

Workshop focus:

Applying different strategies to different DES business models



**the university
for the real world**

Dr Iain Waller

Associate Professor Amanda Beatson

Professor Byron Keating

15 June 2023



Iain



Amanda



Byron

ACKNOWLEDGEMENT OF TRADITIONAL OWNERS

QUT acknowledges the Turrbal and Yugara, as the First Nations owners of the lands where QUT now stands. We pay respect to their Elders, lores, customs and creation spirits. We recognise that these lands have always been places of teaching, research and learning.

QUT acknowledges the important role Aboriginal and Torres Strait Islander people play within the QUT community.

Situation: Changes in the policy landscape

Recent policy-related events that have impacted DES

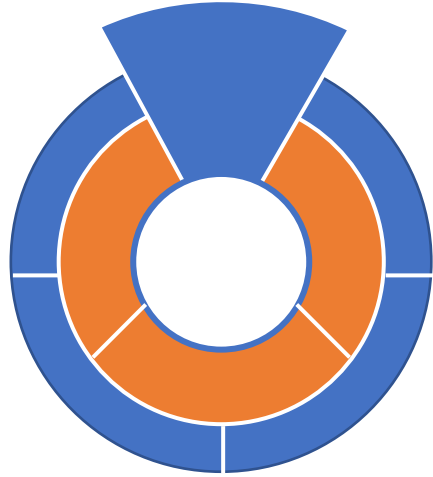
- **2018:** Reforms to DES expand access to program (incl. voluntary access), create greater choice and flexibility for participants, increase education pathways and outcomes, and changed the structure of payments.
- **2019:** DSS identifies that reforms have led to 46% increase in caseloads (48% increase in expenditure to \$1.25B in 2019-20) with only an 8% increase in outcomes.
- **2020:** DSS engages BCG to undertake mid-term review of DES and identify options for improving the performance of the program.
- **2021:** Consultation commences on the New Disability Employment Support Model (NDESM).
- **2022:** Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability.



New DES model (DSS aims)

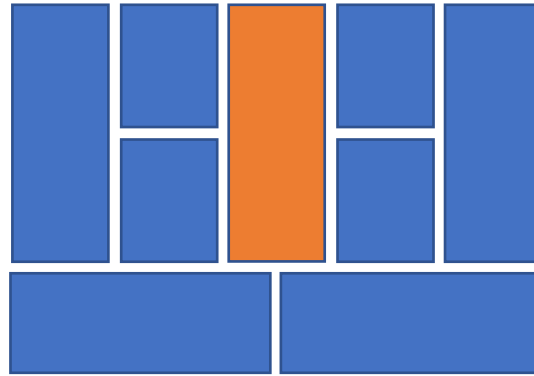
- Provide better employment support for people with a disability
- Respond to changing operating environment (e.g., NDIS, structural changes, COVID-19, changing skill needs)
- **Promotes innovation in employment support** that takes advantage of emerging technological opportunities. Based on the reforms to JA, we can expect:
 - Digital and enhanced service offerings
 - New payment structures
 - More flexible approach to mutual obligation
 - Revised job seeker assessment framework
 - New IT system to support operational changes
- A key objective, however, also appears to be budget savings—with NESM delivering savings of \$1.1b (- 21%) over forward estimates (3 years) that will be redirected to fund other policy priorities.

Phase 1: Institutional forces



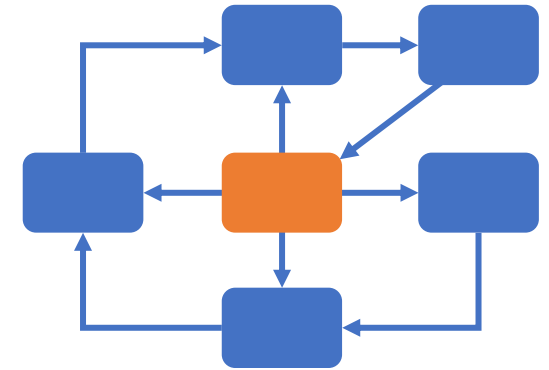
- **How is the external business environment impacting the delivery of employment services for people with disabilities?**

Phase 2: Business models



- How do these institutional forces impact on DES provider business models?

