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Department of Education, Employment  
and Workplace Relations

# **THE IMPACT OF THE GLOBAL ECONOMIC DOWNTURN ON JOB SERVICES AUSTRALIA**

**JULY 2009 – JANUARY 2010**

***EVALUATION OF JOB SERVICES AUSTRALIA 2009-2012***

**June 2011**

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# Contents

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Key Findings.....	4
1. Executive Summary .....	5
2. Introduction.....	7
3. The Economic Downturn and the Australian Labour Market.....	9
4. Number and Characteristics of Mainstream Employment Assistance Clients .....	13
4.1. Gender and Age Composition of Clients .....	14
4.2. Duration of Registration in Employment Services .....	16
5. Distribution of Clients across JSA Streams .....	27
6. Provider Revenue .....	31
6.1. Placements and Placement Fees .....	34
6.2. Service Fees .....	36
7. The Job Seeker Account and the Employment Pathway Fund.....	39
8. Conclusion .....	46
APPENDIX A: The Key Features of Job Services Australia.....	47
APPENDIX B: Priority Employment Areas.....	49
APPENDIX C: Provider Revenue.....	51
APPENDIX D: Job Seeker Account and Employment Pathway Fund Credits.....	54
APPENDIX E: Job Seeker Account and Employment Pathway Fund Expenditure Categories .	55
Bibliography.....	57

## Key Findings

Job Services Australia (JSA) has been successfully established during what now seems to have been a relatively mild downturn. It appears to have responded effectively to larger numbers of job seekers resulting from the downturn and their changing needs for assistance.

However, the changing composition of the client group, particularly with regard to gender and duration of unemployment implies a change in the job barriers facing clients which may necessitate some adjustment to providers' assistance strategies.

The early access to intensive employment assistance which the Government provides to redundant workers as part of the response to the economic downturn may have led to some deadweight costs because those job seekers who were given early access to Stream 2 seemed no more disadvantaged than Stream 1 job seekers, at least according to their Job Seeker Classification Instrument (JSCI) scores.

The downturn exerted downward pressure on provider revenue by exacerbating a longer term decline in job placements. The downturn's impact on placements was concentrated on highly disadvantaged clients and clients who were eligible for Job Search Support only. On the other hand, an upswing in job placement revenue both preceded and outpaced initial growth in placement numbers following the downturn. The combination of these effects resulted in relatively stable provider revenue across the JSA system in the context of changing macroeconomic conditions.

The downturn seems to be associated with less use of Job Seeker Account (JSKA) and Employment Pathway Fund (EPF) funds for relatively inexpensive purchases such as clothing and equipment and greater use of longer-term assistance, particularly wage subsidies and reverse marketing. It is difficult to separate the influence of poor labour market conditions from the process of transition between employment services contracts as they occurred simultaneously.

# 1. Executive Summary

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1. The labour market downturn associated with the global financial crisis was weaker and briefer than expected.
2. It appears that the JSA was successfully established during what transpired as a relatively mild labour market downturn, responding to larger numbers of job seekers resulting from the downturn and their changing needs for assistance.
3. The significant increase in job seeker numbers triggered by the downturn began in late 2008 and continued, at a marginally slower pace, post the commencement of JSA in July 2009. However, the employment service system proved capable of absorbing a large increase in client numbers, as it did during 2004 and 2005 when policy changes encouraged stronger labour market participation by some groups of income support recipients.
4. The downturn was associated with a major change in the gender composition of job seeker growth.
  - Between 2004 and late 2007, job seeker growth was stronger in absolute and relative terms among females, especially those aged over 30 years.
  - After the downturn began in earnest in the final months of 2008, men of prime working age (25-55 years) became the major source of growth.
  - The deterioration in exit rates between October 2007 and October 2008 was worse for males than for females.
5. In 2008 and 2009 the numbers of job seekers aged less than 24 years generally did not grow more quickly than the numbers of older job seekers. This may be due in part to the participation of jobless young people in education or training instead of employment assistance.
6. The effect of the downturn on the duration of employment assistance is more complicated.
  - The average duration of unemployment shortened significantly as more people became unemployed and took up assistance, although the strength of this process varied greatly with geographical location.
  - On the other hand, the downturn made new and pre-existing clients less likely to leave assistance. This is particularly the case for males and those clients who had already been assistance for between six and nine months.
7. The changing composition of the client group implies a change in the job barriers facing clients which may necessitate some adjustment of providers' assistance strategies.
  - Prior to the downturn an increasing number of clients would have had relatively little recent experience with work, especially full time work. Most new clients would have required comprehensive re-integration into the labour market in order to take advantage of the employment growth which was occurring.

- During the downturn, both actual job losses and a scarcity of vacancies meant that a larger proportion of those entering assistance would have become or remained employed under more favourable labour market conditions. As long as these clients remain job ready as employment continues to expand, they should benefit from more specific forms of assistance which are closely focused on job placement.
8. The early access to intensive employment assistance which the Government provided to some job seekers should help to reduce their risk of prolonged unemployment. Because the provision of intensive assistance yields larger payments to providers, including service payments, early access will also act to support provider revenue should placement and outcome levels be lower than expected.
  9. On the other hand, there is a risk of greater deadweight costs because those clients who have been given early access to Stream 2 seem no more disadvantaged than Stream 1 clients, at least according to their JSCI scores.
  10. In the initial months of the downturn's most severe phase, between October 2008 and March 2009, the total revenue of Job Network providers rose, thereby reversing a long term decline in revenue which began in early 2005. Service fees were the source of this revenue increase, mainly reflecting the larger inflow of clients after October 2008.
  11. However, prior to the commencement of JSA the downturn also exerted downward pressure on provider revenue by exacerbating a longer term decline in job placements. The downturn's impact on placements was concentrated on highly disadvantaged clients and clients who were eligible for Job Search Support only.
  12. It is virtually impossible to distinguish the effect of the downturn and recovery from the declining activity which appears to be an inherent part of the transition from one employment services contract to another. Historically, activity has declined temporarily with every contract changeover.
  13. An upswing in job placement revenue from July 2009 both preceded and outpaced initial growth in placement numbers. This shows that the new structure of placement fees allowed providers to earn as much or more per placement achieved compared with the previous fee structure.
  14. Not only did larger job seeker numbers lead to an increase in service payments for providers, it also increased the overall size of the Job Seeker Account (JSKA) under Job Network and the Employment Pathway Fund (EPF) under JSA, both designed for flexible use by providers to assist their clients.
  15. It appears that the downturn was associated with less use of JSKA/EPF funds for relatively inexpensive purchases such as clothing and equipment and greater use of longer-term assistance, particularly wage subsidies and reverse marketing. Once again it is difficult to separate the influence of poor labour market conditions from the process of transition between employment services contracts.
    - The stronger emphasis on training in Government policy and in the design of ESD4 may also be encouraging JSA providers to utilise EPF funds for this kind of assistance.
    - Under ESD4 EPF funds are used for Work Experience activities which were funded through a separate contract as Mutual Obligation activities during ESC3.

## 2. Introduction

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This report provides an evaluation of the impact of changing economic conditions on Job Services Australia (JSA) from 1 July 2009 to January 2010 as specified in the JSA evaluation strategy (DEEWR 2009a). The major goal of this project is to assess the effect of the economic downturn on employment services, particularly with regard to:

- job seeker<sup>1</sup> numbers and characteristics;
- the broad patterns of assistance provided by JSA;
- the costs to the Government of the assistance provided and the costs borne by JSA in providing that assistance; and
- the effectiveness of this assistance in achieving placements and outcomes.

The paper focuses on mainstream employment services delivered under Job Network from 2003-2009 and JSA from July 2009. It should be noted that JSA provides services to people with non-vocational barriers to employment through Stream 4 services. Prior to July 2009, people with significant non-vocational barriers were likely to be referred to the Personal Support Program (PSP) or the Job Placement, Employment and Training Program (JPET) which operated as separate contracts from Job Network.

Scant attention has been paid in the large body of evaluation literature to the impact of the economic cycle on labour market assistance. This is true for fundamental matters like the nature and effectiveness of assistance<sup>2</sup> and even more so for issues relating to provider costs and revenues. However, the Productivity Commission (2002) analysed the impact of a hypothetical downturn on provider costs and revenues as part its review of the Job Network.

Only a preliminary investigation of some of these issues has been feasible as important facets of JSA operations were still in a transition phase when the analysis reported in this paper was conducted. Evidence from previous evaluations of government employment services demonstrates that a considerable length of time can be required for a new employment services system to become fully established.<sup>3</sup> Furthermore, it is very difficult to separate the overlapping impacts of the economic downturn and the transition from the old employment services system to the new because the two events occurred simultaneously.

This paper begins with a description of the broad path taken by the economic downturn in Australia, in Section 2. Trends in job seeker numbers were relatively unaffected by the

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<sup>1</sup> For the purposes of this paper, “job seeker” refers to people receiving assistance through government employment services.

<sup>2</sup> A large scale meta-analysis does not identify labour market cycles or conditions as a major theme in evaluations of labour market assistance (Card, Kluve and Weber 2009). The impact of labour market cycles on New Zealand interventions is examined briefly by Maré (2002).

<sup>3</sup> For instance, after the commencement of ESC3, it took approximately 10 months for Job Seeker Account Expenditure and outcome based revenue to approach their longer term levels (DEWR 2006, pp. 25 & 33).

transition to JSA. These are examined closely in Section 3, particularly with regard to the gender, age and unemployment duration of clients.

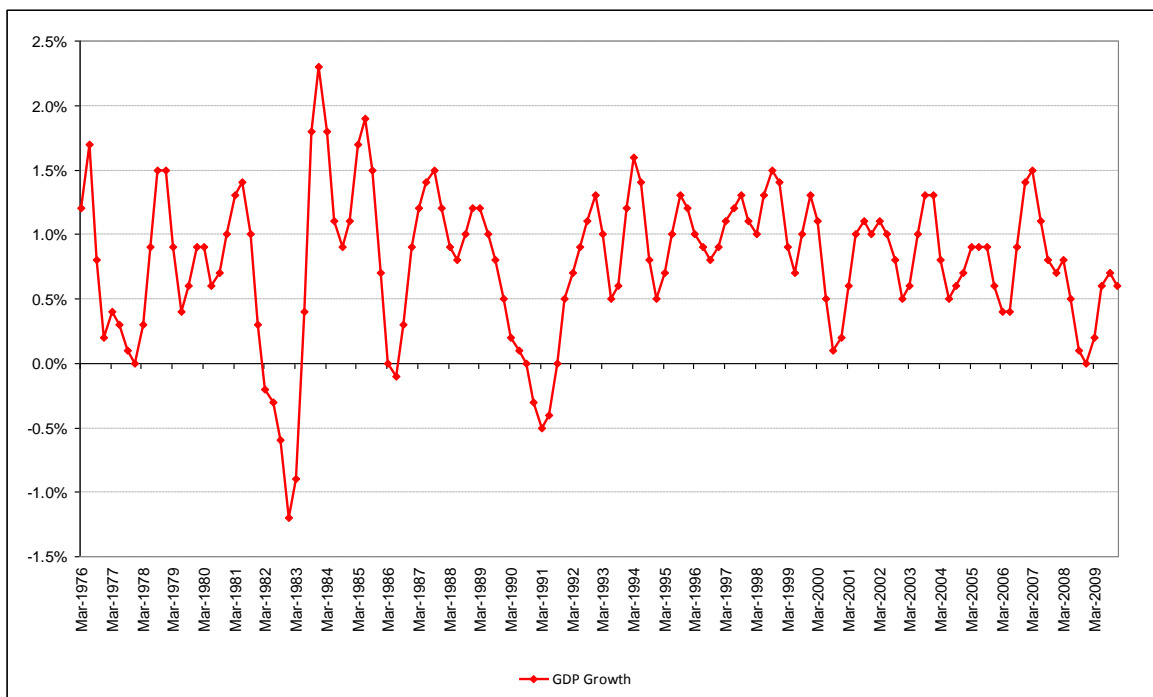
Preliminary analysis of job placements, service-based revenue and expenditure on clients is considered, although all three were still rising to their more normal operating levels when this analysis was undertaken. Section 4 examines trends in the placement of clients in JSA streams, while Section 5 reports on trends in provider revenue and Section 6 on job seeker expenditure. A more detailed assessment of outcomes will be undertaken in subsequent evaluation work.



### 3. The Economic Downturn and the Australian Labour Market

The international economic downturn began around 2007 when escalating world oil prices and high levels of home loan defaults in the United States began to attract concern. The downturn is seen as reaching its most perilous phase in the second half of 2008, with the collapse of Lehman Brothers and other major financial institutions provoking fear about the viability of the financial and commercial systems of overseas economies.

**Figure 1: GDP quarterly growth rate (trend data %); March 1976 – December 2009**

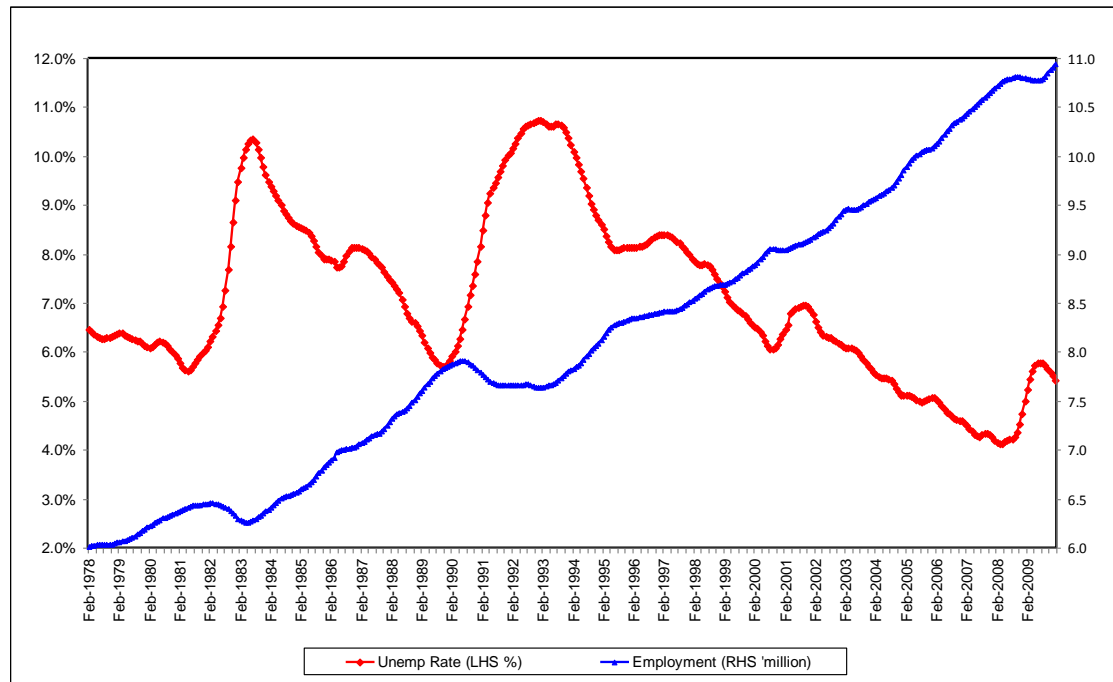


**Source:** Australian Bureau of Statistics. *Australian National Accounts: National Income, Expenditure and Product, 5206.0*. September 2009.

In Australia, GDP growth peaked in March 2007 in trend terms (Figure 1). In general, changes in the rate of economic growth affect the labour market after a delay of several months. Following the turning in GDP growth, trend employment growth peaked in December 2007. In May 2008, the unemployment rate began to climb from its lowest value in more than three decades (Figure 2).

By early 2009, concerns about the prospect of a serious economic contraction and high unemployment in Australia were reinforced by historically severe declines in ANZ trend vacancy numbers of 8.1% in January and 8.0% in February 2009 (Figure 3).

**Figure 2: Employment level and unemployment rate (trend data); February 1978 – January 2010**



Source: Australian Bureau of Statistics. *Labour Force, Australia, 6202.0*. January 2010.

In May 2009, the 2009-10 Budget forecast that the unemployment rate would reach 8¼% and decline very slowly during the following financial year. However, the forecast peak was revised down to 6¾% in the Commonwealth Mid-Year Economic and Fiscal Outlook (MYEFO) released in November 2009. Table 1 presents the key results from the two sets of forecasts.

For a number of reasons including good levels of labour market flexibility and timely monetary and fiscal stimulus, Australia’s labour market has proved to be resilient in comparison to other countries and the two major Australian recessions in the early 1980s and the early 1990s. Recovery commenced much earlier than was forecast in the Budget. Around the middle of 2009, trend vacancy numbers and employment resumed positive growth and the unemployment rate began to fall from a trend peak of 5.8%.

**Table 1: GDP and labour market forecasts – 2009-10 Budget Paper No. 1 (Statement 2) and Mid-Year Economic and Fiscal Outlook (MYEFO) (%)**

		Estimate / actual outcome <sup>1</sup>	Forecast <sup>1</sup>	
		2008-09	2009-10	2010-11
GDP <sup>2</sup>	Budget Pap. 1	0	-½	2¼
	MYEFO	1.0	1½	2¾
Employment Growth <sup>3</sup>	Budget Pap. 1	-¼	-1½	½
	MYEFO	0.1	¼	1½
Unemployment rate (Jun Qtr) <sup>4</sup>	Budget Pap. 1	6	8¼	8½
	MYEFO	5.7	6¾	6½

1. The Budget papers present values for estimates and forecasts as fractions. The values of actual outcomes are expressed to the single decimal point.

