

# Inquiry into the Administration and Purchasing of Disability Employment Services in Australia

Supplementary Submission to the Senate Education, Employment and Workplace Relations Committee by Disability Employment Australia



## Preface

Disability Employment Australia welcomes the opportunity to further comment on the Senate Inquiry into the Administration and Purchasing of Disability Employment Services in Australia. We view the questions posed by Senator McKenzie and the committee as insightful and vital to the sustainability and attractiveness of the sector.

Based on submissions and responses provided in the public hearing, we are concerned by the lack of clarity and regard for the complex and specialised nature of the Employment Support Service (DES-ESS) and the people it was created to serve. The program was designed to foster social inclusion through participation in the labour market, for volunteers with a permanent disability and long-term support requirements. In other words, for people with a manifest eligibility for the DSP; people who otherwise were not expected to work. It was built for purpose: to foster long-term, empowering relationships between job seekers, workers and employers.

Many responses to the committee cited Australia's poor OECD ranking relative to the employment of people with disability. These comments were made in the context of procurement and therefore inferred the program was at fault. This is not the case. Historical Government policies regarding the Disability Support Pension (DSP) appear to be culpable. Only 3% of people receiving the DSP access a DES. There are well documented disincentives for DSP recipients to work.<sup>1</sup> We applaud the uncapping of services and acknowledge Government's recent actions to remove employment disincentives for DSP recipients. It is disingenuous to justify the proposed *procurement methodology* using the OECD argument.

Disability Employment Australia submits the size of the proposed DES-ESS tender will cause unnecessary disruption to 76,000 job seekers and workers, and 21,000 employers. DEEWR attempted to address our concern with the following statement:

*Job Services Australia has a significant case load of multiple disadvantaged job seekers. It was put to the full tender. Post the tender, outcomes for these job seekers have significantly improved—that is, the multiply disadvantaged job seekers—compared with the previous system.<sup>2</sup>*

DEEWR made a direct comparison between the job seeker cohort characteristics of JSA and ESS. We submit that the characteristics are different. DEEWR itself describe the differences as follows:

*Job seekers referred to Streams 2 and Stream 3 will have moderate to relatively significant barriers to employment and will need some capacity building. Customers referred to Stream 4 are those with severe barriers to employment and will need a high level of capacity building. It is expected that most customers needing significant capacity building will be referred to Stream 4 or Disability Employment Services.<sup>3</sup>*

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<sup>1</sup> Brown, J, 2011, Working towards self-reliance: Three lessons for Disability Support Pension reform, CIS Policy Monograph 124, Centre for Independent Studies, Canberra.

<sup>2</sup> Proof Committee Hansard, Senate, Education, Employment & Workplace Relations References Committee, Inquiry into the Administration and Purchasing of Disability Employment Services in Australia, Public Hearing, Melbourne, 27 October 2011, Page 52, <http://aph.gov.au/hansard/senate/commtee/s419.pdf>, [accessed 10 November 2011]

<sup>3</sup> DEEWR, Job Capacity Assessment, Programs of Assistance Guidelines V10.3, Page 17, <https://ecsn.gov.au/sites/SecureSitePortal/JCA/Documents/Current/Programs%20of%20Assistance%20Guidelines.pdf>, [accessed 10 November 2011]

The ESS program is already *significantly* more effective than Streams 3 & 4 of Job Services Australia (JSA). The following graph compares the proportion of twenty-six week outcomes achieved by DES-ESS and JSA, from their first day to 607 days of contract operation.<sup>4</sup>

