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1800 078 233

The background of the page is a blurred photograph of a meeting or training session. In the foreground, the backs of two people's heads and shoulders are visible as they sit at a table. In the background, a man stands near a whiteboard, gesturing towards it, while a woman sits at a table in front of him. The overall atmosphere is professional and collaborative.

Place Based Solutions for the Future

The Department of Education, Skills and Employment has released a Discussion Paper on the Proposed Licensing System for New Employment Services Model.

The New Employment Services model represents the most significant change to employment services since outsourcing. New Employment Services Trial (NEST) sites have been operating since 2019 to test the Department's planned approach and, in response to COVID-19, the Department has also accelerated the transition to digital servicing across all Employment Regions.

This paper provides CoAct's response to questions and issues raised in the Department's Discussion Paper.



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CoAct's Response to the Discussion Paper

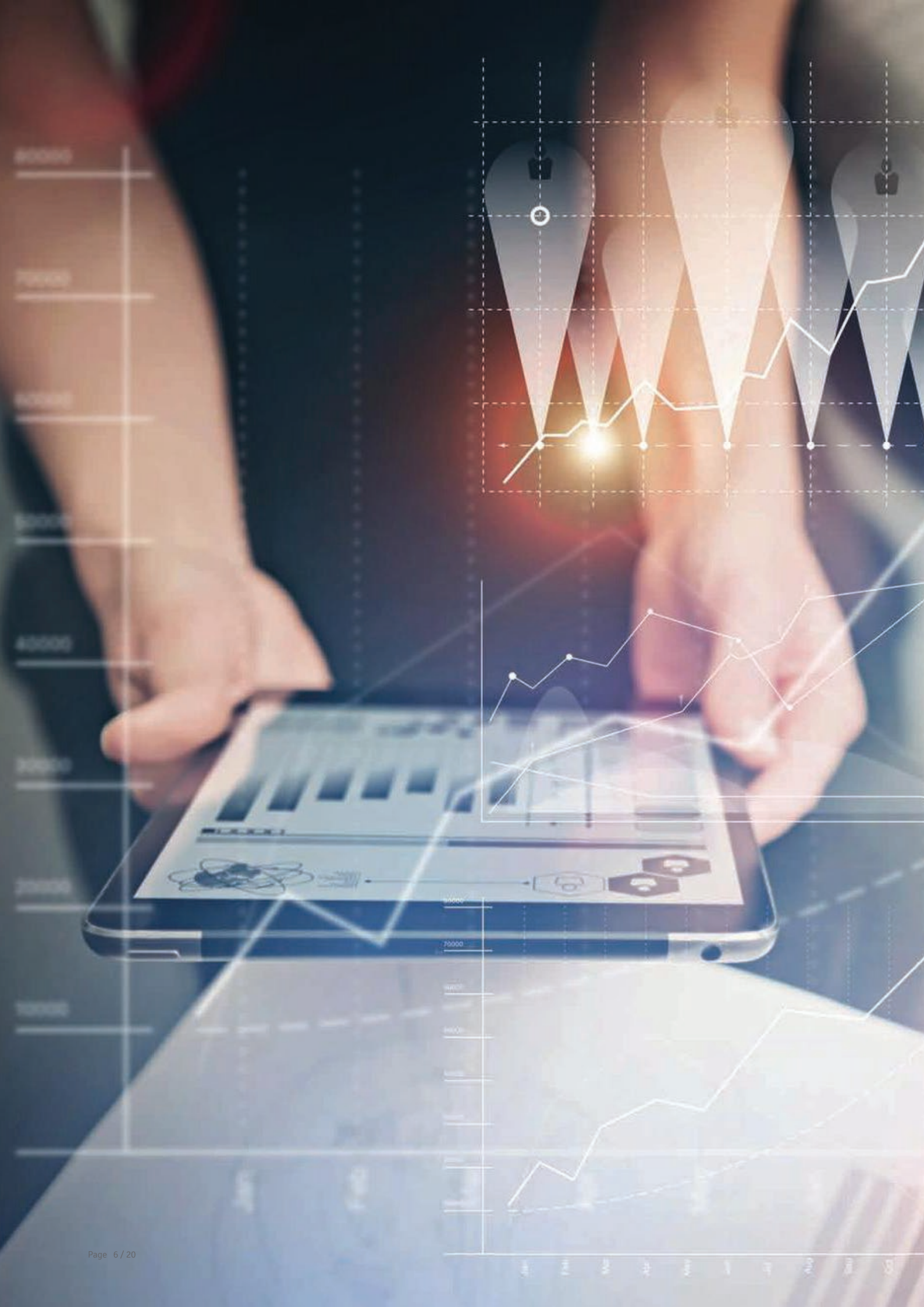
Chapter 2: Establishing a Panel

Discussion Paper Questions

- CoAct believes that Specialist Providers should be included on the Panel with Generalist Providers and have the same accreditation requirements as all providers.
- CoAct believes that Panel membership should be valid for 7 to 10 years, subject to ongoing performance. This would offer providers maximum certainty to make a long-term investment founded on high performance.
- CoAct suggests that the Department refresh the Panel at regular intervals eg. every 24 months. This would allow new providers to enter the market and drive innovation in service delivery and performance. We recommend that new providers introduced through this refreshment process be accredited on commencement and would encourage the Department to consider independent accreditation in the future.

Additional Queries & Suggestions

- CoAct delivers jobactive through a network of sub-contracted local partners which enables community providers to combine capacity for planning and service delivery, manage the high costs of compliance and quality assurance effectively. We believe that mature sub-contract models like CoAct's need to be maintained to ensure maximum diversity and community expertise in the provider base.
