5. Reinventing service delivery

One reason for Centrelink’s creation was to improve the quality of service for the unemployed and those on income support. This chapter examines how Centrelink sought to achieve this, considers how its services changed from the customer’s point of view and identifies some of the successes and difficulties. The focus is on the customer’s perspective of Centrelink and its services.

The rationale for a service delivery agency can be found in how it conceives of and handles its core responsibility. This involves how it engages the customer through its conception of the customer relationship and the design of service delivery structures. Customer-oriented service design includes the service concept and the service delivery system covering physical aspects, staff and access processes (Flynn 2007). Recognition is necessary of the policy context of service delivery on the one hand and of management support for it on the other—in particular, service culture. Important issues arise from balancing the conflicting demands of cost efficiency against responsiveness and, importantly, service quality for the customer.

Centrelink’s role and priorities were defined in terms of service delivery and evolved with time. The political executive had clear views, with the Prime Minister observing that Centrelink would achieve ‘a balance between compassion and responsibility’, be ‘a more human face’ yet ‘more efficient’ and ‘lead to far less public dissatisfaction’ (Howard 1997). The Minister for Family and Community Services, Jocelyn Newman, agreed: the change ‘was the result of long term public dissatisfaction with the existing arrangements…Centrelink was set up not only to maintain, but [to] improve, services to the Australian people’ (Newman 2000a).

Centrelink’s own conception became ‘service delivery as the right services provided to the right customer through the right channels’ (Vardon 2002c:9, 1998d). It was expected that by 2005 ‘the key elements of service…for Centrelink customers will be access, choice, value, integration, connecting and brokering’ (Vardon 2002c:11). According to Paul Hickey (2004:1), deputy CEO with responsibility for service delivery, the arrangements were reviewed to meet several aims: ‘maintenance of quality customer service principles; better access to services for customers; improved quality in decision making; and greater efficiency in operations’.

The policy context of Centrelink’s growth and other external pressures affected its service delivery role with time. The early political climate placed a strong emphasis on the new Centrelink becoming more efficient and effective. Later, Centrelink would redesign its services in response to the government’s agenda for welfare and other reforms. This chapter explores Centrelink’s response to
these challenges in moving from the supply of diverse but individual government programs to more holistic, integrated customer service. As the organisation developed, the delivery model evolved through stages, becoming more streamlined as challenges arose with system and customer relationships.

**Challenges and constraints in a customer focus**

Government support for its new agency gave Centrelink leaders the opportunity to create an organisation able to meet its expectations of being the government’s ‘human face’ and to design delivery structures for programs that would assist customers. Centrelink’s focus on customer satisfaction was clearly supported by the government’s wish for less dissatisfaction, yet there were significant constraints on achieving this goal.

The two fundamental tensions were between efficiency and customer needs—the former a particular focus of the government and departments, the latter a foremost concern of the specialised delivery agency. A subsidiary tension was with the process of administering programs, which had (selective) customer relevance and efficiency implications.

The first major constraint was the equal emphasis of the government on the need for Centrelink to be efficient and effective. The efficiency dividend required by the government as part of the Centrelink solution meant heavy staff reductions early on and a strong emphasis on productivity improvements through staff behaviour and technology. Furthermore, almost all the staff of the new organisation had come from two public service departments with attitudes based on an older, more regulatory culture. Their willingness and ability to change were unknown and untested.

A third constraint was that departments previously responsible for delivery of the services were now paying Centrelink for its services. They continued to design the policies, and the programs that flowed from them, and could specify how and at what level the services were to be delivered. In the early days, they tended to micromanage Centrelink activities. While Centrelink could decide the environment and the culture of how each service was delivered, at times it had a limited role in designing the service itself.

Fourth, there was a need to find a balance between improving customer services and meeting the expectations of client departments to deliver the programs for which they were accountable, with accuracy and assurance. When the Audit Office questioned the accuracy of payments to some customers and a study of errors two years later attributed most of them to Centrelink, what were the repercussions?

Fifth, a frequently changing policy agenda required constant changes to processes in Centrelink, requiring staff to develop new skills and knowledge and adopt new ways of working. Training and development became high priorities for the
organisation. The capacity of Centrelink’s IT managers to implement new policy programs quickly, to make the needed changes to meet government expectations and legislative requirements and to develop staff capability in the changed arrangements became a major issue.

Finally, there were issues of contestability and seeking new business. How much energy should be expended on tendering for new business and what impact would it have on existing customers? Most crucially, finding a workable balance between the costs of spending time with customers to ensure their needs were understood and met and developing and encouraging cheaper forms of customer service became a key determinant of Centrelink’s redesign of its services. Customer satisfaction survey results provide one indication of Centrelink’s relative success in managing these opportunities and constraints.

Customer satisfaction

Despite considerable effort, Centrelink experienced difficulty for much of its early life in improving its customer satisfaction ratings much above those of the DSS in 1996. Apart from November 1997, when the results could have reflected the promotion of the organisation as well as the quality of its services,¹ it was three years before the overall customer satisfaction levels reached the level recorded in November 1996 (69 per cent). In November 2000, they rose significantly to 76 per cent and remained close to that level for the next two years with a new high of 81 per cent reached in 2003 (customer satisfaction surveys data).²

Table 5.1 Quality of Centrelink people, services and information*

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¹ percentage rating good and very good
² Department of Social Security

An independent evaluation in 2002 by the Boston Consulting Group (BCG) of Centrelink’s cost efficiency found that customer satisfaction dipped as efficiency gains were sought between 1997 and 1998, largely through staff reductions and technology-driven productivity gains. Satisfaction rebounded to better levels as costs per unit of workload stabilised in 2000–01 (BCG 2002:24). The BCG also reported that ‘beneficiary representatives interviewed over the course of the project support the view that service levels have increased over time and that, relative to other agencies, Centrelink’s customer service is good’. It concluded that ‘almost all stakeholders acknowledge Centrelink’s achievements in merging two service delivery networks, creating a new, customer focused organisation, achieving “huge cultural change”’ (BCG 2002:26).
Overall satisfaction with CSCs reached 85.5 per cent in 2002 and 83 per cent in 2003, and, for call centres, the level rose to 87 per cent in 2002 and 88 per cent in 2003 (Centrelink 2003a:46; CSS November 2003:38).