2. GDP refers to percentage change on the previous year.

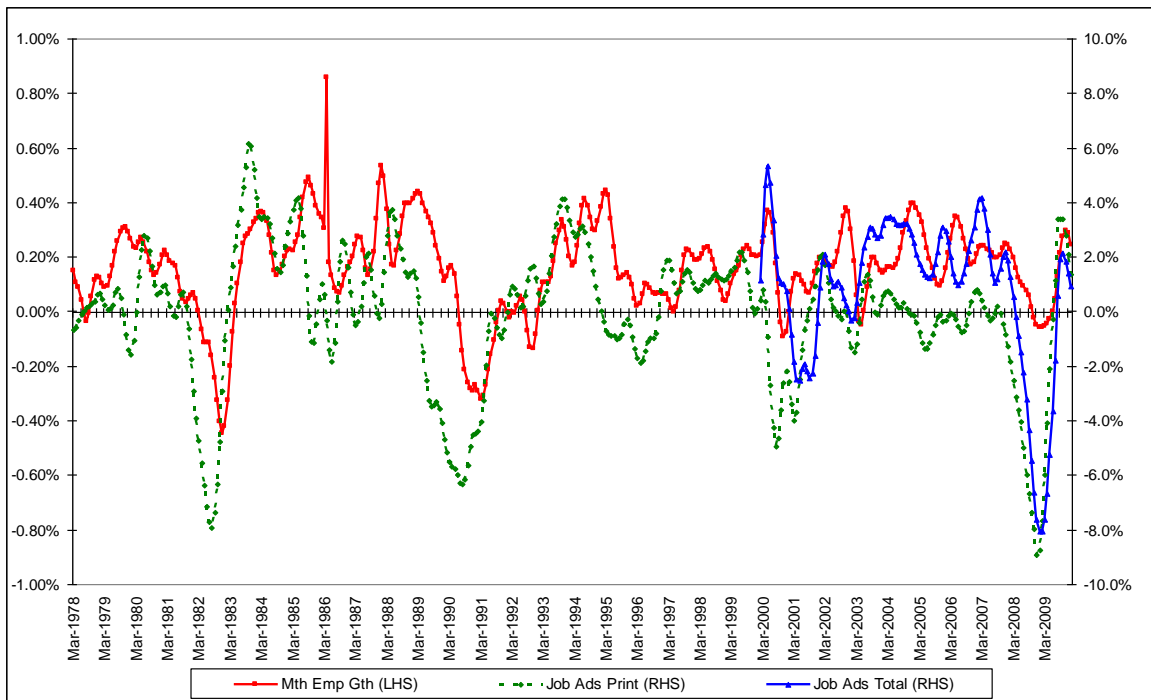
3. Employment growth is through the year growth rate to the June quarter.

4. The unemployment rate refers to the June quarter.

**Source:** Commonwealth of Australia, *Budget Strategy and Outlook*, 2009-10.

The uncertainties which often accompany the first stage of recovery are evident in the current upswing as concerns that growth in working hours may act to restrain reductions in unemployment numbers. If the improving trends shown in Figures 2 and 3 continue, however, the current downturn will resemble much more the short term weakness evident in 2000 and 2001 than the serious recessions in the two previous decades.

**Figure 3: Employment and ANZ job vacancy count monthly growth rates (trend data %);  
March 1978 – January 2010**

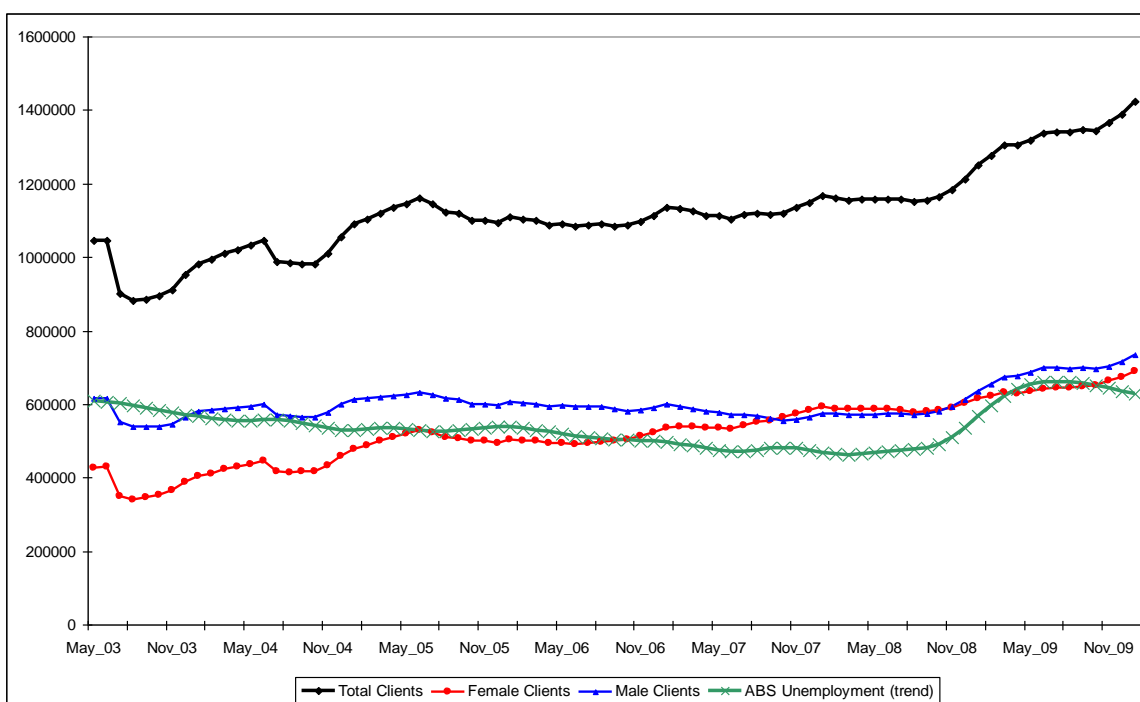


**Source:** Australian Bureau of Statistics. *Labour Force, Australia, 6202.0*. November 2009.  
ANZ Job Advertisement series to January 2010. Released 1 February 2010.

## 4. Number and Characteristics of Mainstream Employment Assistance Clients

For several years prior to the financial crisis, the ABS count of unemployment generally followed a downward trend but the number of job seekers registered for mainstream employment assistance (regardless of their actual receipt of assistance<sup>4</sup> or income support) steadily rose<sup>5</sup> (Figure 4). Between June 2003 and June 2008, the ABS unemployment level fell by almost 22% but the total number of registered job seekers grew by almost 11%.

**Figure 4: Number of mainstream employment assistance clients (original data) and ABS unemployment count (trend data); May 2003 – January 2010**



**Source:** Australian Bureau of Statistics. *Labour Force, Australia, 6202.0*. January 2010. DEEWR administrative systems.

The counter-cyclical growth in registrant numbers over five years seems to be the result of specific changes to income support policy. DEEWR's evaluation of Job Network between 2003 and 2009 attributes growth in client numbers between 2003 and 2006 mainly to Government initiatives to "increase labour force participation of sole parents and people

<sup>4</sup> Section 5 of this paper examines the actual receipt of assistance under JSA.

<sup>5</sup> Much of the discrepancy between the number of registered job seekers and the ABS count of unemployment is due to differences of definition. Registered job seekers may work on a short-term or part-time basis or may not be engaged in job search for legitimate and other reasons. The ABS count of unemployment is more tightly defined, specifying less than hour of employment, preparedness to start work in the reference week of the survey and active job search within the preceding month.

with disabilities” (DEEWR 2007, p. 21). This point is reflected in the trends presented in Figure 4.

Females represent the great majority of recipients of parenting payment (both partnered parents and sole parents). These recipients account for 41.8% of the total increase in job seeker numbers between 2003 and 2008. Furthermore, the number of female Disability Support Pension recipients also rose strongly. This growth represents 34.3% of the total increase. While male recipients of the Disability Support Pension also make a large contribution (37.1%) to the total increase between 2003 and 2008 this upward pressure on job seeker numbers was more than offset by a decline in male Newstart Allowance recipients. As a result, the number of male registrants decreased slightly between 2003 and 2008.

In contrast to the policy-induced growth between 2003 and 2008, the labour market deterioration which gained pace in the second half of 2008 is likely to have been the major force driving the number of registrants to a new peak in July 2009. From July 2008 to July 2009, registrant numbers rose by 16%. Since the end of June 2009, immediately before JSA commenced operation, the number of registered clients rose by almost 6.5%. While this represents a very significant increase in demand for employment assistance, it is not the strongest growth to which the mainstream employment services system has responded. For 15 continuous months between July 2004 and October 2005, annual growth in client numbers ranged between 10% and 16%, well above the rate seen after the global financial crisis. By itself, a rapid increase in client numbers does not necessarily impose severe strain on the mainstream employment services system.

## 4.1. Gender and Age Composition of Clients

In addition to causing growth in client numbers to accelerate, the downturn appears to have triggered a change in the composition of that growth. Table 2 presents growth in rates through the year to each November between 2004 and 2009,<sup>6</sup> according to gender and age. The two fastest growth rates for each gender within each year are marked with blue shading.

Some commentators have noted that young people have borne most of the increase in unemployment as measured by the ABS (Eslake 2009). The picture is somewhat different with regard to mainstream employment assistance clients. In 2008 and 2009 the numbers of job seekers aged less than 24 years generally did not grow more quickly than the numbers of older job seekers.

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<sup>6</sup> Seasonal influences such as the influx of education leavers in December and January each year may distort comparisons made across time spans other than 1 year with these original data. The relatively small numbers in some cells of the table may not be conducive to reliable seasonal adjustment.

**Table 2: Mainstream employment assistance clients by gender and age – annual growth rates to November (%); 2004 - 2009**

	Age	Nov-04	Nov-05	Nov-06	Nov-07	Nov-08	Nov-09
Females	Less than 21 yrs	24.7	0.1	-8.1	-7.6	-2.5	2.2
	21-24 yrs	11.8	14.1	-1.5	-11.7	4.2	3.8
	25-29 yrs	13.3	20.9	4.8	-8.9	2.2	4.9
	30-39 yrs	18.6	30.2	13.2	3.0	1.1	4.2
	40-49 yrs	15.7	24.4	11.8	14.1	3.0	8.5
	50-54 yrs	19.6	16.3	10.9	14.8	11.7	4.9
	55 yrs and over	45.5	30.2	23.0	25.2	23.3	-2.8
Males	Less than 21 yrs	24.2	0.7	-8.1	-8.8	0.9	8.3
	21-24 yrs	-0.9	6.9	-6.9	-9.2	5.3	19.7
	25-29 yrs	-0.7	2.5	-5.4	-10.1	6.6	23.3
	30-39 yrs	0.4	3.0	-3.1	-6.6	5.9	16.9
	40-49 yrs	1.1	3.7	1.4	-0.2	7.2	14.1
	50-54 yrs	1.8	2.8	3.5	1.4	11.4	11.8
	55 yrs and over	17.3	14.0	14.4	14.5	19.5	1.4

**Source:** DEEWR administrative systems

Among females, the largest increases over the year to November 2008 occurred in the 50 to 54 age group (11.7%), and the largest increase over the year to November 2009 was in the 40 to 49 year age group (8.5%).

During 2008, the numbers of males aged less than 21 years and 21-24 years increased more slowly than the number of older male job seekers. In 2009, males aged 25 to 29 years exhibited the largest increase (23.3%) followed by the 21 to 24 year category (19.7%). The increase in the number of males aged less than 21 years of age was relatively small in 2009.

The relatively subdued increases in numbers of young job seekers (apart from males aged 21 to 24 years) compared to older job seekers seen in 2009 may be due to the participation of jobless young people in education or training instead of employment assistance. The Government's Compact with Young Australians contains measures which are designed to encourage full-time participation in education and training by unemployed young people without a Year 12 or equivalent qualification. Full-time participation in education and training does not necessarily exclude young people from the ABS measure of unemployment.

- This participation is required of young people aged 15 to 20 years seeking Youth Allowance (other).

- In the case of those aged 16 to 20 years, Eligibility for Family Tax Benefit Part A depends on this participation.

In addition, the Compact with Young Australians provides an education and training entitlement relating to government-subsidised qualifications for young people aged 15 to 24 years.

The increase in numbers of job seekers entering mainstream employment assistance resulting from the downturn was driven largely by men of prime working age (25-55 years). In terms of increased demand for employment assistance resulting from the downturn, however, men between 25 and 55 years of age are more prominent than other job seekers. This may have ramifications for the mix of assistance which JSA should provide.

The growth in numbers of female clients prior to the downturn, especially in 2004 and 2005, probably would have intensified the need to assist the labour market integration of clients who had been dependent on parenting payment and hence out of workforce (or at least the full time workforce) for extended periods. In contrast, the male clients who constitute the greater part of the growth in client load during the downturn are more likely to possess recent work experience and be seeking full-time work. As will be explained in Section 4, the access to a minimum of Stream 2 assistance provided through the Jobs and Training Compact to retrenchees (and some other job seekers) represents a significant shift in the orientation of assistance towards job seekers who are more job-ready.

## 4.2. Duration of Registration in Employment Services

As vacancies become scarcer and job losses occur during cyclical downturns, generally the volume of inflows to unemployment increases and outflows from unemployment to employment decline. Unless newly unemployed people find work quickly their job prospects are likely to wane and some will eventually join the ranks of the long term unemployed (Layard, Nickell and Jackman 1991). As early as mid-2009, policy analysts and commentators were expressing concern about the potential re-emergence of the chronic long-term unemployment problem which followed the recessions of the early 1980s and early 1990s and its adverse consequences for individual well being and societal welfare.<sup>7</sup>

The dynamic nature of unemployment duration has important implications for JSA providers' ability to adapt their services according to the changing needs and disadvantage levels of their clients. In January 2010, 55.2 per cent of job seekers registered for mainstream employment assistance had been continuously registered for 12 months or more and 37.9 per cent had been registered for 24 months or more. While these proportions may appear to be very large, many of these registered job seekers are likely to have been engaged in short-term or part-time work, or been out of the labour force, as formally defined by the ABS, during their registration period.

The average duration of registration lengthened from 26.0 months in June 2005 to 32.4 months in October 2008, before reducing to 28.9 months by January 2010. Employment growth up to the end of 2007 may have favoured job seekers with shorter durations of

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<sup>7</sup> For an example of this type of commentary, see Connors (2009).



unemployment, meaning that the remaining stock of registrants had longer unemployment durations. The decline in average duration of registration after 2008 can be attributed to a large influx of newly unemployed people.

The negative relationship between length of unemployment and the chances of leaving unemployment has been well investigated by labour market economists.<sup>8</sup> This analysis examines the impact of the downturn on that relationship. Figure 5 shows survival curves<sup>9</sup> for two different cohorts of job seekers, one being the stock of clients receiving mainstream employment services in October 2007 and the other in October 2008. The duration of registration since October 2007 or October 2008, and the exit time for each jobseeker in the two cohorts were observed over 12 months for each cohort. The horizontal axis represents calendar time in months since October 2007 or October 2008 (not duration since initial job seeker registration) and the vertical axis is the probability of remaining registered with, or “surviving” in, mainstream employment services. The higher the survival curve, the more people are remaining in mainstream employment services rather than exiting.

Figure 5 shows that while initially the duration distributions of the two cohorts are similar, a gap emerges over time from around the three month point and is most prevalent at just prior to the eight month point. That is, as expected due to deteriorating labour market conditions,<sup>10</sup> the October 2008 cohort generally had a higher probability of remaining in mainstream employment services over a 12 month period than the October 2007 cohort.

The significant fall in the 2008 curve at the eight month mark coincides with the introduction of JSA. A structural break in the series appearing due to “cleaning out” of void records from the administrative data may be contributing to the observed difference, though efforts have been made to exclude such records from the analysis. Regardless, the gap between the two curves is maintained over time, suggesting that a difference between the two cohorts is sustained, with the 2007 cohort exhibiting higher exit rates than the 2008 cohort.

