

23 September, 2011

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

Dear Committee Members

**Inquiry into the administration and purchasing of Disability Employment Services
in Australia**

I am pleased to have the opportunity to submit, for your consideration, MAX Employment's views on the administration and purchasing of Disability Employment Services in Australia.

MAX Employment currently delivers Disability Employment Services - Employment Support Services across four Employment Service Areas in Sydney, Darwin, and Brisbane. Additionally, we deliver Disability Management Services in twenty Employment Service Areas across four States. Our service delivery model is client centered and draws heavily on the local Community Inclusion Plans that we have in place in each of the areas that we operate.

Max Employment supports a Disability Employment Services market that is able to deliver the highest quality, adaptable, and innovative services to clients with a disability. We consider it is appropriate and timely that a competitive and open tender process be conducted to ensure the most appropriate and effective services are available to clients with a disability.

I look forward to the results of the Committee's Inquiry.

Yours faithfully

Michael Hobday
Managing Director

The administration and purchasing of Disability Employment Services in Australia

(a) 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;

Any possible transmission of business through a competitive and open tender process must first and foremost ensure a level of continuity for clients with a disability, including long term employment support where this exists now. We consider that it is possible to minimise disruption to clients, however, would strongly recommend that organisations be required to outline their strategies to achieve this in their tender response.

DEEWR and existing providers/successful tenderers have a role and responsibility in respect of this issue. MAX Employment considers that key areas requiring consideration include: putting in place an effective communication strategy and support links for clients and other stakeholders; ensuring continued engagement and support for clients through the transition period; ensuring clients remain with the same provider if that provider is successful; and arranging three way handover sessions with clients when they are moving from an exiting service to a new service.

(b) the potential impact of losing experienced staff;

As with any competitive tendering process there is a risk of long term loss of experienced people within the industry. While this is a personal choice for the individuals involved, our own experience, and we'd suggest the experience of the employment services industry more broadly, is that there is often considerable transfer of staff between providers with little overall loss within the industry. We consider that longer term contract periods make more sense and provide for stronger security and increased investment within the industry.

(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;**

The Disability Employment Services Deed 2012–2012, states that the objective of the Program Services is to help individuals with disability, injury or health condition to secure and maintain sustainable employment. It goes on to state that the Program Services will increase the focus on the needs of the most disadvantaged job seekers and will achieve greater social inclusion and that the Program Services will boost employment participation and the productive capacity of the workforce, address Skills Shortage areas and better meet the needs of employers.

Further, more flexible service delivery and a stronger focus on sustainable employment are identified as two key policy objectives for DES. The DEEWR, *Evaluation of Disability Employment Services Interim Report, June 2011* sought providers' perspectives on their success in translating this policy into practice. It found that:

“Only one third of sites agreed that the focus on sustainable employment delivers better results for participants. This is worth exploring further as it may indicate that the policy has not effectively taken hold or that service delivery staff consider there are practical barriers to implementation. The evaluation discerned a strong values-based culture operating within the sector with practice influenced by beliefs in what is ‘best’ for the job seeker with disability. Policy implementation requires shared understanding of what is to be achieved and how, so that policy objectives resonate within the prevailing culture.”

In addition, the interim evaluation report sought to assess client satisfaction with current services (KPI 11 and KPI 5 respectively). It found that:

“According to the PPM, 69 per cent of ESS and 67 per cent of DMS participants were satisfied or very satisfied with the overall quality of assistance and service provided in Employment Assistance leaving considerable room for services to improve. On a cautionary note, exits that have occurred to date might not be representative.”

“Skills development and training received less positive feedback, with an estimated 56 per cent of DMS participants and 47 per cent of ESS participants satisfied or very satisfied with this aspect of service provision. Noting that the sample includes transitioned participants, the results might not be a true reflection of skills development and training under the DES model. Similar results were recorded by the Dynamics of Australian Income Support and Employment Services (DAISES) longitudinal survey of participants in DEN/VRS. That survey estimated that 1 in 4 DEN/VRS participants received too little assistance and named the area of training and skills development second only to “finding suitable jobs” as an area of dissatisfaction.”

This body of evidence indicates that the services currently being provided by DES ESS (and DMS) providers are not necessarily clearly aligned to the stated objectives of the program and that overall a significant proportion of clients do not consider that the services that they currently receive from providers are meeting their needs in terms quality and their skills development and training requirements. MAX Employment considers that this would support the case to test the market to ensure that the most suitable, highest quality, and innovative services and organisations are available to meet both client needs and satisfy the overall program objectives.

