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MatchWorks

PROPOSED LICENCING SYSTEM FOR THE NEW EMPLOYMENT SERVICES MODEL

DEPARTMENT OF EDUCATION SKILLS AND EMPLOYMENT

RESPONSE TO DISCUSSION PAPER

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Overview

1 Chapter 1 – Overview and objectives of the licensing system

MatchWorks thanks DESE for the opportunity for input to the discussion paper on the licensing system.

We note a few omissions to the paper which affects a better informed response to various elements:

- Will there be an Invitation to Treat (ITT) for current providers who are achieving contract requirements at three star performance?
- We note there was no payment structure in the discussion paper making it difficult to give solid feedback on the viability of options put forward.
- There is no indication of performance framework elements being considered which may affect responses to licencing.
- Purchasing arrangements and conditional bidding is not mentioned.

Additional considerations such as growth in casualization of workforces, more disadvantaged cohorts represented in Enhanced Services, and the desire for lower caseload sizes for a better quality of tailored service to effectively progress jobseekers toward sustainable employment, all need consideration against the Performance Framework and Payment model.

MatchWorks delivers NEST in Southern Adelaide and we draw upon these experiences in addition to our jobactive operations when responding particularly regarding the change of jobseeker cohort and changes to the contract proposed.

MatchWorks participated in the KPMG review to assist DESE understand financial viability of the NEST model. We believe that providers will need to alter service models, site coverage offerings and have additional services offered to be sustainable under current arrangements.

In addition the NEST payment model is weighted toward outcome payments which we feel in the current economic climate post Covid-19, is not a sustainable for providers. The current state of labour markets is different to that when the model was created i.e. when labour markets were more buoyant. As such we recommend increasing the engagement fee proportion of the model to provide a model more fit for the current higher unemployment rates.

Also the current NEST payment model includes an engagement fee of \$1000. If this remains the same, it would be inadequate given jobseekers may remain on caseloads beyond two years of service. We recommend removal of Maximum Time Transfers and suggest that the current NEST engagement fee should be paid for each participant in service every two years, prorated for transfers.

MatchWorks endorses the following elements of the proposed licensing system:

- Reduced time, disruption and cost with Procurement and Red Tape.
- Agreed Market share so that Providers have some assurance re cost recovery and provision of working capital.
- The notion of some specialist contracts to provide some diversity although we also strongly approach every regions needs individually, thus feel generalist providers should be equipped to work with the primary cohorts in regions for which they bid.
- We endorse Workforce Specialists targeted at Enhanced Services Providers jobseekers to better support and fulfil larger employer's requirements and bulk recruitment drives.
- We see concerns regarding staying on a National Panel without any issue of a licence due to cost involved with accreditation standards.

Guiding Questions

2 Chapter 2 – Establishing a panel

2.0 Purchasing arrangements

MatchWorks suggests that the process to commission the panel should be streamlined with current providers performing at three stars or above, achieving an ITT for each region, or at the very least gaining automatic acceptance onto the National Panel, with then a short regional response aimed at progressing and preparing jobseekers for work.

If there is no ITT, a two phase process is recommended of

1. Application for the National Panel,
2. Short regional response demonstrating knowledge of local needs and a short service delivery commitment

This would still enable the ranking process required for offering business.

We suggest that the purchasing arrangements should focus on jobseeker servicing given the changing nature of the cohorts which will be part of the Enhanced Service Model.

MatchWorks advocates for the potential to offer a blended approach combining face to face and digital/telephone servicing to deliver both efficiencies and effectiveness.

2.1 Should generalist and specialist organisations be included on the same panel?

Generalist and specialist providers should be on the same panel, with the same performance measures providing a consistent approach.

Specialist niche providers should only be added when current needs cannot be met by the contracted providers.

2.2 How long should the panel be in place for?

MatchWorks preference is for licences to run 7-10 years to provide market stability. This will allow for time and investment into commercial capability in each region, cost associated with procurement, systems and quality standard requirements and processes.