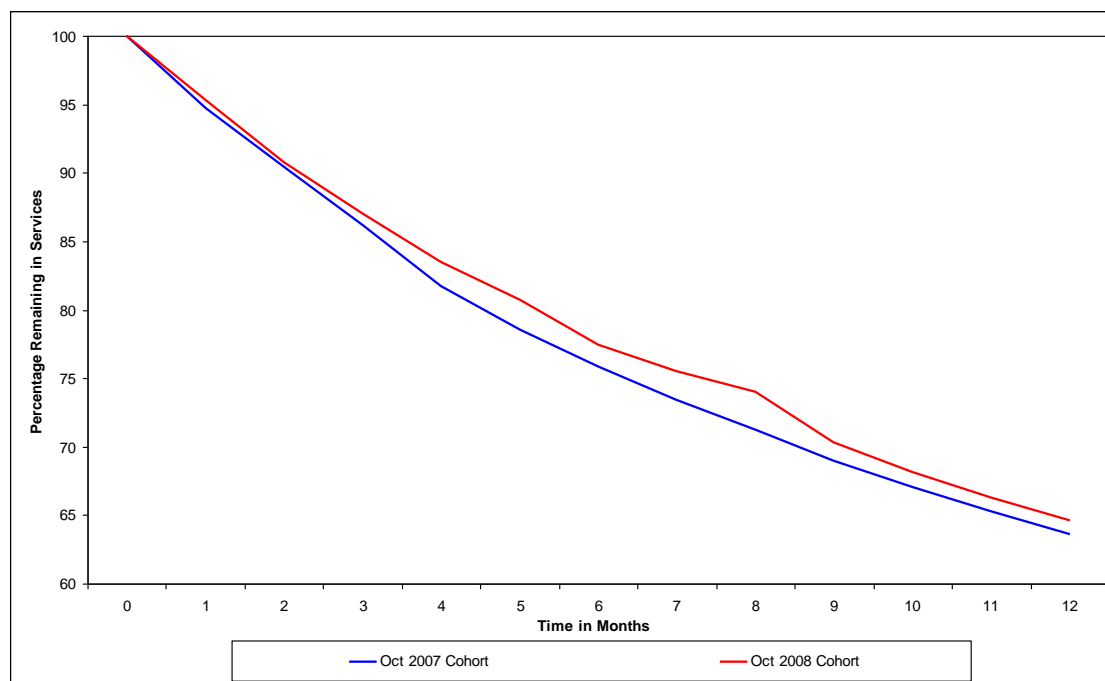
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<sup>8</sup> The Economic Research Unit in DEEWR has produced a series of publications on the topic in the last 5 years. For example, see Carroll, Cunningham and Elliott (2007).

<sup>9</sup> Technical Note: Since all the censoring is occurring at the end point of the period under study, the curves decompose to 1 minus the empirical cumulative distribution function (CDF) with a single chunk of right censoring. The CDF formula is  $\text{Pr}(\text{Survival})=1-d/N$ , where  $d$ =number of decrements or exits, and  $N$  is the number of people at risk of decrement at a given point in time.

<sup>10</sup> This would be expected as the economic downturn results in a weakening labour market.

**Figure 5: Exits from mainstream employment services (%) over 12 months from October 2007 and October 2008**



Source: DEEWR administrative systems

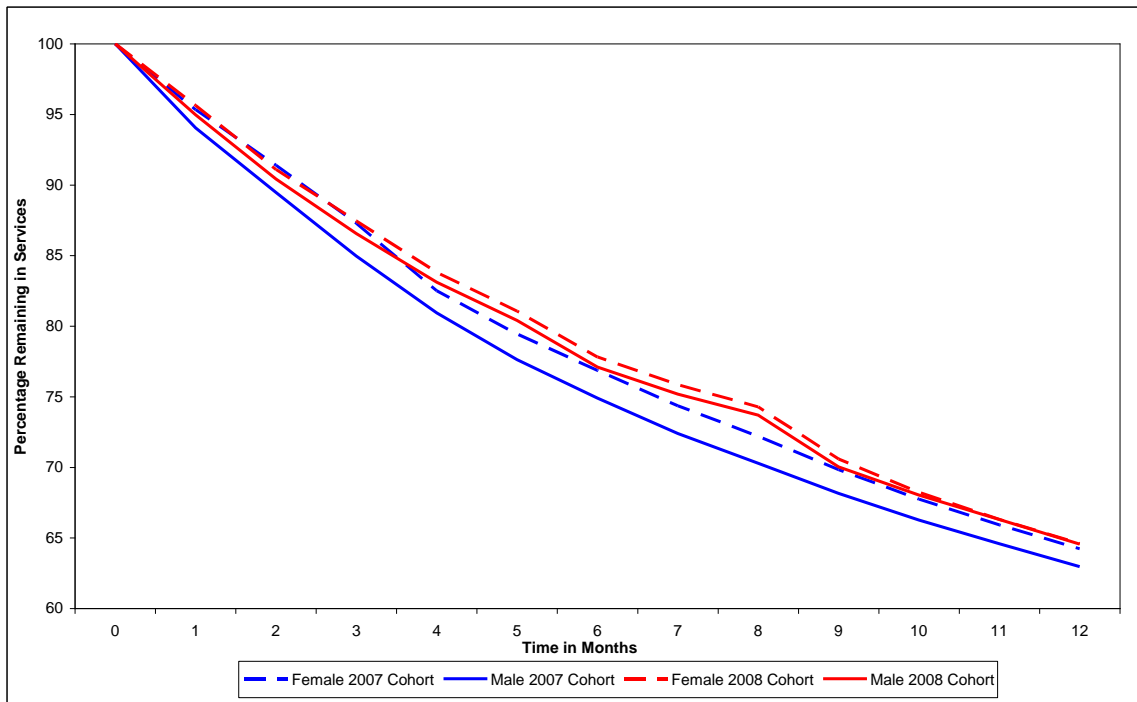
A potential area for analysis in future evaluation projects is econometric work that allows for an estimation of the effect of the deteriorating economic conditions on client exit rates, while controlling for other influences on the likelihood of exit such as gender, locality and government transfers. A preliminary graphical assessment regarding some of these covariates are shown in Figures 6 and 7, with Figure 6 disaggregating the survival curves by gender, and Figure 7 by whether the provider site is located in a priority employment area.

Figure 6 shows a larger disparity between the male cohorts than for females, that is, deterioration in exit rates between October 2007 and October 2008 was worse for males than for females. This suggests that the economic downturn lengthened duration in mainstream employment services for males to a greater extent than it did for females. While some commentators<sup>11</sup> have proposed that the economic downturn has resulted in significant disadvantage for women compared to men, this assertion is not well supported by ABS statistics<sup>12</sup> or the findings in this paper relating to the Job Network/JSA employment assistance population.

<sup>11</sup> For example, Richardson (2009).

<sup>12</sup> For example, ABS gross flows data from its monthly Labour Force, Australia Survey (ABS Cat No. 6202.0) shows that women are no less likely than men to move from being outside the labour force (in the previous month) to being in employment in the current month. 118,000 women went from being outside the labour force (in April 2009) to being in employment in May 2009, compared with only 73,000 men (ABS 2009b).

**Figure 6: Exits from mainstream employment services (%) over 12 months from October 2007 and October 2008, by gender**

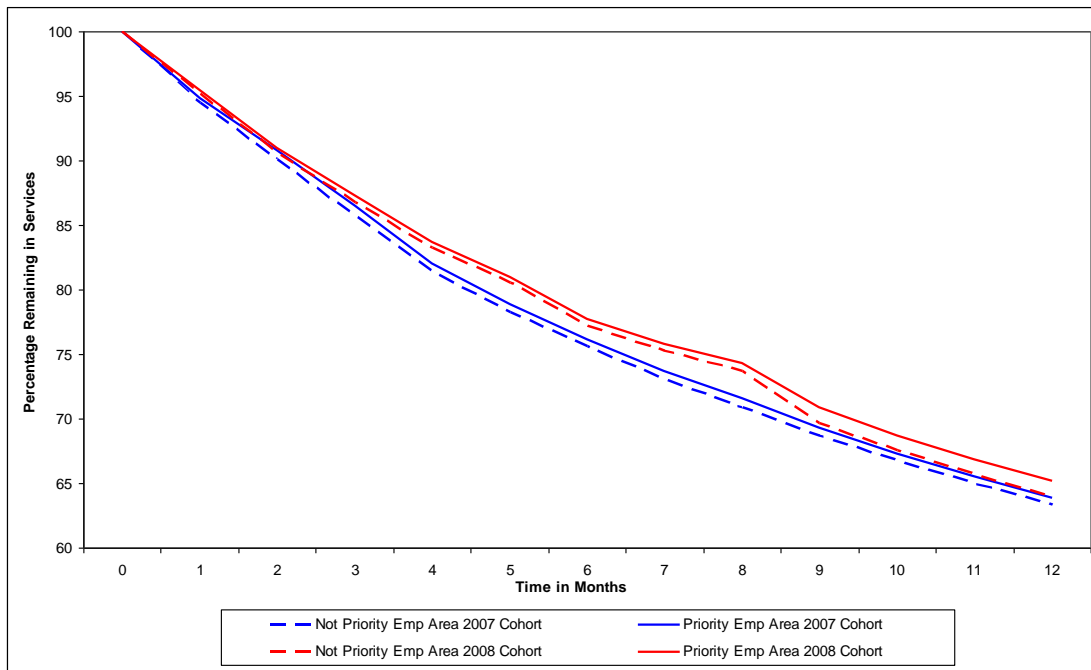


Source: DEEWR administrative systems

Figure 7 shows that the trends across the two cohorts are virtually the same, regardless of priority employment area<sup>13</sup> status per se. However, distinct patterns in duration of job seeker registration emerge when considering a selection of the twenty priority areas, suggesting the downturn has had a varying effect across regions.

<sup>13</sup> Priority employment areas were announced in the lead up to the 2009-2010 Budget. They form part of the Jobs and Training Compact (Rudd 2009). The areas were identified by the Government on the basis of labour market indicators as being vulnerable to the effects of the economic downturn.

**Figure 7: Exits from mainstream employment services (%) over 12 months from October 2007 and October 2008, by priority employment area status**



**Source:** DEEWR administrative systems

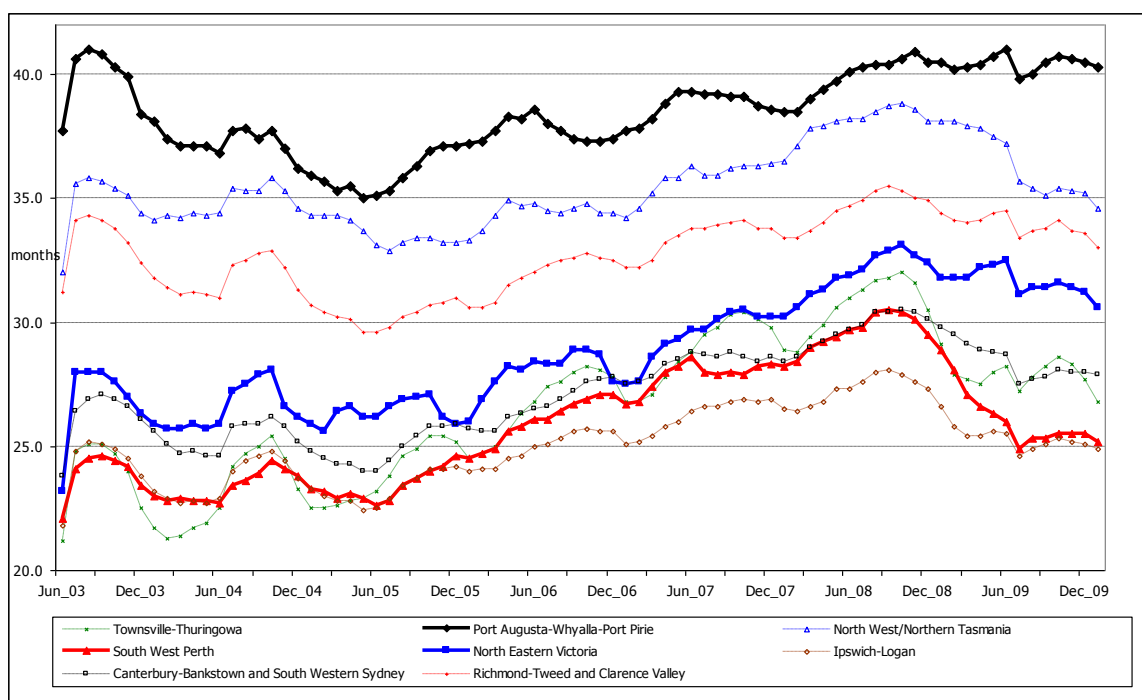
The range of regional variation among priority employment areas is illustrated by the trends in average duration presented in Figure 8. The eight priority employment areas in Figure 8 illustrate the range across the 20 areas. In all the employment priority areas, the average duration fell between 2003 and 2005, then rose largely continuously<sup>14</sup> until the downturn began to have a major impact on the labour market in the final quarter of 2008.

As the national unemployment level rose, duration trends in the priority employment areas began to diverge. The range of this divergence is illustrated by the three areas plotted in bold in Figure 7. The processes underlying the divergence reflect the differing local circumstances which providers must address in assisting their clients. These processes can be examined more closely in terms of the distribution of job seekers across specific duration categories although small numbers<sup>15</sup> in some areas mean that developments should be interpreted cautiously. (Appendix B provides disaggregated data for each of eight priority employment areas, for November of 2007, 2008 and 2009.)

<sup>14</sup> Putting short term fluctuations aside, which are probably due to seasonal influences in these original data.

<sup>15</sup> The small numbers preclude formal modeling of inflows and outflows which would give a more comprehensive picture of the dynamic aspects of unemployment duration in the priority employment areas.

**Figure 8: Average duration of registration for mainstream employment assistance (months) in eight priority employment areas; June 2003 – January 2010**



**Source:** DEEWR administrative systems

**South West Perth:** Between November 2008 and November 2009, the average duration of unemployment declined markedly in South West Perth. Both a large inflow of newly unemployed people and a strong deterioration in the job prospects of job seekers of medium-term duration seems to have occurred here. Over the 12 months:

- the total number of job seekers increased by 20.1%;
- the proportion of job seekers with a duration of less than 12 months rose from 38.9% to 51.5%, thereby accounting for more than the increase in the total number of job seekers; and
- the proportion in the 6 to 9 month unemployment duration category rose from 6.4% to 11.2% as the absolute numbers in this category more than doubled.

**North Eastern Victoria:** In North Eastern Victoria (and in the great majority of the 20 other areas) the results of the downturn were more subdued. Over the year from November 2008 to November 2009, the total number of job seekers rose by 3.9%. It appears that the flow of new registrations was roughly matched by a uniform deterioration in outflow rates for each of the duration categories, leaving the duration distribution almost stable.

**Port Augusta-Whyalla-Port Pirie:** This area is markedly different from all the other priority employment areas: it had the highest average duration of unemployment and was the only area where average duration showed virtually no decline during the downturn. The total number of job seekers actually fell by 3.0% from November 2008 to November 2009, almost completely due to reductions in the 12 to 24 month category. In the case of durations of less than 12 months and 24 months or more, the number of job seekers grew as a proportion of the total for this area. Apparently the downturn did not greatly affect the

inflow to unemployment but may have reduced outflows, particularly in the case of very long-term job seekers.

As shorter durations of unemployment or registration are generally associated with lower levels of labour market disadvantage, those areas where average duration has declined are more likely to respond quickly to resurgence in economic growth, provided that local employment also increases. Other areas may be more severely impacted by the downturn and unable to benefit fully from the economic upswing. Long-term structural weakness is also likely to strongly influence the level and composition of unemployment in areas such as Port Augusta-Whyalla-Port Pirie. The intensive investigation required to explain the differences between the priority employment areas is beyond the scope of the JSA evaluation strategy. However, the priority employment areas initiative is covered by the separate evaluation of the Jobs and Training Compact, which is being conducted by DEEWR.

