



# Submission to the inquiry into the current capability of the Australian Public Service (APS)

**DEPARTMENT OF VETERANS' AFFAIRS**

**Community and Public Sector Union (PSU Group)**  
**February 2021**

# Introduction

As the primary union representing people working in the Department of Veterans' Affairs (DVA), the Community and Public Sector Union (CPSU) is committed to providing a strong voice for our members in key public policy and political debates.

The CPSU welcomes the opportunity to make a submission to this inquiry into the current capability of the Australian Public Service (APS).

This submission includes direct input from the people who administer veterans' services in Australia and highlights the egregious privatisation occurring within the Department of Veterans' Affairs and how this is impacting both veterans and the people working to help them. We also refer to, and have attached, the CPSU submission to the ANAO audit into Veteran Centric Reforms from September 2020, where many similar issues were canvassed.

Privatisation in the form of labour hire, contracting, and other third-party arrangements has reduced the Department's capability to administer basic services, to respond to fluctuations in demand, and to meet its legislative requirements. The outsourcing of ICT infrastructure and software to a shared services arrangement with Services Australia (previously Department of Human Services) has also negatively affected veteran services.

Our submission outlines what is happening with capability and staffing in the Department and its impacts. We explore the link between the mental health of veterans and compensation claims processing and highlight the serious failings of the shared services model operating in DVA. The Coalition Government's flawed bargaining and wages policy in its impact APS capability is briefly addressed.

## **We recommend that the Coalition Government:**

- remove the ASL cap and gives DVA the scope to directly employ the staff it needs;
- review the shared services arrangement between DVA and Services Australia, and brings DVA's IT functions back in-house; and
- amend the APS bargaining and wages policy to allow for genuine good faith bargaining and a real increase in wages.

In short, the Coalition Government needs to put veterans and their families first, and ensure the agency has the staffing and ICT resources it needs to do the work required. It needs to back in its claims about respecting and valuing the work of the APS with the funding and the policies that support a professional, career-based service that has the job security and the confidence to take us into the future. Without these, the Department will continue to struggle under unsustainable caseloads and long claims processing times, and delays in accessing services and claim assessments will continue to undermine the wellbeing of our veteran community.

## DVA capability – What's happening?

Since 2013 we have seen DVA client numbers grow, ongoing staff numbers fall, an explosion in the number of labour hire and contracted staff, and a significant increase in claims caseloads.

Before 2013 labour hire contracts were only to be used for short term projects, lasting less than three months, with finite timelines. Due to the introduction of the Coalition Government's staffing freeze in 2013, and then the application of an Average Staffing Level cap in 2015, there are now 379 less ongoing employees in DVA than there were in 2012/13.<sup>1</sup>

In addition to this, in 2020 DVA continued to privatise horticultural positions across the Office of Australian War Graves<sup>2</sup> and recently awarded a \$116 million contract tender for comprehensive health services to Bupa.

In preparing this submission, the CPSU surveyed members across the APS about APS capability. 97% of respondents from DVA say labour hire is used for normal ongoing work. As one CPSU member said:

Labour hire workers are NOT in specialised roles; they are doing everyday processing work. Roughly 75% of delegates are labour hire. One team I was in containing 11 delegates, only 2 were APS staff.

DVA confirmed in Budget Estimates in October 2020, that it used the services of at least 46 different labour hire providers and spent \$77 million more on labour hire contractors in 2019/2020 than they did in 2014.<sup>3</sup>

During 2020 the Government also provided an additional \$34.8 million supplementary funding to assist with claims processing (\$11.6 million June 2020 mini-Budget, and \$23.2 million in the 20-21 Budget handed down in October). However, this was not departmental funding, which would have allowed DVA to increase its APS workforce. Rather, the money was allocated to the proportion of the DVA budget used for veterans' services and could only be used to employ staff using labour hire contractors.

In October's Budget Estimates, DVA stated that Labour Hire companies charge a 12% margin or negotiated fee. DVA was unable to provide a comparison of the total cost of employing APS staff versus labour hire. The CPSU estimates that the real cost of using labour hire is at least 50% more.

For example, it costs DVA approximately \$180,000 to engage mental health clinicians working at an APS6 level. This includes the fee provided to the labour hire company. If DVA engaged the same employee directly at the APS6 level, it would only cost \$101,000 (salary + super).

1 <https://www.dva.gov.au/file/12520/download?token=uVlhgWar>

2 <https://www.tenders.gov.au/Atm/ShowClosed/beae7ca3-7c91-43dc-b240-0495dcf03f29?PreviewMode=False>

3 <https://www.apf.gov.au/api/qon/downloadattachment?attachmentId=b7269a96-d8ac-422f-957f-a12789a061cf>

In a 12-month period from 1 July 2019 until 30 September 2020, 1003 new labour hire staff were engaged. Most noticeably, this includes, 304 in the client benefits division, 289 in the client engagement and support services division, and 248 in Open Arms.<sup>4</sup>

Finally, despite the downsizing of the APS workforce, the number of executive branches remains top-heavy, with DVA growing from 4 divisions to 8 divisions, supported by approximately 12 Senior Executive Service Band 2 & 3 employees, it is assumed each on a salary of at least \$250,000.