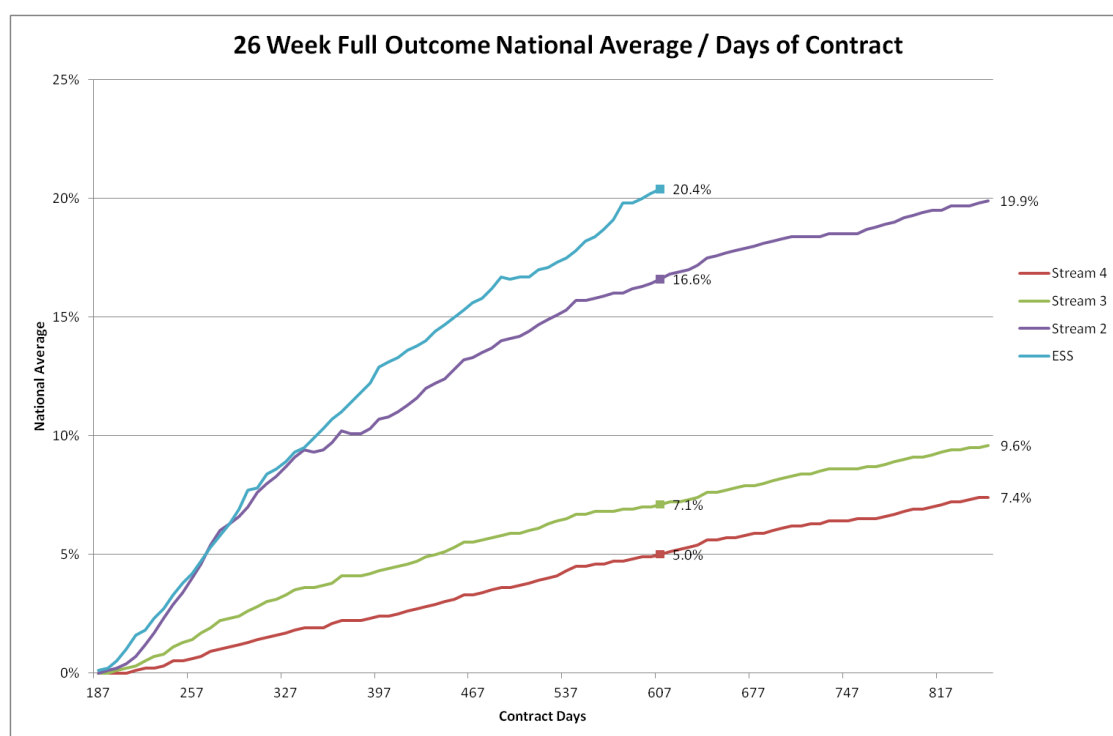


Figure 1 DES-ESS achieved higher proportion of twenty-six week outcomes in as many days of operation

It appears the full tender of JSA has not increased outcome ratios anywhere near those being achieved by DES-ESS, a program last competitively tendered in 2005/6. JSA has been running longer than DES-ESS yet still performs at significantly lower levels. DEEWR appears disingenuous by comparing ‘apples to oranges.’

We do not believe the size of the proposed procurement represents value for money. DES-ESS is already significantly more effective than JSA Streams 3 & 4. As DES-ESS matures it represents greater value for money.

Disability Employment Australia submits that higher DES-ESS outcome ratios can be attributed to the specialisation of the program, the expertise of its providers and their long-term relationships with job seekers, workers and employers (sometimes decades). It may appear fiscally irresponsible for Government to gamble with taxpayer funds on such a wide scale. If the proposed tender goes ahead, we submit costs and disruption would be ameliorated if the scope was reduced to one and two star contracts.

JSA contracts have been offered an extension based on three, four and five stars. DES-ESS contracts are not being awarded the same regard or respect, despite significantly better results for twenty-six week outcomes, simply because of an erroneous assumption that DES-ESS hasn’t faced a competitive tender and therefore it should.

<sup>4</sup> JSA commenced before DES. JSA started 01 July 2009, DES started 1 March 2010. Comparison is based on the same number of operational days from contract start date.



Figure 2 Individuals (per 100) who achieved a twenty-six week outcome

Disability Employment Australia would like to address the issue of gaming behaviours (now referred to by DEEWR as sharp practices). It became apparent during the public consultation on 26 October 2011 that the committee had concerns regarding the legality of some practices. To a large extent we do not share that concern. Such practices are overwhelmingly within contractual guidelines and the performance framework. They emerge in an environment of procurement based on star ratings. We *are* concerned that such practices lack quality and are not aligned with the intent of the Disability Services Act.

