

**SENATE EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION
LEGISLATION COMMITTEE**

2003-2004 ADDITIONAL ESTIMATES HEARING

19 FEBRUARY 2004

EMPLOYMENT AND WORKPLACE RELATIONS PORTFOLIO

QUESTIONS ON NOTICE

Outcome 1: An effectively functioning labour market

Output Group 1.2: Labour Market Programme Management and Delivery

Output: 1.2.2: Employment Services

Question Number: W382-04

Question:

Senator Campbell asked at *Hansard* page 47:

Could the Department provide a copy of the report on the Star Rating system for ESC3?

Answer:

The document, *A Guide to Star Ratings and Performance Information*, which was published in September 2003 on the Job Network members' internet page, is reproduced below.



Job Network

A Guide To Star Ratings And Performance Information

September 2003

Job Network

A Guide To Star Ratings And Performance Information

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1. Introduction

This Guide is designed to inform Job Network (JN) members about the calculation of Star Ratings. The development of the Employment Services Contract 2003-2006 (ESC3) performance assessment system as detailed in the Guide included consultations with the National Employment Services Association (NESA). Individual JN members were also given the opportunity to comment on proposals and options that were detailed in two Discussion Papers - the first of which was released in November 2002, and the second in May 2003.

1.1 Future Purchasing Policy

The ESC2 Star Ratings played an important role in determining the outcomes of the ESC3 Invitation to Treat and Tender processes. However, at this stage no consideration has been given to the conduct of the next (i.e. ESC4) purchasing process and no decisions have been made on to how the ESC3 Star Ratings may be used in this context. JN members are asked to note that the method for calculating Star Ratings detailed in this Guide does not prejudice or pre-empt the consideration of future purchasing policy. Advice about future purchasing policy and purchasing arrangements for ESC4 will be provided later.

1.2 National Contract Management Framework

Performance management is an integral part of the National Contract Management Framework (NCMF) which underpins the partnership between DEWR and JN members. Performance against Key Performance Indicator 3 (KPI3) will be undertaken within the context of the NCMF and the ongoing regular review of JN members' performance. Further information on the NCMF will be made available separately.

JN members' success in achieving outcomes for job seekers, as reflected in KPI1 and KPI2, will be assessed through the Star Rating system. Star Ratings will be published at the end of each Contract Milestone, informing job seekers and the wider public about the relative performance of each JN site. This Guide is specifically aimed at helping JN members to understand the Star Rating system and associated performance information.

2. Job Network Key Performance Indicators

The assessment of JN members' performance is directly linked to the central objectives of JN and the associated KPIs that are specified in the Employment Services Contract 2003-2006.

- The Star Ratings will be publicly released to inform job seekers and the wider public about the relative success of JN members in meeting KPI1 and KPI2. That is, their success in assisting unemployed people to find work as quickly as possible, and in maximising the number of job seekers for whom outcomes are achieved.
- The objective of KPI3 is to maximise the delivery of high quality ethical employment services, an important part of the ongoing management of providers' performance. Performance against KPI3 will be closely monitored and when a JN member fails to meet and maintain the required standards, in addition to the loss of business their Star Rating will be withheld and the reason for this published.

3. Job Network Star Ratings

The JN Star Rating system has been developed to inform job seekers and the wider public about the success of JN members in achieving outcomes for job seekers. The system is designed to show how each JN site is performing relative to others.

A site performing at a level that is better than the majority of other sites will receive a high rating (4 Stars, 4 ½ Stars or 5 Stars). A site that is performing at around the average will receive a moderate to good rating (3 Stars or 3 ½ Stars). A site performing at a level that is not as good as the majority will receive a lower rating (2 ½ Stars or less).

When Star Ratings are calculated, the differences in labour market conditions and job seeker characteristics that can impact on job seeker outcome rates are accounted for through statistical regression. The result is that JN sites can be directly compared throughout the country. For example, a 3 Star site in the Central West Sydney Employment Services Area (ESA) is broadly comparable to any other 3 Star site, in any other ESA, anywhere in Australia.

To assist JN members in developing a good understanding of the system, DEWR is developing more detailed documentation and will conduct a series of information sessions in which the calculation of Star Ratings will be explained. JN members will be notified about these sessions through the ECSN.

3.1 A Single JN Star Rating

- There will be a single Star Rating for JN members' performance in delivering Job Network services as a whole. Each JN site will receive a Star Rating.

