

Australian Federation of Deaf Societies

Submission to the Inquiry into the administration and purchasing of Disability Employment Services in Australia

29 September 2011

Summary

The Australian Federation of Deaf Societies (AFDS) is concerned about the Department of Education, Employment and Workplace Relations (DEEWR) planned procurement intentions for Disability Employment Services—Employment Support Services (DES-ESS).

DEEWR's current position to release to tender 80% of DES-ESS business share puts the services we provide to our clients, many of whom are highly disadvantaged, at risk.

The business share of the least effective DES providers should be tendered. We believe this should mean that the tender should be directed only on the business share provided by DES providers who are achieving a Star Rating of 1 and 2.

AFDS further seeks to improve the quality of support provided to our DES-ESS clients by strengthening the connection between the Disability Service Standards and the DES performance framework, aligning the two more closely.

Recommendations

The Government should offer ESS providers who are performing well (have a star rating of 3, 4 or 5) an Invitation to Treat for current business share. Tendering should be restricted to the poorer performers which have a star rating of 1 and 2.

AFDS believes people with disability should be assisted by DES providers which are performing well; and testing poor performers through a competitive tendering process is appropriate.

AFDS believes the performance framework for DES should be reviewed in order to better align the DES contract model with the objects of the Disability Services Act (DSA).

AFDS supports a move to longer contract periods.

DES providers that are performing well—have a 3, 4 or 5 star rating—should not be required to tender at this time.

Background

The Australian Federation of Deaf Societies (AFDS) was established in 1966 as the peak body representing Deaf Societies throughout Australia. The members are:

- The Deaf Society of New South Wales
- Deaf Services Queensland
- Deaf CanDo (South Australia)
- Tasmanian Deaf Society
- VicDeaf
- Western Australian Deaf Society

The vision of the AFDS is for access and equality for all. The comments provided in this submission are based on expertise in service provision to the Deaf Community. While not a consumer representative body, we work closely with Deaf Australia, the consumer representative body for the Deaf Community in Australia.

Four members of AFDS currently provide DES: The Deaf Society of New South Wales; Deaf Services Queensland; VicDeaf; and the Western Australian Deaf Society. While three AFDS DES providers have generalist contracts with DEEWR they retain a specialist focus on Deaf and hard of hearing clients.

Introduction

Although Australia has experienced significant economic growth over the past decade and increasing demand for labour, the employment rate of people with disability remains low. Australia's rate is below the OECD average and between the mid-1990s and the mid-2000s the rate actually fell.¹

In this context, the Government's relatively low investment in employment support services is hard to understand. For every dollar it spends on the Disability Support Pension, the Australian Government spends less than five cents on disability employment services², exemplifying the OECD observation: "Not enough resources go to ALMPs [Active Labour Market Programs] in comparison with what is spent on compensation [income support]."³ Of particular concern is that the Government's

¹ OECD Background Paper, *Sickness, Disability and Work: Keeping on Track in the Economic Downturn*, 2009.

² In 2008-09 expenditure on Disability Support Pension was \$11,156 million and expenditure on employment under the CSTDA/NDA was \$540.7 million.

investment per service user has declined sharply. Although total expenditure on employment services funded under the National Disability Agreement increased between 2003-04 and 2008-09, expenditure per employment service user declined by 24%⁴. This is a significant drop.

The employment of people with disability is important for both social and economic reasons; it is a gateway to opportunity. By contributing to the community through meaningful employment, people with disability form friendships, earn income and gain independence. It is an important life stage for people with disability just as it is for other Australians.

The employment of people with disability is also critical to meeting Australia's labour market challenges; increasing their employment rates will help Australia deal with the challenges of the ageing population. DES is an important part of the policy response to this problem. The most direct way to reduce the impact of the ageing population is to increase labour force participation from those currently outside the workforce. This has three direct economic benefits:

1. it reduces the cost of income support (primarily from the DSP) as people with disability gain some employment income reducing pension payments;
2. there will be an increase to the tax base from additional employment; and
3. increased incomes generated by increased employment produces flow on benefits to the economy through natural 'multiplier' effects to other sectors.

DES is an effective program targeted directly at increasing labour force participation, especially for those not in the labour force; and it is a central part of the labour force participation agenda as well as being an important social policy program. Purchasing policy decisions of Government need to be focused on empowering DES to best support this participation agenda.