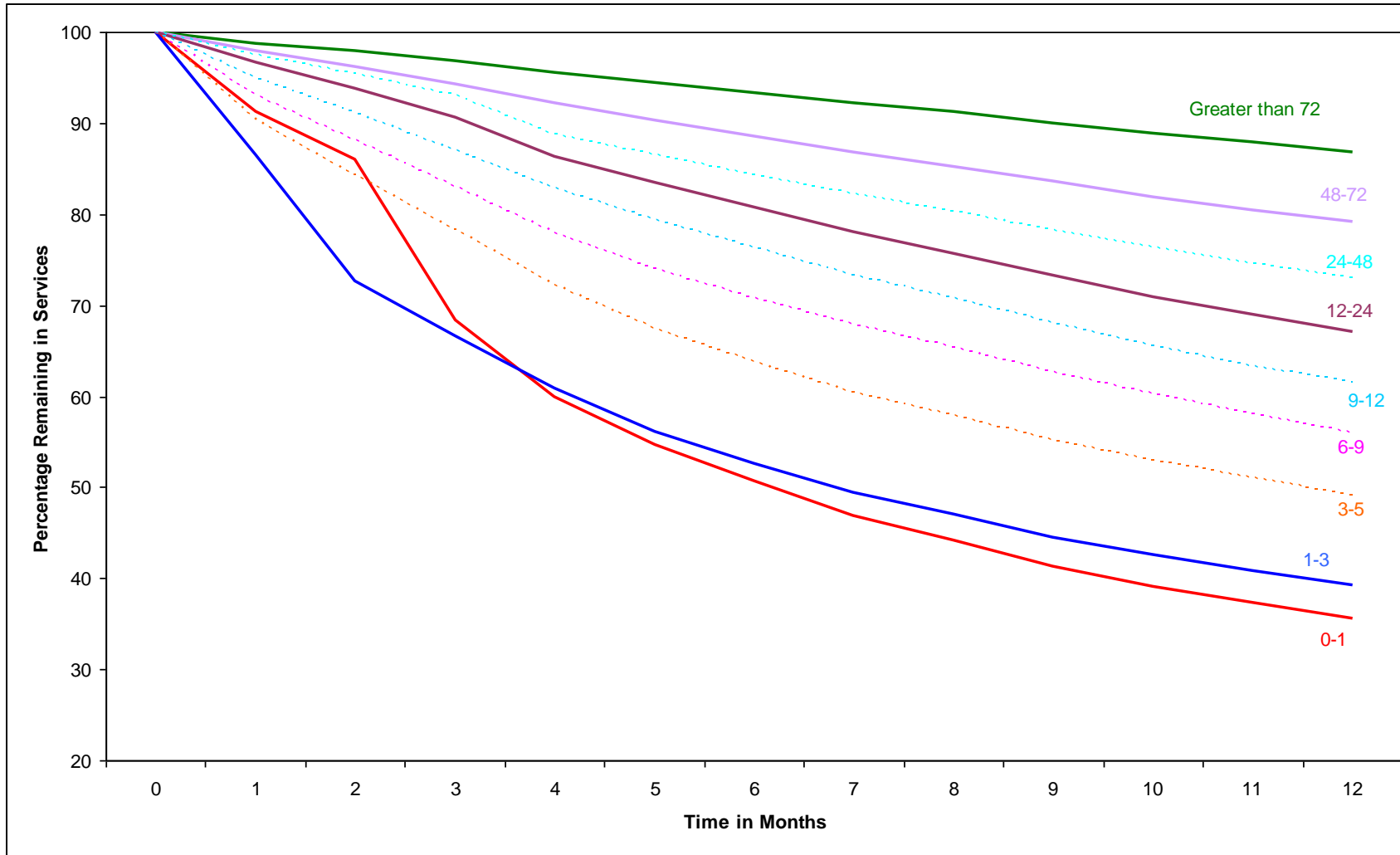
Figures 9 and 10 show survival curves for the October 2007 and October 2008 cohorts disaggregated by duration since jobseeker registration (Figure 9 curves are for the 2007 cohort, and Figure 10 the 2008 cohort). For both cohorts, probability of exit is generally lower for people with longer duration, though the trends in the 2008 curve at the eight month mark are affected by the transition to ESD4. There is up to 60 per cent chance that job seekers with initial duration of between 0-3 months do not exit in the following 12 months (regardless of cohort), compared to around 80-85 per cent chance that job seekers with initial duration of over 48 months do not exit services. The large drop in survival probability at the eight month point for 2008 cohort registrants with initial duration of over 72 weeks (as seen in Figure 10) coincides with the introduction of JSA. As noted earlier this is at least partly an artifact of a clean-out of void record at the beginning of the new contract.

For the 2008 cohorts (Figure 10), patterns of job seekers with initial duration of between 12-72 months are far less diffuse than for the 2007 cohorts (Figure 9). The 48-72 months curve in the 2008 cohort is lower, that is these job seekers were more likely to exit services than the equivalent group in the 2007 cohort, and the 12-24 is higher compared to the 2007 cohort, meaning that these job seekers were less likely to exit services than the equivalent group in the 2007 cohort. This may suggest that providers responded to the drop in vacancies caused by the economic downturn by targeting job seekers with durations of around 48 months or higher.<sup>16</sup>

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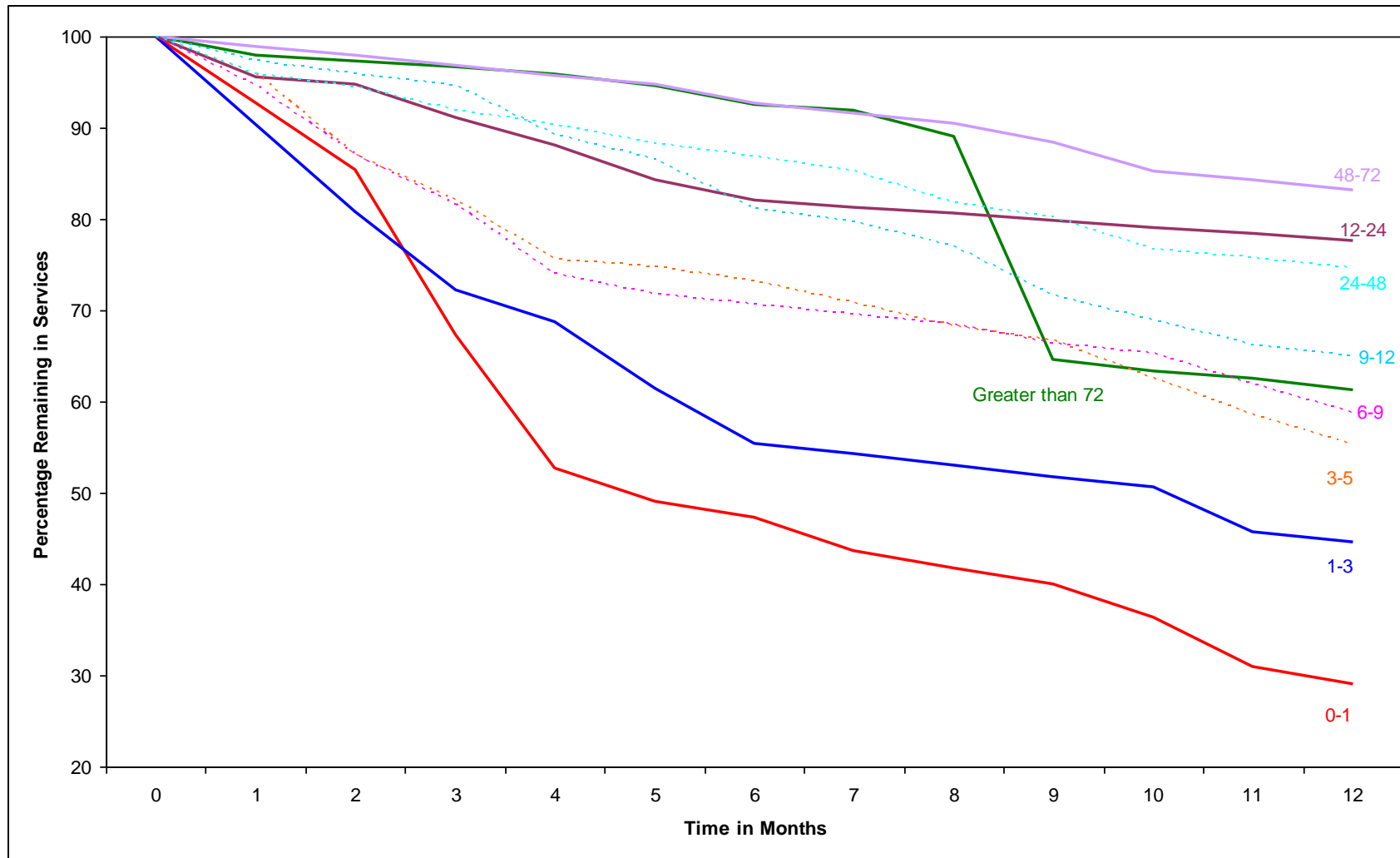
<sup>16</sup> It should be noted that after the eight month point in the series affecting the greater than 72 months curve in Figure 9, this curve also becomes more similar with the other large duration category curves.

Figure 9: Survival curves for stock of job seekers in mainstream employment services (%), October 2007, disaggregated by initial duration of registration in months



Source: DEEWR administrative data

Figure 10: Survival curves for stock of job seekers in mainstream employment services (%), October 2008, disaggregated by initial duration of registration in months



Source: DEEWR administrative data



Both the changing gender composition of the JSA client load and the more complex developments relating to unemployment duration described in this section suggest that the downturn may have exerted pressure on JSA to give greater attention, in the shorter-term at least, to the needs of job ready clients, and in the medium term to clients whose skills and motivation erode with increasing unemployment duration. However, the lower survival rates shown by job seekers with durations of 48 months or more may be a result of more concerted assistance given to this group.

## 5. Distribution of Clients across JSA Streams

Not all the job seekers who are registered for mainstream employment assistance have commenced JSA assistance. In January 2010, 1,432,812 clients were registered but only 687,978 had commenced in one of the five JSA streams, including Stream 1 (Limited). Appendix A describes the Stream-based structure of assistance provided by JSA.

Of those registered job seekers who had not commenced in one of the JSA streams, 15.1% were not receiving income support and therefore would not have been required to participate, 12.0% were receiving another form of assistance such as that provided by the Vocational Rehabilitation Service and 30.3% were in receipt of the Disability Support Pension (DSP). A number of job seekers, for example recipients of DSP and some recipients of Parenting Payment, are able to volunteer for JSA assistance provided through Streams 1 to 4 but are not subject to activity requirements.

The distribution of JSA clients across the five streams is shown in Table 3. Streams 1, 2 and 3 are broadly of a similar size, accounting for between 24% and 32% of all clients in stream services in January 2010. Streams 4 and 1 (Limited) are much smaller, representing around 12% and 4% respectively. Since July 2009 the relative size of Streams 2 and 4 grew while Streams 1 and 3 became smaller.

**Table 3: JSA streams – numbers and proportional distribution of clients, July 2009 to January 2010**

		Jul 2009	Sep 2009	Nov 2009	Jan 2010
Stream 1 (Limited)	Clients	12,969	28,913	28,200	25,740
	<i>Proportion</i>	3.6%	4.9%	4.4%	3.7%
Stream 1	Clients	157,713	221,759	214,587	222,279
	<i>Proportion</i>	43.4%	37.6%	33.3%	32.3%
Stream 2	Clients	66,246	128,443	164,300	190,670
	<i>Proportion</i>	18.2%	21.8%	25.5%	27.7%
Stream 3	Clients	92,078	147,855	160,571	164,484
	<i>Proportion</i>	25.4%	25.1%	24.9%	23.9%
Stream 4	Clients	34,094	63,046	76,340	84,805
	<i>Proportion</i>	9.4%	10.7%	11.9%	12.3%
<b>All streams</b>	<b>Clients</b>	<b>363,100</b>	<b>590,016</b>	<b>643,998</b>	<b>687,978</b>
	<b><i>Proportion</i></b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**Source:** DEEWR administrative systems

Table 3 refers to both job seekers who were transferred from Job Network to JSA and new clients who joined JSA after its inception at the beginning of July 2009. The latter group accounted for 34.1 per cent of those job seekers in the five Streams in January 2010. While the distribution of these new entrants reflects developments over only the first seven months of ESD4, a closer examination of their expected and actual distribution sheds some light on the impact of both the downturn and Government action to provide greater assistance to some key groups of job seekers.

**Table 4: New entrants to JSA Streams July 2009 to January 2010 – expected distribution (Request for Tender), actual distribution (%)**

JSA Stream	Expected Distribution	Actual distribution
Stream 1	53%	48.1%
Stream 2	22%	40.2%
Stream 3	10%	8.2%
Stream 4	15%	3.5%

**Source:** DEEWR administrative systems

The expected distribution of clients presented in Table 4 covers Stream 1 to Stream 4 across the entire time frame of ESD4. It was published as part of the Request for Tender for ESD4 in August 2008 (DEEWR 2008), after Australian economic growth had begun to weaken but before the economic downturn in October 2008. At the time of the RFT it was envisaged that job seekers would be distributed across Streams 1 to Stream 3 primarily on their level of labour market disadvantage as estimated by the Job Seeker Classification Instrument (JSCI), as explained in Appendix A.

Prior to July 2009 clients with significant non-vocational barriers to employment were likely to be referred to the Personal Support Program (PSP) or the Job Placement, Employment and Training Program (JPET), which operated under separate contracts from mainstream employment services. JSA incorporates services for people with non-vocational barriers, through Stream 4 services. The placement of job seekers in Stream 4 is regulated by the Job Capacity Assessment (JCA), and does not depend on JSCI scores.<sup>17</sup> Whereas the JSCI deals mainly with the demographic characteristics, skills and labour market history of clients, the JCA assesses non-vocational barriers and their impact on work capacity. This is why the JSCI scores of Stream 4 clients are widely spread.

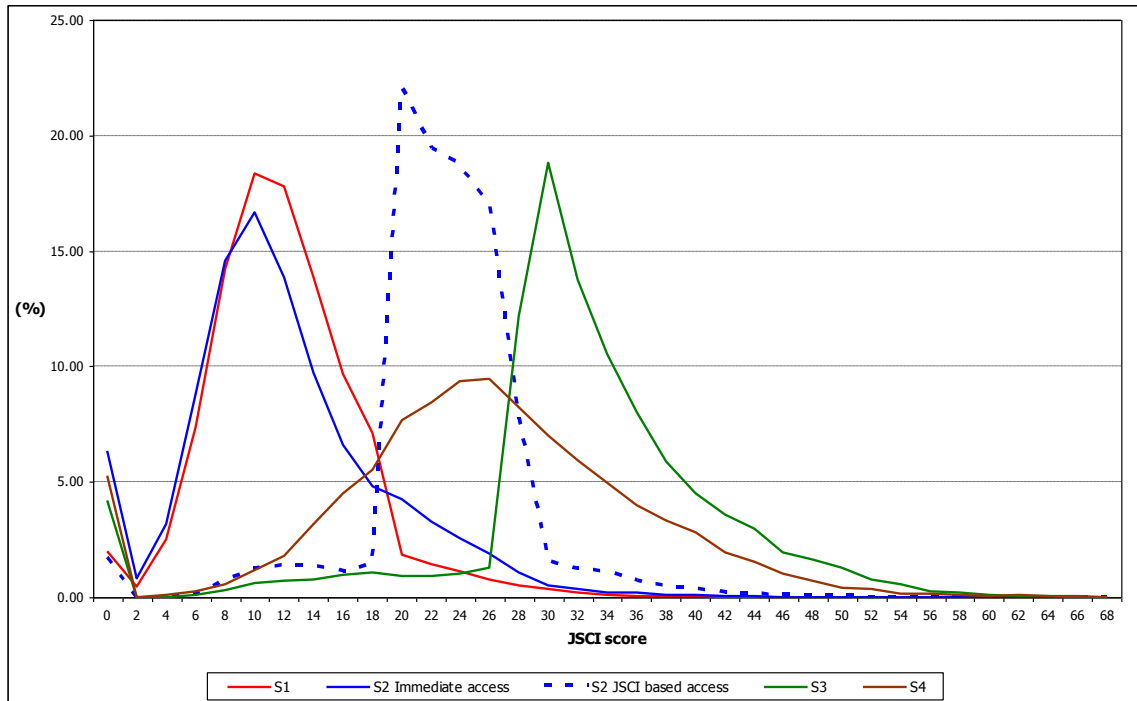
The expected distribution by Stream is very different from the actual distribution of clients who joined JSA between July 2009 and January 2010 (Table 4) for two reasons, although they act in opposite directions. First, the downturn pushed less disadvantaged people into unemployment. This would act to shift the overall distribution of JSA clients towards Stream 1. On the basis of JSCI scores alone, the Stream 1 proportion would have risen from the 48.1 per

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<sup>17</sup> Referral to a Job Capacity Assessment is based on the separate identification of non-vocational barriers to employment during the course of the JSCI process. A job seeker with a relatively low JSCI score may have serious or multiple barriers that trigger their referral to JCA. See the Q and A document accompanying the report of the JSCI review (DEEWR 2009b).

cent figure presented in Table 4 to 71.6 per cent and the Stream 2 proportion would have reduced from 40.2 per cent to 16.7 per cent.

**Figure 11: Frequency distribution of JSCI scores for each of the four JSA Streams (%), new entrants to JSA Streams; July 2009 to January 2010**



**Source:** DEEWR administrative systems

However, in April 2009 the Government provided some job seekers with immediate access to intensive assistance in response to the economic downturn.<sup>18</sup> This initiative acted to reduce the relative size of Stream 1 and increase that of Stream 2. The actual distribution of new entrants to employment assistance across Stream 1 to 4 is shown in Table 4.

The provision of intensive assistance early in an unemployment spell including the education and training measures included in the Compact with Young Australians should render these job seekers less susceptible to long-term joblessness.

Providers might also benefit from the immediate provision of intensive assistance because Stream 2 clients attract higher service payments than do Stream 1 clients. This initiative should therefore act to offset the loss of revenue caused by fewer job placements and job outcomes which could be expected to result from the downturn. The size of this potential revenue buffer will be determined by a range of factors over time such as:

<sup>18</sup> Two groups of new entrants to unemployment assistance are eligible for immediate access to intensive assistance, that is, direct entry to Stream 2 or higher. These are workers made redundant on or after 24 February and young people under the age of 21 years who were granted Youth Allowance (Other) after 1 July 2009 and who do not have a Year 12 or equivalent level of educational attainment.

- the duration for which early-access clients remain in assistance and therefore attract further service payments; and
- their likelihood of attaining job placements and outcomes, both of which trigger payments to providers.