2.3 In what circumstances should a panel refresh occur?

A panel refresh should be considered around such things as:

- Significant increases/decreases in jobseeker numbers
- Specialist providers leaving the panel

We support the continued opportunity to novate contracts to allow providers to run businesses based on various individual needs.

We suggest that rather than creating a regional Sub Panel, there could be a regular opportunity for National Panel members to complete an Express of Interest, set out in a transparent, predictable manner, coinciding with performance reviews aligned to reallocations time slots. This would also alleviate providers having to bid for 51 regions upfront where they may not necessarily know their other future business growth opportunities. The Expression of interests should occur when formal notifications would be given to exiting providers six months before the end of the performance period.

If the regional sub panels remain and there is a significant emerging cohort which generalist providers are not able to address, MatchWorks recommend that there should be potential for the Department to go to the National panel for this need.

2.4 How else could the panel be used?

MatchWorks suggests that when complimentary federally funded trials and services become available that the panel could provide an opportunity to procure. In the spirit of red tape reduction, a provider could write a short response to specific demonstrated capacity to deliver, streamlining the application processes.

MatchWorks is engaged in the NEST model in Southern Adelaide and sees the National panel as a good place to trial industry and program innovations. We have found the NEST experience with DESE to be a genuine consultative partnership to determine better practices working with providers to feed into policy from the front line.

3 Chapter 3 – Issuing contractual licences

3.1 How long should licences be issued for initially?

MatchWorks recommends initial licences to be 4 years in duration in order to allow time for providers to set up in locations and for sufficient data to be gained for alterations to service model based on comparative data from the performance framework.

3.2 Should an organisation be allowed to service areas smaller than an Employment Region?

If the Department is after diversity in the mix of providers then the ability to service smaller areas is positive. This could however then require more Government investment into administering more provider's contracts, therefore savings on a Digital servicing model would be offset by the requirement for more Government resources (with less direct impact on assisting unemployed jobseekers).

3.3 Should the number of licences be capped in each Employment Region?

We recommend a minimum number of jobseekers per contract for viability in addition to the number of licences being capped in each employment region.

The ability NEST trial providers had to negotiate site numbers and location service offerings would be advantageous to consider the right concentration of provider in locations

3.4 When should new licences be added to a region?

There should not be additional licences added for the usual peaks and troughs as this would then affect business viability. We recommend a minimum number of jobseekers for providers before introducing a new provider.

Additional niche specialist licences could be added to address changing local cohorts only when needs are not being met by current providers.

3.5 In what circumstances should short-term licences be issued?

MatchWorks does not support short term licences for short term needs. This is the usual ebb and flow of employment services.

More flexibility through Employment Fund to develop innovative projects based on local needs would be a more cost effective means to deliver short term outcomes under a generalist contract. E.g. Outplacement Model of service specific to employer's needs.

4 Chapter 4 – Licence Reviews

4.1 How many performance groupings should there be?

To comment on this we need to better understand the result of benchmarking, if there is forced distribution and if providers can lose an entire region as a result.

MatchWorks advocates for no forced distribution, with an understanding that an acceptable target be in place which providers need to achieve. In this instance all providers could achieve the result with little business reallocation required. In the event this occurs we would advocate for three groupings to keep things simpler.

However, if there is force distribution (as per the current star ratings model) this would mean a third of the market is constantly turned over, causing pressure for front line staff and jobseeker disruption. As a result we would recommend five grouping for lower turnover of providers.

4.2 How frequently should Licence Reviews occur & when should the first Licence Review occur?

This question cannot be effectively answered without knowledge of the Performance Framework Measures.

The current jobactive and NEST contracts will have different jobseeker cohorts and different requirements, and providers will need time to adjust to the new service model. As a result the first licence review should not occur before 2 years. This will allow time for data to be robust and for improvements to occur once data is available. Given the desire for smaller providers in the market, any time frame prior to this will present problems due to insufficient data, meaning the market will be too volatile to apply business reallocation for it to be fair and consistent.

Under Job Network, performance was not counted until a jobseeker had been in service for 13 weeks. Under this contract we would recommend 12-16 weeks in services before jobseekers can be counted in performance measures. It would supply a more consistent approach for both new and existing providers.