Responses to the Senate Inquiry Terms of Reference

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

AFDS does not support the decision of the Government to impose competitive tendering on the majority of providers in the ESS program of DES. Applying a tender process to more than 80 per cent of the market will incur costs far greater than any potential benefits. Such costs go beyond the cost to service providers of preparing tender documents, although these costs will be significant.

³ OECD Background Paper, *Sickness, Disability and Work: Keeping on Track in the Economic Downturn*, 2009, page 41

⁴ AIHW, *Disability Support Services 2008-09 – Report on services provided under the CSTDA/NDA*, Jan 2011, Page 11.

A tender of most of the market share will undermine the extensive investment existing providers have made in developing ongoing relationships with employers; an employer who has taken on a client of a DES successfully is much more likely to take future clients from that same DES provider. These relationships are not directly transferable to new providers.

AFDS is concerned that tendering most of the market share will also impact on direct referrals/registration. 'Direct registration'—provided for under clause 83 of the current Deed 'Direct Registration of Participants without a Referral'—is when a person approaches a DES provider without a referral from Centrelink and is an Eligible School Leaver, a Special Class Client, a Job in Jeopardy Participant or has a valid JCA referral. They can be directly registered. In the ESS stream, there is significant reliance on direct registrations.

DEEWR data shows that since the start of the DES scheme, direct referrals have constituted 31% of total new registrations in ESS; it is a significant and growing element of the program. These directly registered clients are 'volunteers' in the strongest sense; they have no participation requirements and have engaged with a DES provider because they trust that provider and they want to work. Such clients show the commitment that allows DES providers to best assist them to find work. The outcome rates are, in aggregate, much higher for this voluntary group than for job seekers with participation requirements. If this form of community pathway is lost through a tender process, voluntary job seekers are likely to withdraw from the labour market.

AFDS is concerned that the tender process of more than 80 per cent of the market is to occur at a time when critical evaluation data for DES is not yet available. Although the scheme has been in operation since March 2010, current DEEWR data is not yet sufficiently complete to form an assessment of how well the scheme is working relative to previous contract models. DEEWR's Interim Evaluation of DES has not yet produced data on the retention rate to 26 weeks of DES participants who were placed in employment.

Providers with a 3, 4 or 5 star rating are providing a good service to the people they assist. AFDS, therefore, calls for a more limited tender process for ESS.

Recommendation:

The Government should offer ESS providers who are performing well (have a star rating of 3, 4 or 5) an Invitation to Treat for current business share. Tendering should be restricted to the poorer performers which have a star rating of 1 and 2.

b. the potential impact of losing experienced staff

For most people, job uncertainty encourages them to seek other employment; DES employees are no different. And in an environment where a good performance—that results in a 3 star rating—is deemed to be not good enough to automatically retain an ESS contract, the message is damning. Good employees, concerned about the prospect of losing business (and therefore jobs) are already seeking work outside the sector.

The role of an Employment Consultant within DES is a skilled one. And this is particularly so for Employment Consultants employed by AFDS members who are generally required to have signing skills as well as more general disability, employment and marketing knowledge and skills. Good staff with the skills and qualifications necessary to assist people who are Deaf or hearing impaired are hard to find. Losing them comes at a great cost.

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:

- a. testing the market;**
- b. allowing new ‘players’ into the market; and**
- c. removing poor performers from the market**

The proposed conditions for the competitive tendering will not deliver the best value for money; they will detract from service provision and the quality and quantity of support available for clients, will be costly to providers, and will result in a significant loss of skilled staff.

AFDS accepts that the market share of poorer performers (having a star rating of 1 or 2) should be subject to tender. Disadvantaged job seekers should have some assurance that the DES provider assisting them provides a good service; the star rating system is the current—albeit flawed—way of measuring performance.

AFDS accepts that an open tender could allow new players into the market.

Recommendation:

AFDS believes people with disability should be assisted by DES providers which are performing well; testing poor performers (providers who achieve a 1 or 2 Star Rating) though a competitive tendering process is appropriate.

