

27<sup>th</sup> May 2009

**Submission to the Senate Standing Committee on Education, Employment and Workplace Relations Inquiry into the Tender for the Job Services Australia Contract and related matters**

**Job Futures Ltd**

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Thankyou for the opportunity to provide input to the Senate's Inquiry into the Job Services Australia tender.

Job Futures is not in a position to advise in relation to the process used to assess the tenders as we do not have detailed knowledge of the internal workings of the Department. It is hoped that the Senate Inquiry will shed light on how the process works so that providers and the public can have confidence that sound decisions are being made.

Job Futures can only provide input based on our interaction with the Department during and since the tender and our judgment of the quality of the outcomes that were finally announced.

In fact, we would argue that the quality of any purchasing process should be ultimately be judged by the outcomes it produces. On this basis, we would suggest that there are reasons to be concerned about the Job Services Australia purchasing process.

There is significant evidence that this process has delivered some outcomes that are not good in terms of quality service provision. The process appears to have failed to deliver on some of the Government's key objectives in providing services that are managed with a 'place based' approach and services which will foster greater attention to social inclusion. At the same time, providers that have consistently delivered high performance measured against the Governments own targets have been overlooked.

**The Job Services Australia tender**

Job Futures is a high performing provider of employment services with strong performance in Job Network, Personal Support Program, JPET and Green Corps. Job Futures tenders with its member organisations. Member organisations are local, community based providers of employment services. Each has a track record of working in their community and is focussed on employment for the most disadvantaged. Our model rests on a combination of a strong national performance framework with the local expertise, linkages and community base of our member organisations.

Job Futures should have fitted well into the new model.

Unlike other providers, our member organisations make long term commitments to communities. In most of the locations that we tendered, our local member organisation has been based in the ESA for more than 20 years and has a Board drawn from the community. Rather than setting up a site because they have won a contract, our members tender to seek contracts because they are already in a location and see the need for the services. Job

Futures delivers a place based approach to service delivery but with a structure that enables Government to manage risks and ensure overall quality. Over 12 years of operating in the employment services tendering environment, our place based approach has come under pressure as organisations have been forced further afield in order simply to survive. Unfortunately, this tender has not rewarded organisations for their long standing commitment to particular communities. High performing local organisations have lost contracts to organisations with no current presence or connection in a community.

For example:

In the Inner Western Sydney ESA, our member organisation, Inner West Skills Centre has delivered a variety of employment and training services from its base in Burwood for over 20 years. The CEO is on the local Chamber of Commerce and has represented the area on the Area Consultative Committee. The Board is drawn from local business people and residents. Our Job Network contract in this area performs better than competitors in achieving outcomes for long term unemployed job seekers. We run a highly valued specialist Deaf and Hearing Impaired Job Network Service in Burwood. We deliver PSP in the area and IWSC delivers Work for the Dole. Despite this, Job Futures/IWSC lost our contract to deliver in Burwood. Three of the 4 successful bidders in the ESA were private companies with no track record in the area.

Ironically, this Burwood community based organisation has won contracts in Inner Sydney and Auburn.

In the Westgate ESA, Job Futures tendered with two local organisations – WCIG and Djerriwarrh. Both have local Boards and are well established in the community. Our Job Network site in the ESA, managed by WCIG, was 5 stars at the last star ratings. WCIG delivers Personal Support Program in the ESA and ranks 1<sup>st</sup> in the ESA. The organisations partner to deliver a 4.5 star CWC contract in the ESA. Djerriwarrh has delivered JPET in the area since the programs inception. These two organisations are well known as highly innovative and connected to the community. WCIG has expertise in the mental health area, running a successful social enterprise and delivering exceptional Disability Employment Services. Djerriwarrh has a strong community education focus, running language literacy and numeracy programs and high school equivalency as well as vocational training to meet local employer needs. It would be hard to find a better example of a bid that combined demonstrated performance, place based approach, social inclusion and ability to drive the skills agenda. But, instead, the Government decided to appoint other organisations.

As a result of these decisions, these communities have lost access to employment services that are innovative and exceptionally high performing (in that they get people into work). Two local community organisations that were based in the area and were making a demonstrable contribution have been damaged. Instead, the Government has either continued with poorer providers or introduced new providers with no certainty that services will be any better (and reasons to believe that they wont).