In summary, the work of DVA is now mostly privatised:

| Staff type                       | 2020-21 |
|----------------------------------|---------|
| Average Staffing Level (APS FTE) |         |
| APS ongoing: 1679                |         |
| APS non-ongoing: 71              | 1615    |
| Labour Hire Staff @ 30 June 2020 | 1246    |
| Consultants @ 30 June 2020       | 51      |

Source: Extracted from evidence provided by DVA in Budget Estimates, October 2020 and the DVA 2019/20 Annual Report

This shows that in October 2020, DVA said there were 1246 staff on a labour hire or contract arrangement, compared with 1750 public servants - 42% of the combined DVA workforce.<sup>5</sup>

During this period of workforce privatisation and casualisation, the number of clients supported by DVA has increased to 323,000 in 2019/20, up from 313,000 in 2012/13<sup>6</sup> DVA had forecast a caseload of 250,000 clients by 2020, a number worryingly lower than the current 323,000 client caseload.

The staffing freeze and the ASL cap could not have come at a worse time for DVA. In 2017, DVA underwent a reform process known as 'Veteran Centric Reform.' This reform transformed veterans' access to compensation claims. It significantly changed a number of internal procedures and IT interfaces at a time when the impact of the freeze and the cap were really starting to bite. In addition to the significant organisational change this entailed, Veteran Centric Reform has also led to a notable increase in client and claim numbers. From the period 2017/18 to 2018/19, DVA reports that *Military Rehabilitation and Compensation Act* (MRCA) liability claims increased by 126 per cent and permanent impairment claims increased by 97 per cent. The Department has struggled to manage these increasing caseloads. In last year's October Budget Estimates, DVA reported that for MRCA Initial Liability, that the numbers of claims on hand that were older than 12 months was 514, 32 claims on hand were older than 18 months, and 4 claims on hand greater than 24 months.<sup>7</sup>

4 <https://www.apf.gov.au/api/qon/downloadattachment?attachmentId=c9866a97-113b-49a0-b6b2-09c6031d45bd>

5 <https://www.canberratimes.com.au/story/6987636/veterans-affairs-reliant-on-contractors-as-growing-demand-increases-wait-times/>

6 <https://www.dva.gov.au/file/11194/download?token=DW-6Hzp1>

7 <https://www.apf.gov.au/api/qon/downloadattachment?attachmentId=c174693d-bd62-4be3-9bfe-2119db42ab73>

***It is clear from the information provided by the Department and the feedback from people working there that labour hire and contract staff are being used for ongoing, core DVA work and that this non-APS staffing arrangement costs more. DVA staffing allocations and funding have been based on what were serious miscalculations that the Coalition Government did not adjust its staffing policy to accommodate and as a result claim processing times are unacceptably high and access to services often delayed. This is a clear and direct threat to both the current and future capability of the Department to meet its legislative and service obligations.***

## What is the impact on veterans?

The privatisation of DVA's workforce is occurring amid a mental health crisis facing veterans, with 67 suspected suicides in the past 12 months, including 25 since the release of the inquiry into alleged war crimes in Afghanistan in November 2020.<sup>8</sup>

At a time of increased demand, members in Open Arms have reported a critical shortfall in clinical mental health services. In one Open Arms centre in Canberra, there is a reported waiting time of at least 3 months before veterans can receive support. Veterans who contact the 1800 011 046 hotline are currently not being told what the waiting time is, when previously this was common practice.

Experts commissioned by DVA say that delays to processing compensation claims directly impacts on the mental health of veterans.<sup>9</sup>

In 2019, the Coalition Government introduced the *Australian Veterans' Recognition (Putting Veterans and their Families First) Act 2019*. This Act included a commitment that claims made under the Military Rehabilitation and Compensation Act 2004 would be processed within 90 days.

Despite these changes, DVA recently confirmed in Senate Estimates that MRCA Initial Liability and Permanent Impairment claims are being processed on average, every 178 days and every 186 days respectively. According to the Department's own figures, MRCA Initial Liability claims have a backlog of 14,381 as of 30 September 2020.

Despite what DVA is reporting publicly, CPSU members state that there is a current backlog of over 25,000 claims within MRCA Initial Liability.

