



## Submission to the

Senate Inquiry into the conduct of the 2009 tendering process by the Department of Education, Employment and Workplace Relations to award Employment Services contracts.

### Prepared by:

National Employment Services Association  
Level 8, 20-22 Albert Road  
South Melbourne 3205

### Contact:

Ms. Sally Sinclair CEO  
(03) 9686 3500



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## About NESAs

The National Employment Services Association (NESAs) is the peak body for the Australian Employment Services Industry. NESAs is the only peak body which represents all providers including community, private, public and Government sector organisations and which represents all Commonwealth funded employment services and related programs.

NESAs members deliver the range of current State, Local and Australian Government funded employment programs including Job Network, Work for the Dole, Job Capacity Assessors, Personal Support Programme, Job Placement and Employment Training, New Enterprise Incentives Scheme, Disability Employment Network (capped and uncapped), Vocational Rehabilitation Services and Indigenous Employment Programs.

NESAs is the key voice of the employment services industry and was established in 1997 following the announcement of major reform to Australia's Commonwealth Employment Service and employment programs. As an industry-led association we are dedicated to the development and improvement of the employment and related services industry in order to implement sustainable solutions to address Australia's employment and workforce participation challenges.

NESAs's members are highly aware of the social and economic impacts of unemployment and are focussed on meeting the needs of job seekers, particularly those most disadvantaged, and assisting employers to find the right skills and person for their business. On behalf of its membership, NESAs works with Government, employers and other stakeholders to develop policy, strategies and initiatives which improve social and economic outcomes for Australian job seekers and employers.

The recent announcement of successful tenderers for Job Services Australia, which will be the primary Commonwealth funded employment service, indicates that NESAs members will operate over 90% of all contracted sites. Member organisations range in size from small agencies operating single sites in local communities to large organisations with multi-site operations across Australia. Members deliver employment services from a diverse geographical base with operations in metropolitan and regional centres as well as rural and remote communities.

NESAs regularly consults with its members to represent and advocate their interests to government and other stakeholders. NESAs provides members with a voice in key decisions taken by Government that impact on the industry, as well as providing member support via advocacy, policy development and advice, member services, information, education and training, as well as practice and professional development.

NESAs welcomes the opportunity to present this submission to the Senate Inquiry into the conduct of the 2009 tendering process by the Department of Education, Employment and Workplace Relations to award Employment Services contracts. We appreciate all strategies which contribute to the continuous improvements to the purchasing arrangements for employment services.

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## Response to the Terms of Reference

**(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 of 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,**

Industry consultation following the release of the Draft Request for Tender offered the opportunity to provide feedback regarding the design of the tender. In previous purchasing processes for employment services past performance has been weighted at 40% and in this purchasing process it was weighted at 30%. As was also the case in earlier consultative processes, industry members offered mixed views regarding the proposed weighting for past performance.

One perspective from industry members was that performance in the delivery of employment services should be rewarded and highly reflected in the weighting. The core issue was that actual demonstrated capacity to deliver high performing employment services should be more highly valued than proposed strategies yet to be tested in the local labour market. Furthermore capacity to deliver high performance demonstrates the presence of other desired attributes such as employer and community linkages that enables assistance to job seekers and creation of employment outcome opportunities.

The other perspective was that performance should not be weighted as highly as in previous tenders. Issues which were raised included that it was not appropriate to use a high performance weighting achieved in the delivery of current employment service delivery in the purchasing of a significantly different employment service model. Many industry members put forth that over emphasis on a performance weighting could limit opportunities for existing and new organisations well positioned to successfully deliver the new model to compete in the tender process.

While there is mixed views about the appropriate level of weighting for performance it was commonly considered that those with demonstrated high performance would rate more highly on that criterion. As such it is unclear if the weighting or the assessment framework applied to the performance criterion contributed to counter intuitive outcomes. We note for example, that in the 2006 purchasing process for Community Work Coordinators which was also a full open tender purchasing process counter intuitive outcomes were also produced with a significant proportion of the highest performing organisations not being awarded 2006 – 2009 contracts.

The issue of evaluating value for money in the purchasing process is also an issue which attracts diverse and often conflicting views. In the early iterations of the contested market for employment services some purchasing processes involved price competitive bids and service models were not highly prescribed containing a strong emphasis on value for money. Value for money criteria often elicits different interpretations and a range of philosophical positions. However, a common view is that the best manner in which to achieve value for money is to ensure that the purchasing process and contract support structures are sufficiently robust to support a high performing employment services sector. The primary objective to purchase the best possible employment services should remain uncompromised.