Phase 3: Innovation platform

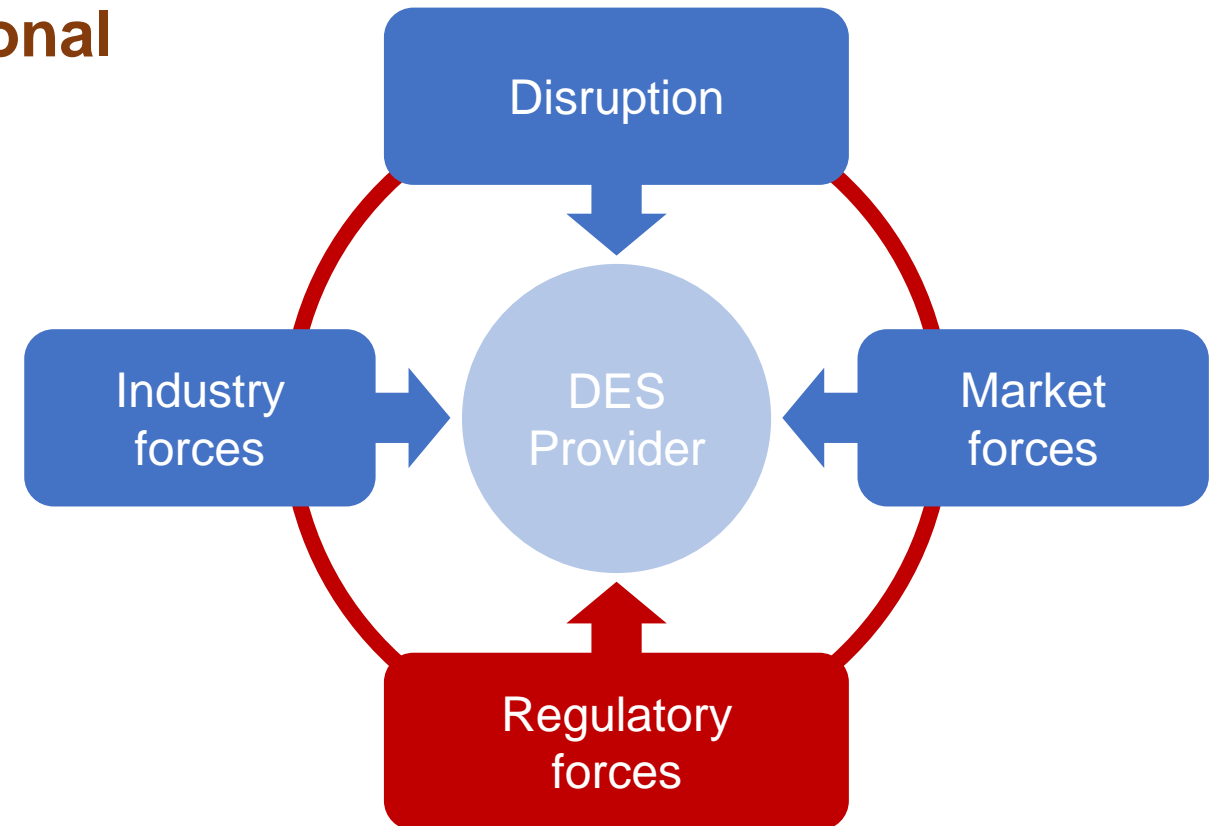


- How can you innovate the business model in response to the institutional context?

Challenge: how to become more innovative?

Need better recognition of the institutional context in which DES is delivered

- **Disruption:** What are the key disruptive forces that will impact on the provision of disability employment services?
- **Industry forces:** How will competition be impacted by these disruptive forces? How will they change how you compete and collaborate?
- **Market forces:** How will disruption shape changing preferences of jobseekers with a disability? How do you adapt existing workforce, processes and systems?
- **Regulatory forces:** How are these other forces impacted by regulatory forces? How do you inform (rather react) to regulatory forces?



What did we do...

Methodology

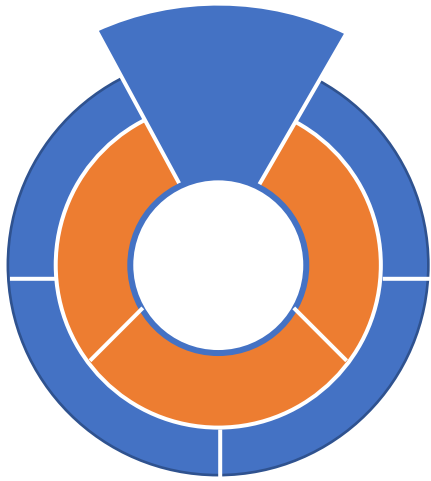
Research design: 35 semi-structured group interviews with DES Provider Senior Managers.

- Conducted via Zoom during Aug-Oct 2022. Each interview lasted approximately 90 minutes.
- 21% large (50+ contracts), 37% medium (11-49 contracts), 42% small (1-10 contracts),

Respondents: 59 people participated in the interviews.

- 23 x CEO (or equivalent), 26 x GM (or equivalent), 10 x other (include policy, operations, finance).
- 54% Male, 39% 45-54 years, 56% Bachelors +, 18.5 years' experience in ES, 13.7 years in DES.
- Average relative risk adversity: 3.0/5.0.
- Average relative innovativeness: 3.7/5.0





Insight #1

Disruption is curtailing innovation

Main observed impact on employment services:

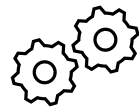
- Change fatigue is rife across the sector, impacting outcomes and innovation
- Skills shortage giveth opportunities and taketh away skilled staff
- Business models are converging, diverging

Recommendations



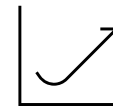
Efficiency

- Stronger evidence base for impacts of policy change
- Lobby for data transparency
- Promote information sharing



Effectiveness

- Expand DEA training to drive capability development
- Promote flexible work arrangements



Quality

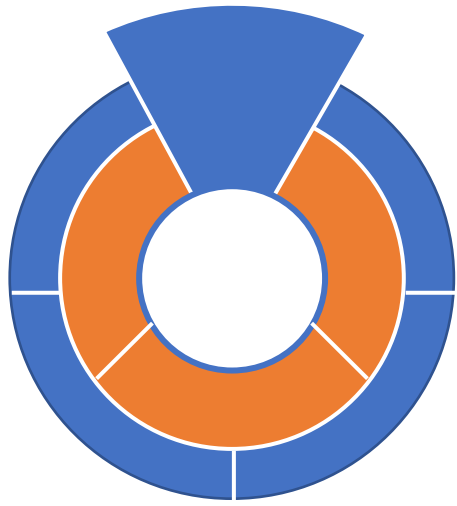
- Develop new business models (i.e., scope and scale)
- Share the burden of innovation across providers

“The flexibility was there during Covid. I don't think it's there as much now”

“When I first came (into the sector) you'd probably spend 30 minutes a day on administrative tasks... now our team would be spending 40% of their time”

“[Employers,] they're all coming to me with arms open”

“We were turning over \$24M a year with 3 admin staff. Now we turn over \$19M with 11 staff”



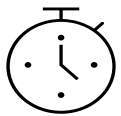
Insight #2

Regulation is stifling collaboration

Main observed impact on employment services:

- Information issues abound, need better access, timeliness, metrics
- Program purpose unclear: compliance vs performance, economic vs social outcomes
- Lack of coordination across various support programs

