

15 December 2016

Disability Employment Services Reform 2018  
GPO Box 9820  
CANBERRA ACT 2610

Dear Sir/Madam,

**Department of Social Services Disability Employment Services Reform**

Thank you for the opportunity to respond to the *New Disability Employment Services from 2018* Discussion Paper. EML is delighted to see that the Australian Government is considering options for how it can improve the performance of the Disability Employment Services program. With more than 100 years' experience supporting injured workers and employers achieve high-quality, long-term employment outcomes, I believe EML can provide a valuable contribution to this reform process.

EML is Australia's largest employer-based mutual, with expertise working in workers compensation schemes in New South Wales, South Australia and Victoria. We employ a specialist team of 1,500 return-to-work experts nationwide, delivering positive employment and life outcomes for injured workers from more than 80,000 employers.

At EML, we are passionate about delivering sustainable employment outcomes. We believe our experience guiding injured Australians back into the workforce places us in an informed position to contribute to the four core improvement areas identified by the Disability Employment Taskforce:

1. Improving participant choice and control
2. Generating greater competition between providers
3. Developing better incentives for providers to service all participants equally
4. Engaging employer to hire more people with a disability.

This response does not attempt to answer each question posed by the Discussion Paper. Instead, we have provided succinct insights in those areas that we believe we are best placed to comment on, as aligned to the areas above.

If you would like any further information or to arrange follow up discussions, please do not hesitate to contact Simon Bailey, General Manager National Services at [s.bailey@eml.com.au](mailto:s.bailey@eml.com.au) or on 0466 433594.

Yours sincerely



**Mark Coyne**  
Chief Executive

# NEW DISABILITY EMPLOYMENT SERVICES FROM 2018

## Improving Participant Choice and Control

EML welcomes the Discussion Paper's calls for greater participant choice with respect to DES providers. Increased choice and control would encourage providers to innovate, require that they deliver high standards of service, and ensure they are attuned to the actual experiences of employers and people with disability to achieve positive employment outcomes.

EML also wishes to make the following further comments with respect to participant choice and control:

### Changing DES providers

EML supports the introduction of measures that will make it easier for participants to change providers. Participants are more likely to be motivated to achieve good employment outcomes if they are satisfied with the support they are receiving. If a participant feels that their provider is not helping them to achieve good outcomes, or that a different provider may deliver better outcomes, then change should be encouraged.

Modern technologies make engagement with participants easier than ever before, so traditional geographic constraints on providers no longer need apply. Assuming participants do not have to constantly re-tell their story, then placing limits on choice of provider may inhibit active participation in employment.

### Employment assessments and Job Plans

There is a significant opportunity to change how employment assessments are conducted. This will have the effect of improving Job Plans so that participants are provided with greater choice about employment pathways as well as the services they receive.

In particular, EML recommends that Job Plans be required to contain short-, medium- and long-term outlooks (rather than just adopting a short-term focus). This will promote the development of multiple career pathway options, resulting in greater choice for participants. Assessments and Plans should also consider previous barriers to employment, transition opportunities (such as graded work) and the use of natural supports to improve success rates of placements.

Finally, if Job Plans are to succeed, providers should be required to report participant outcomes to participants and the Department on a regular basis, while the Department should aggregate results to measure provider performance.

### Information for participants

Access to reliable and easily digested information about services and providers is paramount for improving participant choice and encouraging ownership of Job Plans. Information that excites participants about the prospect of employment and clarifies the steps that must be taken in order to gain it would go a long way towards creating a pro-employment mindset for participants. This information could be delivered concurrently by the Department and providers.

If there were to be greater participant choice of providers, then many providers would likely be incentivised to offer more information about their offerings, including service diversity and offerings, the extent of their employer networks, performance outcomes, success stories etc.

### Participant controlled funding

EML welcomes the Discussion Paper's consideration of individualised funding. Were a more rigorous assessment and Job Plan approach to be implemented, drawing on the recommendations made above, then we anticipate that individualised funding could promote better employment outcomes.

Access to personal funds is likely to give participants a greater sense of empowerment and control over their employment pathway. This would encourage participants to more actively engage with their career's development and make it less likely that they adopt a passive relationship with their provider, helping them to achieve better employment outcomes overall.

As a component of the Job Plan, funds should be attached to the achievement of agreed employment outcomes. This would create sense of 'agency' between parties and motivate participants to be accountable for their performance.

