

JOB SERVICES AUSTRALIA PROVIDER BROKERED OUTCOMES

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# Introduction

This report outlines the background, methodology and findings of the audit of Job Services Australia (JSA) provider brokered outcomes (PBO).

The audit was announced by the Minister for Employment Participation, the Hon Kate Ellis MP, on 22 December 2011 following allegations about JSA providers inappropriately claiming fees for services they did not deliver. The audit has been overseen by an independent advisor, Mr Robert Butterworth.

The objectives of the audit were to:

* consider whether changes to the JSA program were needed in relation to provider brokered and provider assisted outcomes; and
* identify any potential for inappropriate practices by JSA providers in the claiming of PBOs.

## Job Services Australia

JSA was introduced on 1 July 2009 to provide unemployed people with flexible and tailored support to assist them to obtain ongoing employment. JSA focuses on the needs of the most disadvantaged job seekers and aims to boost their employment participation and productive capacity to better meet the needs of employers.

JSA comprises four streams, with services, funding and the recognition of performance increasing with the level of disadvantage experienced by the job seeker. Job seekers with significant barriers are referred to Streams Two and Three respectively and those with multiple barriers are referred to Stream Four.

Over 100 organisations are contracted by the Department of Education, Employment and Workplace Relations (DEEWR) to deliver JSA services from over 2,000 locations across Australia. Providers range from small local organisations to national not-for-profit and private organisations.

There are over 730,000 job seekers currently being assisted by JSA providers. Assistance is tailored to an individual job seeker’s needs. Assistance could for example include training, job preparation or help with fares to get to job interviews, as well as non vocational assistance to address a job seeker’s more significant barriers to employment from personal circumstances such as homelessness, addiction, limited education or disability.

JSA providers work with employers to provide sustainable jobs for unemployed people, including those who may not have worked for long periods of time. JSA providers up-skill job seekers so they have the training and personal attributes employers are seeking.

JSA is a large and complex human services program, with over 6.5 million transactions recorded through the information technology system that connects DEEWR, employment services providers and Centrelink every day.

The scale of JSA, the diversity of providers and the provision of flexible and individualised services means that the management of JSA needs to balance accountability while aiming to keep the administration burden on providers as low as possible.

JSA assurance operates under a risk based framework and includes a network of State based account managers, an information technology system that provides extensive operational and management data and intelligence to identify trends and variations in patterns, on-line verification with Centrelink data and a complaints and feedback process.

## Job Services Australia Performance

Since 1 July 2009, there has been well over one million job placements recorded for JSA, which is an improvement of over 7 per cent on the number of placements recorded in the first 30 months of the last Job Network contract. There has also been an increased focus on assisting the most disadvantaged job seekers.  Employment outcomes for job seekers in Stream Four (for the most disadvantaged job seekers) are nearly a 90 per cent improvement on the previous arrangements under the former Personal Support Program.

# Provider Brokered Outcomes

The payment structure for JSA comprises service, job placement and outcome fees. An Employment Pathway Fund is also available for providers to purchase training and other support to help job seekers find and keep a job.

Job placement fees are payable when a job seeker is matched, screened, referred and placed in a vacancy and works a specified number of hours over a ten day period. Job placement has been an ongoing feature of outsourced employment services since 1997 and recognises that in some instances, especially for disadvantaged job seekers, not all job placements result in ongoing employment opportunities.

JSA outcome fees are payable once a job seeker has maintained employment for 13 or 26 consecutive weeks. Payment rates to providers vary by a job seeker’s Stream and length of unemployment. Where appropriate, the reduction in a job seeker’s income support from work is checked through data exchange with Centrelink before an outcome fee is paid.

Despite strong labour markets in many areas and sectors, employers remain reluctant to take on disadvantaged job seekers. The policy design of JSA sought to build on the job placement model and further recognise the importance of JSA providers directly engaging with employers by introducing PBOs at 13 and 26 weeks of employment.

**Table 1: Provider Assisted and Provider Brokered Outcomes**

|  |  |
| --- | --- |
| Provider Assisted Outcomes (PAOs) | Payable for eligible jobs where there is no pre-existing relationship between the JSA provider and employer when a job seeker is selected for a job. The JSA provider may have helped the job seeker to prepare for work, but is not directly involved in sourcing the job from the employer at the beginning.  |
| Provider Brokered Outcomes (PBOs) | Payable where the JSA provider has direct contact with an employer to identify a vacancy(ies) and provides a direct recruitment service. The JSA provider screens, matches, refers and places a suitable job seeker(s) from their caseload to a vacancy for the employer.  |

A loading of between around $104 and $752 is available for a PBO claim on top of the PAO rate. This increased amount recognises how the job was found but is still only payable after the job seeker has been employed for 13 and 26 weeks.

