

## WISE Employment – The Organisation

WISE Employment is a not-for-profit community service organisation that provides assistance to employers and job seekers under the Australian Government's Disability Employment Services and Job Services Australia initiatives. Our main purpose is to serve and enrich the lives of disadvantaged job seekers in the community.

We collaborate and partner with a range of community and commercial organisations to better achieve our goals. We have grown to become one of the leading specialist employment services in Australia, with branches across VIC, NSW, TAS and NT.

## WISE Employment – Key Programs

### Disability Employment Services (DES)

We provide customised case management with a broad, holistic approach, working in close partnership with referring doctors, mental health organisations, complementary community services and local government agencies, and an internal marketing team.

### Job Services Australia (JSA)

Since 1998, we have worked with job seekers and employers, aiming to increase employment participation, play a greater role in addressing skills shortages and assist individual job seekers to obtain sustainable employment. We place great emphasis on individually tailored services with programs that cater to a diverse clientele.

### Specialist programs

WISE also operates a Specialist ex-offender program, a Personal Helpers & Mentors Program (PHaMs), Occupational Rehabilitation Services and Training Services. These programs assist marginalised groups to gain and maintain employment.

## Social Enterprises

WISE supports and invests in organisations that successfully combine 'social enterprise' with the running of a productive commercial business.

- [Clean Force Property Services](#) – Victoria
- [Incito Maintenance](#) – Victoria & Darwin
- [GBE Electrical](#) - Victoria
- [Equity Labour Services](#)

## WISE Community Investment Programs

WISE invests its surplus funds into innovative projects and programs that benefit the most marginalised and under-supported members of our community. A number of programs and initiatives have been created throughout Australia.

- Seeds of Affinity – Pathways for Women
- DiversityWISE
- Koorie Night Market
- Community Garden Project

## **WISE Employment submission into the administration and purchasing of Disability Employment Services (DES) in Australia.**

WISE Employment welcomes this Senate Inquiry as it relates to the Government's 2011-12 Budget announcement to undertake a competitive tender of the Disability Employment Services -Employment Support Services (ESS) program.

During the course of this Inquiry the committee will consider the following:

- the impact of the tendering process on all clients of disability employment services;
- the impact on the staff of ESS service providers;
- whether a competitive tendering process is the optimum means of testing the market and facilitating competitive efficiencies;
- whether current assessment methods of ESS are compatible with meeting the stated objectives of the Disability Services Act 1986;
- the design of the tender process; and
- the relationship between the proposed tender process and implementation of the proposed changes to the to the disability support pension.

WISE Employment has been in the Disability Employment Services sector and business since 1992 and entered Job Network in its first iteration, through competitive tendering in 1998. From humble beginnings and through good business governance and practice, as well as sustained performance, community engagement and cyclic competitive tendering processes WISE has grown into one of Australia's leading employment services. WISE understands and respects the idea of competitive tendering. We also believe that Australia and the sector has gained enormously from continually reinvigorating the service model and mix of providers through a robust performance framework and competition. Therefore we come to this Inquiry with a decent track record, constructive knowledge and a business minded attitude.

While the Inquiry Terms of Reference will cover a number of issues the key concern we have is the decision by the Government to take 3 Star providers to Tender. In this decision the Government is upholding a fundamentally flawed argument. Over the following pages we will unpick that argument. We believe the Government should be able to withstand a rigorous defence of its pronouncement and one that will have profound ramifications. If it cannot, based on this Inquiry's finding, then it should accept the new and more considered evidence and re-align its Tender intentions.

### **Terms of Reference:**

Competitive tender of the Disability Employment Services – Employment Support Services program for contracts with a performance rating of 3 stars and below under the Department of Education, Employment and Workplace Relations' DES Performance Framework, including:

#### **(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**

#### **WISE responds:**

Each response is contingent on the underlying concern that this Tender has the very real potential to lose good providers that are performing at 3 Stars and above the National Average.

The Government contends that Disability Employment Services has never gone to Tender. That is debatable. However, it also implies that many providers have been in business in a particular, suburb, town

and region for decades. Those providers have stored wisdom and firmly established relationships with people with disabilities, families, community organisations and employers. If you consider, also, that DES providers work mainly with small to medium sized employers and rely on repeat business then you have to appreciate that the existing provider/employer relationship is integral to best practice.

