

NESA Submission Industry
Information Paper Indigenous
Outcome Targets Performance
Framework



30 January 2017

Sally Sinclair, CEO

National Employment Services Association

Contact

(03) 9624 2300

nesa@nesa.com.au

www.nesa.com.au

About NESA

NESA is dedicated to creating opportunity for all through employment. Our mission is to lead a sustainable, effective and diverse employment and related services industry.

NESA is the peak body for all of Australia's world-renowned contracted employment services which provide labour market assistance to improve opportunities and outcomes for disadvantaged job seekers and employers. Our members include not-for-profit and private organisations that have extensive coverage of jobactive, Disability Employment Services (DES), the Community Development Programme (CDP), and other complementary programmes such as Transition to Work (TTW).

Overview

NESA fully supports parity targets

NESA believes the jobactive Indigenous Outcomes Targets (the targets) to be a critical element of the Government's overall efforts to close the gap in employment outcomes for Indigenous Australians. NESA is fully committed to this task as noted in our draft paper recommending ways to improve Indigenous employment rates (attached).

However we are aware that the way in which the targets are applied and how they are used to inform provider practice will determine their effectiveness, and we have significant concerns about the draft proposals issued by the Department of Employment on 19 January 2017.

NESA believes more consultation is required to ensure this important initiative is successful. We recommend a broad programme of consultation, research and analysis inclusive of providers, employers and Indigenous communities in order to gain a clearer understanding of the barriers to closing the gap in Indigenous employment outcomes and the lack of progress to date.

The targets should be transparent and usable

Feedback from members indicates that the proposals in their current form complicate the calculation and presentation of target data and remove it from the grasp of operational-level staff.

NESA recommends that the targets provide direct information about local, site-level performance. NESA also recommends transparent and publicly available target figures so that providers can gauge how they are tracking.

The targets must be applied fairly and helpfully

Members have indicated that the current proposals do not allow close consideration of local community differences, they have been tabled with insufficient time for feedback and appropriate sector consultation and they may be potentially disruptive for job seekers and the market.

NESA strongly recommends that the Department exclude the targets at this stage from business reallocation processes. Instead they should be used to inform the development of effective policies at both a local and national level.

Enhancing performance and improving Indigenous employment outcomes

Indigenous employment participation statistics are worsening. The targets have a role in turning this trend around but not on their own. There is a need for carrots as well as sticks, including more effective community-based approaches and employer engagement. This requires collaboration and investment. Data from the targets should inform provider capacity building, policy changes and investment including:

- ensuring all Indigenous job seekers have access to Stream C levels of resourcing

- allowing providers to make decisions about appropriate training and mentoring resources
- additional resources for regional jobactive driver's license initiatives
- wage subsidies being available from four weeks for all Indigenous job seekers.

Comment

Appropriate and inclusive consultation is required for such an important and new initiative

While the targets were described at a high level in the jobactive deed at the outset of the contract 19 months ago, little information has been given on their detail and how they would impact on providers. Over this period, providers have sought clarification and raised concerns, both through NESA and directly to the Department of Employment (the Department), about a range of issues including the application of the targets and their potential impact on business reallocation. The 19 January paper does not address many of these concerns.

The paper was released on 19 January, with comment requested by the 25 January. Five days is insufficient for NESA to undertake a comprehensive consultation with our members especially at this time of the year. It is also insufficient time for members to make a detailed interrogation of the possible implications of the proposals through discussions with operational staff and analysis of their own data.

It is also important to note the context in which this consultation is taking place: we are informed by the Department that performance in jobactive against targets across the board has been disappointing and that the data in the next Closing the Gap report show a negative trend in employment participation. This indicates a need for a more detailed investigation of the programme settings including all aspects of the performance framework, use of the employment fund and more.

NESA recommends that the Department undertake more detailed and transparent research, analysis and consultation with providers, employers and Indigenous communities in order to better understand the challenges and barriers to closing the gap in Indigenous people's employment outcomes.

The targets should work as incentives at all levels of jobactive

The point of a 'target' is to provide something to aim for and to measure progress against. Targets should be a positive driver for providers and their staff. The idea of parity between Indigenous and non-Indigenous jobseekers, which is contained in the initial policy design for these jobactive targets, is relatively simple to grasp at a local level and should translate to transparent goals for staff to estimate and work towards.

