



each Employment Services Response to the Senate inquiry into: "The administration and purchasing of Disability Employment Services in Australia"

20th Sept 2011

each Employment Services has operated as a DES provider for more than 24 years in the eastern suburbs of Melbourne. This has given us the opportunity to understand and work with all parties in the labour market and to expand our service provision to DMS as well as to Melbourne's western and southern suburbs. We have developed strong links with employers and client groups and understand the importance of being an active member of the local business community. **each** has demonstrated excellence and innovation bringing together a diversity of specialist services.

Summary of **each**'s position:

- **each** supports the competitive tender process but with an increased level of quarantining for high-level performers to maintain stability for employers and clients. We believe 80% tendering is too high and we would support 50-60% as the business being offered.
- The full STAR rating levels are too broad a measure for determining business roll over. Percentiles or half stars are more precise measures, which would allow 40-70% of business to be continued.
- Extension of contract periods to five years (with mid point performance reviews and redistributions if required) will maintain stability for employers and long-term clients.
- Portability of conditions to employees of DES providers will help retain high-level staff in a career that spans a number of tender/contract cycles.

The impact on employers and relationships with clients;

It takes months to build employer relations and their confidence to employ a person with a disability, rehabilitation needs, illness or health condition. This process often involves many face-to-face meetings with the client before placing that client. In some instances the relationship between client, employer and DES provider can last several years which is beyond the terms of contracts and relationships will be lost if providers do not regain contracts.

each prides itself on relationships developed with the indigenous community. This takes long periods of time and short contract cycles run the risk of breaking this down.

We believe reducing the amount of business tendered and allowing more high-level providers to continue would reduce the number of clients and employers that need to readjust.

Employers like certainty and strong relationships to stabilise their employees. Constant churn may turn them away from the DES program and reduce the number of opportunities for people with disabilities to work in open employment. As a further example, **each** offers projects with employers that run for approximately nine months, so tender cycles impact how many of these can be run to completion.



The impact of the tendering process on all clients of disability employment services;

Employment Support Service commenced in March 2010 and so even though it wasn't tendered, it is a "new" program with significant KPI and service delivery changes from the previous DEN model. Client participation requirements have also changed. **each**, as an existing service provider, has observed that these changes have already had an influence on our client's employment and social outcomes as well as how we engage and support them.

We believe a further round of tendering in the near future (2015) after only 2.5 years of service where only 15-20% of providers will continue, will disrupt this further.

The impact on the staff of ESS service providers and the potential impact of losing experienced staff;

Staff want job security, and providers can only offer short-term contracts, which is leading to experienced staff choosing to leave the DES industry in favour of private sector recruitment or other industries that can offer long-term contracts.

As there is not portability of conditions within the industry, and as staff are faced with potential regular change of employers they cannot build up entitlements.

Whether a competitive tendering process is the optimum means of testing the market and facilitating competitive efficiencies;

We are supportive of a competitive tender process if good performing providers are offered business continuation as they have shown an ability to deliver performance as required by DEEWR.

We believe however, that 80% is too high as it disrupts the industry. 50-60% is a more reasonable level as it provides a level of turnover in the industry while maintaining the stability required for successful relationships.

Full Star rating based increments are too broad. The current situation with no half stars does not have sufficient precision. Tender rollover needs to be based on either 4 STAR or 3 STAR performance. This leads to a position where the business tendered is either ~80% or 20%, both of which are unsatisfactory. A half-star grading structure would allow the use 3.5 STARS as the threshold criteria. In this structure, 4-5 STAR providers could be considered for market redistribution to increase share. These providers would then be motivated to improve performance rather than write tenders.

If DEEWR used providers' performance percentiles to determine the business levels at which contracts are continued, this would offer even greater precision.

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;

Successful ESS outcomes are based on long-term support and the client; provider; employer relationship. We would like a five year cycle not three because there is too much start up and slow down and too little steady state operation which leads to unstable conditions for clients and uncertainty. Tendering occupies a large portion of the contract period. This distracts the organisations from the primary task of service delivery.

Contract period of 5 years instead of 3 (or 2.5) will encourage greater investment in infrastructure which will benefit clients.

We support a mid-contract review process with business redistribution from low to higher-level performers, if required. This will ensure clients and employers do not wait for the completion of a full contract cycle before performance issues are addressed.

We thank you for this opportunity to offer our contribution.

Yours sincerely,

Peter Ruzyla

CEO - **each**