

**NESA's Response to the  
DSS 2021 Formal  
Performance Assessment –  
Draft Industry Information  
Paper**

**November 2021**





## 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.

The Australian employment services sector plays a critical role in preparing Australians to participate productively in the labour market and connecting them to employment opportunities.

NESAs's mission is to lead a sustainable, effective, and diverse employment services sector to support individual job seekers and employers and to contribute to our nation's achievement of employment participation objectives.

NESAs membership encompasses the breadth of Australia's diverse labour market assistance programs including jobactive, Disability Employment Services (DES), the Community Development Program (CDP) and all complementary programs and services. A large proportion of NESAs members deliver multiple programs.

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 Regions.

NESAs delivers intensive policy, operational and capacity building support to member organisations. NESAs works collaboratively with Government Departments, agencies and non-government stakeholders to support the effective delivery of labour market assistance and social policy. Our extensive membership and intensive member and stakeholder interaction provide unique insight into the policy and operational settings that underpin effective labour market assistance.

## **Introduction**

NESA received immediate and a significant volume of feedback from members following the initial release of the Draft IIP in late December 2020, and again with the re-issue on 9 July 2021. The issues and concerns identified then related to the lack of Star Ratings data, the introduction of a new Star Ratings methodology, concerns around undertaking a performance assessment exercise during the COVID-19 pandemic, and a lack of clarity around the actual assessment process.

NESA welcomed the decision taken by the Department following the July consultation to ‘take a step back’ and review the proposed timing and process.


Providers recognise that formal performance assessment and review processes are essential to the effective administration of Disability Employment Services (DES). Providers remain of the view that these processes must be conducted carefully to ensure that they do not deliver perverse or unfair outcomes which impact providers and the overall stability of DES.

## **Background**

Significant reform of the DES program was implemented in 2018. Following implementation DES providers have experienced a number of issues and challenges which have affected the bedding down of the program and provider operations and performance. This includes but is not limited to issues such as:

- The availability of information to inform participant choice was absent with the first public Star Ratings published 31 October 2019 – 14 months after the commencement of the contract.
- The independent gateway function performed by Services Australia was the subject of feedback from implementation of the reformed DES. Providers were inadvertently omitted from provider lists impacting their referral levels and arguably performance which took some time to rectify. As NESA has indicated in previous feedback, information provided to job seekers and prospective participants was not consistent in keeping with the principle of independence with provider choice being influenced by recommendations based on limited information and personal perspectives of Services Australia staff e.g., “Provider X is across the road” or “I’ve heard Provider Z is good”.
- New market arrangements resulted in instability from the onset of the DES contract, largely as a result of what the sector considers excessive provider numbers in Employment Service Areas (ESA’s). Despite conservative projections based on the best available information many providers experienced significant resource and financial strains at the beginning of the contract. This was very destabilising, requiring providers to review and adjust operations according to the realities of market arrangements with many choosing to consolidate or exit the market.
- Provider saturation and over contracting in ESA’s also impacted employer engagement with significantly increased competition and approaches to employers.
- Referrals and caseloads were also impacted by market behaviors, which were not addressed in a timely manner. In the absence of a speedy remedy providers had to amend their marketing and direct engagement strategies. NESA provided detailed feedback to the Department regarding these issues at the time.
- A number of issues with performance data and Star Ratings since 2018 resulted in the need for recalculation and regular delays to providers receiving their performance results, and this has undermined providers’ performance management.
- Continuing issues with the DES Performance Reports limits the ability of providers to monitor performance. Further discussions will be held at the NESA IT Reference and Reports Working Group meeting on 9 December 2021. In addition, specific performance measures have been modified during the contract period (Education Outcomes removed June 2020) further impacting provider capacity to predict and manage their relative performance position.





National emergencies, weather events and the COVID-19 pandemic have impacted Australia since late 2019, through 2020 and continues to do so in 2021. The enduring, unpredictable, and disruptive nature of the pandemic and containment measures has had an undeniable impact on the Australian economy and employment. The magnitude and impact of the pandemic has however, varied significantly. The treatment of performance assessment and remedies should be considered within this context. NESA acknowledges the Department's assurances that the new Star Ratings methodology takes account of factors such as COVID-19 and natural disasters.

### **Formal Performance Assessment Process and Principles**

A number of providers have raised the fundamental concern that they are being assessed against a framework and methodology that has not been finalised. Feedback to NESA includes comments such as:

- *“Timeline and release of star ratings relates to a performance framework that hasn't yet been finalised. How can you be in scope under a yet to be finalised performance framework?”*
- *“What are we actually being measured against as there is no official performance framework in place?”*

Providers agree with the assessment principles and acknowledge they provide a level of consumer assurance and service delivery. Providers also agree that where continual below average performance cannot be explained by mitigating circumstances, that working with providers of in-scope services to address performance issues is preferable to discontinuation of services. Discontinuation should only occur where all other possibilities have been exhausted.