- Evidence shows that for-profits have a greater capacity to borrow funding and scale up. Given the increased risk and capital requirements of the proposed model, how will the Department ensure that not-for-profits are included on the Panel?
- CoAct is concerned that the costs of maintaining accreditation and 'operational readiness' could be prohibitive for Panel members who are issued with limited regional licences or not at all, potentially limiting the value gained from the Panel approach.
- CoAct would like to see further details about how the Department will ensure the integrity of the selection process for offering new licences to Panel members.



Chapter 3: Issuing Contractual Licences

Discussion Paper Questions

- CoAct supports the Department's proposal to offer initial licences for a 3-year term.
- CoAct supports the concept of allowing providers to service smaller areas within an Employment Region. This would maintain diversity in the market by enabling smaller providers with strong connections to local communities to obtain a licence.
- CoAct does not support new licences being added to an Employment Region during the contract term. Providers who are awarded licences make significant long-term investments based on assumed market settings. Market intervention by the Department could have a dramatic impact on the commercial business cases supporting these long-term investments.
- CoAct is of the view that short-term licences should only be issued by the Department in extraordinary circumstances. Short-term licences would need to come with guaranteed funding to cover the providers entry and exit.

Additional Queries & Suggestions

- Can the Department clarify how Employment Region coverage will be assessed as part of the procurement? For example, if smaller providers apply to deliver services in part of an Employment Region, will they be assessed less favourably than a whole-of-Region submission?
- How will the Department provide investment certainty for service providers delivering the new contract? Providers are wary of making new investments after the recent experience of being encouraged to make large investments in digital servicing to respond to COVID, only to have the referrals cease without warning.



Chapter 4: Licence Reviews

Discussion Paper Questions

Overall, CoAct is supportive of the fluid approach to licence reviews and the increased certainty that would be offered to high performing providers.