**Table 2: JSA Provider Assisted and Provider Brokered payment rates**

|  |  |  |
| --- | --- | --- |
| **Outcome category**  | **Minimum payment to JSA for Stream 1** | **Maximum payment to JSA for Stream 4** |
| **PAO** | $252 | $2673 |
| **PBO** | $376 | $3300 |

As expected, PBOs are more prevalent for the more disadvantaged job seekers. This reflects that JSA providers need to work harder with employers to find jobs for the more disadvantaged job seekers.

**Table 3: JSA brokered and assisted outcomes from 1 July 2009 to 31 January 2012**

|  |  |  |
| --- | --- | --- |
|  | **13-week outcomes** | **26-week outcomes** |
| **Brokered** | **Assisted** | **Brokered** | **Assisted** |
|  | No. | % | No. | % | No. | % | No. | % |
| **Stream 1** | 1,792 | 24.0 | 5,690 | 76.0 | 1,036 | 24.7 | 3,166 | 75.3 |
| **Stream 2** | 93,056 | 34.4 | 177,348 | 65.6 | 59,371 | 33.7 | 116,559 | 66.3 |
| **Stream 3** | 54,346 | 48.6 | 57,368 | 51.4 | 30,719 | 49.0 | 31,931 | 51.0 |
| **Stream 4** | 35,650 | 52.4 | 32,397 | 47.6 | 18,253 | 52.9 | 16,275 | 47.1 |
| **Total** | 184,844 | 40.4 | 272,803 | 59.6 | 109,379 | 39.4 | 167,931 | 60.6 |

## Operating Environment

Identifying exactly how an employer finds an employee, as required to demonstrate that a job seeker has been matched, screened, referred and placed in a vacancy, can at times be challenging. There are a number of reasons for this such as:

* employers often use multiple and concurrent mechanisms to fill vacancies – for example they may lodge a job with a JSA provider at the same time they advertise in a newspaper;
* there is no uniform approach to recruitment across industries and employers all have different screening and hiring procedures; and
* a job may start as casual or part time, but with a JSA provider’s intervention, may increase to a full time position, with resulting confusion on exactly who arranged the final job offer.

In recognition of these circumstances, once JSA had been implemented DEEWR identified that the documentary evidence a provider needed to retain to demonstrate brokering was not sufficient. Strengthened documentary evidence guidelines were issued in June 2011 requiring providers to maintain evidence to demonstrate there has been direct engagement with the employer. The evidence may be in the form of a file note from the JSA provider or signed statement from the employer and must include:

• the date of the request for recruitment services;

• the name of the employer and the contact providing the information;

• the JSA provider’s staff member who confirmed the information with the employer and the date this information was confirmed; and

• brief details of the recruitment request.

This change to the guidelines was accompanied by a number of changes to the information technology system to minimise the inadvertent claiming of PBO and provide greater clarity in the definition of brokering. For example, up until 1 July 2011, the system defaulted to a PBO outcome type if the JSA staff member did not over ride the system field. This was likely to have led to providers inadvertently claiming PBOs. The system was changed on 4 July 2011 so that the JSA operator had to actively choose a PBO claim type.

# Provider Brokered Outcomes Audit

## Methodology

The conduct and methodology for the audit was overseen by Mr Robert Butterworth. The audit approach aimed to ensure that the process was rigorous, consistent and focused on areas of most risk within the current brokering arrangements.

Fourteen providers in 18 Employment Services Areas containing 87 sites were selected to take part in the audit. Providers selected for the audit were from a broad cross section of providers.

Of the 14 providers:

* Ten were selected because they had the highest percentage of PBO compared to PAO claims.  Contracts in Employment Services Areas with more than 70 total claims and more than 66% of outcome claims that were PBO compared to POA were in scope.  Remote localities or smaller communities and Stream 4 PBOs were excluded from the audit selection. Stream 4 PBOs were included in the audit process once providers were selected. This was because PBOs are more prevalent for the more disadvantaged job seekers.
* Four were selected as a control group that did not have a higher use of PBOs.

