**Workskil Australia Incorporated Response to the New Disability Employment Services from 2018 Discussion Paper (‘the Paper’)**

1. **Introduction**

Workskil Australia is a NFP employment and community service organisation that delivers generalist Disability Employment Services (DES or ‘the Service’)) and is also a *jobactive* and Transition to Work Provider. Workskil Australia deliver both DES services (Disability Management Services (DMS) and Employment Support Services (ESS)) in both metropolitan and regional areas of South Australia. The organisation also delivers a range of other disability, injury, mental health, youth and Indigenous employment and community services across South Australia, Victoria and New South Wales.

We are generally supportive of all of the proposed changes described in the Paper and welcome in particular:

* Merging of the two DES services – DMS and ESS;
* A quarantined fund for Participant expenditure; and
* The introduction of 4 week and 52 week outcomes.

Some of the issues we believe require further discussion are the following:

1. **Issues relating to possible market failure**

The ‘panel’ concept of unlimited Provider entry will need to have clear barriers established, whether this is a panel submission requiring demonstrated experience, governance or financial capability and/or quality standards. The Service has evolved over time to be a complex human services program with high levels of administration and compliance, requiring a significant level of sophistication from providers. New entrants without any guarantee of caseload are not likely to view market entry as attractive, due to set up costs and entry requirements. Will this achieve the desired view of the Department to stimulate new market entrants?

There are a number of issues with the proposed model for regional areas, and we would support capping the number of Providers in regional areas to minimise market failure. In many cases two providers will be sufficient.

If the National Standards for Disability Services accreditation is an entrance requirement, some review of these Standards to ensure alignment with the intent of the Service is required.

1. **Proposed geographies of operation**

The free market model of uncapped Providers raises issues about whole service area coverage in particular geographies. There needs to be a consistent approach to the coverage of regional and less attractive areas.

Experience in the delivery of *jobactive* has shown full coverage of the larger Employment Regions improves employer engagement, with larger employers able to deal with one Provider for their vacancy needs, resulting in greater job outcomes for Participants. Alignment with *jobactive* Employment Regions will also create infrastructure efficiencies in the market, making entry into DES markets more attractive, particularly for some regional areas.

However, a full coverage requirement in these Employment Regions may also be a barrier to entry. For example, in Adelaide South, South Australia, there is a current mix of metropolitan and regional areas, which has now resulted in 5 *jobactive* providers servicing areas such as Mount Barker and Kangaroo Island. This has created financial viability issues for these Providers and over servicing inefficiencies. Therefore maintaining current ESAs may make it easier to determine the appropriate capping of Providers in particular geographies and ensure full market coverage is achieved; thus making a more level playing field for all Providers.

If larger geographies were adopted, such as Employment Regions or even States and Territories, then mandating full coverage should not occur. In this scenario, the Department could open the proposed panel arrangement to target particular towns/geographies to promote the required competition and coverage required. This would enable specialist Providers to better service larger areas without having to have a large number of sites in smaller geographies (i.e. ESAs). Further, in this scenario, the Department could incentivise new entrants to open in less attractive towns/ geographies, to maintain the principles of competition. Incentives could include guaranteed minimum caseloads or increased fees for the Service.

Further, if larger geographies were adopted, more flexibility in what is a ‘Site’ should be considered, for example the current system requires strict approvals for FT, PT and Outreach sites. If this was more flexible and service delivery methods made more flexible, large geographic regions could be better adopted for full coverage.

Further, consideration on how the impact of performance measures such as Star Ratings will play out with Providers going through business reallocation processes. The principles of full coverage for set geographies will have a significant impact on the operations of DES moving forward.

If ESAs are maintained, then of concern is the overlap currently with the Community Development Program (CDP). A good example is the North West Country (SA) Employment Region operating for *jobactive*, which has three towns (Pt. Augusta, Whyalla and Pt. Lincoln) excised from the surrounding CDP geography. This means no outreach for this challenging area which assist us as a Provider to focus efforts on the more densely populated metropolitan townships. Could the Department consider adopting this type of model for DES in the future, rather than the current ESAs which overlap? Could this be considered for other regional areas across Australia who geographically align with CDP Regions?

1. **Flexible Service Delivery**

Flexible service delivery, other than by face to face appointments, is welcome and may make regional delivery more attractive if it minimizes lengthy travel to outreach towns in regional areas.

If a free market model is adopted, we would support a much more flexible service mandate for Providers, whereby they can exercise discretion to determine their servicing arrangements with Participants. The proposed service model has strong controls in it to ensure Participants who are not serviced well have the option to go elsewhere and that customer service will be paramount amongst Providers competing for market share.

1. **Fees**

We would support a change in the ratio of Service Fees to Outcome Fees. One that would not allow Providers to ‘survive’ on Service Fees. Currently, a Provider can ‘coast’ on Service Fees without performing and a shift of the ratio towards Outcome Fees would be welcome. However, not to the extent that *jobactive* has, as this creates a business risk when operating in challenging labour markets. A 50:50 ratio would be ideal.

We would support some additional fee recognition for operating in a regional area.

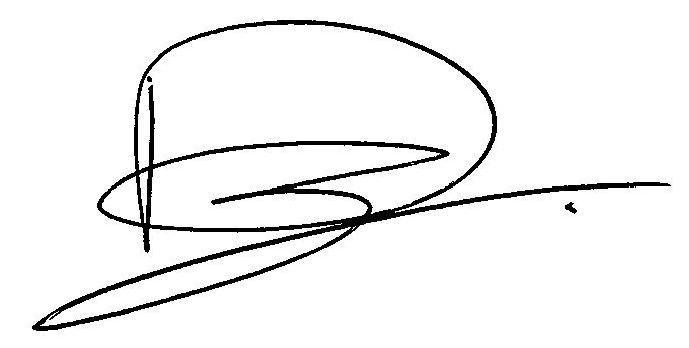
1. **Job Seeker Referrals**

The role of DHS in assessment and referral needs careful consideration in this model. Competition for Participants will be fierce and ensuring an absolutely transparent and accountable process for referrals is in place will be paramount. If 15 Providers deliver in a particular geography, then there needs to be transparent rules around Participant referral, such as travel time to the Provider, specialisation, Provider performance and so on.

Further clear controls around re-assessment of Participants to higher funding streams will need to be considered. Balancing a need for the process to occur quickly but with appropriate controls.

In summary, we welcome the proposed changes to the DES model and believe it will improve outcomes for disability Participants and employers.

Yours faithfully,



**Nicole Dwyer  
CEO  
Workskil Australia**

**16 December 2016**