- Whilst we believe that the three proposed performing groupings - High, Moderate and Low - are workable, this could be further reduced to two – Satisfactory and Unsatisfactory.
- CoAct recommends that performance reviews take place every 24 months. This timeframe is appropriate considering that it takes 9 months to get reliable performance data and a further 6 months for any changes and improvements implemented to have a significant impact on performance. Given that the service model will be new to providers, we would urge the Department to be cautious in initial assessments of performance and effectiveness until the model is fully embedded.
- As a general principle, CoAct believes that performance data should be available in real time and with a high level of transparency. Accurate, real-time data enables providers to drive their business and continuously improve performance.
- CoAct supports making performance metrics publicly accessible to allow customers to make an informed choice of provider. However, we caution against the inclusion of additional market share levers like 'maximum time transfers' and other market share adjustments. This will create confusion and be particularly problematic in an environment with a flexible regional footprint.
- CoAct believes that all licence reviews should be conducted on the same basis and under the same terms. To support this approach, it is critical that providers have sufficient time to collect reliable data and rectify any weaknesses identified, prior to the first licence review.

Additional Queries & Suggestions

- We note that turning around poor performance at large sites in Metro and Regional Centres can take a minimum of 18 months. Any licence review process needs to take this into consideration.



Chapter 5 – Cohort Specialists

Discussion Paper Questions

CoAct warmly welcomes the proposed reinstatement of Cohort Specialist providers in the New Employment Services Model. As the largest provider of specialist contracts in the previous JSA program, we understand the significant contribution that these specialist services can make to outcomes for disadvantaged cohorts.

- CoAct recommends that Cohort Specialists have the flexibility to service all job seekers, but the option to target their services and marketing to their chosen areas of speciality. Often, individuals with a particular need – eg. mental health, domestic violence or a history of offending - may not wish to be identified as such to an employer by receiving services from a boutique provider.
- Restricting the operations of Specialist Providers to a designated cohort risks a repeat of the 2003 ESC3 contract experience. Specialist Providers across the country were nearly devastated within weeks of the new contract commencing; the issue was only resolved when the Department stepped in to open up the ESC3 specialist contracts to all job seekers.
- CoAct strongly recommends that the Department be less prescriptive in identifying areas of specialisation. ‘Heat mapping’ and similar approaches are likely to prove useful for some large cohorts such as CALD and Aboriginal job seekers. However, CoAct recommends that the Department also consider alternative approaches to identifying need. For example, providers who are familiar with their local communities should have the opportunity to demonstrate long-term needs.
- CoAct envisages that there will be no need for Youth Specialist contracts and strongly recommends the Department extend the highly successful Transition to Work (TTW) program to all areas of high youth unemployment. Given that high numbers of younger, work ready job seekers are expected in short to medium term, we suggest that all employment services providers should be able to service this cohort effectively.

Additional Queries & Suggestions

- The ‘Workforce Specialist’ concept remains unclear, both in concept and in terms of how these specialists would compete with other providers. We note that CoAct established a similar demand driven service in 2018 but was restricted from delivering the program due to overly prescriptive contractual requirements that failed to take into consideration the employer’s need. For this concept to be successful, the Department would need to establish clear operating guidelines and protocols for Workforce Specialists’ interaction with other licensed providers.



Chapter 6 – Market Share

Discussion Paper Questions

- CoAct supports the retention of market share and we believe that this is critical to the viability of the proposed licensing approach. Guaranteed market share enables organisations to commit financially to appropriate levels of infrastructure and service delivery capacity.
- CoAct believes that market share should be 100% allocated in each Employment Region. This would provide greater certainty for providers and ensure that resources are focused on servicing job seekers, rather than acquiring additional caseload.
- CoAct recommends that market share allocation be data-driven and that any significant specialist caseload (eg. CALD job seekers) be removed from the total market share available to generalist providers in an Employment Region.

Additional Queries & Suggestions

- A key objective of the Proposed Licensing Model is to create greater provider diversity to harness specialist expertise and respond to local challenges. To meet these objectives, we recommend that the Department consider:
 - Applying a lower range for market share tolerances
 - Allowing selective regional servicing in areas where specialist cohorts reside
 - Enshrining subcontracting arrangements in the model that support low cost market entry for new providers
- Will the Department offer any indication of the likely number of licences to be issued in each Region? An indication of likely minimum market share would greatly assist providers with risk assessment and planning.



