



BoysTown

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**BoysTown's Submission in Response to the Discussion Paper  
on Future Purchasing of Employment Services**

**Mid Term Business Reallocation**

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**Authorised By:**

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## Executive Summary

BoysTown welcomes the opportunity to submit a response to the Discussion Paper on "Future Purchasing of Employment Services – The Mid Term Business Reallocation".

BoysTown is a non profit organisation with a mission "*To enable young people, especially those who are marginalised and without voice, to improve the quality of life*". We have eight full time youth specialist JSA sites, in three States, located in highly disadvantaged areas, with high youth unemployment rates and intergenerational unemployment.

Following is a summary of recommendations for consideration in the Future Purchasing of Employment Services – Mid Term Business Reallocation:

1. The principles for Purchasing Employment Services need to include recognition that the introduction of new legislation or policy can impact upon a providers Star Ratings and therefore business reallocation.
2. That new providers for the first two years of a new contract model have taken into consideration implementation issues outside of their control as part of performance review.
3. Two star providers who are within 25 percent of achieving three stars should be reviewed at two years instead of eighteen months and supported to improve to minimum three stars.
4. KPI 3 (Quality) should be a consideration in determining business reallocation if providers are ranked similarly on KPI 1 & 2.
5. With regard to future purchasing (from July 2012) BoysTown recommend:
  - Invitation to treat or contract extensions for existing providers
  - Move to a five year contract period as compared to three years (indexed annually)

## DEEWR Discussion Points

### **1. Do the principles (for Purchasing Employment Services) cover the range of considerations necessary when approaching employment services purchasing or business reallocation?**

There needs to be recognition that changes to Federal Government legislation or policy, introduced after contract execution can potentially impede provider capacity to achieve outcomes for clients. For example, BoysTown's involvement in the delivery of Job Services as a specialist was encouraged in order to meet the specific needs of young people yet no consultation was undertaken regarding the Early School Leavers legislation change.

This change is having a significant impact on this organisation's ability to achieve outcomes at the same rate as generalist providers. As raised previously in various papers to Minister Arbib, Dianne Fletcher (DEEWR) and Catherine O'Sullivan (DEEWR), following are the specifics of the problems:

- BoysTown has very high numbers of young people who are now classified as ESL (44% or 1856). The component of activity tested clients is 67%, (or 2,806), and these clients could be reasonably assumed to achieve a good level of outcomes - which would reflect both DEEWR financial modelling pre contract and our own previous employment services experience. However, 41% of those (activity tested) clients are now ESL, resulting in a material change to the business model tendered for, as only 39% of clients in our caseload will be *activity tested and non ESL*. Therefore, only 39% of our caseload can be expected to receive full services and subsequent outcomes, without some form of significant service adjustment. This directly impacts upon BoysTown's ability to be financially rewarded and fairly ranked within DEEWR performance data – as other generalist providers do not experience the same caseload splits.
- Activity tested ESL clients are now compelled to undertake study (to a minimum Year 12 qualification) before they can be compelled to look for work. Certificate 2 is deemed to be an equivalent Year 12 qualification; however it does not generally meet the criteria for a payable education outcome (e.g. two semesters or more) for providers. Previous to this legislation, providers were able to compel clients to either engage in work or education to achieve an outcome.

### **2. Are there any suggested changes**

It would seem prudent to seek input from providers in areas which there are proposed changes. BoysTown as a youth specialist with many years of experience in working with young people to overcome barriers to employment and education would have welcomed the opportunity to provide feedback.

Further to changes being made the introduction of a principle that recognises the impact of any such legislation or policy change introduced after contract execution which can impact upon a provider's performance would be welcomed.

**3. *What are the most important things to take into account in setting the scope of the mid term business reallocation?***

While understanding the concept of rewarding high performing providers is in the interests of quality service delivery and outcomes for clients – consideration of the scope for mid term reallocation should include:

- Whether or not the provider is a new entrant into the field – either by way of a new outlet or within a new ESA (for that provider). Experience in previous contracts has indicated that while new providers bring innovation to employment service provision – it can take the first two years of the contract for a provider to establish best practice within the new contract model and the ESA. A balance needs to be struck between rewarding performance and recognising possible time lag for new providers to overcome “teething problems” early in the contract, in order to retain a vibrant employment service market with appropriate levels of choice for job seekers.
- While supporting the simplification of the Star Ratings to exclude half stars, consideration should be given to providers who rate at the high end of two stars and therefore closest to three star performance.
- Recognition that some young people due to their complex needs have abnormally high barriers to employment. In research currently being conducted with Griffith University, it has been found that some young people due to unresolved issues relating to mental health, anger, drug and alcohol abuse and trauma are socially isolated and have never worked. These young people require intensive case managed services which take longer to resolve and are unlikely to achieve long term employment outcomes without significant intervention over time.