Furthermore, in 2020, Victorian Coroner Jacquie Hawkins called for an audit of DVA's handling of veterans' compensation claims following the suicide of veteran Jesse Bird in 2017.<sup>10</sup> One of the findings was:

8 <https://7news.com.au/lifestyle/health-wellbeing/australian-defence-force-facing-mental-health-crisis-alarming-suicide-figures-suggest-c-2159915>

9 <https://www.dva.gov.au/sites/default/files/independent-study-mhiccap.pdf>

10 <https://www.coronerscourt.vic.gov.au/sites/default/files/2020-04/COR%202017%203044%20Finding%20with%20inquest%20into%20the%20death%20of%20Jesse%20Stephen%20Bird.pdf>

Jesse's mental health was exacerbated by the delays and difficulties he faced in claiming financial support and compensation from DVA for his service-related psychological injuries<sup>11</sup>

The Coroner recommended an approach to compensation claims that linked delegate capability with client complexity. She also highlighted the importance of the claims information management system and data analysis capability.

One of the initiatives implemented by DVA in response to the recommendations of the Joint Inquiry included uncapping the funding arrangements to the Coordinated Client Support branch to better support veterans.<sup>12</sup> The Coordinated Client Support (CCS) service provides assistance to the most vulnerable and complex cases and is intended to enable clients to access critical benefits and services in a timely and professional manner.

Despite the critical role the CCS service plays, two thirds of staff engaged in this branch are employed on short term labour hire contracts. Due to the high turnover, veterans are constantly having to re-tell their story to a new case manager, exacerbating trauma for veterans and putting the WHS of remaining staff at risk.

## What is the impact on staff?

Higher claim and client numbers, lower APS staffing levels and an explosion in labour hire and contract staffing arrangements has led to unsustainable caseloads, high staff turnover, poor job security and increasing concerns about the impact on clients from longer processing times.

Processing teams have reported high workloads. One team of 30 delegates within MRCA Initial Liability is currently managing an average of 142 claims per delegate. Some delegates are currently managing over 250 claims. A normal caseload for delegates is around 70-80 claims per delegates. Within this team, ten of the delegates are classified as trainees. The average caseload for trainees was 136, with some trainees managing close to 200 cases.

A recent email from DVA to this team, advised that they would be *increasing* the number of clients allocated per delegate. This caused immediate distress and anxiety for staff who were already working at capacity. This incident shows the WHS risks to staff when an agency is unable to provide adequate resources to meet service obligations. This incident showed that some staff are putting their health and safety at risk in order to meet the department's service obligations. These excessively high caseloads contribute to delays in claims processing and frustrations and anxiety for veterans.

11 <https://www.coronerscourt.vic.gov.au/sites/default/files/2020-04/COR%202017%203044%20Finding%20with%20inquest%20into%20the%20death%20of%20Jesse%20Stephen%20Bird.pdf>

12 <https://www.dva.gov.au/newsroom/media-centre/departamental-media-releases/report-released-findings-inquest-death-jesse-bird>

DVA's reliance on labour hire is characterised by a revolving door with high turnover, loss of corporate knowledge, and countless resources wasted on training and re-training incoming Delegates.

CPSU members say:

“There is no accountability by management to retain, train and develop contractors. They are treated like a disposable commodity. Departments are replacing staff with 20 years' experience with contracted staff who have worked at McCafé.”

“Because we cannot hire them permanently, we watch experienced labour hire staff walk out the door when they find permanent employment elsewhere, resulting in additional resources being wasted to train replacement staff.”

“One staff member left because she was getting married and wanted a job that provided maternity leave.”

“More than 50% of our staff are labour hire. They are all seeking permanent employment and job security. They get fully trained then leave. This has left a gaping hole in our knowledge and stress of extra work on permanent employees.”

“The constant ebb and flow of contracted staff wastes time in managing contracts and in the constant round of orientation, classroom and on the job training and intensive management required of new starters. The people doing all of this are the same people who could otherwise be doing the work. At the end of all this effort, contracts finish and it's back to square one. Still not enough people to do way too much work and intellectual capital and corporate knowledge lost. The importance of APS staff is consistently undervalued and underestimated.”

Due to the high turnover of staff, the Department has “streamlined” the training of staff with delegations to get them processing claims within 3 months. Previously, it took 18 months to get staff fully trained. This means staff no longer have 6 weeks of training before being placed in a team with a mentor and given a caseload that grew as their skills and experience improved.

Trainee delegates no longer get 12 months medical concepts training which allowed them to read and assess medical reports. One consequence of the new training arrangements has been an over-reliance by staff on medical officers for advice, leading to increased processing times.

Assessment of veterans' medical eligibility that used to take one to two weeks, now takes three months with this work now undertaken by a cohort of medical advisors who are now all contracted out to Bupa.



The contract awarded to Bupa was not open to participation from other companies, including those who are currently providing medical advice to DVA. CPSU members have said that conditions under Bupa are not as generous and many have said they will find work elsewhere.

I was offered 15% less if I decided to sign with Bupa. Of the 11 doctors in the Sydney office, half have said they will not continue working for DVA

My absolute earnings will be much less because I'd be going from a work order of 50 hours per week to a work order of 37.5 hours per week. My offer is also the same as that for many of the advisors with far less experience and ability.