A progressive mix of full open tenders and contract rollovers/extensions has underpinned the approach to employment service delivery and procurement through the Job Network and Job Services Australia contracts for over 10 years. Clear evidence exists that shows

overall performance of these services continues to increase year by year and, in Max Employment's view, supports the notion that competitive tendering is the best way of ensuring job seekers receive access to the highest quality and most innovative services. This approach tests both existing providers of services and new 'potential entrants' in terms of their ability and capacity to deliver the most efficient, effective and adaptable services to clients.

Given the delivery of DES ESS services (and its earlier iterations) has not been openly tested for almost nine years, it is essential that service delivery approaches are the most suitable and relevant to changing program parameters, client characteristics and needs, and to local community and labour market environments. The introduction of DES in March 2010 incorporated new policy objectives and reforms to service delivery. This included lifting the cap on referral numbers into the programs. A range of providers have observed and remarked on the growing number of referrals with high support needs, including more participants with significant non-vocational barriers other than disability, such as homelessness or substance abuse and more with mental illness. MAX Employment considers that these significant policy and program changes and the consequent change in profile and servicing needs of program participants fully supports the need to test the market to ensure service delivery and approaches are the most effective and efficient in delivering outcomes for clients.

In August 2009, in the lead up to the commencement of DES services in March 2010, the Government recognised that there was a need for more work to be done with the sector to avoid unnecessarily disrupting the lives of job seekers and their families. To support this, the Government established a Capacity Building Fund to assist DES-ESS providers performing at 2 stars or below. DEEWR has also worked with KPMG to deliver Business Capability Sessions for DES-ESS providers with a rating of 3 stars or below. These initiatives have been important to ensure poorer performing providers have sufficient time and capacity to improve service delivery and performance. While the Government proposes to put out to tender the business of organisations with a rating of less than four stars, MAX Employment recognises that as a part of almost all competitive tender exercises, past performance accounts for only a portion of the overall evaluation of an organisation's tender. An open tender process therefore still provides an opportunity for all organisations to demonstrate their strategies and capacity to deliver services to suit clients, the local community, employers, and 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 encourage innovation in the provision of such services;

All stakeholders clearly recognised the need to revise the previous performance management system to align it with the Government's new policy objectives and intended reforms to service delivery. As a result, an Industry Reference Group was established by the

then Minister for Employment Participation, the Hon Mark Arbib MP, to provide advice on the Performance Framework for the new Disability Employment Services (DES).

The Industry Reference Group included representation from ACE National Inc. (ACE, now known as Disability Employment Australia); Australian Federation of Disability Organisations (AFDO); Australian Rehabilitation Providers Association (ARPA); Jobs Australia Limited; National Disability Services (NDS); National Employment Services Association (NESA); and the Department of Education, Employment and Workplace Relations.

The key objectives supporting the Industry Reference Group's final recommendations included: a fair system that measures provider effects and produces reliable comparison based on actual performance; transparency for job seekers and employers as to how providers are rated and assessed; improving information available for job seekers and employers as they choose a provider; a consistent focus on achieving outcomes for job seekers supported by clearer and more timely information to assist providers manage performance including identifying what is working and what can be improved; and a performance management framework which supports a commitment to continuous improvement.

While MAX Employment's view is that no performance measurement system is perfect and able to fully capture and reflect all aspects of an organisation's performance, it does note that the system that has been put in place has been developed in collaboration with key industry stakeholders to ensure that it is appropriate, objective, fair, and consistent. We therefore consider that it is likely to be the best measure of effective service delivery to people with disabilities. MAX Employment understands that Access Economics undertook an independent analysis of the proposed model to ensure validity and robustness.

Notwithstanding this, MAX Employment further notes that, for open tender processes, past performance generally accounts for only a portion of the overall evaluation of an organisation's tender.

(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; and

We support longer term contract periods which allow providers to make longer term investment decisions to support their delivery of services to clients, including to DES-ESS clients with longer term support needs. Decisions relating to the renewal and rollover/extension of these contracts should continue to be focussed on relative performance of service delivery to clients.

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

MAX Employment supports the proposed timing of the tender process. An open and competitive tender process will ensure that clients, including those affected by the Disability Support Pension changes, have access to the highest quality services.