There is a risk, however, that these initiatives will increase the deadweight costs of assistance, that is, the costs which arise when the same outcomes would have occurred without the assistance in question. Figure 11 shows the specific frequency distributions of JSCI scores for those job seekers in Streams 1 to 4 between July 2009 and January 2010, excluding those transferred from the Job Network. On the basis of JSCI scores those job seekers who were given immediate access to Stream 2 generally appear to have levels of labour market disadvantage very similar to Stream 1 clients. The Stream 2 job seekers with lower JSCI scores are more likely to find work without intensive assistance, particularly in an improving labour market.

Because it is impossible to target assistance with complete accuracy, a moderate level of deadweight is probably preferable to the danger of excluding clients from assistance which they actually need, particularly when serious economic weakness is considered likely. However, early access to Intensive Support provided under Job Network incurred unacceptably large deadweight costs, according to DEEWR's evaluation (DEEWR 2007, p. 147) of this initiative.

## 6. Provider Revenue

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One of the risks to the employment services system presented by economic downturns is that the viability of the system overall will be impacted by increased inflows to assistance and decreased exits, resulting in higher demand for services but reduced ability for providers to earn revenue through outcome fees. The employment services system fee structure must be able to adapt to changes in economic conditions in order to maintain access to services for those who need them.

Job Services Australia service providers have three main sources of revenue: service fees, placement fees and outcome fees (see Appendix C). Typically fees increase with a job seeker's duration of unemployment and intensity of assistance required to be provided.

Service fees are paid based on client load, that is, an amount is credited when the job seeker enters the case load and again for up to a maximum of four 13 week periods the job seeker spends in that Stream.<sup>19</sup> In the case of the Work Experience Phase, the service fee payment extends beyond the four periods and continues with the job seeker's period of service.

Placement fees are payments made to providers when a job seeker receives an eligible placement in a job for at least 10 days.

Outcome fees are payable if an eligible placement is sustained for a minimum of 13 weeks, and a further payment is given if the placement is sustained for 26 weeks. Outcome fees can also be claimed for education and training placements.

It is expected that during periods of economic downturn providers will experience a loss in placement and outcome based revenue because it is harder to place job seekers in work. Theoretically, service fees should then act as a stabilizer to keep providers' revenues from experiencing large falls during such periods, resulting from an increase in inflow of client numbers.

The fee structures for Job Network and JSA are broadly comparable, though there is an increased emphasis on rewarding providers for achieving placements and sustained outcomes under JSA.<sup>20</sup>

Figure 12 shows the value of total revenue under Job Network (JSA is excluded because outcome fees from JSA were only just starting to appear in the administrative data). Since the economic downturn, total revenue was comparatively stable with a peak in March 2009.

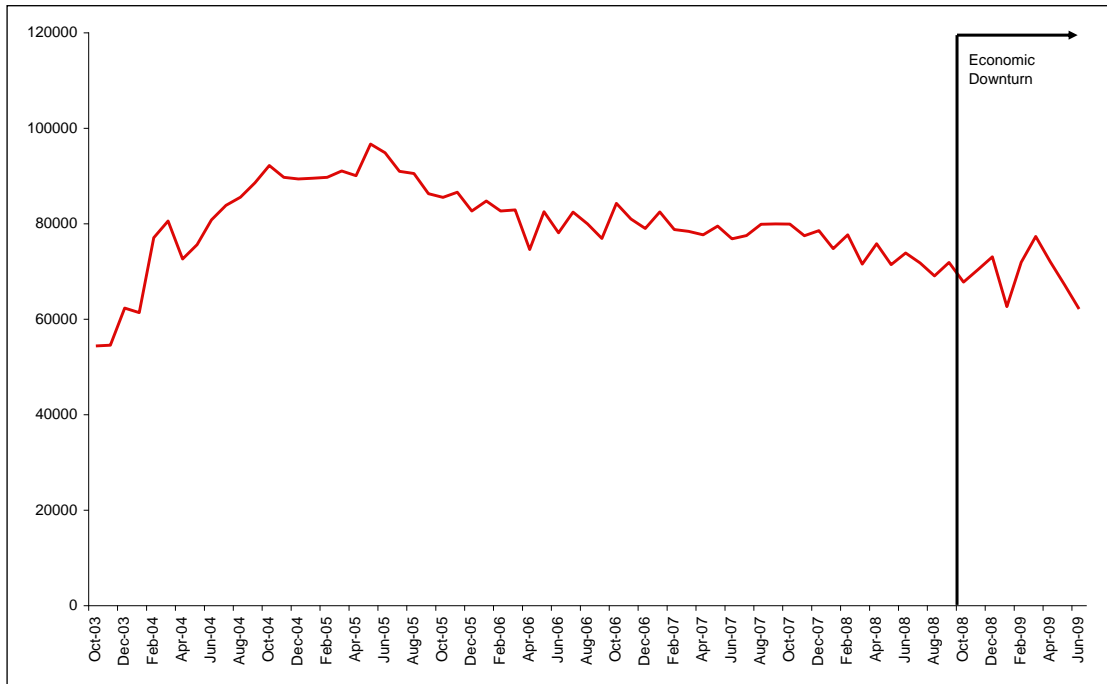
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<sup>19</sup> Where a job seeker moves directly from Stream 2 to Stream 3 (without hitting a Stream Services Review) there is a maximum of six 13 week Service fee payments. For Stream 4 clients, providers receive service fees up to a maximum of six 13 week periods.

<sup>20</sup> Details regarding fee structure can be found in *Request for Tender for Job Network Services* (DEEWR 2005) for APM and in *Request for Tender for Employment Services 2009-12* (DEEWR 2008) for JSA.

There was an increase of 14 per cent in seasonally adjusted terms<sup>21</sup> between October 2008 and the peak of the series at March 2009 (corresponding to an increase in the stock of clients over that period by 12.2 per cent). In fact, this post October 2008 upward movement in revenue goes against the long-term downward trend since early 2005, when inflows were smaller. The downward movement since the March 2009 peak correlates both to the drop in economic conditions as well as the winding down of Job Network before JSA was introduced in July 2009.

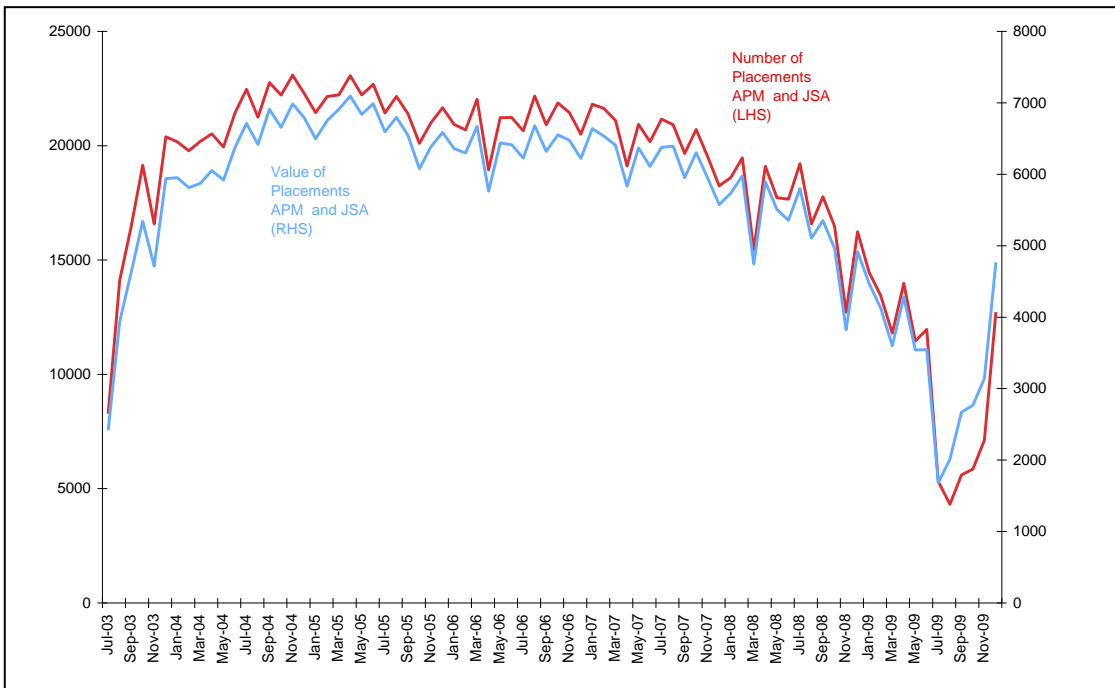
**Figure 12: Value of total revenue in Job Network (in \$'000s), October 2003 –June 2009 (seasonally adjusted)**



Source: DEEWR administrative systems

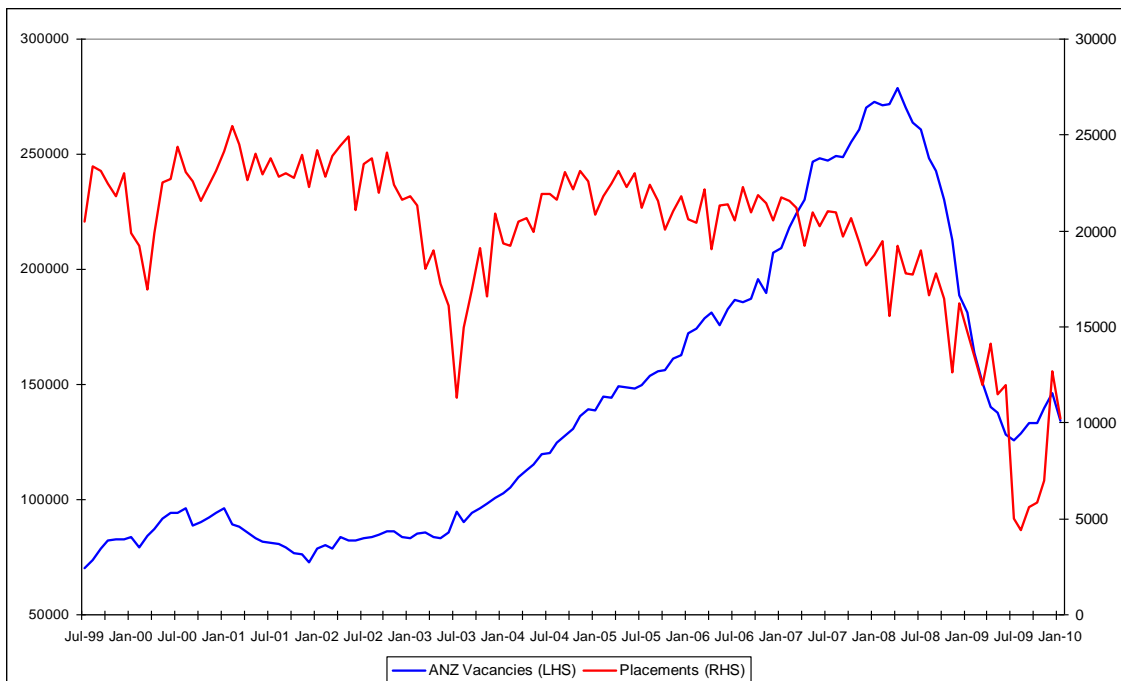
<sup>21</sup> Seasonal Adjustment is appropriate in these cases, as we are interested in the long-term trend rather than seasonal fluctuations which arise either due to a seasonal pattern in recording administrative data or due to patterns in the payments. The authors can be contacted for details about seasonal adjustment methods used.

**Figure 13: Number of placements and value (in \$'000s) of placement fees – Job Network and JSA; June 2003 to January 2010 (seasonally adjusted)**



Source: DEEWR administrative systems

**Figure 14: Numbers of ANZ job vacancies and job placements under Job Network and JSA (both series seasonally adjusted); July 1999 to January 2010**



Source: ANZ Job Advertisement Series to January 2010. Released 1 February 2010.  
DEEWR administrative systems



## 6.1. Placements and Placement Fees

As Section 3 demonstrated, the downturn precipitated a severe reduction in vacancy numbers as recorded in the ANZ Job Advertisement series. Figure 14 allows a comparison of vacancy levels and placement numbers to be made over the longer term, from July 1999. In making this comparison, it should be noted that there is not necessarily a direct link between vacancy levels in the broad labour market and the number of job openings available to government employment service providers or suitable for their clients. For instance, the differences in behaviour between the two series between 2002 and 2008 may be at least partly due to a larger proportion of the ANZ count being more highly skilled vacancies while less skilled positions are more commonly targeted by government employment services.

With each change of employment service contract, in March 2000, July 2003 and July 2009, job placement numbers fell during transition to the new service. Evidence from previous evaluations shows recovery from such transitions is not instantaneous and, in the case of ESC3, continued well into 2004. Separately from these transition-related effects, placement numbers display a long-term downward trend after February 2001. In contrast, vacancy numbers in seasonally adjusted terms grew almost continuously from December 2001 until April 2008.

The softening of the labour market which commenced in early 2008 began to amplify the trend decline in placement numbers well before the transition from ESC3 to ESD4. However, it is extremely difficult to separate the trend decline in placements from any effect of the transition. Between April 2008 and July 2009, both advertised vacancy and placement numbers fell sharply, by 55.0% and 74.0% respectively in seasonally adjusted terms. In the first month of JSA operation, July 2009, placements fell by an additional 55%. Placement numbers subsequently recovered to May 2009 levels by January 2010. A similar sharp recovery can be observed when ESC3 was first introduced in July 2003, as initial placements took some time to recover and be registered. More time will be needed before any assessments can be drawn about the long term level of job placements which are yet to be achieved by the new employment services system and the downturn's lingering impact, if any, on this level.

The patterns noted above are reflected in the total revenue providers received from placements (also shown in Figure 13). Interestingly, the rise in the value of placement-based payments since the introduction of JSA in July 2009 has seen revenue rise to December 2008 levels, while the number of placements has only returned to May 2009 levels. This reflects the shift in composition of revenue under JSA towards placement and outcome fees, and away from service fees.

The disaggregation of placement numbers and the corresponding is shown in Figures 15 and 16.<sup>22</sup> Figure 15 shows the number of placements under Job Network disaggregated by client

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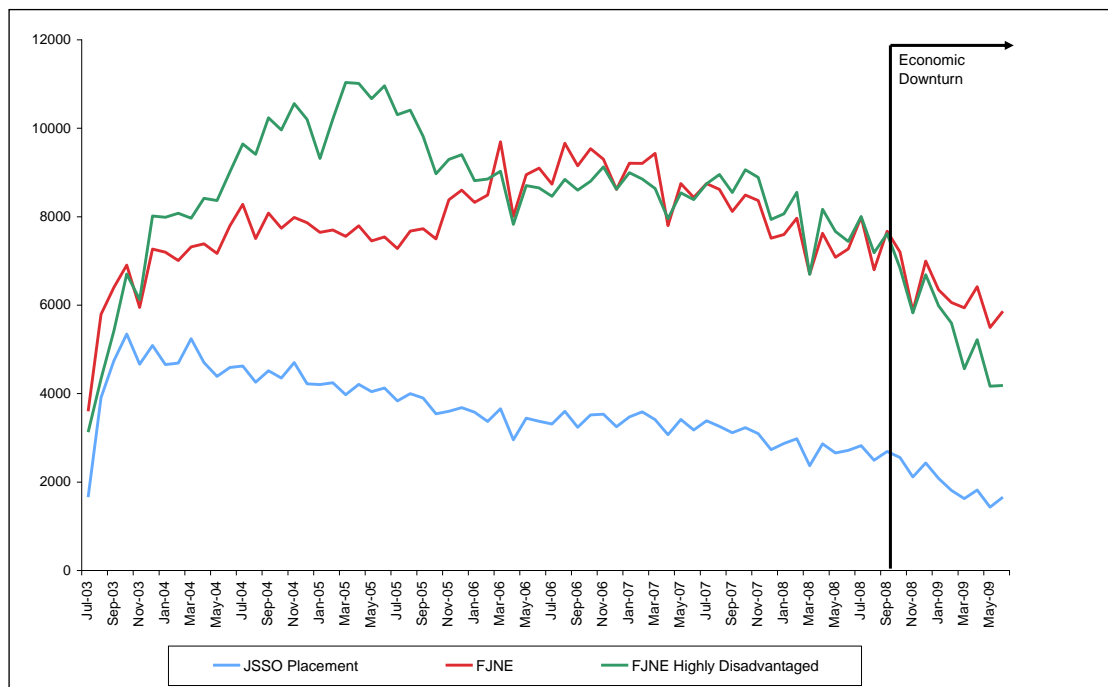
<sup>22</sup> The disaggregation is reported here only for Job Network placements. The categories in JSA placements are not directly comparable to Job Network categories, and sufficient time has not elapsed to observe trends in the JSA placements in isolation.

type. It shows that placements for highly disadvantaged clients fell the most since the downturn (by 38% in the eight months to June 2009, in seasonally adjusted terms). This is matched by a fall in placement revenue, and in particular from highly disadvantaged job seekers (as shown in figures 15 and 16).

It is expected that placements for highly disadvantaged clients would be strongly affected by an economic downturn, but it is somewhat surprising that placement numbers for the relatively less disadvantaged job seekers fell further than those for Fully Job Network Eligible (FJNE) clients. There is some evidence from the evaluation of ESC3 that placements of less disadvantaged clients were more concentrated in the short-term and casual sectors (DEEWR 2007, p. 65) and these jobs dried up in the downturn. So, in general terms, the hardest hit placement categories since the downturn have been the most disadvantaged job seekers and the relatively least disadvantaged job seekers (the job seekers who receive the least assistance), while placement numbers for job seekers with intermediary levels of disadvantage were less impacted, although their placements also trended downwards.