Bupa are clearly preparing for this eventuality, as they are currently recruiting for Medical Advisor positions in Brisbane, Sydney and Melbourne.<sup>13</sup>

The risk to veterans from the loss of experienced medical advisors will eventually filter down to the quality of decision-making for veterans' compensation claims. This contract process has also led to negative outcomes for the people doing the work.

Many staff engaged on labour hire have been working for DVA for many years, enduring poor job security.

I have been with DVA for 3 years, and the longest contract in that time has been 3 months. I love the work and don't want to leave. If I left, I would be letting down not only the vets I am working with but my colleagues who are permanent as they are the ones who would then wear the pressure

I have worked with labour hire staff who have been in the same role for over 4 years. No access to leave etc. Their contracts are renewed every 6 months and every 6 months they think they're going to lose their jobs. VERY stressful for them, especially when they are notified their contract will be renewed 3 days or less before it is due to expire.

Finally, 88% of CPSU members responded, saying access to career development is a problem.

There is a strong preference for external contractors with many APS professionals becoming little more than contract managers. This certainly means APS capability is hollowed out and becoming increasingly superficial. I sometimes personally feel less skilled as a subject matter expert as a result of my APS career. All of the APS3 staff in my section are labour hire staff. Some have been there for 3 years. Predominantly in client service roles and call centres they are used in my department which prevents any career progression as permanents leave and are backfilled by labour hire instead of looking to promote a permanent staff member from within.

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<sup>13</sup> <https://www.seek.com.au/dva-jobs>



Labour Hire admin staff are being brought in for jobs that should have been offered to lower-level staff and denied them opportunities for career development and advancement.

## Shared Services – not what was promised

On 17 December 2015, the then Minister for Veteran Affairs Stuart Roberts announced the Shared Services arrangement, co-locating DVA's IT infrastructure within the Department of Human Services, stating that,

“DVA's computer systems are at the centre of everything we do and modern, more agile systems will significantly improve claim processing times and open up new avenues to interact with younger veterans. Co-locating DVA's ICT staff with DHS allows DVA staff to access the most modern and up to date ICT systems to provide the best possible support to veterans.”<sup>14</sup>

In 2019-2020, DVA spent \$36.620 million on its shared services arrangement and \$9.174 million on information technology and communication.

Despite this, only 34% of respondents to the CPSU survey said the shared services project delivered improvements, while 45% said there were no improvements. Responses to the CPSU survey would indicate that the shared services model has proven inadequate in dealing with the complex needs of veterans. Despite changing the way veterans can make a claim, i.e. from the front-end, processing staff must still manually extract data from the backend. This is contributing to the delays in processing veterans' claims.

CPSU members say:

IT systems for clients have been updated, but it's the 'front end' only. Staff are still manually extracting information from this system to use in claims processing. The government is unwilling to invest sufficient funds to ensure we have modern, stable infrastructure, instead providing only 'band aid' solutions which do nothing than push the problem down the road, and result in increased costs to fix in the long run.

We have transferred our ICT functions from inhouse to Services Australia (SvA). The service provided is inadequate - we don't even have an IT helpdesk we can call to get instant help with small problems, which then take several days to resolve, resulting in lost productivity. IT processes are geared to the needs of the service provider (SvA) and not to the customer (our agency). Convolutd online forms must be filled out for the simplest of requests.

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14 [http://minister.dva.gov.au/media\\_releases/2015/dec/va140.htm](http://minister.dva.gov.au/media_releases/2015/dec/va140.htm)

Shared Services has degraded our IT systems and services to our staff and our clients. Services Australia (SvA) get to bully smaller agencies with “this is what you get, like it or not”. They don’t have the expertise on our payments and legislation to build us what we need. Everyday IT issues are also a nightmare as you can no longer speak to a person to work out minor IT issues, you raise a ‘ticket’ which may or may not be resolved. The time taken for SvA to work on those tickets is ridiculous - you may as well just pack up for the day and hope it resolves itself overnight, because if it’s hindering your work there is very little chance it will be addressed the day you raise it.

As my agency is small, we have had to enter into a shared services arrangement with SvA to have this done. The service provided by SvA to my agency as a CUSTOMER, is terrible. Overtime, over budget and giving us a much worse system than what we started with. The huge impacts of this terrible product will start flowing through to the clients we serve soon.

Services Australia has taken control of all dev and maintenance of our systems. Since this time we have lost control of the responsiveness to issues, cost and priorities. We are hamstrung by their internal processes – all of which do nothing to support those other agencies they are meant to be supporting. The MOU is a joke! It is costing us a fortune and giving us nothing. They are a tick on us and bleeding us dry. But we can’t remove them due to a WOG strategy. Which doesn’t work. It costs more and takes longer. Taxpayers should be outraged.