Creating a service culture

The government wanted an agency ‘focussed on, and specialising in customer service’ (Ruddock 1996) and Vardon, who came to Centrelink with a reputation for a customer-focused approach—even when, as head of Corrective Services in South Australia, her customers were reluctant ones (Australian Financial Review, 19 June 1995, p. 12)—was determined to create one. The immediate emphasis was on creating a stronger customer ethic in the agency’s staff: ‘they were shocking…the cultures of the organisations that they’d come from were so terrible’ (Vardon interview 2001). Before developing a good customer service ethos, the staff had to feel that the organisation supported them. A study was undertaken using a series of focus groups of the culture of the staff’s previous organisations. The data were analysed as a basis for determining the kind of culture for the new organisation (see Chapter 4).

The former DSS had begun a trial of a fresh approach to its office layout and design to support a customer-friendly environment. This approach was adopted throughout Centrelink and played a large part in changing staff attitudes to customers and changing customer attitudes to Centrelink. Vardon stressed the importance of the environment as symbolic of change to staff and customers alike. It was crucial to establishing a team atmosphere and culture, she argued (Vardon interview 2001). A program of office refurbishment began to produce cheerful, open-plan offices, in which staff were required to wear name tags and many more were brought forward to work at the front desk instead of processing in back rooms. A focus on queue management attempted to reduce waiting times for customers and those seeking information rather than an interview were able to obtain it without queuing. Service by appointment started.

Developing a common approach to customers took time. Staffers who had previously worked with the employment services were used to finding innovative solutions to maximise the help they could provide; those with a social security background were more concerned that the applicant was really eligible, met all the criteria and complied with the legislation being administered. ‘So at every level we had cultural changes, cultural differences between the two’ (Vardon interview).

Negotiations with the CPSU in relation to staff employment conditions focused on customer service issues and gradually extended the hours that Centrelink offices were open.

Before the formal launching of Centrelink, Divett, the deputy CEO-in-waiting, indicated in Senate Estimate Committee hearings that the one-stop shop was
headed towards a concept of more personalised service. Minister Newman said of the shift (already taking place in some 60 combined DSS–CES locations in June 1997): ‘It’s almost like a meeter and greeter in a hotel.’ The secretary of the DSS, Tony Blunn, balanced this image with a reference to the savings made possible by amalgamation and the placing of Centrelink on a business model to achieve efficiencies and effectiveness (Senate CALC 1997b:214).

The impact of staff on customer perceptions was, however, highly significant. Surveys consistently showed that ‘while other aspects of Centrelink performance were found to influence customer perceptions of Centrelink, the impact of staff [42 per cent] was found to be four times greater than the next most significant predictor’ (CSS May 2000:4). The impact of staff remained almost constant in the surveys. Other service aspects that had a significant impact on customer perceptions of Centrelink overall (in order of priority) were identified in 2000 as: the payment process (14 per cent), ease of making a complaint (12 per cent), Centrelink forms (11 per cent), Centrelink letters (10 per cent) and ease of accessing Centrelink services (7 per cent) (CSS May 2000:4). While the order of these other aspects changed with time, the contents of the list remained almost constant.

The quality of Centrelink staff was also rated and showed a general improvement, particularly after mid-2000 (Table 5.2).

### Table 5.2 Quality of DSS/Centrelink staff overall (per cent)

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* not seen
** no overall figure

Nevertheless, not everyone was keen on the direction Centrelink was going and many considered the use of the term ‘customer’, which had just begun to be used in the DSS and was adopted by Centrelink, to be inappropriate given that the recipient had no other place to go. The response was that if Centrelink did not perform adequately the government was likely to seek other administrative options.

### Understanding customer attitudes

The national and local surveys of customer satisfaction begun by the DSS were continued and were supplemented by a program of ‘value-creation workshops’ to identify what customers valued. These workshops were attended by office staff and their customers and involved groups of customers ranking what they considered to be the 10 most important components of good service and rating their Centrelink office on how it performed on each, while employees listened and watched and rated themselves. Major customer irritants were also identified and, together with the list of what customers valued, formed the basis of a
customer service improvement plan for that office. The workshops were regarded as having ‘a powerful impact on the people of Centrelink and generated an impetus for change’ (Vardon 1998d:2).

Programs to make listening to customers a continuing part of the culture beyond Centrelink’s early days were continued. Almost 10,000 customers were engaged in the value-creation workshops with Centrelink staff during its first two years, with more than 20 sessions run in non-English languages. In 2002–03, 165 workshops were held. What became clear was that few customers knew or cared about governmental structures, but they did care about being able to relate their problems once rather than many times, prompt and efficient service and being dealt with accurately by friendly, caring and knowledgeable staff. They also appreciated choice of access and a welcoming and comfortable office environment. Much of Centrelink’s service delivery redesign and many service improvements, locally and nationally, were based on the messages from these workshops and the national and regional satisfaction surveys.

Centrelink customers were also given a service charter. The government reached the view that the Public Service needed to be more accessible to the community. Drawing on the newly introduced service charters in the United Kingdom, the government introduced Client Service Charter Principles for Commonwealth agencies in 1997 (Department of Industry, Science and Tourism 1997). By late September 1997, Centrelink’s Customer Service Charter was in place and displayed in all its offices. The charter established a range of agreed service standards for staff and customers. A broad range of customer surveys assessed the effectiveness of the charter. As in earlier charters, these principles were broadly expressed and lacked specificity about service effectiveness. Nevertheless, they reflected a new notion of reciprocity and mutual responsibility between citizen and public servant. This notion was to become a key theme in the development of Centrelink.

Designing the delivery structure

A clear sequence of service delivery models was explicit in Centrelink’s planning and developmental pathway.