As outlined above, JSA providers can support claims for payment through file notes or other documentary evidence. To minimise red tape and the impost on parties such as employers, JSA providers are not required to include external validation of such documentation. This remained the case after the documentary evidence requirements were tightened in June 2011.

The audit endeavoured to confirm that the matching, screening, referring and placing of a job seeker to a job had been delivered by seeking independent verification by the job seeker and/or employer of the services.

The key steps of the audit were:

* Providers self reviewed all PBO claims lodged in the specific Employment Services Area(s) between 1 July 2011 and 31 December 2011. They completed a statement of compliance that identified invalid claims and confirmed that others had been made in compliance with the Employment Services Deed, documentary evidence requirements and relevant Guidelines.
* The Department then undertook a detailed assessment to substantiate the claims providers confirmed as being correct. This included an examination of all information to identify the level of brokering activity collected through:
	+ the information technology system and other available information to look at key data items such as relevant dates, sequencing of job seeker and employer contacts and recorded comments; and
	+ documentary evidence provided by the JSA provider to support their claim.
* The Department endeavoured to contact via telephone job seekers and employers (where consent was given) to validate service delivery where appropriate.

As the final step in the audit, providers will be offered the opportunity to provide any further evidence on claims assessed by DEEWR before payments are recovered or further action taken. The figures in the report are therefore provisional, although significant variation is not expected.

The audit was undertaken by a team of experienced departmental staff from the National and State Office network, co-located in DEEWR’s Sydney office. Quality assurance arrangements were in place to ensure all assessments were conducted consistently and there was no conflict of interest between the assessor and the claim (for example the staff member had not previously been involved with providing advice on the claim).

Although the audit sample selected claims made from 1 July 2011, some of the claims were generated from placements that occurred under the previous evidentiary requirements or system default arrangement. These claims were likewise subject to detailed scrutiny, with job seeker and/or employer validation being sought where required.

A total of 2501 were initially identified as in scope for the audit. As the objective of the audit was to ascertain engagement with employers, 384 claims for education placements were set aside. The remaining 2117 employment claims were in scope.

# Key Findings

Table 4 summarises the provisional findings for the 2117 in scope employment claims.

**Table 4: Summary of provisional PBO findings**

|  |  |  |
| --- | --- | --- |
|  | **Number of claims** | **Percentage** |
| Volunteered invalid claims | 315 | 15% |
| Contradicted or not supported by documentary evidence, other information, job seeker or employer | 525 | 25% |
| Confirmed by documentary evidence, job seeker or employer  | 888 | 42% |
| Unable to be determined | 389 | 18% |
| Total | 2117 | 100% |

## Self Review

 315 PBO claims were identified by providers in their self review as not meeting the requirements for a PBO. The reasons provided by JSA organisations for these claims included:

* poor record keeping and a lack of documentary evidence to support claims;
* data entry errors; and
* the mistaken belief that providing the job seeker with other assistance, such as the purchase of work related equipment, securing increased hours in a job or providing support once the job seeker was employed automatically qualified for a higher outcome fee, regardless of how the vacancy was initially sourced.

## Contradicted/Not supported

Within this category, there were up to 139 claims that were not accepted as brokered by DEEWR as the evidence provided by the JSA contradicted the claim, was not sufficient to support the claim or because of further department checks.

In the remaining 386 cases, the job seeker and/or employer did not support that the JSA claim met the criteria for a PBO. The job seeker considered that they had found their own employment or the employer did not support that brokerage had been provided.

It is acknowledged that a job seeker may not always be aware of the activity of their provider in liaising with a potential employer. However, it is clear that there were discrepancies in a large number of cases between the evidence from the provider and the recollection or experience of the job seeker or employer.

In a small number of instances, job seeker perspectives gave rise to concerns about provider behaviour that warrant further investigation. In addition to recovery and potential administrative action, these cases will be referred to the Department’s investigations area under the current fraud framework.

## Confirmed by documentary evidence, job seeker or employer

Brokering services were confirmed for 42 per cent of claims in the scope of the audit. These claims were confirmed as the provider’s documentary evidence was conclusive, the job seeker confirmed that they had been matched, screened, referred and placed in the job by their JSA provider and/or the employer confirmed the JSA services.