We raise concern over loss of a contract for low performing providers. This should be a reduction in business share. Constant change over in areas increases red tape, client disruption, distraction, costs, employer confusion and performance dips from down time whilst new providers are settling into the region.

We would like to put forward that the rolling performance periods need further consideration and road testing (also aligned to the performance measures) as these make drastic changes to star ratings. Our initial thoughts are that 12 months of performance calculated would mean performance is always

current. That said we are also conscious that as a solid performing organisation, we often have performance peaks and troughs in contracts (which will occur when you are working to employer and labour market needs) so loss of contract is a severe penalty if the performance period is too short as well.

Benchmarking should be considered at a regional and National level but should not be inclusive of current regression model.

4.3 How often should providers receive performance data?

Providers should have weekly operational and comparative data available. Provider performance should be reviewed in a timely manner, e.g. 2-3 weeks after the performance milestone period in order for providers to respond to results in a more effective and timely manner.

4.4 Should provider performance be publicly accessible?

Provider performance should be publicly accessible quarterly.

5 Chapter 5 – Specialist Licences

5.1 Should cohort specialists only be referred job seekers from their target cohort?

Yes, cohort specialists should only be referred jobseekers from the target cohort.

The referral of jobseekers to specialist contracts is suggested currently to be via jobseeker choice which would affect flow of jobseekers to sustain the contract viability.

The performance framework needs consideration for specialist contracts. For Example for Indigenous Cohort IOI performance measure in an Indigenous only contract.

5.2 Which cohort types should have specialists?

Youth, CALD, Indigenous, Parents and other niche specialists would be ideally suited to cohort specialisation.

Some cohorts may not be suited to a specialist contracts under a jobseeker choice model due to stigma associated, e.g. Ex-offenders Specialists contracts may not attract jobseekers to their programs.

We feel disability jobseekers are best supported by Disability Employment Services where the funding is better aligned to lower caseloads and a more intensive approach.

It may be a better option to allow Generalist Contract funding within the Employment Fund to deliver specialised cohort programs by opening up the Employment Fund to intensive projects.

5.3 What factors should determine where specialists are located?

Micro economic factors should determine where specialists are located e.g.

- Viability - participant numbers should be the primary driver of specialisation due to contract viability unless a provider can cross subsidise with other services.
- Emerging needs
- Regions where there are growth industries i.e. WorkForce Specialists

5.4 How should the model interact with complementary programs e.g. Transition to Work, Work for the Dole?

Upon registration with Centrelink, after assessment, jobseekers should be referred to:

- NEST – Enhanced Services
- Contact Centre – Digital Jobseekers
- TTW
- ParentsNext

At the 4 month of unemployment milestone, the following programs could be supported through dual servicing for a more intensive approach:

- EPA
- EST
- CTA – objectives of preparation and progression – not just employment. (This is a significant mind shift for existing providers).
- Work for the Dole/NWEP (not managed by jobactive providers)

As occurs now under the new NEST payment guidelines, participation in the above DESE activities would also form part of a progress fee payment.

We would also recommend the potential for the new employment services system to have specialist mentoring funded (Indigenous, Refugee) via Employment Fund as occurs now under the contract for an intensive approach to needs and further broadened to other cohort's as well such as Parents, Mature aged and Youth.

5.5 How should workforce specialists operate?

All NEST jobseekers should be the primary target by workforce specialists.

A weighting in both the performance frameworks and funding of Workforce specialists should be higher for NEST jobseekers as compared to those in digital services and non-income recipient jobseekers so that those most vulnerable have access to jobs.

There should be mutual reward to both NEST providers and the Workforce Specialists in order to promote collaborative working relationships and to avoid competing for the same employer.

6 Chapter 6 – Market Share

6.1 How should market share operate?

Bidding for Market share: Each provider when responding to the market share proposal will need to balance between geographical footprint, caseload volume, cost of servicing in each region, the variables of specialist providers in the mix and enough coverage to win a bid. The Department could simplify this by identifying an indicative preferred number of sites that a provider would need to supply to service the full region.