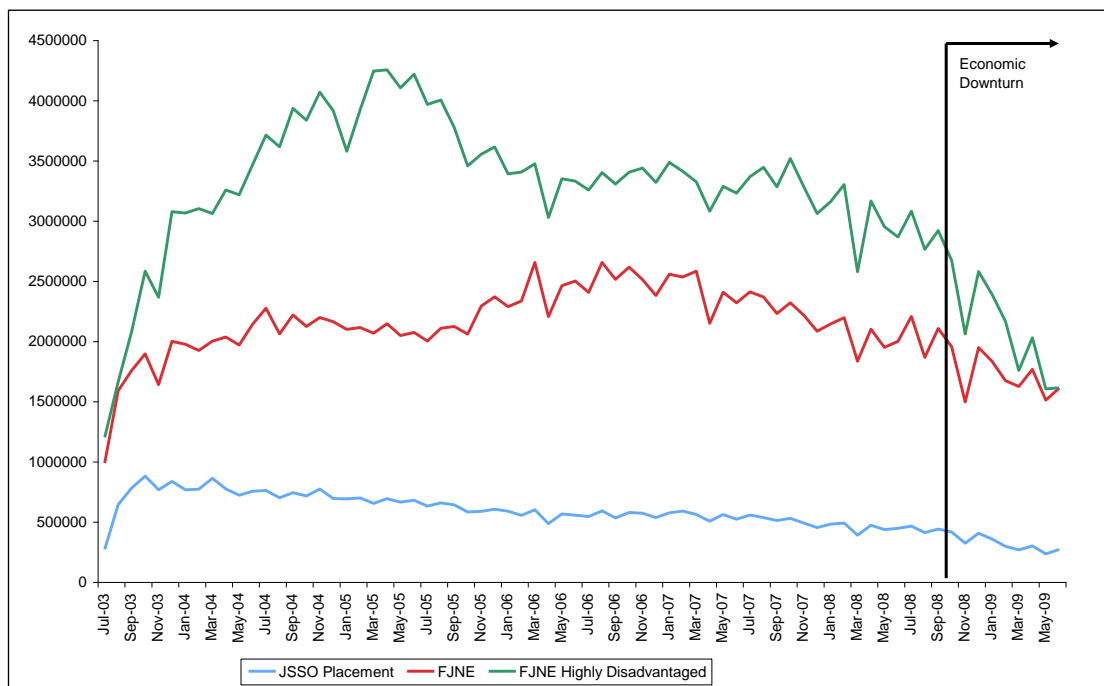
As highly disadvantaged clients attract higher placement fees, it is not surprising that the largest fall in placement revenue from the downturn in late 2008 to the end of ESC3 occurred for job seekers in highly disadvantaged category (as shown in Figure 16). Since one of the key objectives of the JSA model is to help the most disadvantaged job seekers secure sustainable outcomes, it might be expected that the JSA model will better deliver services to those job seekers. However, insufficient placement data was available at the time of preparing this report to provide a comparison with JSA.

**Figure 15: Number of Job Network placements by client type; July 2003 – June 2009 (seasonally adjusted)**



Source: DEEWR administrative systems

**Figure 16: Value of Job Network placements (\$); July 2003 – June 2009 (seasonally adjusted)**



Source: DEEWR administrative systems

## 6.2. Service Fees

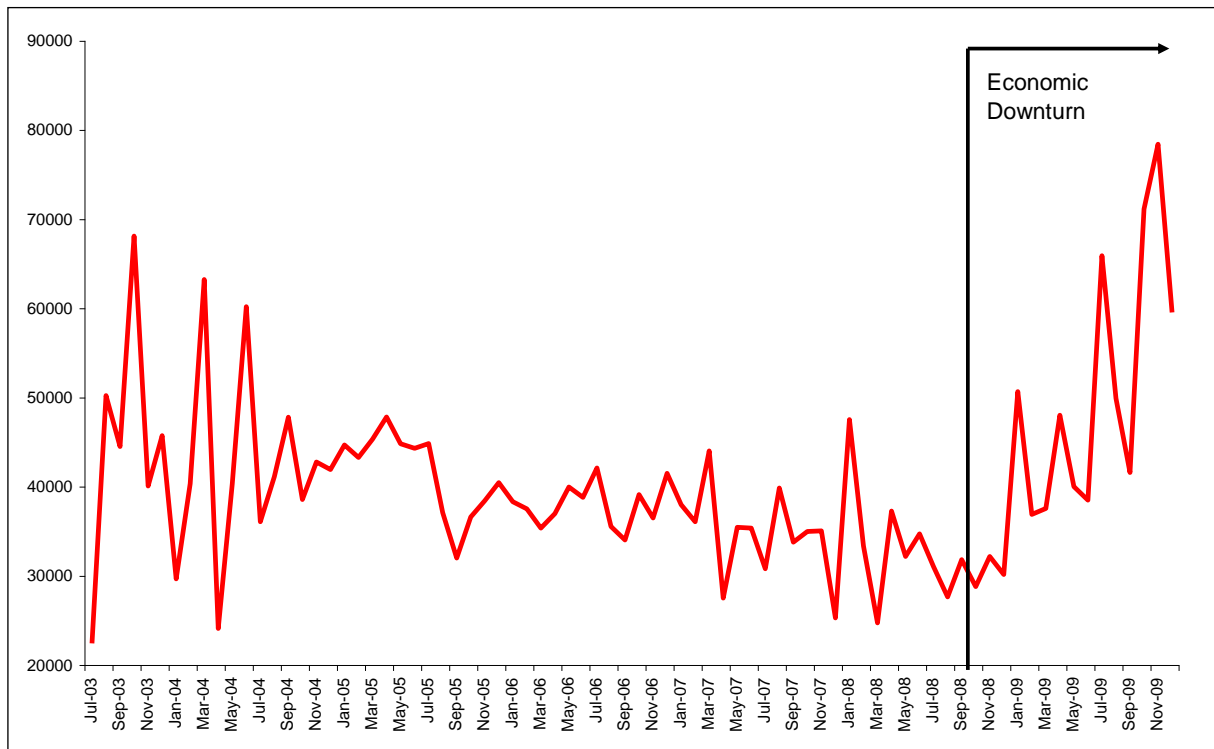
Figure 17 shows the total value of service fees paid to providers under Job Network and JSA and Figure 18 shows a disaggregation of service fees paid to providers in Job Network, both in seasonally adjusted terms. A disaggregation of JSA service fees is not given here as enough time has not elapsed since JSA introduction to establish an appropriate series.

As expected, Figures 17 and 18 show that there was an upward trend in service fee revenue since the economic downturn. Total service fee revenue rose by around 250 per cent over the year to October 2009 in seasonally adjusted terms – the largest such rise in the history of the series. The spike in July 2009 reflects the initial payment of service fees for the client load under ESD4. Service fees in the JSA period are expected to be higher into the future given the new service fees credited to job seekers who enter the Work Experience phase.<sup>23</sup>

As Figure 18 shows, the rise in service fees in the period since the economic downturn in late 2008 is largely composed of service fees relating to the Job Search Training (JST) phase of assistance, suggesting there was a spike in the 4-6 month unemployment duration category.

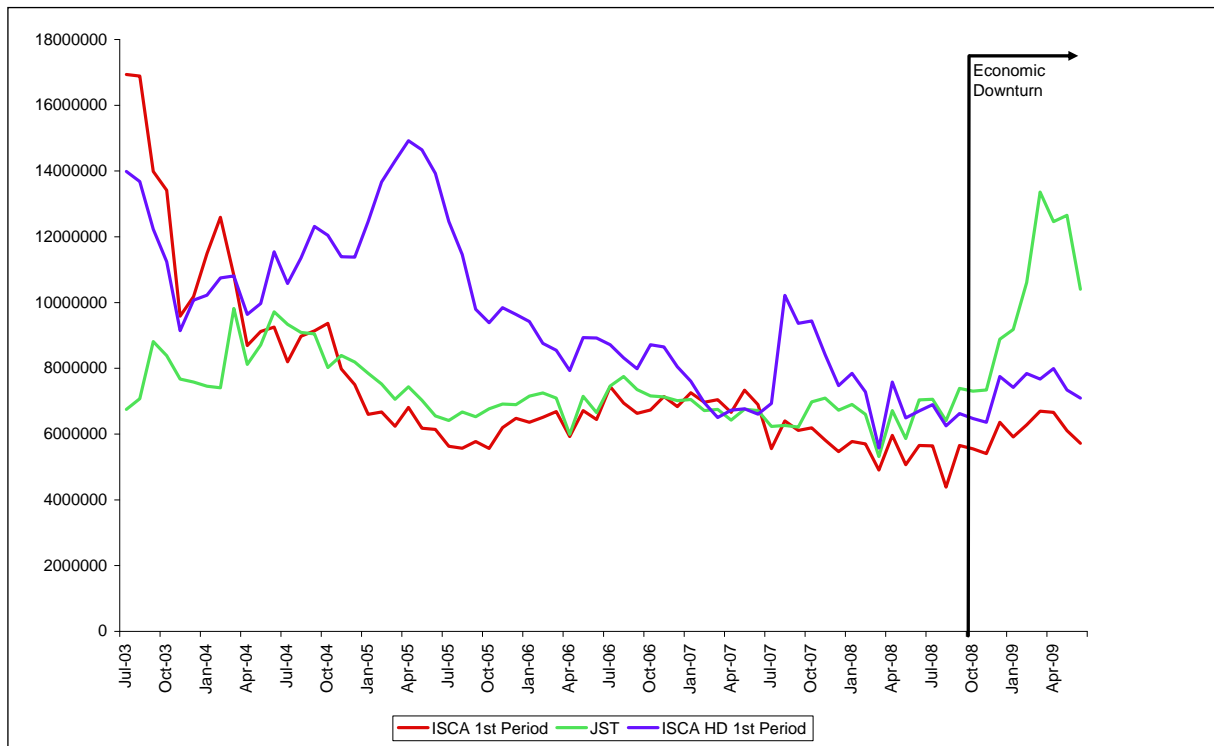
<sup>23</sup> While the numbers used to create Figure 17 and 18 were seasonally adjusted, July and October spikes are expected to continue in to the future, since Service fees are paid every 13 week period.

**Figure 17: Value of Job Network & JSA service fees (\$'000s); June 2003 – January 2010 (seasonally adjusted)**



Source: DEEWR administrative systems

**Figure 18: Value of Job Network service fees disaggregated by selected types; July 2003 – June 2009 (seasonally adjusted)**



Source: DEEWR administrative systems

A decline in placement revenue during the last few months of Job Network was matched by an increase in service fee revenue. Since the beginning of JSA, both placement revenue and service fee revenue have been increasing. Overall, it seems the JSA revenue model has been able to cope with transition and the downturn.

## 7. The Job Seeker Account and the Employment Pathway Fund

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The Employment Pathway Fund (EPF) and its predecessor under Job Network, the Jobseeker Account (JSKA), give providers a dedicated source of funds for purchasing services or other forms of assistance for job seekers. Funds are allocated on the basis of a job seeker's characteristics, in particular their position in the continuum of assistance under Job Network or their stream placement under JSA. These funds can be spent flexibly across the provider's caseload; there is no stipulation that a credit given for a particular jobseeker must be spent on that individual. Unused funds cannot be retained as profit by providers. Appendix D lists details regarding payments and timing of JSKA and EPF credits and Appendix E gives an outline of the definitions of JSKA and EPF expenditure categories that are reported in this section.

In general, the EPF provides more flexibility for individual tailoring of services than did the JSKA, and EPF credits per job seeker are larger than comparable ones from the JSKA. JSKA was available for Job Network clients but not available for clients in PSP or JPET. EPF is available for Stream 4 clients who would have been serviced under PSP or JPET prior to the introduction of JSA, providing additional servicing options for these clients. The EPF also gives an additional credit for job seekers entering the Work Experience phase, whereas the JSKA did not make any equivalent provisions for job seekers entering the Mutual Obligations phase of assistance.

This section considers whether the economic downturn and its implications affected the type of services that were purchased with the JSKA and EPF funds, and whether there is evidence of providers adapting their assistance strategies in response to changing economic conditions for example reducing spending on highly disadvantaged clients in favour of spending on services for more moderately disadvantaged and job-ready clients.

**Table 4: Job Seeker Account and Employment Pathway Fund - most frequent uses (%)**

JSKA Expenditure Category	Proportion of Total Count	EPF Expenditure Category	Proportion of Total Count
Clothing & equipment	23%	Training	29%
Professional services (including Reverse Marketing <sup>1</sup> )	20%	Reverse Marketing	28%
Training	16%	Fares and Petrol	9%
Job seeker Contacts	10%		

**1.** Reverse marketing involves contacting employers directly to promote a particular job seeker into employment, rather than waiting for employers to advertise vacancies. It is a category of assistance for which JSKA/EPF can be claimed. See Appendix E, Table E.1.

**Source:** DEEWR administrative data

**Table 5: Job Seeker Account and Employment Pathway Fund – largest aggregate expenditure (%)**

JSKA	Proportion of count of purchases	EPF	Proportion of count of purchases
Wage Subsidy	30%	Training	44%
Training	24%	Reverse marketing	11%
Clothing & Equipment	16%	Wage Subsidy	8%
		Work Experience Overhead Costs	8%

**Source:** DEEWR administrative data

Table 4 lists the most frequent uses of the JSKA and EPF until January 2010. It shows that, despite their functional similarities, the JSKA and EPF were used by providers for different purposes. It seems that providers switched from more immediate interventions such as the provision of clothing and equipment to longer-term strategies such as training and reverse marketing. This is likely to be in response to changing labour market conditions, and to the change in client composition with the incorporation of highly disadvantaged clients with non-vocational barriers into mainstream services.

Professional Services, which appears in JSKA usage in Table 4, refers to services provided to job seekers to assist with non-vocational barriers, such as drug & alcohol counselling or mental health courses, as well as reverse marketing to potential employers. This appears in the in Table 4 under JSKA though not in the EPF, not necessarily because their usage diminished under the EPF but because EPF categories are more specific than JSKA and no similar aggregated category of expenditure exists in the EPF administrative data. For instance, reverse marketing appears as a category in its own right under EPF.

Table 5 lists the types of JSKA and EPF expenditure until January 2010 for which the largest amount of expenditure was used, as a proportion of total expenditure. It shows that the proportion of expenditure on training in the EPF is nearly twice as much as that which was spent on training over the life of the JSKA. This is consistent with the increase in usage of training noted in Table 4, and reinforces the contextual and policy focus on training during the JSA period.

Table 6 lists the uses of JSKA and EPF with highest average expenditure per usage<sup>24</sup> across three time periods. The first table corresponds to JSKA expenditure during the peak of the ANZ Job Vacancy Trend Series in December 2007 to April 2008, the second to the final 22 weeks of Job Network and the third to EPF expenditure from July 2009 to January 2010. The three tables give a snapshot of JSKA/EPF usage at different times in the economic cycle.

As noted earlier, Work Experience activities in JSA are funded through the EPF, while during job Network Mutual Obligations activities were funded through a separate contract. This is

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<sup>24</sup> This is the average amount spent per usage rather than per job seeker on the Provider's caseload. The average is calculated by the following formula:  $1/n \sum X_i$  (limits  $i=1$  to  $i=n$ ) where  $n$  is number of uses for a given category and  $X$  is amount used in each instance.

reflected in Table 6, where Work Experience activity overhead costs<sup>25</sup> feature as the largest average value expenditure in the EPF, though no comparable expenditure is present in JSKA. Work Experience overheads have a relatively high expense when they are used compared to the number of times they are used because one use typically relates to more than one job seeker. It is expected that while Work Experience projects are being set up, providers face initial overhead expenditure which will decline over time.

**Table 6: Job Seeker Account and Employment Pathway Fund - highest average expenditure across three time periods (\$)**

Expenditure Category	JSKA		EPF
	Peak of ANZ Vacancies December 2007 to April 2008	Final 22 Weeks of APM 26 April 2008 to 31 June 2009	First 22 Weeks of JSA 1 July 2009 to 8 January 2010
Wage Subsidy	\$1873	\$2355	\$1491
Bulk Expenditure	\$708	\$1185	
Relocation Assistance	\$650	\$499	
Work Experience Overheads			\$5202
Travel to Training Activity			\$843

**Source:** DEEWR administrative data

Wage subsidies are a relatively high expense and low frequency usage of the JSKA and EPF. Interestingly, wage subsidies appear to have been used less since the beginning of JSA than under job Network. Table 5 shows that aggregate expenditure on wage subsidies under the EPF was about three times higher than under JSKA. Table 6 also shows that the average amount spent on wage subsidies increased from the peak economic conditions in December 2007 to April 2008 to the final 22 weeks of Job Network, though the trend was reversed with the introduction of JSA.

