



Australian Government



# Job Services Australia Performance Management Advice

V 1.0

**Disclaimer**

This guide outlines the principles of the enhanced Performance Management Framework. The content contained in this guide was accurate at the time of printing. However, this guide is subject to change without notice. For the current version of the guide please visit the Provider Portal.

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# Job Services Australia Performance Management Advice

## Document Change History

Version	Start Date	End Date	Location of changes	Change description
1.0	1 Jun 09			Original Version

## Background

This Guide is designed to inform Job Services Australia (JSA) Providers about the assessment methodology for the calculation of JSA Star Ratings. The Employment Services Deed 2009 – 2012 (Deed) performance assessment system is based on the newly enhanced National Performance Management Framework. The new framework using employment industry feedback will provide more relevant, timely and detailed performance information to job seekers, employers, providers, DEEWR and other interested parties.

The Employment Services Deed (ESD4) starts on 1 July 2009 and continues to 30 June 2012, with the ability to be extended for a period of up to six years.

## National Performance Management Framework

The new framework has been designed to support quality services and results through Job Services Australia, particularly for the most disadvantaged job seekers. The new framework also responds to clear feedback in public consultations about the need to improve past approaches to performance management.

This extensive consultation process with expert guidance has informed development of a framework that uses fairer and more streamlined processes. Information will be shared with all providers to encourage continuous improvement and best practice. A new Code of Practice and Service Guarantee will ensure that job seekers get the quality, individualised help they need to gain skills and find sustainable work.

## New framework enhancements

Expert recommendations have informed the development of a New Performance Management Framework that delivers:

- **IMPROVED** choice and flexibility for job seekers in finding a provider that suits their situation
- **ACCOUNTABILITY** of providers to achieve outcomes for job seekers, both social and paid
- **CLEARER** focus on job seeker satisfaction and feedback
- **TRANSPARENCY** for job seekers as to how providers are rated and assessed and
- **CLEARER AND MORE TIMELY INFORMATION TO PROVIDERS** about what is working and what can be improved.

## Performance management

Under the Employment Services Deed, JSA providers can measure their own performance rating and ranking against other providers every three months to conduct their own analysis and make continuous improvements.

Providers will receive six monthly milestone performance reports using the new KPIs, particularly KPI 1 and KPI 2, in a formal review process and regular help and advice to improve performance, based on best practice.

## JSA Key Performance Indicators

The assessment of JSA providers' performances is directly linked to the central objectives of JSA and the KPIs that are specified in the Employment Services Deed 2009 – 2012 (ESD4).

The Star Ratings will be publicly released to inform job seekers and the wider public about the relative success of JSA providers in meeting KPI 1 Efficiency and KPI 2 Effectiveness and informed by:

- the four employment streams based on the risk of job seekers being long-term unemployed, e.g. stream one for 'work ready' job seekers and streams two to four for job seekers needing more help to find employment and
- provider location and local labour market conditions, for fair assessment of providers whether they are in rural, remote or metropolitan locations.

The objective of KPI 3 Quality is to assess the quality of a provider's service using feedback from job seekers as well as consider provider performance under a range of quality indicators.

- KPI3 will also recognise those providers that have invested in quality servicing and have adopted quality accreditation arrangements in their own organisation. This will not form part of the numerical rating. It will underpin clear and timely feedback from DEEWR to give providers the opportunity to rectify issues raised. It will also support continuous improvement to service delivery. Details of the Quality KPI are provided in the separate document on the Quality Framework.

## KPI 1 Efficiency and KPI 2 Effectiveness

Performance measurement for the new JSA is based on the objectives contained in the following Key Performance Indicators (KPIs):

Measurement of Key Performance Indicators 1 and 2 will simplify and improve calculations of a provider's performance rating in comparison with other providers.

**Objective:** **KPI 1 Efficiency** is the time taken by providers to achieve employment outcomes in comparison with other providers.

**Objective:** **KPI 2 Effectiveness** is the relative number of outcomes providers have secured for their job seekers in comparison with other providers.