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There is concern about attributing additional weighting to account for value for money for factors which fall outside the delivery of contractual service requirements and performance measures. These concerns arise from questions such as what factors would be considered to deliver additional value for money, how could they be objectively measured and compared, what assurances are needed to ensure that any additional claims or value for money commitment made in a bid are realised and what, if any, factors would elevate a tender above that of one with demonstration of capacity for higher performance in employment services on the basis of value for money?

There is also a common view that while there should be opportunities to contest the market there should not be an emphasis on achieving a turn over of providers which can result in considerable inefficiencies, loss of expertise, and which in the long term can diminish performance of the sector.

There are some which view that there has been a desire to turn over providers in order to “keep the industry on its toes” and drive performance. It is evident that there are performance improvements often in the lead up to purchasing processes as there are often declines in performance during transition. There is a human cost to consider in maintaining such unrelenting drives on performance.

Participation in tender preparation is extremely stressful and resource intensive on organisations. Employment Service personnel experience high levels of anxiety about job security and a negative tender result can have significant impact on individuals who work in the sector. Personnel expect their efforts to achieve high performance will be rewarded and when it is not they often feel quite disillusioned or as one provider put it “simply gutted”. While there is demand by successful organisations for staff, in some circumstances personnel of exiting providers choose to leave the industry and utilise their skills in other sectors such as community services and health. In 2003 the industry experienced staff turn over levels averaging approximately 50% over the transition period. To assist in addressing this issue in the current purchasing process a range of assistance has been put in place to assist minimising skills loss from the industry as a consequence of the purchasing outcome.

**(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**

We acknowledge that the purchasing process is highly complex and in this instance involved purchasing arrangements for a new employment service model which integrated a range of existing services within a single program. It is not surprising that this process attracted over 438 tenders with 2,955 bids across the range of employment service areas.

Given the nature of the purchasing process particularly the varying levels of competition within each employment services area and the commercial confidentiality of the bids we are not in a position to make informed comment on the specific process for evaluating individual tenders. However we would like to make some observations about the outcomes of the process.

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The loss of experienced, skilled and high performing employment service organisations weakens the sector and its ability to meet the needs of Australian job seekers and employers. Providers including those who have been successful highlight that some outcomes on face value appear counter intuitive. While the tender process is widely understood it is difficult to reconcile the logic that sees long standing employment service providers with a proven capacity to deliver high performing quality services unsuccessful or with significantly reduced business share. These counter intuitive results indicate the bluntness of the purchasing process and the need to review the purchasing model.

It appears that the level of displacement of existing providers in this purchasing process has been particularly high. However, this situation is not unique and such results have been at the heart of industry requests for examination of alternative models of purchasing for some years. NESA in its feedback to DEEWR following Job Network purchasing process in 2003 stated, *“that there is too much emphasis on how well you write about your performance compared to what you actually achieve”*.

The selection criteria and weightings are a transparent component of the purchasing process. However, the method of evaluation and detailed scoring processes for each criterion is not. Within each selection criterion there is a wide range of potentially relevant issues to be covered within a restricted word capacity. Tenderers must use their discretion to estimate the relative importance and what level of detail should be provided to each element within their response. While it is acknowledged that all tenderers face the same challenges in constructing a tender bid the question remains is this the best way to select organisations to deliver employment services?

Tenderers note that feedback following the purchasing process often identifies an area of the bid which did not provide a sufficiently strong argument. However, the purchasing process is reliant on the written bid and offers tenderers no opportunity to provide additional support for their claims.

There is also a question about what other assessment measures are applied in the evaluation process such as DEEWR assessments of risk or quality. Existing providers note that such measures prepared by Contract Management are not transparent with the provider being denied the opportunity to view or challenge such assessments. There is also a question if such measures are used how these are equally determined in assessing bids by new providers.

A key issue which providers raise is how the assessment of performance criterion is conducted. It is unclear how different service delivery experiences and demonstrated performance is compared and scored. For example how does high performance in the delivery of Job Network score compared to high performance in the delivery of the Personal Support Programme? How is demonstrated performance in an employment service area by an existing provider rated, compared to a bid with no local experience? What services are considered similar and how is that performance validated and assessed? Such questions are highlighted by provider experiences which on the face of the circumstances do not reflect good practice or rationale. For example, a provider who received a Job Services Australia contract was unsuccessful in being awarded business at an existing high performing site which was awarded to them through business reallocation approximately eighteen months

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ago. The provider who previously lost the business in business reallocation has now regained it through this purchasing process.

