

wdea works

Proposed Licensing System for the New Employment Services Model

DISCUSSION PAPER - OCTOBER 2020

SUPPORTING
OUR
COMMUNITY

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About WDEA Works

WDEA Works (WDEA) is a community focussed, not-for-profit organisation that has been delivering Employment Services, Disability Employment Services and Social Enterprise programs for over 30 years in regional Victoria and the South East of South Australia. WDEA currently operates across four Regions and ten ESA's delivering quality services to participants with a mission to achieve sustainable employment outcomes for the most vulnerable members of the communities in which we operate.

WDEA has always enjoyed a productive two-way relationship of open communication with the Department and appreciates the opportunity to provide feedback relating to the design of the New Employment Services model.

Introduction

As a longstanding and high performing provider of employment services in Australia, WDEA Works (WDEA) welcomes the opportunity to respond to this discussion paper on the proposed licensing model for the New Employment Services model.

In our submission to the 2018 consultation paper on the Future of Employment Services 2020, WDEA noted our support for a future employment services model that was built on competition and quality, with increased market diversity. We also expressed our belief that a licensing model which aimed to reward high performing providers while reducing the administration burden associated with the tendering process was the most appropriate option for procurement moving into the future.

Though much has changed between 2018 and today in the both the employment services and broader economic landscape, WDEA continues to believe a licensing model represents the best way forward.

WDEA has been successfully delivering employment and related services across regional and rural areas from more than 30 years, and our responses to the key questions raised through the discussion paper seek to draw on our unique experiences, and our desire to ensure those who need support are able to access effective and high quality services into the future.

While this paper is focussed on the licensing model, we would welcome any opportunity to participate in the ongoing development of the New Employment Services Model should they arise.

WDEA Response to the Discussion Paper

Chapter 1 – Overview and objectives of the licensing system

WDEA strongly supports the objectives driving this new approach to procuring employment services. We appreciate the aims that licensing seeks to achieve – particularly the reduction of red tape, simplified approach to market entry and exit, and increased flexibility and responsiveness. If the challenges of 2020 including natural disasters and COVID-19 has taught us anything, it is the power of flexible, responsive and dynamic service delivery approaches, and their impact on those that need the most support.

Simplification of the approach which reduces cost and disruption is particularly attractive. Having been involved in the procurement of mainstream employment services since Job Network, and in disability employment services since the days of block grant funding, we have observed firsthand the considerable impact current large-scale tendering processes have on organisations in comparison to other approaches.

Current tender processes are a significant investment of resources, and for many organisations, divert critical staff away from direct delivery roles – particularly smaller operators. Reducing the complexity and administrative burden associated with procurement will increase diversity and encourage specialisation, which we believe is in the best interest of the sector as a whole based on our experience in both the jobactive and DES markets.

Chapter 2 – Establishing a panel

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

WDEA sees no reason why a single panel should not include both generalist and specialist organisations. We support the inclusion of specialist licences in order to meet the needs of specific job seeker cohorts, or localised conditions. Including generalists and specialist on the one panel reduces administration and increases transparency, providing a single source of truth on Deeds of Standing Offer and options for licenses.

2.2 How long should the panel be in place for?

WDEA agrees with the proposed six-year panel duration, as on face value it provides a good balance between allowing for market maturity, stability, and supporting responsiveness and flexibility. Given there is an opportunity for refresh during that period, as well as license renewal processes, we believe that there are adequate mechanisms to address shifting conditions should they arise, while maintaining service coverage and market consistency.

2.3 In what circumstances should a panel refresh occur?

Given the panel is intended to ensure there is adequate depth and diversity available to meet current and emerging needs of labour markets and industry demand, there are a number of circumstances which could reasonably trigger a refresh. In our mind, at a high level these could include:

- significant changes to labour market operations or broader economic conditions (for example the impact of COVID-19 and the ongoing economic recovery)
- introduction of new or emerging industry, structural adjustment within existing industry or long-term regional development projects
- demographic changes that require increased or specialist services to address needs
- any reduction in the number or type of available panel members that results in an inability of the panel to meet market needs.

It will be important to balance the need/frequency of any panel refresh against the objectives of reduced administration, cost and disruption, and to ensure that there is clear information available about why and how panel refreshes will occur.