### KPI 3 Quality

In addition to the measurement of efficiency and effectiveness, the quality of service is measured through the following KPI:

**Objective:** **KPI 3 Quality** assessments of the quality of a provider's service will include feedback from job seekers as well as consider provider performance under the **Code of Practice, JSA Service Guarantee** and access to formal feedback on service quality which can be used to boost performance. ***This will not form part of the JSA Star Rating.***

It will recognise providers which have invested in quality servicing and which have adopted quality accreditation arrangements in their own organisation. It will underpin clear and timely feedback from DEEWR to give providers the opportunity to rectify issues raised. It will also support continual improvement to service delivery. The Quality KPI will be considered in the mid contract business reallocation.

### Other performance information

In addition to the KPIs monitored above, as outlined in the Deed<sup>1</sup>, the department considers all available information in assessing and monitoring performance.

## JSA Star Ratings

### Overview

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

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

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

To assist JSA providers in developing a good understanding of the system, DEEWR continues to develop more detailed documentation. DEEWR has conducted information sessions in which the calculation of the enhanced ratings were explained. JSA providers can access these sessions through the ECSN Learning Centre.

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<sup>1</sup> Employment Services Deed 2009 – 12, Clause 30.4  
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### Published JSA Site Star Ratings

All JSA sites will receive overall Star Ratings for their delivery of services across all Streams and individual Star Ratings for each Stream. These ratings will be published on the department's Workplace portal, Australian Job Search (AJS) and will also be made available by Centrelink staff to assist job seekers. The site ratings will provide information to job seekers and the general public on the performance of JSA providers.

### Employment Service Area Star Ratings

In addition, contract level Star Ratings at ESA level for each provider will be produced. While these ratings will not be publicly released, they will be made available on the ECSN to all JSA providers. These ratings will be used in regular performance discussions. Possible business re-allocation will only be considered at the mid-contract review mark.

### Distribution of Star Ratings

**Star Ratings will range from one to five stars with no half star increments.**

Star Ratings are determined on the basis of JSA providers' performance compared to the average of all providers as shown in Table 1 below.

**Table 1: Distribution of JSA Star Ratings**

Performance	Rating
40% or more above the average	5
Between 20% and less than 40% above the average	4
Between 20% above and 20% below the average	3
Between 20% and less than 50% below the average	2
50% or more below the average	1

There is no longer a fixed distribution of JSA Star Ratings. The distribution of the JSA ratings is designed so that it provides an added incentive for JSA providers to strive for higher ratings. In addition, performance at the one star level is an indication of performance that is well below the average performance of all providers after taking into account the job seeker characteristics of the job seekers being assisted and the state of the labour market where providers are operating.

### Star Rating Updates

The first set of Star Ratings to be released publicly will be for the contract period to 30 June 2010 and are scheduled to be available from July 2010. Ratings will then be updated and publicly released every six months. Ratings will also be produced every three months and while they will not be publicly released they (and their associated percentile ranks) will be made available to providers enabling them to conduct their own analysis and make continuous improvements. In addition to the Star Ratings, JSA providers will have access to highly detailed performance data, updated on a weekly basis with comparative data at ESA, Regional and National levels.

### **Period of performance assessment**

Performance is based on the Deed six monthly milestone periods which conclude at the end of June and the end of December each year. JSA Star Ratings will be calculated at the end of each milestone period and publicly released. They will also be calculated three monthly and released to providers.

### **Performance measures and weightings**

The ratings are designed to reflect JSA providers' success in meeting KPI 1 Efficiency and KPI 2 Effectiveness. This success will be measured using data on Job Placement fees, 13-week and 26-week Full and Pathway outcomes, Social Outcomes and Inactivations (off-benefit outcomes).

### **Basis for weightings**

In considering how to weight the various measures in the model, the basic design principle is that where possible, the relative weight assigned to variables should reflect the relative value of the financial payments as outlined in the Deed.

Thus, the weights applied to various measures within streams are affected by the relativities between payments available to providers. For example, the weightings for 13-week and 26-week outcomes for Streams 2 to 4 are higher than for placements. This is broadly in line with the relative dollar amounts for the different outcome counts.

However the relationships between financial payments and relative weights are not automatic. Some measures do not appear in all streams: for example, inactivations figure only in Stream 1 and social outcomes only in Stream 4. By definition the weights for each stream can only add to 100 per cent. By following this broad approach, the model benefits by being simple and transparent.