3.2 Distribution of Star Ratings

- Ratings will range from 1 Star to 5 Stars with half Star increments.

Star Ratings are determined on the basis of JN members' relative ranks as shown in Chart 1 and Table 1 below. Sites ranked in the top 5 percent will be rated at 5 Stars, the next 12 percent at 4 ½ Stars, the following 18 percent at 4 Stars, and so on.

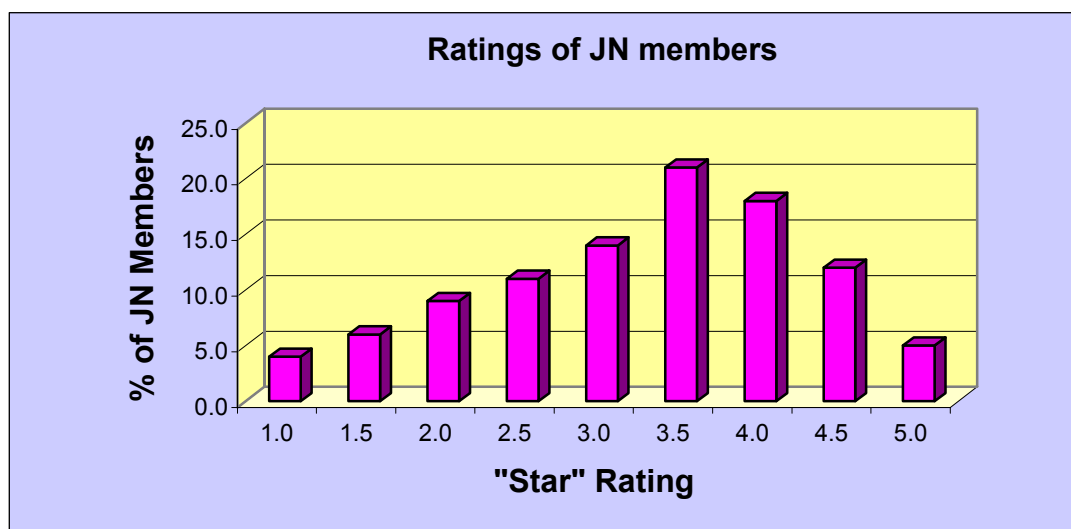
Table 1

Distribution of JN Star Ratings		
Star Rating	% of JN Members	Cumulative %
5	5	5
4 ½	12	17
4	18	35
3 ½	21	56
3	14	70
2 ½	11	81
2	9	90
1 ½	6	96
1	4	100

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The distribution is designed so that a high proportion of JN members receive moderate to very good Star Ratings – that is 70 percent of providers receive ratings between 3 Stars and 5 Stars. The high proportion of sites that are allocated ratings of better than 2 ½ Stars is considered a just recognition of the success rates achieved by JN members overall.

Chart 1



3.3 Update of Star Ratings

- After their initial release, Star Ratings will be updated at the end of each six month Contract Milestone period.

In addition to the Star Ratings, JN members will have access to highly detailed performance data, updated on a weekly basis (see Section 3.4.1).

3.4 First Release of Star Ratings

- Star Ratings will be publicly released after the end of the first or second six month Contract Milestone period - that is, as soon as adequate quantities of job seeker outcomes data become available.

Star Ratings will be released at the earliest possible time. The timing of the first release will depend on the availability of sufficient quantities of outcomes data. It may not be feasible to produce reliable Star Ratings at the end of Milestone 1 (December 2003) but an assessment of the possibility of producing Milestone 1 ratings will be made in October 2003. Regardless of the precise timing of the first public release of Star Ratings, JN members will have access to detailed performance data.

3.4.1 Performance Information for JN members

Ad-hoc and Operational Reporting Facility

An extensive range of activity and outcomes data will be available to JN members through EA3000. EA3000 gives JN members the capacity to carry out highly detailed ad-hoc analyses to suit their particular management needs. JN members can use the On-line Analytical Processing (OLAP) tool to

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examine data on job seeker referrals, registrations, job placements, claims and payments. Extensive additional data on activity and outcomes will become available progressively.

Standard Reports and Comparative Statistics

Job placement and Intensive Support outcome statistics allowing JN members to compare their performance with others will also be available. The calculation of reliable comparative statistics such as averages, maximums and minimums requires the accumulation of adequate quantities of data. It is expected that early outcomes statistics, allowing for broad comparisons between JN members, will be available well before the end of the first Milestone.