**4. *Can you suggest practical ways to do this?***

- With regard to the first point – introduce a factor into the regression analysis that takes into account previous Job Network providers from the ESC3 contract compared to new providers in ESD4.
- If a two star provider is within 25 percent of achieving three stars, an improvement plan should be jointly developed and implemented between DEEWR and the provider, with a review at six months as a first step. Business reallocation or other sanctions could then follow if no improvement is evident after that time.
- Restrict the withdrawal of contracts on the basis of poor performance to the end of the two year rolling period.
- Include in KPI’s consideration of the level of disadvantage of the client group/ESA.

**5. *Is it fair and reasonable to base the mid term business reallocation decision on provider performance up to and including 31 Dec 2010? Is there alternative timing that would be more advantageous and why?***

- A sliding scale would be preferable to recognise the difference between a one and two star performer. That is, two star providers (perhaps those specifically within 25 percentile points of achieving three stars) are reviewed at two years, with a six month improvement plan subsequently implemented. If no improvement occurs, move to business reallocation or re tender. The rationale being to assist and support providers who may be close to meeting minimum requirements, instead of enacting sanctions which often only serve to destroy staff morale and further erode

the capacity of the site to recover and provide improved services. For one star performers, review after 18 months up to and including the 31 Dec 2010.

**6. *Would implementation of business changes from May 2011 allow sufficient time before contracts end in June 2012? Is there alternative timing that would be more advantageous and why?***

The overall issue remains the short length of the contract in general – a five year period indexed would be preferable.

**7. *Should reductions in business share in the mid term business reallocation be restricted to one star providers, or should other providers be considered for reductions? Are there any suggested alternative models?***

See response to Point 5.

**8. *What do you believe would be the most effective and efficient method for reallocating business share?***

- Sanctioning moderately poor performance by suspending caseload allocation, in conjunction with an agreed performance improvement plan, until performance improves.
- Sanctioning very poor performance with business reallocation.
- Rewarding strong performance with an increase of market share.

**9. *What impact should quality have on the mid term business reallocation and why?***

- Quality should be a transparent and integral part of the assessment around business reallocation. KPI 3 should provide a balancing factor that recognises the value of quality service provision. This can manifest where a number of providers in a given ESA may be rated at the same or very similar level (for KPI 1 and 2) and for those who perform well (or otherwise) in KPI 3 this should be the determining factor. Furthermore, minimum achievement of KPI 3 should be counted towards minimum achievement of Star Ratings.

**10. *After the JSA arrangements have been operating for two years, should we move to a two-year (or other) rolling performance assessment period?***

BoysTown would support moving to a two year rolling performance assessment period on the basis that severely underperforming providers would be picked up in the initial assessment period. Shorter periods can be very disruptive to both clients and providers, risking an unstable employment services environment.

**11. *Are there alternative options? If yes, why would the alternative you are suggesting be preferable?***

No further suggestions.

**12. What practical steps can we take to improve reallocation processes and transition to the new business shares – for job seekers, employment services organisations and employees including staff of affected providers? Please specify how these improvements can be implemented.**

- DEEWR to host a central portal for retrenched/redundant employment services staff seeking positions with new or remaining employment providers. Currently, there is no streamlined system available for either staff or employers to identify opportunities and expedite re employment and continuance of service to transitioning clients.
- DEEWR to host a central portal where exiting providers can advertise premises and fit out etc to assist both incoming and outgoing providers.
- Reallocation of clients to be considered by cohort i.e. clients who are likely to benefit from specialist providers to be allocated accordingly, in addition to the usual option of client choice. This can be implemented simply through manipulation of the allocation process performed by Centrelink.
- Timely and direct communication to affected job seekers of anticipated changes, with an option for them to remain with existing provider or move to better rated provider in area. In the interests of client choice, recognition of effective working relationships between case managers and clients needs to be maintained even if overall outlet is not rated well.
- Enable exiting sites to negotiate early closure (if losing business), to avoid poor servicing of clients as staff leave to seek other employment.
- Where an organisation has multiple sites in an ESA or sites in neighbouring ESA's, it would be more effective to have the potential outcomes transferred to the same organisation. This would assist in the commitment to Post Placement Support and therefore maximise outcomes for the client, while rewarding the site in both performance and revenue.

**13. How can we improve communication and review processes for provider performance? Please specify how these improvements can be implemented.**

- Best practice information within DEEWR to be shared amongst the various States and disseminated with Providers in a generic format, to protect commercial in confidence and still share best practice.
- Best practice contract management within DEEWR to be identified and shared within DEEWR to ensure all providers receive the same high levels of contract management and support.
- Clarify what is required to achieve minimum KPI 3 “pass” and what is considered to be best practice and; improve reporting on KPI 3 achievement and feedback thereof.
- DEEWR to provide number of outcomes expected to achieve minimum three star performance, (for KPI 1 and 2), based on provider profile, caseload profile and ESA. This would greatly assist providers to understand a baseline level of performance that is linked directly to them. This could be provided at the beginning of the contract and at each yearly review process.

**14. What current communication and review process would you like to see remain and which ones either ceased or amended and why?**

- Continue with joint monthly meetings between DEEWR and providers and include agenda item to review performance data now generated weekly through EA Reporting and;
- Continue with KPI 3 meetings ensuring enough time for providers to prepare the raft of information now expected in these forums. DEEWR to generate templates and provide these ahead of meeting times to enable consistency of provider response. This would reduce the administration burden around KPI 3. It would also be useful to clarify what is required to achieve a pass and what is considered to be best practice.