The performance measures are the practical ways that the Key Performance Indicators are included in the calculation of the Star Ratings. Table 2 presents the performance measures and weights that are used in the model. This table indicates the weights of the various streams towards the overall rating and the weights of each performance measure in each stream. For example, Stream 4 at 40% is weighted higher than Stream 1 at 10% in the calculation of the overall rating. The table also shows that Social Outcomes contribute 20% towards the Stream 4 rating.

**Table 2: Performance Measures and Weightings**

Performance Measure		Weightings in Ratings Model			
		Stream 4 40%	Stream 3 30%	Stream 2 20%	Stream 1 10%
1	13- Week Full Outcomes	19%	25%	23%	10%
2	13-Week Pathway Outcomes	9%	10%	10%	5%
3	13-Week Bonus Outcomes	10%	10%	10%	10%
4	Speed to 13-Week Full Outcomes*	2%	5%	7%	
<b>13-Week Outcomes Total</b>		<b>40%</b>	<b>50%</b>	<b>50%</b>	<b>25%</b>
5	26-Week Full Outcomes	21%	30%	30%	10%
6	26-Week Pathway Outcomes	9%	10%	10%	5%
<b>26-Week Outcomes Total</b>		<b>30%</b>	<b>40%</b>	<b>40%</b>	<b>15%</b>
7	6 Months Additional Assistance	15%			
8	Participation in Work Experience	5%			
<b>Social Outcomes Total</b>		<b>20%</b>			
9	Paid Placements	10%	10%	10%	28%
10	Speed to Job Placements				12%
<b>Job Placements Total</b>		<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>40%</b>
11	Off Benefit				14%
12	Speed to Going Off Benefit				6%
<b>Off Benefit Total</b>					<b>20%</b>

\* Speed to 13-Week full outcome is measured as the time from a job seeker being eligible for the outcome to the placement that leads to the 13-week full outcome.