However, the proposals do not appear to facilitate this. Rather they may potentially significantly complicate the process and remove it from the grasp of operational level staff through weighting and averaging.

Averaging weighted figures across nine targets may impact local performance

The proposed calculations to form a single figure for each region rather than use local nuanced target information may erode the capacity for the targets to provide clear, transparent incentives at a site level. The reality is that the outcomes and related challenges are very variable across sites in a region (as the paper acknowledges) which means that the proposed averaged target figures will not provide informative transparent data about site performance for performance discussions. The aggregated number won't necessarily be helpful for identifying where sanctions can be

appropriately applied and does not encourage properly local extenuating circumstances be considered.

The proposals to average across weighted streams and outcome types will also make the figures near impossible for local staff to estimate or calculate, even once they know their overall outcomes. It also removes agency from local staff in achieving their targets or in communicating about their targets across sites or providers.

The proposed calculation method adds unnecessary layers of complexity and is not easily translated to daily operations. Providers have indicated that they would prefer simple raw numbers and indeed many strive to produce these for their own sites. Site staff should be aware of, for example, the percentage of Indigenous Stream A job seekers in a given time period and have sufficient information to translate that percentage into the actual number of Indigenous people they will need to achieve outcomes for, based on their overall outcome prediction rates. It seems redundant to add in weightings similar to the Star Ratings or outcome payments. These are already strong indicators for resource allocation and do not need further emphasis in the Indigenous Outcome Targets. The principle of parity should be enough at a local level to drive performance. It is also important that staff can see the relationship between how well a site does overall and its Indigenous targets.

NESA recommends that the calculations for the targets provide information about local site level performance without weightings or averaging. The parity outcomes should be clear in the figures. The detail to be determined is the proportion of Indigenous jobseekers in any given local stream and the related proportion of Indigenous employment outcomes. As noted below we do not think these raw figures should be used on their own to determine sanctions.

[The targets should improve understanding at all levels about how the jobactive programme can work better for Indigenous jobseekers:](#)

Other elements of the jobactive performance framework that involve detailed data, analysis and reports inform key business decisions and directions. This performance information also supports performance discussions with Contract and Account Managers and is used by Department staff to consider regional or national trends and how to improve the programme overall. Clearly this kind of activity should also be possible with the targets but it requires more transparency and information than has been conveyed to date.

At this stage of the contract, providers have had minimal insight as to how they are tracking against the targets or in comparison to other organisations. In future, an early intervention approach would be more effective. Providers should have regular consultation with the Department within each performance period. Advice and guidance should be given to providers long in advance to allow proactive fixes along the way and to avoid reactive and sometimes disruptive activity. There should be no surprises.

NESA recommends transparent and publicly available target figures so providers can see how they are tracking. This could also helpfully provide regional level, cross-provider figures so regions can similarly gauge their performance. There are many factors beyond jobactive impacting on success that could usefully be explored.

The targets must be applied fairly and helpfully

This section outlines the range of concerns that NESA has with how the current proposals intend to apply sanctions based on the targets.

Limitations to a sanction-only approach

NESA feels that the fact of a provider failing to achieve targets is valuable information that would be better used as a starting point for investigation into what could well be systemic failures, rather than automatically leading to provider sanctions. The latter reaction holds the implicit conclusion that a failure to achieve targets is singularly the fault of the provider themselves, which may be overly simplistic. The complexity of the day-to-day reality that providers have to negotiate to get people into work is such that failures to achieve targets can result from any of a host of factors, many of which are not under the direct control of the provider, but which could fruitfully be investigated by the Department with a view to improving the system as a whole.

With the understanding that Contract Managers and Account Managers will have a key role in the decisions made as to how a provider's performance will be best managed, we encourage the Department to visit the communities they are reviewing and gain a thorough understanding of the issues faced at the local level to enable relevant and informed decisions to be made.

Need to allow consideration of local community differences

The 'playing field' across which the proposed targets are to be applied is not even. In some very thin labour market sites, more than 80% of a provider's caseload can be Indigenous. In some of these environments the scarce jobs may go to non-Indigenous job seekers due to a range of factors including in particular, discrimination. Assessing parity and comparing with other areas in such situations and also averaging out differences may lead to inaccuracy of the resulting data.