***In considering future purchasing arrangements for employment services (from 1 July 2012), please provide your views on:***

***a) the strengths and weaknesses of the current arrangements;***

Areas for improvement:

- No outline of minimum outcomes expected by DEEWR to achieve three star ratings – as a baseline expectation is available for providers. This should be linked to the provider profile as well the cohort of clients and ESA demographics.
- Possible weakness is that the new system of Star Ratings benchmarking may not fully take into account the caseload profile of providers, their specialisation (or otherwise) and the degree of disadvantage and intergenerational unemployment within the providers ESA. These factors can result in extended time to address non vocational barriers before clients can be placed in sustainable employment.
- Benchmarking, within an employment services model of providing flexible, tailored and customised services, by its nature (being a comparative set of criteria), can undermine the JSA model by the practical need to expedite employment outcomes at the earliest possible opportunity, to maintain Star Ratings and subsequent business.

Providers of employment services carry all the risk and liabilities involved in operating these programs. These businesses are unusual in that the Commonwealth Government owns the referral pathways to the services as well as the IT systems and other critical information. The operator needs to invest heavily to establish the business and also carries all ongoing liabilities. The only intrinsic value of these businesses is in their right to operate. This 'licence' could be withdrawn by government at any time. At this point there is no residual value in the business. In fact there is no residual value in any of these businesses when their existing contracts expire.

Three year contracts are unlikely to lend themselves to longer term outcomes as they will by their nature, encourage strategies that may focus more on short term outcomes. Such a short period can discourage new entrants into the field due to increased business risk, being the high capital investment required to establish in addition to a high risk of reasonable return on investment in three years. Staff retention, investment in professional development and consistency in service delivery to clients is also at risk in a three year contract framework. Employer engagement, formerly not encouraged in the previous Job Network contracts is now paramount to the success of Job Services Australia and such relationship development off a relatively cold base takes time.

Potential turnover of contracts will undermine such development and may be frustrating to employers who still largely are unaware of the role of Job Services providers and how they can assist employers.

**b) *how weaknesses could be addressed;***

Introduce a five year contract period with yearly performance assessments, continuous improvement plans and business reallocations to drive performance as well as including the automatic indexing of payments consistent with CPI movements on an annual basis.

Employment program outcome evaluations in the United States suggest that for welfare recipients three key participant outcomes are:

- Increased "off benefit" periods by recipients; and
- reduced periods of unemployment and;
- higher work related earnings for five years following the program interventions (Hamilton *et al.*, 2001).

Findings from these evaluations suggest that the time and type of intervention impacts upon higher ratios of continuing employment and lower benefit rates for more than three years in the program. This indicates that long-term measurement of outcomes may be essential if performance management arrangements are not to create a bias towards using strategies that achieve only short-term outcomes.

While employment outcomes are measured only over a short period such as six months, the total valuation attached to the best outcome, which are around stable, long-term return to work, particularly by the disadvantaged or long term unemployed, is likely to be too low. Furthermore, performance management based on this type of outcome measurement is likely to provide too low an incentive for providers to deliver holistic services, which are resource heavy and sometimes slow in achieving longer term outcomes. However, it is important to assess which providers can facilitate genuine long term impact. Therefore, tracking 'off benefit', employment earnings, and rate of consistent employment is best done over a five year period (*OECD Employment Outlook 2005*).

**c) *the relative weightings of Star Ratings and Quality Assessments in future purchasing arrangements;***

These should ensure that the modelling around econometric regression analysis absolutely minimises any risk of inadvertently penalising specialists, who by their very nature service a limited market. This risk is increased if a provider is operating in a highly disadvantaged ESA, with rising unemployment rates.

In those ESAs where intergenerational unemployment also exists negative perceptions around the employability of the local unemployed, by employers, is high. When this is combined with the disillusionment, low aspirations, low vocational skills and non vocational barriers typical of the long term unemployed client – the ability to generate timely outcomes from a specialised cohort in these ESAs is likely to be more difficult.

**d) Invitation to treat or roll over provisions for existing contract holders with acceptable performance;**

When the market is stable and providers are well established, comparisons of client employment outcomes between providers can show the impact of more or less effective service provision. However, variability of outcomes is likely to be greatest in a recently created market such as the current market of Job Services Australia, which now has a diverse range of providers from both Australia and overseas where providers are either very new to direct employment service contracts or were existing providers used to working within a different employment service model. Based on previous contract experience poor performers will be eliminated towards the end of ESD4, therefore providing a reasonable basis for invitation to treat or rollover of existing contract holders.

This would avoid further disruption to both job seekers and providers, while effectively rewarding consistently performing providers.

**e) other models of purchasing of employment services; and**

In reviewing OECD papers on various employment services models, Australia (while in continuing reform) appears to have a good balance between a quasi market and centralised purchasing.

**f) any other issues that should be taken into consideration for future purchasing arrangements and why.**

See also 14.b).