These results are consistent with feedback from job seekers when they are surveyed after they have exited JSA assistance. These surveys, of around 400 000 job seekers annually, indicate a significant correlation between an individuals’ recollection of how they found out about their job and the classification made by the provider. For example, for those job seekers whose provider claimed a PBO, 59 per cent indicated they found out about their job through their JSA. This compares to 6.5 per cent of job seekers whose provider claimed a PAO.

## Unable to be determined

Where the documentary evidence was not conclusive and it was not possible to contact the job seeker (after at least 3 attempts to do so) to verify information or gain their consent to contact their employer, the Department was unable to determine brokering activity.

In some cases, the job seeker or employer was also unable to validate the claim, for example where employers had not maintained an account of how the employee was referred to the organisation, could not confirm the specific timeframe of an initial contact with the JSA provider or the nominated contact had left the employer.

No further action will be taken on these claims because there is no evidence on which to base further queries.

## Individual Provider Provisional Findings

There was variation in the findings for individual providers in the audit, with different patterns through the self audit phase and variations in the rate for which PBOs were contradicted/not supported or confirmed.

**Table 5: Individual provider provisional findings**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Claims in scope | Volunteered invalid claims | % | Contradicted/Not supported | % | Confirmed  | % | Unable to be determined | % |
| **Non-control group** |
| A | 224 | 95 | 42% | 37 | 17% | 66 | 29% | 26 | 12% |
| B | 174 | 85 | 49% | 24 | 14% | 49 | 28% | 16 | 9% |
| C | 166 | 17 | 10% | 75 | 45% | 38 | 23% | 36 | 22% |
| D | 99 | 4 | 4% | 13 | 13% | 61 | 62% | 21 | 21% |
| E | 106 | 4 | 4% | 25 | 24% | 52 | 49% | 25 | 24% |
| F | 433 | 35 | 8% | 169 | 39% | 128 | 30% | 101 | 23% |
| G | 230 | 8 | 3% | 82 | 36% | 77 | 33% | 63 | 27% |
| H | 43 | 20 | 47% | 8 | 19% | 11 | 26% | 4 | 9% |
| I | 90 | 18 | 20% | 26 | 29% | 35 | 39% | 11 | 12% |
| J | 68 | 2 | 3% | 15 | 22% | 40 | 59% | 11 | 16% |
| Total | 1,633 | 288 | 18% | 474 | 29% | 557 | 34% | 314 | 19% |
| **Control group** |
| K | 117 | 2 | 2% | 17 | 15% | 71 | 61% | 27 | 23% |
| L | 132 | 7 | 5% | 17 | 13% | 92 | 70% | 16 | 12% |
| M | 85 | 0 | 0% | 8 | 9% | 64 | 75% | 13 | 15% |
| N | 150 | 18 | 12% | 9 | 6% | 104 | 69% | 19 | 13% |
| Total | 484 | 27 | 6% | 51 | 11% | 331 | 68% | 75 | 15% |
| **All**  | **2,117** | **315** | **15%** | **525** | **25%** | **888** | **42%** | **389** | **18%** |

Across all audited providers, up to 40 per cent of the PBO claims were volunteered invalid claims or contradicted or not supported by documentary evidence, other information or the job seeker or employer. The rate was up to 47 per cent for high claiming providers and up to 16 per cent for the control group.

## Recoveries and further action

In addition to the recovery of volunteered invalid claims, DEEWR will write to providers to initiate fee recoveries for the PBO claims contradicted or not supported by documentary evidence, other information, the job seeker or employer. Further sanctions may also be considered once this step is complete.

Subject to JSA organisations providing any further information, it is expected that fee recoveries from the audit will total approximately $1.1million. This primarily represents the difference in the fee payable to the provider for a PBO as compared to a PAO and the Job Placement fee. This is because although the brokering component was not confirmed, the requirements for an employment outcome – 13 or 26 weeks in ongoing employment for job seekers – were generally met.

In addition, funds used from the Employment Pathway Fund will be recovered where expenditure was related to invalid brokering service elements.

**Table 6: Estimated recovery sum**

|  |  |  |
| --- | --- | --- |
| **Total Potential fee recovery**  | **Volunteered invalid claims** | **Contradicted/Not supported** |
| $1.091m | $378 000 | $713 000 |

Based on the evidence through this audit, the Department will consider the most appropriate and cost effective method to undertake an assurance process for PBO claims across other providers, including organisations in the audit that operate in other Employment Services Areas.

The Department intends to finalise the action under the audit by the end of May, with arrangements for all providers being completed by spring 2012.