Phase one: service integration

Before Centrelink, several federal departments provided a range of social, family and employment services and the possible recipient of any service needed to know which department provided what service. Service suppliers were not always co-located, they could have different opening hours and, outside cities, could require recipients to travel from one town to another to obtain assistance. The creation of Centrelink changed all that, as service delivery for a range of policies was transferred to Centrelink and recipients no longer needed to understand specific departmental responsibilities, as Centrelink became the
central provider. Nevertheless, within Centrelink, each type of payment and service—families, pensions and employment—was delivered separately for several years (Figure 5.1).4

**Figure 5.1 Post creation: Centrelink with payment streams**

As well as now visiting or accessing by phone one office for most of their needs, applicants could expect to have requests and advice supplied by a range of service officers with specialist knowledge. Customers could see staff at work, use touch-screen facilities and access privacy areas for consultation and interviews. In practical terms, an immigrant who formerly had to deal with DEETYA for employment and training issues as well as the DSS for income security matters could be assisted in one place, and expect interpreter services. Recruitment targeted a more culturally diverse and multilingual employee base, with particular attention to Indigenous staff.

In spite of these significant changes, Centrelink retained multiple reception counters and queues, program-specific phone numbers and teams organised by customer segments. Customers still had to identify their own needs and join the right queues. While customers were now able to come to one office, called customer service centres (CSCs), within that office service was provided in silos. Sometimes this was convenient for customers—for instance, services for retirees or veterans were separated from those for job seekers; other times, it was not, as customers with complex problems often had to join multiple queues and retell
their problems to several people. At times, particularly in large CSCs, backlogs ran close to 10 per cent.

A further area of development and refinement involved call centres. The aim in the initial two years was to improve the integration of services between the call centres and the CSCs and to re-engineer workflows and processes to improve service delivery. Telephone services, inherited from the DSS, were increasingly heavily used. In the May 1997 customer satisfaction survey of the DSS, just before Centrelink was officially created, the survey revealed that the telephone service, and each of its attributes, was the weakest area of operations. Reducing the length of time customers were kept on hold and making it easier to get through without being cut off were key priorities. By November 1997, some improvements had been made but these were offset by the chaos that accompanied the introduction of youth allowances (see Chapter 2) the next year. Customers surveyed expressed impatience with not being able to get through.

In 2001, DBM Consultants surveyed service-related expectations of Centrelink customers through 60 in-depth interviews. Customers were shown to have different time expectations for the two services, with an expectation of quicker service when telephoning Centrelink than when dealing with staff face-to-face (DBM Consultants Pty Ltd 2001). Those using the telephone expected to reach a point of service within five to 10 minutes; waiting on hold for five to 10 minutes was acceptable. A wait of 15 minutes was too long but still acceptable, while a wait of more than 20 minutes was considered unacceptable. In contrast, customers visiting Centrelink offices considered it acceptable to wait in a queue for 10–15 minutes.

The growth in calls continued and, by the close of 2001, Centrelink was handling 22 million calls of increasing duration a year. This increase was disproportionate to the growth in call centre staff. Free-call facilities were offered in 11 foreign countries and Centrelink’s call centres were benchmarked as best practice within the industry. Because the call centres shared a platform with CSCs, callers could gain access also to particular sites or specialist officers. Streamlined voice prompts were designed to assist self-servicing of personal information and applications. As a further refinement, by mid-2001, Centrelink’s interpreter services had increased to 2000 on-call interpreters, representing more than 60 languages and providing close to 46 000 interpreter services.

More generally, the work of Centrelink was changing and broadening from transaction-based assessment and entitlement to include planning and referral activities and continuing customer support. Managers were encouraged to seek staff suggestions and solutions and to ensure these were seen to be valued. The changes in work required the building of organisational knowledge and learning and staff needed new and improved workplace and customer skills.
Phase two: one-to-one service approach

By the middle of 1998, Centrelink had decided on a new service delivery model. Announced by the new minister, Warren Truss, in November 1998, it was a plan that was to take seven years to be fully implemented. The first stage of what was called the ‘life events’ model—because it was focused on the events customers experienced during their lifetimes—was the introduction of the one-to-one service. At this time, much of what customers said they would value was not yet available. Many customers still had to queue several times, provide identification more than once and repeat their problems to staff members before they could be fully addressed. No single staff member knew their full story or could be referred to again when situations changed. In the next two years, however, the separation of services into silos within Centrelink gradually began to change.

By the end of 1999, customer service officers were being allocated responsibility for a pool of customers. They were linked electronically to each customer’s record and would generally handle all business relevant to them. Customers had, in theory, to tell their story only once—to their one-to-one officer. Those who required this more personalised approach could make appointments with their one-to-one officer through a special phone line. Not all Centrelink’s six million customers could be given one-to-one service, and many did not want it, but it was an attempt by Centrelink to see whether it could enhance the quality of service it provided to those who needed it. Additionally, a stronger emphasis was placed on brokering solutions across payment streams and linking customers to other government and non-government agencies as necessary. A collateral benefit for the organisation was seen to be a more even spread of work, greater staff satisfaction, reduced customer traffic and reduced arrears and reviews (Vardon 2002b:50). A once-only proof of customer identity through an identity number was designed to reduce service time and promote customer profiling and risk assessment. Risk was assessed contingent on the level of payment and its expected duration.

While Centrelink had promoted one-to-one contact since 1999, the national customer satisfaction surveys from 1999 to 2001 indicated that usage was quite low—about 20 per cent of customers surveyed said they had used the service in the previous six months. Many of those who had not used it had not known about it. The other main reason for not using the one-to-one contact was that they had no need to do so. Respondents from Austudy and Youth Allowance segments were least likely to know about the service. Those who did use the one-to-one contact service were very satisfied with it (93 per cent in 2000 and 90 per cent in 2001). The most common reasons given for customers preferring to see their one-to-one contact was that staffers knew their case history, they
preferred a familiar face and could deal with matters too complex to handle over the phone.

The Customer Expectations Survey reinforced Centrelink’s view that one-to-one was an important service for those customers who had experienced continuing problems with Centrelink and repeated contact with staff. Conversely, many customers who had little contact with Centrelink saw no benefit in having a single point of contact. In general, the one-to-one contact was seen as a desirable expectation (DBM Consultants Pty Ltd 2001:58–9). The development of one-to-one service, however, significantly increased the cost of service delivery.

One-to-one remained the most expensive service offered by Centrelink. Alternative, cheaper methods of service delivery had to be found if Centrelink was to remain within its budget.

