

Submission to Senate Committee inquiry into the administration and purchasing of Disability Employment Services in Australia

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Please consider the following in your enquiry into Disability purchasing.

It includes points on

Building relationships and local initiatives  
Flawed Star Ratings  
Impact of tender  
Suggestions

### **Community Relationships and local initiatives**

The senate should be made aware of the irony and problems created by the expectations on providers to develop community initiatives promoting employment as well as disability awareness and the cost of these initiatives and the very real risk of losing them because of the prospect of losing at tender.

For example at Key Employment we have invested over \$200,000 in establishing a program to move students with disabilities into apprenticeships. The program is called KIKASS - Kids in Keys Apprenticeship Support Scheme and has placed 40 school leavers with disability in apprenticeships in 2011. We expect 50 in 2012 and then 50 thereafter annually. In 5 years (by the end of the next contract period) we will have placed over 300 students with disabilities into apprenticeships. In fact those that we placed this year will be tradespeople by then.

Our investment? **We** pay the first full years wages for an eligible student with a disability placed in a four year indentured apprenticeship.

We have established links with 22 of our area's high schools. We expect to see 220 students with disabilities a year across 3 ESAs and we expect that all of these will either get an apprenticeship or traineeship or other full time sustainable employment. This means that they will never go from school to welfare. Never get on that roundabout.

Now here is the irony.

### **Flawed Star Ratings**

You need at least 5 years planning and establishment to get this sort of thing off the ground. We have branded it and spend thousands on image, logo, promos and the like to get the schools; the kids and their parents on board. Thousands more has been invested in advertising and publicity to get employers on board. Yet we may lose it all. The community may lose it all and worst of all the kids may lose it all. BECAUSE a four year indentured apprenticeship for a person with a disability where **we** pay over \$23,000 in wages in year 1 is equal in DEEWR income and DEEWR Star Ratings as a casual 8 hour job at Big W or MacDonaldis!

And the clever services get 1 job seeker two 8 hour jobs a year for 26 weeks each time to claim double the income and double the Star Ratings.

Competing tenders for our business need only show how they can place 50 people into 50 casual jobs at 8 hours a week for 26 weeks to achieve the same Star Ratings as Key achieves for our 50 full time 4 year apprenticeships. AND the same income with no expenses! If they are existing providers with a record of these casual jobs their Star Ratings may be much higher than ours. We do the best work but are vulnerable for maintaining our contract!!

The Star ratings are not an accurate measure of the quality of work done for people with disability nor of the Governments aims of promoting opportunity for these people and value for money services. The Stars are clearly able to be manipulated to indicate high performance when in reality they reward short term casual work. It's not that the rewards and credit for these casual jobs are not deserved. I understand from 20 years in the field that any outcome is a positive step and the fees that flow are well earned. It's more that there should be extra recognition for exceptional jobs such as apprenticeships.

### **Impact of the Tender**

Last week in formal Performance Period 2 monitoring discussions with DEEWR I was asked what plans I had to guarantee that services to consumers would not be disrupted by any Tender preparation work. Hah! I have but 2 options. Either I deflect resources away from our work for job seekers or I pay for either Tender prep resources or short term client support staff to cover for the staff I will use to write the Tender. In the first case job seekers are disrupted. In the second case funds are reallocated away from job seekers resources to Tender resources. Of course there is going to be an impact on job seekers and on normal service arrangements! DEA, JA, NESAs and providers are all talking up the need to be "tender ready". The need to allocate resources, to plan and to be prepared for the Tender process. It cost us \$24,000 in consultant's fees and another \$30,000 on internal resources in preparing for the JSA Tender in 2008/9. For the 3 ESAs we currently work in it is estimated that it will cost us close to \$80,000 for DES for this round. That is equal to 1000 pairs of work boots; 400 driver training courses; 50 Cert 2 Retail courses or 100 sustainable job placements. How's the naiveté (at best), stupidity (probably) or absolute arrogance of our supporting Department to insist on a Tender, demand high quality expertly prepared submissions and require that services be unaffected. This plays into the hands of major players and large services. Is this a way of manipulating the process to benefit these operators?

### **Further issues of Tender**

As the requirements of the tender become more sophisticated and more costly there will be a trend that discriminates against smaller services. Economies of scale and of course large financial resources suggest larger conglomerates, consortiums and multinational companies will be capable of preparing the best tenders and win substantial business at the cost of small local services. This will lead to more impersonal franchise type operations.

### **Suggestions**

Business should not be allocated (that is invited to treat) based on high performance. It should be reallocated based on poor performance. Thus all 3 Star services are invited to treat and 2 Star and below must tender. This will allow for improvement in areas that require it.

If the proposed model is not to change I suggest that services with 4 stars and above in multi ESA projects are invited to treat across all of their neighbouring ESAs even if one of them is under 4 stars. Key Employment has 3 ESAs and run at 4 stars in 2 but 3 in one. It has a vastly more difficult labour market. This ESA is so much a part of the fabric of our overall community and has so much logical, historical and cultural ties to the other ESAs it would be delinquent and short sighted to remove it from the overall service. Neighbouring employers would be offered different services and those that offer worksites across ESAs such as Woolworths, Subway and Bunnings etc will suffer from having to deal with 2 different services.

If we lose the war on 4 star standards for retention of business perhaps we can win the compromise on services with multi ESAs where neighbouring sites at 3 stars can be also included.

### **Finally**

Senators should be advised of 3 things

DEEWR is urging all services to become the best performers they can - to achieve 5 stars as the evidence of this performance. Yet if all providers achieved this aim they would all be 3 stars immediately. That is the stupidity and the downfall of this performance management system.

The Performance Management system imposed by DEEWR is not a true measure of success in achieving the goals of the program. That the credit under the Stars and Fees are equal for a short term casual job and a 4 year apprenticeship is simple and compelling evidence of a failure in the system to recognise and reward best practice and important long term interventions in the labour market.

Success can also be measured in terms that Senators can more clearly understand. Key Employment job seekers have earned over \$55M since 1995. They have paid over \$11M in taxes and not been paid over \$6M in benefits. We run in the black. Our return to government exceeds our fees and funding. AND we are just a small regional provider. Forget procurement. Let DES get on with what they do best and watch the efficiencies and return to government grow just as we watch the opportunities for people with disability and the move towards a fairer Australia grow.

Yours faithfully

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