In some of these communities' providers aim to take a 'whole community' development approach. This kind of support takes time to build and develop and it is essential that the targets provide an incentive for this to occur, not sanction providers in the early stages.

When evaluating extenuating circumstances, the Department needs to consider some of the entrenched local issues providers face and look at the broader picture of how providers are engaged in assisting the community now to tangibly address issues in the future. Furthermore, this evaluation can only sensibly happen at a local community level, and not a regional level as is the stated aim of the averaging calculation. The Department needs to recognise the significantly different challenges for providers with much higher proportions of Indigenous job seekers on their caseload and of varied labour market responses in thin labour markets.

Insufficient and untimely information makes sanctioning at this stage unfair

There was no forewarning of the Department's intention to weight the targets according to the various streams. This could mean that a focus on Stream A that may have been adopted in some areas will now be unfairly sanctioned. Moreover, all new elements introduced into the programme take time to bed down and with insufficient information providers have not been able to do this effectively. Indeed the current paper still does not provide sufficient information to allow them to make the calculations themselves, as it does not detail proposed weightings for the 4, 12 and 26 week outcomes. We also note that the paper indicates a 'regression analysis' will be considered as part of the principles for applying sanctions, however it is unclear how that will work, how it will take the caseload proportion into consideration or how it will guarantee clarity and transparency.

Some providers note that they are constantly forecasting when doing their own calculations and have observed discrepancies and inaccuracies in the Department's calculations which have been

recognised when raised. There is therefore a valid concern amongst providers that the unclear nature of the proposed calculations will mean that future inaccuracies will go uncorrected. Greater transparency and nationally published results will assist with this.

It is also worth noting that these targets differ from the other performance measures and incentives such as outcome payments, Star Ratings and the Quality Assurance Framework and have not yet been tested in full. It is therefore premature to apply sanctions based on these targets at this stage.

Missing data

It has been drawn to our attention that the current target performance report on the portal is based on data up to 31 December 2016. In contrast, the Star Ratings for the same performance reporting period were calculated up until 6 January 2017. Furthermore, the future performance reporting period for IOT is stated as starting on 6 January 2017. This means that the outcomes lodged in the interim week are not accounted for.

Unproductive disruption for job seekers and the market and undermining of choice

Providers are confused as to why sanctions apply to the whole caseload as opposed to sanctioning the Indigenous caseload only. This action, layered with the 18 month jobactive Business Reallocation that is set to take place concurrently, will create complexity and additional disruption to job seeker servicing and potentially undermine job seeker choice.

Undermining of the Star Rating incentives

There is misalignment between the Star Ratings methodology and the targets. For example, an under-performing provider in the Star Ratings has lower targets to achieve and if the sanctions are too heavy for the targets it could provide a perverse performance disincentive. It is also worth noting that the four week outcomes are not measured under the Star Ratings but are accounted for and weighted in the targets. Although the difference may seem minimal, it begs the question as to how these differences impact the outcomes of both processes on business reallocation overall.

NESA strongly recommends that the Department exclude the targets at this stage from the business reallocation processes, using the data rather in the development of effective policies at both a local and national level that will elicit better progress.

Enhancing performance and improving Indigenous employment outcomes requires collaboration and investment

Lack of progress-should set off alarm bells

The Department has indicated on numerous occasions that the majority of providers are not achieving their targets. NESA suggests that this observation be used to drive a review of the intricacies of the targets, to identify if the issues are practice- or policy-related and to determine where enhancements can be made to ensure providers and job seekers alike are supported to achieve the targets.

Indigenous employment participation statistics have also been worsening. NESA has been preparing a paper (attached) which outlines a range of ways we could collectively improve outcomes and it is clear that no isolated initiative such as the targets can work alone. This is especially the case if the targets are used as a stick not an incentive to better work together and change a longstanding and difficult problem.

An effective community approach requires collaboration and investment

The support needs for some of the Indigenous cohort can be extensive and different from many other job seekers. Some examples of factors that impact and hinder the successful achievement of

employment or training attainment can include discrimination, cultural differences, community expectation and lack of opportunities within the local community. Unfortunately, due to unfair generalisations and misconceptions, some individuals in smaller communities have little chance of finding employment if employers have previously had a negative experience with an Indigenous person.

