



# Submission to

Senate Education, Employment  
and Workplace Relations  
Committee  
Inquiry into  
Administration and Purchasing of  
Disability Employment Services in  
Australia

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## UNITINGCARE AUSTRALIA

UnitingCare is the community service network of the Uniting Church. It is Australia's largest non-government provider of community services, delivering services and supports to over 2 million Australians each year. UnitingCare provides services to children, young people and families, people with disabilities, and older Australians, in urban, rural and remote communities.

The Uniting Church's commitment to community services is an expression of a vision of inclusion and equality of opportunity for all people and communities regardless of age, gender, sexuality, ability, class, colour, creed or cultural origin.

UnitingCare Australia is the national body supporting the UnitingCare network's community services and advocacy. We pursue public policy issues relevant to low income and vulnerable people and the services they rely on with Government and the Australian Parliament and with the wider Australian community.

We partner with governments, other organisations, communities and all people of goodwill to ensure all people have access to the means and opportunity for a decent life.

UnitingCare Australia maintains a vision of a society that values and cares for its most vulnerable people. As one of the wealthiest countries in the world we should be able to provide all our peoples with access to the means and opportunities for a decent life.

UnitingCare Australia believes that belonging in community is fundamental to people's wellbeing. UnitingCare Australia affirms that resilient individuals are usually formed in supportive families and communities. UnitingCare Australia values inclusive communities and systems that strive to remove all barriers that prevent people from belonging and participating as fully as they wish and are able.

Where families and communities live with hardship and disadvantage it is difficult for individual members to flourish.

Our vision is that all people should have the chance to share justly in the abundant resources of our nation and share the benefits of Australia's prosperity.

Improving employment outcomes for people living with disability is a goal shared by the Australian Government and UnitingCare services. UnitingCare Disability Employment Services operate in Queensland, New South Wales, Victoria, South Australia and Western Australia to develop work skills and capacity to work, build relationships/partnerships with employers to ensure there are opportunities for work, and run social enterprises to increase opportunities for work for people who face significant barriers to getting and keeping a job in mainstream employment.

## SUMMARY

The Government's decision to undertake a competitive tender of the Disability Employment Services – Employment Support Services program for contracts with a performance rating of 3 Stars or below (out of a maximum rating of 5 Stars) is far too wide in a growing and high performing employment support system. We believe tendering 80% of the current contracts is not only poor policy but has the very real potential of penalising the very people for whom this program provides essential support.

While UA understands the need for Government's to act transparently in expenditure of Government funding, we question whether it is appropriate to tender, at once 80%, of the current Disability Employment Services – Employment Support Services program contracts. Providing employment support services to people with high needs should not be viewed in the same way as one might consider the purchase standard for consumables or assets. The disruption this process will cause to providers in terms of securing quality staff, maintaining relationships with potential employers and supporting high needs people in employment seems to have been set aside on the premise that testing and opening the market to new entrants is of greater priority than the ongoing support of the clients of these programs.

In relation to removing poor performers, it is well within the scope of the contract between the Department and provider to address underperformance. Indeed we would support the removal of providers who fail in their obligations to provide quality support to their clients, however using a “general spill” mechanism to address poor performance is in itself poor practice and may in fact lead to consequences which weaken the sector rather than enhance it. An extensive tender process might be justified if the sector overall was performing poorly, but that is not the case. There is a need to replace persistently poor performers, but the proposed tender process goes far beyond this.

A more appropriate methodology would be a staged process opening up to competitive tender all services currently operated at 1-2 star level and to resource proactive performance improvement processes for all 3 star performers. In the coming two years any service that operates at a 1-2 star level for longer than one year it is put out to competitive tender. This allows a more timely response to the underperforming services without disrupting overall continuity of the service to the community and to current and potential future employers.

If the Government chose to recalibrate DEEWR's procurement approach and instead set the threshold for competitive tendering of services at 2 star rating and below, the proportion of services up for competitive tendering (22%) closely matches the employer feedback of 80% being satisfied with the services they receive from providers.

