



Thursday, 28 May 2009

Committee Secretary  
Senate Standing Committee on Education, Employment and Workplace Relations  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
Australia

Dear Sir,

Re: Senate Education, Employment and Workplace Relations Committee Inquiry into the DEEWR tender process to award employment services contracts.

Marrickville Community Training Centre Inc Trading as MTC Work Solutions (MTC) makes the following submission in relation to the above Inquiry.

**a) The conduct of the 2009 tendering process by the Department of Education, Employment and Workplace Relations to award Employment Services contracts, with particular attention to:**

- i. the design on the tender, including the weighting given to past performance and the weighting given to the 'value for money' delivered by previous and new service providers,**
  - ii. evaluation of the tenders submitted against the selection criteria, including the relationship between recent service performance evaluations in various existing programs (such as provider star ratings), selection criteria and tendering outcomes, and**
  - iii. the extent to which the recommendations of the 2002 Productivity Commission report into employment services have been implemented;**
- i. MTC believes that the design of the tender was fair and equitable. When the current Employment Services Contract (ESC3) was extended for a period of three years in 2006 there seemed to be a general consensus within the sector that a full tender would be required for services to be delivered beyond 30<sup>th</sup> June 2009. In May 2008 the Government released a discussion paper and held a range of public consultation sessions on the future of Employment Services in Australia. This was followed by the release of a draft request for tender, giving all potential participants the opportunity to review and comment on the future delivery of the service. When the final request for tender was released there were some relatively small changes and all parties interested in tendering were provided with the same information and access to the answers to any questions raised by potential tenderers. Therefore all tenders were submitted based on the same publicly available information.

While the overall weighting of only 30% that was applied to demonstrate past performance may seem low it must be viewed as part of the overall context of the

tender. For the first time in Employment Services the Government was combining a number of programs into a single multi-stream contract. A review of the whole tender document when combined with a scan of the broad objectives of the Government shows that the new contract proposes a significant shift in the focus of the program. Under ESC3 providers were limited, by the Active Participation Model (APM) and the associated continuum, in their ability to design interventions that were targeted at individual clients.

Additionally tenderers were required to demonstrate an ability to provide the complete range of services to the four streams of job seekers. Therefore organisations that had previously shown an ability to deliver a portion of the service (for example Job Network services only) needed to show their ability to deliver those services to a much wider client base, including those participants that are currently in the Personal Support Programme (PSP) together with an ability to deliver a wide range of work experience activities including Work for the Dole Activities. If providers were unable to provide this level of demonstrated experience they were expected to partner or sub contract with organisations that were able to provide the required demonstrated performance.

It is difficult to comment on the issue of “value for money” as the combination of services that form the new Job Services Australia model have not previously been delivered under a single contract. As the tender was not a price competitive tender the notion of value for money can only be measured against the service plan that each provider outlined in their tender submission. As such the experience and success, or otherwise, obtained by providers under ECS3 and other contracts such as PSP can form only a part of the evaluation process. The successful delivery of Job Services Australia will depend on the ability of the providers to effectively deliver the holistic business model that is required. MTC also expects that the Department of Education, Employment and Workplace Relations (DEEWR) have undertaken extensive internal reviews and we expect that there will be a reduction in the administration requirements at a departmental level, increasing the “value for money” for the Australian Taxpayers.

- ii. MTC is unaware of the exact evaluation process undertaken by the department but we believe that the process was conducted under strict probity guidelines and as such have no reason to believe that the process was flawed. For the tender process to be equitable for all potential tenderers the tender submissions could only be measured against the nominated selection criteria and their indicated weightings. Although past performance can be an extremely good indicator of future performance it would be difficult to compare the results of an organisation in the delivery of one particular contract against the expected future delivery of Job Services Australia.

**b) the level of change of service providers and proportion of job seekers required to change providers, and the impacts of this disruption in communities with high levels of unemployment or facing significant increases in unemployment;**

There has been, for some time, a consensus within sector representatives that the APM and the associated continuum did not provide the level of flexibility required for providers to adequately tailor solutions for individual job seekers. To implement the fundamental changes to the system required to address this issue would have involved a significant disruption to the existing services. In addition,

there are usually a number of providers who will exit the system at the conclusion of each contract. The exit may be as a result of poor performance or alternately it may be a result of changed circumstances or focus for the organisation. When these factors are combined we do not believe that the change to the number of service providers presents a larger disruption that would normally be faced at the end of a contract period.

Even if there is a significant level of disruption in the short term it must be measured against the longer term benefits for the job seekers and their communities. The long awaited flexibility that is a feature of Job Services Australia will over time prove to be a benefit that far outweighs the short term dislocation and disruption.

