



Committee Secretary
Senate Education, Employment and Workplace Relations Committees
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Inquiry into the administration and purchasing of Disability Employment Services

Thank you for providing Northcott Disability Services with the opportunity to provide a submission for the inquiry into the purchasing of Disability Employment Services in Australia.

About Northcott

Northcott Disability Services was established as The NSW Society for Crippled Children in 1929 by the Rotary Club of Sydney. Northcott's purpose is to build an inclusive society. This is achieved by assisting people with disabilities to develop their skills and achieve their goals - including their potential for independence and ability to participate in their community. Northcott supports over 10,000 people with disabilities and their families across NSW and the ACT. Northcott employs over 500 staff state-wide, providing more than 100 services from more than 20 sites and offices across NSW and the ACT. Northcott provides services to people with a broad range of disabilities including physical, intellectual, sensory, acquired and degenerative disabilities.

Northcott receives State and Federal government funding (and supplements this with funding from corporate and community fundraising) to provide a range of services including: accommodation, case management, individual and family support, early childhood support services, transition to work and community participation programs, employment, recreation, respite, therapy, computer assistive technology and equipment. 'Jobmatch' is Northcott's Disability Employment Service – Employment Support Service (DES-ESS), funded through Department of Education, Employment & Workplace Relations (DEEWR).

Jobmatch has been providing disability employment services to job seekers since 1992. We have grown from one site to three and now provide services within the Central Western Sydney and Nepean Employment Services Area. Jobmatch have developed a service delivery model that provides flexible and sustained support to clients with a focus on tailored interventions to achieve client goals. With almost twenty years of experience contributing towards long-term employment outcomes for people with disability, Northcott's submission addresses the following:

Contents

SUMMARY & RECOMMENDATIONS.....	2
TERMS OF REFERENCE.....	3
a) the impact of tendering more than 80 per cent of the current DES on the clients with disability and employers they support under the current contracts	3
b) the potential impact of losing experienced staff	4
c) whether competitive tendering of more than 80 per cent of the market delivers the best value for money and is the most effective way in which to meet the stated objectives of:.....	5
i) testing the market	5
ii) allowing new ‘players’ into the market, and	5
iii) removing poor performers from the market;	5
d) whether the DES Performance Framework provides the best means of assessing a provider’s ability to deliver services which meet the stated objectives of the Disability Services Act 1986 such as enabling services that are flexible and responsive to the needs and aspirations of people with disabilities, and encourage innovation in the provision of such services;	5
e) the congruency of 3 year contracting periods with long-term relationship based nature of Disability Employment Services – Employment Support Services program, and the impact of moving to 5 year contract periods as recommended in the 2009 Education, Employment and Workplace Relations References Committee report, DEEWR tender process to award employment services contract;.....	7
f) the timing of the tender process given the role of DES providers in implementing the Government’s changes to the disability support pension.	7
CONCLUSION	8
RECOMMENDATIONS	8

SUMMARY & RECOMMENDATIONS

Northcott acknowledges and supports the Government’s position that *“job seekers, employers and the community at large are entitled to know that only the highest performing organisations receive tax payer funds to deliver employment services to people with disability”* (Letter from the Hon Kate Ellis MP to DES Providers dated 10 May 2011); however, we do not believe that tendering more than 80 per cent of Disability Employment Service – Employment Support Service (DES-ESS) contracts will necessarily achieve best practice service delivery or value for money. It is Northcott’s view that a competitive tender process involving the majority of the DES-ESS market will result in reduced performance and instability in service delivery, disruptions to continuity of relationships (both with clients and employers) and loss of experienced personnel.

Given the significant changes that DES-ESS providers undertook approximately 18 months ago to transition to a new contract, Northcott also considers it is too early in the life of disability employment services to tender such a high percentage of contracts. Northcott also maintains that the current DES

performance framework does not take sufficient account of 'quality' of service and long-term outcome measures of providers, and is therefore not a sound basis for determining which providers should re-tender.

Northcott supports the Government maintaining communication and consultation mechanisms with peak industry bodies and DES-ESS providers, in order to explore a more effective procurement method that will achieve the desired objectives, and a performance framework that assess quality service provision and long-term outcomes. Northcott makes the following recommendations:

1. The DES-ESS tender process is delayed until June 2015.
2. If after considering the findings of this inquiry, the Government decides to proceed with a re-tendering of DES-ESS providers in 2012, only one and two star-rated providers should be required to go to tender.
3. The minimum contract term for DES-ESS providers be increased from three to five years.
4. The Government separate procurement and performance management objectives when deciding to re-tender DES-ESS services and designing the tender process.
5. The DES Performance Framework is more greatly aligned to the Disability Service Standards.
6. The DES Performance Framework incorporates a 'quality' measure as part of the assessment process, which includes measuring performance in relation to the quality of services delivered, social inclusion and long-term employment outcomes.

