



Australian Government

**Department of Education, Employment
and Workplace Relations**

JOB SERVICES AUSTRALIA PROVIDER BROKERED OUTCOMES

September 2012

1 Introduction

This report outlines the methodology and findings of the second stage of the Job Services Australia (JSA) provider brokered outcomes (PBO) audit by the Department of Education, Employment and Workplace Relations (DEEWR).

The PBO 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.

An initial audit of 14 JSA organisations was overseen by an independent advisor, Mr Robert Butterworth, and a report released on 20 April 2012 at <http://www.deewr.gov.au/Employment/JSA/Pages/ProviderBrokeredOutcomeaudit.aspx>.

Mr Butterworth recommended that DEEWR undertake a follow up audit of all JSA providers consistent with the principles used in the initial process.

Mr Butterworth also recommended that PBO fees be removed as a feature of JSA, which came into effect on 1 July 2012.

1.1 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.

Around 100 organisations are contracted by 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 the Department of Human Services 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 DEEWR staff, an information technology system that provides extensive operational and management data and intelligence, on-line verification with Department of Human Services data and a complaints and feedback process.

2 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 level of disadvantage 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 initial 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 including PBOs at 13 and 26 weeks of employment.

Table 1: Provider Assisted and Provider Brokered Outcomes (applicable until 1 July 2012)

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

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

As expected, PBOs were more prevalent for the more disadvantaged job seekers. This reflected that JSA providers worked harder with employers to find jobs for these job seekers.

2.1 Operating Environment

Developing a definition of brokering activity and identifying exactly how an employer found an employee 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;

- job seekers may initially approach an employer as part of their job search activities but some time may elapse between this contact and later intervention by the JSA provider that results in the employer taking on the individual;
- 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.

3 Provider Brokered Outcomes Audit

3.1 Methodology

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 JSA services.

The methodology aimed to ensure that the audit was rigorous, consistent and focused on areas of most risk within the previous brokering arrangements. The methodology for stage two of the audit differed to the initial audit by adopting a targeted approach to the assessment of claims.

For the second stage, Taylor Fry Consulting Actuaries were engaged to derive a statistical and targeted sampling approach. Allanson Consulting provided independent advice on other aspects of the audit methodology, including providing feedback on the audit guidelines and assessment criteria and the scripts used for telephone interviews with jobseekers and employers selected for review.

The process was undertaken by experienced DEEWR staff from the National and State Office network. The key steps in the audit were:

- JSA providers self reviewed in-scope PBO claims and completed a statement of compliance that identified invalid claims and confirmed that others had been made in accordance with the relevant provisions of the JSA Deed, documentary evidence requirements and guidelines.
- The Department assessed a sample of claims to substantiate the claims providers confirmed as being correct. This included an examination of all available information collected through:
 - o 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;
 - o an analysis of job seeker declarations to the Department of Human Services; and/or
 - o 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.
- Providers were invited to supply any further evidence on claims assessed by DEEWR as not satisfying the requirements of a PBO.

The audit included employment PBO claims anchored after 1 July 2011 and made between 1 October 2011 and 31 December 2011. JSAs with a large number of claims in an Employment Services Area (ESA) could elect to include a sample of 25 PBO claims, with the audit results then being deemed for recoveries and performance data across the remaining PBO claims in the ESA for the relevant timeframe. The sample of 25 claims to be considered in the audit was drawn by DEEWR on a stratified random basis from sites and PBO employment claims within each relevant ESA.

3.2 JSA provider self review

2,370 of 13,595 (17.4 per cent) PBO claims in-scope for self review by providers were identified as not meeting the requirements for a PBO. Providers also confirmed 161 claims as PBOs but identified other errors.

The reasons provided by JSA organisations for claims not meeting the requirements of a PBO included:

- poor record keeping and a lack of documentary evidence to support claims;
- data entry errors;
- inability to secure information from job seeker or employers; 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 PBO fee, regardless of how the vacancy was initially sourced.

