⁰³ less than half of these job seekers recalled presentations by a provider and only 58% reported that the presentation was informative in helping them choose an agency. Many providers do not know that Centrelink runs information seminars about Job Network for job seekers at which providers can market their services.¹⁰⁴ A survey of providers carried out in 2001 found that less than half (48%) knew about these seminars. Centrelink reports that few providers take-up Centrelink's offer to participate in seminars. These findings suggest that many providers do not regard marketing to job seekers as essential. Because job seekers are automatically referred to Job Search Training and Intensive Assistance providers with capacity in their case loads, this may influence the extent to which providers market themselves to job seekers compared to the way they market themselves to employers. In qualitative research, some providers indicated that they considered employers their 'key to success' but tended to regard job seekers as a 'free resource'.

Being provided with information does not necessarily mean, however, that job seekers are well informed or understand Job Network. Job seekers showed limited awareness of their rights and responsibilities under Job Network and the best ways for them to maximise their chances of finding work. They viewed Job Network as closely linked to Centrelink and were confused about its role. This is consistent with the views of providers, few of whom thought that job seekers referred to them had a good knowledge of the services they could obtain from Job Network,¹⁰⁵ how Job Network worked¹⁰⁶ or the role expected of them in relation to active job search. A recent audit of information provision to job seekers highlighted the need to increase job seekers' awareness of their rights and to gain a better understanding of the respective roles of Centrelink and Job Network (ANAO 2002). To improve the provision of information to job seekers, Centrelink is redeveloping its pre-grant seminars as part of the implementation of AWT.

Facilitating job seeker choice of provider

Competition in Job Network was intended to expand choice and diversity of service, as well as improve service quality. It was intended to be supported by job seekers exercising their choice of provider and by providers competing to retain contracts, which, in turn would drive quality of service. In time, service quality and provider reputation were expected to influence choice, with public information on provider services and performance facilitating choice. To succeed in Job Network a provider would have to respond to the needs of individual job seekers and employers, and compete for business.

As already noted in this report (Chapter 1), the effective operation of choice-driven competition is dependent on job seekers (and employers) being motivated to 'shop around' for the most suitable provider and to have enough information on which to base an informed decision. Choice can only operate as envisaged, however, if providers have the potential to substantially increase their share of the market in the contract period. While virtually all Job Matching participants choose a provider, only half of Job Search Training and Intensive Assistance participants actively choose their provider (in terms of those who participate in the service with

¹⁰³ Job seekers who registered in the previous six months.

¹⁰⁴ This does not appear to be the case for specialist providers. These providers viewed these sessions as a particularly valuable forum for informing job seekers of their approach to assistance. Specialists need to be more proactive in marketing themselves because job seekers are normally referred manually to them by Centrelink.

¹⁰⁵ Thirty-four per cent of Job Matching providers, 27% Job Search Training providers, 25% Intensive Assistance providers and 31% NEIS providers surveyed in 2001 thought that job seekers referred to them had a good knowledge of Job Network services.

¹⁰⁶ A third of providers thought that job seekers had a good knowledge of how Job Network works.

the provider of their choice). When job seekers do choose, the most common reason for their choice appears to be the provider's location (Table 5.2). Of the job seekers who do not choose a provider, many (16% of those in Job Search Training and 26% of Intensive Assistance participants surveyed in 2001) did not do so because they did not know enough about different providers (Table 5.3).

Table 5.2: Job seekers' reasons for choosing provider, 1999 and 2001

Basis of choice	Job Search Training		Intensive Assistance		NEIS ¹
	1999	2001	1999	2001	2001
	%				
<i>On basis of provider attributes</i>					
Conveniently located	35	32	30	29	36
Reputation or recommended	8	9	12	12	14
Advertising/personal approach/information from Centrelink	4	1	4	1	*
Personal experience	2	4	3	5	*
Specialised services	2	1	3	1	*
Other attributes	2	3	4	4	*
<i>Total</i>	<i>52</i>	<i>51</i>	<i>56</i>	<i>52</i>	<i>56</i>
<i>Other reasons for choice²</i>					
<i>Did not choose</i>	<i>41</i>	<i>44</i>	<i>27</i>	<i>42</i>	<i>27</i>
<i>Only one provider available locally</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>11</i>
<i>Don't know/no opinion</i>	<i>3</i>	<i>3</i>	<i>5</i>	<i>2</i>	<i>*</i>
Total	100	100	100	100	100

* Not statistically reliable.

1 New Enterprise Incentive Scheme.

2 Includes dissatisfaction with other providers.

Source: Survey of Job Seeker Perceptions of Job Network 1999 and 2001 Job Network Participants Survey

While the findings on understanding and choice do not indicate whether job seekers are motivated to make a choice, they do suggest more could be done to ensure job seekers are better informed of the range of services available from, and of the performance of, different Job Network members.¹⁰⁷ Steps have been taken to improve the scope for informed choice. These include the release of the 'star rating' system (provider star ratings were first released in December 1999 and from June 2001 were available on JobSearch), which is intended to inform job seekers of the relative performance of providers. DEWR has also piloted a streamlined referral process in several Centrelink offices to shorten the interval between contacting Centrelink and commencing Intensive Assistance. The pilot aimed to increase the number of job seekers selecting a provider at the time of registration, rather than relying on them responding to a letter via the automatic selection process. This is expected to increase the number of job seekers who choose their Intensive Assistance provider and improve the take-up rates of job seekers commencing Intensive Assistance.¹⁰⁸

Assuming job seekers were well informed and motivated, and there were a number of providers to choose from, the proportion of job seekers being referred to their provider of choice is unlikely to reach high levels while limits on contracted capacity remain, and point-in-time capacity is maintained close to contract level.¹⁰⁹ Arguably, Job Network is still an immature market that requires *some* level of guaranteed point-in-time capacity to help prevent market

¹⁰⁷ The qualitative research indicates that better informed job seekers are more likely to be proactive in their dealings with Job Network and as a result get better service.

¹⁰⁸ Take-up rates currently for Intensive Assistance and Job Search Training are 60% and 30% respectively.

¹⁰⁹ Turnover and the flow of job seekers will also influence the extent to which choice of provider is met.

failure. Whether this needs to be at current levels, however, is debatable. Phasing in a substantially reduced level over time could be considered as one means of encouraging more proactive marketing of services to better inform job seekers. This may have the potential to improve the quality of services.

Table 5.3: Why job seekers did not choose their Job Network agency, 2001

Reasons for not choosing	Job Search Training	Intensive Assistance	NEIS
		%	
Did not know enough about different providers	16	26	36
Not enough time to choose	5	4	3
Did not know I could choose	18	18	22
Letter specified which provider	29	25	6
Only had one to choose from	10	8	15
Did not want to make the choice myself	3	4	3
Other	11	10	16
Don't know/can't say	12	7	8

Source: 2001 Job Network Participants Survey

5.1.3 Perceptions of service quality

Job seekers' and employers' endorsements of Job Network are influenced by their perceptions of the quality of services delivered by providers. Perceptions of the quality of service are likely to be influenced by expectations of the services to be offered and the extent to which expectations are fulfilled. Expectations may be unrealistic, however, and this would reduce the likelihood of them being met. Having unrealistic expectations of service is more likely if job seekers (and employers) are unclear about the services available from Job Network, the way they differentiate between the services and how 'the system' operates.

Services to job seekers

The majority of job seekers appear satisfied with the services they receive from Job Network. Seventy-four per cent of job seekers surveyed in 2001 reported that they were either satisfied or very satisfied with the services. Satisfaction levels were over 80% for Job Search Training, Intensive Assistance¹¹⁰ and NEIS (Figure 5.1). Among the reasons job seekers reported for being either satisfied or very satisfied with Job Network services were that the assistance helped them stay connected with the workforce and they were 'treated like an individual'. For Job Matching, however, the level of satisfaction with services was only 56%. The main reason for dissatisfaction across all services was a lack of assistance (an issue discussed in earlier reports of the evaluation and earlier in this report).¹¹¹

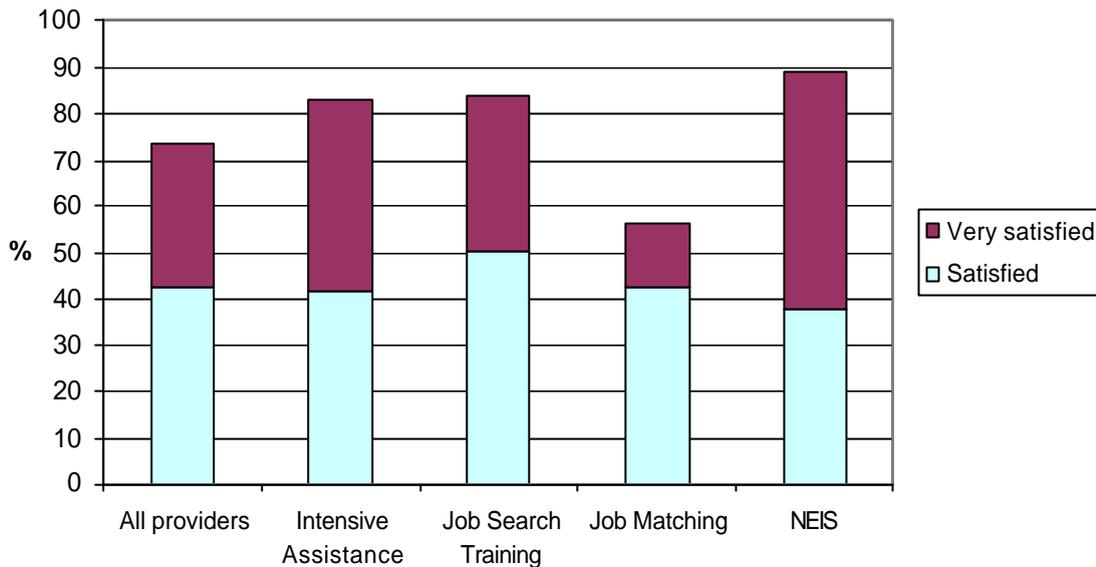
Job Matching's relatively low satisfaction rating may in part be due to the fact that its participants seem less likely to have had their expectations met than Job Search Training and Intensive Assistance participants. A qualitative study of the views of Job Matching participants revealed that they expected all Job Network providers to offer the same range of vacancies and similar services. Job seekers did not expect to have to travel between providers to access

¹¹⁰ Job seekers in qualitative research identified aspects of good service in Intensive Assistance. This included the enthusiasm and skills of the case manager, continuity of staff, the provider having a good network of contacts (especially among employers) and having a proactive approach, and the case manager being well matched with their job seekers. Older male job seekers reported that they had little confidence in the ability of their younger, often female, case managers to find them employment.

¹¹¹ Those job seekers who are dissatisfied with their provider have recourse through the provisions of a Code of Conduct with which all providers are required to comply. The Code establishes minimum standards of service that providers must offer. The code outlines a complaints process for job seekers and employers and providers are obliged to inform job seekers about the complaints process. The comparative study of high and low-performing Intensive Assistance providers found that high performers pay more attention to the feedback and complaints handling process and provide a more open environment for job seekers to lodge complaints (DEWRSB 2000e).

vacancies held by different agencies.¹¹² Most Job Matching participants also expected their provider to actively market them to potential employers and questioned how a ‘consultant’ could effectively do so when they only had limited contact with them during the enrolment process. Some job seekers said they quickly revised their initial expectations of Job Matching and recognised that they would have to take a very active personal role—and these job seekers were generally rewarded by providers who reported that they often preferred such job seekers for referral to vacancies.

Figure 5.1: Job seeker satisfaction with Job Network services, 2001



Source: 2001 Job Network Participants Survey

It is also possible that job seeker perceptions of Job Matching are affected by its ‘self-service’ nature. Job Matching is for the ‘job-ready’, whose main service need is to access a suitable range of vacancies. Some of this assistance is available through self-service mechanisms such as JobSearch touch screens. Previous evaluation evidence suggests that job seekers often categorise ‘self-service’ as ‘no service’ (DEWRSB 2000a).

Qualitative evidence indicates that some providers believe that there are limited funds in Job Matching for active matching, which they regard as expensive in time and effort. This means that they may limit the extent of matching job seekers to available vacancies and concentrate instead on gathering vacancies, a service which is largely invisible to the job seeker. The extent to which this occurs is likely to influence job seekers’ perceptions of service quality.

Available evidence suggests that job seekers’ expectations of Job Search Training and Intensive Assistance were more likely to be met. An analysis of the services job seekers said they wanted and were subsequently provided with supports this view. For most types of service a close association was found between the service the job seeker considered was required and the service provided (Table 5.4). Help with transport, the provision of equipment, work experience and arranging dental or medical help were areas where job seekers’ expectations were least likely to be met.

¹¹² This is described as fragmentation of Job Matching and is discussed in Chapter 2.

Table 5.4: Job seeker expectations and provider responses, 2001

Type of service	Job Search Training		Intensive Assistance	
	Provided ¹	Not provided	Provided ¹	Not provided
			%	
Showed how to use internet	37.5	5.7	40.8	11.8
Talked about skills you may need to get a job	46.9	8.1	61.3	11.0
Helped to write/check your résumé or job application	58.7	1.8	78.2	4.8
Provided counselling (eg how to deal with knock backs)	29.3	9.5	22.9	17.1
Helped prepare for interviews	54.5	4.3	49.2	13.9
Helped with getting references for jobs	30.6	4.3	34.3	17.0
Discussed suitable vacancies with you	49.7	14.2	69.3	17.5
Provided advice on how to dress for an interview	38.2	1.4	30.1	6.6
Fares assistance	10.1	20.0	21.9	22.4
Provided petrol money	3.1	29.8	9.0	26.9
Arranged transport to an interview	2.5	14.1	7.0	16.4
Special clothing or equipment	1.9	9.8	10.0	18.6
Help with relocating to another town or state	1.3	5.8	3.5	8.7
Placed in unpaid/voluntary job to get work experience	4.0	24.0	6.5	23.5
Arranged dental or medical help for you	1.2	14.8	2.8	24.1

¹ Actual levels provided may be higher as some providers offered services that job seekers believed they did not want or need. The table reports the extent to which services are wanted and delivered.
Source: 2001 Job Network Participants Survey

Meeting the needs of employers

Employers who use Job Network (see Chapter 2 for a discussion on the level of usage) rate the service highly. Ninety per cent of employers (surveyed in 2001) who had used Job Network in the previous 12 months were satisfied or very satisfied with their Job Network agency (increasing from 84% in 1999). The survey also found that 85% of employers who used Job Network rated providers as good to very good in understanding vacancy requirements and a similar proportion of employers were satisfied with the time taken to fill vacancies. Benefits of Job Network for employers included screening and short-listing applicants, interviewing, and providing employers with access to a large pool of applicants. Users of Job Network believed that services were superior to the Commonwealth Employment Service (CES), that agencies were proactive in assisting job seekers, they liked having a choice of agencies and that their relationship with agencies and the services they received were very good. Users in particular appreciated the fact that agencies were required to help job seekers to become more employable.

As noted in Chapter 2, benefits to job seekers are likely to result from providers developing good relationships with employers. In a recent best practice study (DEWRSB 2001f), high-performing providers reported that they devoted a significant amount of energy to developing strong relationships with selected employers. Many providers indicated that they had a clear focus on maintaining employer satisfaction in order to secure a steady flow of vacancies and reported spending a considerable proportion of their time cultivating relationships with employers as a way of maximising placement outcomes. Some sought preferential or exclusive relationships with employers. Good performance, according to providers, was rewarded through repeat and new business.

Providers in qualitative research also identified potential risks that could limit the supply of vacancies. The risks included over-servicing, which led employers to perceive that they were being 'hassled'. Employer misconceptions that Job Network only helps long-term unemployed job seekers was also reported as a potential risk. Employers supported the latter point. Some employers who were not Job Network users believed that Job Network only catered for

unemployed people, including those who are unemployable or do not want to work. Areas for improving Job Network mentioned by employers included providing more information on how Job Network works and how to contact agencies; its costs to employers,¹¹³ and better industry knowledge, including developing specialised groups of agencies to service particular industries (such as hospitality, retail, Information Technology, accounting and trades).

5.1.4 Meeting the needs of disadvantaged job seekers

Job Network services are targeted according to the labour market disadvantage of the job seeker. The JSCI classifies job seekers in terms of their relative likelihood of becoming long-term unemployed to identify those eligible for Job Search Training or Intensive Assistance. Within Intensive Assistance, differential funding levels have been designed to provide an incentive for more intensive (and expensive) services to be offered to the more disadvantaged job seekers. In recognition that labour market disadvantage is more likely to be associated with certain groups of job seekers, the second Job Network contract allowed for bids for specialist services to meet exclusively the needs of job seekers from these groups. Targeting is based on the premise that labour market interventions can make a difference to the employment prospects of those assisted and, through careful targeting, the gap in outcome levels between the more disadvantaged and less disadvantaged can be reduced.¹¹⁴ Careful targeting also helps to reduce deadweight cost by ensuring assistance goes to those who need it most.

How well the needs of disadvantaged job seekers are being met is an indication of the performance of Job Network's mechanism for targeting and of the quality of the service. This issue is explored by examining Job Network's performance for selected job seeker groups. Earlier stages of the evaluation found that access to assistance and outcome levels differ substantially for different job seekers (DEWRSB 2000a and DEWRSB 2001d). A combination of administrative issues (such as Centrelink's capacity to administer the JSCI), geographic factors (eg, where the job seeker lives relative to the strength of the local labour market) and attitudes and behaviour (job seekers who are not on activity-tested allowances are not required to participate in Job Network and may choose not to) were found to influence participation and outcomes. Groups with consistently low participation rates included Indigenous job seekers, youth, sole parents and job seekers on income support other than Newstart Allowance (who can volunteer to participate).

Job Network outcome levels for older job seekers, those on unemployment allowances for more than two years, job seekers with less than year 10 education, Indigenous job seekers and those with a disability were found to be consistently low relative to other job seekers. The effectiveness of Job Network (based on the measures of the net impact on employment of Job Search Training and Intensive Assistance), as noted in Chapters 3 and 4, differed by job seeker characteristics, but tended to be higher for the more disadvantaged job seekers.

A significant issue for job seekers from disadvantaged groups is whether the changes announced for the second Job Network contract have had an impact on their participation and outcome rates. These changes, as noted above, included the introduction of specialists¹¹⁵ to deliver services to specific job seeker groups. They also included strengthened accountability within Intensive Assistance (specifically the introduction of a provider declaration of intent, an Intensive

¹¹³ Employers in general were not aware that in most cases there is no cost to the employer to use Job Network.

¹¹⁴ It is unlikely to close entirely because outcome levels are a function of local labour market conditions and disadvantaged job seekers are not evenly distributed across all locations.

¹¹⁵ Specialists operate where the need for this service was demonstrated in the second Job Network tender. As at the end of March 2002, 28 organisations (operating from 111 sites) were contracted to deliver specialist services, including 43 sites offering services to Indigenous job seekers, 29 for job seekers from a Non-English-speaking background, 27 for those with a disability and 11 for young job seekers.

Assistance support plan and a requirement that providers record contacts with their Intensive Assistance participants) and an increase in the number of Job Network sites, especially outside metropolitan areas. Other changes targeted at specific groups were the requirement for Job Network members to outline specific servicing strategies (eg, outreach and post-referral follow-up for job seekers referred to Intensive Assistance) in locations where Indigenous people made up 5% or more of job seekers (10% in the case of people from a non-English-speaking background) and additional Centrelink services. Further details of changes introduced to Job Network for the second contract are provided in Attachment C.

Measuring whether the second round changes to Job Network have made a difference to disadvantaged job seekers is not a simple matter because participation rates and outcome levels are subject to a multitude of different influences. Moreover, it may be too early to realistically expect some of the changes, such as the introduction of specialists, to have made a difference to the outcomes achieved by the job seekers they have assisted. Nevertheless, trends in participation and outcomes were examined for the last three financial years to see if there were any indications of impact from the changes introduced for the second Job Network contract. To facilitate the analysis, each job seeker group's share of the Job Network-eligible population was compared with their share of commencements.

Indigenous Australians

Reflecting their substantial barriers to employment,¹¹⁶ Indigenous Australians are more likely than other job seekers to be referred to Intensive Assistance. About 90% of Indigenous job seekers¹¹⁷ who are Job Network-eligible are eligible for Intensive Assistance. The numbers of Indigenous job seekers both referred to and participating in Intensive Assistance have risen in the period 1998–99 to 2000–01. In 2000–01, 19 600 Indigenous job seekers commenced Intensive Assistance. About 12% of these were with specialist providers. The numbers participating relative to the size of the eligible population, however, has remained relatively stable over the three-year period (Table 5.5), suggesting that take-up rates have not shown any significant improvement so far under Job Network's second contract.

Analysis of participation in Job Network by Indigenous Australians is affected by data limitations. As indicated above, moreover, it may be too early for the second round changes to have resulted in measurable improvement in the participation rates of Indigenous job seekers. Despite this lack of evidence, initiatives such as the introduction of specialist providers¹¹⁸ are viewed positively by stakeholders.¹¹⁹ The consensus among participants in consultations with stakeholders was that specialists offered a significantly better service to Indigenous job seekers than most other providers. Participation is, of course, affected by factors other than the presence of specialist providers. In some instances, these factors were viewed less positively. Centrelink was seen as having inflexible rules and service delays, which did not match the cultural expectations of Indigenous job seekers. Centrelink staff were also seen as lacking awareness of alternative assistance options, such as the services available under the Indigenous Employment Policy (other than the Wage Assistance Card). The referral system was criticised because it relies on job seekers' understanding and response to formal written communications. When job

¹¹⁶ These include low levels of literacy and vocational skill (Daly 1996), community attitudes, where they live relative to the strength of the local labour market (ABS 1998) and reliance on publicly funded employment.

¹¹⁷ In this context, it should be noted that data on Indigenous status is under reported.

¹¹⁸ Of the 43 Indigenous specialist sites 11 are part-time.

¹¹⁹ Research undertaken in 2001 for the evaluation included consultations with Job Network providers, employers, Indigenous specialist officers, Community Development Employment Project participants, Centrelink staff and other community organisations to examine progress made on Indigenous initiatives. Specialists were viewed by these stakeholders as better equipped to work with Indigenous job seekers, in terms of staffing and staff skills, sensitivity, culturally appropriate environment, information resources and links with Indigenous community organisations. Non-specialist providers appeared to have few community links or contact with Community Development Employment Projects.

seekers do not respond, the automated system allocates them to any provider locally with capacity. This type of referral was not considered appropriate for many Indigenous job seekers.

Table 5.5: Job Network placements and commencements relative to the size of the eligible population,¹ 1998–99 to 2000–01

	Indigenous Australian	Youth ²	Mature- age ³	Low education	With a disability	NESB ⁴	Sole parent
Job Matching placements							
1998–99	na	na	na	na	na	na	na
1999–00	0.5	1.1	0.5	1.0	0.5	0.6	0.5
2000–01	0.5	0.9	0.7	0.7	0.4	0.7	0.5
Job Search Training commencements							
1998–99	1.0	0.7	1.2	na	1.0	1.6	0.3
1999–00	0.5	0.5	1.6	0.2	0.8	1.4	0.5
2000–01	0.6	0.6	1.4	0.2	0.7	1.4	0.3
Intensive Assistance commencements							
1998–99	0.9	0.8	1.1	na	1.0	1.2	0.5
1999–00	0.8	0.8	1.0	0.9	0.8	1.1	0.7
2000–01	0.9	0.9	0.9	0.9	0.7	1.1	0.5

1 To calculate the estimates in this table each group's proportion of the Job Network-eligible population was compared to their proportion of placements/commencements in each service. Because the data compare point-in-time estimates to estimates of flow they should be treated cautiously. Values below one indicate under-representation, those above indicate over-representation.

2 Job seekers aged 15-20.

3 Job seekers aged 45 and over.

4 Non-English-speaking background.

Source: Integrated Employment System

Any impact on participation in Job Network by Indigenous job seekers from the second contract changes may also be influenced by the extent to which Indigenous job seekers take-up employment services other than Job Network. These services include the Indigenous Employment Policy, which was implemented from July 1999 to improve employment services for Indigenous job seekers. The numbers participating in these services (which, it should be noted, are not confined to the Job Network-eligible) have increased over time, reflecting efforts to encourage Centrelink and Job Network members to focus more on this group. Commencements in the Structured Training and Employment Project element, for example, increased by over 60% between 1998–99 and 2000–01 (from below 2500 to over 4000).

To date, it has not been possible to measure the net impact on employment outcomes from either Job Search Training or Intensive Assistance for Indigenous job seekers. In the period 1998–99 to 2000–01, the trend in their short-term employment outcome levels did not significantly change relative to the outcomes achieved by all job seekers (Table 5.6). Establishing whether the introduction of specialist providers and initiatives such as the Wage Assistance Card offer the potential for increasing outcomes for Indigenous job seekers is not possible until more outcomes data are available.

The Wage Assistance Card is available through the Indigenous Employment Policy, and entitles job seekers to an employer subsidy. Jobs secured this way can qualify the provider for an outcomes payment. Data from the first seven months of Job Network's second contract indicate that a subsidy involving the card was used in about 15% of paid outcomes. The extent to which providers, particularly non-specialists, are aware of the availability of the card will influence its usage. Moreover, not all providers in areas with greater populations of Indigenous job seekers believe subsidies are an appropriate option. Some providers consider that employers are less interested in subsidies than they are in getting the best person for the job.

Ongoing concern with unemployment levels experienced by Indigenous job seekers was reflected in changes to services announced under AWT to apply from July 2002. These included the establishment of Indigenous Employment Centres within Community Development Employment Projects to help Indigenous people move from work experience on the project to paid jobs, and the introduction of Training Accounts for Indigenous job seekers in Job Search Training and Intensive Assistance. Centrelink Personal Advisors, to be introduced from September 2002, will also have a focus on Indigenous job seekers. In addition to these initiatives, the National Employment Services Association (NESA), the main Job Network industry body, has set up an Indigenous Special Interest Group and Indigenous issues awareness workshops were held in 2001, to improve the quality of employment services to Indigenous job seekers.¹²⁰ An evaluation of the Indigenous Employment Policy currently underway will provide further information on whether the employment services have improved the outcomes for this key group of disadvantaged job seekers.