TERMS OF REFERENCE

a) the impact of tendering more than 80 per cent of the current DES on the clients with disability and employers they support under the current contracts

Northcott believes that a major impact of tendering more than 80 per cent of the current DES-ESS providers will be that productivity will be reduced as providers shift resources into the tender preparation process. This will impact on the ability of providers to achieve employment outcomes, maintain continuity and stability in relationships with stakeholders, and provide the level of support required to maintain and extend employment placements for clients.

Northcott's experience from previous DEEWR disability employment services tendering processes is that the service's resources and personnel become heavily involved in the tender preparation process. As these resources are diverted from daily service delivery, there is often a reduced outcome performance from providers, and thereby employment outcomes for clients, during this time. Specifically, Northcott's experience has been that the requirement to divert resources to the tendering process has meant that there was less staff available to offer high quality support to clients and employers during this time. For Northcott, this specifically impacted upon the service's outcome performance 'star rating' during this period. For example, during the last DES-Disability Management Services tender period, Northcott saw more than a 50% reduction in participants being commenced, reduction in the level of support/mentoring to employment consultants, a 38% drop in performance under the star rating percentile rank and a reduction in employer engagement and networking activity.

With resources focussing on the tender process, the level of support required by clients to meet their employment outcomes can be compromised. As a client falls out of work, this may result in anxiety, insecurity, decreased commitment and motivation, and place at risk the relationship with the employer and the client. It also impacts upon the client's short and long term employment outcomes.

In addition to the impact for clients during the tender process, the other consideration is what the impact is on the clients if the provider they were working with is unsuccessful in being re-awarded the

contract, and they have to change providers mid-service. This would not only disrupt the service for clients, but also impact upon the employers, who have to re-negotiate their relationship with a different provider, particularly while the support to the employment placement is being transitioned.

Northcott's experience in our Jobmatch service is that significant time is invested to develop a relationship with an employer, as people with disability face significant barriers to employment. The continuity of these relationships will be at risk during the contract preparation and transitional period, as staff and resources will be diverted to the tendering process. Similarly, this disruption to service will also directly impact on relationships with other stakeholders, such as work experience hosts, transition to work, school transition teachers and community service organisations that have developed collaborative service strategies with DES-ESS providers to achieve employment outcomes for clients.

Therefore, Northcott recommends:

- *The DES-ESS tender process is delayed until June 2015.*
- *If after considering the findings of this inquiry, the Government decides to proceed with a re-tendering of DES-ESS providers in 2012, only one and two star-rated providers should be required to go to tender.*

b) the potential impact of losing experienced staff

Northcott believes that continual changes in the contracting arrangements for services, and frequent requirements to re-tender for existing services, can impact upon staff retention. Specifically, Northcott has experienced a high turnover in personnel in our Jobmatch service over the past 9 months. Information from exit interviews and feedback from staff is that this turnover has predominantly been driven by ongoing changes with DES-ESS contract requirements and participant guidelines, resulting in confusion and feelings of frustration for staff, along with uncertainty for ongoing employment pending the tender process.

Aside from the financial costs and instability for clients associated with staff retention issues, with the short-term nature of the current DES-ESS contract it is also difficult for Northcott's Jobmatch service to develop a longer-term business plan, resource plan and succession plan. This uncertainty in the strategic direction and stability of the service can impact upon capacity for career planning and subsequently affect staff retention.

Northcott believes that many DES-ESS providers will have to deal with a reduction in experienced personnel as a result of the decision to re-tender. The challenge this brings is how to continue to meet the employment goals of clients, and achieve outcomes under the performance framework, while DES-ESS providers invest significant human and financial resources in the tendering process and in service transition under new contracts. Northcott believes that unless there is a change to the requirement to re-tender and the current short-term 3-year contracts, the sector will continue to encounter a turn-over in experienced personnel.

Therefore, Northcott recommends:

- *The DES-ESS tender process is delayed until June 2015.*
- *The minimum contract term for DES-ESS providers is increased from three to five years.*

- c) **whether competitive tendering of more than 80 per cent of the market delivers the best value for money and is the most effective way in which to meet the stated objectives of:**
- i) **testing the market**
 - ii) **allowing new ‘players’ into the market, and**
 - iii) **removing poor performers from the market;**

As a procurement method, competitive tendering is one of many ways of ‘testing the market’ and allowing new players. However, Northcott supports that such a large-scale approach to re-tendering (over 80 per cent of current market) may not actually provide value for money, when the impact this tendering process will have on current DES-ESS service provision, and the impact it will have on outcomes for clients during this time, is also factored in and considered in-line with the objectives to re-tender.