3.5 Period of Performance Assessment

Subject to confirmation through research and testing when outcomes data become available, the publicly released Star Ratings will be based on the full ESC3 period. For example the Star Ratings released at the conclusion of Milestone 3 will reflect performance for the full ESC3 period from 1 July 2003 to 31 December 2004. The inclusion of the full Contract period guarantees that the Star Ratings give full credit to JN members that, from the outset of ESC3, achieve consistently high numbers of job placements and employment outcomes for the job seekers they assist.

Regardless of whether or not the Star Ratings are based on the full Contract, the possibility of accounting for improvements on relatively low outcome rates, that may occur in some JN sites during the latter part of the Contract period, will be separately considered in the future development of ESC4 purchasing policy. Naturally, if research shows that including the full Contract period could undermine the balanced assessment of JN member's achievement levels, DEWR will adopt an alternative approach with an emphasis on more recent performance.

At this stage, no consideration has been given to the conduct of the ESC4 purchasing process and no decisions have been made on how the ESC3 Star Ratings may be used.

3.6 Performance Measures and Weightings

The Star Ratings are designed to reflect JN members' success in meeting KPI1 and KPI2. This success will be measured using data on Job Placement fees, Intermediate payments, Interim Outcome fees and Final payments. When a job seeker commences in the New Enterprise Incentive Scheme (NEIS), it will be counted in the calculation of Star Ratings for the JN member with whom they are registered and will be given a weighting equal to that for a 'JSS Only' job placement (i.e. 4 percent).

- In order to produce Star Ratings at the earliest possible time, the initial Star Ratings will not include Final Outcomes. Final Outcomes data will subsequently be included at the earliest possible time - currently estimated to be at the end of the third Contract Milestone at the very latest. Table 3 shows the performance measures and weightings for the calculation of initial Star Ratings. Table 4 shows the weightings to be used when sufficient Final Outcomes data become available.

Basis for Weightings

- To maintain consistency over time, the initial weight for Interim Outcomes, as detailed in Table 3, incorporates the additional weight that will later be applied to Final Outcomes.

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The weightings shown in Table 3 and Table 4 are broadly aligned with the ratios of the different fees and are set relative to the minimum Interim Payment for the long term unemployed of \$1650 (for example, the Job Placement fee for placing a ‘Job Search Support Only’ job seeker is one tenth the fee for an Interim Outcome for the long term unemployed).

Table 3

Performance Measures and Weightings - Initial Star Ratings

Job Search Support - total weighting 10%	Weighting for outcome type
Job Placement Fee - job seekers who are <i>Job Search Support Only Eligible</i> - \$165 Bonus Payment - job seekers who are <i>Fully Job Network Eligible</i> into a minimum 50 hours employment - \$165	4% ¹
Job Placement Fee - job seekers who are <i>Fully Job Network Eligible</i> - \$275 Job Placement Fee - job seekers who are <i>Fully Job Network Eligible</i> and who have an unemployment duration of greater than 12 months ² - \$385	6%
Intensive Support - total weighting 90%	
Interim Payment – job seekers unemployed for 4 to 12 months - \$550 Interim Intermediate Payment – job seekers unemployed for 13 to 24 months - \$550 Interim Intermediate Payment – job seekers unemployed for 25 to 36 months ² - \$550 Interim Intermediate Payment – job seekers unemployed for 3 years or more - \$1,100	<i>Education</i> 4% <i>Employment</i> 16%
Interim Outcome Payment – job seekers unemployed for 13 to 24 months - \$1,650 Interim Outcome Payment – job seekers unemployed for 25 to 36 months ² - \$3,300 Interim Outcome Payment – job seekers unemployed for 3 years or more - \$4,400	60%
Share of Interim Outcome Payments – all indigenous and highly disadvantaged job seekers at risk of long term unemployment and referred directly to Intensive Support	10%

1. It is proposed to count commencements in NEIS as an equivalent outcome.

2. Also includes highly disadvantaged job seekers at risk of long term unemployment and referred directly to Intensive Support.