**c) any differences between the recommendations of the Tender Assessment Panel and the announcement by the Minister for Employment Participation of successful tenders on 2 April;**

MTC is unable to comment on this aspect as we are unaware of the recommendations made by the Tender Assessment Panel and we are only aware of the publicly released material.

**d) the transaction costs of this level of provider turnover, the time taken to establish and 'bed-down' new employment services, and the likely impacts of this disruption on both new and existing clients seeking support during a period of rapidly rising unemployment;**

While the transaction costs associated with the provider turnover are high, they are simply a part of the business decision that organisations must make during their tender application process. If an organisation submits a tender to deliver services in a certain area they must know the expected costs associated with that delivery, including any start-up costs such as office fit outs. The period between the announcement of the tender results in early April and the contract start date of 1 July 2009 is not really sufficient to ensure that providers are able to properly ensure they are able to provide the full range of services from day one. We do however recognise that the tender review process was a complex task that required a significant period of time and we are unsure how more time could have been provided.

Even if there is a significant level of disruption in the short term it must be measured against the longer term benefits for the job seekers and their communities. The long awaited flexibility that is a feature of Job Services Australia, will over time prove to be a benefit that far outweighs the short term dislocation and disruption.

**e) communication by the department to successful and unsuccessful tenderers, the communications protocol employed during the probity period, and referrals to employment services by Centrelink during the transition period;**



There were some deficiencies in the communication by the department during the tender period. All questions relating to the tender had to be emailed and the response time was not guaranteed. In some instances this meant waiting for over a week for an answer that could have a significant impact on the design and writing of the tender.

Although MTC was not directly impacted, we are aware of a number of providers who were not informed of their tender results prior to the information being released to the public.

The release of information to "preferred tenderers" also raised a number of issues. Although providers were informed that they were preferred tenderers there was no information available relating to estimated market share and tenderers were also advised to inform staff only on a "need to know" basis. These two factors created considerable unrest as staff became uncertain of their future employment opportunities and providers were unable to make any plans for expansion or contraction.

To date MTC has not experienced any impact on referrals from Centrelink and we expect the referrals to continue.

**f) the extent to which the Government has kept its promise that Personal Support Program, Job Placement Employment and Training and Community Work Coordinator providers would not be disadvantaged in the process, and the number of smaller 'specialist' employment service providers delivering more client-focused services still supported by the Employment Services program;**

As an existing provider of all the listed services MTC does not feel disadvantaged by the process and we also believe that we will deliver a client focused service to all clients.

**g) the particular impact on Indigenous Employment Services providers and Indigenous-focused Employment Services providers;**

MTC is unable to comment on this area as we are not an Indigenous Employment Service provider.

**h) the Employment Services Model, including whether it is sustainable in a climate of low employment growth and rising unemployment, and whether there is capacity to revise it in the face of changed economic circumstances; and**

The allocation of higher outcome fees for stream three and four clients, combined with the significant increase in the number of stream one clients and the lower service fees associated with those clients will place strains on the viability of the current contract during the coming period of higher unemployment. Stream three and four clients already face significant, and often multiple barriers to entry or re-entry into the workforce. The rapidly rising pool of recently unemployed job seekers competing with these clients for a reducing number of positions will further disadvantage these already disadvantaged clients. If the service fee and outcome structure is not reviewed we believe that a number of providers, both



new entrants and exiting providers who transition to Job Services Australia will find it difficult to deliver the services they are contracted to deliver.

- i) recommendations for the best way to maintain an appropriate level of continuity of service and ongoing sector viability while at the same time ensuring service quality and accountability and maximising the ancillary benefits for social inclusion through connection and integration with other services.**

Consideration must be given to reforms in two areas.

Firstly, the contract period should be reviewed with a view to providing service periods of at least five years. Under the current three year regime providers spend the first year of the contract bedding down the service delivery model, the second year delivering a high quality service and the third year is delivered with an eye on the upcoming tender process. A longer contract period would allow providers greater certainty and would enable the implementation of longer range plans and strategies. Obviously, a longer contract period would need to include performance reviews.

Secondly, DEEWR will need to work with other key government departments at both a State and Federal level to design and implement a holistic approach that recognises that unemployment and or under employment is only a part of the problem. Many of the disadvantaged clients we currently assist are also facing issues such as a lack of available housing. There appears to be a lack of communication between departments that are assisting the same clients. In addition there is a general lack of public knowledge relating to the range, scope and availability of the services available from all government departments.

Prepared by

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