This is a key issue that the Government has not satisfactorily addressed in its proposed Tender. There is a severe risk that decades of core relationships will dissipate or disappear, merely by replacing one provider who is achieving at the benchmark or above average performance for another provider untested in the community or completely new to Disability Employment Services. Placing more than 80% (recent Stars suggest as high as 86%) of jobseekers with a disability into this risk scenario does not seem to be in line with the principles of the Disability Service Standards, the spirit of the current contract, or the Government's own National Disability Strategy.

WISE asks this Inquiry to seek from the Government the DESS-ESS to Tender risk assessment. Bear in mind, as part of the 2011-12 Budget the Government said that "the number of DES job seekers who were placed in a job for at least 13 weeks is almost 50 per cent higher than under the Disability Employment Network"(Future arrangements for DES fact sheet, 2011). That is a clear acknowledgement that DES-ESS providers are providing improved services to people with disabilities and the Government is proud of their achievement. We would be very concerned if the Government has not completed a risk assessment on the impact a Tender will undoubtedly have on more than 80% of jobseekers and employers currently being supported by DES-ESS providers.

#### **b) the potential impact of losing experienced staff**

##### **WISE responds:**

A key tension pervades the DES sector, which stems from the dual expectations of the service delivery model. On one hand the contract's dominant driver is the outcome logic, as manifest by the Performance Framework and expressed in the Star Rating System. On the other hand, the program is respondent to the Disability Services Act and its accompanying Service Standards. The compatibility of the dual expectations is an ongoing concern, particularly for more experienced service staff and certainly for disability advocates.

DES has seen significant turnover of experienced staff over the last five year. Many link the turnover to the misalignment of the contract's administrative burden and unnecessary complexity with what the sector believes are its more important aims to respect and respond to the Disability Service Standards. The concern therefore is that a Tender will not stem the flow of experienced staff from the sector. The belief is that, by its very nature, the Tender shows that the Government does not value experience and a known history of support to the most vulnerable citizens. The underlying concern is that the Government is inadvertently losing disability specific skills and experience from its Disability Employment Services.

This seems incongruent with a Government that has so recently endorsed the building of a National Disability Insurance Scheme, which at its centre requires an increase in support of disability services workforce (Productivity Commission Disability Care and Support Final Report, Chapter 15, Workforce Issues, 2011).

These observations may be weighted perceptions but they have nonetheless created uncertainty and anxiety throughout the sector. The sector welcomes the Government's bold decision to drastically improve the service structure and operating programs for people with disability through the NDIS. However, it cannot understand how the Government can, in the same instance, announce a Tender that will potentially facilitate the exit of such a high percentage of experienced staff. That loss will directly impact on jobseeker and employer relationships. And it will not be easily or readily replaced. Again, it is pertinent to refer to the recent PC Disability Care and Support Report and specifically, its recommendation, 15.2: The Australian

Government should attract further workers into disability support. THE DES-ESS Tender will contribute to experience leaving the sector at a time when it needs it most.

**(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**

**WISE responds:**

This question is the crux of the matter. The Evaluation of Disability Employment Services Interim Report (June, 2011) states that the major achievements of DES are "improved access to services for jobseekers, the new model of Ongoing Support and more sustainable job placements". In the same Report and from the Executive Summary, there is over a page of issues under the heading, 'Areas for improvement'. A basic reading would indicate that the DES sector is operating this Program reasonably well. At the same time DEEWR acknowledges that there are many factors that it must improve to support the excellent work providers are doing. The Government, in its 'Future of DES' fact sheet, states that it is "committed to building on this strong performance". So a DES-ESS provider would reasonably think that it is achieving the Government's mission in a program that hasn't yet matured (hence DEEWR's need to improve systems). A DES-ESS provider would be rightfully concerned that it is being targeted unfairly, or at the very least, that it is receiving mixed messages.

DES-ESS has only been operating since March 2010. At the same time the Government announced its proposed DES-ESS Tender, it simultaneously announced that DES-DMS (which began at the same date ESS did) contracts would be extended until 2015. The Government also announced that the JSA program would, likewise, be extended until 2015. JSA contracts that operated at 2 Stars and below would be subjected to a Performance review, which would include a business reallocation process. DMS contracts performing at 2 Stars and below at a point in time in 2013 would also be subject to a Performance review and potential business reallocation.