## **Coalition Government bargaining and wages policy and DVA capability**

Since 2013 the Coalition Government has pursued an aggressive workplace bargaining and industrial relations policy of driving down rights and conditions in the APS and suppressing wages.

The undermining of employee consultative rights is one area of this policy that actively works against agencies being able to genuinely negotiate on matters such as improved training arrangements and more staff input into the design of policies and procedures. These are areas where enterprise bargaining has historically been successful at driving innovation and positive change with strong staff buy in. This, combined with the increase in insecure work, means that staff are less likely to bring to light issues and problems and raise concerns in the workplace.

The frank and fearless advice that has been a cornerstone of a strong APS is at risk. This is just one example of where the current Coalition Government bargaining policy actively works against the interests of the agency and the people working for it.

The current wages policy of linking APS wage increases to the private sector wage index comes after a six-month wage freeze and a long and painful bargaining round in 2014. At a time when government should be setting the example on economic stimulus the Coalition Government has made a decision that will only speed up the race to the bottom on wages.

The shift to a policy of genuine, good faith bargaining and a more economically sound wages policy by the Coalition Government has the potential to do much to enhance APS capability.

## What needs to change?

“Based on CPSU analysis, if staff in DVA were able to be employed directly on a permanent basis, instead of through labour hire companies, it is estimated that an additional 400 APS staff could be employed to provide better services for veterans and their families. By maintaining the ASL cap and not allowing direct employment, the Government is forcing veterans to accept diminished services and a growing backlog in claims. By maintaining the ASL cap and not allowing direct employment, the Government is forcing people working under these arrangements to accept reduced working conditions, career opportunities, job satisfaction and income potential.”

*Submission to the ANAO audit into Veteran Centric Reforms. CPSU. September 2020*

Firstly, the Coalition Government must let DVA employ staff directly. Unless DVA can engage the staff it needs as ongoing APS employees, the current issues with claims backlogs and other support issues will not improve. *This requires the removal of the ASL cap.* Departmental operational funding must also be adjusted to reflect the actual levels of work.

The Coalition Government should also review the shared services arrangement between DVA and Services Australia and bring DVA's IT functions back in-house.

Finally, a bargaining and wages policy that is about genuine, good faith bargaining and a more economically sound wages policy by the Coalition Government has the potential to do much to enhance APS capability.

It's time the Government put veterans and their families first. Ensuring that the Department of Veterans' Affairs has the capability to do the work required in a timely and effective manner – that means investing in all aspects of APS capability – is a critical element of this.

*-Ends*

## Attachments:

- CPSU Submission - ANAO Audit into Veteran Centric Reforms



# Veteran Centric Reforms

## DEPARTMENT OF VETERANS' AFFAIRS

Submission to the ANAO audit into Veteran Centric Reforms.

**Community and Public Sector Union (PSU Group)**

**September 2020**

# Introduction

The Community Public Sector Union (CPSU) welcomes the opportunity to contribute to ANAO's audit into Veteran Centric Reforms. We are the principal union for people working in the Department of Veterans' Affairs (DVA).

Our members are crucial to the implementation of DVA's Veteran Centric Reforms, which is aimed at providing veterans with easier access to support. They are responsible for triaging, assessing, and processing claims, and for ensuring Veterans and their families' access to the support they need.

We have concerns that the implementation of Veteran Centric Reforms is being affected by a focus on online systems and ICT infrastructure and software, while ignoring the impact that growing caseloads from online claims and the casualisation of DVA's workforce is having on veterans.

Our submission addresses the following issues:

1. The backlog in claims
2. Growing caseloads and workloads
3. The cost of outsourcing work
4. Inadequate training affecting processing times
5. The importance of retention
6. Concerns around quality assurance
7. Performance metrics and timeliness

## Backlog of Claims and number of claims on hand

CPSU members have raised concerns with us about a growing backlog of claims and the impact this is having on veterans. This is supported by evidence provided to Senate Estimates in February 2020. It is clear DVA has a significant backlog in claims waiting to be processed.<sup>1</sup> From 2017-18 to 2018-19 DVA experienced a significant increase in claim numbers, particularly for conditions arising from service after 1 July 2004, with an increase in MRCA initial liability (126 per cent) and permanent impairment (97 per cent) claims.

As at 31 March 2020, there were 4,289 MRCA claims over 90 days old and not allocated to a delegate. This comprised of 3,940 initial liability and 349 permanent impairment claims. The average age of claims not allocated to a delegate was 75.6 days for MRCA

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1 Senate Standing Committee on Foreign Affairs, Defence and Trade, Answers to Questions on Notice, Portfolio Question number 37 from the Veterans' Affairs portfolio, Additional Estimates 2019 - 2020 – 4 March 2020. Retrieved from <https://www.aph.gov.au/api/qon/downloadestimatesquestions/EstimatesQuestion-Committeeld5-EstimatesRoundld8-PortfolioId7-QuestionNumber299>

claims. This comprised of 79.1 days for initial liability and 53.7 days for permanent impairment claims.