Recommendations



Efficiency

- Reduce information lags to improve responsiveness
- Model true cost of compliance (direct vs indirect)



Effectiveness

- Need to shift focus from effectiveness in compliance to effectiveness in performance
- Expand performance framework



Quality

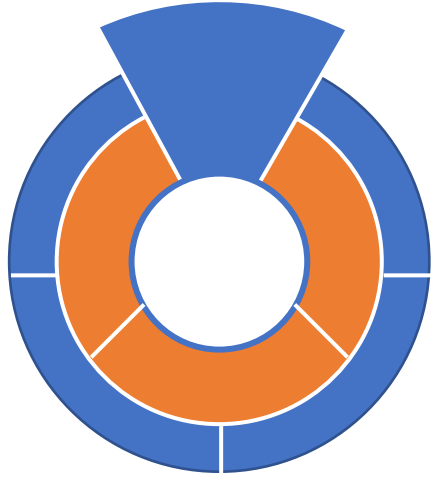
- Relationship between DES and other support programs
- Better understanding of service quality (for DES etc.)

“The contract is designed to discourage collaboration... we don’t share information or opportunities”

“Not clear whether we are an employment service or a social service”

“Government already has a specialist disability employment program, so why are NDIS putting employment in their plans?”

“Government [employment] programs are not cohesive”



Insight #3

Market structure creating perverse incentives

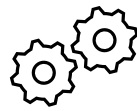
Main observed impact on employment services:

- Contract compliance is a moving feast, need better rationale for changes (two-sided street)
- Two dominant business models emerging, emphasizing economies of scale vs economies of scope
- Lack of departmental responsiveness is a key issue



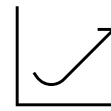
Efficiency

- Lobby for greater stability and consistency of program rules (incl. market entry/exit)



Effectiveness

- Facilitate mergers and education about new business models
- Increasing diversity and inclusion critical for long-term



Quality

- Need to incentivize cooperation and resource and outcome sharing (new performance measures?)

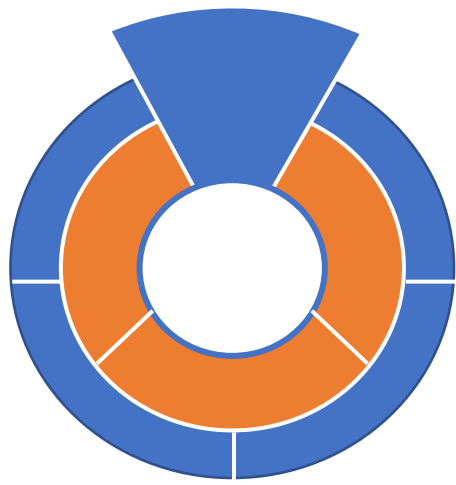
Recommendations

“We're fortunate because we have a range of services, so we have better systems and infrastructure around our teams”

“It used to be you could work with another provider and you'd share information about your clients, and that was OK. (Now) ... if you work with somebody you could get your throat cut”

“Innovation is really difficult because if you step outside the follow the dot process there's the risk of not getting paid”

“Continually going back to the department and saying it's been 30 days since our request”



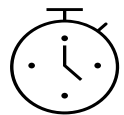
Insight #4

Empowerment is changing expectations

Main observed impact on employment services:

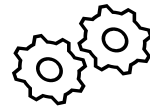
- Need to be more responsive to client needs, focus on longer term outcomes (balanced against short-term)
- Cross-subsidization is commonplace across the sector, raises concerns about sustainability
- Frontline staff are a critical, yet under-valued resource

Recommendations



Efficiency

- Skill development mapped to business model type
- Lobby for reforms that break up the market (specialization)



Effectiveness

- Better understand the supply-side capabilities required to deliver
- Map the program inter-dependencies



Quality

- Model flexible service delivery models
- Develop multi-sided platform to allow for greater choice and new supply arrangements

“Our target should be moving people towards employment”

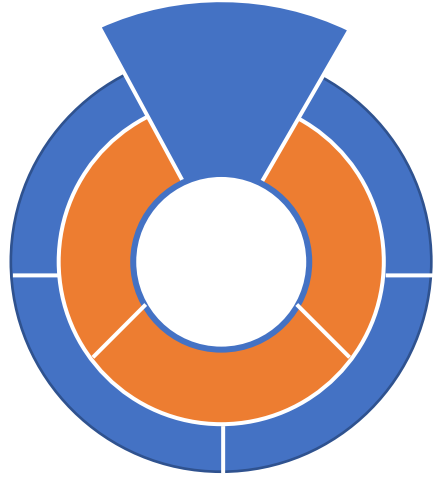
“Customer preference is to receive supports and services remotely versus face to face”

“While some jobseekers are being forced to move to Workforce Australia, others are choosing to move to access digital services”

“Choice and control makes for more consumer-orientation”

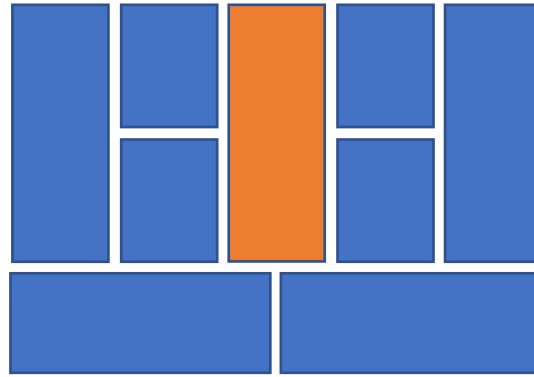
“Staff and participants moving between providers creates challenges for managing continuity”

Phase 1: Institutional forces



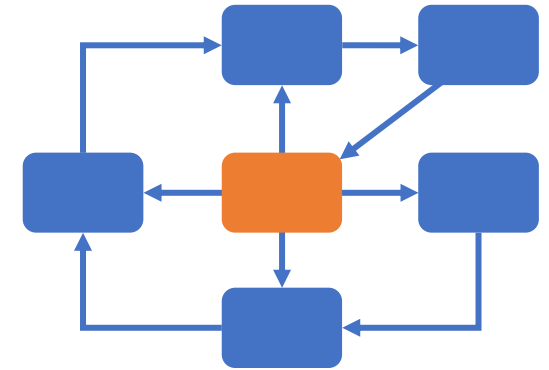
- How is the external business environment impacting the delivery of employment services for people with disabilities?