**Phase three: life-events model of service delivery**

Centrelink looked to transform the delivery of public services with a new service delivery model based on a life-events methodology. This notion was a key mechanism by which Centrelink was to deliver on the one-stop shop (Vardon 1998d; Centrelink 1999b: Appendix B, p. 9).

The range and complexity of the services provided by Centrelink and its predecessors had confused customers about the system and the support they were entitled to. The life-events model identified the key times of change or crisis in people’s lives and designed services around them. To make it easier for customers, they would be asked to identify only their problems; Centrelink staff would then take responsibility for recognising what services would best meet their customer’s needs.

The onus would be shifted from the customer to Centrelink staff, supported by their IT system, to ask questions of the customer that would enable a complete and accurate matching of needs with available products and services, including internal and external referrals. Customers would no longer ‘have to spend their time trying to locate the part of Centrelink that deals with their particular situation. However they choose to approach us the response they receive will be guided by the “life event”, which has prompted their contact with us’ (Vardon 1999c). The challenge was to provide staff with the training and understanding to enable them to handle the new approach.
The model aimed to support a more intuitive, logical approach and be immediately recognisable to customers, thus facilitating the transition in time to self-assessment.

Centrelink tried particularly hard to provide improved services to at-risk groups. Information on the life-events model was successfully delivered in 34 languages in communities in regional Queensland in 2003 (Innisfail Advocate 2003). In Victoria, community-based programs for those customers who experienced severe need, or who formed the most at-risk group, were designed to reach into the community where customers could be met on their home turf rather than in the more formal circumstances of a Centrelink office and without the normal time constraints on interviews (Vranjkovic 2003). Further outreach services were planned in sensitive rural areas to minimise aggression between customers and Centrelink staff (Centrelink interview). In this instance, it appeared that cost drivers were secondary to effectiveness, but overall cost efficiencies remained the key to the provision of improved services.
Phase four: re-engineering

The fourth phase, of re-engineering, operated in parallel with the further development of the life-events model. It involved a three-year process (2004–07) of bringing together into one integrated national network all the parts of Centrelink to gain increased efficiencies, improve decision making and improve access for customers. Customer Services Support Centres (CSSCs) were created to specialise in those areas of work that did not require face-to-face contact with customers and to assist the call centres when telephone demand was high. Processing services would be consolidated and rationalised in the CSSCs. The aim was to increase the capacity of CSC staff to spend enough time with those customers who needed greater help with meeting the participation agenda and to reduce the problem of peak call centre demand. Much of the processing of allowances and assistance, reviews and data-matching programs was to be transferred to the CSSCs where expertise could be brought together and developed.

A high priority of the re-engineering was to develop improved customer self-service options over the Internet or by telephone in selected accredited locations, so that, through the Customer Account, customers would be able to...
complete what were high-volume transactions for Centrelink, such as amending personal details and receiving advice on changes (Hickey 2004).

**Customer access through IT and channel management**

Information technology was crucial to Centrelink from the start. DSS computers and IT staff were transferred to Centrelink to enable the payment of income support to continue. In contrast, the department responsible for employment chose to provide access to Centrelink to its computer network but to retain ownership of it within the department.

The size and scope of Centrelink’s IT were significant. By 2004, it was considered to be the fourth-largest IT operation in Australia, with more than 35 000 personal computers in its network processing 14 million transactions a day. Centrelink’s provision of income support was regulated by more than 80 000 rules. Every small policy change involved rule changes and associated coding changes. Each major new policy created and changed rules about eligibility and payment and generated new and revised coding. Each change had to be made, tested and documented, with new or revised forms and letters generated, and the changes explained to the staff on the front desk responsible for implementing the policy with customers. Bringing together six programs into one Youth Allowance program created delivery problems for Centrelink in meeting the government’s policy start-up deadlines.

Centrelink extended the call centres inherited from the DSS to become an increasingly important part of its business with customers. Each year, the demand for services grew and, by the end of 2002, there were 4500 people working in Centrelink’s 27 call centres. By integrating all its electronic and telephonic systems, Centrelink was able to offer a seamless service to its staff and customers throughout Australia. It had connected its mainframe systems to software able to receive and interpret incoming inquiries from any device, such as a personal computer, kiosk, telephone or palm pilot, as well as remote-access laptops around Australia, selecting the appropriate database to conduct the transaction and respond to the inputting device (Vardon 2002c:14). By using this switching capability through its call centres from Queensland to Western Australia, it was able to use Australia’s time zones to extend its hours of operation to eastern state callers up to 10pm on weekdays without requiring extensive shift work.

This was a significant improvement on what Centrelink’s customers rated poor access in its early years. The ease of accessing Centrelink’s services was rated ‘good to very good’ by only 40 per cent of respondents in 1998 (CSS November 1998). A year later, this rating had risen to 58 per cent, and stabilised at 60 per cent in 2003.

Views about access in 2001 were influenced primarily by perceptions of telephone accessibility (35 per cent), limited ways of dealing with Centrelink (13 per cent),
lack of staff at Centrelink (12 per cent), location of offices (10 per cent) and other issues, such as transport and phone-line operating hours. While the morning was the time preferred by most customers to contact Centrelink, the 2000 survey report noted the ‘growing demand…to transact business after hours using non-office channels (such as the internet and telephone)’ (Millward Brown 2000:20). One in five customers said they would prefer to contact Centrelink after hours (mainly Austudy, families and Youth Allowance customers, and those who were studying, employed full-time or living in rural areas).

Nevertheless, most people continued to prefer to visit a Centrelink office (a reversal from the apparent trend towards preferring the telephone before the call centre difficulties of mid-1998). The reasons given for going to a Centrelink office in 2001 were, first, the need to talk to a person face-to-face (87 per cent) and second, the ability of office staff to deal with the problem straight away (35 per cent). Those who preferred the telephone did so because it was easier (54 per cent), quicker (38 per cent) or more convenient—a particular preference of rural customers. The few who preferred the Internet gave similar responses.5

After the delays of 1998, a substantial expansion of call centres had significantly reduced the call waiting times of call centre customers. A review of Centrelink cost efficiency showed that call centre workload almost doubled from 1997–98 to 2001–02. The number of calls had risen from 19 million to more than 25 million in 2002–03, with the duration of calls about 8.8 minutes, a continuing trend upwards from the 5.4 minutes of 1997–98 (BCG 2002:21, 23; Centrelink 2003a:115). Call waiting time, a primary driver of customer satisfaction, dropped from a high of 325 seconds in July 1998 to 144 seconds in 2002–03, well within Centrelink’s target of 210 seconds and identified customer expectations. As already noted, customer satisfaction with these services rated consistently between 85 and 90 per cent. The call centres had become the largest single-purpose call centre operation in Australia (Centrelink 2003a:114–15).