- 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 current performance framework for DES is imperfect. The framework focuses on relative performance at Employment Service Areas (ESA) level using complex regression techniques that introduce uncertainty into performance measurement and reduce the capacity of providers to serve the fundamental objectives of the Disability Services Act (DSA). The performance framework only recognises the raw metric of job placements and outcomes, while not measuring quality of support provided nor the quality of the actual job placements. Rather than encouraging innovation in service provision, it encourages a narrow focus on output, which can be detrimental to the needs of our clients.

Recommendation:

AFDS believes the performance framework for DES should be reviewed in order to better align the DES contract model with the objects of the DSA.

- e. the congruency of three year contracting periods with long-term relationship based nature of Disability Employment Services—Employment Support Services program, and the impact of moving to five year contract periods as recommended in the 2009 Education, Employment and Workplace Relations References Committee report, DEEWR tender process to award employment services contract**

AFDS believes that they current three year contracting periods do not support the complexity of the work done within DES and undermine the critical importance of creating and sustaining the relationships with employers necessary to place people with disability into meaningful, sustainable employment.

The clients of DES frequently have multiple barriers to employment; their primary disability being just one. Understanding their employment aspirations, and training and support requirements, requires the development of highly effective relationships. Achieving this takes time.

A large percentage of clients who receive support from AFDS Disability Employment Service providers are Deaf and are sign language users. They belong to a community which has a unique language and culture. To successfully work within this community, a DES provider must have a good reputation. This requires:

- a thorough understanding of the issues faced by the Deaf Community;

- the ability to communicate proficiently in sign language (and not just through an interpreter or with written notes);
- a bi-cultural perspective; and
- an established and valued history within the Deaf Community.

Many members of the Deaf Community share information mostly through “word of mouth” (using a sign language modality) and within internal networks. AFDS members have existed for well over 100 years; they are a hub for information sharing. To successfully provide employment support to people who are Deaf, access to these networks is needed, along with a respected reputation. Reputation takes time to build.

In general, the current three year contract arrangement does not work in favour of providers finding and maintaining employment for a person with disability. A significant amount of time, which can be 12–18 months, is spent preparing a client for employment—this may include training, work experience placements, volunteer work or work trials. For jobseekers who are Deaf, this can be an intensive and critically important period, and it can require a significant investment of time.

For some deaf workers, on-the-job support can be very time intensive and may need to be provided for many years (largely due to their language needs). Although the Employment Assistance Fund (EAF) can provide funding for interpreters in the workplace, the capped amount of \$6000 per annum means that EAF alone is insufficient.

Forging strong relationships with employers (including prospective employers) is time consuming. Finding employers with the right mix of capacity and attitude to place clients with complex needs is not easy. And once found, considerable effort needs to be made to understand their needs and ongoing support requirements. For many people with disability, effective ongoing support to them and their employer is essential to maintaining the employment relationship.

Finally, the preparation of tenders is time-consuming and expensive. It diverts time and energy from the core business of providing employment support to those who need it.

Preparing for and writing tenders every three years diverts energy and time away from our core business: providing employment support to those who need it. In addition, a new three-year cycle usually introduces changes to the service model, along with changing administrative requirements of a new funding deed. Adapting to these changes takes time and decreases the amount of time that can be spent supporting clients.

Recommendation:

AFDS supports a move to longer contract periods.

f. the timing of the tender process given the role of DES providers in implementing the Government's changes to the Disability Support Pension

AFDS is concerned that the proposed tender for 3 star rated ESS providers will be costly, disruptive and damaging to the scheme at a time when it is adjusting to potentially higher caseload associated with changes in eligibility for the DSP. This should be avoided.

Additionally, the changes to the DSP (announced in the May budget this year) regarding the eligibility process for DSP, as of 3 September 2011, requires all applicants to undertake an 18 month period of assessment to prove that they cannot work. That referral to a DES provider can form part of the assessment means that providers are very likely to see an increase in clients who either cannot work or who are actively disengaged from the job seeking process. The impact on the performance framework for DES (including job placements, time to placement, and outcomes) could be significant.

The changes made to the Impairment Tables in January 2012 will see an increase in those clients who would previously have been eligible for the DSP (and who do not want to work) being required to register for employment support. The potential for this to impact DES performance is also high, as providers deal with a mix of clients and client needs.

Recommendation:

DES providers that are performing well—have a 3, 4 or 5 star rating—should not be required to tender at this time.

For further information please contact:

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Australian Federation of Deaf Societies