Chapter 7: Red Tape Reduction

Discussion Paper Questions

- CoAct notes that Government intentions to reduce red tape are often at odds with the reality of contract compliance and reporting requirements. Previous contracts with a similar intention to 'reduce red tape' have seen an increase in compliance costs for providers and the Discussion Paper indicates that the existing Targeted Compliance Framework (TCF) will remain.
- CoAct recommends that the Department should consider a restricted RFP and procurement process. Existing providers with a performance rating of 3 stars and above could be automatically included on the Panel and offered a license for existing areas of service. This would reduce costs and red tape for all providers and minimise disruption through this period of recession and high unemployment.

Additional Queries & Suggestions

- Evidence indicates that a high compliance focus dictates the actions of frontline staff and diminishes the capacity for individualised servicing.
- CoAct suggests that the Department consider replacing the current Quality Assurance Framework with an independent assessment using an approved framework eg. ISO or similar. This would be consistent with the less prescriptive service requirements under the new model and would further reduce red tape for providers.



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Chapter 8: Performance Framework and Cyber Security

Discussion Paper Questions

- CoAct supports the inclusion of quality benchmarks relating to job seeker and employer servicing and experience in the Provider Performance Framework.
- CoAct notes that providers are likely to face tension between maintaining job seeker satisfaction and enforcing mutual obligation requirements and we urge the Department to consider this when developing appropriate metrics.
- With Government stepping back into service provision, providers will no longer have access to more job ready candidates to help build good relationships with employers. These relationships are crucial for encouraging employers to provide opportunities to the most disadvantaged. We recommend that performance models be developed with a poverty or disadvantage scale in mind.

Additional Queries & Suggestions

- If the performance framework moves away from Star Ratings and towards performance benchmarks as envisaged, what metrics will the Department use to fairly assess High, Moderate and Low performance?
- Where smaller, community-based providers commit to servicing more isolated parts of an Employment Region with less active labour markets, how will the performance framework differentiate between these providers and others operating in large regional centres?

WHAT'S
NEXT?



Other Issues

Payment Structure

The proposed service fees and outcome payments for the New Employment Services model have not been included in the Discussion Paper. However, the payment structure for the New Employment Services Trial (NEST) sites provides a guide to the Department's planned approach.

NEST uses a payment structure that is based on approximately 30% servicing fees (paid upfront) and 70% outcome payments. Under this model, job seekers who require more than 18 months of support will exhaust service fees and will effectively be serviced for free pending any outcome payments. CoAct notes that this extended duration of servicing is typical for highly disadvantaged job seekers – more than 25% of our current caseload require 18+ months of support to become truly work ready.

CoAct believes that the payment structure should recognise the extended servicing required for many disadvantaged job seekers by including additional payments for achieving progress milestones.

We remain concerned that the proposed payment structure could create perverse incentives for providers to invest only in those job seekers who are considered likely to generate an outcome payment. This would disadvantage those most in need of additional support and investment.

The 30%/70% funding model also contrasts sharply with other successful programs targeting the most disadvantaged job seekers eg. Transition to Work (TTW). These programs have been successful as they allow providers to invest in all job seekers to become work ready.

CoAct is also concerned about the impact of the funding model on regional, community-based providers. The model requires significant capital to invest in job seekers until outcome revenue is received. This is risky for smaller organisations and could threaten their survival.

Intensive Servicing

The Department has consistently indicated a preference for lower caseload ratios and more intensive servicing in the new model. This is consistent with the successful approach used in programs such as TTW and DES which service a similarly disadvantaged cohort.

The intention to provide lower caseload ratios for intensive servicing does not appear to be consistent with the NEST funding model. CoAct's experience of NEST indicates that caseloads of 100 job seekers per adviser are still the norm, despite the shift to working exclusively with the most disadvantaged job seekers.

CoAct believes that the lower caseload ratios needed to effectively service the most disadvantaged job seekers are unlikely to be achieved with a highly geared 30%/70% payment structure.



coact.org.au

Matt Little - CEO

0418 732 372
matt.little@coact.org.au

1800 078 233