As Centrelink moved its service model away from the initial separation of programs, it was necessary to integrate all program information and customer records into one record. The one-to-one officers, assisting their customers with problems that went across several programs, needed one complete, coherent customer record. Centrelink aimed to establish a ‘customer account’ for each of its customers, providing a clearer display of customer data. This reduced training for the staff required to update the information and allowed customers to see their own information and, eventually, to be able to update their own records.

The growth of the Internet required a further sustained response. Like other federal government agencies, Centrelink was required to respond to the government’s whole-of-government initiative to have all appropriate services available through the Internet by 2001 (Commonwealth of Australia 1997). Centrelink had already developed a web site, signalling an extension of its
operational boundaries, and now undertook a new range of initiatives to
guarantee service delivery online to designated special groups, and, by 2001,
to be accessible 24 hours a day, seven days a week. Rural and regional
communities were being targeted as well as special groups.

After this, and particularly after the life-events service model was initiated, the
web site was extensively redeveloped and enhanced. The passing of the *Electronic
Transactions Act* and the *Social Security Administration Act* removed legislative
barriers to Centrelink conducting its business with its customers electronically
(Bashford 2000). Nevertheless, while customer access to the Internet rose, largely
in line with that of the general community, this did not translate into greatly
increased use of the Internet for Centrelink business. In 2001, while 44 per cent
of customers had access to the Internet, only 5 per cent had visited the Centrelink
web site in the previous three months—most (76 per cent) to get information or
access job search facilities (24 per cent). Part of the problem was that many of
the transactions customers wished to do on the web site, such as checking
eligibility or lodging a form, required a signature or other identification that
was not yet achievable through the web site. Nevertheless, the proportion of
customers who claimed they would be interested in dealing with Centrelink via
the Internet in the future rose from 1997 to 2003. Acceptance of voice-recognition
and keypad technologies also rose (CCS November 2003:80).

By early 2004, 80 000 customers a week were using Centrelink’s self-help services,
although this represented only 2 per cent of all Centrelink transactions—a figure
that Centrelink wanted to see grow quickly (Senate CALC 2004:52). There was
potential for Centrelink to expand communications and provide customers with
convenient services while lightening the load of call centres and CSCs.

Despite this limited acceptance and use of technology, Centrelink customers
were experiencing improved convenience. In the November 2003 survey, 86
per cent agreed that their Centrelink office was conveniently located and 83 per
cent agreed that they could usually do business with Centrelink at a time that
suited them (CCS November 2003).

As Centrelink broadened its boundaries beyond social income payments to new
business and greater connectivity with the community, it developed new options
for its customers. CentrePay, for example, allowed social welfare recipients to
have deducted directly from their welfare payments essential bills such as rent
and electricity to state or local government agencies.

Beyond these approaches, Centrelink was trying to harness leading-edge
technologies to enhance the quality, improve the accuracy and/or reduce the
cost of their service delivery. Not all were successful. Perhaps most innovatively,
but least successful, were attempts to develop a decision support, or ‘expert’,
system, to help customer service staff by guiding them through the technical
rules and assisting them to determine questions of eligibility (for example, an
expert system supporting the FAO payments was installed at several sites but by 2004 Centrelink had withdrawn from further development). Another initiative that failed in the short term was the web post office for Youth Allowance customers. The idea was to deliver email letters through the Internet. It failed because recipients wanted to reply through the same means, but problems of authentication made web replies unacceptable to Centrelink.

Other initiatives were more successful. In 2003, a multimillion-dollar speech-recognition project was trialled in which students could report key information on lifestyle changes relevant to their benefits; a 30 per cent take-up of this option led to the extension of this service to other welfare recipients. A trial in 2002 of SMS text messaging to students to convey information reflected the fact that 78 per cent of Youth Allowance customers had a mobile phone and they were the group of Centrelink customers who most used SMS in their daily lives. Using SMS messages was a more cost-effective method than the use of either paper or other phone messages (Senate CALC 2002:16).

In spite of these developments, the BCG report noted that Centrelink’s spending on IT had been declining at a time when that of ‘comparable’ organisations (that is, banks as large networked organisations) was increasing, and that a large proportion of the spending was ‘geared to keeping the lights on’, by which it meant the operation of the IT system. As Hickey noted at a Senate Estimates hearing, a large proportion of total IT spending was ‘targeted at maintaining…existing service delivery networks…the ongoing effective operation of the IT systems is absolutely critical to making the 6½ million payments each fortnight’ (Senate CALC 2003:28).

The allocation in the 2003/04 budget of $312 million over five years for Centrelink to enhance its IT capability would enable Centrelink’s IT to be upgraded. Called ‘IT Refresh’, it was to be used to ensure continuing IT reliability, allow Centrelink to deliver online self-services to customers, enter partnerships with community organisations, increase payment accuracy through automated data matching and information exchange with business, government agencies, banks and others (DFaCS 2003:255).

Channel management: extending and managing customer access

For some time, Centrelink’s customers had been using each of Centrelink’s four service channels: visiting a Centrelink office or agent or using a kiosk, phoning a call centre, using the Internet site, or writing to Centrelink (colloquially called on-site, on-call, online and on-paper). By 2004, 72 per cent were using the telephone, 76 per cent using face-to-face contact, with 20 per cent using other means (and many using more than one channel) (Centrelink 2004c:23).
There were significant variations in the cost to Centrelink of the use of each channel. As Vardon (2002b:59) noted, ‘[O]ne-to-one service is at the most expensive end of the range and we want to develop it for people who need intensive help.’ Others, such as students, ‘would prefer to do business electronically and for the government, cheaply’. Vardon added, however, that ‘we have learnt that as tempting as it is to open an interactive internet channel, the resources required to do so are prohibitive. We have to go self-service’ (Vardon 2002c:13). There were also challenges for many Centrelink customers in gaining computer access and developing confident usage.