Conditional bidding is another preference we would like to table for sites and potential for specialisation with the ability to negotiate if the conditions cannot be met

MatchWorks recommends that longer term Suspended jobseekers should not form part of market share. For example where JS have 6 months plus suspensions, could these jobseekers move to an online services suspended caseload that the contact centre manages?

6.2 How should tolerance work?

MatchWorks suggests come changes regarding Suspended caseloads and Maximum Time Transfer which affect tolerance:

1. Suspended Jobseekers: Tolerance should not include suspended jobseekers in providers' market share.
2. Remove Max Time transfers under the new model, the process is disruptive (although payment model needs to reflect two years of service for the current NEST engagement fee).

6.3 Should a portion of market share remain unallocated?

MatchWorks suggests that a portion of the market share should be unallocated – but no greater than 15% - 20% to ensure financial viability.

Some unallocated market share also drives JS choice and assists with new providers entering an area.

7 Chapter 7 – Red Tape

7.1 How can the licensing system help cut red tape?

The licencing system would allow Governance and organisational capacity to deliver to be responded to once, allowing for smoother transition in and out of new regions and reducing the need for future bids/tenders if opportunities arise.

The overlay of our recommended EOI process would further reduce red tape during a procurement phase knowing we could enter other regions at a later date through EOI phase, similar to gap filling exercises.

MatchWorks has been through both jobactive and DES operations bidding processes. The DES experience did not require a regional response for every labour market and had an ITT structure in place for provider performing at 3 stars or above, which significantly reduced time for providers in red tape procurement process.

A system of 12 monthly review and reallocation of providers, is likely to be expensive to administer and costly for providers moving in and out of locations, with a lack of industry stability. Reallocation should be a reduced business share.

MatchWorks also recommends reduction of red tape through greater flexibility within the licencing system allowing providers to refresh their service commitments alongside the annual reviews to ensure that the commitments are still current and relevant to the area.

7.2 What would assist smaller organisations to enter the provider market?

Upfront/advanced payment in administration fees would allow smaller providers to invest upfront.

In addition Specialist Services, Consortium arrangements, Single site locations/pockets, and Regional loading would also assist smaller and Regional based providers.

The annual quality accreditation process is likely to be a hindrance to smaller organisations due to costs associated. There also needs further thought around the need for bricks and mortar for example with some small and unique specialist organisations.

Smaller organisations entering the market would also require more Government investment to manage a greater number of contracts, with less funds going to the front line which assists jobseekers.

8 Chapter 8 – Performance Framework and Cyber Security

8.1 What measures could be included in the Provider Performance Framework?

We suggest a provider panel be put in place to work with DESE on how performance is best measured. We suggest the Department should trial adequate rolling periods aligned to annual reviews but also Performance Framework structures.

We also suggest that the performance framework needs to be fit for purpose and realistic.

The jobseekers cohort within employment services is will be the most significantly disadvantaged so the investment into and progress of the jobseeker needs higher weighting.

We also raise the need for alignment of the contract performance measures against the constant increase in casualization of the labour force over the years (even more so since Covid-19). We suggest that a partially off benefit outcome should be weighted equally in the performance framework as an off benefits claim for the NEST cohort.

Performance Framework items could include:

- Outcomes - More of a balance of distribution between 4, 12, 26 week outcome weighting in the performance framework
- Progress, (including Education)
- IOI should be higher weighting on progression and participation. Many Aboriginal and Torres Strait Islander jobseekers do not sustain employment and are cycling through employment rather than overcoming barriers and developing skills for sustainable employment. This is driven through the speed to placement model.
- Benchmarking for performance at a regional and National level – remove regression model
- Less weighting on speed to placement
- Partial outcomes for 26 claims
- Equal weighting of performance framework on both Moderate or High

There should be less distractions in the performance framework around referring jobseekers to various activities.

We suggest that the same benchmarking should be applicable to both generalists and specialists.