Job seekers from a non-English-speaking background

Job seekers from a non-English-speaking background were well represented in both Job Search Training and Intensive Assistance in the period 1998–99 to 2000–01, but under-represented in Job Matching placements (Table 5.5). This is not surprising given that these job seekers are more likely to have labour market disadvantages than other Job Network-eligible job seekers. The group's Job Matching performance is also reflected in their post-assistance employment outcomes following Job Search Training and Intensive Assistance. In the three financial years analysed, job seekers from a non-English-speaking background were less likely than other job seekers to secure employment outcomes but, not surprisingly, were generally more likely to obtain education and training outcomes (Table 5.6). The level at which employment outcomes following Job Search Training were sustained in the longer-term for this group, compared to other job seekers, was also lower (Table 5.7).

For those who got jobs following Job Search Training, however, the intervention was more likely to have contributed to this outcome than for many other job seekers. As noted in Chapter 3, the employment net impact of Job Search Training (measured from programme commencement) for job seekers from a non-English-speaking background was relatively high.

The reasons for Job Search Training's effect were investigated in qualitative research. The findings suggest that Job Search Training was beneficial to recent migrants. These job seekers did not have a good understanding of the local labour market, including services available to help them find work, and were able to pick up useful knowledge and contacts from Job Search Training. When surveyed, these job seekers were significantly more likely to report that Job Search Training made a difference to their employment chances, thereby confirming the findings of the net impact study.

¹²⁰ For the second Job Network contract, DEWRSB made significant efforts to increase Job Network members' awareness of Wage Assistance and other elements of the Indigenous Employment Policy.

Table 5.6: Post-assistance outcomes¹ by job seeker group, 1998–99 to 2000–01

Job seeker group	Per cent employed			Per cent with positive outcomes ²		
	1998–99 ³	1999–00 ⁴	2000–01 ⁵	1998–99 ³	1999–00 ⁴	2000–01 ⁵
Job Matching						
Indigenous Australian	na	55.7	49.0	na	59.7	55.0
Youth ⁶	na	74.7	65.8	na	80.4	74.6
Mature-age ⁷	na	62.2	64.9	na	65.0	68.4
Low education	na	49.4	50.2	na	51.5	54.2
With a disability	na	51.8	48.5	na	56.8	53.6
Non-English-speaking background	na	60.0	59.2	na	65.7	65.2
Sole parent	na	77.5	58.5	na	80.8	62.5
All job seekers	na	68.2	65.8	na	72.1	70.5
Job Search Training						
Indigenous Australian	24.6	28.8	27.4	35.6	39.0	37.5
Youth ⁶	40.2	41.3	43.6	53.0	53.9	56.2
Mature-age ⁷	32.0	32.6	38.8	38.1	38.6	44.4
Low education	28.1	28.1	31.0	32.2	32.0	34.3
With a disability	30.0	32.5	35.7	37.2	38.9	42.7
Non-English-speaking background	32.5	33.5	39.4	46.8	46.1	51.1
Sole parent	31.0	35.6	37.2	44.0	48.3	46.5
All job seekers	36.2	38.2	43.2	45.5	46.7	52.1
Intensive Assistance						
Indigenous Australian	25.8	21.1	25.8	36.8	30.4	34.0
Youth ⁶	39.0	31.5	37.4	52.1	44.9	48.5
Mature-age ⁷	36.4	30.5	37.7	40.1	34.7	42.3
Low education	32.2	27.3	32.3	36.5	31.6	37.0
With a disability	29.9	25.3	31.0	34.8	30.3	36.0
Non-English-speaking background	37.2	32.0	37.5	46.4	42.4	47.4
Sole parent	32.1	32.6	35.3	41.9	43.2	44.9
All job seekers	39.6	32.7	38.6	45.8	39.3	44.6
New Enterprise Incentive Scheme						
Mature-age ⁷	81.3	79.2	78.8	82.6	81.5	80.9
Low education	78.2	80.1	75.5	79.1	80.1	77.9
With a disability	78.3	69.3	79.2	78.9	75.4	82.6
Non-English-speaking background	79.7	76.7	80.7	83.1	79.7	82.6
All job seekers	84.0	81.8	82.9	86.0	84.1	84.9

1 Three months after assistance.

2 Positive outcomes include employed and education/training outcomes, but are not the sum of these two outcomes because some job seekers can achieve both an employment and education outcome.

3 Outcomes relate to job seekers who ceased assistance between April 1998 and March 1999.

4 Outcomes for Intensive Assistance, Job Search Training and NEIS relate to job seekers who ceased assistance between April 1999 and March 2000. For Job Matching, this refers to eligible placements between April and May 1999 and outcomes achieved in July and August 1999, and for Indigenous job seekers includes CDEP participation. Job Search Training and Intensive Assistance outcomes for 1999–00 differ from those in the Department of Employment, Workplace Relations and Small Business (DEWRSB) 1999–00 Annual Report and *Labour Market Assistance Outcomes June 2000*. Intensive Assistance outcomes in these reports were based on commencements in the first year of Job Network. In addition, both Job Search Training and Intensive Assistance outcomes changed very slightly because of changes to the estimation methodology, introduced in *Labour Market Assistance Outcomes March 2001*.

5 Outcomes relate to job seekers who ceased assistance between April 2000 and March 2001.

6 15–20 year olds.

7 45 years or more.

Source: Post-programme Monitoring Survey

Participation in Intensive Assistance was found to be less effective for job seekers from a non-English-speaking background.¹²¹ Discussions with providers suggest that the key factors to influence the success of Intensive Assistance for these job seekers were their ability to communicate with their case managers and their understanding of the job market. Very few job seekers who considered they needed interpreter services were offered this assistance. As a

¹²¹ Although the net impact for this group was marginally higher than the net impact for all job seekers, the result was not statistically significant.

result, their capacity to communicate with their case managers was reduced. The 2001 Job Network Participants Survey found that 11% of job seekers from a non-English-speaking background who did not speak English asked for or were offered an interpreter by their Job Network member. Of these job seekers, 75% reported receiving this assistance. Employing multicultural staff was identified by providers as a factor critical to successfully assisting job seekers from a non-English-speaking background.¹²²

Table 5.7: Job seekers employed at three months by longer-term employment status¹

Job seeker group ²	Employed	Unemployed	Not in the labour force	Total
			%	
Job Matching				
Youth ³	87.1	10.8	2.2	100.0
Mature-age ⁴	80.5	14.1	5.4	100.0
Low education	82.4	14.9	2.7	100.0
All job seekers	83.1	11.7	5.2	100.0
Job Search Training				
Youth ³	85.5	10.0	4.5	100.0
Mature-age ⁴	86.1	9.2	4.7	100.0
Non-English-speaking background	73.3	22.3	4.4	100.0
All job seekers	81.7	14.3	4.0	100.0
Intensive Assistance				
Youth ³	72.4	18.4	9.2	100.0
Mature-age ⁴	77.3	15.6	7.1	100.0
Low education	77.6	17.8	4.6	100.0
With a disability	58.7	29.3	12.0	100.0
Non-English-speaking background	73.8	17.2	9.0	100.0
All job seekers	76.5	18.0	5.6	100.0

1 Measured 15 months after placement for Job Matching and eight months after assistance for Job Search Training and Intensive Assistance.

2 Data on longer-term outcomes was not available for all groups in all services.

3 15–20 year olds.

4 45 years or more.

Source: Post-programme Monitoring Survey and 2001 Job Network Participants Survey

In summary, evidence suggests that job seekers from a non-English-speaking background do relatively well in Job Search Training and less well in Intensive Assistance (see Chapters 3 and 4). This group, however, is culturally and linguistically diverse and little is known of how effective Job Network is for job seekers with different backgrounds. Clearly this is an area for future research.

Young people

Unlike most other job seekers, young people (15–20 year olds) do not have to be eligible for income support to access Job Search Training and Intensive Assistance. Many young people who participate in Job Network services, therefore, do so as volunteers. The issues relating to young people and Job Network include responding to the need for services among those who choose not to register with Centrelink, and participation and outcomes for those who are registered.

Job seekers with access to Job Network on a voluntary basis are unlikely to participate unless they are aware of the services available and believe there would be benefit from participating.

¹²² Specialist providers in qualitative research also identified staff who were aware of cultural sensitivities and preferences, and developing links with local business people from non-English-speaking backgrounds as elements of best practice in Intensive Assistance. In 2000–01, about 13% of job seekers from a non-English-speaking background who commenced Intensive Assistance did so with a specialist provider.

This group comprises those who do not register with Centrelink because they are unaware that they are eligible for Job Network services or do not consider it worthwhile. The extent to which there is unmet demand for employment services among young people not eligible for income support is not clear. Connolly (1999c), however, argued that the introduction of the Youth Allowance and Mutual Obligations, which occurred close to the time Job Network was implemented, contributed to a decline in the number of young people registering with Centrelink. This is suggestive of some unmet demand.

Young people who participate in Job Network tend to be less disadvantaged than other job seekers (DEWRSB 2001d). As a result they are over-represented among Job Matching participants and under-represented in both Job Search Training and Intensive Assistance (Table 5.5). The availability of employment service options outside Job Network for young people, including Green Corps, the Jobs Pathway programme and the Jobs Placement, Education and Training programme, are also likely to influence Job Network participation rates for this group.

Post-assistance outcomes for young people were higher than average for Job Matching and Job Search Training and about average for Intensive Assistance participants (Table 5.6). Those who obtained post-assistance employment in the short-term, with the exception of Intensive Assistance participants, were more likely than other participants to be employed in the longer-term (Table 5.7). Young people were also more likely than other job seekers to take-up education or training options after participating in Job Network. Some job seekers' longer-term interests may be better served by education or vocational training rather than a short-term employment outcome.¹²³ The findings suggest this is more likely to apply to young people than other job seekers.

As noted in Chapters 3 and 4, Job Network has lower levels of effectiveness for young people. Referral and commencement impacts for both Job Search Training and Intensive Assistance were consistently and significantly lower than the impacts found for other groups (Tables 3.4 and 4.5).

The relatively poor net impact findings (for 15–24 year olds) for Job Search Training and Intensive Assistance suggest the need for better targeting of this service for young people (targeting is discussed in more detail in Chapter 6 of the report). Some young job seekers, however, appeared to benefit from Job Search Training. This included young people with limited knowledge of job search techniques and the labour market and inexperience in interviews.

In qualitative research, providers raised two other issues relevant to targeting assistance to young people. Some considered that the employment barriers faced by young people, such as a lack of experience and maturity and not having access to their own transport, were not adequately picked up by the JSCI or were not picked up at all. These job seekers were classified as eligible for Job Search Training whereas providers were of the view that they should have been referred to Intensive Assistance. Providers also identified reluctance by some employers to take on some young job seekers as a factor contributing to the poor effectiveness of Job Network services for these job seekers. According to providers, employers regarded these young job seekers as lacking a work ethic and self-esteem.

¹²³ The incentive structure requires providers to wait for up to two semesters to achieve the maximum outcome fee for an education placement, although they may incur more costs to ensure the person completes two semesters. Employment outcome fees are achieved faster and, in some cases, with less investment.

People with disabilities

Job seekers with a disability have access to a range of employment services outside Job Network, including FaCS Disability Employment Services. These job seekers are also more likely than other job seekers to be referred for Supplementary Assessment following their JSCI interview and may be referred to the Community Support Programme or FaCS' disability employment services. Job seekers on Disability Support Pension participate in Job Network on a voluntary basis. These factors contribute to the lower Job Network participation rates for job seekers with a disability relative to the size of the eligible population (Table 5.5).

Across all Job Network services, job seekers with a disability were found to have lower outcomes relative to other job seekers. For those job seekers who secured employment outcomes, the assistance provided was more likely to have contributed to these employment outcomes than was the case for most other job seekers.

A clear picture of the factors explaining outcome levels and effectiveness for job seekers with disabilities is not available. Specialist providers are viewed positively by job seekers but it is too early as yet to measure whether and how they have contributed to effectiveness. Their contribution for all job seekers with a disability, however, is likely to be small. Specialist providers only assisted 2% of job seekers with a disability in 2000–01.

Providers commonly reported that many of the job seekers with disabilities were inappropriately referred to Intensive Assistance, and would be better suited to assistance such as that provided under specialist disability employment services funded by FaCS. Providers also indicated that having a physical disability made it very difficult to get job seekers into low skilled vacancies in a wide range of the industries that advertise through Job Network.

Mature-age job seekers

Mature-age job seekers were well represented in both Job Search Training and in Intensive Assistance, but not among Job Matching placements (Table 5.5), reflecting the relatively substantial employment barriers faced by these job seekers (which are often associated with other characteristics aside from age—eg, low education, poor English and the presence of a disability). Post-assistance outcomes for this group were consistently below those for other job seekers over the three-year period 1998–99 to 2000–01 (Table 5.6). The extent to which mature-age job seekers take-up education and training options following employment, was relatively low. Those who were employed three months after a Job Matching placement, moreover, were less likely than other job seekers to be employed in the longer-term (Table 5.7).

Mature-age job seekers appear to derive considerable benefit from participation in Job Search Training. The net impact (measured from programme commencement) on employment for those aged 45 and over was higher than that found for any other group of job seekers (Table 3.4). This finding appears somewhat surprising given that mature-age job seekers, when surveyed in early 2001, were less likely than most other job seekers to consider their participation in Job Search Training to have improved their chances of getting a job. This view was supported by some providers and job seekers in qualitative research. Those who were experienced in the labour market, while not necessarily older job seekers, tended to consider Job Search Training courses a waste of time. Alternatively, some older job seekers who have not been required to job search for a number of years (because they have been either out of the labour force or in a stable job) may have benefited from learning new job search techniques or establishing new contacts in the labour market.

In contrast to the findings for Job Search Training, the employment net impact from participation in Intensive Assistance for mature-age job seekers was low (Table 4.5). There were, however, compliance effects found for these job seekers from referral to Intensive Assistance (which were significantly higher than those found for job seekers in other age groups). The findings suggest that, for many mature-age job seekers, participation in Intensive Assistance was associated with a considerable attachment effect.

The presence of an attachment effect (possibly in the form of reduced job search activity) for mature-age Intensive Assistance participants is consistent with the findings of other research conducted for the evaluation. This research indicates that members of this group face a greater reluctance by employers to hire them. Job seekers and providers in the research reported that older workers generally found it very difficult to secure job interviews or employment. Mature-age job seekers were sometimes considered to be too difficult or expensive to re-train, given their future career prospects, or were regarded as not being interested or motivated to re-train. The result for many in Intensive Assistance, even those enthusiastic for work, was that they received very limited assistance:

I've got a few job seekers who would make great workers but for some reason I just can't seem to get them past the post with employers. I had to direct my attention to my other clients because I now know that their age is one barrier I can't overcome with employers. At least not for the types of jobs vacancies that I come across. *Intensive Assistance consultant*

Older job seekers were identified in the AWT package as having particular needs in the labour market that have not been adequately addressed in current labour market assistance arrangements. Under AWT, older job seekers who participate in Job Search Training or Intensive Assistance, and are assessed by their provider as requiring accredited training, will have access to a Training Account. From September 2002, Centrelink Personal Advisers will also be assisting this group from registration.

5.2 Repeat episodes of assistance

As noted earlier in this report (Chapters 3 and 4), the average impact on the individual from labour market assistance is relatively small. In addition, many participants do not actually achieve employment outcomes following participation in labour market assistance. Data on post-assistance outcomes illustrate this point. In the year to June 2001, 61% of job seekers who left Intensive Assistance and 57% of job seekers who left Job Search Training were not employed three months after participation (Table 5.8). Generally, the higher the level of disadvantage the less is the likelihood of an outcome. This is consistent with long-term trends in post-assistance outcome levels, both in Australia and elsewhere.

Perhaps what is less well understood is that many job seekers currently participating in assistance have had previous episodes of labour market assistance. These job seekers may sometimes obtain jobs after being helped, but the jobs do not last very long. About 30% of job seekers on income support in June 2001 had participated in a labour market programme between 1994 and 1996. Some 45 000 of these job seekers had already had five or more programme places. Moreover, in the seven-year period from 1994 to 2001, a substantial proportion of the total expenditure on labour market assistance went to those who were either still unemployed in June 2001 or were unemployed again at this time. As Figure 5.2 indicates, some of those who were job seekers in June 2001 have spent a considerable proportion of the last seven years in assistance, the average amount of this time being 311 days, although some of this time would have involved relatively inactive periods of assistance.

Table 5.8: Participants in Intensive Assistance and Job Search Training who were not employed or in education or training three months after assistance, year to June 2001

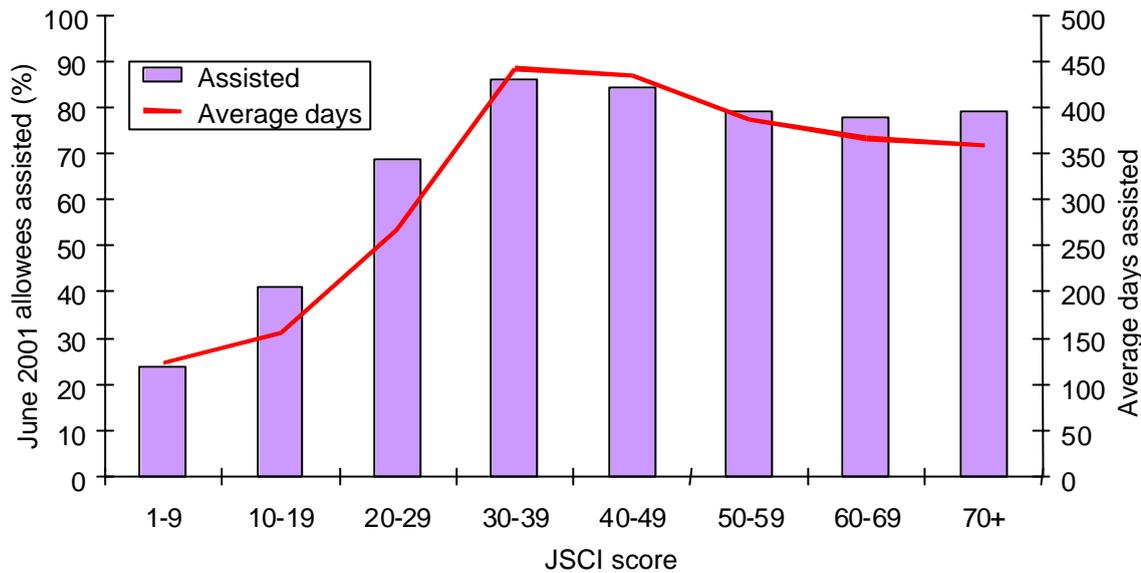
Participant characteristics	Intensive Assistance		Job Search Training	
	Not employed	Not employed or studying	Not employed	Not employed or studying
	%			
Intensive Assistance funding level				
A	56.4	50.1	na	na
B	71.7	65.4	na	na
Gender				
Male	62.8	57.6	59.9	52.5
Female	58.6	50.1	51.4	41.9
Age group (years)				
15 to 20	62.6	51.5	56.4	43.8
21 to 24	61.4	52.3	51.3	40.6
25 to 34	59.4	52.6	54.5	47.1
35 to 44	59.9	53.4	59.4	52.6
45 or more	62.3	57.7	61.2	55.6
Duration on income support (months)				
0 to less than 6	54.5	47.8	55.2	47.1
6 to less than 12	59.4	52.1	59.2	51.4
12 to less than 24	60.3	52.7	58.0	50.1
24 to less than 36	62.3	56.0	61.6	51.0
36 or more	68.7	63.7	64.7	59.8
Educational attainment				
Less than Year 10	67.7	63.0	69.0	65.7
Year 10 or 11	59.8	54.5	60.2	54.1
Year 12	56.6	47.6	55.3	45.0
Post-secondary	58.0	49.0	54.4	45.7
Equity groups¹				
With a disability	69.0	64.0	64.3	57.3
Indigenous Australian	74.2	66.0	72.6	62.5
Non-English-speaking background	62.5	52.6	60.6	48.9
Sole parents	64.7	55.1	62.8	53.5
Total	61.4	55.4	56.8	47.9

¹ Equity groups are not mutually exclusive.

Source: Post-programme Monitoring Survey

Many job seekers now participating in Intensive Assistance have previously participated. The proportion of repeat episodes of Intensive Assistance reached 50% in July 2000 and since then has remained about this level (Figure 5.3). Some of these job seekers (about one-tenth) are repeating Intensive Assistance because they have moved and, as a result, started with a different provider. Others may have been placed into a job that has not lasted and subsequently required further help through Intensive Assistance, or they have changed providers or restarted an episode of assistance because of health reasons. The level of repeat usage of Job Search Training is much less, at about 10% (since January 2001).

Figure 5.2: Level of previous assistance to June 2001 job seekers¹



1 Average days assisted relate only to those who have received assistance

Source: Integrated Employment System

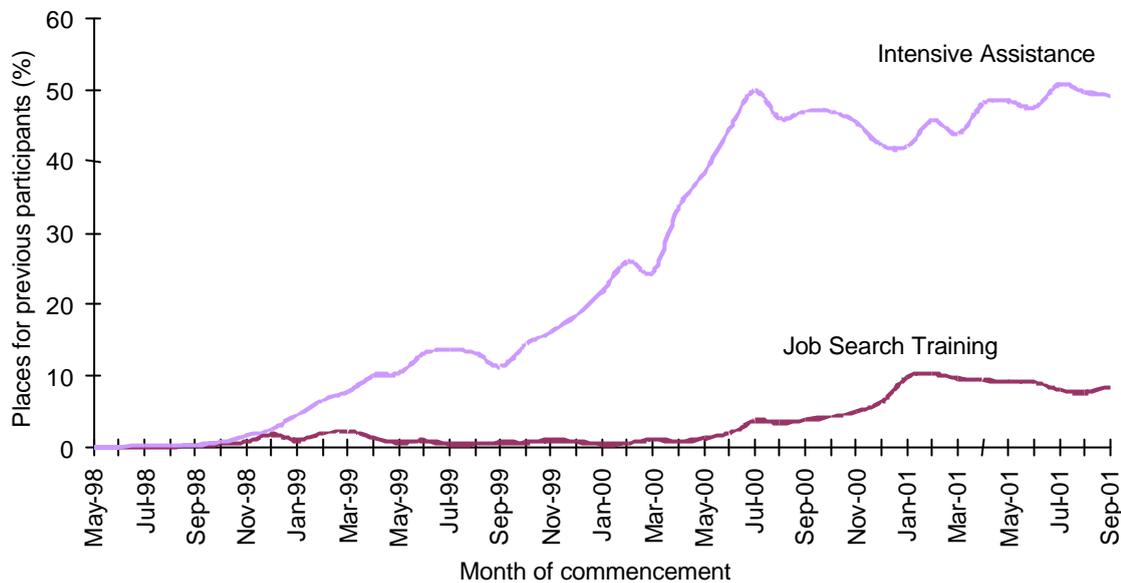
The relatively high level of multiple episodes of Intensive Assistance, however, suggests that many job seekers who return to unemployment following participation in one placement are subsequently referred to another placement, without assessing whether alternative forms of assistance would be more beneficial.¹²⁴ Arguably, if the programme was not able to address their barriers to employment during their first placement, the value of a second placement cannot be assumed.

The labour market assistance arrangements operating before the introduction of Job Network were criticised for recycling job seekers from programme to programme. A desire to meet separate programme targets was considered one reason for the high level of ‘churning’¹²⁵ observed under *Working Nation* (DEETYA 1996). Job seekers were often referred to programmes with little regard to the likely benefits from participation. Now that more is known about the attachment or lock-in effects of programmes, the arguments against churning and in support of careful targeting are even stronger.

¹²⁴ Repeat usage of Intensive Assistance has been in part a response to providers’ concern that in some locations there are insufficient commencements to meet their point-in-time capacity. Maintaining point-in-time capacity assists provider viability since most of the money received by providers comes from upfront payments (70%). Continuation of the current trend, however, may lead to criticism that job seekers are being churned through Job Network.

¹²⁵ Churning occurs in the labour market where job seekers gain employment as a result of labour market assistance, but become unemployed once that assistance ends or shortly after. Churning may also refer to situations where job seekers participate in several episodes of assistance without achieving any apparent improvement to their employment prospects.

Figure 5.3: Repeat usage of Intensive Assistance and Job Search Training, 1998 to 2001



Source: Integrated Employment System

This is not to deny that repeat usage of labour market assistance may be beneficial in *some* circumstances. The flexibility of Intensive Assistance allows assistance to be tailored to individual need, and this could increase a job seeker's chances of obtaining appropriate assistance on a second placement. This is especially the case for those who may require more than one type of assistance before there is any improvement in their employment prospects or who have only received limited service on their first placement. The possibility of this type of sequencing occurring is supported by the fact that, in most areas, job seekers have a range of providers to choose from and would not have to return to the same provider. It also adds considerable weight to the argument that providers should have access to information about job seekers' recent previous assistance history. Continued participation in the form of support is also consistent with the view that an objective of labour market assistance is to ensure that job seekers remain actively engaged with the community. Several episodes of assistance meet this objective. Longer-term benefits may result from the increased (or at least maintained) attachment to the labour market provided by participation in labour market assistance.