Similarly, there are questions about what evidence base is used to rate proposed strategies. Tenderers feedback indicates that there appears to be an additional value for innovative strategies. While the desire for better practices and continuous improvement is welcomed this should not be by under valuing strategies which have proven effective for the achievement of high performance in the local labour market.

Our experience over the history of contracted employment services also indicates that proposed strategies are subject to change on implementation of the contract. What is proposed is not always achievable for a variety of valid reasons such as the actual business offer, caseload flows and profile, dynamics of the local labour market and consequent revenue constraints.

We are aware that such changes to the proposed strategies are already being considered with regard to issues such as location and operating hours of sites to adjust to meet the local labour market demand as indicated by the job seeker transition data. It is considered that the capacity to instigate such changes positively enables employment services to be locally responsive. However, this also highlights the need for balance in the evaluation of the bid and contributes to the perspective that the current tender process may not be the best model for purchasing employment services.

There are some questions and concerns about how tenderers capacity to deliver the proposed strategies is evaluated. Tenderers also question how the validity of claims made within bids is assessed. This question has been raised in regard to issues such as local community and employer linkages.

In addressing the evaluation of tenders an area which lacks transparency is how the evaluation is translated into an offer of business and setting of market share. It is noted that in response to questions posed to DEEWR in the lead up and throughout the purchasing process that there were no pre determined expectations about the make up of the market but a mix of organisations in regard to size and corporate status were expected. As has been the case for previous purchasing a desire for diversity including specialist bids to meet local needs and area coverage was noted.

There is no information as to the criteria used to determine what the optimum mix of providers is to service a local area and on what evidence basis such a criteria is applied. We understand that given this situation a lower ranked tender may win a contract over a more highly ranked bid on the basis of such determinations.

There are also concerns about how such determinations of optimum mix of providers considers provider viability and the subsequent stability of quality services to job seekers and employers. While exact site configurations are not yet evident there is concern that locations previously serviced by one or two providers now appear to have many more. Whilst in the first instance this may offer improved coverage and greater access for job seekers from previous experience the over prescription of markets creates significant pressures on providers' capacity and performance across the ESA.

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**(iii) the extent to which the recommendations of the 2002 Productivity Commission report into employment services have been implemented;**

The Productivity Commissions Inquiry Report of the Independent Review of the Job Network in 2002 contained some 53 recommendations. We estimate that many recommendations in whole or at least in part, have not been satisfactorily implemented. In some cases actions undertaken have been in direct contrast to the recommendation such as 7.4 which recommended against the Government prescribing the schedule for minimum contact requirements for Employment Services Contract 3 in 2003.

Importantly recommendations relating to the exploration of other purchasing options such as a licensing system have not been adequately addressed. While there has been some foray into licensing with Job Placement Licence Only providers the industry is not aware nor has been asked to participate in any formal evaluation process of the merits or broader applicability of such a model.

The Report also made reference to the extent of DEEWRS role in purchasing. While acknowledging the expertise within DEEWR at the time, the report did reflect that it was relevant to consider if the tendering and contracting process for future rounds should itself be contracted out, if tendering processes were to remain in place. As the industry has not been consulted about such steps we are not aware whether these recommendations were considered.

**(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;**

Employment services deliver critical services to Australian job seekers and employers which support workforce participation and social inclusion. A lack of stability in employment services can contribute to uncertainty and insecurity experienced by job seekers particularly for those most disadvantaged. The disruption of services also impacts on employers and their confidence in employment services. Changes also directly impact on other stakeholders, such as hosts for work for the dole and community service organisations which have developed collaborative service strategies with providers' of employment service.

While the announcement regarding the awarding of tenderers is publicly available detail about business levels are not. At the time of preparing this submission we do not have detailed information about the anticipated levels of job seeker movement. In addition to changes in providers there is also a proportion of job seekers whose services will be disrupted despite being with a continuing provider as a result of modifications to employment service area boundaries.

Similarly, we have limited information about the level of changes to providers. For example, we are aware that there are providers who have been successful in maintaining a presence in existing employment service areas but whose business levels are significantly reduced or increased.

