



26 September 2011

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

RE: Senate Inquiry – Administration and Purchasing of Disability Employment Services

This submission is offered on behalf of Heidelberg Training and Resource Centre trading as Employment Focus, a relatively small (4.5 staff) Disability Support Service (DSS) provider based in north-eastern metropolitan Melbourne. Employment Focus employs 85 staff and operates disability employment services, a registered training operation, community development projects and is the lead agency in the Australian Apprenticeship Centre, 'Apprenticeships Melbourne'. Specific comments are made below in response to the terms of reference.

Employment Focus acknowledges recent changes to the Disability Employment Services (DES) funding model and observes that the industry is still responding and adjusting to a significantly different and highly competitive model. We believe that the rate of adjustment is influenced by local circumstances that must be considered when assessing the pace of individual providers' developmental progression. These factors should be considered throughout the Senate's inquiry, when reviewing the current model and in assessing the next round of tenders.

(a) The impact of tendering more than 80% of the current DES on the clients with disability and employers they support under the current contracts.

We agree that the tendering process impacts clients and employers, as well as providers. Our experience has shown that the achievement of employment outcomes has traditionally depended significantly on the strength and reliability of three-way relationships between clients, employers and providers. The establishment and maintenance of these relationships requires local knowledge, the development of inter-personal trust and on-going investment. As has been noted in other submissions, the tendering process requires the reallocation of personnel and financial resources away from the core business of the providers. This disruption results in uncertainty for everyone connected with each of the three groups – clients, employers and providers.

Specifically regarding clients, approximately 40% of DES clients have a mental health disability. This factor cannot be underestimated when considering the large-scale impact of the very real fear of potentially losing a long-term provider's assistance. Especially for disabled clients, trust and engagement are critical. As such, a very good reason is needed to justify this level of disruption. We argue the minimal gains that might be achieved by requiring over 80% of providers to re-tender do not justify the associated disruption to their clients, employers or providers. Rather, we suggest the re-tender cut-off reflect the percentage of contracts that the Department expects will not be renewed.

That is, if 60% of tenders are expected to be returned, then the bottom 40% would be required to re-tender. The return rate for previous Job Services Australia (JSA) may be useful as an indicator for such an exercise.

(b) The potential impact of losing experienced staff.

There is clear evidence that the transition from Jobs Network (JN) to Job Services Australia (JSA) resulted in significant loss of high-quality, experienced staff¹. Accompanying this loss of staff has also been a decrease in staff qualification levels, despite increasing need and demand across both clients and the industry². In other words, provider staff members today are less experienced and have fewer or lower-level qualifications than staff 10 years ago, yet provide services to clients who are more difficult to place. This has occurred through the reduction in the number of providers, or as a result of experienced staff securing other employment prior to the completion of the tender process (i.e., to avoid redundancy if the contract is not renewed). The exodus of these workers is a significant cost to the sector, either through the loss of experience or redundancies/unemployment. Neighbouring industries with skills shortages rapidly absorb high-quality people, who become lost to the sector indefinitely.

(c) Whether competitive tendering of more than 80% 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.**

Contrary to the argument that a competitive tender process encourages flexibility and innovation across the market, it has been shown that competitive tendering instead decreases flexibility and innovation³. As a result, JN/JSA is more regimented and homogenous now than prior to privatisation, meaning providers operate in 'risk-aversion' mode rather than developing new approaches or programs.

Regarding **Point (i)**, it is not clear what is meant by 'testing'. Quality control mechanisms are already in place, such as the Star Rating System and the DES Performance Framework. As mentioned previously, the current remodelled program is still being implemented; two years is not sufficient time to establish a performance framework that incorporates the idiosyncrasies of the market. Thus we urge the Senate Committee to question the Department provide further information on the capacity of regression analysis and the Star Rating System for small providers (i.e. less than 50 clients), and to consider a more robust analysis framework and a measure of quality outcomes for determining the rollover of contracts⁴.