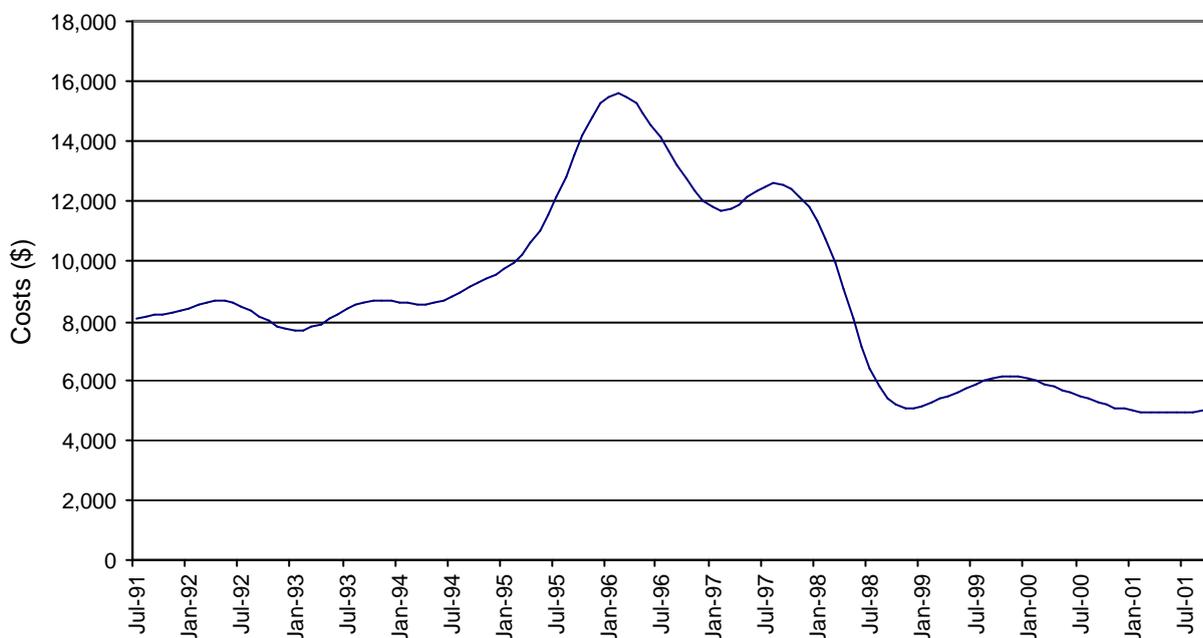
Nevertheless, on a broader front, given that the primary objective of labour market assistance is to increase the employment prospects of those assisted, it is important to develop a policy response to the finding that a large number of job seekers have had several episodes of assistance which do not appear to have contributed to an increase in their employment prospects (or to *sustained* employment outcomes). Other than the Community Support Programme, the original design of Job Network and related employment services does not seem to have considered contingencies for dealing with significant numbers of job seekers who do not benefit from assistance. Any response should be based on a better understanding of the impact on the individual of labour market assistance. It should also include consideration of the potential for job seekers to benefit from assistance and the design of alternative interventions. The net impact analysis indicates that the positive impact of employment engendered by assistance derives from both compliance and programme effects. Adjustments to relevant programme parameters may have the potential to increase effectiveness.

It could also be argued, however, that the data on multiple episodes of assistance, spanning a wide variety of intervention types, imply that some participants do not have the capacity to benefit from the assistance. This raises the question of whether there should be some form of rationing or limits to episodes of assistance when the resources available for labour market interventions are limited. It also suggests that job seekers who are demonstrably unable to benefit from assistance should be directed towards interventions which at least offer opportunities for social participation and/or allow for some return to the community.

5.3 Value for money

The introduction of Job Network has resulted in a substantial reduction in the cost of achieving an employment outcome following participation in labour market assistance. Costs per employment outcome have been about \$5–6000 since mid-1998, compared to \$8–9000 in the early 1990s and within the range of \$10 000 to \$16 000 in the mid-1990s (Figure 5.4).

Figure 5.4: Costs per employment outcome of labour market assistance, 1991 to 2001



Source: Post-programme Monitoring Survey and Integrated Employment System

The overall reduction in costs per outcome under Job Network are reflected in reduced costs per outcome for the different services (where comparison is possible). Costs per employment outcome in 2000–01 were \$560 for Job Matching, \$1390 for Job Search Training, \$5440 for Intensive Assistance and \$3260 for NEIS (Table 5.9). The costs per outcome for Job Search Training and Intensive Assistance were significantly below (about half or less) those of the labour market programmes that these services replaced. The cost of each employment outcome following participation in Job Clubs was \$2600 (in 2000–01 prices) and \$12 100 for the programmes that were replaced by Intensive Assistance.

The substantial efficiency gains made by Job Network have also translated into improved cost-effectiveness, measured in terms of costs per net impact. The improved cost-effectiveness of Job Network is largely a function of greater efficiency rather than greater effectiveness, since the net

impact of Job Network services was found to be similar to the net impact for the previous labour market programmes. Using the post-exit method of estimating net impact, Job Search Training was found to achieve additional off-benefit outcomes at almost \$3000 less than Job Clubs, while Intensive Assistance achieved additional off-benefit outcomes at over \$13 000 less than the programmes it replaced (DEWRSB 2001c).¹²⁶

Table 5.9: Costs and cost per outcome of Job Network services, 1999–00 and 2000–01

Type of Job Network service	Cost per participant		Cost per employment outcome	
	1999–00	2000–01	1999–00	2000–01
			\$	
Job Matching	200	370	290	560
Job Search Training	420	600	1 130	1 390
Intensive Assistance	2 260	2 100	6 200	5 440
NEIS ¹	2 620	2 700	3 210	3 260

1 These figures do not include income support, which NEIS participants continue to receive for up to 12 months.

Source: Post-programme Monitoring Survey and Integrated Employment System

5.4 The macro-economic impact of Job Network

Evaluations of whether labour market programmes, such as Job Network, meet their objectives can be undertaken at both micro and macro levels. Most evaluations of labour market programmes are focused on the micro level and restrict their attention to an examination of the effect on the outcomes of *individual* participants in the programme. Macro or aggregate evaluations involve a consideration of the effects of a programme on the economy or the labour market as a whole.

Conceptually, the economic effects of a labour market programme are best measured at the macro level as measuring all the indirect effects of such programmes is difficult with micro-evaluations. In practice, however, it is difficult to isolate the aggregate effects of these programmes as there are many factors that influence changes in the economic and social environment.

This section looks at some of the issues involved in evaluating the effects of labour market programmes—in particular Job Network—from a macro-economic perspective.

5.4.1 Measuring the macro-economic impact of labour market programmes

What are the effects of labour market programmes?

Labour market programmes seek to improve the employment prospects of the unemployed. If successful, they do this by making participants more attractive to potential employers by enhancing the participants' skill base or by reducing the cost or risk of hiring them. Most evaluations of such programmes involve an attempt to measure the *increased* likelihood that a recipient of assistance will get a job—the *net impact* of a programme. This measure includes an attempt to take account of the deadweight costs of a programme by allowing for the fact that a proportion of job seekers who receive assistance would have got a job in any case. Net impact measures for Job Search Training and Intensive Assistance were presented in Chapters 3 and 4.

The net impact of a programme does not, however, equate to the programme's effect on aggregate employment. Job seekers who gain employment as a result of participation in a

¹²⁶ Estimating the comparative cost-effectiveness of Job Network and the earlier labour market programmes is only possible using the post-exit net impact methodologies, as net impacts measured from referral and commencement are not available for the previous labour market programmes.

programme may displace other job seekers or employees. Displacement occurs when an employer hires a job seeker who is receiving labour market assistance in preference to a job seeker not receiving that assistance. In such a case, aggregate employment will not have changed, and neither, potentially, will the unemployment rate.

Displacement may also occur where employers who take on job seekers receiving labour market assistance become more cost-competitive and win market share. In response, other firms may need to reduce their employment levels, thereby offsetting the initial job gains associated with the provision of labour market assistance.

Even less direct offsetting effects can occur. All expenditure on labour market assistance has an opportunity cost, either in terms of greater government expenditure elsewhere or in terms of reduced total outlays and lower interest rates for the economy at large. Either of these alternatives may lead to higher aggregate employment. What labour market assistance achieves, which other alternatives do not, is to target the increased outlays towards particular segments of the labour market, usually with an equity objective in mind.

Notwithstanding the above, a particular labour market programme can generate a net impact which exceeds displacement, and an expansion in aggregate employment. This, for example, can occur if the programme successfully reduces structural unemployment. Structural unemployment,¹²⁷ which is often reflected in long-term unemployment, acts as a constraint on economic growth by reducing effective labour supply (Flatau, Lewis and Ruston, 1991 and Connolly 1999a). Fahrner and Pease (1993), Connolly (1999a) and Webster (1999) have estimated that a higher incidence of long-term unemployment is followed by an increase in unfilled job vacancies. This can act as a bottleneck in times of strong labour demand, potentially lowering the rate of economic growth. Another potential effect of labour market assistance will therefore be to reduce wage inflation. Flatau et al. (1991), Connolly (1999b), and Webster and Summers (2000) have argued that improvements in the quality of labour supply, as reflected in the structure of the duration of unemployment, are associated with lower wage pressures. Other studies, such as Gruen et al. (1999), however, have not been able to establish a link between the incidence of long-term unemployment and wages.

How are macro-economic evaluations typically undertaken?

A comprehensive approach to examining the effectiveness of labour market programmes at a macro-economic level is likely to involve the development of a well-specified macro-economic model. Evaluations of this type, however, face several problems. Government spending on labour market programmes is usually quite small compared to the size of the overall economy.¹²⁸ This makes discerning the impact of particular programmes on the overall economy very difficult. Causality also complicates the issue, as increases in expenditure on programmes typically occur in response to an increase in unemployment (or long-term unemployment).

Changes in labour market policy also often occur at the same time as other policy initiatives and it can be very difficult to isolate any separate impact. In the case of Job Network, for example, changes in workplace relations introduced through the *Workplace Relations Act 1996* are likely to have exercised a significant impact on the labour market.

¹²⁷ Unemployment that is unlikely to fall with strong economic growth. Structural unemployment is usually caused by a mismatch between the skills and experiences of job seekers and the skills needed for available jobs.

¹²⁸ Job Network spending, for example, accounted for about 0.1% of Gross Domestic Product (GDP) in 1999–00.

Churning in the labour market further complicates the analysis of the macro-economic effects of labour market assistance. Churning occurs when an assisted job seeker enters employment as a result of the assistance, but becomes unemployed once that assistance ends or shortly thereafter. This issue is of particular interest when the job seeker is long-term unemployed. In this case, measured long-term unemployment can fall as a result of labour market assistance through essentially artificial means.

Studies of the macro-economic effects of labour market programmes

Numerous attempts have been made in the past to analyse the macro-economic effects of labour market assistance. A number of studies have examined the relationship between labour market programmes and the incidence of long-term unemployment. These studies are based on the notion that the incidence of long-term unemployment is an indicator of the quality of the labour supply and, to the extent that labour market programmes reduce the incidence of long-term unemployment, they can also reduce structural unemployment.

Connolly and Nicol (1997) estimated a relationship between spending on labour market assistance and the incidence of long-term unemployment, finding a statistically significant but small negative relationship between the two (ie, an increase in spending on labour market assistance was followed by a reduction in the incidence of long-term unemployment). Junankar and Kapuscinski (1998) examined the effects of *Working Nation* on the incidence of long-term unemployment and suggested that the incidence of long-term unemployment among males fell following the introduction of *Working Nation*. The approach used to examine this issue, however, did not take account of all other factors influencing long-term unemployment and, importantly, did not reflect the fact that many long-term unemployed were merely redefined as short-term unemployed following participation in the programme, a common problem with this type of analysis.

Bellmann and Jackman (1996) used pooled cross-section data from 17 countries to test for the effects of labour market expenditure on the unemployment rate. They concluded that labour market programme expenditure had no discernible effect on the rate of growth of unemployment, although there was some effect on the incidence of long-term unemployment.

Leeves (2000) estimated the effects of labour market programme commencements and other explanatory variables on outflows from short-term or long-term unemployment for both men and women. Leeves estimated that labour market programme commencements had no effect on outflows from short-term unemployment, but had significantly positive effects on outflows from long-term unemployment.

Webster (1999) examined the influence of labour market programmes on the Beveridge Curve (which is described later in this Chapter and represents the relationship between the job vacancy rate and the unemployment rate), and argued that aggregate real spending on labour market programmes had a positive effect on the Curve. This was in addition to whatever effect it might have on changing the incidence of long-term unemployment, and possibly indicates the presence of displacement and recycling effects.

Several authors have also attempted to discover a relationship between labour market programmes and real wages or inflation, with mixed results. Layard et al. (1991), using data from 20 countries found a statistically significant inverse relationship between expenditure on labour market programmes and the changes in the rate of inflation. Estimates using updated data cited in Calmfors and Skedinger (1995), however, indicated no such relationship. Webster and

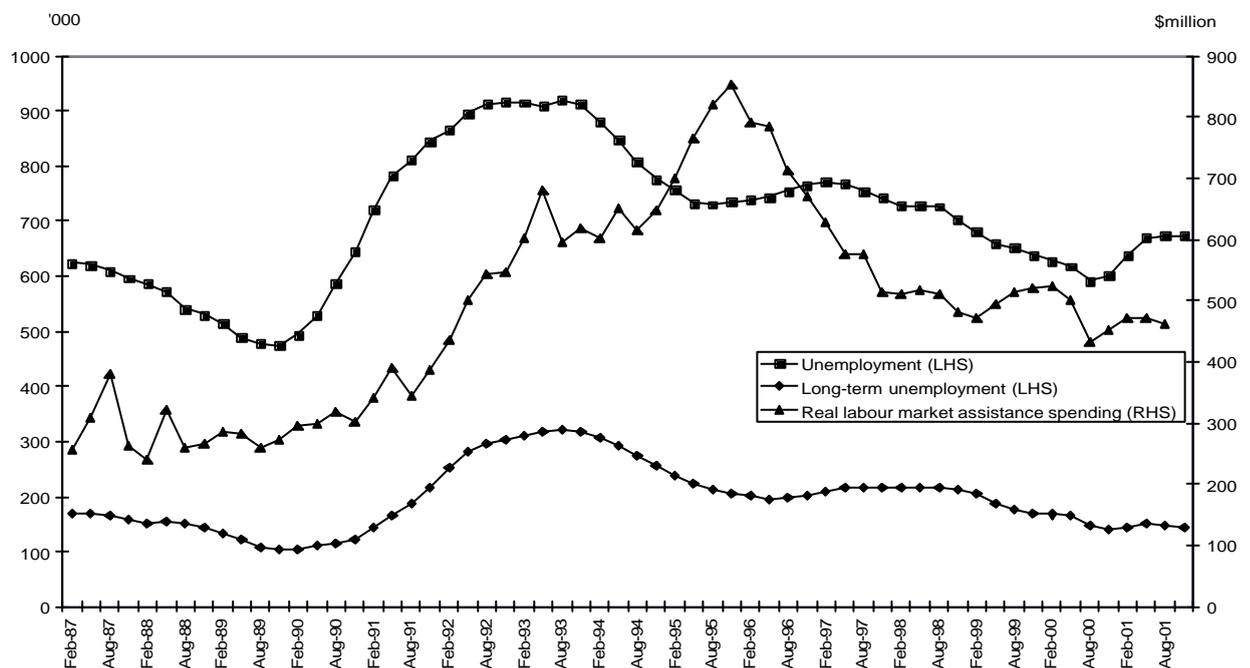
Summers (2000) argued that labour market programmes appear to have had a slight moderating influence on wage inflation.

While the references cited earlier constitute only a small proportion of the relevant literature, they do illustrate that the evidence on the macro-economic effects of labour market programme spending is very mixed. Those studies that do find some relationship between assistance and macro-economic variables are often partial in nature or are inconclusive. The tendency in Australia has been to find that labour market programmes increase the flow from long-term unemployment to employment, as measured by the Australian Bureau of Statistics (ABS), and possibly has a slight downward influence on wage and price inflation. Given the difficulties in measuring the direct impact of these programmes, however, it is not surprising, that overwhelming evidence has not been found in Australia.

5.4.2 Labour market trends and spending on labour market assistance.

Labour market programmes are typically targeted towards the unemployed and, in particular, the long-term unemployed. It is therefore useful to look at recent trends in these aspects of the labour market. In the late 1980s the level of unemployment fell to 470 000 (Figure 5.5) and the unemployment rate to 5.6%. About the same time, long-term unemployment fell to 105 000 and the incidence of long-term unemployment (ie, the proportion of total unemployment that is long-term unemployed) to less than 20%.

Figure 5.5: Unemployment, long-term unemployment and real (quarterly) spending on labour market assistance (1998–99 prices), 1987 to 2001



Source: ABS, *Labour Force, Australia* (Cat No. 6203.0), data on spending on labour market assistance from Connolly and Nicol (1997) and Commonwealth Budget papers

The incidence of long-term unemployment is an important indicator because it is a gauge of the effectiveness of labour supply and, as noted earlier, a measure of the prevalence of structural unemployment. A higher incidence of long-term unemployment is associated with higher structural unemployment, as the long-term unemployed are less able to compete for available job opportunities.

During the recession of the early 1990s, unemployment rose to almost 11% (in December 1992) and the incidence of long-term unemployment peaked at 35% (in mid 1993). During this period the number of unemployed rose by 460 000 and long-term unemployment increased to 323 000.

On the back of strong economic growth, unemployment fell quite rapidly. A mild slowdown in economic growth in 1995–96 was enough to hold unemployment at 8% until renewed growth reduced the unemployment rate to about 6% in mid-2000. Another slowdown in growth over the 12 months to June 2001 was associated with a rise in the unemployment rate. Since peaking at about 35% in 1993, the incidence of long-term unemployment has declined steadily. In August 2001, the incidence of long-term unemployment was 22.4%, its lowest rate since late 1989.

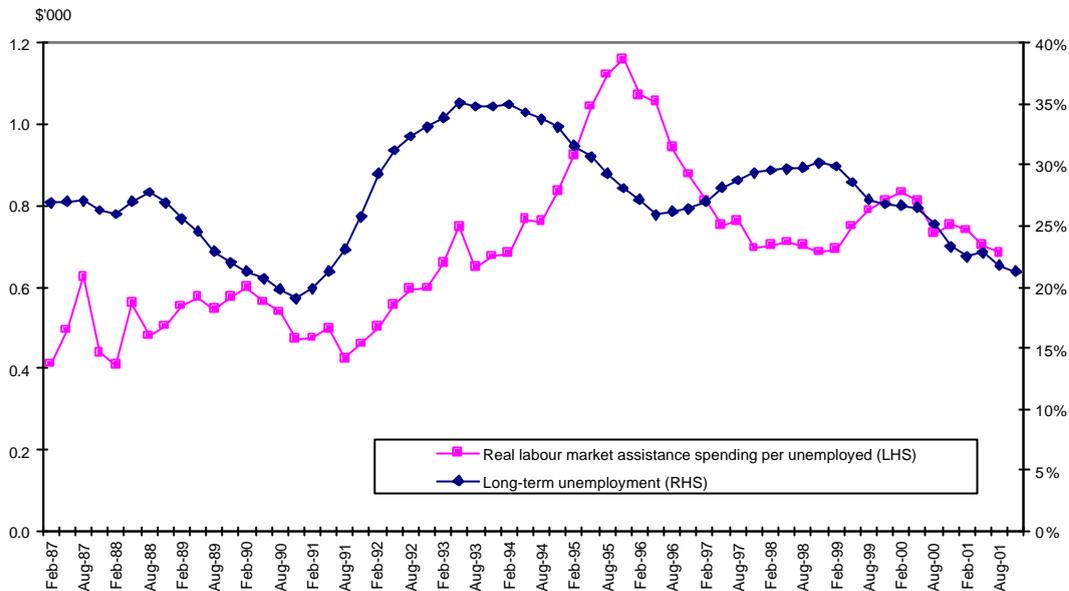
Trends in expenditure on labour market assistance over this period principally reflect the introduction of *Working Nation* in 1994, its subsequent winding down and the introduction of Job Network in 1998. The major objective of *Working Nation*'s employment initiatives "was to improve labour market equity and efficiency through a sustained reduction in the level of long-term unemployment" (DEETYA 1996, p. v). *Working Nation* involved an expansion of case management, increased obligations on welfare recipients and a significant increase in spending on labour market assistance. Labour market spending peaked in November 1995. Reductions in funding occurred during 1996 and 1997. In late 1997, labour market assistance fell to about \$500 million per quarter from a peak of \$820 million per quarter in November 1995. This was higher than the level of spending before the recession of the early 1990s and remained significant in terms of spending per unemployed person.

The main conclusion that can be drawn from Figure 5.5 is that labour market spending tends to rise in response to an increase in unemployment (or long-term unemployment). In the past, this has occurred for two reasons—as a deliberate policy response to worsening labour market conditions and an increase in client numbers flowing to programmes that were demand-driven. Using only the information in Figure 5.5, it is not possible, however, to identify a causal relationship flowing from an increase in labour market spending to a lower unemployment or long-term unemployment rate at the aggregate level.

Figure 5.6 compares the intensity of spending on the unemployed (ie, spending on labour market assistance per unemployed person) with the incidence of long-term unemployment. The intensity of spending increased substantially towards the end of the *Working Nation* period, following the increase in the unemployment rate in the early 1990s. The intensity increased for two reasons: an increase in the resources devoted to labour market assistance and a fall in the unemployment rate. Following the introduction of Job Network, spending per unemployed person fell but remained above the rate of the pre-*Working Nation* period during a time of falling unemployment.

Figure 5.6 confirms the relationship between a worsening incidence of long-term unemployment and higher labour market spending. An increasing (or decreasing) incidence of long-term unemployment led to an increase (or decrease) in the intensity of labour market spending. This is not surprising as, in recent years, labour market programmes have tended to be targeted towards the long-term unemployed.

Figure 5.6: Real spending on labour market assistance per unemployed person (in 1998–99 prices) and the incidence of long-term unemployment, 1987 to 2001



Source: ABS, *Labour Force, Australia* (Cat No. 6203.0), data on spending on labour market assistance from Connolly and Nicol (1997) and Commonwealth Budget papers

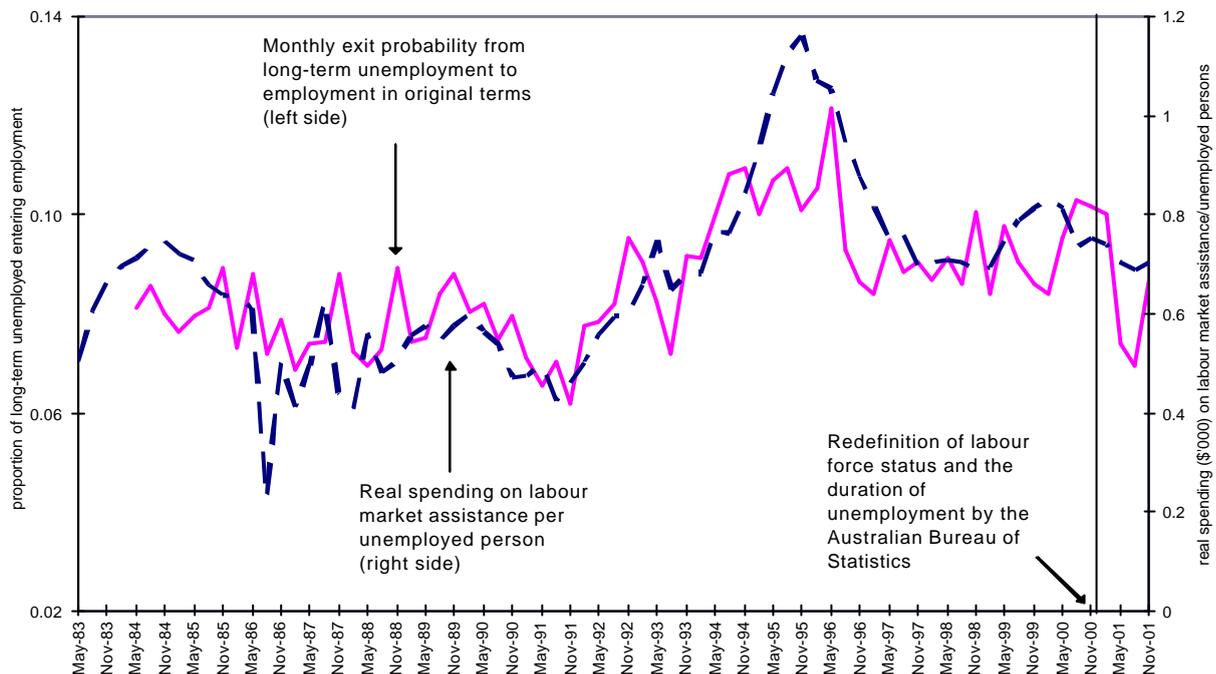
Notwithstanding the above, it is interesting to ask whether there is any evidence that changes in labour market assistance outlays exercised any discernible impact upon flows between various labour market states for the long-term unemployed. Figure 5.7, which examines the relationship between changes in spending on labour market assistance and flows into employment from long-term unemployment, suggests that there may be a positive relationship between these two variables.

From 1984 up until the time of the ABS redefinition of unemployment duration in the second quarter of 2001, the relationship between real labour market assistance spending per unemployed person and the probability of a long-term unemployed person moving into employment was, on average, reasonably close. There are, however, a number of periods where this relationship is less obvious.

In the late 1980s and early in 1990, the exit probability was moderately high relative to labour market assistance spending. This is likely to reflect the boom conditions in the labour market at that time. As noted earlier, overall unemployment at that stage was very low (less than 6%), labour shortages were widespread and the employment prospects for the long-term unemployed were relatively good.

From mid-1994 to mid-1997, labour market assistance spending was higher than the average of the period shown in Figure 5.6 because of *Working Nation* spending and transitional spending relating to its wind down. While the exit probability was also higher than average over this period, its increase does not appear to be commensurate with the additional spending.

Figure 5.7: Real spending on labour market assistance per unemployed person and monthly exit probability¹ from long-term unemployment to employment, 1983 to 2001



1 The transition probability from long-term unemployment into employment is in original terms and as quarterly averages of monthly data. While it is possible to calculate a time series in trend terms, the recent values of such a series would be affected by the major redefinition of labour force status and unemployment duration data that was implemented by the ABS from April 2001. For the data up to March 2001, the definition of long-term unemployment relates to the time since an individual had last worked full-time for two weeks or longer. From April 2001 the definition of long-term unemployment relates to the time since an individual had last worked for two weeks or longer, either full-time or part-time. This redefinition introduced a major structural break into the series and it is still too early to adjust the trend series accordingly.

