

# Job Services Australia: design and implementation lessons for the British context

By Dan Finn

The British approach to commissioning and managing outsourced employment services has been influenced by comparisons with, and learning from, developments in the contracted out Australian employment assistance system. This project reviewed the development of the Australian outsourced employment services system and the transition from the Job Network (JN) to Job Services Australia (JSA).

## Key findings

The Australian employment services system seeks to balance the desire for maximum provider flexibility with adequate safeguards for participants. Reforms to the JN sought to ensure that this balance was maintained but there were unintended consequences, leading to more prescription in service delivery, which JSA has attempted to remedy. The Australian system, and approach to risk management, is different to that being implemented in Britain, but the findings from this research suggest some ways of minimising risks that may arise from unintended consequences to introduce more prescription into the British system:

- The contract management of British prime providers may be enhanced if the Key Performance Indicators (KPIs) agreed with them include quantifiable data covering factors such as caseload sizes, frequency of client contacts, location and coverage of service delivery sites.
- Particular consideration could be given to how providers design and deliver action plans, how detailed such plans are, and how much they are personalised to individuals. Contract managers could monitor quality and how long it takes providers to complete action plans, and how often providers meet the frequency of attendances agreed with clients.
- The British approach may be more sustainable if it is accompanied by transparent efforts to minimise the risk that harder-to-help clients may be 'parked'. DWP could undertake regular surveys to generate timely insight into customer experience and additional information on the destinations of leavers.
- Consideration could be given to rewarding 'pathway outcomes', such as placing participants in part-time jobs that substantially reduce their benefit income. Rewarding such outcomes would enable the alignment of job placement incentives with Universal Credit reforms.
- It would be helpful to clarify the status of the job search and work activity requirements included in an action plan agreed by contracted providers with unemployed clients and how this relates to the Jobseeker's Agreement and the role of Jobcentre Plus advisers. The introduction of Universal Credit creates an opportunity to simplify the compliance and sanctions system and ensure that it helps to promote engagement between participants and contracted providers.

## The Australian system

The creation and development of the JN illustrates strengths and weaknesses in the design of contracts and in the ways in which outsourced providers responded to incentives. The Australian Federal Department responsible for employment services created a viable network comprised of for-profit and non-profit providers whose performance improved over time, with evidence suggesting that the JN delivered more outcomes for half the cost of the previous system. In this process, providers used the flexibility they were given to develop new service delivery models that, at their best, allowed case managers to tailor services to different participants, provide continuity of support, test methods for motivating job seekers, and provide various post-placement services. The incentive system also focused providers and their case managers on helping participants gain entry into sustained employment.

As the system evolved, however, problems emerged with ‘parking’ and the behaviour of some providers who used their flexibility to manipulate the incentive system. As the JN was adapted to minimise these negative consequences and meet new objectives, further problems emerged. Flexibility was reduced by greater administrative and compliance demands, and transaction costs increased. There were other criticisms suggesting that the JN model needed a thorough overhaul before contracts were renewed in July 2009.

In 2009, JSA integrated JN provision with six previously separate specialist programmes. Job seekers now are categorised into one of four ‘streams’, with the most job ready referred to stream 1 and those with ‘severe barriers’ referred to stream 4. The JSA contract was designed to give providers greater flexibility in service design, provided differential payments to encourage them to work with the hardest to place, and created incentives to secure better linkages with skills provision. In practical terms, the introduction of JSA involved a significant redesign of existing contracting arrangements, the management of a major change programme, and the restructuring of operations by existing contracted providers.

The Australian system is different to that being implemented in Britain, as is the economic and social context, but the research findings offer insights into contract design and the potential benefits and risks of outsourcing employment services. These findings are of relevance both to the British welfare-to-work market and to the design and implementation of outcome-based contracts in other government services.