Phase 2: Business models



- **How do these institutional forces impact on DES provider business models?**

Phase 3: Innovation platform



- How can you innovate the business model in response to the institutional context?

Business models (Scale vs. Scope)

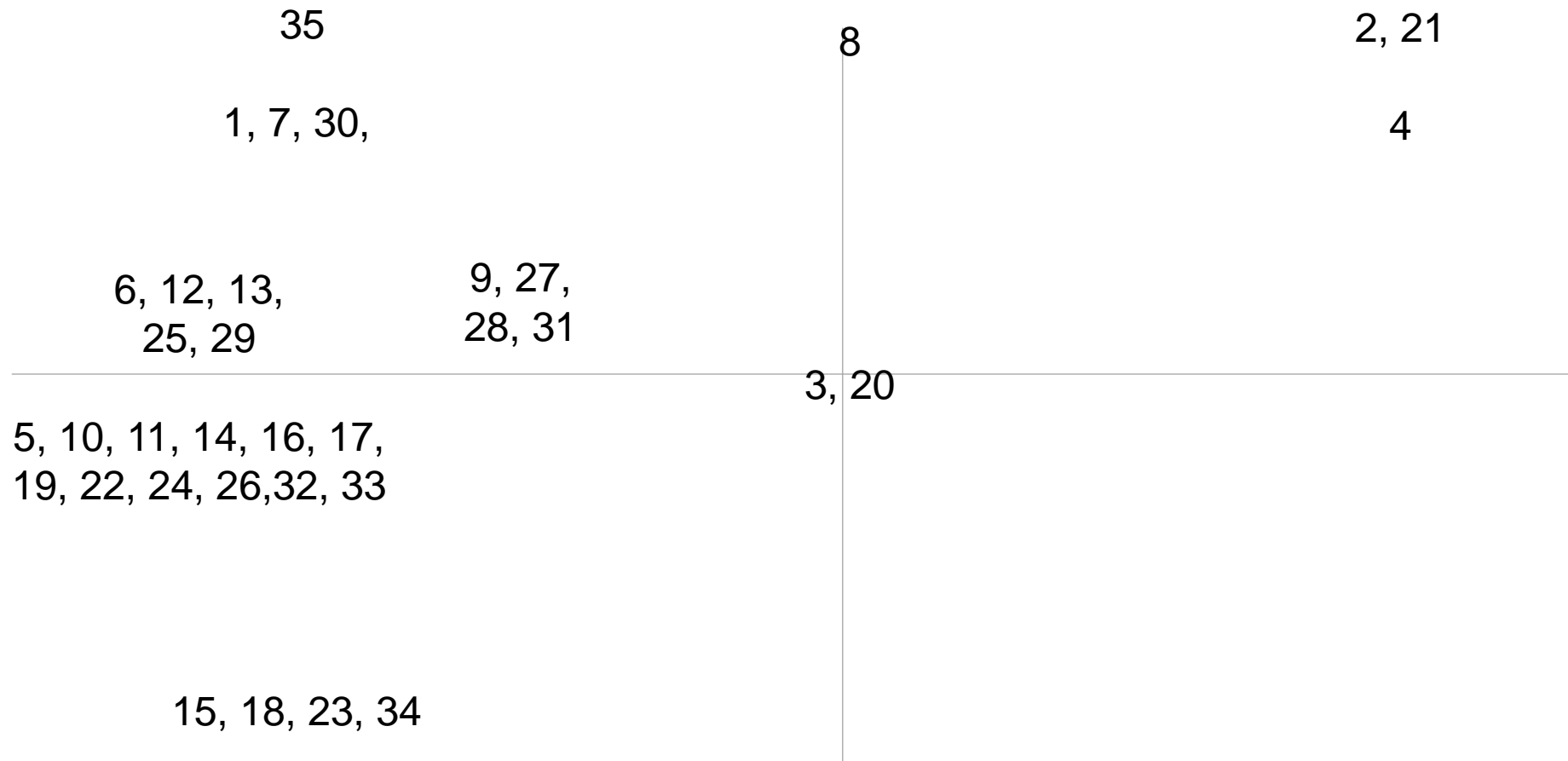
Need better recognition of the institutional context in which DES is delivered

- What do we mean by business models: ‘how an organisation creates, delivers and captures value’
- Distinguishing between scale and scope:
 - Scale was determined by the number of DES contracts delivered by a service provider.
 - Scope was determined on number and type of additional programs a DES service provider was delivering. Self-disclosed by participants.
 - Low scope (just DES), high scope (DES, WFA, other programs).