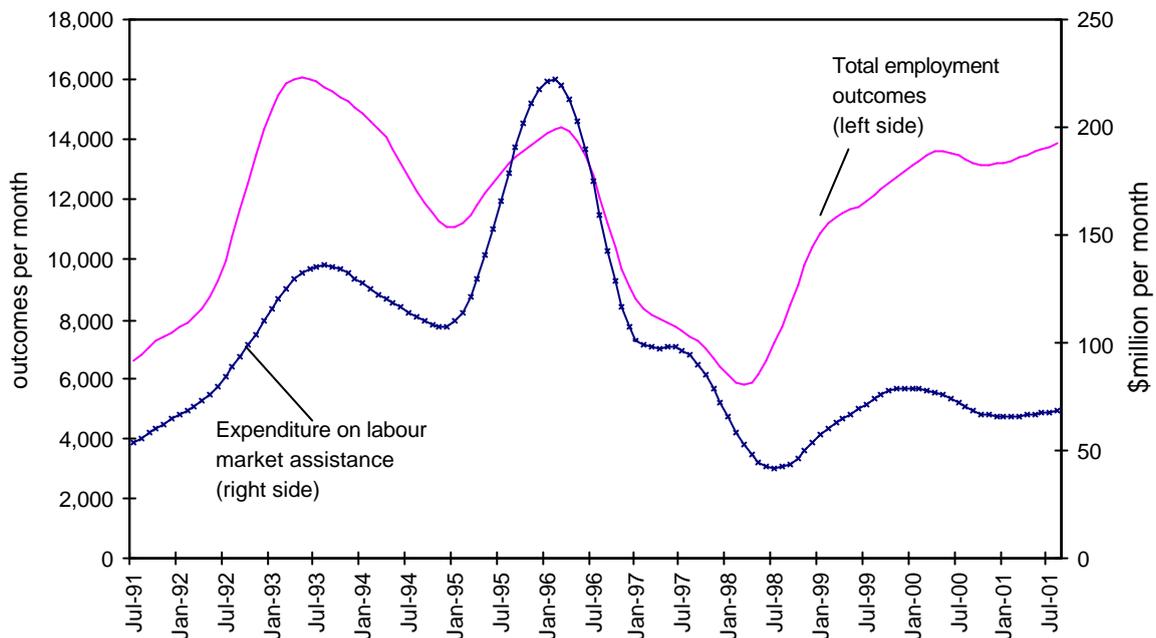
Source: Transition probabilities were calculated from unpublished ABS *Labour Force* survey data; data on spending on labour market assistance are from Connolly and Nicol (1997) and Commonwealth Budget papers; deflator used was the implicit price deflator for GDP from the ABS *National Accounts* (Cat. No. 5206.0); and the numbers of unemployed persons was from the ABS *Labour Force, Australia* (Cat. No. 6203.0)

The disparity is likely to indicate that the additional *Working Nation* spending, while still having a positive effect on the probability of long-term unemployed people moving into employment (as measured by the ABS), was less effective than spending under assistance regimes subsequent to *Working Nation* (most of this period is covered by Job Network) and beforehand. Some of the *Working Nation* programmes, such as New Work Opportunities, were relatively ineffective, and very expensive on a unit cost basis.¹²⁹

Comparing trends in labour market assistance spending and post-assistance employment outcomes provides another way of looking at the relationship between expenditure and outcomes (Figure 5.8). Labour market assistance spending appears to have been less effective about the time of the large increase in expenditure in the mid-1990s, associated with *Working Nation*, but more effective, as noted in Section 5.3, both afterward (while Job Network has been operating) and beforehand. Again, this is likely to reflect the move to relatively expensive programmes like New Work Opportunities in the mid-1990s and indicates the reduction in cost per employment outcome since the introduction of Job Network.

¹²⁹ Other factors operating from mid-1994 to mid-1997 might also have led to labour market assistance spending being less effective than usual. The Reserve Bank of Australia raised the cash interest rate by 2.75 percentage points in mid to late 1994 and this was followed by a dampening in the rate of economic growth in Australia. Another possible explanation is that the increase in spending on labour market assistance was related to the (expected) unemployment or long-term unemployment rate. In 1993, the government was concerned about a jobless recovery and about long-term unemployment reaching 500 000, which was far in excess of levels actually reached.

Figure 5.8: Labour market assistance expenditure¹ and employment outcomes², 1991 to 2001



1 On programmes administered by DEWR and its predecessors.

2 Measured three months after assistance.

Source: Post-programme Monitoring Survey and Integrated Employment System

5.4.3 Macro-economic issues relating to Job Network

Job Network was introduced in a time of relatively robust economic and employment growth. Employment, for example, had increased by 237 600 in the two years before the introduction of Job Network and grew by a further 554 800 in the first three years of its operations.

A complete macro-economic analysis of the effect of Job Network would seek to consider its impact over a complete economic cycle. Even apart from the difficulties of carrying out such an exercise, this is obviously not possible given the relatively short period (at least in comparison with the length of the business cycle) that Job Network has been operating. It is likely that, as with many other forms of labour market assistance, Job Network may be most effective when employment growth is strong. Under these conditions, with a wider availability of job vacancies, the incentives provided to Job Network members to place job seekers into vacancies are effectively more valuable (as placements are easier to achieve) than in weak labour markets.

The services offered under Job Network

The outcomes of labour market assistance can be expected to vary depending on the nature of the client group, the incentive structure, and other parameters of the assistance. Under Job Network a variety of services are provided.

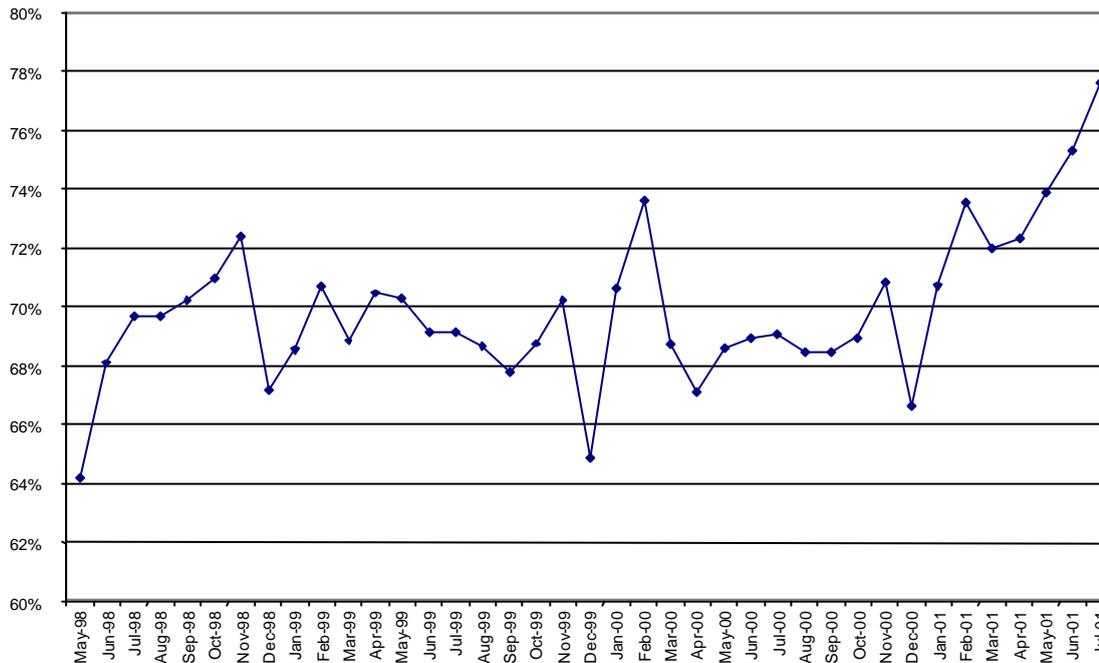
Job Matching

Job Matching is aimed at speeding up vacancy filling, thereby reducing the cost and improving the quality of the matching process. While the long-term unemployed can benefit from Job Matching, it is primarily focused on the short-term unemployed. The main effect of Job Matching should therefore be to reduce the level of *frictional unemployment* (ie, people who are unemployed because they are between jobs), or the time taken by job seekers to find work.

Reducing frictional unemployment is likely to have only relatively small effects on aggregate unemployment.

While measuring frictional unemployment is difficult, partial measures such as the time taken to fill vacancies can be helpful. The proportion of Job Network vacancies filled within 30 days remained fairly stable following Job Network's initial implementation phase, but has risen strongly over the last 12 months (Figure 5.9).

Figure 5.9: The proportion of Job Network vacancies filled within 30 days, 1998 to 2001



Source: Integrated Employment System

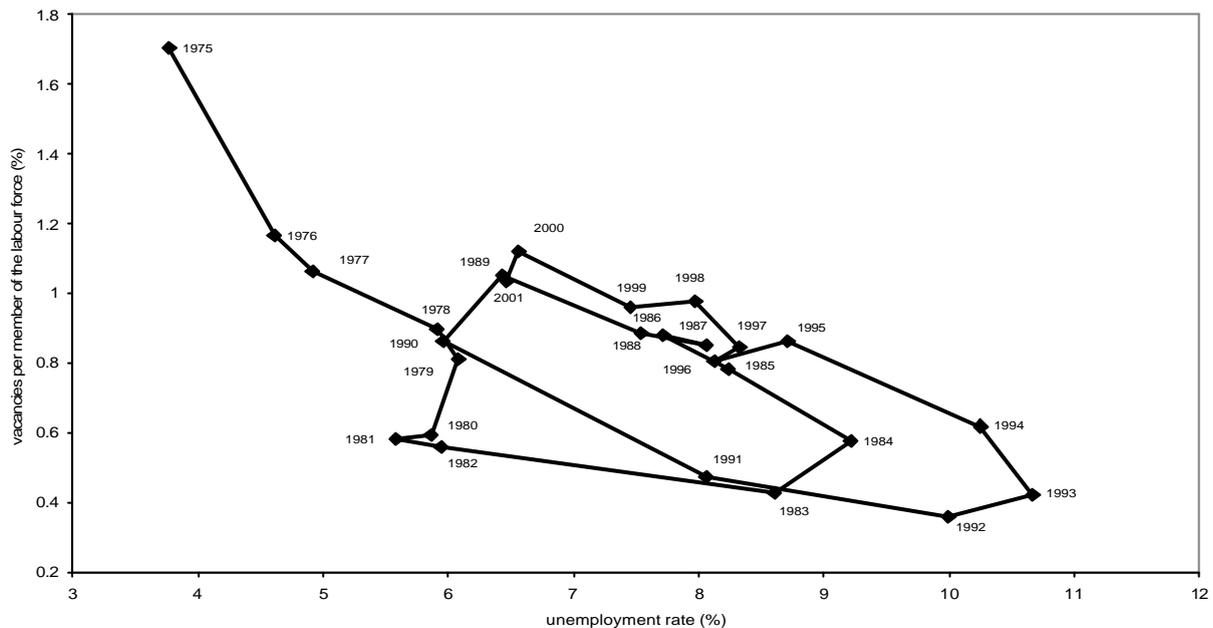
The potential macro-economic effects of Job Matching, however, are likely to be limited because, as discussed in Chapter 2, Job Matching only accounts for about one-quarter of all movements from unemployment to employment (Figure 2.2). Deadweight costs of Job Matching are also likely to be quite high. The critical question for Job Matching is whether the existence of the service leads to jobs being filled more efficiently, either because of a better match between job seeker and employer, or because vacancies are filled more quickly. In the latter case, aggregate unemployment may fall somewhat; in the former, the costs of recruitment can be reduced, potentially increasing the demand for labour.

Job Search Training and Intensive Assistance

As noted earlier, structural unemployment occurs where there is a more serious mismatch between job seekers' skills and those in demand in the labour market. Job seekers in this situation are targeted by more significant forms of intervention under Job Network. Job Search Training and Intensive Assistance provide increasing levels of assistance to job seekers facing barriers to entering employment. Effective assistance in these areas is likely to be reflected in a more effective labour supply, lower long-term unemployment and increased movements from long-term unemployment to employment.

This effect may potentially be captured in the Beveridge Curve, which is the relationship over time between the job vacancy rate and the unemployment rate. Beveridge Curves are usually downward sloping because in economic booms there is usually a high vacancy rate and a low unemployment rate. Shifts in the Beveridge Curve may suggest a change in the efficiency of the labour market. An inward shift may, for example, represent an improvement in labour market efficiency because, for any given level of unemployment, vacancies are lower. Figure 5.10 shows the Beveridge Curve for Australia between 1975 and 2001.¹³⁰

Figure 5.10: Unemployment and vacancy rates, 1975 to 2001



Source: ABS, *Job Vacancies* (Cat. No. 6354.0), ABS, *Labour Force, Australia* (Cat. No. 6203.0), from Ausstats. Labour force data prior to April 1986 have been adjusted for ABS redefinitions in April 2001 and April 1986 using the methods described in Connolly and Neo (2001)

Job Network's early intervention strategy

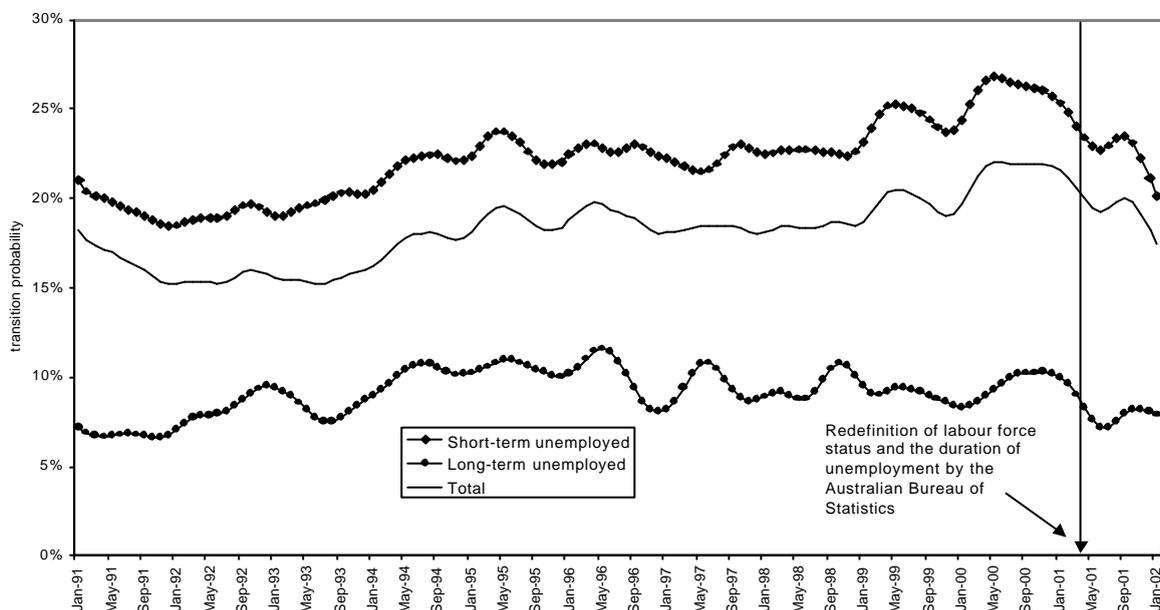
Using the JSCI, Job Network attempts to target the most intensive form of assistance to those considered more disadvantaged in the labour market. While earlier assistance regimes also included a focus on groups considered to be disadvantaged (such as the long-term unemployed), the approach taken under Job Network is more rigorous.

If successful, one likely effect of such an approach is a reduction in deadweight losses, as assistance is less likely to be provided to those with a high probability of obtaining employment anyway. This approach is likely to increase the macro-economic effectiveness of labour market assistance by improving the effectiveness of labour supply and reducing structural unemployment. It could also be expected to lead to a reduction in the number (and proportion) of job seekers who move from short-term unemployment to long-term unemployment.

¹³⁰ Although the unemployment-vacancy curve during the time that Job Network has operated has shifted outwards, this does not necessarily mean that Job Network is the cause of this apparent decrease in labour market efficiency. The outward shift in the Beveridge Curve appears to have taken place in 1992–93 and 1993–94 in the aftermath of the recession of the early 1990s and the growth in the incidence of long-term unemployment. A similar apparent outward shift took place following the 1982–83 recession, and the unemployment-vacancy relationship in the late 1980s was very similar to that of the late 1990s. These movements are most likely to be associated with business cycles rather than an intractable outward shift in the curve. The more plausible implication about Job Network that could be drawn from Figure 5.10 is that it has been insufficient, by itself, to overcome the effect on the Curve of changes in the business cycle over the last decade or so. This is not surprising, given that Job Network spending represents only about 0.1% of GDP.

An examination of transition probabilities¹³¹ from short-term and long-term unemployment to employment between January 1991 and January 2002 shows an increase in the probability of moving from unemployment to employment after the recession of the early 1990s (Figure 5.11). The likelihood that the short-term unemployed would move into employment remained relatively stable from early 1995 to early 1998, at about 22.5% per month, before rising to over 25% during 2000. While this period corresponded with the operation of Job Network, it was also a period of relatively strong economic growth. In the first half of 2001, the probability of moving from unemployment to employment fell sharply. This is likely to be related to the slowdown in economic growth and job vacancies in that period and also to the redefinitions in labour force status introduced by the ABS in April 2001.

Figure 5.11: Smoothed transition probabilities from unemployment to employment, 1991 to 2002



Source: ABS, *Labour Force, Australia* (Cat. No. 6203.0)

Targeting unemployment beneficiaries

Much of this section of the report considers broad trends in the labour market. Job Network services (and Job Search Training and Intensive Assistance¹³² in particular), however, are focused on unemployment beneficiaries (Newstart and Youth Allowance (Other) recipients), rather than the unemployed as defined by the ABS. One of the implicit criticisms that has been made of Job Network is that the number of long-term unemployment beneficiaries has not fallen faster or as fast as might have been expected given the experience of other countries (OECD 2001b).

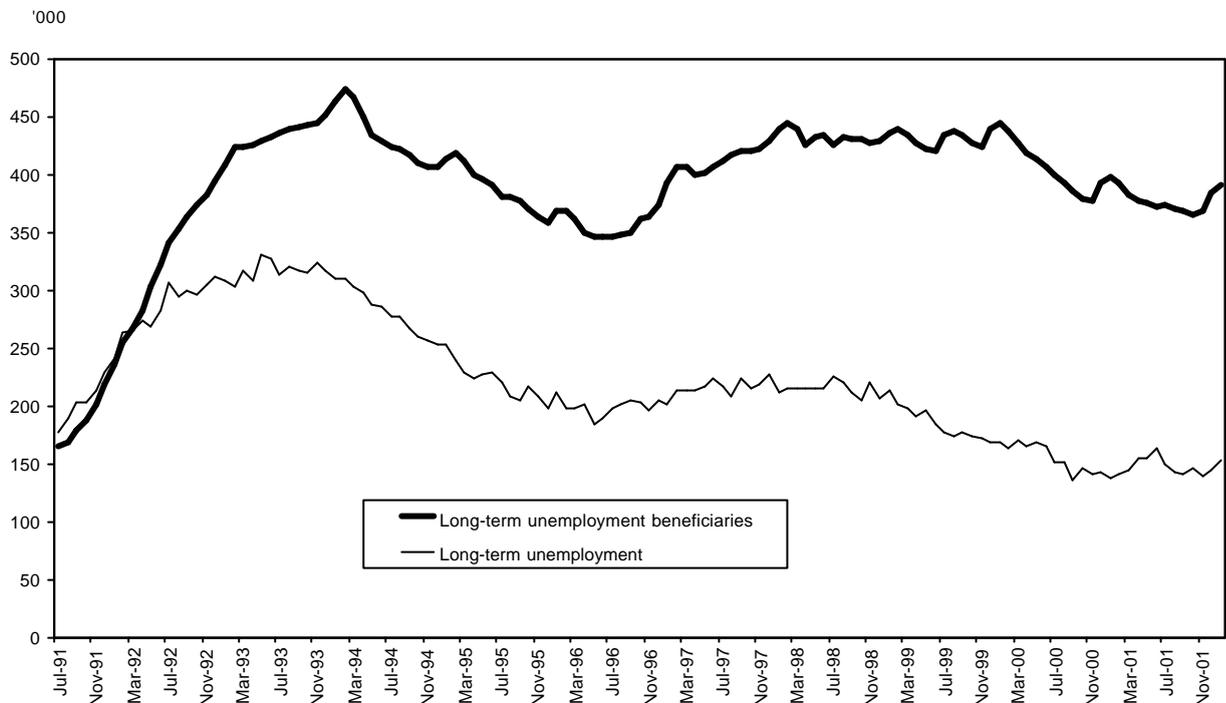
According to ABS data, long-term unemployment has fallen substantially since the recession of the early 1990s. Since its peak of 330 200 in May 1993 long-term unemployment fell by 190 700 or nearly 60% to 139 500 in November 2001. This is equivalent to a fall in the incidence of long-term unemployment (ie, the proportion of the unemployed who have been unemployed for

¹³¹ Transition probabilities represent the proportion of the unemployed who move from unemployment to employment in any given month. They are derived from matched samples used in the ABS monthly labour force surveys.

¹³² Job Matching is available more broadly. In July 2001, 62% of the total unemployed were registered with Centrelink as job seekers (Figure A7).

12 months or more) from more than 36% to about 21%. In contrast, the number of long-term beneficiaries has fallen from its peak in February 1994 by about 23% to 365 500 in October 2001 (Figure 5.12).

Figure 5.12: Long-term unemployment beneficiaries and long-term unemployed, 1991 to 2001



Source: ABS, *Labour Force, Australia* (Cat. No. 6203.0) and FaCS, *Labour Market and Related Payments, a monthly profile*

There are a number of reasons why the number of long-term unemployment beneficiaries has fallen more slowly than the long-term unemployed:

- To be counted as unemployed, one of the requirements is to have worked less than one hour a week (ABS 2002). Unemployment beneficiaries, however, can earn up to \$596 per fortnight (from March 2001 for a single person) and still be eligible to receive some form of benefit. Thus, a beneficiary working at least one hour per week but earning less than \$596 per fortnight will be classified as employed by the ABS.
- During the 1990s, the proportion of unemployment beneficiaries working part-time appears to have increased substantially. The proportion of job seekers who had fortnightly earnings, for example, increased from around 8% in 1988 to 17.3% in June 2001. Most of this group would not be classified as unemployed according to the ABS definition, but would remain in the count of unemployment beneficiaries. There are likely to be a number of reasons explaining the increase in the number of beneficiaries with some form of private earnings. These include: changes in the income support arrangements which have encouraged beneficiaries to take-up part-time work; developments in the labour market which have seen the number of part-time and casual jobs increase; the effects of labour market assistance which have helped job seekers compete more effectively for available jobs; and changes in the compliance regime which have encouraged more job seekers to declare their earnings.
- In addition, according to the ABS definition, a period of two weeks is sufficient for a person's unemployment duration to be reset should he or she subsequently re-enter

unemployment. In the case of unemployment beneficiaries, however, the relevant break is either 6 or 13 weeks. Since March 1995, moreover, a person with earnings which preclude payment remains an 'active beneficiary' for up to 12 weeks. As a result, beneficiaries who enter full-time work retain their beneficiary status (in other words they are 'nil paid' on an allowable break) for up to 12 weeks. If people receiving long-term unemployment benefits subsequently become unemployed again, they will remain classified as a long-term unemployed beneficiary if they do so within 13 weeks of their benefit being cancelled. Thus, many seasonal workers and others who have short-term but relatively significant periods of full-time employment will remain defined as long-term unemployment beneficiaries if they re-enter unemployment (even for short periods), but would be classified as short-term unemployed using the ABS definition.

Taking account of these effects, FaCS estimated that, in August 2000, the number of long-term unemployment beneficiaries would have been halved if the ABS definition were applied to the number of beneficiaries as published by that department. This would have reduced the number of long-term unemployment beneficiaries from 391 000 to 191 300.

5.5 Conclusion

In judging the overall performance of Job Network, it is important to go beyond a consideration of the impacts of the major Job Network services on their participants. This chapter examines Job Network's responsiveness to the needs of employers and job seekers (including job seekers from disadvantaged groups), the characteristics of job seekers not benefiting from Job Network assistance, measures of cost-effectiveness and macro-economic impact.

Employers using Job Network rate the service highly. There is probably scope, however, to increase the numbers of employers using it. Relationships with providers are important in this context. High-performing providers were found to devote considerable time and effort to developing strong relationships with selected employers.

Job Network's effectiveness (as measured in terms of the employment net impact of Job Search Training and Intensive Assistance, and the sustainability of outcomes) varies by client group. Among job seekers from disadvantaged groups, the employment net impact of Job Search Training was highest for the mature-aged and those from non-English-speaking backgrounds. For Intensive Assistance, the referral net impact was high for most job seekers from the disadvantaged groups examined, especially the mature-aged. Employment outcomes following assistance were generally sustained. The exceptions to this were the mature-aged among Job Matching participants, job seekers from a non-English-speaking background who had participated in Job Search Training, and job seekers with a disability among Intensive Assistance participants.

The impact of Job Network's services in conjunction with estimates of unit costs provide a measure of cost effectiveness. The unit costs of Job Search Training and Intensive Assistance are considerably less than the costs of the comparable programmes they replaced. These gains in efficiency translate into improved cost-effectiveness.

Quality of service, including Centrelink's capacity to perform its gateway function, and the assistance that Job Network members deliver both influence the effectiveness of Job Network. For most job seekers these services function well. There is scope, however, to improve administration of the JSCI, to raise awareness levels among job seekers (and employers) of the

services available from Job Network and to increase the quality of assistance, especially to the more disadvantaged.

The issue of whether labour market assistance, and Job Network in particular, produces broader level impacts was also examined. As with earlier studies, it is difficult to find overwhelming evidence of the effectiveness of labour market assistance at the macro-economic level. This is to be expected for a variety of reasons—including those related to data and difficulties associated with estimation. The absence of any results supporting this proposition, however, does not imply that such effects do not exist; merely that, relative to other factors, they may be small. Partial indicators relating to the relationship between outlays and labour market flows suggest that there is some impact and that the quality of such assistance is an important determinant of outcomes. Moreover, it must be remembered that labour market assistance is very much (even primarily) an instrument of equity and, in the context of Mutual Obligation, part of a regime designed to enhance social cohesion and widespread economic participation.

6 Discussion and conclusions

This report has attempted to measure the performance of Job Network and its major services against a range of effectiveness criteria. Chapters 2 to 4 dealt with the effectiveness of Job Network's key employment services while Chapter 5 presented the evidence of Job Network's performance in terms of effectiveness measures which were not specific to particular services. These included the extent to which Job Network responds to the specific needs of different job seekers, the level of endorsement of Job Network by its key stakeholders (employers and job seekers) and the macro-economic effects of Job Network.