## Service delivery

In the evolution of the JN and subsequent transition to JSA, there has been much ‘learning by doing’ and constant adaptation. Through successive reforms policy makers have sought to establish a market and payment structure that promotes competition, increases job outcomes, reduces ‘parking’, and improves service quality. In this process of market shaping, officials introduced greater specification of service requirements and regulation of processes that then reduced scope for flexibility and innovation. The JSA delivery system encouraged greater flexibility but it seems that elements of the administrative and compliance patterns established under the JN have continued to constrain service delivery.

The key issue for the British context concerns the need to balance the desire for maximum provider flexibility with adequate safeguards for participants. Transparent monitoring of such standards may reduce parking, reveal weak service delivery, and dissipate future pressure for increased regulation and the inflexibility that may entail.

The Work Programme (WP), for example, minimises prescriptive rules and relies largely on differential financial incentives, heavily weighted to sustained employment, to drive provider behaviour. The Australian evidence is that such incentives will shape provider delivery strategies and foster innovation, but there remains a risk of parking. The British approach may be more sustainable if accompanied by transparent efforts to minimise those risks. It may be important to monitor how providers propose to design and deliver action plans, with any subsequent KPI tracking the plans’ quality, how detailed they are, how long they take to complete, and the extent to which they are personalised to individual circumstances.

There may be value in undertaking regular sample surveys of job seekers and employers, as in Australia, to generate insight into customer experience. A regular sample survey of leavers from British programmes could generate additional information on participant destinations not captured through the provider payment system.

## The design of outcome payments

The definition of a WP job outcome is for a participant to be wholly 'off' an out-of-work benefit for the required period. The Australian system by contrast also rewards 'pathway outcomes' that involve reduced incentive payments when providers place participants in part-time employment or full-time education. British policy makers may wish to consider rewarding such pathway outcomes. This would better align WP incentives with Universal Credit reforms that will incentivise progression from dependency to 'mini jobs' and part-time employment.

## Sanctions and the compliance regime

Service user journeys and interactions across the provision offered by the public benefits agency Centrelink and outsourced employment assistance providers are complicated. In Australia there have been problems with incorrect assessments, missed appointments, and the imposition of sanctions, including variations in how different providers handle and report non-attendance and non-compliance. There have been problems also with the flow and sometimes accuracy of information and data that is exchanged.

Transitions between Jobcentre Plus and private providers are well established in British provision, although they may not always work smoothly. There are increased risks associated with the WP because of its duration, subcontractor delivery chains, and the requirement to undertake activities agreed with a provider whilst continuing to 'sign on' fortnightly with Jobcentre Plus. This might be exacerbated further

by the overlapping responsibilities of Jobcentre Plus and providers, both of whom may seek to pursue different approaches to employment assistance and relevant activities. It could ease implementation if there was greater clarity on the status of the job search and work activity requirements included in an action plan agreed by providers and how this relates to a Jobseekers Agreement.

The Australian experience suggests it may be worth considering specialist teams of Jobcentre Plus decision makers who could ensure speedy communication with providers on compliance and sanction referrals, with feedback on the reasons for not imposing a sanction. The introduction of Universal Credit will create an opportunity to simplify the compliance and sanctions system and ensure that it helps promote engagement between participants and employment programme providers.

## Contracted providers and non-profit organisations

There has been much debate about the role of third sector and voluntary organisations in delivering outsourced employment assistance. In Australia the non-profit sector plays a major role and the continued involvement of smaller, secular providers continues to be critical for ensuring coverage in areas that are less attractive to larger for-profit providers, either because of location or the particular characteristics of client groups. The Australian experience suggests that specialist organisations are better used to service participants that utilise their particular skill sets, and there may be a wider role for non-profit organisations in providing work activities and experience for participants.

The relationship with such providers at times can be uncomfortable for Government. In Australia, for example, some non-profit organisations have been openly critical of programme design, sanctions and of the impact that contract changes have had on their viability and service provision. Such criticism, and advocacy on behalf of disadvantaged groups, is an important dimension of public debate, encourages accountability, and may be an important element of the contribution the sector brings.

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