2.4 How else should the panel be used?

The panel could reasonably be used to manage other employment related or specialist services required to meet the needs of the labour market and the job seekers in them.

Chapter 3 – Issuing contractual licenses

3.1 How long should licenses be issued for initially?

WDEA agrees that licenses should be initially issued for three years.

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

As a current provider of both jobactive and DES, WDEA operates both with the Employment Regions (ER), and Employment Services Area (ESA) models, and we do this across regional and rural Victoria and South Australia.

Based on our experience in both models, we believe that allowing for the servicing of smaller areas than a full ER will be imperative to encouraging diversity and specialisation in the market. In regional and rural areas, ERs can cover significant geographic areas, and include significant regional and labour market variation within that geographic spread. Being required to service the full region can be a stretch for organisations, particularly those that are smaller or more specialised, and if the model is going to be truly responsive to regional needs, providing options that enable providers to target services to where they are best placed to deliver will be key.

This approach however needs to be balanced with the need for coverage that ensures all job seekers have access to high performing, quality services regardless of where they are located, and as such WDEA believes that a workable solution would be to require generalist

providers to deliver across the ER and allow for both cohort and industry specialists to target delivery based on demonstrated need, covering smaller areas within regions as required.

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

We still strongly believe that a cap on providers in each employment region is the best way to support a viable marketplace, and ensure good providers are encouraged to expand and maintain their service. Our experience in the uncapped DES market has shown that a marketplace that is open to an uncapped number of providers can dilute caseloads to the point where services are no longer viable, impacting service quality to both job seekers and employers.

Additionally, we have observed where markets are overpopulated with providers, it limits the capacity for collaboration and innovation, ultimately impacting outcomes for job seekers and employers.

3.4 When should new licenses be added to a region?

In our response to this question we assume new licenses to be above those originally allocated in the region, and not the replacement of organisations holding licenses.

New license should only be added to a region when it is clear that there is a need in the area that cannot be successfully met by the existing license numbers. This would most likely look like a change in demographic or labour market circumstances that means a specialist and targeted approach is needed to address the new/changed demand.

Before new licenses are added to a region, the capacity of existing license holders in meeting the new demand must be explored and understood. While the discussion paper references the example of COVID-19 and in influx of job seekers, our experience demonstrated our organisational capacity to successfully manage the increase in job seeker numbers, while responding to the local conditions and providing a flexible approach to our delivery. We recognise that not all providers are always well placed to achieve this but believe that it remains an important consideration in any decision making around license numbers.

3.5 In what circumstances should short term licenses be issued?

We are interested in the concept of short-term licenses. Based on our reading of the discussion paper, this type of license appears to be more suited to addressing issues on the demand side of the employment equation – and be utilised by workforce specialists to coordinate services that meet a specific demand for labour or labour market adjustment, that requires a short term intervention. We would expect that this specialist would work in collaboration with existing license holders.

It is difficult to see circumstances in which short term licenses make sense from a general servicing position, given the cost associated with setting up a service, securing appropriate office space to operate, recruiting staff, building collaborative partnerships with local service provider to address job seeker support needs etc.

Chapter 4 – License Reviews

Before responding to the questions raised in chapter four – we would like to caveat that as the discussion paper does not provide the full details of any performance framework on which License Reviews will be based, it is difficult to provide truly considered responses to the questions posed. It will be important for these conversations to be revisited once more performance framework information is available, and we will welcome the opportunity to contribute at that time.

4.1 How many performance groupings should there be?

WDEA agrees that that three performance groupings outlined in the discussion paper is a sensible approach, given the way in which it is proposed that License Reviews will be undertaken. It will be important to provide clear a benchmark for what constitutes high, moderate and low performance under the review model, so that the sector is clear on what it is working towards given the importance of these ratings to ongoing business.

4.2 How frequently should License Reviews occur?

Without understanding the final performance framework, it is difficult to comment of the frequency of reviews. We understand that the perception that annual License Reviews would drive provider performance, but it is not the only driver. Depending on the performance framework measures, the impact of extending licenses early in the process would mean that some initially high performing providers could have the ability to maintain Licenses for extended periods even if performance reduced over time.

Additionally, any drivers related to providing opportunities for new entrants in the market may need to be balanced against the need for a degree of stability that allows for the required investment needed by providers to establish quality services.

