



ADVANCED PERSONNEL MANAGEMENT



Senate Education, Employment and Workplace Relations Committees

Inquiry into
The administration and purchasing of
Disability Employment Services in Australia

Submission of
Advanced Personnel Management (APM)

September 2011

About APM

APM is an Australian-owned provider of Employment, Workplace Rehabilitation and Psychological Services. APM deliver assessment, vocational rehabilitation and employment services for clients with an injury, disability or health condition in 229 sites nationally, including every state and territory. A significant proportion of the 80,000 people we have assisted in the past 12 months have a mental health condition.

APM's key focus is to optimise the social and economic participation in the Australian community. For over 17 years, APM has gained experience working within the Workers' Compensation, life/income protection and Compulsory Third Party insurance markets and providing consultancy services for employers.

APM is the largest private sector provider of Australian Government-funded Disability Management Services (DMS) and was a major provider of Job Capacity Account (JCAc) services until 31 December 2010 and Job Capacity Assessment (JCA) services until 30 June 2011.

APM assisted more than 80,000 Australians in the past year from over 400 locations spanning all 116 Employment Services Areas (ESAs). Our service reach extends from all capital cities to some of the most remote locations in Australia, such as Thursday and the Tiwi Islands. Our work with the Commonwealth Government and private sectors has provided us with experience working with people with a diverse range of disabilities, health conditions and injury types; together with an understanding of the socio-economic, personal, psychological and geographic challenges faced by many people in their day-to-day-lives.



The administration and purchasing of Disability Employment Services (DES) in Australia, with particular reference to the Government's 2011-12 budget announcement to undertake a competitive tender of the Disability Employment Services – Employment Support Services program for contracts with a performance rating of 3 stars and below under the Department of Education, Employment and Workplace Relations' DES Performance Framework, including:

(a) the impact of tendering more than 80 per cent of the current DES on the clients with disability and employers they support under the current contracts;

APM would like to highlight some of the background to the Employment Support Services (ESS) program:

- ▶ ESS has existed in many guises for over 20 years. Despite advice given over the last decade by two federal departments that this funding would be made contestable, this market testing will take place for the first time in 2012.
- ▶ The decision to tender the business of providers who are delivering at 3 Star or below has come into place following an intensive period of consultation with a wide range of stakeholders. It is APM's position that the Federal Government's decision to roll over the contracts of higher performing providers rated at 4 and 5 Star promotes the most effective outcomes for Australians with a disability who are seeking meaningful employment because the process recognises the high value work that is being performed by these superior providers. At the same time this approach provides for the best providers to continue to deliver high performing uninterrupted services to their Job Seekers.
- ▶ The ESS contract is estimated to be worth \$3 billion in Disability Employment Funding over the next four years. It is not a small program and represents substantial government expenditure. Appropriate mechanisms should be in place to ensure value is provided to the taxpayer. No substantial mechanism currently exists to ensure the best possible mix of providers are available to ESS Job Seekers.
- ▶ ESS is not a unique program in terms of its service delivery. Other programs exist that provide assessment, on and off the job support and job placement services to Job Seekers of an especially vulnerable nature including Disability Management Services (DMS) and Job Services Australia (JSA) Stream 4. Both of these programs have been to full tender on a number of occasions and both demonstrate that the tendering process has provided longer term improvements to the performance of these service types. APM supports the stated position of the Government in this regard:

"The Government's firm view is that people with disability deserve access to the very best possible services.

The work of the Productivity Commission, the recent history of improved outcomes from the introduction of DES show that competition between providers and the use of outcome payments leads to improved effectiveness and efficiency in finding better ways of achieving employment outcomes for job seekers.

DMS providers, whom under DES have delivered the strongest growth in employment outcomes, have been through a comprehensive competitive tender process." The Hon Kate Ellis MP, Minister for Employment Participation and Child Care, Address to the National Disability Services employment forum 2011.