As noted, part of the solution to overcoming some of the challenges for Indigenous job seekers is investing in the community more broadly, which has pay-offs for all providers in the area. Effective collaboration with complimentary programmes such as VTEC and IAS can also be very important. All of the consultation on this point has indicated a need for providers to better collaborate within a site and across a region to ensure broad community development, positive employer engagement and investment in mentoring, cultural competence and pastoral care. The proposed sanctions may work against the desired collaboration.

One innovative suggestion from a provider is to apply the targets to a region or area across providers rather than for individual providers, so that collaboration is required. This could then create competition between regions to achieve better Indigenous employment outcome parity instead of between providers. NESA believes this idea is worth exploring further and could also be used to assist collaboration with the demand-side initiatives of the Department of Prime Minister and Cabinet as well as local and State governments.

More successful employer engagement requires collaboration and investment

Providers that work with the most disadvantaged job seekers, and in particular Indigenous job seekers, need to overcome employer prejudice and understand Indigenous culture. This can require double the investment in pre-employment and post placement mentoring. In some regions it also requires significantly longer hours due to travel requirements.

This kind of investment in successful employment outcomes and better informed employers benefits all providers in an area and NESA encourages greater financial support in this area.

Data from the targets should inform provider capacity building

Best practice needs to be shared across the industry to assist all providers to effectively achieve their targets. The breadth and depth of expertise contained within providers needs to be shared. The benefit of doing so is that individualised approaches can be implemented at the local level based on local expertise. This is not the case with a one-size-fits-all approach.

NESA acknowledges the Department conducted some training intended to assist providers to achieve the targets, but it was insufficient. Feedback is mixed and some matters were not addressed comprehensively. For example some providers felt the sessions tended to focus on addressing Indigenous employment within cities as opposed to regional areas which doesn't necessarily align with the needs of all job seekers.

Data from the targets should also inform policy changes and investment

NESA and our members are very clear that there are several things the Department could do now that would improve Indigenous employment outcomes. These proposals should be informed by the target results via detailed analysis of the use of the employment fund, of wage subsidies and of community impact. There are clear issues that should be evident in this data and which, as suggested above, the sanctions will not overcome. Many of these issues and proposed fixes are outlined in the attached paper and a few are listed below:

- Inappropriate streaming of many Indigenous people leads to poor referrals and inadequate resources. Some providers have informed us of instances on their caseload of Indigenous job seekers being referred to Stream A when they have just been released from jail, have depression and no recent work history.

NESA believes the poor target performance is a clear rationale for ensuring all Indigenous job seekers have access to Stream C levels of resourcing. This will significantly improve outcomes.

- The Employment Fund is under-used for many non-accredited but critical training options. Some providers list Indigenous job seekers who have many accredited certificates because they can be funded, even though they are often not suitable for an individual. For example, one job seeker with limited use of his hands wanted to work in horticulture but instead obtained a hairdressing certificate. Often behavioural training would be more useful.

Another provider had multiple applications turned down for pre-employment training targeted at Indigenous job seekers by a major employer. This had a significant chance of positive outcomes as it was supported by a Department of Prime Minister and Cabinet Initiative. The provider was advised to apply under the TPEP however the job seekers on the caseload were Stream A, who are excluded.

NESA believes the Department should measure how much training is provided and its outcomes, rather than focus on the kind of training. It would be best if providers were able to make decisions about appropriate training as they have the most relevant information.

- Funding related to driver's licenses has been a longstanding challenge. All providers are allocated the same amount of money to address this issue but there is no account for additional funding needed in regional areas: the \$1100 amount will not fund a driving school to go to a location and teach people how to drive. The consequences go beyond employment. In some cases people drive illegally, are caught, and without employment or funds to pay fines they can end up in prison creating a vicious cycle of deprivation.

NESA recommends a driver's license taskforce as described in the attached paper and in the interim additional resources for regional jobactive provider driver's license initiatives.

- Providers have found a significantly higher conversion rate into longer term employment for positions with wage subsidies when a Stream B or C job seeker reaches a 4 week outcome. However, currently they are only available after six months for many job seekers

NESA recommends wage subsidies be available from four weeks for all Indigenous job seekers.