In our mind, it is also important to recognise potential impacts of decisions related to relative versus absolute benchmarks and forced distribution in the performance framework when considering how License Reviews are applied.

4.3 How often should providers receive performance data?

With any performance framework, providers should have access to reliable data as regularly as possible, and no less than weekly. Real time reporting would be optimum. Timely access to performance data that includes comparative market information ensures that we are able to track trends and intervene early to address performance issues.

4.4 Should provider performance data be publicly accessible?

WDEA believes publishing performance data is an important way to help inform job seeker and employer choice, however without understanding the measures and rating outputs of the new model beyond what is outlined in this discussion paper, it is difficult to provide feedback on the level or frequency of information that should be made available.

4.5 When should the first License Review occur?

It will be important that the first License Review is undertaken once providers have had an opportunity to both understand the operating environment and accumulate enough data to demonstrate performance against any performance measures. This means that delaying the first review to beyond the first 12 months of operations should be considered.

Given the limited information available about the performance framework it is difficult to say if the proposed 15 month point will provide enough time, particularly given the new enhanced services model will mean providers will be working with the most disadvantaged job seekers, who require the most assistance to move them towards the labour market.

4.6 Should the first License Review be any different to later reviews?

Aside from the timing, we would not expect the first License Review to be any different from later reviews.

Chapter 5 – Specialist licenses

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

The aim of specialisation is to ensure that job seekers who need specialised services are able to receive them. It makes sense that cohort specialists are only referred job seekers from their target cohort to ensure that their service offering is not diluted through the need to meet the needs of a generalist caseload. This was one of the key issues with the specialist approach in Job Services Australia.

5.2 Which cohort types should have specialists?

As the discussion paper notes, specialisations are designed to provide different, more targeted supports to groups who are based on their needs and circumstances, disadvantaged and disconnected from the labour market. Along with the seven cohorts listed, WDEA suggests that there could be benefit in including cohorts such as those currently serviced by complementary programs such as carers and mature age job seekers.

We would also support the combination approach to determining specialist locations where the department provides data and advice on where they see specialist need and expects specialist applications, along with an opportunity for specialist organisations to demonstrate a need based on their knowledge and understanding of the cohort and location.

5.3 What factors should determine where specialists are located?

The need for specialists should be based on the best available data. This could include indicators such as cohort numbers, unemployment/underemployment rates, and outcomes under previous programs for example.

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

WDEA has a long history of collaborative relationships with complementary and ancillary services. We build these relationships to ensure that we are able to wrap the most holistic supports around our job seekers, and employers to achieve optimum employment outcomes. This is a model that we believe will remain critical to success in the enhanced services approach. In 2018, we noted that one of the unintended consequences to multiple program approaches we have observed over our time in the industry, is the ways in which segmentation of services has the potential to see job seekers, particularly those with more complex needs, fall through the cracks.

We believe that the inclusion of both generalists and specialists in the new enhanced services model will help mitigate this risk, ensuring that all disadvantaged job seekers will have access to receive the tailored and targeted services they need.

In terms of how the new model should interact with the programs that sit outside of enhanced services, while the objectives of the programs may be different (e.g. activation/participation versus outcomes) it will be critical that they are truly complementary and enhance a job seekers position on their pathway to work. This may mean that job seekers from complementary programs transition to enhanced services when they are ready to job search, and enhanced services referring to complementary services when a job seekers needs are better met through that service.

5.5 How should workforce specialists work?

At WDEA, our service delivery model is built around being as responsive to employers as we are to job seekers. We provide individualised, tailored services to meet the specific recruitment needs of every employer we work with in the regions we operate. We have specialised roles within our organisation, to work with our employers in an account management capacity, to provide an end-to-end recruitment service.

We believe this service delivery model is one of the cornerstones of our success as a provider of employment services, and it is built on our reputation and localised relationships. We also recognise the limitations of our model and that many large/national employers, and broader industry initiatives need an approach that is bigger than the service we are able to provide.

We agree with the outline in the discussion paper around workforce specialists that can respond to bigger instances of workforce demand and coordinated approaches to large scale projects. We support the position that workforce specialist would operate without caseloads and would collaborate with enhanced services providers to fulfil their role and support employment outcomes.