However, effective performance management and assessment strategies require more than principles – they are reliant on clearly defined, rigorous, and clearly communicated criteria.

### Timings

Given that the initial IPP was released in December 2020 the sector has been aware of the concept of a DES performance assessment process for some time. The process for identifying 'in-scope' services - involving Star Ratings performance over a number of periods and an assessment of mitigating circumstances – remains largely unchanged. In terms of awareness of a future performance assessment process there is no longer an element of 'surprise'. Vaccination rates are such that most experts feel that the COVID-19 driven volatility of the labour market caused by lockdowns is likely to end (or be significantly reduced), alleviating some of the earlier concern around the timing of a performance assessment process.

### Star Ratings

A major concern with the previously issued Formal Performance Assessment - Industry Information Paper was around the fact that the sector was effectively transitioning to a new Star Ratings methodology. NESA acknowledges that the revised performance assessment process will now use the Star Ratings from March, June, September, and December 2021. The December 2020, March 2021 and June 2021 Star Ratings were only released on 27 September 2021. There are still some concerns around the new methodology.

There are continuing concerns with the DES performance reports, and examples of where providers feel that a Star Rating is incongruous with internal data and historical performance in a region. DSS have provided assurances that the Star Ratings are unaffected by these issues and note that the Department has engaged in a series of 'one-on-one' meetings with providers to address specific concerns. This hasn't alleviated the concerns of all providers, with a number of providers advising that they still lack confidence in the Star Ratings even after the 'one-on-one sessions'.

NESA recommends that the Department offer additional training in Star Ratings to give providers the opportunity to learn more about the 'fine detail' of the methodology, and that the training include experts from Taylor Fry, the firm that worked with the Department to develop the new Star Ratings methodology.

We do note that a number of providers contacted by NESA have expressed their confidence in the new methodology.

## Assessment Processes

The IIP says that assessment will be in line with the assessment principles as outlined in the Commonwealth Grants Rules and Guidelines and Parts II and III of the Disability Services Act 1986 (Cth). It outlines a broad approach and timeline and gives details and examples of what the Department considers may be mitigating circumstances. There is, however, a lack of detail around the actual assessment *criteria that* will determine whether an 'in-scope service will be subject to a 1) further assessment based on March 2022 Star Ratings, or 2) discontinuation of service.

## **Education Outcomes**

The full impact of the removal of Education Outcomes is yet to be realised. Up until June 2020 Education Outcomes contributed to performance under the Deed arrangements. The Department's decision to remove Education Outcomes from the performance framework reflected their concern regarding potential over representation of education opposed to employment outcomes by some providers.

A number of providers have previously raised concerns around education outcomes. Providers feel that the Star Ratings methodology contains a gradually diminishing component of education outcomes. They feel that education related outcomes will remain a significant determinant of overall star ratings beyond June 2021 due to the delay taken for placements from August 2020 (or prior) to convert to outcomes and then work through the 2-years rolling Star Ratings calculation period.

Accordingly, we submit that the performance assessment process should not penalise providers who had a stronger focus on employment rather than education outcomes.

## ***NESA Key Recommendations – NESA suggests:***

In responding to the Formal Performance Assessment – Industry Information Paper, NESA recommends that the Department:

1. Provides more detail about the assessment process and criteria that will determine whether an in-scope service is subject to 1) further assessment or 2) discontinuation of service.
2. Ensure the impact of Education Outcomes is thoroughly analysed and considered including modelling Star Ratings with the exclusion of Education Outcomes to provide transparency, comparison, and insight, and increase provider confidence in decisions.
3. Alleviate concerns regarding the Star Ratings methodology by offering additional training, with the participation of Taylor Fry.

## ***Opportunity to Strengthen Performance Management***

Providers have raised a number of areas where they consider Departmental engagement and communication on performance related matters could be strengthened to support improved program performance. These include:

- Provide a forward performance assessment schedule.
- Improve information sharing between National Office and the State Contract Management network. Providers report regular instances where Contract Managers are unaware of changes made by National Office or finding out information at the same time as providers and not being able to provide swift clarification.
- Ensure performance discussions between DSS and providers occur regularly, and concerns are tabled.
- Increase Departmental engagement to ensure it is more frequent and interactive. Some providers report limited meetings or opportunities for direct engagement with DSS, with a small number of providers reporting they only receive communication from DSS when it is provider initiated.
- Review document management protocols to ensure the release of reviewed guidelines are accompanied by a sufficient description of the reasons for, nature of and implications of the change, and reduce risk of non-compliance and administration associated with seeking clarification and reviewing work processes.
- Improve the response time for decision making and actions.

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