8.2 What Performance Framework features would support classification of high, medium & low performance?

The following features in the Provider Performance Framework under a benchmarked, non-forced distribution structure, would support the classification of high, medium and low performance

- National/Regional Benchmarks (High - Above National Benchmarking bandwidths, Medium - Mid-point National Benchmarking bandwidths, Low - below the National Benchmark bandwidths)
- Rolling reviewed benchmarks
- Timely and regular reporting
- Removing the average to avoid forced distribution
- Performance framework should be 2 year rolling

The weighting on outcomes should be kept simple with even distribution between mod/high.

A strong weighting should be on progress to employment given the changing cohorts.

Low weighting (if any weighting) should be placed on MO activity requirements.

8.3 How can the department ensure job seekers and employers are receiving a quality service?

MatchWorks recommends that the DESE take into account quality accreditation reviews for the quality service component, which includes JS and employer feedback rather than relying on phone calls to jobseekers as satisfaction levels. With mutual obligation requirements, Providers should not be held accountable around negative feedback when administering Compliance requirements.

8.4 How can providers' cyber security be improved in the new model?

Cyber Security could be a burdensome requirement if you are on the panel but not issued a licence due to the cost associated with maintaining standards

9 Chapter 9 – Transition

9.1 What would ensure an effective transition from jobactive to the new model?

MatchWorks notes DESE has proposed time frames of transition in the lead up to the new contract and having experienced the Opt out model adopted in NEST, we recommend similar. This ensured that jobseekers did not slip through the gaps and were accurately assessed re digital, literacy and language skill capacity to effectively participate in online services. Jobseekers should continue to have the opportunity to opt out of digital services as occurs now in NEST, providing candidate choice, at any stage of their servicing.

9.2 What lessons can be learnt from previous program transitions?

MatchWorks would like to see an Invitation to treat for locations which are three stars or above to reward solid performance and minimise cost associated with lengthy procurement time addressing responses where demonstrated capacity to deliver services in the region exists.

MatchWorks recommends that outcomes remain with past/exiting providers as this enables new providers to focus on commencing jobseekers whilst transitioning out providers manage post placement support of placed jobseekers.

Positive learnings from the NEST transition includes the enabling of commencements via attended phone or face to face appointments or Job plan updates. This meant that providers could commence jobseekers quickly and effectively and then spend quality time moving through more thorough assessments on needs.

If there is no Invitation to treat or opt/in, opt/out we recommend that DESE provide transition caseloads to providers as quickly as possible, as this is a major factor in preparing for the contract.

We recommend:

- Creation of a working group to assist with further developing guidelines
- Having a test environment available as early as possible to teach staff new system processes
- Ensuring varied methods of communication to clients and providers and also ensuring that DHS are educated on the new system
- Webinars and platforms of opportunities for provider consultation, as well as feedback
- Learning centre webinars with live examples of system processes
- Employer and stakeholder communication – sharing the communications plan
- Provision of digital collateral available ahead of contract commencement
- Creation of provider working groups to develop digital efficiencies in reporting and documentary evidence with standard practical tools including standardised Department required forms
- Allocation of new contract site codes do not disable jobactive codes as claims / EF still pending
- Enable providers to acquit a bulk EF amount rather than each individual transactions and process against – this can be a costly exercise in time and finances at the end of each contract
- KPI for commencements – look at a staged % per week approach based on the size of a caseload rather than a 6 week transition period without prioritised cohorts. Measure providers on this so there is fair and even ground.

Other considerations and lessons from past contracts to note

The Funding Framework dictates the size of caseloads and quality of service. Under the NEST model there is a desire to lower caseload sizes to provide a better quality of service to the most highly disadvantaged jobseekers. As a NEST provider, the current funding envelope, has not allowed us to meet these objectives. Other investment and cross subsidising with various other services is required for this to be achieved.

Investment into staff professional development and stability in the front line workforce become difficult to achieve with regular contract change over and over complicated performance and compliance regimes.

Capital infrastructure is dependent on business contract stability. An initial 2 year, followed by annual review scenario creates more challenges for negotiating lease terms.