## **Driving greater competition and contestability in the delivery of DES**

### **Competition and contestability**

EML supports the Discussion Paper's recommendation that the Department amend its procurement process to encourage greater competition and contestability in the delivery of DES. Evidence in other areas of the social services sector demonstrates the superior outcomes that competitive and contested marketplaces can deliver for participants. EML is confident similar positive outcomes could be achieved with respect to the employment of disabled persons.

Diverse, competitive markets that listen to their customers – in the case of the DES market, this includes both participants and employers – and innovate to improve value and maintain competitive advantages will always deliver better outcomes. EML believes that the adoption of measures that make it easier for new providers to enter the DES market will bring fresh perspectives and experiences to the delivery of DES.

In EML's opinion, the three key elements that characterise successful providers include: (i) a comprehensive network of employers to draw upon, (ii) an individualised approach to Job Plan development, and (iii) a partnership approach to sector development with the primary purchaser (the Department). The Department would be advised to seek providers that satisfy these criteria if it hopes to improve DES outcomes.

With respect to the criteria for new DES Panel providers proposed by the Discussion Paper, EML believes that the Discussion Paper's suggestion that the Department should create a Panel of prequalified DES providers makes a lot of sense; in our experience, robust Panel arrangements are effective so long as they are subject to regular review. We generally endorse all of the Discussion Paper's comments about a DES Provider Panel

Entry into and continued operation within the DES market should be based on the provider's delivery of customer outcomes and value i.e. based on performance metrics. In EML's experience, one of the most successful aspects of workers compensation markets in states that outsource the management of claims has been the development of cultures of competition based on performance. Competition to get to the top of the performance ladder has historically driven individual agency improvements and overall scheme success. As such, EML recommends that the Department conduct further research into these workers compensation and other social insurance schemes to assess the applicability of their performance approaches. Of course, if existing market share restrictions are also removed, then it is likely providers would have an even greater incentive beyond competition to improve their performance, so that they can attract new customers.

Notwithstanding our comments that introducing new DES providers will bring fresh perspectives, create competition, promote innovation and improve performance, the Department should be mindful that opening the market could create oversight challenges. Therefore, a balance will need to be struck between ensuring there is a sufficient number and diversity of providers in the market to ensure participants have choice whilst minimising market scenarios that lead to an uncompetitive sector. EML suggest that the Department investigate similar markets in social insurance and welfare schemes to identify best practice contract management, including how to enact 'step in' options should competition decrease.

### **Employment Service Areas**

Participants should have the option of choosing between either a local or national service provider depending on their aspirations and/or the employment opportunities available in their area. The needs of large national employers should also be taken into consideration – it is likely they will be more likely to take on participants if they can deal with national providers. Often, recruitment by these employers isn't undertaken locally, so limits created by the formation of ESAs may jeopardise large employer participation.

## Aligning incentives to support better outcomes

### Fee payments

It is possible to reform the DES market so that it is more clearly geared towards delivering customer (participant and employer) outcomes and promoting innovation and investment by paying providers fees based on their performance. Fees paid to providers should encourage participant-centric service models aimed at getting participants into sustainable jobs. If fees are tied to results, this will create an outward pressure on providers to improve their performance, incentivising investment in innovation and promoting the development of partnerships that enhance employment outcomes.

A mechanism to facilitate a participant-centric model is to implement a comprehensive Scheme and provider 'Voice of the Participant' (VoP) (including employers). Such a program can inform the ongoing shape of the new DES market. Detailed insight will enable Government to use this to regularly disrupt the sector to facilitate diversity in the market and could consider having VoP metrics aligned to incentives within DES provider contracts.

EML recommends that the Department examine the fee structures of other employment-oriented statutory schemes (e.g. workers compensation, motor accident, life) to inform the design of DES fee payments.

## Building Employer Demand

EML's extensive network of more than 80,000 employers nationwide gives us deep insight into what drives employers to participate in disability employment schemes. Based on this network, we would reiterate the findings of a report released by the Australian Chamber of Commerce and Industry in February 2013, - *Improving the Employment Participation of People with Disability in Australia – ACCI Response* which found that the three biggest barriers to employment for people with a disability are:

1. Lack of skills and workforce preparedness, including a lack of technical or discipline specific skills.
2. Lack of employer engagement by employment service providers.
3. Perceptions and misconceptions held by employers in relation to employing people with a disability.