As outlined in our responses to terms of reference a) and b) above, Northcott views that a competitive tender process involving the majority of the DES-ESS market will result in reduced performance and lack of stability in service delivery, disruptions to continuity of relationships, and turn-over of experienced personnel. Northcott believes that these impacts will not only have a broadly disruptive effect on the sector; they will also bring additional financial costs for individual DES-ESS providers, as well as compromising the efficiency from the sector during the re-tendering period.

Northcott also supports that the objectives of ‘procurement’ and ‘performance management’ should be considered separately in the decision to tender DES-ESS providers. That is, Northcott supports a DES-ESS market that provides high quality providers who facilitate successful and long-term employment outcomes for clients; however, current providers who are under-performing should be dealt with under a *performance management* process through DEEWR as the contract manager, rather than through a procurement process. Northcott also supports that the resources spent on the re-tendering process could be better used on developing performance measures and a quality system for DES-ESS providers which measures outcomes in terms of achieving social inclusion for clients through sustainable employment. This would then support a performance management approach that could adequately address the issue of quality in DES-ESS providers, and see the removal of poor performing providers from the market.

Therefore, Northcott recommends:

- *If after considering the findings of this inquiry, the Government decides to proceed with a re-tendering of DES-ESS providers in 2012, only one and two star-rated providers should be required to go to tender.*
- *The Government separate procurement and performance management objectives when deciding to re-tender DES-ESS services and designing the tender process.*

- d) **whether the DES Performance Framework provides the best means of assessing a provider’s ability to deliver services which meet the stated objectives of the Disability Services Act 1986 such as enabling services that are flexible and responsive to the needs and aspirations of people with disabilities, and encourage innovation in the provision of such services;**

Northcott believes that the DES Performance Framework as it currently stands is not necessarily the best means of assessing a provider’s ability to deliver services which meet the objectives of the

Disability Services Act 1986. The current performance framework is focussed on short-term employment outcomes (measuring the number of 13 and 26 weeks employment placements). The short-term nature of assessing performance means longer term employment outcomes, and the broader social inclusion outcomes this can achieve, are not tracked or measured. Northcott believes that social inclusion through sustainable workforce participation is the core objective of DES-ESS services, and that any framework to measure performance of a provider should also factor in the quality and long-term nature of employment placements, not just the short-term outcomes and quantum of placements, a provider may achieve.

In addition, the framework does not adequately assess and measure the *quality* of service delivery; whether the service was provided in a way that was person-centred, flexible and responsive to the needs of the person with a disability. The quality of the provider's relationships with clients, employers and the local community is also not captured under the current framework. To capture these aspects of quality service provision, Northcott supports better alignment between the Disability Services Standards and the DES performance framework. Therefore, contracts may be awarded to providers that deliver the best quality outcomes for clients, and employers, not just to those who can meet set placement targets within a short-term time-frame.

The DES performance framework has been "*designed to drive performance and continuous improvement in the delivery of quality services to all participants*" (Disability Employment Services Performance Framework for Providers Fact Sheet, 2 June 2010). One of the key objectives of the framework is measuring the efficiency and effectiveness of providers in order to achieve a 'star rating': "*New job seekers can use star ratings to make informed choices about which provider will be best able to help them find a job and keep it over the longer term*" (Disability Employment Services Performance Framework for Providers Fact Sheet, 2 June 2010). Therefore, star ratings are also seen as a marketing tool to recruit participants into the service. Due to star ratings being a means of attracting the client base, Northcott's experience is that then these dominate business planning (focussing on what can be done to lift the star rating), rather than how to improve the *quality of service* delivered in order to meet the needs of clients and employers. Northcott supports that the ability of the DES-ESS provider to deliver an individualised, responsive, person-centred service in working with the client to achieve their goals, should be a central focus of service delivery, and the performance framework be adapted to better measure outcomes in this area.

Northcott also believes that the short-term focus of the current DES Performance Framework, focussing on a particular point in time to determine star ratings, does not adequately take into consideration the long-term performance of the provider, or the broad contextual and organisational issues which may have impacted upon the performance of the provider during that set time-period of assessment. For example, the performance framework does not take into account broader operational and service delivery issues, such as staff turnover, the complexity of participants being referred, the willingness of participants to work with providers to find work and the job readiness of participants etc. A framework which is also able to take into account the long-term performance and quality of a provider would work to represent a more accurate picture of a provider's performance on-the-whole.