The cost of different channels and different activities was reviewed by BCG, which argued that Centrelink should seek to reduce the frequency with which it contacted customers and customers had to contact Centrelink. It estimated that ‘notifiable events’ (the requirement by the government that customers who were seeking work must report to a Centrelink office every two weeks) accounted for 40 per cent of Centrelink’s costs, and recommended that Centrelink campaign to reduce the frequency and cost of these ‘events’ by using risk profiling, shifting the processing to lower-cost channels, such as call centres or self-service channels, and changing its channel economics to drive down the cost of processing notifiable events (BCG 2002:34–7).

Some of this activity took Centrelink into the realm of policy change and negotiation with its client departments, illustrating how policy decisions influence costs and service delivery. Customer satisfaction surveys showed that Centrelink customers were using more resource-intensive channels, such as face-to-face, for simple transactions such as receiving information and checking payment details. The 2001 customer satisfaction survey found that 53 per cent of respondents had visited a CSC in the previous three months. In terms of Centrelink costs, it was preferable to shift these service transactions to the Internet channel. After these surveys and the BCG report, Centrelink began to manage its multiple channels more actively—for example, it placed a new emphasis on gaining as much information as possible from customers during their initial interview to reduce repeat visits or follow-up calls.

In examining the different costs of each channel and working out which channels were best suited to respond to the range of tasks, Centrelink used a ‘service response framework’ that identified three main approaches from its customers, each associated with a channel.6

In balancing its customer needs and its own costs, Centrelink had to integrate its multiple channels to ensure that customers could use the channels most convenient for them, move smoothly from one channel to another through a common interface, experience reliable data recording from one channel to another and be confident in terms of security and privacy. Centrelink underwent a significant program of business process re-engineering. In association with this
channel-management project was the project looking at where work was done in Centrelink and arguing for greater consolidation and specialisation—the creation of the CSSCs. The aim was to drive down costs and lead to ‘better quality decision making and more timely and more efficient service delivery’ (Hickey 2004).

The management of channels required greater flexibility within the organisation in the use of organisational resources, development of broader staff skills and understanding how customers viewed particular channels, in terms of trust and privacy, and whether these views could be changed (Moore and Flynn 2004:5). It also involved Centrelink in seeking customer advice and feedback on the design of the services they used.

The issue of channel management was closely related to customer satisfaction levels. A Service Integration Survey in 2003 on call centre and CSC service concluded that customer satisfaction was lowest when customers had to deal with multiple staff and/or channels (DBM Consultants Pty Ltd 2003c). It was also shown that those who had repeatedly used call centres for one piece of business had a more negative view of Centrelink, while those who made repeated visits to CSCs were among the most positive of those surveyed. For more complex matters, all categories of respondents (except those who had used only call centres) expressed a preference for dealing with Centrelink in person at a Centrelink office (DBM Consultants Pty Ltd 2003c:41, 44).

The research also showed that customers had more confidence in the CSCs than they did in the call centres. At the same time, another survey showed Centrelink staff believed that most payment problems were the result of office staff, not call centre staff, who were considered to be better trained and more up-to-date with legislative changes (DBM Consultants Pty Ltd 2003c:43, 48). This was not good news for Centrelink in terms of reducing costs, as visits to CSCs remained the most costly of all service channels.

The IT Refresh initiative to increase the stability and capacity of Centrelink’s IT systems and to make self-service more easy and interactive was regarded as crucial to Centrelink shifting from high to lower-cost services. The $312 million program over five years was designed to improve service delivery and to provide customers with greater choice, particularly through technology that supported self-service options (Centrelink 2004c).

As Centrelink increasingly linked its services with those of other organisations—business, educational and community—its customers often received services from a group of organisations working through the Centrelink gateway. The capacity of the IT systems to capture data and make them available to other channels in an accurate and consistent way was regarded as critical to customer satisfaction and seamless service.
Assurance and accuracy

Despite the DSS’s reputed emphasis on accurately interpreting and administering social security legislation, its May 1997 customer satisfaction survey reported that its lowest ratings for regional and counter staff overall were for ‘accuracy of advice/recording and consistency of information’ (63 per cent) and ‘decision-making/responsible for getting things done’ (62 per cent). By November, both of these had risen to 65 per cent. The telephone centre staffers were rated higher on both counts (69 per cent on both in May 1997, and 71 and 70 per cent, respectively, in November 1997).

Centrelink’s strong emphasis on satisfying its customers led to concern in client departments that insufficient effort was being made to achieve high levels of accuracy and to protect the integrity of government outlays. This was not just an issue for Centrelink clients, but was important for customers. Accurate decision making is an essential component of good customer service and is as important as friendly, helpful staff or good queue management. The customer satisfaction surveys indicated that the main concerns of customers regarding the payment process were ‘regularity and timing’ and accuracy of payments. In these areas, Centrelink had performed well, rating 89 per cent for regularity and timing and 78 per cent for accuracy in 2000 and 93 per cent and 79 per cent, respectively, in 2001. Nevertheless, there had been numerous occasions when the media had reported stories of Centrelink errors that highlighted problems related to the capabilities of staff, IT systems and management systems. Centrelink’s public reputation was affected by these incidents.

An ANAO report in 2000 highlighted issues of accuracy. It examined Centrelink’s assessment of new claims for the age pension and questioned the validity of the accuracy measures. The ANAO judged Centrelink’s performance against its own performance indicators, as well as gauging the accuracy of Centrelink’s own reporting on compliance. The audit did not question the reasonableness of the standard or its achievability. The ANAO (2001a:20) concluded that Centrelink ‘could not assure payment at the right rate, from the right date, to the right person with the right product for approximately half of new claims for the Age Pension assessed during the audit sample period’. It also asserted that Centrelink

did not report accurate data to…[DFaCS] under the Business Partnership Agreement [BPA] on the level of accuracy of its assessments of such new claims for the audit sample period; and…did not employ adequate preventive controls to ensure the accuracy of new claims for the audit sample period. (ANAO 2001a:20)

It estimated the real error rate for new claims at 52.1 per cent, not, as reported by Centrelink to DFaCS and parliament, 97 per cent and 98 per cent accuracy in the two years between 1998 and 2000. The error rate estimated by the ANAO
indicated a level of performance well below the 95 per cent accuracy standard agreed in Centrelink’s BPA with DFaCS.

