



ACE (WA)

Association for Competitive Employment

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## **Purpose and Summary of Paper**

This response has been prepared on behalf of members of ACE WA in response to the Senate inquiry into the administration and purchasing of Disability Employment Services in Australia. With specific reference to the Disability Employment Services – Employment Support Services.

The ACE WA submission considers the terms of reference of the inquiry. The offer of a contract roll-over or Invitation to Tender for high-performing DES providers is welcome, however, this must be extended to 3 star services, or indeed to all existing services. Members are of the view that the current Star Rating system and Key Performance Indicators as a true measure of “high performance” is arguable. Members would prefer a 5 year term for contracts to better align to our service delivery models and to provide greater certainty for forward planning and the development of innovative programs.

ACE WA supports the Disability Employment Australia submission analysis of issues and recommendations.

ACE WA believes that the current performance management framework does not fit the needs of people with disability and does not adequately reflect the nature of the work Disability Employment Services do. ESS KPI’s need to measure the quality of our services, not just quantity. The contract still has major issues that DEEWR are trying to resolve, acknowledging that red tape remains a major issue and a barrier to improving performance.

The Hon Kate Ellis, Minister for Employment Participation and Child Care, acknowledges that 13 week paid employment outcomes in DES has improved almost 50 per cent compared with the Disability Employment Network contract. We are not far enough into this DES contract to have meaningful data to compare 26 week employment outcomes. To their credit, indications are that providers are also improving in this area despite most reporting a significant and almost overwhelming increase in the numbers of registrants since March 2010.

ACE WA would ask the Minister why the Government feels the need to try and fix something that does not appear to be broken. Requiring our local strong performers to have to tender with untested, possibly international, not necessarily Disability Support Service Certified providers that are likely to be excellent at writing winning tenders but remain unproven in their ability to find people with a disability meaningful

and stable employment in Australia does not appear to be an effective use of tax payer money.

People with a disability and loyal employers repeatedly express their desire for stability. Relationships between DES providers and their employers that have been built over time would be under threat again if we are forced into this unnecessary tender. DES providers have proven over many years that they are the experts and that the services they provide is unique and goes much further than the traditional employment services. "Testing the water" by having an open tender process will only risk a reduction in the quality of service to job seekers and subsequent disillusionment of employers who may never employ a person with a disability again.

At a leaders forum in February 2011, DEEWR National office advised that at 31 December 2010 only 6% of services had achieved a 4 star and above rating. Also discussed was that 23% had insufficient data to record a star rating and that many of these services still haven't recorded a star rating at 30 March 2011. In 2010, 60% of Providers had a 3 star rating. ACE WA feels that this DES performance data is inconclusive and time is required for the contract which is just over a year old to mature, especially as the whole performance management framework has changed and services need time to respond.

ACE WA has been discussing these issues with Government, Opposition and Greens Ministers and other interested parties with the aim of ensuring that the best system is put in place for the awarding of contracts. Ensuring that people with disabilities are the winners and that long serving, proactive and values-based services be included in the roll-over so they can continue to focus their energies on improving service delivery rather than shifting limited resources to the process of preparing a tender. ACE WA welcomes the Senate Inquiry and trusts that its recommendations will ultimately improve employment services for people with disabilities.

## **Recommendations**

Whilst ACE WA commends the Government on the decision to extend the current contract period we feel that the decision has not gone far enough and therefore recommends that:

- All 3 star and above rated providers as of 30 March 2012 receive a contract extension to June 2015.
- Providers at 1 and 2 stars as of the 30 March 2012 be given an opportunity at DEEWR State office level to make a case for an extension of contract with the State Manager having the authority to extend the contract or re-allocate market share where appropriate. This is currently the case in the JSA contract.

- That the KPI's of the current performance framework be reviewed with the aim of improving sustainable employment outcomes, rewarding quality outcomes e.g. same or better hours/pay, VET (Apprenticeship, Traineeships including School Based) outcomes being separate to Education outcomes. That the framework be considerate of the impact of having greater market share and therefore having greater numbers regularly registering impacting on the denominator in calculations. Furthermore, that market share referrals are usually more likely to be involuntary or participants who require more pre-employment interventions – thereby impacting on “time to outcome” measures.
- Following the contract extension period to June 2015, that future contracts be 5 year terms.

## **About ACE WA**

ACE WA is an Incorporated Association that supports Disability Employment Service providers and other likeminded agencies through the facilitation of industry specific training and representing the views and opinions of its members. ACE WA's mission is to maximize the participation and status of people with disability in employment regardless of the nature or extent of their disability. ACE WA is separate to and independent of Disability Employment Australia (formerly ACE National) and NDS. Being independent ACE WA has the option to work solely or in partnership with any peak body of its choice to best represent its members.

## **Response to Terms of Reference**

- *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*

ACE WA is strongly opposed to the tendering of more than 80% of current DES, we do not believe that it will provide value for money and we believe that it will create instability and in turn will directly impact on people with a disability and our employers through e.g. staff turn-over and diversion of resources to tender preparation.

- *the potential impact of losing experienced staff*

The current performance framework, though it promotes a focus on outcomes, creates a demoralizing work environment as there is no distinct target or benchmark. Managers constantly review performance data and push their teams to achieve more, this is untenable over extended periods as staff become burnt out and deflated by the ongoing pressure to continuously exceed their previous results. Disability Employment Services have had to cope with the 1% efficiency dividend and now the constantly moving (increasing) outcome expectations. These factors have made it difficult to retain staff and motivate existing staff.

Staff in a 1, 2 and even 3 star service may start to move as they will preempt a loss of contract, how can a service improve performance if existing experienced staff exit? The move to tender so much of the current market is destabilizing and will directly impact on people with a disability whose success in securing and maintaining employment is built on the relationships they develop with ESS staff.