Chapter 6 – Market Share

6.1 How should market share operate?

WDEA agrees that market share is an important tool in ensuring viability in the market. Having operated in previous capped market share/proportion of caseload environments well as portion of business, we feel that market share that is defined as a portion of business is the most appropriate approach.

6.2 How should tolerance work?

Based on our experience in various employment services markets, we believe that a reasonable level of tolerance is between 10 and 20 per cent. This balances providing surety, providing viable caseload levels, while limiting lock outs from referrals.

6.3 Should a portion of market share remain unallocated?

On face value, we don't believe there is a reason to leave a proportion of market share unallocated, however without clear information on how this is expected to operate, and how it interacts with increased choice and control in the new model, it is hard to provide a definitive response.

Chapter 7 – Red-tape reduction

7.1 How can the licensing system help cut red tape?

WDEA welcomes any changes that seek to reduce the administrative burden within employment services, and we can see the benefits that the proposed licensing model will make in this space, particularly in relation to extensions, gap filling service through the panel and the removal of business reallocation processes.

We note that the discussion paper highlights a streamlining of supporting guidelines where possible. We are keen to further understand how the administrative burden will be reduced in service delivery as well as in the procurement approach, as a significant amount of time in frontline delivery is tied up with administrative processes that divert critical resources from direct delivery. We believe a system that is less focussed on inputs and more aligned with outcomes would be a sensible place to begin.

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

As mentioned earlier in our responses under chapter three, we believe that the opportunities to deliver services to smaller areas than an Employment Regions and via

outreach will support smaller organisations feel more confident and able to enter the market. This is important as many smaller organisations are likely to be local, community-based organisations, and allowing them to leverage their existing infrastructure and minimise the financial risk.

Further, allowing for specialisation ensures that smaller organisations are able to target the service offerings, and work within their skillsets, and remain connected to their values and mission.

Opportunities for smaller, specialist organisations to co-locate with larger generalist organisations could also alleviate some of the financial investment of establishing services.

Chapter 8 - Performance Framework and cyber security

In respect to performance, we believe that the most critical element of any performance framework is transparency and clarity around expectations.

In 2018, we provided feedback through the consultation process that we believed an absolute benchmark would provide a clearer framework to enable providers to understand how they are expected to perform and measure progress, than the current approach. It ensures that services will have clear goals and targets that can be set so they can be pursued, and this is not always possible within a relative measurement system.

We also have a question as to the performance periods and the use of rolling or accumulative data in the framework. In chapter four it is noted that it is proposed that performance data from a longer period than the license review period could be taken into account to in assessments to reduce the impact of short-term spikes. Having worked under both two and three year rolling data periods under the Star Ratings performance model, we believe the shorter period is preferred, and would like to better understand the departments thinking on this area, as it has the potential to substantially impact assessments under the performance framework.

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

WDEA believes that employment outcomes, and progress made towards outcomes should be central to any performance framework for the new model.

While we support quality measures in a performance framework, it is important that these measures are as objective as possible, and we are therefore cautious around the inclusion of measures that measure satisfaction with services as these can be influenced by any number of factors – including program policy and income supports settings, which are outside of a providers control. Employment outcomes could be considered a proxy measure of satisfaction, especially when looking at the sustainability of employment.

8.2 What features in the Provider Performance Framework would support the classification of high, medium and low performance?

Without knowing the specific measures or methodology surrounding the performance framework, it is difficult to comment on what would support classification of high, medium or low performance. If an absolute benchmark model was introduced, it would be logical to have low performance to be anything below the benchmark, medium to be at benchmark or within a bandwidth of benchmark, and high above the determined benchmark.

Alternatively, in a relative model, you could consider being below, at or above average.

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

A competitive market that includes strong levers that enable job seeker and employer choice and control will drive quality service delivery, as it will be required to attract customers and maintain service viability.

Along with market drivers, the performance framework which is built on sustainable employment outcomes requires providers to deliver quality services in order to ensure outcomes are achieved.

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

We believe that the Right Fit for Risk approach based on ISO27001 provides adequate measures to ensure cyber security under the new model.

In Summary

We hope the above responses contribute positively to the discussion moving toward the new model and look forward to the release of the exposure draft when completed. As always, we make ourselves available to discuss any of the issues contained in this response and thank the Department for the opportunity to participate in the discussion.