## CONTEXT

Disability Employment Services contracts are in place with over 200 specialist disability employment providers in non-remote areas, mostly in metropolitan and regional centres. These providers support in excess of 75,000 Australians with a disability. The current contracts are highly outcome focused and as a result more people with disabilities than ever before are participating in work through this program.

## GOVERNMENT ANALYSIS

Minister Ellis wrote to employment service providers in December 2010 inviting to inform government consideration of changes to the employment services program so that it best supports people who have been unemployed long-term or are living with disability. In this letter she stated that JSA and DES are working better than the Job Network.

In March 2011 DEEWR published the Report from the Taskforce on Strengthening Government Service Delivery for Job Seekers to the Secretary of the Department of Education, Employment and Workplace Relations and the Secretary of the Department of Human Services. This report stated that in view of the relative newness of the DES, the task force has made no recommendations for changes to the DES model.

The Taskforce referred to above also noted that a national employment broker would need some time, most likely at least 12 to 18 months, to develop relationships and might therefore struggle to obtain significant employment outcomes within that timeframe. Given this, we can reasonably predict that new entrants to employment service provision as a result of the proposed tender process, will be unable to deliver good quality employment outcomes within their initial 12-18 months of operations. This will undermine the improved momentum of employment outcomes evident over the past 18 months of DES operations. This would be catastrophic for people living with disabilities trying to get and keep a job.

June 2011 data released by DEEWR shows that job placements for people with disabilities in DES are increasing and an increasing proportion of these are converting their placement to 13 week and 26 week job outcomes. For example, the number of people with disabilities achieving 13 weeks of work was 1708 in May 2011 and increased to 2670 in June 2011. This is a significant achievement by providers in partnership with people with disabilities and with employers.

Based on this analysis we are at a loss as to why DEEWR find it necessary to tender 80 per cent of the current contracts. It may be useful for the Department to provide the Committee with any analysis it has undertaken on the risks to service provision and to job seeker outcomes of tendering 80 per cent of the current contracts.

## TIMING OF TENDER PROCESS

UnitingCare Australia believes the improvements in job outcomes reported by DEEWR demonstrate the changes made prior to the commencement of the 2010 DES service contracts are getting bedded down and delivering improved outcomes. The sector has reached a critical stage in building continued momentum that supports more employment for people living with disabilities.

Over the coming two years people living with disabilities who receive income support payments face significant changes in their eligibility and compliance requirements, including changes in participation requirements:

<b>Table 1. Roll-out of disability related budget measures Initiative</b>	<b>Comes into Effect</b>
Disability Support Payment Activity Tests	3 September 2011
Australian Disability Enterprises – continuation of funding for <i>existing</i> service levels	2011-2012
Increase work hours to 30 hours whilst remaining eligible for a part payment.	2011-2012
Implementation of new subsidy rates for employers for positions lasting more than 26 weeks at 15 hours or more a week. This also includes a training subsidy.	1 July 2012
Workforce participation interviews for people under 35	1 July 2012
\$1million to support connections between people with a disability and employers and industry groups	2012-2013
\$11.3million to subsidise 1,000 registered job-seekers who have been unemployed for more than 12 months.	2012-2013
DSP Claims audit identifying “deficiencies or inconsistencies in the current process”	2012-2013
Moderate and Intellectual Disability Loading and Eligible School Leavers pilots	Completed 2013
Disability Employment Service evaluation	Completed by 2012-2013
Disability Employment Service contracts extended pending provider performance assessment	Completed by 2013
Demonstration pilots for highly disadvantaged job-seekers	Completed by 2013-2014

Source: Anglicare Australia submission to the Inquiry into Changes to the Disability Support Pension Impairment Tables, September 2011

These changes will significantly increase the flow of job seekers with disabilities into employment services, exactly when providers are losing partnerships with employers because of uncertainty regarding their future role as providers of employment support.

What private sector industry would put 80 per cent of suppliers in an uncertain operating environment when demand for the services of the industry is about to explode?

## WHAT DO EMPLOYERS SAY?

In a recent Interim Report on the Disability Employment Program (June 2011), DEEWR reported that 80 per cent of employers who used DES were satisfied with the services they received. This means 20 per cent of employers are not happy with the services they received, a figure that about matches with the 21 per cent of services that are operating and 1 or 2 star rating.

