



21 August 2014

Employment Services Purchasing Hotline
Department of Employment
GPO Box 9880
CANBERRA ACT 2601

Dear Sir/Madam,

Catholic Social Services Australia comments on the exposure draft for employment services 2015–20

Catholic Social Services Australia (CSSA) is pleased to submit some brief comments on the exposure draft for employment services 2015–20 purchasing arrangements.

Only a small number of CSSA member organisations are currently providing employment services or likely to tender under the new model. We are concerned that smaller mission-driven providers may be squeezed out of the market and that this may adversely affect job seekers, particularly those who are highly disadvantaged.

According to the exposure draft, the department will favour tenders that geographically cover an entire Employment Region. CSSA recommends the department modify this requirement in order to ensure that the mix of providers in a region provides the best possible service to each individual location and client group.

Small mission-driven agencies can add value to the provider network through:

- **Local and specialist knowledge:** Small, local and specialist providers are likely to have a greater depth of knowledge and experience of problems and opportunities faced by job seekers in particular locations and from particular groups. This knowledge can make services more effective.
- **Integration:** Small providers that specialise in a particular client group or location rather than in a particular service (ie employment services) may be able to offer employment services as part of a broader package of services for clients with special needs.
- **Innovation and flexibility:** Large organisations that specialise in delivering employment services across multiple sites are likely to become bureaucratized, offering standard models of service. Smaller organisations are more likely to innovate and change their practices to adapt to unexpected challenges and opportunities.

- **Better service quality for highly disadvantaged job seekers:** Job seekers who have a low probability of achieving an outcome and are expensive to assist risk being 'parked'. Financial incentives and quality assurance framework are not enough to ensure that the interests of job seekers are protected. Where oversight of day to day servicing is limited, mission-driven providers are more likely to act in the interests of hard to assist job seekers than profit-driven providers.
- **Choice and competition:** By providing more specialised services, smaller providers can offer job seekers greater choice and can strengthen competition.

The exposure draft flags the department's intention to replace 110 Employment Service Areas with 51 Employment Regions in order to encourage greater efficiency. This change is likely to reduce the number of small local providers who tender in their own right. While the department is encouraging smaller providers to form partnerships or enter into subcontracting arrangements, there is a risk that many will choose not to tender.

Smaller providers will have difficulty making the up-front investments needed to cover an entire region. They may also have difficulty negotiating new partnership arrangements in time for the request for tender. Some may be cautious about the loss of autonomy involved in subcontracting arrangements and the financial risk involved when there is no guarantee about the flow of clients.

Some larger organisations may look to small mission driven agencies as a way of servicing hard to assist groups. Because these agencies are mission driven, larger organisations may expect them to contribute additional non-employment services funded from other sources. The risk is that subcontracting could become a financial drain on the agency.

CSSA is also concerned about the wellbeing of job seekers who remain unemployed despite receiving employment assistance. For many recipients, Newstart and Youth allowances are inadequate. The proposed changes to income support eligibility for people under 30 will make this problem worse. CSSA is currently partnering with the Social Policy Research Centre and the University of NSW on a project to develop budget standards for low income Australians. This research will help inform judgements about income support adequacy.

Please contact me if you would like to discuss this matter further.

Yours sincerely,



Marcelle Mogg
CEO
Catholic Social Services Australia