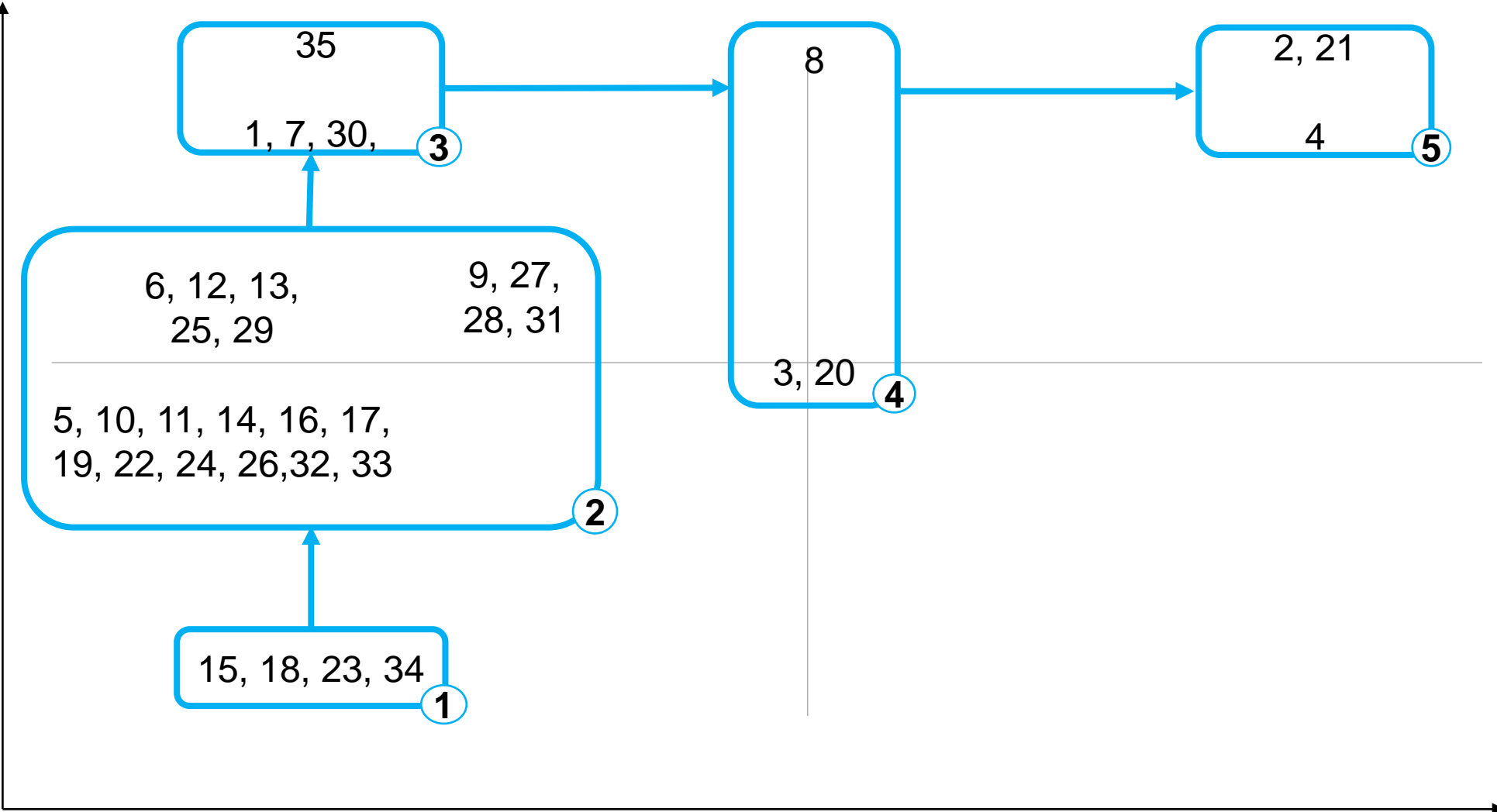


So where do you think your organisation is?

Scope



Scope



Scale

Overview of Model 1 (Specialists)

- **Description:**

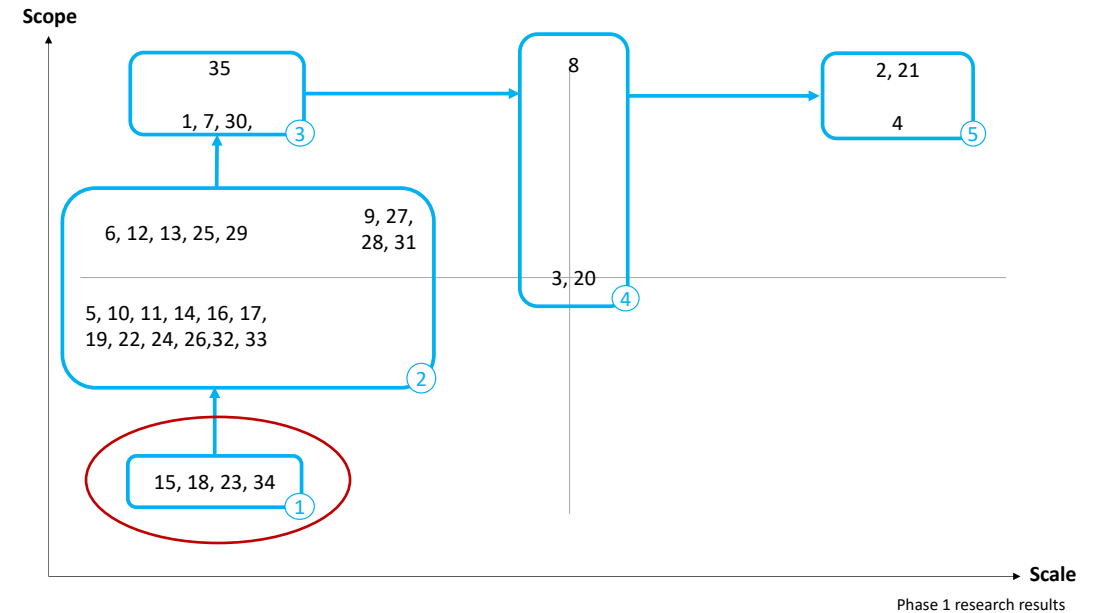
- Tend to be either focused on a single labour market/region or a specific disability cohort