Tendering provides a process by which the purchaser can examine the statement of potential providers' intentions to deliver and review the history of their success in this regard. APM expects that existing ESS providers, who are delivering good employment outcomes for Job Seekers, will be able to readily articulate their suitability to deliver on a future ESS contract and should not be significantly disrupted by this process. They are, in effect, giving voice to what should be their everyday business, as has been the case for up to 20 years of delivering this service. APM believes that providers must be exposed to the rigour of tendering on a periodical basis as this provides an essential accountability not unlike the same accountability process that ensures that governments face electors in Australia on a periodic basis.

APM views that there is a serious impact on the delivery of high quality services to ESS Job Seekers if a significant proportion of ESS is not tendered. Tendering has provided a sound process of ensuring the closest possible alignment between service requirement and provider capability to deliver on this. The examples of JSA and DMS tender outcomes offer assurance that Job Seekers and employers can be supported to their advantage through change in contracted providers.

(b) the potential impact of losing experienced staff;

APM considers that experienced and competent staff are unlikely to be lost to the industry as new providers will require capable staff. It also considers that, where new staff come into the industry on a managed basis, these staff may bring new ideas and help forge a new culture that will invigorate the sector to the benefit of its clients.

(c) whether competitive tendering of more than 80 per cent of the market delivers the best value for money and is the most effective way in which to meet the stated objectives of:

- (i) testing the market,**
- (ii) allowing new 'players' into the market, and**
- (iii) removing poor performers from the market;**

APM contends that the fundamental purpose of ESS is to provide an employment program that optimises the opportunities for Job Seekers to find work and to support them in that work to the extent necessary. If the service provider is performing at a below average rate, then surely the Job Seekers should have the opportunity to be serviced by a provider who will optimise their chances of gaining employment at an above average rate.

Job Seekers with disability have experienced historically lower participation rates in the Australian workforce. At this moment, employer demand for labour is heightened and there exists an historic point where Job Seekers with disability have an unprecedented potential to have meaningful employment. The ESS program is ideally funded and positioned to catalyse this potential and create the employment opportunity for Job Seekers with a disability. However, this opportunity will only be realised if there is a strong emphasis on measuring ESS provider success in achieving employment outcomes.

APM believes that the DEEWR Star Rating assessment method provides a sound basis to measure the success of organisations' capacity to optimise employment participation for Job Seekers with disabilities.

The competitive tendering process, with high emphases in the selection criteria on Star Rating success, in similar programs, has demonstrated that it provides an excellent mechanism by which a current cohort of providers can be tested against the market for value to the taxpayer and capacity to deliver on program goals. Where programs are new or have never been tested, a substantial tendering of business followed by iterative tendering of lower performing contracts has been shown to provide substantial improvement in client outcomes across the program. This market testing has led to new providers entering the market and providers with low performance exiting.

(d) whether the DES Performance Framework provides the best means of assessing a provider's ability to deliver services which meet the stated objectives of the Disability Services Act 1986 such as enabling services that are flexible and responsive to the needs and aspirations of people with disabilities, and encourage innovation in the provision of such services;

APM views the mechanisms provided under the Disability Services Act as providing excellent processes for evaluating whether providers deliver a quality of service in accordance with the spirit of the Act. The annual audit, together with feedback and sanction mechanisms, provides the structure by which quality can be best managed. APM views the performance framework as being the appropriate mechanism to assess a provider's ability to deliver performance under the Act.

(e) the congruency of 3 year contracting periods with long-term relationship based nature of Disability Employment Services – Employment Support Services program, and the impact of moving to 5 year contract periods as recommended in the 2009 Education, Employment and Workplace Relations References Committee report, DEEWR tender process to award employment services contract; and

APM supports the provision of five-year contract periods but only after there has been adequate testing of ESS provider capability via competitive tendering. APM contends that more than one iteration of tendering may be required to ensure that providers are demonstrating a capacity to deliver sustainable performance before longer term contracts are offered in this service stream.

(f) the timing of the tender process given the role of DES providers in implementing the Government's changes to the disability support pension.

APM views this matter as irrelevant to the question of whether a provider should be tested against the market for value to the taxpayer and potential clients utilising ESS.

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