This chapter brings together the findings of earlier chapters in an attempt to draw some general conclusions about Job Network's performance against both its objectives and its underlying principles. A number of themes that have emerged in the course of the evaluation and which are not specific to a particular service are explored. In the final part of the Chapter, Job Network's performance is compared with that of labour market interventions in other countries.

In making these assessments it is important to reiterate that the reforms introduced in 1998 were expected to take several years to develop. Measuring effectiveness rigorously requires a considerable period of time, both in terms of the amount of data needed for such an assessment and for Job Network to experience a range of economic conditions.

6.1 Job Network's performance

6.1.1 *Has Job Network met its objectives?*

As noted in Chapter 1, Job Network aims to improve the chances of people securing jobs, by providing assistance that increases their motivation to find work, their skill level relative to skills in demand and their capacity to search effectively for jobs. The objectives of Job Network are to:

- deliver a better quality of assistance to unemployed people, leading to better and more sustainable employment outcomes;
- target assistance to job seekers who need it and who can benefit most from it;
- address the structural weaknesses and inefficiencies inherent in previous arrangements for labour market assistance, and put into effect the lessons learnt from international and Australian experience; and
- achieve better value for money (especially in a tight budgetary environment).

Each of Job Network's services also has specific objectives, related to these broader aims. For the three main services these are:

- Job Matching—to increase the speed and efficiency with which vacancies are filled, by helping eligible job seekers into sustainable jobs;
- Job Search Training—to improve job search skills, motivate job seekers to look for work and expand their job search networks; and
- Intensive Assistance—to obtain sustainable employment for the most disadvantaged job seekers in the labour market by providing the services and support they need to address their barriers to employment.

The following issues are central to achieving the objectives of Job Network and its main services:

- Job Network's contribution to post-assistance employment (in the case of Intensive Assistance and Job Search Training);
- the sustainability of this employment;
- how Job Network compares with previous labour market assistance arrangements, including improved cost-effectiveness;
- Job Network's contribution to improved skills and motivation; and
- the quality or appropriateness of services, especially within Intensive Assistance (ie, the extent to which Intensive Assistance provides the services and the support that job seekers need to address their barriers to employment).

The objectives of Job Network also refer to appropriate targeting of assistance and labour market efficiency. Targeting assistance is a Job Network design principle, and is discussed in section 6.2. The capacity of Job Matching to increase the speed and efficiency with which vacancies are filled has not been considered, because, as noted in Chapter 2, the evaluation has not been able to assess this objective sufficiently.

The contribution of Job Network to post-assistance employment

The evaluation found that Job Search Training and Intensive Assistance have improved job seekers' chances of finding employment. The employment net impact of Job Search Training measured from referral to assistance (6.7 percentage points) was some three times that of Intensive Assistance (2.2 percentage points). This impact derives from a combination of compliance effects and of programme effects, with compliance effects contributing substantially for both programmes. Intensive Assistance, in particular, was for some job seekers associated with a substantial attachment effect that outweighed any benefits obtained from participating in the programme. This may reflect the lack of job search activity over a long period that accompanied participation in Intensive Assistance for some job seekers.

Impact varied by client group. Compliance effects appeared stronger for less disadvantaged job seekers, while the programme effects tended to be stronger for the more disadvantaged. A discernible pattern of variation in impact under different labour markets was not evident.

It is important to note that these findings need to be seen in the light of two significant caveats.

- First, they are based on a relatively small cohort of job seekers. Referral effects were measured for those who were referred to Job Search Training or Intensive Assistance in March and April 2000, as well as for those who started in these two services during these months. Programme effects were measured for job seekers who left Job Search Training or Intensive Assistance in February 2001. These findings will need to be replicated through further studies before they can be confidently regarded as applying to Job Network-eligible job seekers more generally.
- Second, the net impact methodology provides a less than ideal performance measure. Ideally, net impact measures should reflect the difference between the effect of an intervention and doing nothing. The methodology used in the evaluation (as noted in Chapters 3 and 4) compares an intervention with what in effect is a *combination* of doing nothing *and* other interventions. The lack of a 'pure' control group—a perennial issue for impact analysis—means the findings must be treated with caution. Moreover, they are likely

to be conservative because members of the control group can be and are referred to assistance.

Sustainability of employment outcomes

The findings on the sustainability of outcomes indicate that securing a job in the short-term is crucial to having a job in the longer term. This finding was evident across all three services examined. For both Job Matching and Job Search Training participants, over 80% of those employed in the short term were also employed in the longer term (Table 6.1). The corresponding proportion for Intensive Assistance participants, who are generally more disadvantaged in the labour market, was 76%.

Table 6.1: Employment status in the short-term by employment status in the longer-term¹

Employment status at three months	Employment status in the longer term			Total
	Employed	Unemployed	NILF ²	
%				
Job Matching				
Employed	83	12	5	100
Unemployed	38	55	8	100
Not in the labour force	13	36	51	100
Total	67	25	8	100
Job Search Training				
Employed	82	14	4	100
Unemployed	42	48	10	100
Not in the labour force	38	32	30	100
Total	57	34	9	100
Intensive Assistance				
Employed	76	18	6	100
Unemployed	28	57	15	100
Not in the labour force	13	29	58	100
Total	46	35	19	100

1 12 months after placement for Job Matching and eight months after placement for Job Search Training and Intensive Assistance.

2 Not in the labour force.

Source: Post-programme Monitoring Survey and 2001 Job Network Participants Survey

In addition to the finding of sustained employment outcomes for many job seekers, it is also notable that the quality of the outcome (in terms of type of job, income and skill levels) improves for the majority over time. This lends supports to a 'work first' approach even if it is uncertain whether the improvement in the quality of outcome would have occurred anyway (eg, because holding a job strengthens a person's prospects of securing a better job compared to those applying who are unemployed). Most people who enter employment do so with an expectation, which is usually realised, that quality improves over time. Measuring the sustainability of net impact, which has yet to be done, would assess Job Network's contribution to this improvement. It is reasonable to expect, however, based on the findings from overseas research into labour market assistance arrangements, that the effects of an intervention would diminish with time as other factors come into play (Martin and Grubb 2001).

Cost-effectiveness and comparisons with previous arrangements

The evaluation has examined the unit costs of Job Network assistance, costs per outcome and costs per net impact to assess efficiency and cost-effectiveness. Whether Job Network meets its objective 'to achieve better value for money' requires a comparison with the efficiency and cost-effectiveness of previous labour market assistance arrangements. This in turn makes it possible to assess whether Job Network has addressed the structural weaknesses and inefficiencies seen as

inherent in the previous labour market assistance arrangements. Both these objectives could be regarded as met, to the extent that Job Network achieves greater efficiencies and cost-effectiveness than previous forms of assistance.

The evaluation found that, while the programme net impact of Job Network (measured three months after participants leave assistance) was at least comparable to that of the labour market programmes it replaced, the cost of delivering assistance under Job Network (efficiency) and the cost per net impact (cost-effectiveness) were substantially better. Compared to previous arrangements, the evidence suggests Job Network is clearly more cost-effective. This does not imply that Job Network has achieved optimal performance. Past benchmarks, while useful, are not conclusive in this regard. Indeed, as evidenced by the evaluation's wider findings, Job Network has significant opportunities to build on its positive performance so far.

Job Network's contribution to improved skills and motivation

Improved skills and motivation are likely to increase job seekers' employability, and make them more competitive in the labour market. While secondary to the objective of getting job seekers into jobs, such improvements provide important intermediate steps that support employment as an eventual outcome.

There is evidence from the evaluation that Job Network services contribute to improved skills and motivation. This evidence, collected in a survey of job seekers in 2001, relies on respondents' perceptions of impact rather than on directly measuring changes in skill level or motivation. The survey found that over 70% of Job Search Training and Intensive Assistance participants 'agreed' or 'strongly agreed' that the assistance they received improved their chances of getting a job. Seventy-three per cent of Job Search Training participants and 64% of Intensive Assistance participants reported improvement in their self-confidence, while over 80% agreed their provider helped them stay motivated to look for work.

Encouraging as these findings are, further research is needed to measure skill levels and motivation before and after an episode of assistance. An attempt to do this in the case of motivation is planned. This study will measure job seekers' attitudes and motivation, and changes in these attributes over time. It is based on the attitudinal segmentation discussed earlier in the report (Chapter 4). Movement between segments measured before and after assistance (assuming other factors are controlled for) would indicate any effect of assistance.

Quality of services

Improved service quality is an expressed objective of Job Network and, as discussed in Chapter 1, is closely linked to the exercise of choice. Job Network's more flexible and individually-tailored approach to assistance and its competitive focus were expected to improve the quality of services to both job seekers and employers, by being more responsive and innovative.

Surveys undertaken with job seekers and employers soon after Job Network was implemented indicated that the quality of service had improved under Job Network (DEWRSB 2000a). Job seekers in qualitative research who had experience under both the Commonwealth Employment Service (CES) and Job Network reported that Job Network had improved access by having shorter queues and waiting times¹³³ and a greater urgency and performance focus, which had

¹³³ Many job seekers indicated that under the CES they often had to wait a long time, often in lengthy queues, before they could see a staff member.

translated to a higher level of service for them.¹³⁴ The competitive nature of Job Network was seen as providing a greater incentive to perform than the previous system. Employers surveyed in 1999 also rated Job Network as better than the CES on many aspects of service (DEWRSB 2000a). The 2001 survey of employers indicates that service continues to improve with 90% of employers satisfied or very satisfied with services compared with 84% in 1999.

When comparing the new and the old systems, the main criticisms job seekers and providers in qualitative research had of Job Network related to the availability of training. The CES was seen by these stakeholders as offering a greater range of training options and the possibility of longer and often more expensive assistance for those with more significant barriers. It should be noted, however, that these views pre-date the initiatives being introduced under *Australians Working Together* (AWT), which widen access to training for certain groups of job seekers.¹³⁵

Some providers and job seekers believed there was less financial assistance available under Job Network (for transport or purchasing clothing or equipment such as work tools). As noted earlier, job seekers in Job Matching were also critical of having to travel between providers to access vacancies.

I've had to go to the other side of town to register for a job which I later found out was at the Coles or something in my neighbouring suburb. *Job Matching job seeker*

In the context of Intensive Assistance, quality of services also refers to the extent to which barriers to employment are addressed. Achievement of this objective relies on providers selecting and offering the appropriate assistance, since they have the flexibility and some incentive to tailor assistance to the individual needs of job seekers.

An issue for the evaluation was how to measure this aspect of service quality so that a judgement could be made on whether or not Intensive Assistance had achieved this objective. At a simplistic level, net impact that derives from participation in assistance (rather than referral to assistance) represents achievement of this objective. Job seekers who obtained employment as a direct result of participating in Intensive Assistance have had, by definition, their barriers to employment addressed. As noted in Chapter 4, only a small proportion of job seekers who participate in Intensive Assistance appear to have obtained employment as a direct result of their participation. Other job seekers, however, may also have had their barriers to employment addressed but may not have found work yet, either through placement into a job by their Intensive Assistance provider or shortly after leaving assistance. Thus, barriers may have been overcome or reduced but, in the absence of available job opportunities, may not have resulted in employment. The net impact approach does not measure this effect.

6.1.2 Integration with other services

Since May 1998 Job Network has operated as a national network of employment service organisations delivering, in the main, job brokerage services, job search assistance and more intensive services to more disadvantaged job seekers. In this period, Job Network has also delivered assistance to job seekers to set up their own businesses, supplied labour to the harvest industry and provided a range of self-service facilities which are available in most Centrelink offices. Job Network, however, is not the only employment service for unemployed job seekers operating in Australia. As noted in Chapter 1, in 1999–00, Job Network accounted for just over

¹³⁴ Previous labour market assistance regimes have been criticised for their unwieldy administrative arrangements, especially the CES which was perceived as bureaucratic and overly burdened with guidelines and process (DEETYA 1996 and CESAC 1995).

¹³⁵ More money under AWT is also being provided for training of participants in Work for the Dole.

a quarter of government (Commonwealth and State) allocations of expenditure on employment assistance. Job Network operates alongside other services, including (at the Commonwealth level) those delivered by Community Work Co-ordinators, such as Work for the Dole, the Indigenous Employment Programmes of the Indigenous Employment Policy and services funded by the Department of Family and Community Services (FaCS) and the Department of Education, Science and Training (DEST). The same job seekers can be clients of these different services.

The various employment services in Australia have developed independently of each other into separate streams. This separation has the potential to lead to competition for participants between programmes and services. Where this occurs the needs of individual job seekers may not always take primacy over achieving programme commencements. This could result in a situation reminiscent of the difficulties apparent when separate labour market programmes operated, each with its own annual targets.

Access to Australia's employment services for some job seekers has also been criticised. The final report of the Government's Reference Group on Welfare Reform, *Participation Support for a More Equitable Society* concluded that "service delivery arrangements are fragmented and not adequately focused on participation goals for all people of workforce age" (Reference Group on Welfare Reform 2000, p. 3), and described this fragmentation as "confusing and confronting for clients" (p. 9).

There are two aspects to the criticism. The first is that current labour market assistance arrangements, more so than in the past, concentrate on those job seekers receiving activity-tested allowances (Newstart Allowance and Youth Allowance). This focus stems from the eligibility requirements of Job Network, which can be quite complex. Most job seekers are eligible for Job Matching. To be eligible for Job Search Training or Intensive Assistance though, job seekers must be registered as unemployed with Centrelink and, if older than 20, be eligible for qualifying government income support (including Youth Allowance, Newstart Allowance, Partner Allowance and Disability Support Pension). Any job seeker under 20 is eligible for all Job Network services. Job seekers receiving activity-tested allowances can be compelled to participate (failure to participate can lead to reductions or loss of income support), while other job seekers on qualifying government income support can participate on a voluntary basis. Job seekers not on activity-tested allowances are unlikely to participate unless they are motivated to do so. The second aspect is that the linkages between different programmes and services need to be strengthened to achieve "a continuum of assistance that is responsive to changing needs" (Reference Group on Welfare Reform 2000, p. 11).

The Government has indicated a commitment to welfare reform which is consistent with the broad directions of the final report of the Reference Group on Welfare Reform (the McClure Report). The McClure Report advocated a simpler income support structure, incentives and financial assistance to encourage and enable social and economic participation, and the development of social partnerships to increase the opportunities for people without jobs (Reference Group on Welfare Reform 2000). The AWT package, which was announced in the 2001–02 Budget, is a first step in this process of welfare reform. It seeks to improve the articulation between Job Network and other employment services, and includes, among other changes, enhancements to Job Network (outlined in Attachment C of this report).

6.2 Progress against design principles

6.2.1 Integrating income support with participation in assistance

The OECD (Organisation for Economic Co-operation and Development) has advocated the integration of income support with participation in labour market assistance through a one-stop-shop approach (OECD 1994). The rationale for such an approach is that it would serve to remove duplication and simplify processes for job seekers and, at the same time, strengthen and make more explicit the link between receipt of income support and active job search.

As noted in Chapter 1, instead of a *one-stop-shop* approach, the Government chose a combination of a *first-stop shop* and a competitive market for employment services. Under the Job Network model the one-stop-shop approach was difficult to implement as it implied that all employment services should be delivered from the same location. This concept was incompatible with a competitive and contestable employment services market involving a number of employment service providers in the same area (DEWRSB 2000a). The proposals announced in the AWT package are designed to strengthen integration by improving the linkages between different types of assistance (discussed above).

The operation of the system of referral to assistance—which for many job seekers involves automatic referral—is also relevant to a consideration of progress against this design principle. A streamlined referral process has been piloted in several Centrelink offices, in conjunction with enhancements to Job Network’s self-service facilities. These arrangements are expected to improve the take-up of both Intensive Assistance and Job Search Training.

Progress against this design principle, however, involves considerations beyond the integration of the structures for the delivery of the employment services (to the extent planned). Progress can also be measured in terms of stakeholder responses and their perceptions of the extent to which Centrelink facilitates access to Job Network and how stakeholders navigate the system. From the point of view of integration, Centrelink’s role in facilitating access to Job Network services depends on awareness and usage (particularly for Job Matching, which is essentially voluntary for job seekers not eligible for either Job Search Training or Intensive Assistance). The extent of integration is also reflected in the nature of the relationship between service providers and Centrelink.

Most job seekers have heard about Job Network. Seventy-two per cent of job seekers surveyed in early 2001 (who had contacted Centrelink in the previous six months), for example, had heard of Job Matching. About 80% of job seekers agreed that Centrelink encouraged them to use the services of Job Network members and clearly explained how to contact a local member. As noted in Chapter 5, however, many job seekers do not fully understand Job Network’s role. Among employers surveyed in 2001, almost 80% were aware of Job Network, but the proportion reporting that they understood it fully was 35% (down from 45% in 1999, which perhaps reflected the extensive publicity accompanying the introduction of Job Network). Many employers and job seekers are unclear about the roles of Centrelink and Job Network. More than a third of job seekers reported dissatisfaction with Centrelink’s service because they perceived that Centrelink had not helped them to get a job, even though this is not one of Centrelink’s functions. In qualitative research, some employers reported not knowing where to go to find out about the public employment service.

The relationship between Job Network members and Centrelink is also a significant influence on the operation of the employment services market and the extent to which integration has been

achieved. As the gateway to Job Network, Centrelink's responsibilities include the provision of information to both service providers and job seekers (for example about the services available from Job Network), handling complaints and administering job seekers' records. Centrelink's capacity to undertake its 'gateway' functions affects the relationship. Research with providers has found that more than 80% are satisfied with Centrelink's service. The main factor identified by providers as contributing to service quality was Centrelink's arrangements for contact and liaison. Responsiveness, a perception of being in a partnership, and Centrelink staff having a good understanding of the employment services market and the business needs of Job Network members, were also considered to be important. Areas where the relationship could be improved reflect this. Understanding of Job Network among Centrelink's staff and the need for better communication were the areas most commonly identified by Job Network members as requiring improvement. The recently introduced Partnership Programme seeks to improve the relationship between Centrelink, the Department of Employment and Workplace Relations (DEWR) and Job Network. In addition to this, Centrelink and the National Employment Services Association (NESA) are developing a National Charter of Agreement to strengthen their relationship.

6.2.2 Competition in service delivery

The two open competitive tenders conducted for Job Network have expanded the number of sites delivering employment services. Under the second Job Network contract, services are available from more than 2000 sites Australia-wide. The open tender has allowed high quality providers to be retained in the market and new providers, with the potential to be high performers, to be brought into the market. Through these means, there is scope for improving the quality of services from one contract round to the next, as the market matures. A competitive market facilitates employer and job seeker choices and helps maintain diversity in the types of providers and in the services available. It has also resulted in greater efficiencies in the delivery of, and outcomes from, employment services compared to previous arrangements.

Research with job seekers and providers identified positive aspects of the competitive nature of Job Network, as well as some limitations. Although the findings cannot be quantified, the research found widespread support for linking the contract renewal process to provider performance. Competition was seen as offering an incentive to perform, by continually encouraging improvement to services and by giving a choice of service providers. Perceived adverse aspects of competition included the practice of providers reserving the vacancies they had obtained from employers for their own clients. While this practice is consistent with the equity goals of Job Network, some job seekers were critical of the apparent reduction in the pool of vacancies this practice causes and of the time wasted by applying for these 'reserved' positions. Inappropriate practices by some providers, lack of assistance to some job seekers and the oversupply of providers in some locations were also mentioned as negative aspects of competition. In addition, competition was seen as constraining the free flow of information between providers on the best ways of assisting job seekers.

The tender process, which is central to ensuring competition, is not without cost. Tender rounds are resource-intensive and Job Network activity levels declined in the transition between contracts and during the early months of the new contract. Renewing the market through a global tender contributes to business uncertainty among providers and confusion among job seekers and employers. In focus groups, employers commented on a lack of continuity of services, probably because the providers they were dealing with dropped out of the market between Job Network contracts. Submissions to the Productivity Commission's review of Job Network have canvassed the option of five-year contract periods as a means of increasing market stability.

To reduce the impact of the change of contracts, the Government anticipates that about 60% of existing Job Network business will be rolled over to the highest performing providers when the current contract expires in June 2003, with the rest proceeding to competitive tender. This will substantially lessen the disruption but potentially also lessen the scope for introducing new players into the market.

6.2.3 Targeting services

Careful targeting, both within and between Job Network services, is required to maximise cost-effectiveness by ensuring that job seekers are directed to the type of assistance that they are most likely to benefit from. Issues relevant to targeting include how the Job Seeker Classification Instrument (JSCI) has been used and whether the allocation of services to job seekers is optimal.

How the JSCI has been used

The JSCI is used not only for targeting assistance but also as a device to regulate the flow of job seekers to providers, particularly in Intensive Assistance. The JSCI score for eligibility for Intensive Assistance has been lowered twice since Job Network was implemented. This was done primarily to sustain contracted provider business levels while extending assistance to job seekers previously classified as ineligible.

The twin objectives of regulating flow and targeting do not always have consistent outcomes. Using a profiling instrument (the original purpose of the JSCI) as a device to regulate flow may reduce the effectiveness of the instrument as a tool for effective targeting. The apparent high level of deadweight in Intensive Assistance (discussed in Chapter 4) provides evidence to suggest this may be the case. The lowering of the JSCI score for eligibility to Intensive Assistance (to increase the flow of job seekers into this programme) is likely to have contributed to this high level of deadweight. As a result, confidence in the JSCI as a profiling instrument is likely to decrease.

Improving the allocation of services

Net impact studies indicate there is considerable scope to raise Job Network's effectiveness by better targeting of services. Suggestions for improvement are discussed in Chapters 3 and 4, including raising the JSCI threshold for eligibility for referral to Intensive Assistance (thereby helping to reduce deadweight); modifying the fee structure to increase the proportion of the final outcome payment; and shortening the length of assistance while at the same time increasing its intensity.

The findings on effectiveness, together with those on job seekers who do not benefit from assistance, suggest there is a need to improve the allocation of services to job seekers. Currently, the assessed risk of long-term unemployment is the main determinant both of eligibility for assistance and of the service to which the job seekers are to be referred. Efficiency and equity arguments provide the basis for such an allocation. The net impact analysis, however, indicates that the current allocation may be less than optimal. For some job seekers, referral to assistance (and their subsequent participation) may do little to enhance their chances of securing employment. Efficiency and equity objectives would clearly not be met in such situations.

- The net impact findings suggest that some disadvantaged job seekers, who are currently referred to Intensive Assistance would probably benefit more from referral to Job Search Training. This would also raise the cost-effectiveness of assistance, as unit costs of Job Search Training are considerably lower than those of Intensive Assistance.

- Analysis of the net impact estimates in terms of job seeker characteristics also suggests that the JSCI (within limitations) is able to determine the level of disadvantage faced by job seekers with a high degree of accuracy. The JSCI, however, is less than optimal as the basis for referring job seekers to the most appropriate form of labour market assistance, and was not designed as such. Arguably, the most disadvantaged job seekers should only be referred to Intensive Assistance after an assessment of whether they would benefit from it. Highlighting this is the fact that, since July 2000, about half of all those commencing Intensive Assistance have already participated (an issue discussed in Chapter 5 of the report).

The ideal solution would be an approach that supplements the JSCI and allows job seekers to be referred to the programme where they are likely to achieve the highest employment net impact. In some cases this may well mean no referral at all, or it may mean new forms of assistance are required.

This view is supported by a study of profiling tools in Kentucky which showed that the tool currently in use, based on level of disadvantage, was highly inefficient (Berger et al. 2000). The study found that the most desirable approach would be a profiling tool that used the propensity of an individual job seeker to benefit from assistance (net impact) rather than their level of disadvantage. The Kentucky study concludes that such a system would be unachievable in the United States because of the large amount of data required to make accurate assessments of net impacts. This is not the case in Australia, however, where the national approach, with consequent large sample sizes, provides the potential for establishing from which programme, of the current range of assistance options, a job seeker is most likely to benefit.

Implementing such an approach may require a change in DEWR's contract management arrangements. A degree of flexibility would need to be applied to the allocation of business. Providers could be guaranteed a minimum level of business overall, but the type and amount of services delivered would be at the discretion of the purchaser. This would be important to ensure that the purchaser would not be required to pay a large business level risk premium in contractual negotiations.

6.2.4 Increasing flexibility

As noted earlier, the competitive nature of Job Network was intended to encourage providers to look for new and improved ways of addressing job seekers' barriers to employment. Providers would have the flexibility to tailor assistance to individual needs and pursue innovative ways of assisting job seekers.

The evidence for innovative approaches, however, has yet to be gathered in a systematic way. One study of high- and low-performing Intensive Assistance providers suggested that innovation was more likely from higher-performing providers (DEWRSB 2001f). Higher-performing providers gave their employment consultants more leeway to decide about what could be purchased and the amount to be spent on assisting job seekers. This allowed them to be more flexible and innovative in the assistance they provided. Lower-performing providers tended to place greater value on previous experience in staff selection which may indicate that these providers were more likely to persist with established or traditional approaches to assistance rather than trying new ways. Qualitative research with providers for this evaluation obtained similar findings.

Some site managers indicated that innovation was being limited by the risk-averse recruitment approach of many Job Network members, who employed consultants only from within the

employment services industry. This was done to avoid the cost and time required for recruits from outside the industry to become familiar with the rules and to develop the skills required of a case manager.

Innovation is equated with tailoring services to suit the needs of the job seekers and the local employment market. Many job seekers indicated that they were disappointed in the extent to which this was happening and perceived that, while there was a range of providers to choose from, the services they offered were similar. Few instances of specialisation in particular industries or occupation groups were provided. The introduction of specialist providers, however, was considered to have increased the opportunities for greater tailoring of services. Greater flexibility and opportunity for tailoring services will also be available through changes being introduced as part of AWT. Through these changes, Intensive Assistance providers will be able to work with job seekers to determine whether they would benefit more from referral to a complementary programme (such as Work for the Dole, numeracy/literacy training or the Personal Support Programme) before they participate in Intensive Assistance.