- **Challenge/s:**

- Limited scope and scale
- Resource constraints
- Responding to compliance

- **Strategic options:**

- Leave
- Merge/Acquire
- Partner/JV/Co-Op



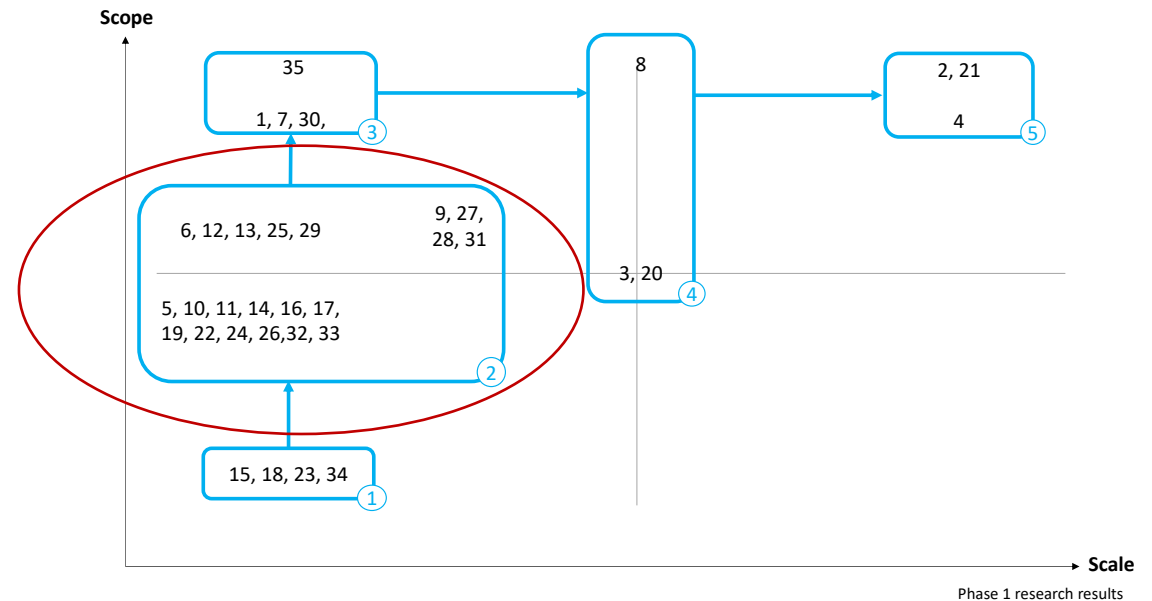
WTFH!

What: Which of these challenges is most urgent? Others?

How: Which strategy would make most sense? Why?

Overview of Model 2 (Exploiters)

- **Description:**
 - Scope is commenced but scope is still limited
- **Challenge/s:**
 - Developing scope
 - Limited scale
 - Resource constraints
 - Responding to compliance
- **Strategic options:**
 - Expand using scope
 - Leave
 - Merge/Acquire
 - Partner/Joint Ventures /Co-Operatives

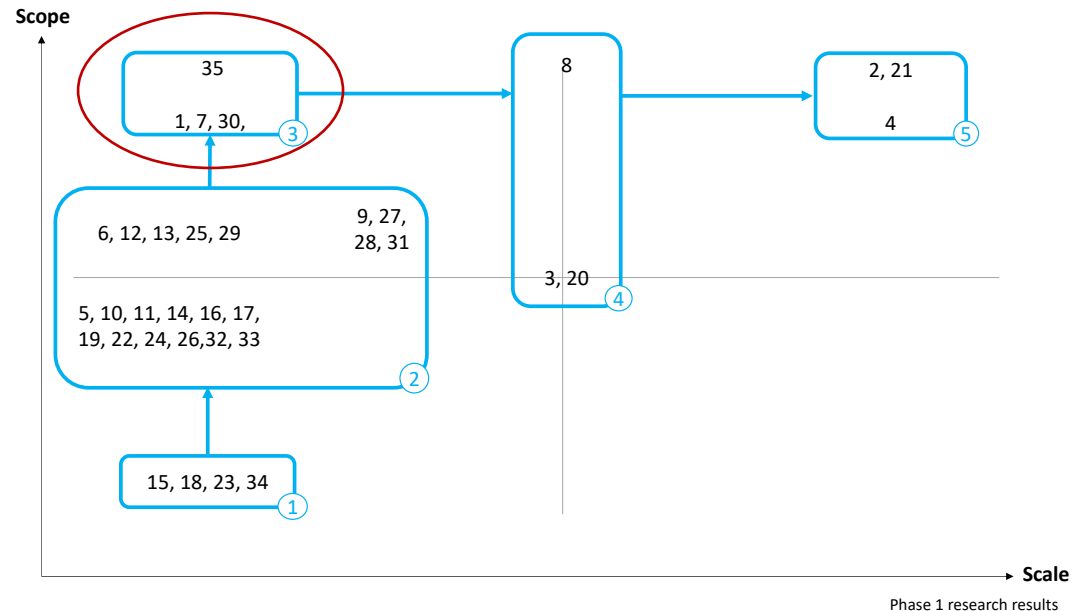


WTFH!

What: Which of these challenges is most urgent? Others?
How: Which strategy would make most sense? Why?