Gaming practices are not new to DEEWR. They formed the basis for the Productivity Commission's 2002 review of the Job Network. Recommendations to mitigate such behaviours, such as licensed and accredited providers, have not yet been explored or adopted by DEEWR.

Any performance framework will drive behaviour, so getting the drivers within the framework right is critical. Thus we support and are encouraged by DEEWR's announcement to review the performance framework. We believe this is a result of this Senate Inquiry. Given the unintended consequences of the framework, it seems doubly irresponsible for Government to use it as the basis for determining the size of the proposed tender.

We need to get the drivers of the program right before putting it to market. If Government does proceed with the proposed procurement we submit the size is limited to one and two star contracts.

## Questions on Notice

Disability Employment Australia thanks Senator McKenzie for her questions. They go to the heart of the issue of sustainability for the sector. We submit these issues require greater independent investigation as they have not been viewed in a specialist disability employment context. Given the future influx of people into the program, the sector must ensure it is positioned to continue providing the highest quality services to job seekers, workers and employers. An element of capacity building is removing detractors.

*In your submission you outline that there may be up to 60% staff turnover- can you outline the methodology used to derive this figure.*

This turnover rate is documented on page 39 of the publication, *'It is like they just don't trust us': Balancing trust and control in the provision of disability employment services* by Dr Ann Nevile, Senior Lecturer and Director, Crawford School of Economics and Development at the Australian National University.<sup>5</sup> We have included a copy of this research with this submission.

*Given the already high industry staff turnover, what are your views on the transportability of annual leave, long service leave and maternity leave provisions and other entitlements for those caught up in the increased staff turnover.*

In a 2010 survey of DES employees, 63% reported being female.<sup>6</sup> Disability Employment Australia is concerned the sector's capacity will deteriorate as women move to industries that provide greater security and allow long-term entitlements to accrue. The uncertainty of short-term contracts limits an employer's ability to invest in staff. Individuals who are less likely to accrue long-term entitlements are detracted from the industry, especially those with or starting families. Quite simply, it hinders the sector's ability to attract and retain staff. Disability Employment Australia recommends Government introduce a licensed and accredited provider model. This would offer job seekers, workers and employers greater stability. This solution is not new to DEEWR:

Year	Publication	Recommendation
2002	Productivity Commission: Review of Job Network <sup>7</sup>	Called for competitive tendering in the Job Network to be replaced by a licensing system that permits free entry at any time to any supplier that meets accreditation standards; and includes automatic licence renewal, subject to a requirement that providers achieve a certain performance standard.
2009	Senate Inquiry into DEEWR purchasing of employment services contracts <sup>8</sup>	'The committee majority is mindful of [...] concerns that the competitive tendering process is not able to adequately assess some aspects of provider performance.' 'The government should re-examine this [licensing] alternative.'
2011	Australian Services Union: Employment services, it's not just a job <sup>9</sup>	'That DEEWR move to an accredited provider model. Once accredited, providers can retain the employment services they currently have without needing to constantly retender for their existing market share.'

<sup>5</sup> [http://www.crawford.anu.edu.au/sparc/pdf/2011/20110621\\_final\\_report.pdf](http://www.crawford.anu.edu.au/sparc/pdf/2011/20110621_final_report.pdf)

<sup>6</sup> Disability Employment Australia, DES Employee Profile Survey 2010  
[http://disabilityemployment.org.au/static/items/Disability\\_Employment\\_Australias\\_DES\\_Employee\\_Profile\\_Survey\\_2010.pdf](http://disabilityemployment.org.au/static/items/Disability_Employment_Australias_DES_Employee_Profile_Survey_2010.pdf)

<sup>7</sup> Productivity Commission, Independent Review of the Job Network, Inquiry Report No. 21, June 2002, Canberra.

<sup>8</sup> The Senate, Education, Employment and Workplace Relations Committee, DEEWR Tender Process to Award Employment Services Contracts, Inquiry Report, Paragraph 4.62, June 2009, Canberra.