A move to tender 80% of services needs to be analyzed on a broader perspective than performance alone. Employment Support Services cannot be compared to Job Services Australia, primarily because we have evolved from the Disability Services Act and this should remain a primary consideration in any contract assessment process.

- 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*

Whilst ACE WA does not believe that the Star Ratings provide an appropriate measure of "high performance", services at 3 stars are within the average of all providers and should be offered an invitation to treat. Furthermore, the Senate may consider that all existing services be offered a contract roll-over / invitation to treat and that DEEWR utilize performance management and Market Share redistribution to enable "new players in to the market" and foster best practice. The existing performance management framework was only introduced in this current contract so is new to the industry and essentially fails to promote sustainable jobs or to encourage the movement away from welfare dependency.

In a letter from the Hon Kate Ellis, Minister for Employment Participation and Child Care, to CEO's of Disability Employment Services she acknowledges that "*The introduction of DES on 1 March 2010 represented a milestone so that for the first time, any eligible person with disability who now wants to look for work can have immediate access to assistance from a DES provider. As a result, in the first year of DES there has been almost a 40 per cent increase in the number of people with disability accessing help to get and stay in employment (this increase will take time to influence outcomes and therefore star ratings) At the same time, the number of sustainable jobs is increasing. The number of 13 week paid outcomes in DES is almost 50 per cent higher than under the Disability Employment Network and Vocational Rehabilitation Services programs it replaced*" If this is indeed the case then ACE WA is disappointed that the Government have decided to put the majority of DES ESS services to tender after such a short period in to the contract. It seems counterproductive for providers to go through the extremely costly process of a full competitive tender, estimated to be in excess of \$10M. ACE WA is of the opinion

that taxpayer funds would be better served by extending the operating period of the current contract which would allow more time for providers to attune their services and continue to improve their relative performance.

*“A clear message from the last consultation process was the need to continue to reduce the administrative impost on employment services providers. To progress this and facilitate continuous improvement, the Minister is establishing an advisory panel to identify existing unnecessary administration in employment services. In addition, up to \$2 million of existing funding in the Department of Education, Employment and Workplace Relations has been earmarked to implement agreed outcomes from the advisory panel”.* ACE WA feels that this is just another reason to extend all contracts to 2015 allowing DEEWR the opportunity to fix current system and contract problems.

Importantly, the Government is not obliged to tender ESS under the Free Trade Agreement due to the general carve out provision relating to the goods or services of handicapped persons, of philanthropic or not for profit institutions, or of prison labour. ACE WA questions why the Government is willing to put the jobs of thousands of people with disability at risk for the sake of an unnecessary and costly 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*

ACE WA is of the opinion that the current performance management framework does not reflect the essential quality measures of the previous contract KPI's and in fact conflicts with the Disability Services Standards. The current framework and star rating system rewards the volume of jobs secured and the speed to employment outcomes. There is no measure to recognize the “quality” of outcomes such as measuring average hours of work, average weekly wage, VET outcomes and 12 month continuing employment status as occurred in previous contracts. Such quality KPI's appear to have been sacrificed in an attempt to encourage an increase in the number of placements.

An emerging trend that ACE WA is closely monitoring is of providers being pressured in to turning one job into two or three in an attempt to reach the revised benchmark of 4 stars. Though this might be viewed as an improvement in “performance” under the current KPI's it is a move away from the Disability Services Standards, particularly those of social inclusion and meeting individual needs. An interesting potential consequence of this could be an increase in outcomes paid to DES providers but no noticeable decrease in the number of people moving out of the dependency of welfare payments. ACE WA strongly recommends a revision of the

current KPI's to ensure that current "performance" measures are not contrary to the achievement of quality, sustainable employment outcomes which enable the movement off benefits and towards achieving social inclusion.

A reconsideration of what was working under the previous DEN KPI's would better reflect quality whilst simultaneously achieving the Government's budget agenda of more jobs and increased participation and better attention to the needs of people with disability including the priority of improved services for mental health.

ACE WA has serious concerns that star ratings for small outlets can change significantly over short periods of time. For example, one agency reported to ACE WA that their service had 3 jobseekers in ongoing support and following the loss of 1 job the service's score under that particular KPI fell from 100% to 67%. An extrapolation of this seems to indicate that a 3 star rated service at 30 March 2012 being forced to tender could well be a 5 star rated service by the time tenders are due and vice versa. It is worth noting that 2 more sets of star ratings may be released after the proposed cut off period of 30 March 2012. New services with a small percentage of market share that have tried to build business through the direct referral pathway are penalized by the current performance management framework due to this volatility in star ratings.

- 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;*

ACE WA supports a move to longer contract terms e.g. 5 years due to the nature of our relationships with job seekers/workers and partnership building with referral sources (e.g. schools, community services, Mental Health services) and employers. Longer terms will encourage innovation as services can more confidently commit to investing resources in to new programs, staff training and other continuous improvement opportunities.

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

ACE WA welcomes the Minister's decision to increase work participation for jobseekers on DSP to 30 hours. However, as the current KPI's reward speed and volume of placements we fear that providers are unlikely to strive to find increased hours of work to compliment this initiative.

ACE WA concurs with the Disability Employment Australia observation that "The Government has undertaken significant reform of both general and disability employment services in recent years. Given this context of change and reform, now is not the time to embark on a widespread competitive tendering process. The relative youth of the DES program, significant policy changes to the Disability

Support Pension (DSP) and the policy announcement of the development of a National Disability Insurance Scheme (NDIS), combined with the lack of credible data to assess provider performance mean that there is too much uncertainty to tender 80 per cent of contracts now.”

## Contact Details



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