- The weightings used for Star Ratings go beyond the recognition of costs as reflected in the fee structure and give significant rewards when higher quality outcomes are achieved. For example, compared to the minimum 15 hours of work that will result in a Job Placement Fee for a fully JN eligible job seeker, a job lasting 13 weeks with the cessation of income support (an Interim Outcome) is counted as around eight times more valuable. If the job extends for a further 13 weeks and results in a Final Outcome it is worth around eleven times more than the achievement of a 15 hour job placement.
- In addition to a Performance Measure Score for each outcome type determined using the regression model, the Total Performance Score will incorporate a Performance Measure Score based on the share of Interim Outcomes going to the highly disadvantaged short term unemployed job seekers that are referred directly to Intensive Support. A Performance Measure Score based on the share of Interim Outcomes going to Indigenous Australians will also be included.

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Table 4

Performance Measures and Weightings - Including Final Outcomes

Job Search Support - total weighting 10%	Weighting for outcome type
Job Placement Fee - job seekers who are <i>Job Search Support Only Eligible</i> - \$165	4% ¹
Bonus Payment - job seekers who are <i>Fully Job Network Eligible</i> into a minimum 50 hours employment - \$165	
Job Placement Fee - job seekers who are <i>Fully Job Network Eligible</i> - \$275	6%
Job Placement Fee - job seekers who are <i>Fully Job Network Eligible</i> and who have an unemployment duration of greater than 12 months ² - \$385	
Intensive Support - total weighting 90%	
Interim Payment - job seekers unemployed for 4 to 12 months - \$550	<i>Education</i> 4% <i>Employment</i> 16%
Interim Intermediate Payment – job seekers unemployed for 13 to 24 months - \$550	
Interim Intermediate Payment – job seekers unemployed for 25 to 36 months ² - \$550	
Interim Intermediate Payment – job seekers unemployed for 3 years or more - \$1,100	
Final Intermediate Payment – job seekers unemployed for 13 to 24 months - \$550	
Final Intermediate Payment – job seekers unemployed for 25 to 36 months ² - \$550	
Final Intermediate Payment – job seekers unemployed for 3 years or more - \$1,100	
Interim Outcome Payment – job seekers unemployed for 13 to 24 months - \$1,650	40%
Interim Outcome Payment – job seekers unemployed for 25 to 36 months ² - \$3,300	
Interim Outcome Payment – job seekers unemployed for 3 years or more - \$4,400	
Final Outcome Payment – job seekers unemployed for 13 to 24 months - \$825	20%
Final Outcome Payment – job seekers unemployed for 25 to 36 months ² - \$1,650	
Final Outcome Payment – job seekers unemployed for 3 years or more - \$2,200	
Share of Interim Outcome Payments – all indigenous and highly disadvantaged job seekers at risk of long term unemployment and referred directly to Intensive Support	10%

1. It is proposed to count commencements in NEIS as an equivalent outcome.

2. Also includes highly disadvantaged job seekers at risk of long term unemployment and referred directly to Intensive Support.

Job Placement Fees

A job seeker must register with one JN member only. All JN members are licensed Job Placement Organisations (JPOs) and a job seeker may be placed in a job by the JN member with whom they are registered or by another JPO. When a job seeker is placed by another JPO, for Star Rating purposes the placement will be counted in favour of the JN member with whom they are registered. Where the JPO making the placement is also a JN member, the placement will also be counted toward their Star Rating.

More than one paid job placement can be made for an individual job seeker. To encourage and reward the provision of job placements to the maximum possible number of job seekers only one Job Placement Fee and Bonus Payment will be counted for an individual job seeker and JPO in a six month period. That is, if a job seeker receives more than one job placements from the same JPO in a six month period, only the first of these placements will be counted.

Gaining High Star Ratings

In line with the objectives of JN, the overwhelmingly important criterion for gaining a high Star Rating is placing the maximum possible number of job seekers into jobs. The different weightings applied to the different types of Job Placement and IS Outcome fees give the greatest rewards for placing job seekers into the highest quality employment - jobs that extend for a minimum of 13 weeks or 26 weeks. There is also an extra incentive for placing highly disadvantaged job seekers and indigenous people.

To assist JN members in developing a good understanding of the Star Ratings, DEWR is developing more detailed documentation and will conduct a series of information sessions in which the calculation of Star Ratings will be explained. JN members will be notified about these sessions through the ECSN. In addition to these information sessions, future editions of this Guide will give details of newly released Performance Information Reports, including advice on how these reports may be used to make broad assessments of the improvement in outcomes levels required for JN sites to maintain or improve their current Star Ratings.