Overview of Model 3 (Explorers)

- **Description:**
 - Have achieved scope, limitation is on scale
- **Challenge/s:**
 - Limited scale
 - Role of tenders
 - Resource constraints
 - Responding to compliance
 - Competition
- **Strategic options:**
 - More tenders
 - Leave
 - Merge/Acquire
 - Partner/Joint Ventures /Co-Operatives

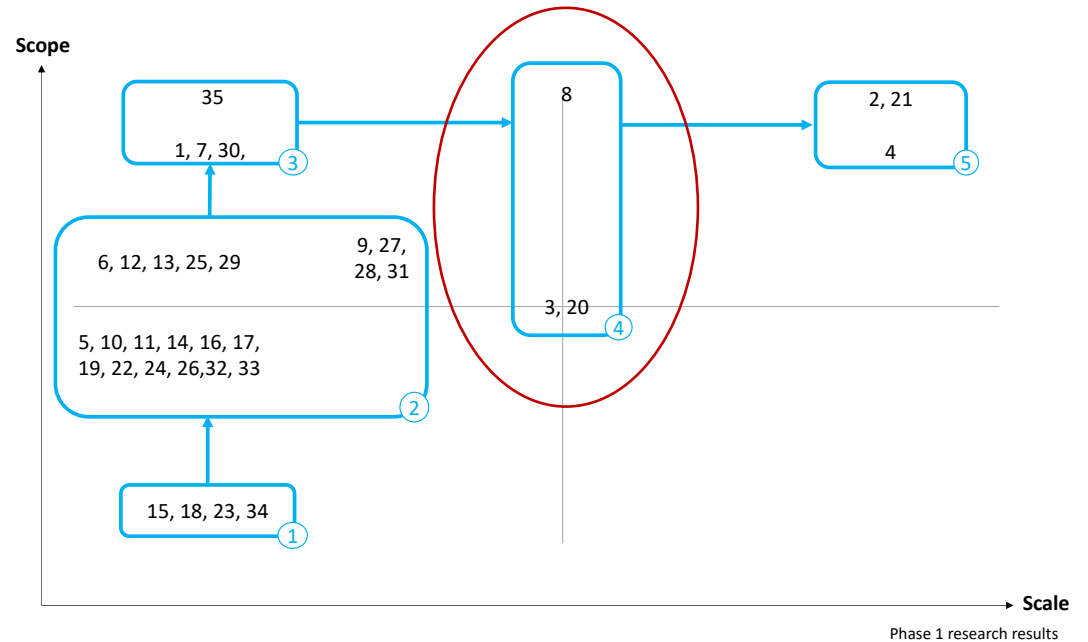


WTFH!

What: Which of these challenges is most urgent? Others?
How: Which strategy would make most sense? Why?

Overview of Model 4 (Growers)

- **Description:**
 - Moving toward scope and scale
- **Challenge/s:**
 - Competition from model 5
 - Responding to compliance
- **Strategic options:**
 - Regenerate opportunities
 - Invest human and financial resources into new entities
 - Merge/Acquire
 - Partner/Joint Ventures

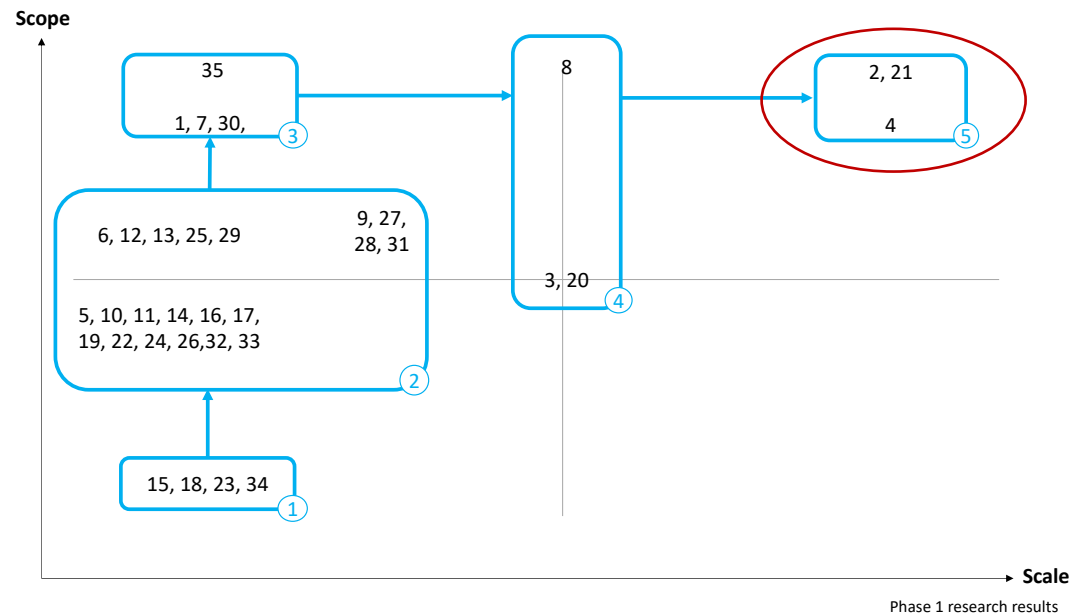


WTFH!

What: Which of these challenges is most urgent? Others?
How: Which strategy would make most sense? Why?

Overview of Model 5 (Influencers)

- **Description:**
 - Dominate in terms of scope and scale
- **Challenge/s:**
 - Responding to compliance
 - Competition
- **Strategic options:**
 - Regenerate opportunities
 - Invest human and financial resources into new entities
 - Merge/Acquire
 - Partner/Joint Ventures