### 1. Lack of skills and workforce preparedness, including a lack of technical or discipline specific skills

EML recommends that the Department consider the following options for improving the skills and preparedness of participants:

- An 'apprenticeship' job placement model: An opportunity exists to blend job placements with a streamlined Vocational Educational Training (VET) processes. This approach would share the educational development of participants between employers and VET providers, with support from the participant's DES provider.
- Many young people earn money via part-time work. This provides valuable work experience and insights into the nature of employment. However, these opportunities are rarely readily available to people with disability. Access to part-time work experience through DES support *prior* to leaving school may offer an opportunity to build workforce preparedness in young disabled persons, making them more likely to achieve successful DES outcomes later on.

### 2. Lack of employer engagement by employment service providers

In EML's experience, the most important factor in facilitating a return to work is engagement with employers, and especially with day-to-day supervisors. Building awareness of an employee's situation, providing the right information, tailoring supports for participants and supervisors and, if appropriate, providing incentives for employers are all important for achieving positive outcomes. Furthermore, our in-depth research of employer experiences tells us that, in order to ensure employers feel confident and supported, the following must occur:

- service providers should be cognisant of the impacts that employment of the employee can have on running businesses
- service provider processes should be designed for employers as well as participants

- service providers must be aligned with the employer's company values, be solution focussed and be responsive to employer concerns.

### **3. Perceptions and misconceptions held by employers in relation to employing people with a disability**

EML's deep understanding of employer attitudes and behaviours expertly positions us to identify opportunities for improving employer participation. In our experience, employers are reluctant to employ disabled people for three main reasons:

1. A lack of understanding about disabilities and a concern that disabled employees may carry a greater risk of injury (to themselves and/or co-workers).
2. A belief that disabled employees may be less productive than a non-disabled employee, which could impact on the experience of other employees.
3. A concern that disabled employees may be more costly to support (e.g. due to higher human resource costs, costs of equipment modifications and aids, cost of workers compensation insurance etc.).

We believe that the solution requires a more comprehensive case management approach to DES delivery. Employers can be supported by providers giving them a better understanding of the specific needs of their employee and a comprehensive participant assessment and planning regime, addressing the concerns some employers may have and facilitating the improvement long term employment outcomes.

#### **Building Employer Demand**

EML supports the Department trialling proposals for initiatives developed by employers. The Department may want to consider encouraging partnerships between multiple parties for these trials, including between existing providers, potential future providers, employers and other support services to test new ways of building employer demand, capacity and capability.

## About EML

- EML is Australia's largest employer-based mutual, operating for over 100 years. We have managed more than 45,000 personal injury claims back to work, making us Australia's leading return-to-work expert.
- We are proud of our reputation as a return to work claims management specialist, with current contracts in place for Workers Compensation and Life Insurance for several state governments (NSW, VIC, SA) and large non-government organisations (Woolworths and AMP Life).
- We understand the nuances of the public sector, having been a scheme agent for the NSW Government's SICorp Treasury Managed Fund since 2005. Under this scheme, we managed the largest individual long tail claims portfolio (in terms of liabilities) and delivered claims services to more than 7,500 injured workers.
- EML differs from all other insurers. We do not engage in general insurance products; we are the only specialist return to work claims manager operating as a mutual, whereby approximately 50% of our profits are returned to members.
- Our Board has mandated that 50% of EML profits be reinvested through member benefits, with the remaining 50% to be used to build capital reserves. Under this direction, over the last ten years, EML has provided more than \$35 million in support of members and their associations through a myriad of projects, many of which are at the cutting edge of return-to-work and independence.
- We are passionate about promoting early and sustainable outcomes for clients, as well as for keeping costs affordable for our members. We pride ourselves on understanding the experience we deliver to clients and consistently achieve industry leading return-to-work and independence outcomes and our record for success through new and ongoing government contract renewals speaks for itself.
- Our experience and extensive staff training shows that key strategies such as early intervention, effective return-to-work planning and quality stakeholder engagement ensures clients achieve their outcomes faster.
- EML is governed by an experienced and independent Board, which is widely acknowledged for its conservative risk appetite and long-term outlook.
- EML has experienced significant growth on the back of its record of good performance. Today, EML employs 1,500 return to work claims and life insurance experts across Australia, up from 130 employees ten years ago, with approximately 40,000 claims under management.