While it appears there is an increase in sites under Job Services Australia the configuration has changed. We do not have detail on the location of sites with indication of their status as full time, part time or visiting all which have an impact on job seeker servicing. We are aware

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that there are some locations which have been serviced by a full time Job Network site since 1998, which will not have a permanent Job Services Australia site. Additionally detailed information about providers who are continuing through sub contract and other partnership arrangements are not yet transparent. However, while not accurately quantifiable from public information, all indicative information provides no doubt that the level of change and job seeker movement will be significant.

In a period of escalating unemployment this is amplified, particularly if the transition arrangements are not well considered and resourced to support job seeker movement. However it should be noted that disruption of employment services has impacts on individuals, businesses and communities which are experienced in all economic climates. To illustrate, in mid 2007 during a period of sustained economic growth and low unemployment disruption to services from business reallocation processes was evident. In particular providers noted that job seekers disengaged in the movement from one provider to another for a prolonged period.

The industry has long recommended that there be improved provisions for exiting providers to support more seamless transition. The bluntness of the employment services purchasing process offers a restricted time to make adjustments and facilitate a smooth transition. Since employment services have been contracted through tender processes providers have only had three months of notice from announcement to commencement of the new contract. While on this occasion there have been improved strategies to engage exiting providers in supporting job seeker transition time constraints fall short of recommendations.

The limited time period adds to service disruption and the level of impacts experienced including by organisations and people directly employed in the delivery of employment services. The regular occurrence of provider turn over through purchasing and business reallocation continues to be a barrier to the attraction and retention of skilled and qualified staff in preference to more secure arrangements. Employment service organisations often have other business and service arms which are reliant on revenue generated through employment services. A change to business levels have impacts on the security of employment of other personnel within the organisation and services offered to other members of the community. The short notification period offers little time for organisations to adjust business models or strategies to minimise flow on disruption.

We welcome the Governments initiative in providing an opportunity for organisations to receive support via an Agency Adjustment Fund which has not previously been available.

**(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;**

As the recommendations of the Tender Assessment Panel are not publicly available NESAs is not in a position to offer comment on this issue.



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**(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;**

The transaction costs which are incurred as a consequence of provider turnover and investment in implementing services are considerable. The transaction costs related to purchasing should be considered in the context of the ongoing contract period. Contracts are generally for a period of three years, with a substantial part of the first year of operation establishing and bedding down service models and the last year dominated by the next purchasing process. In recent years we have also had the inclusion of six monthly business reallocation processes which have included selected tenders as well as rewards and sanctions.

The costs associated with the purchasing process are considerable for all stakeholders. Employment service providers invest significant human and financial resources in the bidding process as well as in transition regardless of their level of success. The cost of establishing new sites as well as closing existing ones represents a major financial investment which should be considered in both initial purchasing and business reallocation. There are examples of providers who were awarded additional business through the reallocation process who despite achieving high performance at the sites have not won continuing business at those sites. The closure of such sites after a short operating period means that these providers will not recoup their investment and have suffered financially by accepting a reward.

It should be noted that while there is disruption bedding down new services from an industry perspective the current employment service framework, particularly Job Network, was no longer appropriately meeting needs. The work first policy underpinning current program design is also not suited to the current declining economy.

**(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;**

The communication processes which were implemented by DEEWR to inform successful and unsuccessful tenderers were unsatisfactory.

The industry recommended that a communication process be implemented which provided in confidence notification to tenderers to enable them to instigate appropriate strategies for their organisation, particularly preparing for staff briefings. The industry expressed its desire to avoid repeating experiences from the past where staff became informed about tender outcomes and their ongoing job security through the public release of announcements. In particular large providers with operations across the country noted the logistical issues involved in arranging for all staff to be briefed simultaneously.

The communication process implemented to provide preliminary advice on the Request for Tender for Employment Services 2009-12 on 16 March 2009 did not achieve a desired result. The preliminary advice did not provide sufficient information on which organisations could plan adjustment or briefing strategies. The advice was also subject to probity considerations which meant that providers often felt they were unable to inform staff about what they had received.

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As a result of the details of preliminary advice being public everyone knew that organisations had received an indication of their likelihood of success. Staff often misinterpreted no information as an indication of an unsuccessful result rather than appreciating the probity concerns. This also heightened media speculation and added to staff distress.

It would have been preferable that details of the preliminary advice notification were directed to the nominated contact person for each tender rather than posted to the DEEWR website. It would also have been preferable that all tenderers had received direct correspondence including advice to those who were not identified as preferred providers. In the wake of the preliminary advice NESAs received many calls from providers to confirm whether we were aware if all notifications had been issued. Some providers reported that they had tried but had been unable to receive sufficient confirmation if they were or were not an intended recipient of preliminary advice from the DEEWR tender line.