In response, Centrelink redoubled its efforts to achieve the accuracy of decisions and processes expected by the government and its purchaser agencies. Centrelink scrutinised and tightened its quality-control processes under the general banner of ‘Getting it right’. This included independent checking, applying minimum standards, building decision support systems to assist Centrelink officers (although these, on the whole, were not successful), testing technical competencies of staff and delivering a national training strategy via satellite technology.

The ANAO audit also served to highlight the level of complexity of this and other welfare policies, such as the 200 rules governing applications for age pensions. In response, the Minister for Family and Community Services, Senator Vanstone, announced an initiative aimed at simplifying the existing administrative requirements and arrangements for new customers when they first accessed pensions, allowances and ancillary benefits (ANAO 2001a:24). The Rules Simplification Taskforce subsequently reported to the minister in August 2001 on simplifying Centrelink processes and guidelines. Its 20 recommendations included the creation of a customer account, streamlined processes, shorter forms, greater use of electronic information transfer and reduced duplication, and establishment of working groups to further investigate policy simplification (ANAO 2002b).

The ANAO report revisited age pensions in 2002. In the intervening period, DFaCS and Centrelink had developed a new BPA in which a distinction was made between correctness and accuracy: correctness related to decision-making processes within Centrelink’s control that were required for a correct payment outcome; and accuracy included this, but also recognised the obligation of customers to advise Centrelink of changes in circumstances that could affect payment entitlements. Correctness resulted from interactions between Centrelink staff and customers that led to ‘paying the right person, under the right program, at the right rate, for the right date, using the information supplied by the customer. Accuracy requires that these requirements are satisfied every time a payment is made to the customer’ (Centrelink 2002a:89).

The ANAO analysis confirmed a previous finding that no more than 3 per cent of the errors were attributable in whole or part to incorrect processing by Centrelink and concluded that 22 per cent of cases could be attributed to customer error—mostly customers not informing Centrelink about changes in their circumstances, as required by law (ANAO 2002b:17). The government approved a subsequent public relations program to encourage customers to notify Centrelink of changes.
A series of surveys of customers to ascertain their expectations noted the importance of accuracy. Customers generally felt Centrelink met customer expectations in ‘making accurate and timely payments. However, those who have experienced incorrect payments tended to feel an overall lack of trust towards Centrelink’ (DBM Consultants Pty Ltd 2001). Subsequent results showed that this continued to be a problem for Centrelink. In terms of how customers saw Centrelink, in 2001, only 62 per cent of customer survey respondents said ‘it can be relied upon to get things right’. Two years later, this view was held by 66 per cent of respondents. In contrast, customer satisfaction with the accuracy of the advice and information provided to them on their most recent contact was much higher. In 2002, it reached a new high of 80.4 per cent for CSCs and 88.6 per cent for call centres. The overall figure for 2004 was 86.2 per cent (Centrelink 2004a:108).

Centrelink’s ‘Getting it right’ strategy continued to be developed to improve payment correctness and eliminate preventable rework. Checklists of ‘must dos’ supported minimum standards by setting out the essential steps to be followed to improve accuracy in decision making. New assurance arrangements were developed and incorporated into new BPAs with DFaCS, the Department of Employment and Workplace Relations (DEWR) and the Department of Education, Science and Training (DEST). In an attempt to reduce errors and improve consistency, Centrelink was, during 2004, identifying members of its staff with high levels of specialised knowledge and developing specialised teams able to deal with some of the complex and detailed policy implementation tasks. As already noted, it was moving towards greater consolidation and rationalisation of functions and developing ‘centres of excellence’ for particular specialised services.

Mistakes are costly for Centrelink, administratively and publicly, because they affect the trust customers have in the organisation, impose additional work on staff and use resources better applied to helping customers. Eliminating preventable rework has become an important part of cost effectiveness in the agency. In its first full year, 1998, Centrelink’s customer survey reported that almost 25 per cent of respondents said the purpose of their most recent visit to a Centrelink office was to correct a mistake. By 2003, that percentage had dropped to 15 per cent (Senate CALC 2004:36). To find ways of reducing this further, Centrelink surveyed customers who had contacted Centrelink to have a mistake fixed in the previous four months to find out about the cause and nature of the mistake. Vardon reported the key results to the next Senate Estimates Committee: ‘13 per cent were not mistakes at all. Fifty-five per cent of the mistakes were assessed by one of our staff as Centrelink mistakes’ (Senate CALC 19 February 2004:41). For the remainder, 18 per cent of the mistakes were the result of errors on the part of Centrelink and the customer (so Centrelink was partly or wholly responsible for 73 per cent of errors), 25 per cent were wholly the result of
customer error and 2 per cent were primarily third-party errors (DBM Consultants Pty Ltd 2003b:22).

Meanwhile, another report by DBM Consultants into service integration found from a random sample of customers that 14 per cent had contacted Centrelink because of a perception of a mistake, confirming Centrelink’s survey results of 15 per cent as reported to a senate committee in 2004.

In 2004, the issue hit the press with headlines such as ‘Millions of mistakes by Centrelink’ (Australian, 14 February 2004), ‘Centrelink hit by errors’ (AAP, 14 February 2004) and ‘Centrelink’s “victims” turn to food charity’ (Australian, 16 February 2004). According to a reporter, who obtained reports through freedom of information provisions, 1.13 million mistakes had been made over four months in 2003. Centrelink responded with a statement that its customer satisfaction level was at 86 per cent and its accuracy in payments was 96.7 per cent, with only about 20 per cent of the 3.3 per cent of errors directly attributable to Centrelink (AAP, 14 February 2004).

The problem for Centrelink was that the first report had taken the 14 per cent who had perceived a mistake from their random sample of 1065 customers in the Service Integration Survey and extrapolated them across the whole Centrelink service, indicating that more than 700 000 customers would be affected by payment errors (DBM Consultants Pty Ltd 2003b:24). Once multiple contacts to fix the mistake were added in, the media concluded that Centrelink had had to address 1.13 million mistakes in the previous four months. Inevitably, talkback radio had several days of lively debate and the reputation of Centrelink was damaged because it was not able to effectively communicate its side of the story.