The CPSU has been informed that since March 2020 the backlog of claims has increased by thousands and thousands of cases. This suggests that the MyService platform created through Veteran Centric Reforms has led to more claims, but it has not been matched by the resourcing needed to manage this increase.

## Workloads and Caseloads

The increase in claims have also seen a corresponding increase to caseloads for staff in the compensation claims teams. As at 31 March 2020, the average number of initial liability, permanent impairment and incapacity claims on hand per full time equivalent staff member was 227.

A recent CPSU Survey on workloads in the Clients Benefits Division in Melbourne found that:

- 80% of respondents said their caseload is too high
- 50% said their caseload is higher compared to a year ago
- 26% said they are managing 121-140 cases
- 20% said they are managing more than 140 cases.

This indicates that there are thousands of claims that have not been assigned.

Staff also reported working additional unpaid hours to keep up with case allocation, with supervisors not approving the accrual of flex time. One CPSU member commented that:

*I am working at least one extra hour every day to keep up with my workload. My team leader keeps saying that we are to only work a standard day, however, everyone is working more hours and not banking flex. If I don't work the extra hours, I just cannot keep up with my workload. If I didn't care about veterans and providing a good service, then I could work standard days every day.*

The growing workloads reinforce the need for more permanent staff for DVA to meet the needs of veterans as part of the Veteran Centric Reforms.

## The cost of outsourced employees

Since 2013, the Department's workforce increasingly has been made up of diminishing numbers of APS employees and an ever-increasing reliance on non-APS staff for ongoing public sector work. This has been the result of around 500 (or almost 20%) permanent APS staff being cut and the Average Staffing Level (ASL) cap driving outsourcing to labour hire companies and contractors.



**Table 1: DVA Staffing, 2013-2019 <sup>2</sup>**

| Year         | Number of permanent employees* | Average Staffing Level estimates |
|--------------|--------------------------------|----------------------------------|
| 30 June 2013 | 2,058                          | 1,928                            |
| 30 June 2014 | 1,987                          | 1,924                            |
| 30 June 2015 | 1,968                          | 1,870                            |
| 30 June 2016 | 1,986                          | 1,821                            |
| 30 June 2017 | 1,938                          | 1,896                            |
| 30 June 2018 | 1,885                          | 1,853                            |
| 30 June 2019 | 1,614                          | 1,796                            |

N.B. A response to questions at Senate Estimates 23 October 2019 indicated there has been a further reduction of 204 APS employees from the 2018-2019 financial year.<sup>3</sup>

The number of non-APS staff employed to do ongoing APS work was 1,062 in 2018-19, accounting for over 38.7% of the then combined DVA workforce.<sup>4</sup> The non-APS headcount includes labour hire contractors, health advisers, medical advisers and information technology experts. Before 2013, labour hire contracts were only to be used for short term projects, lasting less than three months, with finite timelines.

The use of what is called a blended workforce has been particularly noticeable in claims processing with 110 out of 192.11 full time equivalent (FTE) staff or 57% of employees in 2019-20 being contractors.<sup>5</sup>

**Table 2: Number of Full Time Equivalent Employees Doing Claims Processing<sup>6</sup>**

| Year    | Contractors | Non-Ongoing | Ongoing | Total  | Contractors % |
|---------|-------------|-------------|---------|--------|---------------|
| 2018-19 | 120         | 18.8        | 62.46   | 201.26 | 59.6          |
| 2019-20 | 110         | 11.8        | 70.31   | 192.11 | 57.3          |

The blended workforce means that when Veterans seek assistance, more and more, they are receiving help from a casualised labour hire workforce, instead of a permanent APS employee.

<sup>2</sup> Data from Department of Veterans' Affairs, Annual Reports 2014-2019.

<sup>3</sup> Senate Foreign Affairs, Defence and Trade Legislation Committee (2019, 23 October) Official Committee Hansard, Retrieved from [https://parlinfo.aph.gov.au/parlInfo/download/committees/estimate/53068544-efe7-4494-a0f2-2dbca4d2607b/toc\\_pdf/Foreign%20Affairs,%20Defence%20and%20Trade%20Legislation%20Committee\\_2019\\_10\\_23\\_7285\\_Official.pdf;fileType=application%2Fpdf#search=%22committees/estimate/53068544-efe7-4494-a0f2-2dbca4d2607b/0000%22](https://parlinfo.aph.gov.au/parlInfo/download/committees/estimate/53068544-efe7-4494-a0f2-2dbca4d2607b/toc_pdf/Foreign%20Affairs,%20Defence%20and%20Trade%20Legislation%20Committee_2019_10_23_7285_Official.pdf;fileType=application%2Fpdf#search=%22committees/estimate/53068544-efe7-4494-a0f2-2dbca4d2607b/0000%22)