So, rather than understand and appreciate the Government's decision, we have questions. Why is the Government segregating DES-ESS from other employment programs? Why is it acceptable for JSA and DMS providers to be considered 'good' performers at 3 Stars and yet ESS providers at 3 Stars are subject to Tender to "remove poor performers from the market"? Why won't the Government allow the ESS program to mature before it "tests the market"? Why will the Government take a program to Tender, where potentially a provider who is one percentile off 4 Stars may lose out because of its Tender submission and yet a Provider who is one percentile off 2 Stars might retain their business because it submits an excellent Tender? The Government must answer these concerns prior to taking the program to Tender if its intentions are seen to be credible.

If the Government took the advice of the sector to change its cut-off point from 3 Stars to 2 Stars (and the sector's voice is pretty unanimous with this concern) it could still achieve its aims in testing the market, allowing new players into the market and removing poor providers. In doing so, it would align the expectations it has of all employment programs. This, in turn, would build faith and trust between providers and DEEWR and instil a greater working partnership for all stakeholders.

Our understanding is that 90% of current DES providers will have to go to Tender to regain some or all of their business. That is a huge upheaval of service delivery provisions just to retain contracts and business. Providers will have to expend money and resources on the Tender, while maintaining their service operations. They will likely outlay up to 10% of their revenue. The smaller the service the greater the impost will be. Considering that the majority of services going to Tender will be 3 Stars (and many will be at the

National Average or above) you do have to wonder whether a competitive Tender of this nature at this point in time will deliver value for money for anyone involved.

What the Government stands to get from this process is either, all providers returned to the market or some percentage of new providers as well as a percentage of the existing providers making up the new market. Either way, the upheaval is going to be enormous and we would imagine it will take years for the Government to see a return on its financial investment in this Tender if at all. The simpler, more productive process would be for the Government to follow its own lead and take 2 Star contracts to business reallocation and or Tender and, as with, JSA and DES-DMS, allow 3 Star providers to maintain the good work they are doing and continually improve.

**(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**

**WISE responds:**

The Performance Framework is designed to measure and monitor provider's ability to meet the contract requirements. It was born out of the existing Job Network system. The basis of such a Framework is reasonable and legitimate, for a simple employment assistance program. However, DES is predicated on a set of principles that are much broader in scope than merely trying to assess efficiency and effective processes to move the unemployed into employment. The DES Performance Framework does include KPI 3: Quality, which is the recognition that the provider has certification against the Disability Service Standards and can demonstrate continuous improvement in the quality of its service provision.

However, KPI 1&2 (efficiency and effectiveness) overwhelm KPI 3 to shape provider behaviour in performance. To quote the Disability Employment Australia submission to this Inquiry, "It is therefore essential that the behavioural incentives implicit in the framework are aligned with the Act and promote quality employment outcomes". The Disability Services Act and what it stands for, an historic reform that acknowledged the rights of people with disability to open employment equal to all Australians, must not be forgotten simply because an existing employment assistance program already has a capable Performance Framework system.

The Performance Framework should incorporate greater flexibility required to assist people with disability; recognise the importance of relationship building in DES-ESS; include a 52 week measure (as well as the current 13 and 26 week measures) to reflect the long term relationships in DES-ESS; and give greater recognition to KPI 3 and compliance to the Disability Service Standards, consistent with the objects of the Act.

WISE supports Disability Employment Australia's argument that the Tender process should not be used as a substitute for performance/contract management. "Contract management needs to be applied in a transparent and timely manner, with the reallocation of business, if and when there is demonstrated poor performance that is not redressed in an agreed period. As opposed to the current practice of using the procurement process to exit poor performers, a risk management, and early intervention approach is recommended. This would ensure that there is a consistent standard of service delivered to clients and employers. The performance framework, the charter of contract management, and the DES Deed 2010-12 already enable this approach" (Disability Employment Australia submission to Senate Inquiry into DES procurement 2011).

**(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, DEEWL tender process to award employment services contract**

**WISE responds:**

WISE would be very interested to engage with the Government in thinking through this idea. In a sense, the roll-over of JSA and DES-DMS demonstrates that the Government has an interest in letting good performing providers get on with the business of assisting people into sustainable employment, free of the constraints a 3 year contract imposes. Which makes the decision to put DES-ESS to Tender seem even more anomalous to the Government's central policy direction.