Underlying this media scrutiny was a serious story: 14 per cent of all customers had experienced a mistake in the previous four months, equating (said the DBM consultants) to more than 700 000 customers, with some experiencing multiple mistakes. Almost one-third of the mistakes were seen as ‘very serious’ by the customers surveyed, with half the mistakes relating to problems with payments, 23 per cent to inconsistent advice relating to eligibility and 18 per cent to misplaced documentation. While customers attributed the majority of mistakes to the CSCs, most customers (65 per cent) attempted to have the problem fixed by contacting a call centre rather than visiting their CSC. Only 21 per cent initially approached their local Centrelink office. Because there was a range of problems that the call centres could not fix, however, more than one-third of customers were then required to go to their CSC anyway. In all, 22 per cent of customers had to make more than three attempts to have the mistake fixed before this was achieved (DBM Consultants Pty Ltd 2003b:39).

The number of mistakes being made—more than one million in the four months—created a significant and expensive workload for Centrelink, and concern and distress for customers. Customers and Centrelink staff suggested
to the consultants a range of initiatives to change problem-creating practices and staff culture. A new emphasis on accurate documentation, increasing the scope of the changes call centres could make and training was instituted.

Centrelink’s customers had a much more positive image of Centrelink and awareness of the services it provided than the general community. Centrelink has struggled at times to win the public relations battle in Australia’s media. The 2004 media frenzy about Centrelink’s error rates was one example illustrating the vulnerability of the agency charged with administering a complex range of benefits programs and services. One chink in the armour was enough to open the floodgates on stories detailing alleged capricious and heartless treatment meted out by agency staff to deserving beneficiaries. It is difficult in the public arena for an agency to communicate the full background of the behaviour of recipients and privacy protocols make it difficult to explain the quality of the relationships they maintain with the agency.

Centrelink was also associated with examples of what was often seen in the community as unpopular, poor or rushed policymaking. The hurried implementation of the new Youth Allowance program in 1998 and new contract arrangements for the Job Network in 2002 and 2004 were such examples. The introduction of the family tax payments in 2004 again exposed Centrelink to the press, though there was some recognition that most of the confusion was due to rushed policymaking on the eve of an election rather than to any failure of implementation.

**Customer relationships**

Australia has a highly tuned, targeted social welfare system. The Australian Government has sought to target specific groups of citizens in greatest need. One side effect is that a great deal of information about citizens must be stored in order to determine their entitlements. Each time Centrelink makes a payment to a customer, it must consider many other items of information about that person (and sometimes their partner) to ensure that the payment is correct, thereby protecting program outlays. With 6.5 million customers on file, each being paid approximately every fortnight, there is considerable data processing for each pay run. In total, Centrelink was performing about 3.4 billion transactions each year on its mainframe (Centrelink 2003e).

Centrelink regularly sought feedback from customers on service quality and employed several processes for this purpose. While Centrelink initiated customer surveys, other processes—for complaints, reviews and appeals—derived from customers. The ANAO undertook a series of audits of Centrelink’s customer charter and the community consultation program, customer satisfaction surveys and systems for handling complaints, reviews and appeals (ANAO 2005a, 2005b, 2005c, 2005d). The ANAO’s (2005a:22) overall conclusion was that Centrelink
had ‘a well developed, extensive and diverse range of customer feedback systems’. There were, however, also opportunities for improving ‘the effectiveness, efficiency and economy of the systems and the data they produce. Such improvements would make the systems more accessible to customers, and provide more robust information to Centrelink for use in enhancing its service delivery and identifying cost savings.’

ENDNOTES

1 The authors of the customer satisfaction surveys pointed out that the very positive attitude to Centrelink in the November 1997 survey, shortly after its launch, which was not matched before or until November 2000, was the result of a halo effect generated by a campaign that ‘cultivated a positive impression of the new organisation, which transcended…Centrelink’s ratings of service and process areas, as well as corporate image dimensions. In other words, it is possible that the high level of performance in November 1997 may have resulted from a positive halo effect generated by the promotional campaign’ (CSS November 2001:23).

2 There were 12 national customer satisfaction surveys (CSS) that focused on overall perceptions of Centrelink. The first two related to the DSS (November 1996 and May 1997), the next 10 to Centrelink. Until the end of 2000, they were undertaken every six months and then annually until November 2003. The consultants running them varied, as did the titles of the reports, hence the use of CSS and dates to identify each. Many questions also varied, either a lot or a little. Some questions disappeared after a while. Most surveys focused on customers who had had contact with Centrelink in the previous three or six months, but the later surveys expanded the coverage to include all customers, whether they had had contact or not. As a result, the figures should be used carefully to indicate trends and the extent of change rather than treated as directly comparable.

3 The responses were so strong about the way staff felt unsupported that the written account was modified for fear of offending too many people.

4 Note that the unemployed still had to be referred to the Job Network for job placement and other services, and that the states handled a range of services delivered to individuals.

5 The details were: easier, 52 per cent; quicker, 38 per cent; convenient (that is, don’t have to leave home or work), 27 per cent; and can be used at any time, 21 per cent.

6 The three key tasks customers sought were, first, those requiring a transactional response—‘just let me do it’; second, those requiring a problem be fixed—‘help me’; and third, those requiring personal assistance from Centrelink staff who understood the context of the problem—‘relate to me’. The first approach could usually be handled through technology—online or on-call; the second might need a person but not necessarily one face-to-face, and could be handled most effectively by the call centres; the third was more likely to require personal, face-to-face interaction. Paper information supported all three channels.

7 Respondents appreciated the greater convenience of the call centres, but only 29 per cent agreed that ‘I have more trust that things will be done right if I ring up the call centre rather than go into the office’ (DBM Consultants Pty Ltd 2003c:43).

8 The significant variation between figures is a reminder of the need to look carefully at which group of customers is being surveyed and the basis of their selection. The national survey in 2003 was drawn from all Centrelink customers and sought primarily an overall view of Centrelink as an organisation, whereas the surveys of satisfaction by channel were drawn only from those who had made contact with Centrelink in the previous four months and sought opinions on their experience of their most recent contact.