

NESA Response to the Department of  
Employment DRAFT Industry Information  
Paper – **jobactive** provider services  
18 month business reallocation



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## About NESA

NESA is dedicated to creating opportunity for all through employment. Our mission is to lead a sustainable, effective and diverse employment and related services industry.

NESA is the peak body for all of Australia's world renowned contracted employment services which provide labour market assistance to improve opportunities and outcomes for disadvantaged job seekers, and employers. Our members include not-for-profit and private organisations that have extensive coverage of jobactive, Disability Employment Services (DES), the Community Development Programme (CDP), and other complementary programmes such as Transition to Work (TTW).

## Overview

NESA and our members are fully committed to the success of the jobactive programme and we bring this perspective to our input to the Draft Industry Information Paper. It is imperative that the 18 month business reallocation process supports and improves the industry's performance and capacity to deliver the objectives of jobactive with minimal interruption to job seekers, employers and labour market assistance.

Almost 18 months in to the contract the Industry has reached a critical stage where both provider and Department systems and practices have been adjusted where required to address operational realities (not all of which were clear in the design and tendering phases). At this stage the Industry expects to see initial investments in staff, systems and infrastructure reaping the employment outcomes they were designed to achieve. Indeed, we were pleased to hear at the recent Department jobactive CEO's forum that outcomes are better than was achieved under the previous programme at a similar point. It is important to ensure that the business reallocation process continues this trend and does not inadvertently disrupt services and systems that are working well.

NESA understands the role that the star ratings and the business reallocation processes play in driving performance within jobactive through applying competitive pressures within a highly managed market. This role has proven valuable over time but its limitations must also be recognised and it is not the only significant driver of performance. From this perspective we appreciate the proposals to take a primarily regional approach to scope and to consider extenuating circumstances and we encourage the Department to apply a relatively nuanced and light-touch overall. In addition, to what is proposed in the discussion paper NESA would like to see the Department:

1. consider the extenuating circumstances of some particularly complex sites where significant time consuming investment is required to sufficiently develop the communities and relevant networks to make any labour market progress - these time related factors are not inherently part of the star rating analysis
2. consider the spread of the star ratings without any standardisation measures being applied – this may change the presentation of sites and regions for some providers
3. consider the impact of retrospectively applying the proposed revisions to the star's regression analysis as suggested by the Deputy Secretary at recent Department jobactive CEO's forum, with the important caveat that it only impacts the decisions on sites which are positively impacted
4. exclude the Indigenous Outcome Targets at this stage from business reallocation processes.

## Context

Over time we have seen the employment services industry contract with each new programme iteration, with each contraction of the provider market intending to ensure we have a strong, experienced network providing highest quality services. When reviewing current providers it is important to recognise that most have been in the industry for a number of years, are mature and seasoned in providing services.

Over the last 18 months the industry has undergone massive reform with significant programme change and enhancements. These include new contracting arrangements, implementing innovative methods of servicing job seekers, the introduction of new technology and streamlined operational and IT processes. Some of this change has posed considerable operational challenges for providers. In particular, providers have been required to adjust their business processes to accommodate a different payment model with more outcome weighted payments and the reduction of service fees, the reinvigoration of Work for the Dole on a much larger scale, new Indigenous employment outcome payments and targets, changes to compliance requirements, new geographical locations and boundaries, new providers and merging partnerships. All of these processes take time to be fully and effectively operational.

During this time, providers must manage these changes internally which is expected to include a turnover of staff and related onboarding and training of new staff. Based on NESA research this has proven more volatile than in previous contract changes. Our recent Employment Services Workforce Survey of Remuneration and HRM Performance 2016 survey (open from 5 October – 4 November 2016) asked providers to provide answers based on the last two years of operation. The survey found that staff turnover within the employment services industry is at an all-time high, approximately 42% of staff compared to 34.5% in 2014 and less than 30 % in six previous biennial surveys. This number is also striking when compared to the Australian Institute of Management who reported an average yearly turnover of staff (inclusive of voluntary and involuntary departures) of 15.7% for all companies surveyed in 2016.

This survey data is representative of the jobactive industry across all regions and types of provider. It was completed by thirty-nine organisations across employment service programmes employing 14,713 employees in 1783 branch offices throughout Australia. The data contributed by the survey participants cover staff working in 72% of all 1701 jobactive sites, and 98% of jobactive regions.

This level of disruption in an industry creates alarm bells that need further exploration. For our part NESA intends to focus on workforce issues over the next year. In the mean-time it is essential that the Department is fully aware of the potential further exacerbation of workplace disruption and inconsistent interfaces for job seekers that can occur with business reallocation. **Within this context it is appropriate to apply a light touch approach in this first instance** and with the second planned reallocation, should provider performance not improve stronger action may be taken.

## Recommendations for managing business reallocation

### 1. Extenuating circumstances

NESA is pleased the department noted they are prepared to consider the issues faced at the local community level. We have received feedback that in some communities, a whole community development approach is needed which takes time.

For example, some providers have high Indigenous caseloads, in very undeveloped labour markets and they may have to address significant issues in the community, including very thin labour markets

to improve outcomes over the longer term. When evaluating extenuating circumstances, the Department needs to consider some of the entrenched local issues providers face and look at the broader picture of how providers are engaged in assisting the community now to tangibly address issues in the future. This kind of support takes time to build and develop.

## 2. Star Ratings Standardisation

The jobactive performance framework has been designed to aggregate provider performance and standardise performance across the industry, NESA asks that the department look at the existing star ratings in a non-standardised format and compare these with standardised results.

The benefit of conducting this analysis is that the department can then make an informed decision based on both scenarios. In circumstances where a provider's performance is trending down in both cases, and taking into consideration some of the other factors mentioned in this paper, then it may be appropriate to apply business reallocation principles.

## 3. Revised regression analysis in the star ratings

NESA understands that the Department intends to introduce some new factors into the regression analysis that is applied to the star ratings to better account for the speed of change in the labour market and the unemployment rate at the local level. Clearly this enhancement will need to be introduced for future star ratings and evenly applied across all areas with sufficient and fair prior communication to providers.

However, we understand that the Department may apply the revised measures retrospectively to consider what the potential impact would have. This was suggested by the Deputy Secretary at recent Department jobactive CEO's forum. NESA supports this approach with the very important caveat that it only impacts the business reallocation decisions in relation to sites which are positively impacted by the revised analysis. If the revised regression analysis pulls some sites into scope that would not otherwise have been in scope that would not be appropriate. This was acknowledged at the CEO's forum.

## 4. Indigenous Outcome Targets (IOT)

NESA understands a separate process will be applied to assess IOT however we are concerned at the lack of detail provided around this in the information paper. Most notably, what are the timeframes around this and when can providers expect more information.

Providers have raised concern, both directly through NESA and to the Department, around the complexity of the targets as they stand. IOT continues to be an ongoing source of discussion and contention for providers. Although methodically calculated, IOT are not allocated in an even playing field and there is no regression analysis. For example, some providers having up to 80% of indigenous job seekers on their caseload in a site with a very thin labour markets.

There are a range of approaches needed to improve Indigenous employment (NESA has provided a separate paper in this regard). There is a need for investment and it may be that sanctions are not appropriate incentives at this stage. NESA therefore strongly recommends that the Department exclude the Indigenous Outcome Targets at this stage from business reallocation processes.

## 5. Compliance Indicator

NESA recommends the Department carefully consider the impact of the Compliance Indicator on the reallocation processes and whether it is even utilised. This is an untested indicator at this point.