6.2.5 Focussing on outcomes

Job Network's incentive structure includes performance-based funding that reflects the importance of job placement and sustainable employment. This structure, combined with the process for awarding business, has a strong influence on the decisions that providers make regarding the level and type of service offered to job seekers, particularly in Intensive Assistance. The evaluation findings indicate that activity levels in Intensive Assistance are high in the early months of assistance, then fall away, before increasing towards the end of the placement (DEWRSB 2001d). The distribution of paid outcomes reflects this pattern of activity. Moreover, many of the more disadvantaged job seekers who participate in Intensive Assistance receive minimal service because the provider does not believe they have the resources to adequately address these job seekers' barriers to employment. Evidence presented in Chapter 4 suggests that provider behaviour in this regard is quite rational, given the incentives in the fee structure. The fee structure alone, however, does not explain all provider behaviour, as this is also influenced by other incentives. Some of the different ways providers have responded to the incentives in Job Network are explored below.

Participation reporting

Job seekers who are subject to the Activity Test can have benefit sanctions applied (a compliance penalty) if they do not meet their obligations. If a job seekers does not undertake activities prescribed in a Preparing for Work Agreement,¹³⁶ their Job Network member can forward a participation report to Centrelink who may, following investigation of the report, impose a compliance penalty.

Job Network members are neither contracted nor resourced to investigate whether job seekers should or should not be subject to benefit sanctions. The threat of a compliance penalty can be used to persuade a job seeker referred to assistance to commence. In qualitative research, case managers reported that they sometimes used this threat to motivate job seekers who they believed were not interested in obtaining a job. When this did not work, these job seekers were likely to only receive minimal assistance. Notably, as discussed in Chapters 3 and 4, job seekers from high-performing Job Search Training providers believed their provider was more likely to threaten to submit a participation report than job seekers of lower-performing providers. The opposite was the case for Intensive Assistance.

¹³⁶ An Activity Agreement under the *Social Security Act 1991*.

Submitting participation reports to Centrelink, however, is unlikely to have much impact on client turnover. Job seekers cannot be removed from a provider's case load unless they receive three compliance penalties in a two year period.¹³⁷ In the vast majority of cases, not surprisingly, participation reports do not result in job seekers being removed from case loads. While the threat of forwarding a participation report to Centrelink may be used to encourage participation, its incentive effect on turnover is minimal.

In 2000–01, 18% of job seekers had a compliance penalty imposed. Job Network members accounted for 35% of all participation reports notified and for 28% of those imposed in this period. The majority of participation reports from Job Network members, however, do not result in a compliance penalty being imposed, with 60% of reports submitted during March 2000 and August 2001 either not imposed or revoked by Centrelink. These data demonstrate the extent to which providers perceive that job seekers fail to participate in programmes and submit reports to Centrelink for investigation.

Several factors contribute to this conversion rate and there would appear to be scope to improve procedures. Job seekers often reveal personal circumstances to Centrelink affecting their ability to meet their obligations, which Job Network members may not be aware of. In its submission to the Productivity Commission's inquiry into Job Network, Centrelink suggested that providers could be better trained in understanding participation reporting and penalty imposition procedures. The way that local Centrelink offices respond to each recommendation also appears to be a factor in determining how many penalties are imposed.

Job Network members are encouraged to contact the job seeker and discuss reasons for non-compliance. Various trials¹³⁸ are also underway to improve job seeker participation. In addition, Centrelink has canvassed the option of charging when participation reports do not result in compliance penalties being imposed (Centrelink 2001). Charging providers would challenge the established decision making processes and may discourage providers forwarding participation reports. This proposal would also shift the costs of investigating participation reports from Centrelink to DEWR, as it is likely that these costs would be factored into service tenders. Passing back these costs would, if it eventuated, lead to little change in provider behaviour.

Pursuing outcomes and stars

In the second tender, contracts were awarded on the basis of performance, and a star rating system was introduced. This appears to have increased Job Network's focus on securing outcomes for job seekers. Stakeholders have both welcomed and criticised this approach. Supporting a focus on outcomes is based on a view that a good way to secure a lasting job is to accept any job in the short-term. The evaluation findings on the sustainability of post-assistance employment, and the evidence of progression between jobs, support this view.¹³⁹ In other words, there are more likely to be lasting benefits for job seekers if the provider focuses on securing a job placement rather than on spending time building up skills, or progressively addressing any barriers to employment. One consequence of such an approach is that job-specific training is only provided to a job seeker once a job has been secured.

¹³⁷ This results in an eight week non-payment period.

¹³⁸ For example, the Streamlined Job Network Access and Referral Process pilot aimed, in part, at fostering higher levels of participation and hence less imposition of compliance penalties.

¹³⁹ This is also consistent with the findings of other research. See Dunlop 2000 and Carino-Abello et al. 2001.

Critics of the predominantly short-term outcomes-focused approach consider that it is driven by profit motives at the expense of providing appropriate assistance to job seekers. They claim that short-term employment outcomes may not necessarily be in the long-term interest of some disadvantaged job seekers. Some providers only deliver minimal assistance to those job seekers who require a substantial investment to overcome their barriers to employment. The profit motive and a desire to secure on-going Job Network business is seen by some stakeholders as contributing to inappropriate practices, including the creation of ‘phoney’ jobs and placing job seekers on training programmes purely to secure a secondary outcome (the so-called practice of ‘buying a star’).¹⁴⁰ The star rating system is considered to increase the potential for these practices.

The argument related to the advantages and disadvantages of the focus on employment outcomes and of achieving higher star ratings suggest different philosophies among providers. There has also been some questioning of how well factors other than provider performance are controlled for in the star-rating model, and of the balance among the model’s different performance measures.

It may be assumed that alternative provider philosophies—one focused on outcomes and the other focused on improving a job seeker’s job readiness—may reflect differences between private and community sector providers. There is some evidence, however, to suggest that this is not necessarily the case. The analysis of the factors associated with Intensive Assistance employment outcomes (reported in Chapter 4) did not show any significant difference between outcomes for private and community sector providers, once other influences were taken into account. There are, of course, alternative explanations for this finding. The different philosophies may not be so different after all or while they may result in different approaches to assistance, may not necessarily result in different outcomes. The differences between providers in the second Job Network contract may also be less apparent than they were under the first contract because poor performers were culled from the market in the last tender.

Concern that the star rating system may not sufficiently account for different labour market conditions and job seeker characteristics prompted a review. This review examined the potential for improvement in the control of these factors and the potential impact on relative performance scores of changes to the way Intensive Assistance secondary outcomes were counted. The review was also aimed at improving Job Network members’ understanding of the assessment model and the way it is used to monitor performance. The review confirmed that the methodology behind the star ratings was sound but recommended several refinements (Access Economics 2002), which DEWR is implementing.

Job Network stakeholders have also suggested changing the performance measures in the star ratings model or expanding the ways of assessing provider performance. Some providers have questioned the minimum weekly hour requirement for an Intensive Assistance outcome. According to these providers, this requirement does not support the graduated return to work which is considered the only viable option for highly disadvantaged job seekers. Other providers were concerned that the current performance measures do not take sufficient account of activities that helped to improve the job readiness of job seekers, especially if these activities did not lead to a job.

¹⁴⁰ DEWR’s contract management processes have been tightened in response to inappropriate practices with the aim of limiting the potential for Job Network members to behave inappropriately. Moreover, the planned assessment of performance for future purchasing purposes will specifically account for any evidence of illegitimate practice on the part of Job Network members. It will also incorporate measures of quality – including compliance with the Code of Conduct and the quality of outcomes achieved.

6.2.6 Providing choice

Job Network members compete for employer vacancies and job seekers can choose their provider. The importance of employers to Job Network clearly influences the quality of services to this group. This is reflected in the finding that employers who use Job Network strongly endorse the service, although there appears to be scope to increase the proportion of employers making this choice. If the aim is to increase employer usage of Job Network, employers need to be better informed of the services available.

Job seeker choice of provider is constrained by guarantees of provider point-in-time capacity and the extent to which job seekers are motivated to choose a provider and are informed of the services available. The operation of choice among job seekers, however, is not well understood. Centrelink reports that 80% of job seekers do not choose their Job Network member (Centrelink 2001), although it is not clear if this refers to those who commence assistance or those who are referred to assistance. A survey of Job Network participants in 2001 (reported in Chapter 5) found that about 55% of Job Search Training and Intensive Assistance participants, and almost 85% of New Enterprise Incentive Scheme (NEIS) participants, chose their provider. Of those who did so, most (50% to 60%) did so on the basis of convenient location.

As noted in Chapter 5, changes have been made to Job Network to facilitate job seeker choice. These include the introduction of specialist providers (who are not part of the auto-referral system), the release of provider performance information in the star rating system and the streamlined referral process (recently piloted in a number of Centrelink offices). Monitoring the performance of these initiatives over time will be important. As yet, no data are available, for example, on the extent to which job seekers use the 'star ratings' to choose a provider. Presumably, however, such use will increase with time as job seekers become better informed about both the services available from Job Network and the star rating system.

The key issue for facilitating job seeker choice to improve service quality is whether any relaxation occurs in the undertaking to maintain providers' point-in-time capacity at 85%. Currently, providers are guaranteed a flow of job seekers when there is capacity in their caseloads. This acts as a disincentive for providers to market their services to job seekers. The merits of some relaxation to the current level are discussed in Chapter 5. Several submissions to the Productivity Commission's review of Job Network also call for a reduction in guaranteed point-in-time capacity. Indeed, some submissions argue for the complete removal of contract capacity limits and for choice of provider to be based on effective information to job seekers and the marketing efforts of providers.

One option would be to trial different levels of guaranteed capacity (including no contracted capacity level) in different locations, combined with the streamlined approach to referral and increased marketing by providers. This would prevent the situation arising from full open competition whereby a significant proportion of providers in a large number of locations leave the market. For choice to operate as intended, a viable and diverse market is required.

6.3 International comparisons

Most industrialised countries have labour market assistance arrangements in place to help disadvantaged job seekers. Many authors have reviewed the evidence from these countries' evaluations and drawn conclusions about which types of assistance work best and under what circumstances (OECD 1992, Fay 1996, Meager and Evans 1996, Auspos et al. 1999, Dar and Tzannatos 1999, White 1999, Martin 2000 and Martin and Grubb 2001). As indicated earlier in the report, these studies indicate that labour market assistance generally achieves small impacts.

In some cases, in fact, the overall net impacts of programmes are negative (Dar and Tzannatos 1999). In the light of this information, it would seem plausible to compare arrangements in different countries, as this could offer the potential for improving services and for disseminating ideas on best practice.

The reality is, however, somewhat different. Institutional arrangements under which labour market assistance operate in different countries are sufficiently varied as to reduce considerably the scope for valid comparisons of performance, except in very broad terms. Thus, while it can be reliably concluded that job search assistance, for example, is generally a highly cost-effective intervention for many disadvantaged job seekers in most countries, comparing job search assistance arrangements in country A with those of country B presents considerable difficulty. As noted in Chapter 3, what works well for one group of job seekers in one country may not necessarily work in another country even when job seekers have similar characteristics.

International comparisons are also hampered by the fact that different countries adopt different performance measures. In assessing Job Network's performance against the objectives of greater efficiency and cost-effectiveness, it would have been useful to compare Job Network's performance with overseas experience of unit costs, costs per outcome and cost per net impact of labour market assistance. The data required for such a comparison, however, are not readily available. Australia has a more established track record than most other countries, many of which do not undertake comprehensive evaluations (Martin and Grubb 2001).

International comparisons are possible on a limited range of indicators. In reviewing Australia's labour market and employment assistance, the OECD (2001b) has derived indicators of market share and concluded that, on most measures, Job Network was in the mid-range of countries (Table 6.2). In Australia, for example, placements in 2000 represented 53% of registered job vacancies, similar to the proportion in the United Kingdom (52%), twice that in the United States (26%), but below those of France (87%) and Germany (72%).¹⁴¹

Job search assistance programmes operate in many countries. Reviews of some of the relevant evaluation literature (Fay 1996, Meager and Evans 1997, and Dar and Tzannatos 1999) indicate that the assessments of these schemes frequently measure their impacts on earnings and income support history rather than on employment. Moreover, for those studies that do measure employment net impact, it is not always clear whether the impact was measured relative to referral or to participation in the assistance. Nevertheless, these reviews show that in few instances does this type of assistance achieve employment net impacts that are greater than 10 percentage points, with most being below seven percentage points. On this basis, participation in Job Search Training, with a net impact of over 8 percentage points, compares favourably with schemes in other countries.

Assessing the relative performance of Intensive Assistance in an international context is particularly difficult. The flexibility that providers in Australia have to tailor assistance to the individual needs of job seekers, and the lack of prescribed services within the programme, means that Intensive Assistance is not readily comparable to the traditional labour market programmes in other countries. The only way comparisons would be possible would be to identify the extent to which different forms of assistance are used in Intensive Assistance (discussed briefly in Chapter 4), measure the effectiveness of these different forms of assistance separately and compare these indicators of effectiveness with indicators from other countries. Such an analysis

¹⁴¹ The data in the table must be treated with some caution as the definition of a job placement varies from country to country, as would the extent to which there are multiple listings of vacancies (OECD 2001b).

would need to measure, for example, the effectiveness of wage subsidies used by Intensive Assistance providers for different job seeker groups and locations, or the effectiveness of job-specific training delivered to different groups while participating in Intensive Assistance. While these measures are not currently available, they could be fruitful areas for further research, as a guide to best practice by Job Network members.

Table 6.2: Basic indicators of market share of employment services

Country	Year	Registered job vacancies/ hirings	Registered job vacancies/ dependent employment ¹		Placements/ dependent employment ¹	Placements / registered job vacancies
Australia ²	2000	37	10	20	5	53
Austria	1999	29	9	22	7	78
Denmark	1999	..	9	..	3	33
Finland	1999	33	13	17	7	51
France ³	1999	37	13	33	11	87
Germany	1999	45	12	33	9	72
Greece	1996	2	0.4	..
Ireland	1996	22	4	8	2	38
Japan	1999	..	11	..	3	30
Korea ⁴	1998	13	3	6	1	41
Netherlands	1999	25	4	21	4	83
Portugal ⁵	1996	13	2	8	1	59
Switzerland	1999	24	5	24	5	101
United Kingdom	1999	45	11	24	6	52
United States	1998	..	6	..	1	26

1 Wage and salary earners.

2 1999–00 financial year.

3 Private non-agricultural sector only.

4 Placement and vacancy data refer to the chain of public employment service offices administered by the Ministry of Labour.

5 Data for Portugal refer to the mainland only, except for the stock of registered vacancies and ratios involving this stock, which include the islands.

Source: OECD 2001b

6.4 Conclusion

The introduction of Job Network in May 1998 represented a radical change to the delivery of employment services in Australia. During its life, Job Network has delivered assistance to large numbers of job seekers and, compared to previous labour market assistance arrangements, has achieved a substantial reduction in the unit costs of assistance and in the costs of securing employment for job seekers. Using flexible and localised approaches, Job Network providers have also produced innovative ways to address the barriers to employment faced by job seekers who are disadvantaged in the labour market. Job Network demonstrates the viability of substantial private and community sector involvement in the delivery of employment services.

Job Network should continue to be regarded as a work-in-progress. Underpinned by the design principles enunciated in the 1996 reforms to labour market assistance, the arrangements have been progressively fine-tuned in the light of experience. This process of development will continue as more information on the performance of employment services becomes available, and as more is learnt on what is realistically achievable in terms of Job Network's objectives and underlying principles. The evaluation has contributed to this process by showing that a significant opportunity exists for Job Network to raise the effectiveness of its services, especially for those job seekers who are at risk of prolonged unemployment and welfare dependence.

A challenge that Job Network has yet to face is that presented by an economic downturn. Despite economic uncertainty and some easing of the labour market in 2001, the Australian economy has remained buoyant during the period Job Network has operated. Job Network's performance under different labour market conditions, however, provides some clues as to how services will perform in a different economic environment. The measures available so far, suggest that a downturn may be a greater challenge to participation rather than to impact. The net impact measures presented in Chapters 3 and 4 indicate that, while the effectiveness of Job Network varied according to the strength of the local labour market, the difference was not significant. Conversely, participation rates and outcome levels have been found to vary markedly by geographic location. In this situation, Job Network needs to be flexible enough to accommodate the likelihood of increased job seeker flows and reduced outcome levels.

Attachment A

Labour market trends¹⁴²

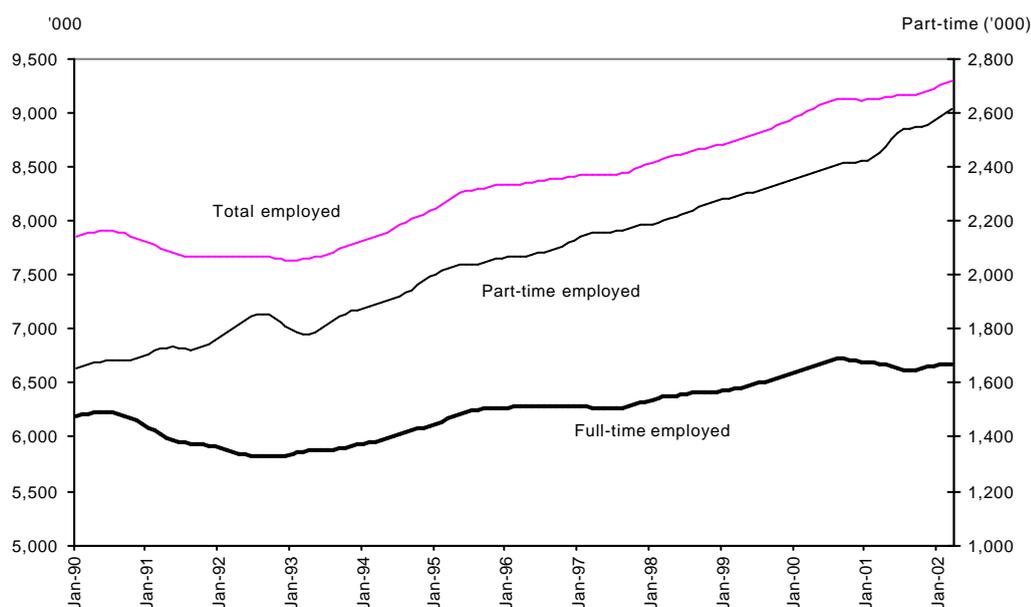
It is important to put the performance of employment services into the context of changes in the labour market. As noted earlier in the report, employment services are likely to have relatively little impact on movements in aggregate employment and unemployment levels. Changes in employment and unemployment are largely a response to macro-economic settings. Trends in the number of job seekers in receipt of income support are also mainly a function of economic conditions. Numbers of income support recipients, however, will also be influenced by administrative changes, including strengthened compliance, changes in the competitiveness of these job seekers in the labour market and the extent to which beneficiaries have access to earned income.

Employment

Following the recession of the early 1990s, Australia has experienced sustained economic growth. Including the December quarter 2001, the economy has grown for 41 consecutive quarters, expanding by 47% since September 1991 (in trend terms). This has been the longest economic expansion since the 1960s and has been underpinned by strong business and consumer confidence supported by a low inflation, low interest rate environment. In the year to December 2001, Gross Domestic Product (GDP) grew by 3.7% (in trend terms), with GDP growth of 1.2% in the December quarter.

Against a backdrop of robust economic growth, total employment increased considerably during the 1990s (Figure A1). Since the introduction of Job Network in May 1998 alone, employment (in trend terms) has grown by 695 500 (8.1%). Full-time employment increased by 299 000 (or 4.7%) over the period while part-time employment rose by 396 400 (or 17.9%), albeit from a lower base.

Figure A1: Employment trends 1990 to 2002



Source: ABS, *Labour Force Survey, Australia* (Cat. No. 6203.0)

¹⁴² All labour force data presented in this report are trend estimates unless otherwise stated.

Employment growth slowed somewhat during mid-2001, but has grown strongly since September 2001. In the six months since September, total employment has grown by 125 300 (1.4%), compared with growth of just 35 100 (0.4%) between March 2001 and September 2001. Employment growth over the last six months has been stronger in part-time than full-time employment. Part-time employment has grown by 65 800 (2.6%), while full-time employment has grown by 59 500 (0.9%).

In the 1990s, both males and females experienced full-time and part-time employment growth. Over the year to March 2002, male employment increased by 92 100 (1.8%) and currently stands at just under 5.2 million. Male part-time employment, up by 53 000 (7.7%) experienced stronger growth than male full-time employment of 39 000 (0.9%). Female employment also grew strongly over the year to March 2002, by 68 400 (1.7%) to stand at just over 4.1 million. Female part-time employment increased markedly by 103 700 (5.9%) over this period while female full-time employment fell by 35 400 (1.6%).

The strong employment growth recorded over the year to March 2002 has been reflected in increasing levels of employment in a number of industries, particularly Construction and Retail Trade. This is not surprising, given that the last year has seen a boom in dwelling approvals, while retail trade figures are at record levels. Construction employment has recovered strongly from a fall of 5.9% over the year to February 2001, to an increase of 7.2% in the following year, while employment in Retail trade, Australia's largest employer, rose by 4.3% over the year to February 2002. Mining also recorded a large percentage increase in employment (6.9%), albeit coming off a much lower base. In fact, all except five of the seventeen industry groups recorded an increase in employment over the year to February 2002.

Interestingly, the only industry to record falls in employment in both the year to February 2001 and the year to February 2002 was Manufacturing (down by 1.3% and 3.0%, respectively). Communication services recorded the largest fall in employment over the year to February 2002 (down by 8.3%).

Unemployment

At the time of the introduction of Job Network in May 1998, the unemployment rate was 7.8%. In more recent times, the unemployment rate fell to a low of 6.1% in August 2000, rose again to peak at 6.9% in July 2001, declining since then to 6.5% in March 2002 (a decline of 0.1 of one percentage point over the year). Since May 1998, the level of unemployment has fallen by 77 300 (10.7%), although it has increased marginally (by 700) over the last year.

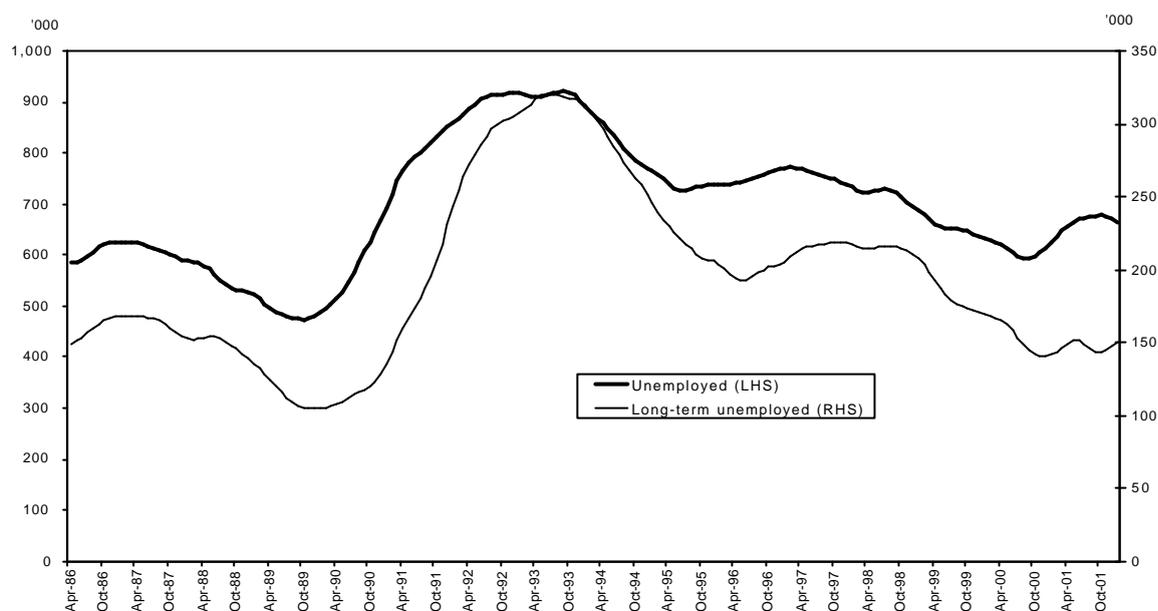
Given the movements in employment and unemployment over the year to March 2002, it is not surprising that the labour force participation rate increased by 0.2 of one percentage point to 63.9% over this period. The participation rate hovered between 63.7% and 63.9% for the entire year. Male and female participation rates both increased by 0.2 of one percentage point over the year, from 72.3% to 72.5% and from 55.3% to 55.5%, respectively. The current participation rate is significantly higher than at the time of the introduction of Job Network in May 1998, when the rate was 63.2%.

Long-term unemployment

Long-term unemployment (ie, unemployed for 12 months or more) declined from mid-1998 to reach a low of 140 600 in December 2000 (Figure A2). Between May 1998 and December 2000, the number of persons who were long-term unemployed fell by 74 200 (34.5%). Over the same

period, the incidence of long-term unemployment (ie, the share of unemployment that is long-term) fell from 29.6% to 22.9%. Developments in long-term unemployment typically lag developments in total unemployment by 12 months (for obvious reasons). Given this, it is not surprising that the labour market downturn of late 2000 and early 2001 has resulted in a rise in long-term unemployment in recent months. Between October 2001 and March 2002 long-term unemployment increased by 13 000 (9.1%). As at March 2002, the number of long-term unemployed was 156 200, 6.5% higher than one year previous.

Figure A2: Unemployment and long-term unemployment, June 1990 to March 2002



Source: ABS, *Labour Force Survey, Australia* (Cat. No. 6203.0)

Metropolitan, rural and regional labour markets

Since the introduction of Job Network in May 1998, employment has grown strongly in both metropolitan and non-metropolitan regions. This growth has slowed in non-metropolitan areas over the past year with employment only growing by 1.3%, compared with 2.8% for metropolitan areas. Non-metropolitan Australia, however, has recorded a stronger performance in relation to unemployment. Unemployment declined by 7.8% in non-metropolitan Australia which is significantly higher than the decrease recorded in metropolitan Australia (down by 4.8%). These combined effects have resulted in declining unemployment rates in both metropolitan (down by 0.5 percentage points to 6.3%) and non-metropolitan (down by 0.7 percentage points to 7.3%) areas.

The Northern Territory, Sydney and non-metropolitan New South Wales recorded the only increases in the unemployment rate over the year to March 2002, with the rate falling in every other area. The largest decrease was in Hobart (down by 1.7 percentage points to 8.6%), while the largest increase was in the Northern Territory (up by 2.0 percentage points to 6.6%).