### Job Placement Fees

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

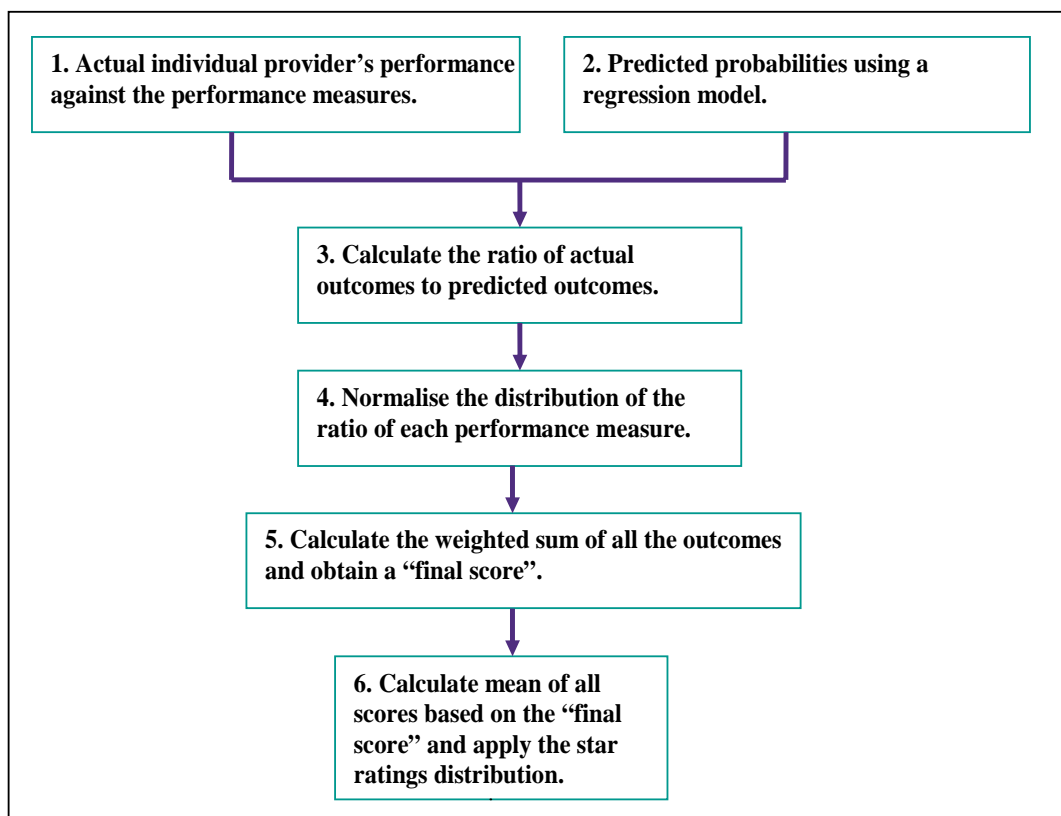
### Gaining high Star Ratings

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

To assist JSA providers in developing a good understanding of the ratings, DEEWR has made available, through the Learning Centre, information sessions in which the calculation of ratings has been explained.

Benchmarking is being examined as a future performance measurement option but will not be considered as part of the Employment Services Deed 2009-12 (ESD4).

## Six steps to calculate JSA ratings



### Step 1: Actual performance

This step counts the number of results (for example, paid placements, inactivations, outcomes and social outcomes) that are achieved during the period.

### Step 2: Expected performance

In considering:

- how many outcomes providers should be achieving given their particular set of job seeker and labour market conditions, and
- how quickly providers should be achieving their outcomes given their particular set of job seeker and labour market conditions

the calculation of ratings answers two questions:

- what is it realistic for a JSA provider to achieve?
- how does this compare with what was actually achieved?

The Star Ratings methodology does this by accounting for the differences in job seeker caseloads and labour market conditions across providers. The ratings methodology has been simplified by reducing the number of factors from over 280 to fewer than 60.

### Regression

In calculating the Star Ratings, 12 separate statistical regression equations are estimated on the different outcomes which contribute to the performance measures outlined in Table 2.

## Variables

A regression model describes the relationship between a dependant variable (placements or outcomes) and explanatory variables. The explanatory variables are factors that are outside the control of the JSA provider. There are two basic categories of explanatory variables – job seeker characteristics and labour market conditions. Using these variables enables the true performance of the JSA provider to be measured and also enables comparisons of sites across the country.

Table 3 lists the explanatory variables used in the JSA ratings calculations:

**Table 3: Explanatory variables in JSA Star Ratings**

Job Seeker Characteristics	Labour Market Factors*
<ul style="list-style-type: none"> <li>• Unemployment duration</li> <li>• Unemployment duration SQUARED</li> <li>• Time available for assistance</li> <li>• Time available for assistance SQUARED</li> <li>• Income Support Allowance type</li> <li>• Age</li> <li>• Age SQUARED</li> <li>• Gender</li> <li>• Highest Education Level</li> <li>• Indigenous</li> <li>• Indigenous and lives in metro location</li> <li>• Disability type (grouped)</li> <li>• Non English Speaking Background</li> <li>• Pre-release prisoners</li> <li>• Mature age volunteers</li> <li>• Drought Force Participants</li> <li>• CDEP participant in JN</li> <li>• Age of youngest child</li> </ul>	<ul style="list-style-type: none"> <li>• Unemployment rates (over 1300 SLAs)</li> <li>• Employment Growth (65 ABS regions)</li> <li>• Metropolitan – Regional</li> <li>• Industry Type (ABS Regions – 17 categories)</li> <li>• Size of local labour market</li> </ul>

\*The labour market factors are based on the postcodes of where the job seeker resides.

## Formula

The regression equation calculates the expected score based on the analysis of what has actually happened for all job seekers nationally. Each time the Star Ratings are calculated, a new outcome probability is calculated for each variable. That outcome probability is applied to each variable for each and every job seeker who is eligible for that particular performance measure.

A stylised version of the regression formula for full 13-week outcomes is demonstrated in the following table. Table 4 shows the interaction of the explanatory variables and the independent variables.

