

NESA submission

**jobactive 36 Month
Business Reallocation
Industry Information
Paper**

August 2018

Contact

Sally Sinclair CEO | (03) 9624 2300 | nesa@nesa.com.au | nesa.com.au

#weR4jobs *weR4everyone*

About NESAs

The National Employment Services Association (NESAs) established in 1997 is the peak body of the Australian employment services sector. NESAs is dedicated to a vision of opportunity for everyone through employment and inclusion.

Employment inclusion and participation are cornerstones of the economic and social health of society. For the individual, employment participation is more than a means to income; it provides connection, purpose and inclusion. Employment participation and productivity are key drivers of economic growth and underpin the quality of life of all Australians enabling access to such things as a well-functioning health system, quality education and strong social safety net.

NESAs membership encompasses the breadth of Australia's diverse labour market assistance programmes including jobactive, Disability Employment Services (DES), the Community Development Programme (CDP), Transition to Work (TTW), Jobs PaTH, ParentsNext and Vocational Training & Employment Centres (VTEC). A large proportion of NESAs members deliver multiple programmes.

Our membership is extensive and diverse, and open to all contracted providers (for profit, not for profit and public). To illustrate, of providers of Australia's largest employment programme – jobactive – NESAs members have a collective footprint covering 100% of Employment Service Regions and operate 89% of total jobactive delivery outlets across the nation.

NESAs consulted with members regarding the 36 month business reallocation process and offers insights and recommendations throughout this paper.

Business Reallocation Principles

The employment services sector accepts the principles of business reallocation.

The sector however, considers the business reallocation process inherently disruptive to both job seekers and employers. Disruption is amplified by both the level of change and speed of implementation once sanctions have been determined. The sector also contends that the business reallocation process itself is negatively affecting performance and negating performance improvement strategies. Job seekers and employers develop relationships with providers. We note, both groups report frequent change in the provider network as a source of dissatisfaction with employment services.

In relation to the deferred business reallocation process in WA, providers note that further disruption to job seekers and employers in such a short time is not useful to performance. Providers note that the business reallocation process is destabilising. WA providers consider that they have had insufficient time to restabilise performance improvement strategies particularly after the prolonged nature of the most recent business reallocation process.

The sector recommends that the Department consider further strategies to minimise disruption of job seekers and employers. These may include:

- Limiting the application of 100% sanction.
- Introducing a consultative process to tailor how sanctions are applied. For example, if the department has determined performance warrants 20% reduction of market share in a Region, consultation may reveal factors that indicate the sanction would be less disruptive to employers and job seekers if applied across the contract or through reduction/closure of specific sites.
- Cease or limit business reallocation at site level where the providers' Regional performance is not in scope.

Recommendation: Strengthen the implementation of the business reallocation process to minimise unnecessary disruption to employers and job seekers.

Recommendation: Consider extending the timeframe of review and application of the business reallocation process in WA to allow the market time to restabilise.

Star Ratings

Broadly, the star ratings methodology is understood and accepted. The sector notes positively the consideration of the trajectory of performance. In relation to trajectory of performance, providers wish to understand the extent to which consideration of the trajectory of actual outcome volume is given compared to regressed performance in business reallocation determinations.

Providers appreciate that the Department will consider performance of the June 2018 Star Ratings calculated without the application of the December 2017 changes (which included the Indigenous Outcomes Incentive and change in State Final Demand) to the regression model. As these alternative ratings are unpublished providers have no visibility on how they are tracking on the alternative measure considered in the decision making process. There is also no detail as to the weight afforded to the alternative measure.

The changes that occurred with implementation of the revised star rating had unequal impact on providers. A number of providers note a significant percentile drop resulting from the change. As the changes were unexpected and implemented without any significant forward notice providers did not have time to prepare. For example, the recalculation and implementation of revised staff and site KPI's takes time and change management processes to minimise negative impact. The change implemented in December 2017 left inadequate time for providers to respond with performance improvement strategies to make an impact on June 2018 results, particularly given the weightings attached to 26 week outcomes. Additionally, the implementation of these changes and the

consequential impacts on star ratings had an adverse impact on staff morale (including on average to high performers sustaining negative impact). Such impacts take time to moderate and are counterproductive to maintaining and improving performance.

Providers have requested further clarity in relation as to how consideration of the impact of changes to Indigenous Outcomes in the business reallocation process will occur.

Greater transparency: Detailed insight, interpretation and clarity around the application of the business reallocation principles and its process would be beneficial to providers, including the rationale for determining the size of sanctions applied. This would assist providers to better understand considerations and determinations in the business reallocation process.

The sector understands the Department uses data and reports that are not available to providers. Risk management considerations aside, additional performance and quality information may assist to drive better practices and performance management improvement. Additionally this transparency will deliver increased confidence regarding the objective nature of determinations.

Greater transparency as to the potential business share to be reallocated would also enable prospective gaining providers to make decisions regarding their desire to accept business if offered.

Recommendation: The Department to consider greater transparency of data and information used to determine business reallocations decisions to support confidence in the objectivity of the process and foster better practice and performance improvement.

Recommendation: Providing further insight into the application of business reallocation rules would provide more guidance and assist providers to confidently determine performance targets and implement strategies to avoid reallocation sanctioning.

Extenuating Circumstances

Providers note that the extenuating circumstance process has a narrow focus and allowing a broader range of show cause submissions would be beneficial to understanding a wider range of performance impediments.

The sector considers the ten-day window in which to submit an extenuating circumstance is insufficient particularly in the context of the duration of the process. A longer period would enable higher quality and evidence based submissions.

Additionally, as performance improvement strategies often take time to deliver results providers note that greater opportunity to understand evidence related to projected outcomes may better support performance improvement. For example, strategies to engage employers in demand led strategies take time to initiate and providers in scope may have groups of job seekers in development with verifiable line of sight to employment.

Recommendation: The sector recommends reviewing the extenuating circumstance process including wider opportunity to show cause and an extension of the ten day, submission timeline.

Timing and duration of reallocation process

The timeline for reallocation seems extensive and drawn out. Under previous contract iterations where there were more providers, the business reallocation process was 6 - 8 weeks. A number of providers would prefer determinations made quickly in order to adequately prepare for change. Similarly, potentially gaining providers

would like more time to draw benefit from the increase in investment to prepare for additional business share (e.g. additional staffing, resources etc), particularly as we approach the end of the contract period.

Recommendation: Reduce the duration of business reallocation to allow earlier determinations and preparation to occur.

Does business reallocation achieve intended longer-term performance improvement?

The sector is keen to understand better the medium to long-term impacts of business reallocation on performance improvement. Given business reallocation processes have been in effect for some time evaluation of its effectiveness to deliver sustainable performance improvements would be advantageous. Are there sustained improvements in the number of actual outcomes delivered as a result of business reallocation; opposed to the short-term changes resulting from the dynamics of star ratings with new market entry (no legacy data) when low performing providers are removed?. The sector has similar questions regarding Maximum Time Transfers.

Understanding actual improvement in outcomes from these processes would allow closer examination of their value in the context of disruption to employers and job seekers as well as negative impacts on the employment services workforce that can destabilise performance beyond that of organisations in scope.

Recommendation: Share evaluation of the business reallocation process and maximum time transfers on performance (actual and relative).