WISE believes there are a number of ways future purchasing and contracts can be considered by government. Licensing is one model that is gaining interest, at least in DES circles. One thing is certain. If the Government is looking for better value for money in its contracting arrangements, then a 5 year contract would be a more economically sound proposition. Providers, locked into the 3 year cycle, are barely half way through a contract when their operations are distracted by the financial demands of preparing to apply to maintain business. This process breeds uncertainty across the organisation. Business focus is hard to maintain when fixated on securing contracts and managing staff perceptions of their employment security.

The DES-ESS, DES-DMS and JSA are relatively new employment assistance programs (and require time to mature as the system issues are ironed out or better managed). However, the organisations operating these contracts are mostly well established and burgeoning. A government contract should respect an organisation's governance. For example, WISE can legally, financially and in performance terms demonstrate its capability and capacity to operate. A five year contract to such an organisation would be a cost saving to government. It would then be monitored on the contract requirements including possible business reallocation as is already stipulated in existing contracts, without the cost burden a Tender would impose on the organisation, government and taxpayer.

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

**WISE responds:**

The timing of the proposed Tender does not align with a number of emerging and existing Government policy directions. Central to the poor timing is a key recommendation WISE would ask the Inquiry to consider. That is, the purpose and model of DES-ESS should be reviewed. Government changes to the DSP are significant and do need to be analysed in line with how ESS currently operates. Will the DSP changes introduce a new type of jobseeker to ESS providers? How many jobseekers, which may previously have been eligible for the DSP, will now be referred as Activity tested jobseekers as opposed to Voluntary? Will that impact on the individual's desire or interest in attending an employment assistance service? Also, certain aspects of the program itself need to be more deeply considered. For example, does the On-going Support phase, weighted against the Performance Framework and a provider's desire to achieve 4 Stars suit the needs of a person with psychiatric disability?

Then there are the bigger picture reforms shaping over the next 5 years. The Skills Agenda has hardly impacted on ESS clients but it will. DoHA's Mental Health Reform 2011-12 package and the House of Representatives Mental Health and Workforce Participation Inquiry will intersect with DES over the next year or two. The impact that intersection will have on DES cannot be determined as yet. And where will disability employment service fit with the NDIS as it takes shape. The PC Report recommended that DES



sit outside the mainframe of the NDIS. But over the next few years and based on the voice of disability advocacy that could change.

There would seem to be many policy imperatives that have a bearing on the future intent and design of DES. The proposed Tender (particularly with the hardly justified logic behind it) would, in policy terms, appear to be ill-timed. A more constructive and cost effective activity would be for the Government and interested stakeholders to set up a working party to review DES as it currently operates, in line with future disability policy, to determine a five year plan, with people with disability leading the working party.

### **Conclusion**

WISE supports Disability Employment Australia's campaign to contest the Government's proposed DES-ESS Tender in 2012. Two significant issues cemented our decision to support the campaign. We couldn't see the benefit of a Tender outweighing the disruption, particularly to jobseekers. It was only last year that jobseekers transferred for DEN Capped and Uncapped to DES-ESS and DES-DMS. That transition was disruptive not just to jobseekers but to staff and providers. It was a huge administrative burden. During last year, the changes from DPI Funding Levels to the new (simpler) Funding Levels caused more administrative and financial burdens, taking months and detailed review of hundreds of jobseekers to ensure they were assessed correctly, in line with the level of support they required and to ensure that we were paid correctly to provide assistance. WISE believes an upheaval to servicing that would take place though the proposed Tender would not be worth the trouble in comparison to what the Government is trying to achieve. And people with disability would be the most affected.

The Government core reasons for the proposed Tender have not convinced WISE. We are concerned that DES-ESS has been segregated and we are uneasy with the message it sends and precedent it sets. We are concerned that good performing providers will be lost because of the Tender process. We are not convinced that the Government can guarantee that won't happen. We believe there are simpler, more cost effective ways of testing the market, introducing new providers and removing poor providers through the business reallocation process rather than the disruption a Tender will produce. We are happy to further discuss our submission if required.

Yours sincerely

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