## LABOUR MARKET CONDITIONS

There is valid evidence that there is limited demand in labour market for job seekers with disabilities (*What if Employers Say No?* Catholic Social Services Australia, August 2011).

The Interim Report on the Disability Employment Program (June 2011) states employers who have had a good experience working with an employment service provider are comfortable with recruiting a person with disabilities again. We know that employers prefer to recruit staff from trusted sources. DEEWR's approach to procuring services needs to reflect this evidence, and support continuity of service provision by organisations with a good record.

## MATCHING DEEWR PERFORMANCE MANAGEMENT PRACTICES WITH BEST PRACTICE IN THE PRIVATE SECTOR

In the private sector over the past five to ten years, efficiency gains in business relationships with suppliers have been achieved via proactive supplier performance management - that is, focusing on building supplier capability and therefore reducing turnover of suppliers. This approach includes using performance data to drive quality improvement first, with only small number of suppliers being cut out of the business relationship. The value add to business is in improving supplier performance without the costs and risks of changing suppliers.

Our concern is that DEEWR have adopted one component of competitive market practices – performance monitoring and competitive tendering, but not the more highly evolved practices being used currently in the private sector. That is, using proactive performance improvement to ensure continuity of purchaser/supplier relationships that are built on a foundation of mutual interest, shared values and a commitment to quality improvement.

## WHAT WOULD BE THE IMPACT OF TENDERING OUT 80 PER CENT OF SERVICES?

John Knowles, a CEO from the UnitingCare network has explained how the proposed tender approach in the current context will affect the people his service supports

*“As CEO of Good Samaritan Industries in Western Australia I oversee disability employment support of 700 people with disabilities I agree it is imperative that we encourage as many Australians as possible into the workforce at a time when we all know there will be workforce shortages in the future. The changes to the impairment tables has potential to assist in this regard but needs to be implemented in tandem with a strong Government commitment to create jobs and in particular to a strong disability employment service system. The proposed move by Government to tender the majority of disability employment services in the near future is a risk to a strong service system and should be reconsidered in light of the announcement regarding changes to eligibility to disability support pensions. If that is correctly addressed then the broader suite of changes announced in the 2011 Federal Budget should yield very positive results.”*

A summary of star ratings by region, and the relative impact on setting the threshold for re-tendering at 2 star rating and below, 3 star rating and below or all unrated services and 3 star rating and below is provided at [Attachment A](#). We have also looked at the impact of tendering out all services on some specialist areas of service provision. A snapshot of findings is provided below:

#### New South Wales

- In the Central Coast of New South Wales all six providers specialising in Psychiatric Disability are rated 1 Star
- Macleay New South Wales the program specialising in Psychiatric Disability has a Insufficient Data rating
- In Liverpool New South Wales the two programs specialising in Mental Health have a 2 Star rating
- Northern Sydney New South Wales all three programs specialising in Psychiatric Disability have a 2 Star rating
- Shoalhaven New South Wales all eight programs specialising in Mental Health have a 3 Star rating
- South Eastern New South Wales all three programs specialising in Mental Health have a 3 Star rating

#### Queensland

- In Logan Queensland all three programs specialising in Psychiatric Disability have a 3 Star rating
- Outer Brisbane Queensland the program specialising in Spinal Cord Injury/Other Physical Disability has a Insufficient data rating
- In Far North Queensland all programs have a 2 Star rating or Insufficient Data rating

#### Victoria

- In the La Trobe Valley in Victoria all programs specialising in Ex-offenders have Insufficient Data and all eleven programs specialising in Mental Health have a 2 Star rating
- In East Gippsland Victoria seven of the nine 2 Star providers specialise in Mental Health and all seven of the programs specialising in Ex-offenders have a Insufficient Data rating
- The program in Maroodah Victoria and in Monash Victoria specialising in Sensory Impairment (Hearing and Vision Loss) have a Insufficient Data rating

#### Western Australia

- In East Metropolitan Western Australia, the two program specialising in Aboriginal and Torres strait Islander have an Insufficient Data rating, all three programs specialising in Mental Health are rated 2 star, and the two programs specialising in Psychiatric Disability are rated 2 Star