**Table 4: Stylised example of regression formula**

Full 13-week = C(1) + C(2)\*PREV + C(3)\*INDIG + C(4)\*MALE + C(5)\*AGE + C(6)\*AGE\*AGE + C(7)\*ALST1 + C(8)\*ALST2 + C(9)\*ALST3 + C(10)\*ALST4 + C(11)\*ALST5 + C(12)\*ALST6 + C(13)\*DIS + C(14)\*EDU1 + C(15)\*EDU2 + C(16)\*EDU4 + C(17)\*EDU5 + C(18)\*NESB1 + C(19)\*NESB2 + C(20)\*NESB3 + C(21)\*METRO + C(22)\*BIGSLA + C(23)\*DAYAVIS1\*DAYAVIS1 + C(24)\*DAYAVIS1 + C(25)\*UEDUR1 + C(26)\*UEDUR1\*UEDUR1 + C(27)\*EMGROW + C(28)\*I1 + C(29)\*I2 + C(30)\*I3 + C(31)\*I4 + C(32)\*I5 + C(33)\*I6 + C(34)\*I7 + C(35)\*I8 + C(36)\*I9 + C(37)\*I10 + C(38)\*I11 + C(39)\*I12 + C(40)\*I13 + C(41)\*I14 + C(42)\*I15 + C(43)\*I16 + C(44)\*UERATE + C(45)\*METROIND

Table 5 highlights the impact of the probability on the appropriate variable. The important elements of the probability include the sign (plus or minus) (whether it is more or less likely to find employment) and also the size of the probability – how important is the variable in explaining a person’s likelihood of gaining employment. It is important to note that in the regression methodology, there is an interplay of effects and JSA providers should not attempt to place more importance on any one variable.

**Table 5: Stylised example of regression formula with sample results**

<p>FULL 13-WEEK = C(1) + C(2)*PREV + C(3)*INDIG + C(4)*MALE + C(5)*AGE + C(6)*AGE*AGE + .....+ C(44)*UERATE + C(45)*METROIND</p> <p>Some results:</p> <p>C(3) = -0.03346, C(4) = 0.08578, C(5) = 0.02750,</p> <p>C(6) = -0.0004, C(44) = -0.0085</p>
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Time to placement

This time to placement (speed to placement as it is sometimes known) indicator is the average time to placement achieved by each provider compared to the average time achieved by all providers, measured on a like for like basis. For example, for a full 13-week outcome, speed to placement is measured as the time from when a job seeker has become eligible for the outcome to the time of the placement that leads to the 13-week outcome.

The standard against which a provider’s performance is assessed will thus, appropriately, vary with labour market conditions and the needs of job seekers (as reflected in the stream they are allocated to). The standard will be determined by actual behaviour and “real life” conditions providers and job seekers face rather than imposed externally. In computing the measure, time spent by a job seeker in qualified training places will be ignored (that is, participation in appropriate training will “stop the clock”).

Reflecting the fact that Stream 1 job seekers are assessed as the most job ready clients, speed to paid placement and speed to off benefit in Stream 1 has a higher combined weighting than the speed to 13-week full outcomes performance measures in Streams 2-4.

**Step 3: Ratio of actual outcome to predicted outcome**

Step three calculates Performance Scores for each performance measure, which is the actual achievement divided by the expected achievement. For example, a site which has achieved 20 13-week full outcomes in comparison with the expected number of 16, would have a performance score of 1.25.

**Step 4: Normalise the distribution**

Because scores for the different performance measures can have different ranges, the scores have to be standardised so that they are on the same scale. This is done so that the different weights can be applied in a valid way.

In looking to apply the rating steps by analysing the data for more than one site, it is easy to see why standardising scores by dividing by the caseload numbers for each site (for each measure) is essential. It will also be easy to see why the different performance measures need to be rescaled to identical ranges.

**Step 5: Calculate weighted sum of all outcomes**

As mentioned above, a separate regression is calculated for each performance measure. The resulting score for each performance measure is then weighted according to the weights for each measure.

**Step 6: Apply ratings distribution**

The final step in the process is to rate the total score according to the cut-off bands as described in Table 1.

## Performance Information for JSA Providers

### Ad-hoc and operational reporting facility

An extensive range of activity and outcomes data are available to JSA providers through ESD4 reports. The reports will allow highly detailed ad-hoc analyses to suit individual provider management needs. JSA providers can use the Business Intelligence Portal to examine data on job seeker referrals, registrations, job placements, claims and payments.

### Standard Reports and Comparative Statistics

Statistics allowing JSA providers to compare their performance with others will also be available on a weekly basis. The calculation of reliable comparative statistics such as averages, maxima and minima will require the accumulation of sufficient data.