<sup>9</sup> Australian Services Union, 2011, Employment Services: It's not just a job, Final Report, Canberra, Page 44.

Disability Employment Australia urges the committee to refer issues regarding the DES workforce to Deloitte Access or the Productivity Commission for an independent and capable review. These issues have not been examined through the lens of specialist disability employment practice. With changes to the DSP and the introduction of the NDIS, there has never been a more pressing time to ensure that job seekers, workers and employers continue to receive a high quality service.

*What are the number of staff employed in regional Australia.*

This information is not transparent. We could not answer with accuracy however encourage the Senator and the committee to seek the information from DEEWR. The department could identify this number through the number of people with active logons to the Employment Services System. Each logon is attached to a site location.

*Given the broad spread of your 141 members, could you outline the number operating outside capital cities.*

Disability Employment Australia represents seventy-nine (79) members who provide services outside of the capital cities.

*We have heard today that it is “cheaper to operate DES in regional areas than cities” could you please comment.*

It is difficult for Disability Employment Australia to agree or disagree. Our membership is diverse and we hear different views on this topic. We acknowledge that rent is more expensive in capital cities. We also acknowledge that regional providers have costs that metropolitan providers do not, such as additional vehicles, staff and equipment for outreach services. These issues go to sustainability and quality; they warrant further independent investigation.

It is no surprise that providers are increasingly concerned about the cost of operation. They are doing more for less. Increased caseloads have been met with decreased funding per person. Along with National Disability Services, we recommend service and outcomes fees are indexed for future contracts:

*In the five years to 2008-09 real funding per disability open employment service user fell from \$4,108 to \$3,621. The 2011-12 Budget includes growth funding, but appears to freeze service and outcome fees until 30 June 2015. Using Treasury price forecasts, this is a real reduction in prices of 12.3% when wages costs are expected to rise 5% in real terms over this period.<sup>10</sup>*

*Can you comment on what you see as the driver of these changes given your comments on the implementation of the changes to DSP on pages 65-66.*

Disability Employment Australia welcomes changes to the DSP that remove disincentives to work. We are concerned that DES-ESS, in its current format, is not well positioned to holistically address

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<sup>10</sup> Steering Committee for the review of Government Service Provision, Report on Government Services, 2011, cited in National Disability Services, Submission to the Senate Inquiry into the Administration and Purchasing of Disability Employment Services in Australia, Page. 16, <https://senate.aph.gov.au/submissions/committees/viewdocument.aspx?id=01871c0b-a4bd-4854-b93d-f5d0e97b19bc>, [accessed 11 Nov 2011]

the support requirements of an influx of job seekers who have applied for a pension but must spend the next eighteen months in a program of support to prove they are unable to work. We anticipate the motivation of these job seekers to be markedly different to the volunteers the program was built for purpose.

The sector is not unwilling to engage with compulsory participants, nor is it inexperienced or ineffective in creating enduring employment relationships between job seekers, workers and employers. The reality however is providers' facing larger caseloads, with lower funding per person, during a time of business uncertainty and legislative changes. There is a real risk to the provision of quality service to job seekers, workers and employers.

We recommend any procurement is deferred until the impact of the legislative changes is properly assessed and the DES evaluation has been completed. If the proposed procurement does go ahead, the risk to quality services would be mitigated if it was scoped at one and two star contracts.

## Alternatives and Recommendations

1. Extend all non-remote ESS contracts to 2015. It is **too soon** for procurement.
2. Complete the DES evaluation and review the performance framework **before** putting DES-ESS to market.
  - a. Ensure the program is evidence-based and facilitates the engagement and retention of volunteers in the program.
  - b. Absolute, not relative, measures of success.
3. Use this time to **research** and implement a more appropriate procurement model for DES, for example, accredited licensed provider model with quality benchmarks.
4. If the proposed tender does go ahead, **limit the size** to one and two star contracts.
5. Refer DES workforce issues for further **investigation** to the Productivity Commission or Deloitte Access.