<sup>4</sup> Senate Standing Committee on Foreign Affairs, Defence and Trade, Answers to Questions on Notice, Portfolio Question number 12 from the Veterans' Affairs portfolio, Supplementary Budget Estimates 2019 - 2020 – 23 October 2019. Retrieved from <https://www.aph.gov.au/api/qon/downloadestimatesquestions/EstimatesQuestion-Committeeld5-EstimatesRoundld7-Portfoliold7-QuestionNumber91>

<sup>5</sup> Senate Standing Committee on Foreign Affairs, Defence and Trade, Answers to Questions on Notice, Portfolio Question number 36 from the Veterans' Affairs portfolio, Additional Estimates 2019 - 2020 – 4 March 2020. Retrieved from <https://www.aph.gov.au/api/qon/downloadestimatesquestions/EstimatesQuestion-Committeeld5-EstimatesRoundld8-Portfoliold7-QuestionNumber299>

<sup>6</sup> Senate Standing Committee on Foreign Affairs, Defence and Trade, Answers to Questions on Notice, Portfolio Question number 36 from the Veterans' Affairs portfolio, Additional Estimates 2019 - 2020 – 4 March 2020. Retrieved from <https://www.aph.gov.au/api/qon/downloadestimatesquestions/EstimatesQuestion-Committeeld5-EstimatesRoundld8-Portfoliold7-QuestionNumber299>

The cost of employing people through these outsourced arrangements is significantly more than the cost of employing staff as APS employees. Evidence provided to the APS Review suggested that it can cost 40 per cent more than an APS equivalent, more for ICT contractors.<sup>7</sup>

Despite this, people working through labour hire arrangements are still likely to receive less money than their APS counterparts due to the fees charged by labour hire companies. The CPSU is aware that Labour Hire providers charge a significant mark-up fee for providing DVA with its labour force. However, the real cost to DVA of this work is difficult to determine because of the lack of transparency in the tracking and reporting of these costs not only in DVA, but across the APS.

Based on CPSU analysis, if staff in DVA were able to be employed directly on a permanent basis, instead of through labour hire companies, it is estimated that an additional 400 APS staff could be employed to provide better services for veterans and their families. By maintaining the ASL cap and not allowing direct employment, the Government is forcing veterans to accept diminished services and a growing backlog in claims. By maintaining the ASL cap and not allowing direct employment, the Government is forcing people working under these arrangements to accept reduced working conditions, career opportunities, job satisfaction and income potential.

## Training staff

While improved IT platforms and simplified processes have made it easier for Veterans to make a claim, it also requires Departmental staff with delegations being sufficiently trained to process their claims. Inadequate training is affecting the ability of staff to process claims in timely manner.

The Department has “streamlined” the training staff with delegations receive to get them processing claims within 3 months. Previously, it took 18 months to get staff fully trained. This means staff no longer have 6 weeks of training before being placed in a team with a mentor and given a caseload that grew as their skills and experience improved. Staff no longer get 12 months medical concepts training which allowed them to read and assess medical reports.

One consequence of the new training arrangements has been an over-reliance by staff on medical officers for advice, leading to increased processing times. Due to the high caseload, an assessment of veterans’ medical eligibility that used to take one to two weeks, now takes three months with approximately 15 or 16 doctors working under contract.

In addition to the accelerated training, there is a move away from specialisation to generalist knowledge. Staff who are processing initial liability, needs assessment and permanent impairment claims are now expected to understand three different and

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<sup>7</sup> Department of Defence (2010, 6 April), SRP initiative information sheet: workforce and shared services: contractor conversions. Retrieved from <http://www.defence.gov.au/srp/infosheets.htm>

complex pieces of legislation (Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988, Military Rehabilitation and Compensation Act 2004 and Veterans' Entitlements Act 1986). They are not expected to be subject matter experts on a single piece of legislation. While this approach may enable more staff to process, this deskilling has implications for complex cases.

## Retention of Staff

Along with more permanent staff, the retention of existing staff is crucial to ensuring the delivery of quality services to veterans. Recruiting and training staff to be fully effective in their roles takes months.<sup>8</sup> Combined with a continued increase in claims received, it takes some months to improve processing times. Reducing the turnover of staff will help achieve this improvement.

DVA's growing reliance on an insecure workforce has led to higher turnover, as staff seek job security and better conditions, requiring constant retraining and leading to increased waiting times. Evidence provided to Senate Estimates revealed staff retention was significantly worse for non-ongoing staff than for ongoing staff. For the period 1 March 2019 to 29 February 2020, the turnover rate was 17.4 per cent for all staff, and 67.7% for non-ongoing staff.<sup>9</sup>

**Table 3: Turnover Rates<sup>10</sup>**

| Employee Group | Turnover Rate |
|----------------|---------------|
| Ongoing        | 14.5%         |
| Non-ongoing    | 67.7%         |
| Total          | 17.4%         |

Eligible veterans and their families deserve swift access to compensation entitlements and supports with minimal delay. Having a permanent APS workforce with secure jobs creates the foundation for faster, better services as corporate knowledge is retained and there is an incentive to invest in skills, resulting in an understanding of clients and more effective services. The quality and speed of claims processing and veteran support is improved with more training, more experience, and more time on the job. The current blended workforce model works in direct opposition to this.