There are several possible explanations as to why expenditure on wage subsidies declined from July 2009 to January 2010. It is likely that employer take-up of job seekers who attracted wage subsidies declined with the overall fall in vacancies due to the economic downturn. The policy shift towards training job seekers may have also resulted in providers displacing wage subsidies with training as an assistance strategy. A final possible explanation is that the addition of overhead expenses due to the setting-up of Work Experience activities diminished provider spending on direct interventions such as wage subsidies.

While EPF credits are made based on individual job seekers, the funds may be spent flexibly across the client load. It would be a point of note if the overhead costs due to the Work Experience activities detracted from funds that would otherwise have been spent on direct assistance for job seekers. The Productivity Commission in its *Review of the Job Network* reported that direct intervention strategies such as wage subsidies are among the most useful tools to help unemployed clients during previous recessions.<sup>26</sup> Wage subsidies are in fact

<sup>25</sup> Overhead costs include costs associated with administering the contracted services, including the Account or Fund itself.

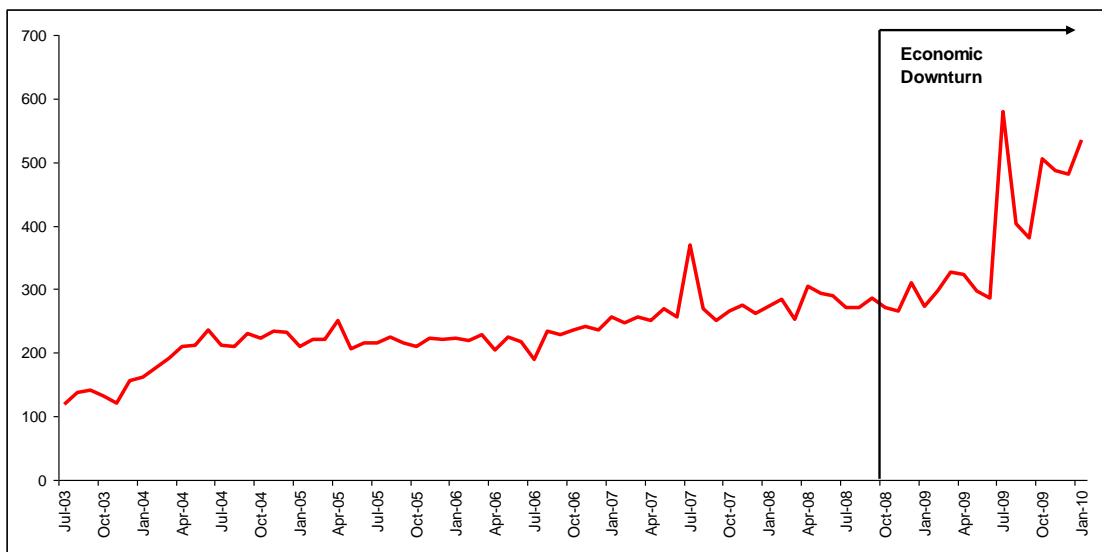
<sup>26</sup> The 2008 economic downturn was unlike previous recessions in that the unemployment rate did not fall commensurately with the large fall in advertised job vacancies. While this may preclude the assertion that wage subsidies are the optimal strategy in the current downturn, wage subsidies are



considered an effective placement strategy in all phases of the economic cycle, not only during downturns. The evaluation of ESC3 (DEEWR 2007, p. 105) reported that the use of wage subsidies rose from almost zero when the JSKA was first introduced to over 40% of spending by August 2005. Some more time will need to pass before trends in the way providers utilise the EPF can be confirmed.

Figure 19 below shows a combined JSKA and EPF series of the frequency of purchases per month (seasonally adjusted). The two spikes occurring in July 2007 and July 2009 are unique events. The July 2009 spike coincides with the change in contracts from ESC3 to ESD4, and reflects providers' use of the remaining funds in JSKA in the final month of the contract. It is likely that the spike in July 2007 reflects an inflow of Welfare-to-Work Target Groups.<sup>27</sup> Aside from these two spikes, the series is relatively stable, with a slight upwards drift since July 2006, reflecting the increased flexibility in JSKA/EPF uses in more recent contracts. It appears EPF has been drawn on more heavily than the JSKA as the series does not fall back to its original level after the second structural break (July 2009), whereas it did after the first (July 2007). This is expected as the EPF has a broader set of possible uses as well as increasing client numbers resulting from the economic downturn resulting in rising EPF credits.

**Figure 19: Combined Job Seeker Account and Employment Pathway Fund frequency of usage (in '000s); July 2003 – January 2010 (seasonally adjusted)**



Source: DEEWR administrative systems

considered among the most effective intervention for highly disadvantaged job seekers regardless of business cycle.

<sup>27</sup> The Welfare to Work policy changes were introduced in the 2005-06 Budget (Commonwealth of Australia 2005) which included new job requirements for eligible principal-carer parents and people with disabilities. The bulk of the affected target groups commenced under the new requirements from July 2007.

Figure 20 shows a seasonally adjusted series of JSKA and EPF total expenditure. The structural breaks seen in Figure 19 above are apparent here as well. There is a rise in the expenditure series soon after the economic downturn period began. Interestingly, this rise is not matched by a rise in the frequency series shown in Figure 19, suggesting that providers were using the JSKA credits to purchase more expensive services rather than a greater number of services.

**Figure 20: Combined Job Seeker Account and Employment Pathway Fund expenditure (in \$'000s); July 2003 – January 2010 (seasonally adjusted)**



Source: DEEWR administrative systems

Figure 21 shows a seasonally adjusted breakdown of JSKA expenditure over ESC3 and Figure 22 shows a similar breakdown of EPF expenditure from 1 July 2009 until the end of January 2010, though in original terms.<sup>28</sup> There is a sharp rise in expenditure on wage subsidies, training and bulk expenditure in the downturn period. This is matched by a dip in expenditure on these services during the more stable times of 2006 and 2007.

Training is a high total value and high frequency service type, making its average cost per use smaller compared to wage subsidies which are high total value and low frequency usage. This is consistent with the initial observation in this section that expenditure on wage subsidies and frequency of training use were rising in the downturn and transition period. Figure 21 shows that the large increase in JSKA expenditure during the economic downturn period noted in Figure 20 is mostly composed of expenditure on training and wage subsidies.<sup>29</sup> This suggests the JSKA/EPF model is appropriately flexible to accommodate for a downturn by allowing

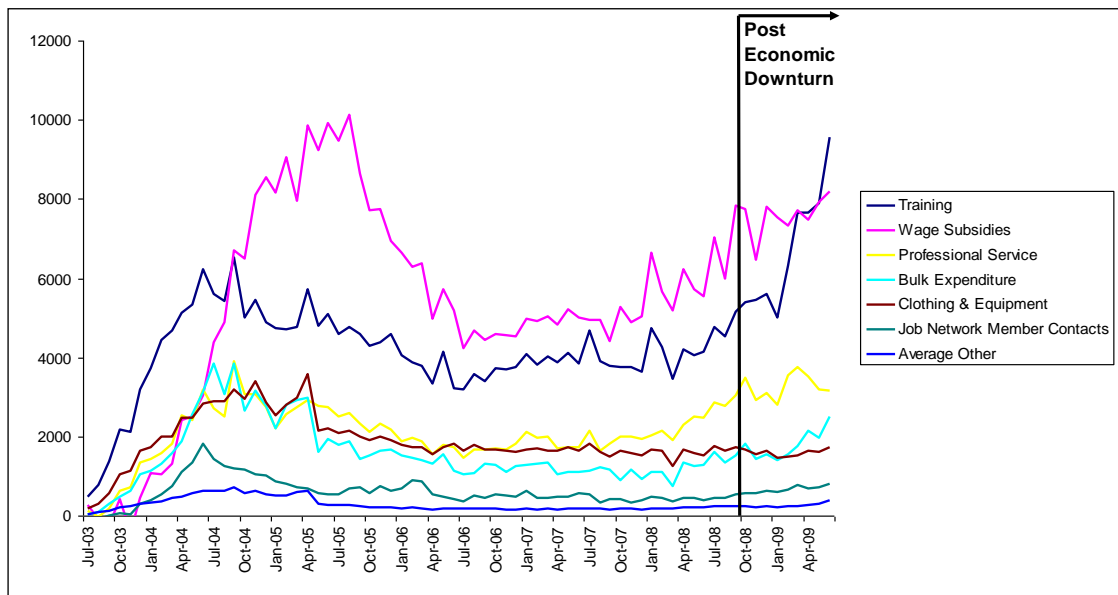
<sup>28</sup> Sufficient time has not elapsed to warrant a seasonal adjustment of this series.

<sup>29</sup> Whether this use was appropriate to jobseeker needs may be discernable in qualitative aspects of subsequent evaluation work.

providers to adapt different expenditure strategies in response to changing economic conditions, which is consistent with the objectives of the EPF.

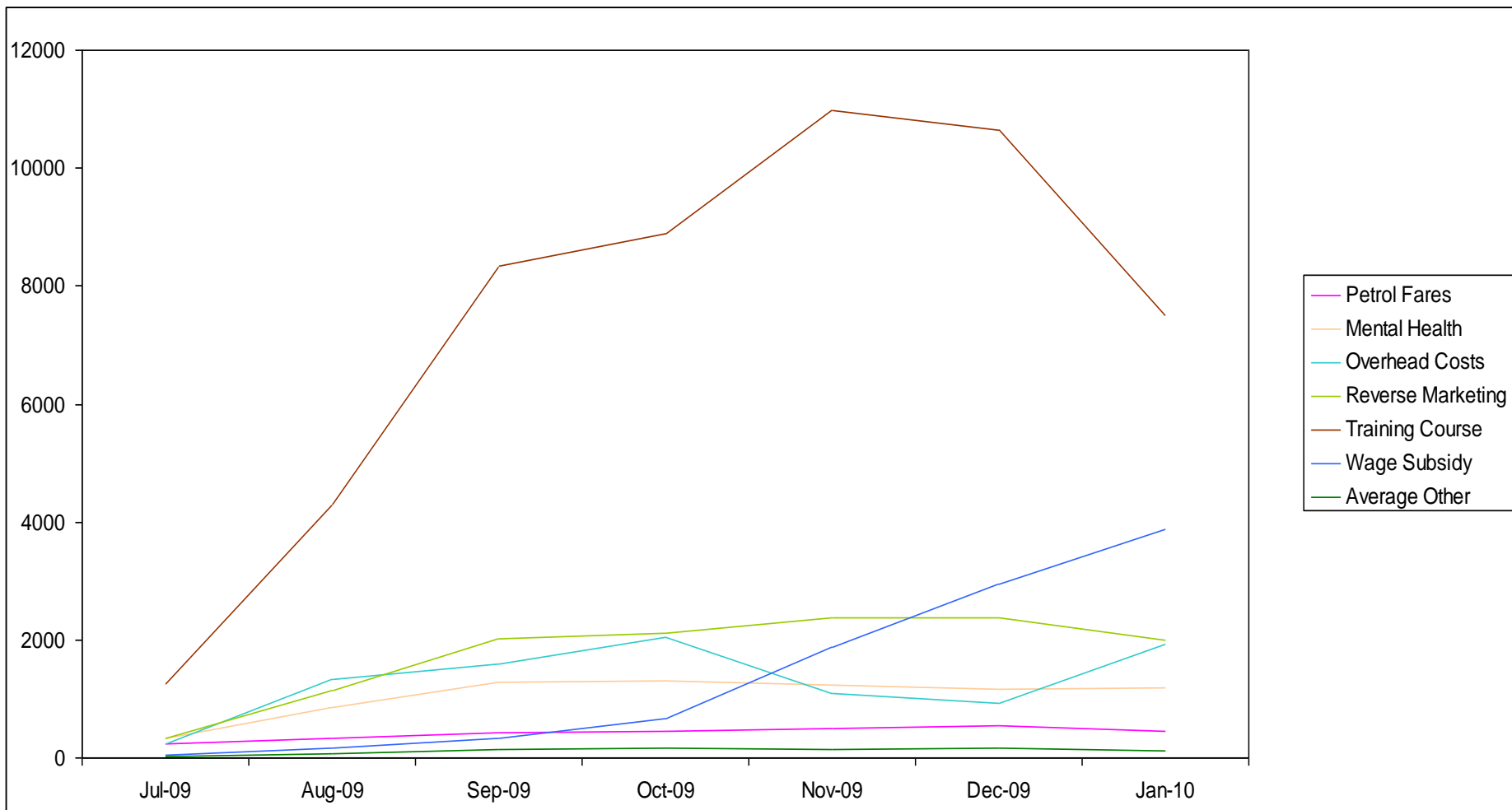
This analysis of JSKA and EPF expenditure indicates that assistance has changed with the downturn. However, the administrative data used for this analysis lack the finer detail necessary for definitive assessment of the extent to which it is a response to changes in the characteristics of employment service clients as distinct from cyclical variation in the level and composition of labour demand. These issues will be considered in greater detail in subsequent evaluation work.

**Figure 21: Job Seeker Account expenditure (in \$'000s); July 2003 – June 2009 (seasonally adjusted)**



Source: DEEWR administrative systems

Figure 22: Employment Pathway Fund expenditure to January 2010 (in \$'000s)



Source: DEEWR administrative systems

## 8. Conclusion

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As at January 2010, both employment growth and a reduction in unemployment had been underway for several months. The future course of labour market is by no means clear: renewed deterioration is now seen as unlikely, but the pace of improvements in employment and unemployment numbers may be affected by increases in the working hours of employed persons. Labour market disadvantage may persist in some areas and among some groups of job seekers. Nevertheless, the economic downturn was both shorter and less severe than expected.

On the basis of the downturn's relatively benign impact on the labour market, it is reasonable to assume that a well designed employment services system, *in the normal course of its operations*, would not have been severely strained. However, the occurrence of the downturn shortly prior to the 'start up' of JSA presented a more difficult test for the new system. The assessment of JSA's response to the downturn is further complicated by the significant new initiatives introduced by the government to ameliorate the impact of the downturn on the labour market, particularly for young people, redundant workers and people living in vulnerable geographic areas.

Nevertheless, it appears that the JSA has been successfully established in a moderately difficult operating environment. The provision of service fees has enabled the mainstream employment services system in general to maintain revenue streams with increased client numbers, even when job openings are scarce. The provision to some job seekers of early access to intensive assistance under the Jobs and Training Compact has also acted to support provider revenue although there is a risk of higher deadweight costs which could reduce the overall efficiency of this assistance. The flexibility inherent in the mainstream employment services system and in the use of the EPF (and the JSKA in ESC3) has allowed client assistance to be changed in accordance with labour market conditions.

# APPENDIX A: The Key Features of Job Services Australia

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Job Services Australia commenced in July 2009 under the Employment Services Deed 2009–2012 (ESD4). Its broad objectives are to help employment assistance clients to obtain the skills they need and secure sustainable employment.

The new service replaces Job Network's continuum of assistance with four service streams (including Work Experience) and seeks to improve the links between labour market assistance and apprenticeships, vocational education and training and state and territory government employment and training programs. Relative to previous services, Job Services Australia is also designed to:

- increase the focus on the most disadvantaged job seekers;
- achieve greater social inclusion;
- boost employment participation;
- boost the productive capacity of the workforce;
- address skills shortage areas;
- better meet the needs of employers;
- contribute to closing the gap between Indigenous and non-Indigenous Australians; and
- reduce administrative burden on providers.

The main elements of Job Services Australia are:

- Four service streams are available for work ready job seekers (Stream One) and disadvantaged job seekers (Streams Two to Four). The stream to which a job seeker is allocated is determined by the job seeker's assessed level of disadvantage, as measured by the Job Seeker Classification Instrument (JSCI), and a Job Capacity Assessment (JCA), if required, for entry to Stream 4. Employment assistance clients can be moved to a higher level stream if their disadvantage becomes more serious. The JSCI bandwidths for each stream are:

- Stream 1: 19 points or less;
- Stream 2: between 20 and 28 points; and
- Stream 3: 29 points or more.

- The level of service in each stream will reflect the relative job readiness of job seekers. Accordingly, the service and outcome fees paid to JSA providers will increase across the streams.

- Job seekers can be fully or partially eligible for stream services. Fully eligible clients include recipients of Newstart and Youth Allowance (other), including parents and people with disability who have part-time participation requirements, or another form of qualifying income support, 15 to 20 year-olds not in receipt of income support and not employed more than 15 hours a week or in full-time education and CDEP participants.

Other job seekers may register with Centrelink or a JSA provider as partially eligible for Stream One. These job seekers are referred to as Stream One (limited) job seekers and are usually those not working or studying full time and not receiving activity-tested income support. These job seekers are not assessed by the JSCI. The level of service for these job seekers is limited to the provision of a résumé, access to Australia's national vacancy database (Australian JobSearch) and advice on the local labour market. A more comprehensive description of eligibility is included in Appendix B of the 2008 Request for Tender.