The current DES performance framework is also fairly new, only having been implemented in March 2010. Therefore, Northcott also asks whether it may be too soon after implementation for this framework for it to be used as meaningful tool for assessing which services should re-tender.

Therefore, Northcott recommends:

- *The DES Performance Framework is more greatly aligned to the Disability Service Standards.*
- *The DES Performance Framework incorporates a 'quality' measure as part of the assessment process, which includes measuring performance in relation to the quality of services delivered,*

e) the congruency of 3 year contracting periods with long-term relationship based nature of Disability Employment Services – Employment Support Services program, and the impact of moving to 5 year contract periods as recommended in the 2009 Education, Employment and Workplace Relations References Committee report, DEEWR tender process to award employment services contract;

Northcott sees relationships with stakeholders as the key to providing quality services and sustainable employment opportunities. Our experience is that in most situations, relationships with clients take time to develop. Similarly, relationships with employers require a significant investment in time to build trust and confidence in the service. In particular, there is often a need to obtain a deeper understanding of the employer's business drivers, their barriers and broaden their understanding of the benefits to employing someone with disability. Moreover, in order to provide integrated service delivery and appropriate referral pathways for clients with multiple needs, significant time is also required to engage and build relationships with the local community, as well as with other community services and government organisations. Therefore, given the long-term relationship based nature of disability employment services, Northcott supports the Government's recommendation to move to 5 year contract periods.

In addition to the time required for relationship development and management, DES-ESS providers also need a significant time-frame for initial service development and set-up. Northcott's experience is that a substantial part of the first year of operation is spent establishing and bedding down service models, and the last year of the contract period dominated by the next purchasing process. Add to this the investment needed to build and maintain relationships, understand the local business environment and effectively engage with employers. Therefore, based on a three year contract, our experience is that there is at most a 12 month window for business to optimise their performance and service delivery for participants. An extension to current contract duration would allow for greater periods where providers are able to optimise performance and achieve high-quality outcomes and service delivery. It would also provide much needed stability to the sector in terms of staffing and business planning, and providers may be more inclined to invest in emerging technology and resources over a longer term contract.

Therefore, Northcott recommends:

- *The minimum contract term for DES-ESS providers be increased from three to five years.*
- *The DES-ESS tender process is delayed until June 2015.*

f) the timing of the tender process given the role of DES providers in implementing the Government's changes to the disability support pension.

The impact on DES-ESS providers from the recent eligibility change associated with the Disability Support Pension is unknown, along with the impacts on performance against the performance framework these may have. In addition, the announcement of the Government's commitment to implementing a National Disability Insurance Scheme and its impact on disability employment services is also unknown. Given the uncertainty in the DES-ESS market as a result of the frequent changes over the last few years, and the current changes and new initiatives in the disability and employment sector more broadly, Northcott does not believe that 2012 is the most suitable timing for a re-tendering process, and would support extension of current contract arrangements until June 2015.

Therefore, Northcott recommends:

- *The DES-ESS tender process is delayed until June 2015.*

CONCLUSION

Northcott acknowledges and welcomes the Government's commitment to creating a disability employment services sector which is high-performing, economically efficient and responsive to the needs of job seekers and employers. Whilst Northcott supports the Government's aim of a disability employment service that achieves a high standard of service to participants and represents value for money, it is Northcott's view that there is too much uncertainty in the sector to tender more than 80 per cent DES-ESS service via a competitive procurement process, which we believe can result in considerable inefficiencies, destabilising of relationships, loss of expertise, and which in the long term can diminish performance of the sector. Northcott supports action from the Government which will create a DES-ESS market whereby providers have sufficient time and resources to develop an effective service delivery model which is flexible, person-centred and efficient, and facilitates social inclusion for people with a disability, through long-term sustainable employment.

RECOMMENDATIONS

In summary, Northcott makes the following recommendations:

1. The DES-ESS tender process is delayed until June 2015.
2. If after considering the findings of this inquiry, the Government decides to proceed with a re-tendering of DES-ESS providers in 2012, only one and two star-rated providers should be required to go to tender.
3. The minimum contract term for DES-ESS providers be increased from three to five years.
4. The Government separate procurement and performance management objectives when deciding to re-tender DES-ESS services and designing the tender process.
5. The DES Performance Framework is more greatly aligned to the Disability Service Standards.
6. The DES Performance Framework incorporates a 'quality' measure as part of the assessment process, which includes measuring performance in relation to the quality of services delivered, social inclusion and long-term employment outcomes.

Should the Committee require clarification or any further information on Northcott's submission, please contact Liz Forsyth (Sector & Business Development Manager) on