These providers reported that they felt the lack of direct correspondence showed little respect for their contributions to the industry and the 'silence' made the experience all the more negative. In a small number of cases some of these providers had indeed not received their preferred provider notification due to internal information technology issues such as notices being identified as spam. It should be noted that DEEWR did instigate a process to ensure confirmation of receipt of the preliminary notice advice and issued further notices on the website to clarify that final decisions had not yet been reached.

The communication process for announcement of the final tender outcome was characterised by a succession of compounding errors. There was a delay in reaching final determinations, informing providers and public release of the results. A high level announcement indicated that decisions had been finalised and would be publicly released the following day with tenderers receiving advanced notice about their individual bids including business levels awarded. As we understand it there was a notice posted which incorrectly indicated that announcements would be public at 2 pm.

Providers advised us that they commenced receiving notifications at approximately 11 am. However when many providers had still not received notification of business by 4.30 pm there were high levels of anxiety and concern that they not been successful. It appears that DEEWR experienced a systems failure with its technology which interrupted the dissemination of business offers.

We understand that many providers were individually contacted and advised of their offer. However, some providers did not get offers prior to the results being made public at approximately 6 pm in the evening by which time many staff had left work with unnecessary doubt about their ongoing employment security. While such technological challenges are difficult to contend with, better practice risk management strategies would have ensured that there were more effective contingency plans in place to deal with such a systems failure.

It should also be noted that providers voiced consistent dissatisfaction with other communication protocols throughout the tender process. The tender help line was considered to be ineffective as no information could be directly provided and callers were given instructions to email the tender mail box. The tender mail box was not responsive with providers indicating delays in receiving replies of up to two weeks which is significant in a six week tender preparation period. There are also reports of some questions which were not responded to at all.

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**(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;**

An analysis of the tender outcomes appears to indicate that those providers with a demonstrated history in delivering the suite of services relevant to Job Services Australia either alone or in partnership arrangements with other organisations had a higher degree of success. We also note that there is an increase in the number of specialist providers compared to that within Job Network many of whom appear to have been providers of the Personal Support Program. There is also an increase in the number of small organisations being successful in gaining business. Many of these organisations were part of tendering partnerships (both large and small) with approximately 50 formalised subcontractors identified in successful bids.

We do not know what proportion of providers from these services elected to submit a tender or considered that the model was not suited to their organisation. We therefore cannot assess the proportion of tenders which were submitted and unsuccessful. Furthermore as stated earlier we do not have insight into the detailed tender evaluation process and how it ensured that these providers were not disadvantaged and that the process provided equitable opportunity for success.

We are also aware that despite the encouragement and support to facilitate industry partnerships many providers did not formalise sub contractor arrangements in the tender. This was largely due to the short window of time for providers to complete appropriate due diligence prior to the submission of tenders. We are also aware that there are current providers who have formed collaborative and commercial service arrangements with other organisations for delivery of Job Services Australia even though at this time they are not formally identified as a sub contractor.

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

An analysis of the tender results indicates that there are a significant number of indigenous specialist Job Services Australia contracts awarded. We are also aware that there are Indigenous employment providers as part of formal subcontract and partnership arrangements with successful providers.

However it is important to note that until the announcement of the outcomes of the Indigenous Employment Program purchasing is released we will not have a clear picture of the ongoing participation of these organisations in Australian Government Employment Services.

There was an impact on indigenous employment service providers created through the announcement of reform to Indigenous Employment Services after the release of the Job Services Australia Request for Tender. Providers who had a closer knowledge of Job Network were aware of the purchasing process and had already considered their options and made preparations. Those providers of Indigenous services that were less engaged with

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employment providers and unaware of the purchasing process reported that they felt that they had inadequate opportunity to properly prepare for a successful bid.

Feedback received from Indigenous Employment Service providers unsuccessful in their Job Services Australia tenderers reflect many of the questions raised elsewhere in relation to evaluation of bids, including reliance on the written word, adequate consideration of demonstrated performance and validity of claims.

**(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 Employment Services Model for Jobs Services Australia was developed in an environment of high consultation with the employment services industry and other stakeholders. Submissions made to the current Government were available for public review on DEEWRS website [workplace.gov.au](http://workplace.gov.au) where the authors provided consent. The employment services industry is diverse in composition as is the various stakeholders and interested parties. As such there were a wide range of views presented in the 260 submissions made regarding improvements needed in the future model of employment services and a further 190 to the discussion paper. A review of the submissions will indicate that many of the recommendations made by industry and other stakeholders have been incorporated in the employment services model.