How does this happen

As stated above, we cant know for sure. But we have some suggestions as to what might have occurred:

Any purchaser of services has a strong interest in ensuring that there is a stable base of high performing organisations available to deliver these services over the long term. Any provider of services knows that we learn over time and we build our capacity to deliver. Governments should think carefully before they replace strong performers as they are undermining the long term capability of the sector.

At the same time, Governments should be aware of the risks in rapid growth, especially where there is no evidence of previous capacity to manage growth.

These basic principles are common sense and reflect a long term view which is important in the human services sector (refer Prof Myles McGregor Lowndes work in this area)

However this basic overlay of long term decision making and judgment appears to have lacking in this process. One provider which was awarded significant new business, has had previous, similar success in tenders and, as a result its performance has plummeted. Organisations with no track record in delivering the most difficult and competitive of the programs – Job Network – have been awarded substantial contracts. Our own risk profile has considerably worsened as some of our most experienced providers were replaced by less experienced providers. We lost sites we had been in for 12 years and gained sites that we have no footprint in. In discussions with other major providers it appears that this pattern has been repeated across the market. In other words the Government’s decision making has produced an environment of greatly increased risk at a time that we can least afford it.

While comment has been made on the low weighting placed on performance, this probably over simplifies the problem. Purchasing decisions which had been made solely or predominantly on the Job Network star ratings of providers would not have delivered a good outcome. However where a provider has demonstrated its capacity to deliver Government requirements consistently, is in the top 20% of performers in the country, and has shown that it can work with the full spectrum of job seekers, it should be reasonable to expect that these organisations would continue to be contracted. In five ESAs which met these criteria, Job Futures failed to retain its business. Regardless of provider feedback about the adequacy of star ratings to drive quality service to job seekers, they are a measure of the extent to which organisations are able to deliver what the Government has contracted them to do and, specifically, to deliver job outcomes. No organisation that criticised the star ratings system would have expected that this would mean that Government could disregard success in achieving these outcomes when it looked to making purchasing decisions.

But performance is much more than delivering KPIs. One of the most mystifying aspects of the tender outcomes is the extent to which local providers have been displaced in an environment where place based responses was supposedly important. It appears that promises of new partnerships and community connections were weighted at least as highly as long standing existing community connections. No practitioner, however, would pretend that effective local partnerships and community connections can be built overnight. They take months to establish and years to cement. In our own review of our tender successes and failures, we can only assume that we were too honest about our relationships in communities. Because our members are long established, they know the capabilities, strengths and weaknesses of different local stakeholders. We didn’t claim partnerships we didn’t have, nor did we promise partnerships or relationships that would be meaningless or fail to deliver on the ground. Empty words won the day over substance and performance in delivering not just Government contracts, but real partnerships. In deciding to weight

Criteria 3 the most heavily, the Government set up a system that valued promises over real community connections.

Unfortunately, DEEWR is wholly reliant on its own employees to assess tender responses. While some individuals within DEEWR are both experienced in service provision and aware of the challenges in delivering services, it is important to note that the Department has, for 12 years, excluded itself from program delivery. Its contract managers, when they attend sites, have generally been focussed on the documentation associated with the contract not the quality of the experience for employers, job seekers or the quality of community partnerships. It is not clear by what criteria these people judged the quality of responses to the tender. It seems likely that it was more often on how convincing the argument was - not whether any substance lay behind it. Some of the feedback that we received revealed a check list of things that should have been said by providers – regardless of whether the organisation could demonstrate that the existing strategies it had in place were delivering the goods.

This is somewhat characteristic of the Department's approach. Even where an organisation is delivering exceptional results through a specific approach to delivery, the Department will seize on something it would like to see and suggest that the provider adopt it (for example a 5 star site was told to focus more on employer engagement – even though its employment outcomes were in the top 5% of the country). Any assessment of strategies needs to be measured not in terms of the words on the page, but in terms of whether it is proven. But rather than acknowledge that an exceptionally successful provider of JPET services has shown that it can deliver for those clients, the Department appears to have an implicit methodology (a check list) which it wants to see evidenced. Many successful tenderers set up lots of new 'partnerships' in the 12 weeks leading up to the tender. Such superficial approaches will add no value for job seekers – but apparently achieved ticks in the boxes.