3.3 Departmental review

Rather than attempting to contact thousands of job seekers and employers to validate all remaining claims, the Departmental review focused on those claims most at risk of being potentially noncompliant with the PBO requirements. Working with Taylor Fry Consulting Actuaries, a sample was chosen following a review of the outcomes from the initial PBO audit to identify predictors that increased the possibility of a claim being a PAO.

Because the subset of claims assessed by DEEWR had the highest potential to be found to be invalid PBOs, the outcomes from the Departmental review cannot be extrapolated to other claims made in the review (or any other) period and are not comparable to the initial audit of the 14 JSA organisations. The results will not be replicated in other claims not included in the second stage sample as such claims will have different characteristics and a lower risk profile.

As a result of this profiling, 2,875 claims were reviewed by DEEWR. Within the resources available and working with the consulting actuaries, validating claims beyond this sample would have resulted in a diminishing return as the remaining, lower risk claims would have an increased probability of being confirmed.

The results of the claims sampled by DEEWR are:

Table 2: Department Review

	Invalid PBO claims	Confirmed PBO claims	Unable to be determined (1)	Low risk PBO claims
PBO claims	1023	1139	713	8189

1. Where the evidence was not conclusive such as where it was not possible to contact the job seeker and/or employer (after at least 3 attempts to do so), the Department was unable to determine brokering activity.

The main reasons claims were assessed by DEEWR as not meeting the PBO requirements were the recollection of jobseekers and/or employers on the role of the JSA in the sourcing of the vacancy and job placement, job seekers' patterns of earnings declared to the Department of Human Services and administrative errors by providers.

3.4 Recoveries and further action

PBOs were removed from JSA on 1 July 2012. A single outcome payment for placing a jobseeker into employment for 13 and 26 weeks was introduced to remove any confusion between outcome types.

Fee recoveries from this second stage audit process for PBO claims will total approximately \$5.6m. 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.

Table 3: Estimated recovery sum

Audit process	Sum
Volunteered invalid PBO claims	\$4.1m
PBO recoveries from the Departmental review	\$1.5m
Total PBO potential fee recovery	\$5.6m

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

The results of the PBO audit will be considered in determining the future compliance requirements of each JSA organisation, any remedial activity to be taken by DEEWR based on a provider's ongoing compliance behaviour and future purchasing and contracting decisions. Organisations with a high level of claims that were found to be PAOs rather than PBOs will face additional review activity.

In a small number of instances, job seeker perspectives also gave rise to concerns about provider behaviour that warrant further investigation. These cases will be referred under the current fraud framework and further action may be taken.

Organisations with the highest rates of PBO non-compliance will be required under the JSA Deed to secure certification against specific Quality Framework Principles¹ to demonstrate they have appropriate governance and payment integrity arrangements in place. Organisations will have until 31 March 2013 to achieve a passing audit, undertaken by an independent external auditor.

Organisations will initially focus on certification against three of the expected eight Quality Framework Principles, as outlined in the table below.

Table 4: Quality Framework Principles

Principles	Description
Effective corporate governance arrangements, including management systems	Strong governance, operational effectiveness and efficiency through corporate arrangements, management systems and practices that optimise outcomes for job seekers and employers. This includes a supportive organisational culture, and effective financial controls and communication mechanisms.
Effective planning strategies	Effective planning mechanisms that support continuous improvement across the organisation, including people management, financial sustainability and fraud prevention.
A supportive working environment that values the development of its people through staffing and organisational development	Each person employed to deliver services by the Provider has the relevant skills and competency. Plans and mechanisms are in place to identify these skills and competencies, and to ensure that these skills are maintained and enhanced through training and skills development. This also includes Indigenous and Disability Employment strategies.

These Principles have been selected as they will assist in supporting DEEWR assurance that providers have effective claims and quality checking processes. On attainment of a passing audit against the initial three Principles, organisations will be expected to continue towards achieving a full Quality Standards certification. This is consistent with the introduction of mandatory certification from 1 July 2015.

¹ DEEWR has developed eight Principles that form the basis of the 2015 Job Services Australia Quality Assurance Framework.