Given that more than half (67%) of Australian regions recorded a fall in their unemployment rate in the year to March 2002, it is not surprising that a number of regions across both metropolitan and non-metropolitan Australia recorded positive labour market outcomes. Mackay-Fitzroy-Central West Queensland, for example, experienced strong employment growth (up by 12.7%), with a corresponding significant decline in its unemployment rate (down by 5.2 percentage

points to 6.3%). Similarly, employment rose by 5.0% in South East Perth, while the unemployment rate fell by 2.2 percentage points to 5.0%.

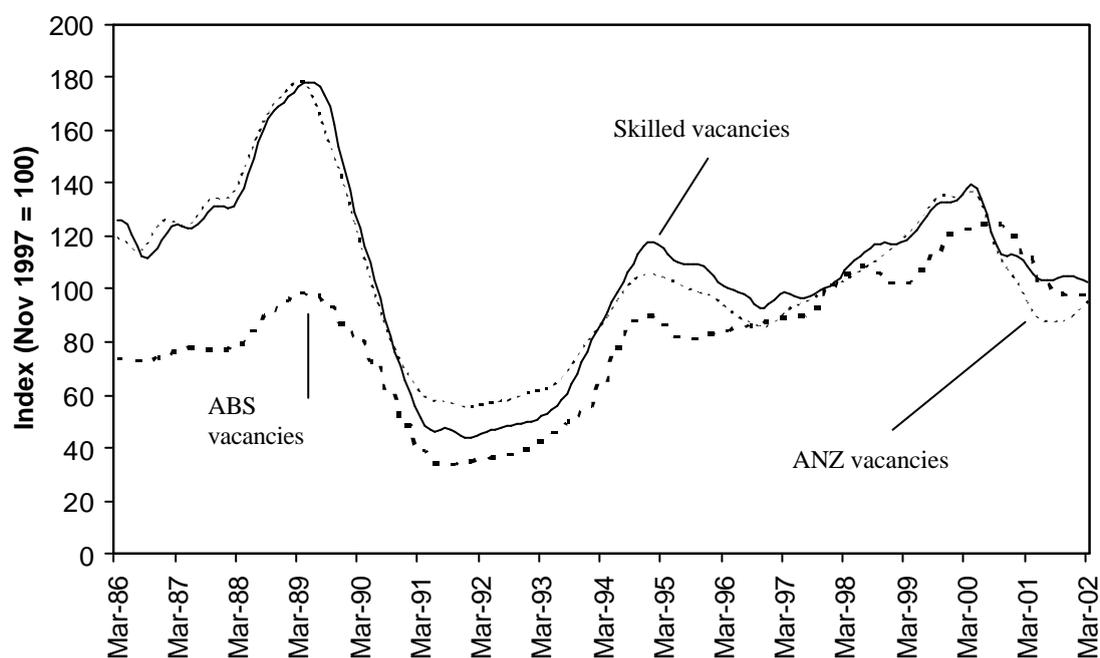
Indigenous Australians

In February 2001 there were an estimated 153 700 Indigenous people aged 15 and over in the labour force, of whom 118 400 were in employment and 35 300 were unemployed.¹⁴³ The Indigenous unemployment rate was 23.0% (compared to 7.4% for non-Indigenous Australians) and the Indigenous labour force participation rate was 59.0% (compared to 63.9% for non-Indigenous).

Vacancy trends

Job vacancies data are generally considered to be a good indicator of short-term labour market developments. The three major sources of job vacancy data are the ABS Job Vacancy Survey, the ANZ Bank Job Advertisement Series and the Department of Employment and Workplace Relations (DEWR) Skilled Vacancies Index. Job vacancies grew strongly in the early to mid-1990s before levelling off about 1996–97 (Figure A3). Between 1997 and mid-2000, job vacancies grew steadily. The ANZ Job Advertisement Series and DEWR Skilled Vacancies Index, which report on newspaper job advertisements, both began to decline from mid-2000 and this continued during of 2001. These series have improved slightly since that time.

Figure A3: Indexed vacancy trends: ANZ, ABS and Skilled Vacancies, 1990 to 2002



Source: Skilled Vacancy Survey, ANZ Bank and ABS, *Job Vacancies* (Cat. No. 6345.0)

¹⁴³ The ABS publication advises that these estimates should be treated as experimental. In addition, the ABS plans to use the Indigenous identifier, collected in the monthly Labour Force Survey, to produce more reliable annual estimates, starting with 2002.

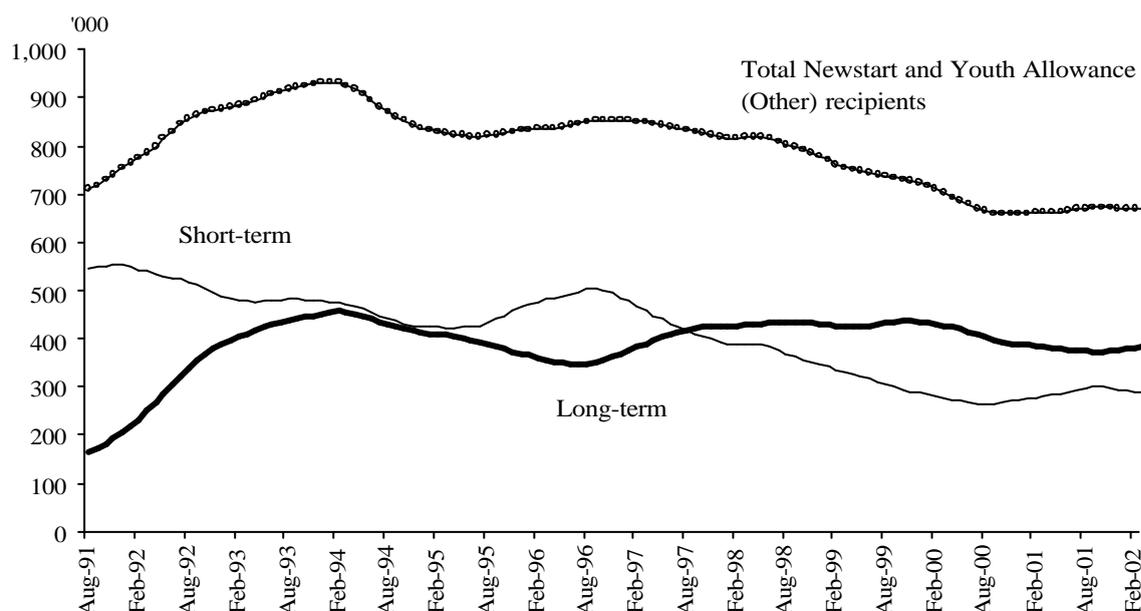
Income support recipients

A change in the number of job seekers receiving income support reflects, among other things, the competitiveness of these job seekers in the labour market. While overall economic conditions have a significant impact on changes in the number of income support recipients, administrative changes to income support eligibility and the provision of employment assistance can also exercise an impact. The following analysis looks at changes in the number of recipients of the activity-tested allowances Newstart and Youth Allowance (Other) over the last four or five years. Only those on activity-tested allowances are considered, as they comprise the majority of the job seekers who have access to all Job Network services, and because participation in Job Network is voluntary for income support recipients in other categories registered as unemployed.

About the same time as the introduction of Job Network, the Government also introduced the Mutual Obligation strategy. Initially, this required those on activity-tested payments aged under 25 years to participate in certain activities, including Work for the Dole and Job Network services, to remain in receipt of income support. This was subsequently extended in July 2000 to those aged 25–34 years. In addition, stricter job search activity requirements were introduced in July 2000 as part of the Preparing for Work Agreement, a requirement of all those registering as unemployed. The provision of employment assistance by Job Network and the need to satisfy Mutual Obligations requirements to ensure continued receipt of income support could be expected to have an effect on the number receiving activity-tested allowances.

In trend terms, the number of Newstart and Youth Allowance (Other) recipients (unemployment beneficiaries) began to decline towards the end of 1993 once the economy began to grow after the recession in the early 1990s (Figure A4). Apart from an increase in 1996, this overall decline continued until the end of 2000. With the slowing of the economy there has been a small rise since the end of 2000. The introduction of Job Network and Mutual Obligations coincided with the latest period of strong economic growth. From May 1998 until May 2001 the actual number of Newstart and Youth Allowance (Other) recipients fell from 824 500 to 665 200.

Figure A4: Trend Newstart and Youth Allowance (Other) recipients, 1991 to 2002



Source: Department of Family and Community Services (FaCS), *Labour Market and Related Payments, a monthly profile*

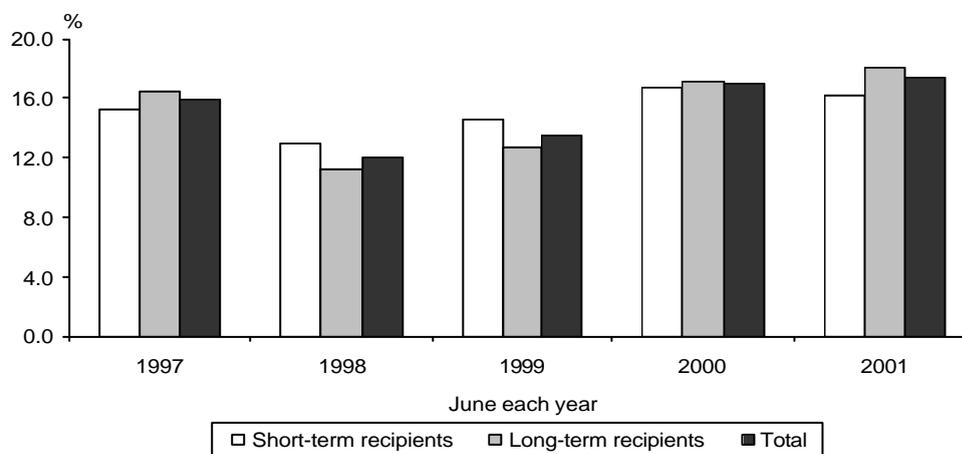
Figure A4 also shows the trend number of short (less than 12 months on allowance) and long-term income support recipients. The trend number of short-term recipients fell to a low of 262 400 in August 2000. The number increased since then until more recently when the number began to fall again to about 294 400 in March 2002.

The pattern is slightly different for long-term recipients. As economic conditions improved in the early 1990s the number of long-term income support recipients began to fall. This fall continued until the start of 1996, and was probably influenced by the use of job creation programmes under *Working Nation*. Many participants who attended these programmes for more than 13 weeks would have been counted as short-term recipients if they returned to benefits shortly after they had left the programme. From mid 1996, the number of long-term recipients began to increase, reaching a peak of 436 000 in November 1999. Since then, the number of long-term recipients declined to 373 600 in October 2001, before rising to 383 200 in March 2002. The latest rise lagged a year behind the rise in the number of short-term recipients.

One factor that has influenced the number of people receiving Newstart or Youth Allowance (Other) has been the reforms to the income support system during the 1990s, which made it easier to remain on unemployment allowance while in part-time employment. As a result of these changes, the introduction of activity-testing and increased compliance requirements during the 1990s, and the increasing availability of part-time work, there has been a significant increase in recent years of the number of people in receipt of Newstart and Youth Allowance (Other) who have earned income.

The proportion of job seekers earning income from employment while in receipt of Newstart and Youth Allowance (Other) has increased between 1998 and 2001, from about 12% to 17% (Figure A5). Importantly, the proportion of long-term recipients has shown a greater increase in this period (11% to 18%). It should also be noted that the proportion with earned income in 1996 was similar to that in 2001, an increase from much lower levels in the early 1990s. The fall during 1997 and 1998 coincided with the winding down of the CES and the introduction of Centrelink. The high levels of those on Newstart and Youth Allowance (Other) with earned income is likely to be associated with increased compliance during the *Working Nation* period of 1995 and 1996 and the introduction of Mutual Obligation in July 1998, of which Job Network is an important part.

Figure A5: Proportion of income support recipients with earnings, 1997 to 2001



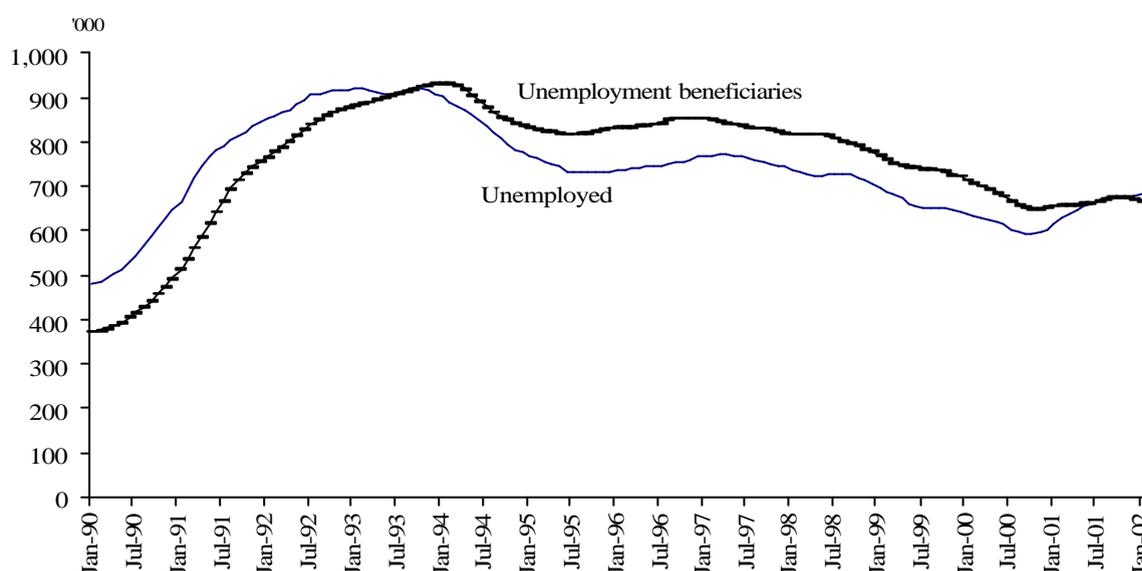
Source: FaCS, *Labour Market and Related Payments, a monthly profile*

Trends in the number of Newstart and Youth Allowance (Other) recipients

By comparing the number of people on unemployment benefits (ie, Newstart and Youth Allowance (Other)) with the total number of those unemployed, as measured by the ABS Labour Force Survey (Figure A6), it is possible to gain an insight into the competitiveness of those on Newstart and Youth Allowance (Other) compared with other unemployed people.

In the 1980s and early 1990s, the number of unemployment beneficiaries was lower than the ABS number of unemployed persons. With changes in the early to mid-1990s to the arrangements allowing the continued receipt of income support while earning income, the number of people on became greater than the ABS number of unemployed. In 2001 the number of people on unemployment benefits fell below the ABS number of unemployed, even though the proportion of people receiving Newstart and Youth Allowance (Other) while in employment during 2001 was at a similar level to that in 1996.

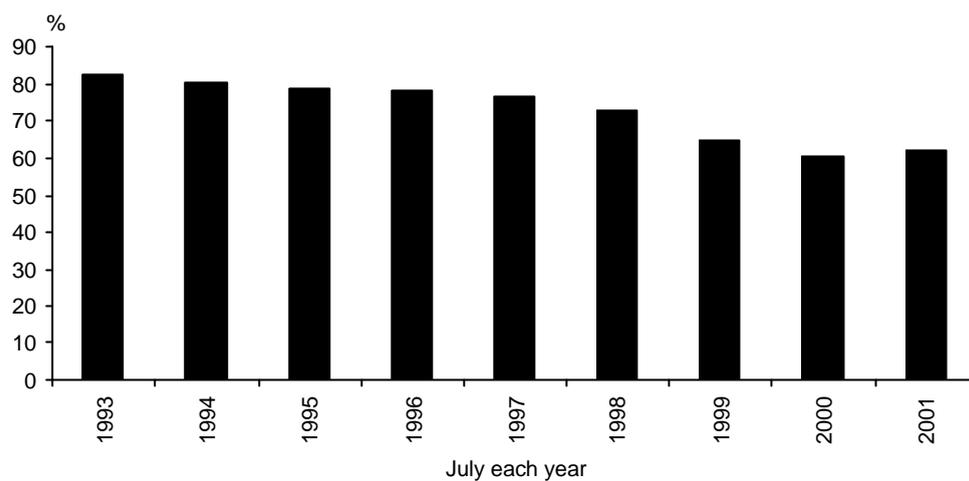
Figure A6: Unemployed job seekers and unemployment beneficiaries, 1990 to 2002



Source: FaCS, *Labour Market and Related Payments, a monthly profile* and ABS, *Labour Force, Australia* (Cat. No. 6203.0)

This shift in the relationship between unemployment beneficiary numbers and ABS unemployed numbers is demonstrated in the proportion of those who report being unemployed to the ABS and were registered with Centrelink or the CES. The ABS supplementary survey of Job Search Experience (conducted each July) shows that the proportion of ABS unemployed who are also registered fell from about 81% in 1993 to about 62% in 2001 (Figure A7), much of the decrease occurring since the introduction of Job Network and increased Mutual Obligations requirements.

Figure A7: Proportion of job seekers registered with Centrelink (or CES), 1993 to 2001



Source: ABS, *Job Search Experience of Unemployed Persons* (Cat. No. 6222.0)

Attachment B

Data sources and technical notes

Job Network Participants Survey

This study was set up specifically for the Stage Three evaluation of Job Network and was conducted in two phases:

- The first phase, conducted between April and June 2001, involved telephone interviews with about 6000 job seekers. As well as information about job seekers' attitudes, the interviews collected data on job seekers' employment status, job search activity, work history and experiences with the particular Job Network programme that they had accessed—Intensive Assistance, Job Matching, Job Search Training or New Enterprise Incentive Scheme (NEIS).
- The second phase, conducted over a six-week period from the end of September 2001, involved a short follow up survey for phase one respondents who had accessed Intensive Assistance or Job Search Training. About 4100 job seekers were interviewed by telephone to determine whether their employment status had changed since phase one and whether they were receiving follow up attention and/or incentives from their Job Network provider.

Qualitative research with stakeholders

This research was exploratory in nature and examined the issues related to the effectiveness of Job Network as well as factors (such as types of assistance, access, administration, job seeker attitudes and attributes, and second Job Network tender changes) that contributed to the success or otherwise of job seekers being able to obtain suitable employment. The study also sought to re-examine issues previously identified to determine if they had persisted post-implementation.

Field work for the study involved a series of focus groups and one-on-one interviews conducted between June and August 2001 with 454 job seekers and 128 Job Network members from metropolitan, regional and rural locations throughout Australia (Sydney, Fairfield/Liverpool, Queanbeyan, Wollongong, Melbourne, Geelong, Ballarat, Brisbane, Toowoomba, Warwick, Adelaide, Mount Gambier and Canberra).

Other information sources

Other sources have also been used in the evaluation report, as outlined below.

Department of Employment and Workplace Relations (DEWR) administrative systems

The DEWR Integrated Employment System contains information on job seekers who have received employment assistance, such as the type of assistance received, placements, commencements and paid outcomes. The number of income-support recipients and the income-support status of former programme participants are also available from Centrelink income-support data.

Post-programme Monitoring (Labour Market Assistance Outcomes) Survey

An ongoing post-programme monitoring survey is undertaken by DEWR to assess the employment and education status of former employment assistance participants. The survey attempts a full enumeration of all former employment assistance participants about three months after participation, except in the case of Job Matching where a sample of about 50 000 job placements are followed up each year. Job seekers who leave employment assistance and then

proceed to another employment assistance place (that is, those in further employment assistance) are not surveyed, as their outcome is known. The overall response rate (about 60%) for the Post-programme Monitoring Survey, provides outcomes estimates that are generally accurate to within plus or minus 1% at the national level.

Long-term outcomes surveys have also been conducted for Job Matching participants. First, a sample of 43 000 job seekers placed into jobs in April and May 1999 were surveyed in July and August that year and again in October 2000. In addition, a random sample of 10% of the 60 250 people placed into jobs through Job Matching in July and August 2000 were surveyed three months after they had been placed. A further random sample of respondents to the three-month survey was also surveyed 12 months after placement.

Service Quality Monitoring Programme

The Service Quality Monitoring Programme (SQMP) was developed to provide information on the quality and responsiveness of services delivered by Job Network and Centrelink. Quality of service delivery is one of the key design principles of Job Network and has an important role in supporting the efficiency and effectiveness of the market.

By monitoring performance against established standards of service, the SQMP plays a key role in the performance management of individual Job Network service provider contracts and the Centrelink service arrangement. Surveys are conducted regularly (annually or biennially) using computer-assisted telephone, or face-to-face, interviews.

The current programme of surveys for measuring service quality was implemented in 1998–99. The 2001 programme consisted of four surveys that mirror the service relationships within the employment services market:

- *Job Seeker Satisfaction with Employment Services (Centrelink) 2001*—about 3500 interviews were conducted during February 2001 with job seekers (including Job Matching and NEIS participants) who been in contact with Centrelink during the previous six months. This survey has been run annually since 1998.
- *2001 Service Provider Evaluation of Employment Services (Centrelink) Survey*—this survey canvassed the views and perceptions of all Job Network members about the quality of service provided to them by Centrelink. Interviews were held with staff from 1642 individual Job Network member sites involved in delivering the full range of Job Network services. This survey has been run annually since 1999.
- *2001 Job Network Participants Survey* (previously known as the *Survey of Job Seeker Perceptions of Job Network 1999*)—in addition to the study discussed on the previous page, participants (3950 including those registered as Job Matching only or participating in the New Enterprise Incentive Scheme) in phase one were asked questions relating to the quality of services provided by Job Network members.
- *2001 Survey of Employers' Use and Perception of Job Network*—In mid-2001, interviews with 7089 employers examined their experiences with Job Network, including recruitment methods, awareness, understanding and usage of Job Network, and service quality. This survey was previously run in 1999.

Net impact study

This study estimates the impact on employment of referral to, and participation in, Job Search Training and Intensive Assistance. The methodology differs from that of previous studies

(DEETYA 1997 and DEWRSB 2001c) in that it attempts to estimate the impact of three separate effects—the attachment or ‘lock in’ effects of assistance; the motivational or compliance effects of being referred to assistance; and the value added by the programme. To do this, net impact is measured from the point of referral to assistance and from the point of commencement in the assistance.

Referral net impacts are measured from the point of referral and capture effects associated with both compliance and with participation in the programme. Attachment effects and the value added from participating in the programme (ie, programme effects) are measured from commencement. For a given programme, the compliance net impact can be estimated by subtracting the net impact measured from commencement from the net impact measured from referral.

Net impact from referral was estimated from the employment outcomes of samples of about 2300 survey respondents who had been referred to Job Search Training and Intensive Assistance in May 2000. Employment outcomes were measured 12 months after referral. These outcomes were compared with those of matched comparison groups of the same size that had not been referred nor participated in the programme in the previous six months.

Programme effects were estimated from samples of about 1300 Job Search Training and Intensive Assistance participants who commenced assistance in May 2000 and similar sized comparison groups of job seekers who had not participated in, or been referred to, the programmes in the previous six months. Programme groups included both those who had completed their placement and those who had left early. The study looked at job seekers in receipt of Newstart and Youth Allowance (Other) at the end of May 2000. The employment outcomes of both the programme and control groups were measured in May 2001 (12 months after commencement for the programme group).

Selection of the control group occurred at the referral and commencement points depending on the net impact being measured. It is possible that job seekers will be referred to, or will commence, other programmes—or even the same programme—after having been selected for the control group. Outcomes for the control group will, therefore, be affected by impacts from any subsequent referrals or commencements. In the absence of an experimental design, where access to assistance would have to be delayed for those in the control group, it has not been possible to measure the impact of a programme compared to non-participation.

Measuring incentives in the Intensive Assistance fee structure

The fee structure for Intensive Assistance was designed to give providers an incentive to pursue outcomes for their clients. To investigate this, a model was developed to simulate revenue and costs for providers by considering the interaction between revenue, outcomes, net impact of assistance and resultant profit.

In simple terms, the profitability of any particular provider can be assessed as revenue less costs. Assuming set-up costs are fixed, the revenue obtained for a client who achieves an interim outcome, for example, is the sum of the commencement fee and the outcome fee. The profitability for this client is then this amount less any costs incurred as a result of providing assistance. Clearly, if no assistance is provided to the client then the profit is equal to the revenue, minus other operating costs, which are largely fixed.

Some clients will achieve interim outcomes even in the absence of assistance. Modelling suggests that this 'base' level of outcomes is about 16% for level A and 11% for level B clients. It is also known that about two-thirds of clients who achieve an interim outcome also achieve a final outcome. Using this information, the model establishes the profit (or revenue) gained for an 'average' client when no assistance is provided. Thus, in the absence of assistance, the profit for the average level A client is equal to the commencement fee, plus 16% of the interim outcome fee, plus 10.7% (ie, two-thirds of 16%) of the final outcome fee.

For assistance to be cost-effective, outcomes must increase above the base level sufficiently for the additional revenue gained to cover the cost incurred. There is, however, an additional complexity since the provision of assistance may reduce the length of time a client spends in a programme. Reducing the average length of assistance (ie, increasing turnover¹⁴⁴) can lead to increased revenue for the provider, but will also result in extra costs because assistance for additional clients needs to be financed.

As examples, two forms of potential assistance under Intensive Assistance were modelled: the provision of wage subsidies and the provision of skills training.¹⁴⁵ In each case assumptions were made about the costs incurred (including administrative expenses) and the effect of assistance on turnover. The cost of a wage subsidy was assumed to be \$3000 per client, with the length of assistance reduced from a base length of 30 weeks to 18 weeks for those clients who obtain an interim outcome as a result of the subsidy. The cost of skills training was assumed to be \$1600 per client, with the length of assistance reduced from a base length of 30 weeks to 26 weeks for those clients who obtain an interim outcome as a result of the training. To examine the effects on additional profits gained, increases in outcomes due to assistance (or net impacts) were varied systematically from zero to 70 percentage points.

The modelling suggests that the outcomes payments under the current Intensive Assistance fee structure provide little monetary incentive to *improve* the outcomes of clients via such types of assistance. For level B clients, wage subsidies would need to have a net impact of 48 percentage points or more before any additional profits would be gained. For level A clients, net impacts would need to be even higher.