8 Senate Standing Committee on Foreign Affairs, Defence and Trade, Answers to Questions on Notice, Portfolio Question number 37 from the Veterans' Affairs portfolio, Additional Estimates 2019 - 2020 – 4 March 2020. Retrieved from <https://www.aph.gov.au/api/qon/downloadestimatesquestions/EstimatesQuestion-Committeeld5-EstimatesRoundld8-PortfolioId7-QuestionNumber299>

9 Senate Standing Committee on Foreign Affairs, Defence and Trade, Answers to Questions on Notice, Portfolio Question number 19 from the Veterans' Affairs portfolio, Additional Estimates 2019 - 2020 – 4 March 2020. Retrieved from <https://www.aph.gov.au/api/qon/downloadestimatesquestions/EstimatesQuestion-Committeeld5-EstimatesRoundld8-PortfolioId7-QuestionNumber281>

10 Senate Standing Committee on Foreign Affairs, Defence and Trade, Answers to Questions on Notice, Portfolio Question number 19 from the Veterans' Affairs portfolio, Additional Estimates 2019 - 2020 – 4 March 2020. Retrieved from <https://www.aph.gov.au/api/qon/downloadestimatesquestions/EstimatesQuestion-Committeeld5-EstimatesRoundld8-PortfolioId7-QuestionNumber281>

## Quality Assurance

Given the turnover rate and the time it takes for staff to be trained, the CPSU has concerns about the possible impact on quality of decisions. Furthermore, the quality of decisions may also be affected by changes in legislation, for example, the recently passed Australian Defence Force Covenant Act 2019.

The Department has a Quality Assurance program which, on a quarterly basis, monitors the quality of decisions relating to veteran support and entitlements.<sup>11</sup> It is important to ensure there are no perverse incentives during the quality assurance process to game and meet performance indicators.

## Performance metrics and timeliness

The Australian Defence Force Covenant Act 2019 commits the Department to processing Military Rehabilitation and Compensation Act claims by Veterans within 90 days. However, it is impossible to know whether DVA is meeting its targets based on the performance metrics it uses. A previous audit in 2018 by ANAO into the Efficiency of Veterans Service Delivery by the Department of Veterans' Affairs stated that "*DVA's focus on the use of the median and the average TTTP does not provide a sufficiently complete picture of performance.*"<sup>12</sup> The accuracy and validity of its performance metrics have not improved since that audit.

DVA also currently does not publish data on:

- the number of cases on hand
- the number of conditions for each case
- the time it takes for cases to be assessed
- the length of time a case has been waiting to be processed.

Inexplicably, DVA will no longer publish *the median time taken to process* compensation claims. The 2018-2019 Annual Report stated it would move to the percentage of claims processed within the target time frame.<sup>13</sup>

DVA needs to regularly publish data on the number of cases and the time it takes to process claims. This would allow better public scrutiny of backlogs and assist in the monitoring and evaluating of the programs it operates. The investment in ICT and strengthened data and analytic capacity associated with Veteran Centric Reforms should make this easily doable.

11 Senate Standing Committee on Foreign Affairs, Defence and Trade, Answers to Questions on Notice, Portfolio Question number 36 from the Veterans' Affairs portfolio, Additional Estimates 2019 - 2020 – 4 March 2020. Retrieved from <https://www.aph.gov.au/api/qon/downloadestimatesquestions/EstimatesQuestion-Committeeld5-EstimatesRoundld8-PortfolioId7-QuestionNumber299>

12 Australian National Audit Office (2018) Efficiency of Veterans Service Delivery by the Department of Veterans' Affairs. Retrieved from <https://www.anao.gov.au/work/performance-audit/efficiency-veterans-service-delivery-department-veterans-affairs>

13 Department of Veterans' Affairs. (2019) Annual Report 2018-2019. Retrieved from <https://www.transparency.gov.au/annual-reports/departments-veterans-affairs/reporting-year/2018-2019>

## Conclusion

The attempts at Veteran Centric Reforms are worthy in their aims but are failing because of a flawed employment model and short cuts on staff training. This is exacerbated by a lack of transparency in tracking and reporting on real claims processing times and on the real cost of using a “blended workforce”.

People working at DVA care very much about the work they do in support of Australia’s veterans. However, unless the ASL cap is removed, the organisation is able to engage the staff it needs as ongoing APS employees, and some of the short cuts in training are reversed, the current issues with claims backlogs and other support issues will not improve.

Our veterans deserve better than this.

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