#### South Australia

- In East Adelaide South Australia the two programs specialising in Psychiatric Disability are rated 1 Star

- Western Adelaide South Australia the program specialising in Deaf and Hearing Impaired has a Insufficient data rating, and the program specialising in Intellectual and learning Disability has a 2 star rating
- Of the programs specialising in Aboriginal and Torres Strait Islanders six are rated 3 Star, three are rated 4 Star and two are rated Insufficient Data. Of the programs specialising in Indigenous Australians three are rated 2 Star and two are rated 3 Star

## STAFF CONTINUITY

In social services, the most valuable asset, and the primary operational “input”, is the staff.

The 2009 Senate Inquiry into the DEEWR Tender Process To Award Employment Services Contracts found that an extensive and lengthy tender process created enormous uncertainty for staff, with people leaving their jobs during the tender period to gain more stable employment. The report also noted many staff in services that did not continue to operate were employed by successful tenders. This means the service pre and post tender was being delivered by the exact same people. How different could services be under this scenario and what was the point of changing the entity through which the service was provided?

A 2004 study of the productivity impacts of employee turnover found that the optimal rate of turnover of staff across all industries is 22 per cent, and the productivity gain from this turnover would be 1.1 per cent a year.<sup>1</sup> Given the significant loss to productivity caused by the tender process and staff turnover, what is the value add from potentially turning over 80 per cent of service delivery staff?

## UNINTENDED CONSEQUENCES

Services in the UnitingCare network have a proud record of using surpluses and self generated income to complement government funded programs that support employment outcomes.

Wholesale tendering processes put these complementary programs at risk. For example when one of the UnitingCare network services lost funding in the Job Services Australia tender of 2009, it was forced to close down self funded employment support for people leaving prison, a population group very poorly served by government funding. This impact on complementary programs was not taken into account in the tender decision-making.

DEEWR has not been directly involved in provision of employment support services since the development of the Job Network. The longer the administration of programs has been disconnected from direct delivery of programs, the harder it is to ensure full understanding of operational impacts of administrative process, including the risks and unintended consequences of tender processes. For example, the 2009 Senate Inquiry scrutiny of the Job Services Australia tender process, and subsequent feedback from the sector, has

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<sup>1</sup> *Employee Turnover: Less is Not Necessarily More?* (2004) Mark N. Harris, Kam Ki Tang and Yi-Ping Tseng Department of Econometrics and Business Statistics, Monash University, Australia; Melbourne Institute of Applied Economic and Social Research, University of Melbourne, Australia; School of Economics, University of Queensland, Australia



indicated that many providers that were successful in the tender, and took funding away from more established providers, were not sufficiently aware of the challenge of delivering on the tender expectations and requirements, especially for highest need job seekers. This was possible a consequence of gaps in the tender process, or inappropriate weighting of analysis in the tender process. For example, the Senate Inquiry into the DEEWR Tender Process to Award Employment Services Contracts could not find any evidence that references had been checked.

Service providers in the UnitingCare network have also reported:

- Successful tenderers asserted in their tender documentation they had a working partnership with them, or an agreement to develop this partnership, when no such partnership had been negotiated with them
- Successful tenderers contacting them to seek advice on how to provide effective employment support to high needs job seekers, indicating they did not have the expertise required despite being selected through the tender process

There is a very real risk that these problems with the previous wholesale tendering of generalist employment support services will be repeated in the wholesale tendering out of disability employment support services.

## **CONCLUSION**

We believe that the Department should sharpen its focus in relation to the tendering the DES current contracts. For reasons outlined above we are of the view that the proposed wholesale tendering process of an important program will bring with it significant risk without commensurate benefit.

UnitingCare Australia recommends that a more finely tuned tender process is developed that ensures providers with good performance continue to be available in their community, and providers with poor performance are required to compete in an open market to continue their operations.

We also recommend that performance management of employment support services is made more proactive, so that the tax payer can be sure that investment in service provision builds and sustains a competent and stable group of services that employers and people with disability can trust to be around for the long haul.