### **Value of intermediaries**

Job Futures' model has the benefits of a national provider in terms of quality, control and ability to manage risk, but retains the place based focus of its member organisations. But Job Futures model has never sat comfortably with the Department, nor has it fitted well within the purchasing process.

Job Futures has established mechanisms for working with members to replicate good practice and to drive performance. But these do not appear to fit within the criteria used to judge capacity to deliver. Had the value of our role been recognised we would have seen significantly greater growth and we would not have seen the contracting of small standalone providers with little capacity to deliver.

Government should consider the important role that intermediaries can play in enabling community based providers to deliver highly effective human services.

One of the very practical ways that this could be achieved would be to have a separate section within the selection criteria for organisations to describe the intermediary arrangements, how they work and the value they bring. At present, Job Futures struggles to tell the story of its model, our national performance and the local stories of its members.

## Summary

It is impossible for anyone outside the process to determine exactly how these outcomes were arrived at, however we believe that some of the possible causes of poor decision making might include: inability of tender assessors, who were drawn exclusively from the public service, to distinguish rhetoric from substance; lack of realistic understanding within tender assessment team of the issues that impact on quality of delivery; emphasis on theoretical plans rather than proven strategies to work in a one stop model.

While the Commonwealth has reserved for itself, through the RFT, the right to make whatever decisions it wants, there is no evidence that anyone considered the overall outcomes and whether they reflected the quality of the organisations which were operating in the area and had put forward submissions

In most purchasing decisions where they are long term contracts, the purchaser is looking at the underlying skill and quality of the organisation and looking to grow its base of service providers that can deliver on a range of agendas. DEEWR seems to be incapable of constructing a process which enables it to do this, instead adopting a model that constantly turns over providers regardless of quality

### A fairer process for providers

The overall system of contracting and purchasing is very one sided, with providers having little opportunity to engage with the Department or to fully inform themselves of the business that they are tendering for. In this matter we would refer the Committee to the work being done by the Whitlam Institute, Public Interest Advocacy Centre and others on the government contracting system. This work specifically looks at the contracting arrangements for employment services.

Specific issues that emerged in this tender included:

Job Futures tendered in urban, regional and remote areas and for specialist and generalist contracts. However, we were only entitled to the same 26,000 characters in selection criterion 2 to describe our overall service delivery strategy. Despite writing to the Government to ask for permission to write a separate criterion 2 for our remote services (and for each specialist), no response was received. It simply defies common sense to expect that the model that we would put in place for these different services would be identical. This was a significant disadvantage for Job Futures in the tender.

Job Futures was asked to consider dropping its minimum bid in a remote ESA. The ESA is geographically enormous and we wanted clarity around whether the proposed drop reflected a view of whether that was the available market share in the locations for which we were bidding, or whether it would mean there would be, by necessity, another provider in the location. No response was given. It is unclear whether, in looking at market share, any consideration was given to the share at that community.

No doubt others will comment on the communication process in relation to results. The issuing of 'preliminary advice' did not enable providers to do any financial modelling as no market shares were given and no sites identified. We could not start to act to establish new sites or talk with staff. It is not clear why this was done. We received final advice only hours

before the announcement was made publicly. To not allow organisations to tell their own staff what is happening before it hits the media is simply unfair.

Finally, Job Futures asked for written feedback on our tenders so that this could be shared with our members. This was denied.

The Minister has advised that she was not involved in tender decisions. The question is, then, who is accountable for the quality of the outcomes? The probity adviser can only say that the process has been followed. If the process fails, what recourse do providers have? In a previous tender, Job futures discovered that it had been ranked 1<sup>st</sup> amongst providers in a location but had been passed over because of decisions made by the Department about wanting to limit the number of areas that an organisation was contracted for. This was not made explicit prior to the tender process. While we complained, we achieved nothing. The public has a great deal at stake in the process, yet transparency in and accountability for the process are lacking.

### **Suitability of the new arrangements for the changed environment**

We attach a paper prepared for ACOSS in relation to this matter.

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