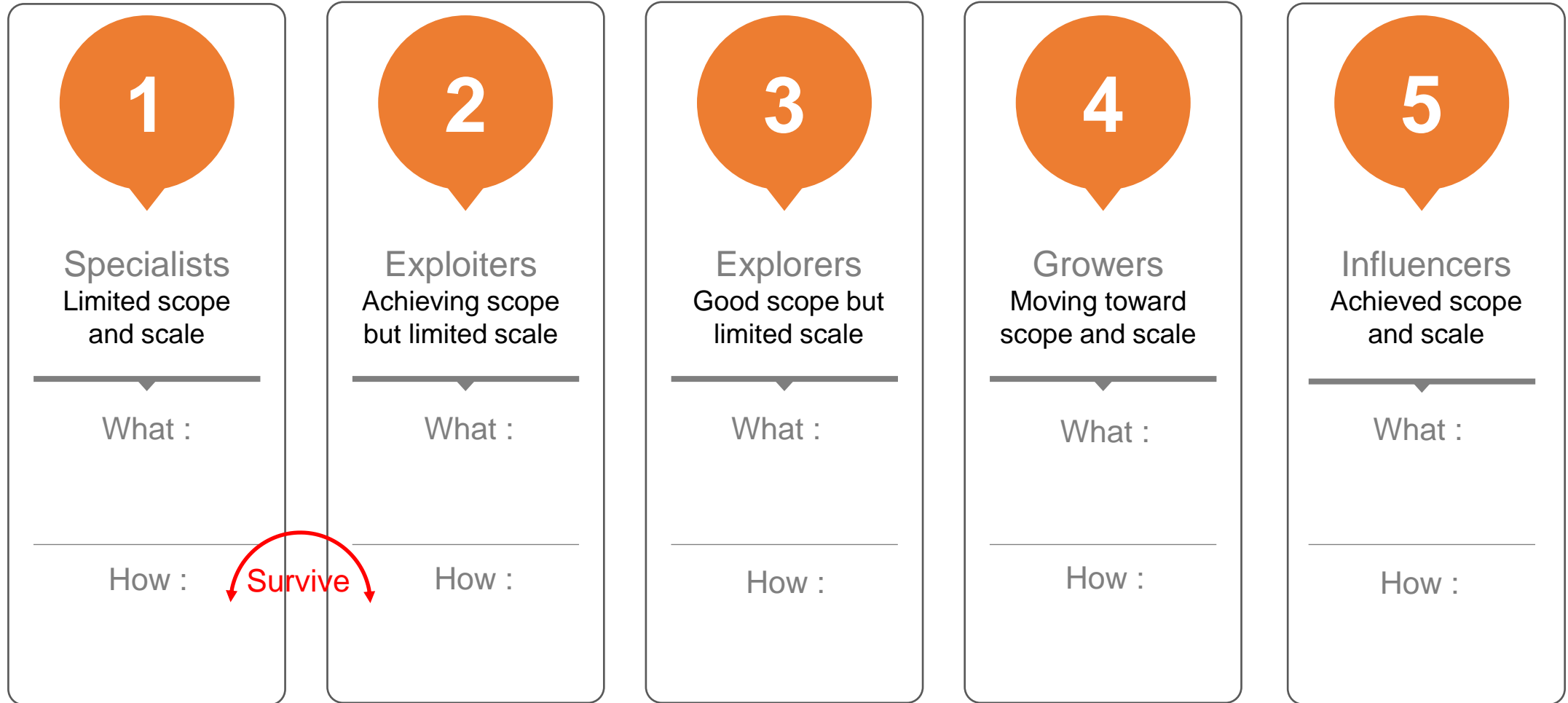


WTFH!

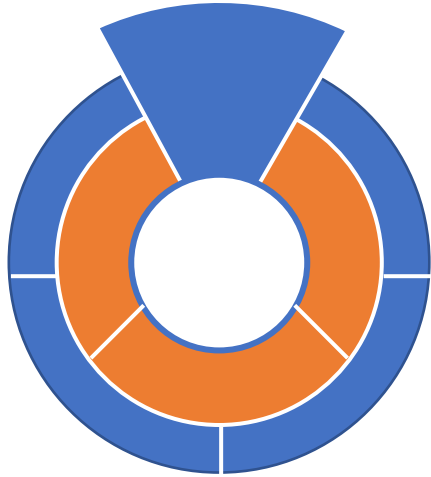
What: Which of these challenges is most urgent? Others?

How: Which strategy would make most sense? Why?

Summary of business models



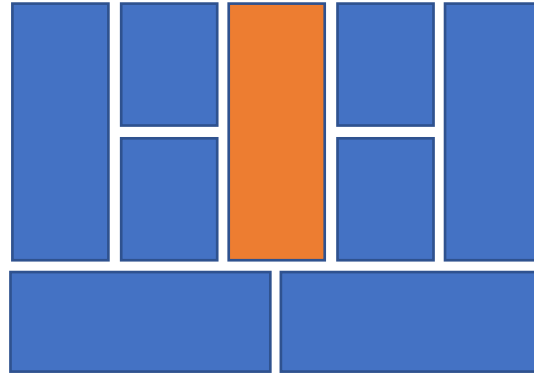
Phase 1: Institutional forces



- Disruption is curtailing innovation
- Regulation is stifling collaboration
- Market structure creating perverse incentives
- Empowerment is changing expectations

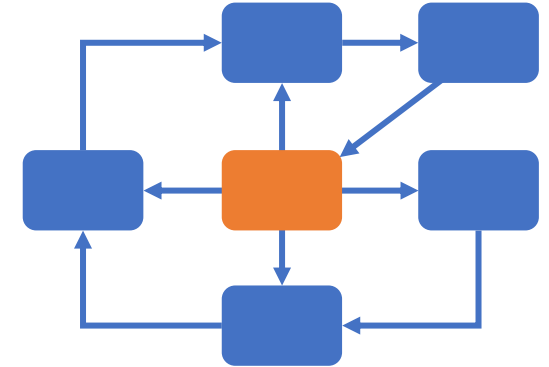
- **Business models types**

Phase 2: Business models



- **Workshops already undertaken to develop prototype service concept:**
 - Value proposition
 - Desirability
 - Feasibility
 - Viability

Phase 3: Innovation platform



- **Next steps...**
- *Deploy supply-side interventions to build supply-side capacity of DES service provider organisations (stronger evidence-base)*



For more information or to be involved in Phase 3;

Associate Professor Amanda Beatson

a.beatson@qut.edu.au

Dr Iain Waller

iain.waller@qut.edu.au

Professor Byron Keating

byron.keating@qut.edu.au