The situation for skills training was similar. Net impacts of about 53 and 28 percentage points respectively for level A and B clients would be required to improve profitability.

Sensitivity analysis was used to develop optimistic and pessimistic scenarios. Even under optimistic assumptions, the incentive to deliver assistance was small. Importantly, for both wage subsidy and training assistance, it is the high cost and low levels of effectiveness that limit the usage of these programmes, not a lack of available funding.¹⁴⁶ This is not particularly surprising given that the wholesale use of such programmes with all job seekers in an untargeted way was rejected as costly and ineffective in the demise of *Working Nation*.

To assess the prospects of more targeted assistance, the modelling was further developed to allow for the level of programme effectiveness to vary with the proportion of clients assisted (Figure B1). The idea here is that providers would not give all job seekers the same assistance, but would optimise outcomes by selecting those most likely to benefit.

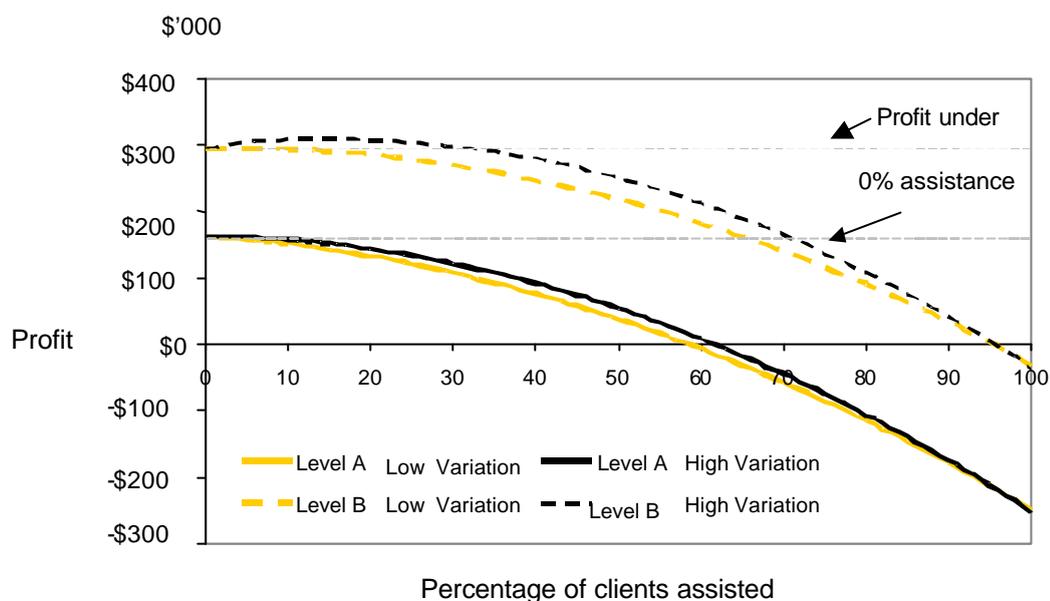
¹⁴⁴ Turnover will only be increased where there are available job seekers to fill unused capacity.

¹⁴⁵ Previous net impact studies suggest that wage subsidies achieve high net impact (although, if untargeted, they are associated with high deadweight costs) while skills training was found to have a relatively low net impact (DEWRSB 1997).

¹⁴⁶ In fact, as discussed later in the section, outcomes fees are already as high as they could reasonably be.

This model suggests that there is likely to be a group of clients for whom high net impacts can be achieved at low cost (Figure B1). Profits, in addition to those gained when no assistance is provided, will be made by assisting these clients. As less suitable clients are serviced, costs increase and profits rapidly decrease below the base level that would be obtained in the absence of assistance. Thus, providers can optimise profits by providing assistance only to those clients who can achieve high net impacts at very low cost.

Figure B1: Effect on profit of increasing the percentage of clients assisted



Clearly, the more variable the job seekers' net impact levels, the more scope for Intensive Assistance providers to increase their profits above the level obtainable without the provision of assistance. Even when clients' net impacts are highly variable, however, the modelling suggests that providers will maximise profits by servicing only a small portion of their caseload with any one type of assistance. This is of course not unexpected, given that no one is suggesting a 'one size fits all' approach. In practice, providers will offer several types of assistance to job seekers.

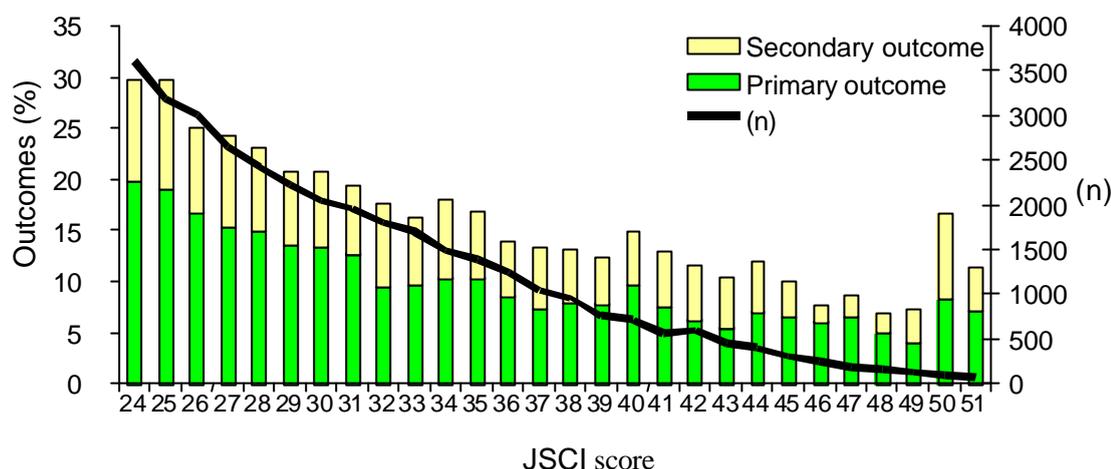
For most job seekers, the fee structure alone provides little incentive to provide costly assistance to job seekers. Higher fees, and particularly higher outcome fees, may provide an incentive for perverse behaviour. The level B outcomes fee is already higher than unemployment benefit payments for the outcomes period.

While it may appear that the fee structure has only a limited effect, two factors mitigate against this. Firstly, the fee structure is not a stand-alone item but rather works in combination with other elements of the Job Network package, including the star rating system and contractual requirements. If providers have to provide assistance, the fee structure means they will do so in the most effective way. Secondly, providers are not limited by the rigid programme design of the past. They are able to offer flexible packages of assistance, which are likely to be much more cost-effective.

These results suggest that Intensive Assistance providers will maximise their likelihood of profit by servicing those clients who require only a minimum level of assistance to significantly improve their employment prospects, thus potentially achieving high net impact at low cost for these clients. Significantly, this does not mean that the most disadvantaged clients will not be

assisted. The most disadvantaged clients clearly achieve lower outcomes (Figure B2), but there will be many cases where providers can improve these clients' job prospects using less expensive forms of assistance. On the other hand, while the 'best' job seekers have high outcomes levels, it may be very difficult to improve their already high job prospects. Indeed, the net impact study covered in this report suggests that Intensive Assistance is most effective for the more disadvantaged job seekers (see chapter 4).

Figure B2: Paid interim outcomes by JSCI



Source: Integrated Employment System

Model specification

In simple terms, the profitability of any particular provider can be assessed as revenue less costs. The model analyses profitability from an average client who achieves average outcomes. Without any intervention level A and B clients were assumed to have a 16% and 11% chance, respectively, of obtaining an interim outcome. Two-thirds of those who achieve interim outcomes were assumed to achieve final outcomes. Interim and final outcomes were modelled as 'average outcomes' that are constructed as a weighted average of 73% primary and 27% secondary.

The average revenue per client is then given by the formula:

$$R_0 = M + P_0 J + 2/3 P_0 F + P_1 J Z + 2/3 P_1 F Z - C_a Z$$

where

M is the commencement payment;

J is the interim outcome payment (calculated as a weighted average of primary and secondary outcome payments);

F is the final outcome payment (calculated as a weighted average of primary and secondary outcome payments);

P_0 is the proportion of interim outcomes achieved in the absence of assistance;

P_1 is the proportion of interim outcomes achieved as a result of assistance;

C_a is the unit cost of assistance; and

Z is the proportion of participants assisted.

Attachment C

Employment services

Job Network

Job Network is a national network of some 200 private, community and government organisations contracted by the Australian Government to deliver employment services to assist unemployed people into jobs. This new network replaced the publicly-operated employment service (the Commonwealth Employment Service, or CES), a case management system and a range of labour market programmes that delivered short-term training, wage subsidies and work experience. Job Network contracts were awarded through a competitive tender process. The first contract ran from May 1998 until February 2000. The second contract runs from February 2000 until June 2003.

Centrelink is the initial point of contact for most people seeking access to Job Network services. Centrelink establishes these people's eligibility for these services and for income support, and registers job seekers for employment services. Centrelink also provides job seekers with information about Job Network and the employment services available in their local region.

Self-service systems

Self-service facilities—the first tier of support for job seekers—are available in Centrelink offices throughout Australia. All job seekers, regardless of the duration of their unemployment or whether they are in receipt of income-support payments, are able to access the self-help facilities in Centrelink Customer Service Centres to assist with their search for work. The free-of-charge facilities include:

- job vacancy displays on touch screens and through the JobSearch web site (providing details of job vacancies throughout the National Vacancy Data Base);
- information on service-provider services available locally; and
- information about other services such as migrant services, health issues and local initiatives.

The touch screens are also available at Job Network member sites across Australia.

Through Job Network Access, the self-service facilities also provide job seekers with access to personal computers and printers, photocopiers, facsimile machines, telephones, newspapers and relevant career and job search information, as well as to information about Job Network members and relevant local initiatives.

Job Matching

Job Matching involves a labour exchange service to match job seekers to vacancies. Eligible job seekers are given a Job Network card that can be shown to local Job Network members. Job seekers are free to choose the Job Matching provider/s they prefer and can ask Centrelink to enrol them with up to 30 different metropolitan Job Matching sites. In rural areas there are generally at least two local providers. Job Network members providing Job Matching services canvass employers for jobs, and match and refer suitable job seekers to vacancies.

All Job Network members are required to register and advertise their job vacancies on the National Vacancy Data Base. Job Network members providing Job Matching are paid on an

outcome basis and receive their tendered fee when they place job seekers into work. In addition, a fixed bonus payment (\$268) can be claimed when a formerly long-term unemployed person, in receipt of qualifying income support, has stayed in work for 13 weeks. Providers are contracted to make a certain number of job placements every six months.

Project Contracting

Project Contracting is designed to ensure that fruit and vegetable growers have sufficient numbers of job seekers to undertake work in the peak harvest season. Providers are paid on the basis of delivering services rather than placing individual job seekers. Thus 50% of the payment is made at the beginning of the harvest season, with the remaining 50% paid at the end of the harvest period, subject to the completion of a satisfactory performance report.

Job Search Training

Job Search Training provides 15 consecutive days of training in job search techniques and supported job search. This training may include interview techniques and presentation, course-based assistance and other job search strategies. Job Network members provide assistance to job seekers to prepare them to apply for jobs and to give them the skills and confidence to perform well when speaking to employers. Providers are contracted to serve an agreed number of commencements and make an agreed number of job placements within a milestone period.

The job seeker and their Job Network member identify the job seeker's specific job search needs and decide what activities will improve their chances of getting a job. The job seeker and Job Network member then sign a Job Search Skills Plan. Signing this plan signifies the date when a claim for payment of the contracted fee can be made. When a participant is placed in a qualifying job, a Job Matching fee is also payable if the provider places the job seeker in a job that has been lodged on JobSearch. A fixed Job Search Outcome fee (\$268) is also payable if the participant commences a qualifying job by any method within 13 weeks of ceasing Job Search Training and stays in work for 13 weeks.

Intensive Assistance

Intensive Assistance provides individually tailored help to eligible job seekers who are long-term unemployed or disadvantaged in the labour market. Through Intensive Assistance, job seekers receive help to address their specific barriers to employment and to find a job. This assistance may include counselling; vocational training; work experience; training in language, literacy or numeracy; wage subsidies; workplace modifications; or help in job search techniques and support after they have found a job.

Intensive Assistance providers are contracted for a maximum number of job seekers at a given site at a particular point-in-time (contracted capacity). The Department of Employment and Workplace Relations (DEWR) tries to maintain referrals within an 85% to 100% of the provider's contracted capacity, with the aim of maintaining an average contracted capacity of 90% to 95%. The ability to achieve this requirement depends on the availability of eligible job seekers, labour market conditions, job seeker choice and Centrelink's referral processes.

Intensive Assistance can be provided for up to two years, depending on the classification level of disadvantage of the job seeker. The fees paid are determined through a competitive tender, where bid prices were subject to a minimum price (\$4663 for level A job seekers and \$9219 for harder to place level B clients). In the case of bids at the minimum price, selection across tenders can therefore be based entirely on the anticipated quality of service provision. The fixed final primary outcome payment (\$1072) is subtracted from the contracted price and 30% of the

remainder is paid on commencement. When a job seeker achieves a primary interim outcome (ie, enters and remains in employment for 13 weeks and is no longer in receipt of unemployment payments) the 70% balance is paid. After a further 13 weeks, the final primary outcome fee (\$1072 for level A and \$2144 for level B) is payable. Placements into part-time employment that result in at least 70% reductions in income support for 13 weeks, or into eligible education, are called 'secondary outcomes'. For these, a smaller outcome fee of \$536 is payable at 13 weeks and again at 26 weeks. Job Network members providing Intensive Assistance receive an up-front fee and two outcome-based payments. The first of these is paid 13 weeks after the job seeker's outcome is obtained (subject to the job or training placement being maintained to this point). A final payment is made if the outcome is maintained for 26 weeks.

New Enterprise Incentive Scheme

The New Enterprise Incentive Scheme (NEIS) assists eligible job seekers who have an idea for a viable new small business to become self-employed. NEIS assists participants to develop the necessary skills essential for business success.

NEIS is delivered by specialist Job Network members called managing agents, who have expertise in small business development. Managing agents provide a range of assistance that includes training in small-business management skills, business advice and help to develop a business plan.

If the business plan is assessed as viable, the job seeker may be offered income support for up to 52 weeks, as well as business advice and mentor support during the first year of business operation. While NEIS does not provide start-up funds in the form of loans or grants, the development of a business plan during NEIS training generally assists participants to obtain loans from banks or credit unions.

NEIS providers specify both a fee (determined through competitive tender, but which must cover the full cost of providing services) and a preferred number of places. At the start of each year, providers receive an advance payment of 10% of the total contract value, then 90% of each NEIS fee for each commencement. A further 10% is paid if the participant is not receiving income support three months after their NEIS allowance ceases. A set fee of about \$160 is also paid for each NEIS business plan that is assessed.

Changes to Job Network since implementation

The Government announced several adjustments to Job Network in August and December 1998 which focused mainly on the Job Matching elements of the employment services contract.

August 1998

The adjustments to Job Network announced in August 1998 included two measures to enhance Job Network services for unemployed people. The changes saw a broadening of the eligibility for Job Matching services, with Job Network members now eligible to claim a payment for placing unemployed people who do not receive an allowance.

The decision to pay Job Matching fees for jobs seekers who are not on income support replaced the Government's original decision to limit eligibility to Job Network to clients on allowances. This adjustment was made to accelerate the growth of the market by widening the pool of eligible clients. The Government was in a position to expand the categories of job seekers who attract Job Matching payments without losing Job Network's focus on getting real jobs for the most disadvantaged.

Another key change was the provision of a market development grant to Job Network members who provided Job Matching services. This grant was payable to a maximum of five Job Matching sites per agency in each labour market region. Employers and other groups were experiencing some confusion regarding some aspects of the market, particularly in regard to whether Job Network members would charge employers. The grant was intended to provide support for Job Network members to assist them further in the transition to a competitive market.

December 1998

The December 1998 changes were designed to increase the income and cash flow of Job Network members. One important element of the adjustment package was to provide funds for Job Network members to promote their services to overcome some of the confusion and unfavourable press coverage experienced in the early stages of the market.

The key initiatives of the December adjustments were:

- to improve the income and cash flow of Job Network members through:
 - up-front retainers of 30% of expected Job Matching places for each contract-monitoring period;
 - additional payments of \$100 per successful Job Matching placement to ensure the provision of a wider range of services to unemployed people (such as the preparation of résumés);
 - an additional \$45 per successful Job Matching placement in regional areas in recognition of the extra costs involved in servicing these areas; and
 - funding of \$25 per successful Job Matching placement for those Job Network members leasing touch-screen job search facilities;
- funding of up to \$1000 to each Job Matching site for local marketing activities to increase Job Network members' reach to employers and unemployed people;
- administrative changes to promote referrals to Job Network members plus speedy payment for successful outcomes;
- extending Job Search Training services to carers returning to the workforce irrespective of whether they were receiving a form of qualifying income support; and
- extending the contract for Job Network members by three months to February 2000.

Under the December changes, Job Network members who did not want to continue in the employment services market were offered a package of up to \$15 000 per site to help with the cost of withdrawal.

Changes for the second contract

To improve its services for the second contract, the Government introduced several changes to Job Network.

- Changes in the regional labour market structure were designed to improve the geographic coverage of Job Network services. The 29 regions that applied under the first contract were replaced with 19 regions with boundaries closely aligned with those of Centrelink Customer Service Centres and of the Australian Bureau of Statistics (ABS) labour force regions (DEWRSB 1999a). Each labour market region was divided into employment service areas¹⁴⁷

¹⁴⁷ There are 137 employment service areas. Employment service areas generally consist of one or more Centrelink regions (DEWRSB 1999a).

to improve administration and to provide greater scope for tenderers to price their bids so as to reflect local labour market conditions. Prospective tenderers were able to price their bids at the employment service area level, except in the case of the major metropolitan regions of Adelaide, Brisbane, Melbourne, Perth and Sydney, where a uniform price applied across all employment service areas within a region.

- To facilitate greater flexibility in the way Job Network members operate, the *Management Information Guide* was replaced by *Policy Interpretation Information*. Feedback in 1999 from Job Network members suggested that the guide was interpreted too rigidly and inhibited flexibility, and so was no longer as useful as it had been when Job Network was being established during 1998.
- Provision was made to allow Intensive Assistance providers to bid to specialise, delivering services to specific client groups only. This change recognised that some groups of job seekers experience particular needs best addressed by organisations with relevant skills and strategies. Tenderers bidding to provide Intensive Assistance services to a specific client group were required to show a need for such a specialist service.
- Bidding for Intensive Assistance was made price-competitive. This meant that tenderers could submit bids that reflected the needs of local job seekers and labour markets. To maintain an emphasis on quality and ensure potential providers did not under-cost proposed services, and thereby encounter difficulties meeting commitments, DEWRSB set a minimum total price for Intensive Assistance.
- Intensive Assistance funding was changed from a three-tier system to one with two levels (levels A and B) to simplify both the classification of job seekers and the administrative arrangements for paying providers to service these job seekers. The revised fee structure assigned 30% of a provider's competitive bid to an up-front fee and 70% to an interim outcome payment. Final outcome payments were set at a fixed level in the tender (DEWRSB 1999).

Other changes strengthened accountability measures to ensure that job seekers received Intensive Assistance services tailored to their needs. These measures included: a Job Network member's Declaration of Intent; an Intensive Assistance Support Plan¹⁴⁸ (in addition to the activity agreement) with job seekers who had not been placed in employment or education in the first 13 weeks of assistance or who had not achieved an outcome within 26 weeks of assistance; and a requirement for providers to record all contacts with job seekers. An outcome fee for Job Search Training was also introduced.

Enhancements to Job Network under *Australians Working Together*

Job Search Training

Under *Australians Working Together* (AWT) an additional 30 000 Job Search Training places will be made available over the three years to 2004–05 to cater for more universal referral to the programme at three months duration of unemployment. Referral to Job Search Training provides incentives for job seekers to find work, declare existing work or undertake another activity (such as education or training) in preference to participation.

¹⁴⁸ The Declaration of Intent is part of a Job Network member's contract and provides a summary of the services the Job Network member expects to provide to job seekers referred for Intensive Assistance. The Intensive Assistance Support Plan is negotiated and signed between the job seeker and the Job Network member. It outlines the activities and assistance that Job Network members will provide.

Mature-age (50 years and over) and Indigenous job seekers are particularly disadvantaged in the labour market. To help overcome the barriers faced by these groups, it is important that they be able to access Job Search Training services earlier. Accordingly, mature-age and Indigenous job seekers will be able to undertake Job Search Training as soon as they start receiving income support.

Intensive Assistance

There is evidence that some job seekers who are referred to Intensive Assistance have particular needs or barriers that would be best addressed before Intensive Assistance begins. With this in mind, job seekers referred to Intensive Assistance are to be carefully assessed by Intensive Assistance providers to identify whether they should be referred to any complementary services before they commence in Intensive Assistance. Job seekers, for example, could be referred to:

- Work for the Dole to address motivational or work experience needs;
- assistance that addresses language, literacy or numeracy needs; or
- the new Personal Support Programme¹⁴⁹ (to address severe personal obstacles such as drug or alcohol addiction).

For most job seekers, Intensive Assistance will be available for a period of up to 12 months. Job seekers referred to Intensive Assistance from the Personal Support Programme will receive up to 18 months of Intensive Assistance. These job seekers have multiple barriers to employment which may take longer to overcome and may require the joint assistance of the Intensive Assistance and Personal Support Programme providers.

Additional support for training

Although Intensive Assistance providers do currently provide training, mature-age and Indigenous job seekers may have particular needs arising from the changing nature of the labour market, often because these people lack relevant skills, particularly those required in new industries.

To address specific barriers to employment, AWT provides Training Accounts, worth up to \$800 each, to those mature-age and Indigenous job seekers in Job Search Training or Intensive Assistance who need accredited training (on or off the job) in work-related skills.

Linkages to other services

The existing employment services structure has not always been sufficiently flexible to allow job seekers to access the services they need. Sometimes participation in one service has precluded access to another. While Job Network members have discretion as to what kind of assistance they provide to job seekers within their service, arrangements have meant that they have had extremely limited capacity to refer job seekers to other services provided by DEWR or other government agencies.

The changes contained in AWT will make Job Network services more streamlined and integrated with other employment and related services. The aim of this is to provide unemployed job seekers with a seamless system for accessing the most appropriate assistance at the right time.

As an example, the enhancements to the Intensive Assistance assessment process allow Job Network members to examine the particular needs of a job seeker at the time of their referral to

¹⁴⁹ From July 2002, the Personal Support Programme will replace the Community Support Program.

Intensive Assistance and to identify, in consultation with the job seeker, any significant barriers to employment. This will allow job seekers to receive complementary assistance before returning to Intensive Assistance. This arrangement involves Job Network members cooperating with providers who deliver other types of services, often for other agencies. The Personal Support Programme/Intensive Assistance arrangements will mean that job seekers will be able to receive assistance from two different 'types' of providers concurrently. Intensive Assistance providers will address job seekers' vocational needs while the Personal Support Programme provider will be available to help address their non-vocational needs.

Other employment services

Depending on their circumstances, job seekers may also be eligible for, and participate in, a range of other employment services. Access to these services can affect the take-up of Job Network services.

- Indigenous people can access employment assistance through the Indigenous Employment Programmes of the Indigenous Employment Policy introduced in July 1999. Indigenous job seekers, who are Job Network-eligible, may also participate in Aboriginal and Torres Strait Islander Commission funded Community Development Employment Projects.
- Job seekers with severe or multiple barriers to employment (such as homelessness, drug dependency or mental illness) have access to the Community Support Programme.¹⁵⁰ The programme is voluntary and assistance is available for up to two years. Services are delivered to more than 30 000 job seekers by 83 organisations operating from 330 sites.
- Job seekers with low-impact disabilities can access Job Network services. Those who have a moderate to severe level of disability with an ongoing need for support or who need vocational rehabilitation¹⁵¹ are streamed to the Disability Employment Assistance Programme. This programme is funded by the Department of Family and Community Services and provided by 436 non-government organisations, through 861 service outlets and 160 Commonwealth Rehabilitation Service (also known as CRS Australia) sites.
- Work for the Dole is targeted at young unemployed people aged up to 34 years of age. It is one of 15 activities under the Mutual Obligation requirement linking participation in a range of approved activities with receipt of income support.
- The Literacy and Numeracy Training programme, administered by the Department of Education, Science and Training, is delivered by 65 community, private, and TAFE providers.
- The Job Placement, Employment and Training programme assists students and unemployed young people aged 15–21 who are homeless or at risk of becoming so.
- The Jobs, Education and Training programme is a voluntary programme that aims to assist people receiving income support who wish to enter or re-enter the workforce. Originally aimed at sole parents, this programme now includes partnered parents, widows, carers and the partners of people receiving income support.
- The Return to Work Programme¹⁵² assists people who are returning to the workforce after spending at least two years with caring responsibilities.

¹⁵⁰ Under the AWT initiative a new Personal Support Programme will replace the Community Support Program, assisting 45 000 people by 2004-2005. Job seekers who have stabilised their personal situations can participate in Intensive Assistance for up to 18 months and continue to be supported by their Personal Support Programme providers.

¹⁵¹ These are job seekers assessed as having a Work Ability Table score of 50 or more.

¹⁵² Both Jobs, Education and Training and Return to Work programmes will be subsumed into the Transition to Work programme from July 2002 under AWT.

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List of Acronyms

ABS	Australian Bureau of Statistics
ANZ	Australia and New Zealand Banking Group Limited
AWT	Australians Working Together
CES	Commonwealth Employment Service
DEETYA	Department of Employment, Education, Training and Youth Affairs
DEST	Department of Education, Science and Training
DEWR	Department of Employment and Workplace Relations
DEWRSB	Department of Employment, Workplace Relations and Small Business
FaCS	Department of Family and Community Services
ILO	International Labour Organisation
JobSearch	The touch screen system by which job seekers access jobs lodged on the National Vacancy Data Base
JSA	JSCI Supplementary Assessment
JSCI	Job Seeker Classification Instrument
NEIS	New Enterprise Incentive Scheme
NESA	National Employment Services Association
OECD	Organisation for Economic Co-operation and Development