¹Kun, J. (2011). *Employment services: Not just a job – Final Report*. Carlton South, Victoria: Australian Services Union. Retrieved from the ASU website: www.asu.asn.au

²Giuliani, G. (2011, June). *Why people skills matter at the front line*. Paper presented at the Disability Employment Australia National Conference, Brisbane. Available at <http://www.acenational.org.au/conference/post-conference/George%20Giuliani.pdf>

³Considine, M., Lewis, J., & O'Sullivan, S. (2011). Quasi-markets and service delivery flexibility following a decade of employment assistance reform in Australia. *Journal of Social Policy, 40*(4), 811-833. doi: 10.1017/S0047279411000213

⁴For example, earlier this year one site in our organisation improved its performance from 2-Star to 3-Star. In the following (i.e., most recent) performance period, it improved three-fold on key outcomes, yet was returned to a 2-Star rating. This situation raises doubts and concerns about the capacity of the Star rating system to adequately reflect good performance and on how other providers are behaving in order to achieve their reported outcomes.

In response to **Points (ii) and (iii)**, these are essentially the same issue. *New providers*, however, need to ensure they can deliver a better service than the outgoing *poor* provider, and evidence of this ability needs to be drawn from far more than the ability to write a good tender. Likewise, resources need to be invested to understand the underlying causes of poor performance, taking into consideration regional/rural factors and the capacity of the local labour market.

(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 encouraging innovation in the provision of such services.

It is our position that there are a number of adverse effects stemming from the current performance framework. The move to a competitive system has resulted in providers competing with each other in an immature manner, which has stifled collaboration and cooperation. As mentioned previously, we are concerned about what unintended behaviour is resulting in the achievement of a 4-Star rating. We are also concerned that further emphasis on competition will have the same adverse effects as seen in the Job Network particular the risk of 'parking' and 'creaming' clients. Should the Department proceed with the 80% cut-off, it is likely there will be a spike in 4-Star ratings that will require investigation and legitimation. Even if performance improvements are validated, it must be asked whether these providers are conducting business in the best interest of people with disabilities (i.e., the spirit of the 1986 Disability Services Act), or manipulating target achievements (i.e., buying outcomes).

(e) The congruence of three year contracting periods with the long-term, relationship-based nature of Disability Employment Services – Employment Support Services program, and the impact of moving to five year contract periods as recommend in the 2009 Education, Employment and Workplace Relations Reference Committee report, DEEWR tender process to award employment services contract.

We are open to either a three-year or five-year contract period but reiterate the concerns raised in response to **Point (a)**, that is, the drain on resources and the service disruptions that occur when preparing a tender. We encourage the Department to develop an evaluation framework with set performance targets incorporated into each tender submission cycle, rather than adjusting the criteria shortly before performance reviews. In this way providers would know at the beginning of a contract that the achievement of a certain performance level would result in a contract extension.

(f) The timing of the tender process given the role of DES providers in implementing the Government's changes to the Disability Support Pension.

We believe it is too early to say what impact the timing of the tender process will have in light of these changes.

Additional comments – Number of providers

Although not specifically requested in the terms of reference, we also want to comment on the number of service providers. Following the implementation of JN, the number of providers has fallen in the past 10 years from well over 320 at the time of privatisation to approximately 116 contracts in the current JSA operation.

The significant decline in the number of providers means the capacity of providers to work at the local level in a social inclusion framework has been considerably reduced and a more 'one size fits all' approach left as the predominant delivery model. We suggest that concerted effort needs to be given to encouraging consortia and a mix of small and medium sized providers or vital local connections will be lost. This approach needs to be consistent with other local and community-level programs implemented by the Department.

In conclusion, we commend the Senate Committee for investigating the administration and purchasing of DES and for considering the submissions received. We trust the Committee's findings will improve and bolster service provision following careful consideration of how to best meet the needs of jobseekers, employers and providers while implementing an evaluation framework that encourages and rewards collaboration and innovation across the industry.

Yours Sincerely

George Giuliani
CEO, Employment Focus