- A work experience phase operates as part of each stream. Within this phase job seekers aged between 18 and 49 will generally be required to participate in a work experience activity over a 26 week period for every 12 months in the phase. Job seekers who have completed 12 months of services in Streams One to Four will commence the work experience phase following a stream services review, unless the review suggests a job seeker move to a higher stream or, in the case of Stream Four, further services within this stream. Job seekers who complete 18 months in Stream Four will automatically move to the work experience phase. Work experience activities may include participation in programs such as Work for the Dole, Green Corps and Drought Force, part-time study or paid employment or voluntary work.
- An Employment Pathway Plan (EPP), which sets out an individualised pathway to employment for each job seeker. An initial EPP for Stream One job seekers will be completed by Centrelink while providers are expected to negotiate EPPs with job seekers in other streams. Providers will need to regularly update EPPs. Mandatory elements of an EPP for job seekers with activity test or participation requirements include frequency of contact between provider and job seeker, the timing and details of activities to be undertaken by provider and job seekers and details of the job seeker's obligations.
- An Employment Pathway Fund (EPF), which can be used by providers to help job seekers obtain employment. Providers receive an EPF credit for each job seeker, which in the case of job seekers in Streams Two to Four can be used from day one. Credits increase as the job seekers' levels of disadvantage increase. The use of credits is not limited to any one job seeker. Funds can be used flexibly to assist any job seeker or group of job seekers. Unused funds cannot be retained by providers.
- To support closer links between the employment services and the provision of training to address skill shortages extra places will be available in the Government's Productivity Places Program for job seekers eligible to participate in Job Services Australia. This program will be delivered by States and Territories under a COAG National Partnership Agreement.

## APPENDIX B: Priority Employment Areas

**Table B.1: Duration distribution of mainstream employment assistance clients in selected priority employment areas; November 2007, November 2008, November 2009**

	Proportion			Number			
	Nov. 07	Nov. 08	Nov. 09	Nov. 07	Nov. 08	Nov. 09	
Port Augusta- Whyalla-Port Pirie	< 1 mth	5.3%	4.1%	4.2%	336	263	259
	1-3 mth	8.3%	7.4%	6.9%	530	471	430
	3-6 mth	9.6%	8.3%	8.7%	611	532	542
	6-9 mth	5.8%	6.2%	6.5%	369	396	403
	9-12 mth	6.4%	6.6%	7.0%	406	424	436
	12-24 mth	18.9%	19.1%	16.0%	1206	1221	991
	24-48 mth	20.3%	21.1%	22.6%	1290	1353	1401
	48-72 mth	10.3%	11.2%	11.6%	653	718	719
	72 mth & over	15.2%	16.0%	16.6%	967	1026	1030
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>6368</b>	<b>6404</b>	<b>6211</b>	
South West Perth	< 1 mth	5.9%	6.9%	7.3%	788	966	1217
	1-3 mth	11.3%	10.0%	12.4%	1506	1389	2080
	3-6 mth	12.3%	9.2%	13.2%	1637	1287	2201
	6-9 mth	7.3%	6.4%	11.2%	971	885	1870
	9-12 mth	7.1%	6.4%	7.5%	946	887	1247
	12-24 mth	16.7%	21.0%	14.9%	2232	2929	2498
	24-48 mth	21.6%	19.9%	16.4%	2877	2773	2746
	48-72 mth	8.4%	10.1%	8.7%	1125	1409	1463
	72 mth & over	9.4%	10.1%	8.4%	1248	1405	1408
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>13330</b>	<b>13930</b>	<b>16730</b>	
North West/Northern Tasmania	< 1 mth	5.0%	5.0%	5.2%	880	900	976
	1-3 mth	7.9%	7.9%	9.0%	1382	1425	1696
	3-6 mth	10.2%	9.0%	11.5%	1785	1625	2160
	6-9 mth	6.8%	6.5%	8.4%	1196	1171	1586
	9-12 mth	6.6%	5.8%	6.6%	1156	1041	1238
	12-24 mth	18.9%	19.0%	15.1%	3308	3439	2838
	24-48 mth	21.8%	22.4%	20.1%	3818	4040	3780
	48-72 mth	8.7%	10.0%	11.0%	1518	1811	2065
	72 mth & over	14.1%	14.5%	13.0%	2476	2624	2441
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>17519</b>	<b>18076</b>	<b>18780</b>	
Townsville- Thuringowa	< 1 mth	7.0%	6.3%	7.2%	1757	1961	2210
	1-3 mth	9.5%	9.7%	9.8%	2862	3123	3560
	3-6 mth	9.1%	8.4%	10.5%	2910	2642	3503
	6-9 mth	6.5%	6.6%	8.8%	1990	2084	3125
	9-12 mth	7.0%	7.1%	9.0%	1795	1849	2807
	12-24 mth	18.7%	18.8%	17.4%	4623	5861	5542
	24-48 mth	23.0%	21.6%	18.6%	4970	5537	5802



	48-72 mth	9.1%	10.8%	9.3%	2041	2336	2568
	72 mth & over	10.2%	10.8%	9.5%	2284	2598	2441
	<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>25232</b>	<b>27991</b>	<b>31558</b>
		<b>Proportion</b>			<b>Number</b>		
		<b>Nov. 07</b>	<b>Nov. 08</b>	<b>Nov. 09</b>	<b>Nov. 07</b>	<b>Nov. 08</b>	<b>Nov. 09</b>
Ipswich-Logan	< 1 mth	7.0%	7.0%	7.0%	896	852	1070
	1-3 mth	11.3%	11.2%	11.3%	1206	1320	1463
	3-6 mth	11.5%	9.4%	11.1%	1160	1141	1565
	6-9 mth	7.9%	7.4%	9.9%	825	896	1312
	9-12 mth	7.1%	6.6%	8.9%	891	970	1349
	12-24 mth	18.3%	20.9%	17.6%	2377	2552	2595
	24-48 mth	19.7%	19.8%	18.4%	2925	2935	2783
	48-72 mth	8.1%	8.3%	8.1%	1162	1474	1392
	72 mth & over	9.1%	9.3%	7.7%	1296	1469	1425
	<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>12738</b>	<b>13609</b>	<b>14954</b>
Canterbury-Bankstown and South Western Sydney	< 1 mth	6.9%	6.3%	5.8%	4395	4204	4244
	1-3 mth	11.2%	9.9%	9.7%	7092	6682	7082
	3-6 mth	11.4%	9.5%	11.4%	7235	6357	8315
	6-9 mth	6.7%	7.0%	10.0%	4266	4714	7300
	9-12 mth	6.7%	6.1%	8.2%	4224	4108	5963
	12-24 mth	18.6%	20.7%	16.8%	11800	13903	12292
	24-48 mth	20.5%	20.3%	20.2%	13001	13631	14718
	48-72 mth	8.1%	9.6%	8.8%	5104	6455	6459
	72 mth & over	9.8%	10.6%	9.1%	6215	7137	6624
	<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>63332</b>	<b>67191</b>	<b>72997</b>
Richmond-Tweed and Clarence Valley	< 1 mth	6.5%	6.0%	6.1%	2060	2025	2092
	1-3 mth	9.5%	9.2%	8.6%	3043	3110	2939
	3-6 mth	9.5%	8.6%	9.5%	3043	2890	3255
	6-9 mth	6.6%	6.9%	8.0%	2119	2333	2720
	9-12 mth	6.9%	6.3%	7.9%	2195	2128	2680
	12-24 mth	17.9%	19.1%	17.0%	5713	6432	5803
	24-48 mth	20.7%	20.6%	19.9%	6622	6936	6777
	48-72 mth	8.9%	9.5%	10.5%	2839	3193	3587
	72 mth & over	13.5%	13.9%	12.4%	4303	4703	4237
	<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>31937</b>	<b>33750</b>	<b>34090</b>
North Eastern Victoria	< 1 mth	7.3%	6.9%	5.5%	1466	1476	1236
	1-3 mth	9.4%	8.5%	9.1%	1871	1825	2035
	3-6 mth	10.5%	9.0%	10.0%	2099	1927	2228
	6-9 mth	7.1%	7.3%	8.0%	1416	1575	1792
	9-12 mth	7.2%	6.5%	7.8%	1443	1396	1730
	12-24 mth	19.0%	19.5%	17.6%	3796	4193	3915
	24-48 mth	20.2%	21.1%	20.8%	4025	4517	4631
	48-72 mth	8.6%	9.4%	10.0%	1726	2023	2221
	72 mth & over	10.6%	11.7%	11.2%	2117	2517	2504
	<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>19959</b>	<b>21449</b>	<b>22292</b>

Source: DEEWR administrative systems

## APPENDIX C: Provider Revenue

**Table C.1: Job Services Australia service fees**

STREAM SERVICE FEES AND TIMING	SERVICE FEE	REMOTE SERVICE FEE with 1.7 loading
Stream 1		
1st 13 weeks (includes the Initial Interview)	\$63	\$107
2nd 13 weeks (includes Skills Assessment and managing Intensive Activities)	\$528	\$898
3rd 13 weeks	\$94	\$160
4th 13 weeks	\$96	\$163
<b>Maximum</b>	<b>\$781</b>	<b>\$1328</b>
Stream 2		
1st 13 weeks (includes the Initial Interview)	\$271	\$461
2nd 13 weeks	\$208	\$354
3rd 13 weeks	\$202	\$343
4th 13 weeks	\$204	\$347
<b>Maximum</b>	<b>\$885</b>	<b>\$1505</b>
Stream 3		
1st 13 weeks (includes the Initial Interview)	\$332	\$564
2nd 13 weeks	\$264	\$449
3rd 13 weeks	\$257	\$437
4th 13 weeks	\$267	\$454
<b>Maximum</b>	<b>\$1120</b>	<b>\$1904</b>
Stream 4		
1st 13 weeks (includes the initial interview)	\$587	\$998
2nd 13 weeks	\$512	\$870

<b>STREAM SERVICE FEES AND TIMING</b>	<b>SERVICE FEE</b>	<b>REMOTE SERVICE FEE with 1.7 loading</b>
3rd 13 weeks	\$409	\$695
4th 13 weeks	\$411	\$699
5th 13 weeks	\$402	\$683
6th 13 weeks	\$415	\$706
<b>Maximum</b>	<b>\$2736</b>	<b>\$4651</b>
Work Experience <sup>1</sup>		
1st 13 weeks (includes one-off Work Experience Commencement Fee)	\$456	\$775
2nd 13 weeks	\$66	\$112
3rd 13 weeks	\$133	\$226
4th 13 weeks	\$67	\$114

1. For job seekers who continue in Work Experience for more than 12 months the fee paid will continue at \$133 and \$67 for each alternate three months—that is, for 13 to 15 months, \$133; 16 to 18 months, \$67; 19 to 21 months, \$133; and so on.

**Source:** DEEWR, *Request for Tender for Employment Services 2009-12, 2008.*

**Table C.2: Job Services Australia placement fees**

<b>Services</b>	<b>Placement Outcome</b>	<b>Placement Fee</b>
Stream 1 (Post Skills Assessment)	Where an Eligible Placement Participant who is also a Partial Capacity to Work job seeker or has partial participation requirements (e.g. a Principal Carer) completes between 15 and 49 hours of paid work in a Placement within 10 consecutive working days.	\$385
	Where an Eligible Placement Participant completes a minimum of 50 hours of paid work in a Placement within 10 consecutive working days.	\$440
Streams 2 to 4 and Work Experience Phase	Where an Eligible Placement Participant completes between 15 and 49 hours of paid work in a Placement within 10 consecutive working days.	\$385
	Where an Eligible Placement Participant completes a minimum of 50 hours of paid work in a Placement within 10 consecutive working days.	\$550

**Source:** DEEWR, *Request for Tender for Employment Services 2009-12, 2008.*

**Table C.3: Job Services Australia outcome fees**

PAYMENT TYPE	Commenced in Stream 1 (Work Experience only)		Commenced in Stream 2 (activities and Work Experience)		Commenced in Stream 3 (activities and Work Experience)		Commenced in Stream 4 (activities and Work Experience)	
	Provider Assisted	Provider Brokered	Provider Assisted	Provider Brokered	Provider Assisted	Provider Brokered	Provider Assisted	Provider Brokered
Full								
Period of Unemployment								
0–12 months <sup>1</sup>	n.a.	n.a.	\$675	\$1008	\$1418	\$1750	\$1418	\$1750
13–60 months <sup>1</sup>	\$572	\$854	\$938	\$1400	\$2025	\$2500	\$2025	\$2500
61 months or more <sup>1</sup>	n.a.	n.a.	n.a.	n.a.	\$2673	\$3300	\$2673	\$3300
Pathway								
0–12 months <sup>1</sup>	n.a.	n.a.	\$446	\$550	\$446	\$550	\$891	\$1100
13–60 months <sup>1</sup>	\$252	\$376						
61 months or more <sup>1</sup>	n.a.	n.a.	n.a.	n.a.	\$891	\$1100		

1. A Bonus Outcome Payment of 20 per cent will be available when a Provider places a job seeker in an apprenticeship in occupational areas of skills shortage or, for an employment outcome, where:

- the job seeker has completed a Qualifying Training Course relevant to the needs of the local labour market;
- the employment is directly related to the Qualifying Training Course; and
- the individual commences employment within 12 months of completing the Qualifying Training Course.

The bonus can be claimed for both Provider Brokered Outcomes and Provider Assisted Outcomes and for both Full and Pathway Outcomes.

n.a. not applicable

**Source:** DEEWR, *Request for Tender for Employment Services 2009-12, 2008.*

## APPENDIX D: Job Seeker Account and Employment Pathway Fund Credits

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**Table D.1: Job Seeker Account Credits**

	Jobseeker Account Credit	Supplement for job seekers identified as highly disadvantaged	Supplement for job seekers identified as locationally disadvantaged
Entry into Job Search Support (paid only where the job seeker is identified as Locationally Disadvantaged)	\$11	N/A	\$11
Employment Preparation	\$300	N/A	\$11
Entry into Intensive Support	\$11	N/A	\$11
Intensive Support-customised assistance (ISCA)	\$900	\$450	\$225
ISCA second period	\$500	\$250	\$125

**Source:** DEEWR, *Request for Tender for Job Network Services*, 2005.

**Table D.2: Employment Pathway Fund credits<sup>1</sup>**

		Credit	Credit for Remote Area
Stream 1 <sup>2</sup>		\$11	\$19
Stream 2		\$550	\$935
Stream 3		\$1100	\$1870
Stream 4	Year 1	\$1100	\$1870
	Year 2	\$550	\$935
Work Experience Phase <sup>3</sup>		\$500	\$850

1. Stream 1-4 include a 6 per cent quarantines component of NEIS mentoring and assistance.

2. Stream 1 credited at payment of second 13 Week Service Fee.

3. Drought Force participants are not credited with the Remote Multiplier.

**Source:** DEEWR, *Request for Tender for New Employment Services 2009-12*, 2008.

## APPENDIX E: Job Seeker Account and Employment Pathway Fund Expenditure Categories

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**Table E.1: Job Seeker Account**

Category	Expenditure
Clothing and Equipment 1. Clothing  2. Equipment	1. Any clothing purchased for a job seeker for employment related activities or to facilitate access to employment opportunities.  2. Any equipment purchased for a job seeker for employment related activities or to facilitate access to employment opportunities except equipment purchased as part of a training activity or for self employment purposes.
Wage Subsidies	Any payment made to an employer in the form of a wage subsidy package to facilitate employment of an eligible job seeker.
Bulk Expenditure	High volume purchases, for example, bus tickets, which can be redistributed to job seekers over a period of time.
Training 1. Books and Equipment  2. Training	1. The cost of books and equipment essential to or related to a training or education activity.  2. The cost of enrolment in any training organisation or educational institution to undertake a course or activity (or any associated costs) resulting in obtaining a skill or qualification (includes obtaining RPL). On the job training activities, training related to obtaining heavy vehicle or machine operation licenses etc. should also be recorded in this category.
Professional Services 1. Drug & Alcohol Counselling  2. Medical	1. Any accredited counselling services related to drug and alcohol issues.  2. Any accredited professional services related to medical issues.

3. Mental Health Counselling	3. Any accredited counselling services related to mental health issues.
4. Reverse Marketing	4. Any activities that involve marketing a job seeker to potential employers.
5. Vocational Counselling	5. Any accredited careers counselling or other employment related counselling services.
6. Vocational Rehabilitation	6. Any accredited professional services related to vocational rehabilitation of a job seeker.
Job Network Member Contacts	Any fees charged to the JSKA for additional contacts with, or services provided to, eligible job seekers over and above the scheduled appointments and services outlined in the contract (except where there is a more appropriate category – eg. professional services categories).

Source: DEEWR administrative documentation

**Table E.2: Employment Pathway Fund**

Category	Expenditure
Training	
1. Courses	1. The cost of enrolment in non-vocational or vocational course or activity with a registered training organisation or educational institution resulting in obtaining a skill or qualification that will assist in obtaining employment. On the job training activities should also be recorded in this category.
2. Books & Equipment	2. The cost of books and equipment related to a training or education activity.
Reverse Marketing	Activities that involve marketing a job seeker to potential employers where an existing vacancy has not been advertised.
Fares & Petrol	Fares or petrol purchased for job seekers for employment or job search related activities.
Wage Subsidy	Payment made to an employer in the form of a wage subsidy package to facilitate employment of an eligible job seeker. This can include short term paid work trial placements.
Work Experience Overhead Expenditure	Overhead expenditure associated with running Work Experience Activities.

Source: DEEWR administrative documentation

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