Consultations regarding the development of the Employment Services Model commenced in an environment where there had been a sustained period of economic growth, low unemployment and chronic skills shortages. The advent and impact of the Global Financial Crisis was not anticipated at the time of the consultations.

In reviewing the Employment Services Model and its sustainability in the current climate of low employment growth and rising unemployment we consider it is prudent to discuss both the service model as well as the underpinning business model.

The employment service model for Job Services Australia has in the view of many addressed major concerns in the design of the current employment service framework. The service model supports a range of interventions including a focus on skills, vocational and non vocational support to assist job seekers. There is greater access to services and resources to support those most disadvantaged.

The service model can be characterised as focused on the provision of individually tailored services to meet the needs of job seekers. This individual focus ensures that the model is appropriate to different economic climates from a service perspective. Throughout the history of contracted employment services there has been variations made to elements of the service model to respond to changing conditions and Government policy initiatives such as those made to support welfare to work and labour market adjustment provisions. In response to the Global Financial Crisis the Government has initiated a compact for retrenched and at risk workers. As part of this the eligibility for immediate access to Stream 2 has been implemented, which demonstrates the potential adaptability and responsiveness of the service model.

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Lingering concerns about the service model include the indefinite period that a job seeker may spend in the Work Experience Phase and the limited service provision offered to Stream 1 participants. However, mechanisms such as an alteration in the application of Job Search Classification Instrument which have been utilised in the past to influence access to services could be applied to alleviate identified service deficiencies. This will rely on close monitoring and the industry recommends that this should consider local area analysis as aggregate data can conceal communities of concern.

The business model underpinning the employment service model holds greater concern for providers. It is important to note that there has been a lack of transparency regarding the assumptions underpinning the business model and restricted data available to providers. As such providers capacity to accurately model financial aspects of the model have been compromised. This represents risks for the sustainability of providers and the stability of service provision.

The payment model has been designed to drive objectives for increased employer support and outcome performance in a strong labour market. Given the rapid decline of the labour market and collapse of vacancy rates the proportion of revenue tied to employment outcomes and particularly brokered outcomes represents a high risk to the sustainability of employment service providers and services to job seekers and employers alike.

We are continued to be reassured of the Governments intent to support the capacity of the industry to assist job seekers and achieve outcomes. Throughout the history of contracted employment services there has been the need to implement adjustments to the model to respond to changing environments and policy initiatives. For example, such arrangements were instigated at the commencement of Employment Services Contract 3 in 2003 with a change to the payment structure to include quarterly payments.

The industry considers that in the purchasing process for employment services that contracting arrangements should include formalised opportunities to review the pricing structure to reflect changing economic conditions. This is supported by the policy principles for the Use of Public Private Partnerships (PPP) and Developing and Managing Contracts prepared by the Department of Finance and Administration. Such provisions are not included in current contractual arrangements or in place for Job Services Australia. The PPP guidelines note that flexibility within a typical PPP contract ensures amongst other things that:

- The agency is able to accommodate changes in the public sector's requirements over the life of the contract.
- In order to facilitate a long-term partnership and ensure the contractor continues to provide services at the required standard for the life of the project, there may be a need to re-negotiate certain aspects of the contract should economic circumstances change significantly

**(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.**

NESA considers this to be a complex question which is best addressed through industry consultation supported by research and exploration of alternative purchasing and incentive

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models. To this end NESAs has recommended to the Government that an industry reference group be established. Our recommendation has been accepted and a reference group comprising industry members and other external stakeholders will be formed.

We do note that in the transition process leading into the implementation of Job Services Australia there has been significant consultation in the development of processes and policies to enable improved capacity to deliver social inclusion objectives and this includes revised quality measures. In the current framework quality has largely been measured in terms of process measures and the volume of outcomes which duplicated other performance assessment.

There is a commitment that the accountability framework for Job Services Australia will provide less focus on administration and process and more on outcomes. Where such commitments are realized this will also assist the industry viability as well as contribute to improved quality of service. Another key area of reform has been to the job seeker compliance framework. Improved capacity for discretion and wider options to reengage with job seekers without participation reporting improve opportunities for collaborative service delivery arrangements between employment services providers and external organisations.