



## **Submission to the Senate Inquiry**

### **The administration and purchasing of Disability Employment Services in Australia**

The Australian Rehabilitation Providers Association (ARPA) applauds the recent decision made by the Federal Government in relation to the procurement of disability employment services for people with disabilities.

ARPA, which represents providers of disability employment and workplace rehabilitation services across Australia, considers that the Government's decision to tender for contracts in 2012 in the disability employment sector is the correct one. This will ensure that the most vulnerable job seekers in Australia have access to the best services by high performing disability employment services providers.

The Federal Government has conducted an extensive and lengthy consultation process with industry and key stakeholders on this issue, spanning a number of years.

Following consultation, Minister Ellis has announced that the highest performing disability employment services providers (representing approximately 15 per cent of existing Employment Support Services (ESS) providers) will have their contracts extended. The remainder of providers will have the opportunity to demonstrate their capability to provide high quality disability employment services by a competitive tender. The tender process will provide the highest possible opportunity for the best delivery of services and ultimately, more Australians with a disability being placed in meaningful employment.

This is the first time that the market has been tested by a procurement process that will ensure that the best performing providers are providing this important service for persons with a disability, employers and the community.

This Government contract represents a substantial part of \$3 billion in Disability Employment Funding over the next four years.

ARPA welcomes the tendering of the Disability Employment Service (DES - ESS) and is calling on all providers to voice their support of this decision.

The Federal Government should be congratulated for making the right call on this important policy issue. Australians with a disability and Australia as a whole will be far better off in the long-term as a result of this decision.

## **Terms of Reference**

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:

## **ARPA National Response**

(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;

Disability Employment Services (DES) has not previously been subject to an open, competitive tender. The Government's intention in tendering is to ensure that the most disadvantaged job seekers in Australia have access to high performing employment services providers. The 2009 Expert Reference Group identified weaknesses in the performance of disability employment services and specifically identified providers had 'poor attention to developing skills required by local employers'. Despite this, existing providers were offered an invitation to treat for DES (ESS) and were not required to demonstrate how they would improve their service delivery to meet the requirements of the new disability employment services model, namely responding to individual circumstances, local labour market conditions and to employers.

The Job Services Australia Request for Tender provided an open and competitive procurement process ensuring that able bodied job seekers have access to high quality performers who have demonstrated the capability to meet the requirements of the new employment services model. That is, up-skilling of jobseekers to meet the needs of local employers and address skill shortages. These jobseekers compete with job seekers with a disability. This places job seekers with a disability at a further disadvantage, in a declining and highly competitive employment market. Providing a less competitive environment for the Disability Sector effectively discriminates against people with a disability.

The argument that an open and competitive tender will cause disruption to people with a disability is short-sighted and merely supports the status quo. Continuity is of little value if continuity means less than the best available. Australia is facing the impact of an unprecedented global financial crisis and declining employer confidence. In general, people with a disability are resilient and adaptable in nature. Short term disruption to their lives, due to a change in their Provider, is almost inconsequential to the long-term impact of unemployment and social exclusion.

People with a disability have a right to have access to a high quality provider who has strong labour market knowledge and can identify the opportunities in a changing and declining employment market. The Government, people with a disability and employers should be confident that if a provider is a good performer then they would be successful in a competitive tender process.

Furthermore Commonwealth Procurement Guidelines ensure that the tendering process encourages diversity, competition, accountability and transparency. This is in the interest of both people with a disability and employers.

(b) The potential impact of losing experienced staff;

Experienced staff members are by nature committed to the disability employment sector and loyal to organisations with whom they think they can make a difference to the lives of people with a disability. Organisations that are providing a quality service will benefit from retaining staff during a procurement process.

The disability employment sector is unlikely to lose staff to other sectors. Past experience has demonstrated that experienced staff will remain in the sector and any displaced workers will be absorbed by successful organisations.

(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;

In 2009, ARPA argued that the offer of an invitation to treat and therefore not requiring existing disability employment service providers to demonstrate their ability to deliver the new disability services model via a procurement process, would not deliver the best possible service and outcome for people with a disability.

Using the DES Performance Framework to identify high performing providers (approximately 15% of the market) and not requiring them to tender is sensible, fair and cost effective. The remaining market should be subject to a competitive tender to test the market, allow new players who can demonstrate capability into the market and to remove poor performers from the market.

(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;

The new employment services model, which commenced on 1 March 2010, required a significant change in the focus and service delivery model of employment providers, to address current economic and labour market demands. The Government recognised this and convened an Expert Reference Group to ensure that the performance management system matched the new employment services. The recommendations put forward by the Expert Reference Group were for a simpler, more transparent and more robust performance management system to match the new streamlined employment service.

ARPA is more than satisfied with the significant amount of consultation with the disability sector and Government resources dedicated to the development, implementation and refinement of the DES Performance Framework and Star Rating system for Disability Employment Services. As such, the DES Performance Framework is considered by ARPA to be fair, robust and evidence based and provides the best means of assessing a provider's ability to deliver disability employment services.

(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

ARPA supports a competitive procurement process to retain and attract high performing providers to the disability employment sector. Post procurement, continuity and certainty for people with a disability, employers and service providers should be provided for via a 5 year contract period as recommended by the 2009 Expert Reference Group.

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

The Government's changes to the disability support pension, which commenced on 1 July 2011, are being implemented by Centrelink to ensure effective, efficient and consistent application of Government policy. The procurement process, including transitional arrangements, should not significantly impact the implementation of the new arrangements for the disability support pension.