

26<sup>th</sup> September 2011

Committee Secretary  
Senate Education, Employment and Workplace Relations Committee  
PO Box 6100  
Parliament House  
Canberra ACT 2600

## **Submission to the Senate inquiry on the Administration and Purchasing Of Disability Employment Services in Australia**

Dear Sir/Madam,

Jobsupport welcomes the opportunity to have input into the Senate inquiry examining the Administration and Purchasing of Disability Employment Services in Australia. Australia has a proud record as a leader in the provision of employment services for people with a significant disability. We are the only country in the world to have uncapped these services.

Jobsupport's comments are limited to four areas. The first three areas are recommendations for fine-tuning. The fourth is a recommendation for an investigation that could result in a significant change.

### **1. The appropriateness of current contract funding levels for use in the contract extension and the next contract**

Jobsupport is a specialist service catering for people with a moderate intellectual disability (IQ  $\leq$  60). Very few services work with this population. Most services cater for people with a milder intellectual disability.

Jobsupport's outcomes are much higher than the industry average for people with an intellectual disability. The DEEWR presentation at the September 2011 NDS Conference reported that 14% of Disability Employment Service clients with an intellectual disability achieved a 26-week outcome (Kemp, slide 9). DEEWR's June 30, 2011 Health Checks show 67% of Jobsupport's clients as having achieved a 26-week outcome.

Funding for disability employment services following the Case Based Funding trial was based on average costs regardless of type of disability. The Case Based Funding Trial Final Evaluation Report (Commonwealth Department of Family and Community Services, p 141-142) indicated that intellectual disability was more expensive within each funding band than other types of disability. It is arguable that all levels of intellectual disability have been under-funded for a decade.

Jobsupport clients have been further disadvantaged because people with a moderate intellectual disability require more atypical jobs and take longer to train than people with a milder intellectual disability, resulting in higher costs.

Jobsupport's much higher outcome rate means that its cost per 26-week outcome is much lower than the industry average for people with an intellectual disability. The average client with an intellectual disability receives approximately \$9,167 in the placement phase of funding but the cost per 26-week outcome is \$65,476 because only 14% achieve a 26-week outcome and 86% fail to do so. Jobsupport's average client funding during the placement phase is approximately \$22,698 and appears more expensive however Jobsupport's cost per 26-week outcome is only \$33,788 because 67% of clients achieve an outcome and only 33% fail to do so. (Attachment 1 provides details of these funding and cost estimates)

It is also important to note that whilst the placement phase is relatively expensive the ongoing support phase is not and over time pension and tax savings mean that placing people with an intellectual disability into open employment is much cheaper for the taxpayer than the Australian Disability Enterprise (ADE) and State activity program alternatives. A 2005 Econtech report (Econtech, p 14) found that the net budget cost to the taxpayer of a Jobsupport client employed in open employment was \$1,692 per annum whereas an ADE (supported employment) cost \$6,358 and a state activity program (Post School Options) cost \$15,699. The figures are dated however the relative costs would be similar today.

Low-outcome services are able to remain financially viable within the current funding formula more easily than high-outcome services. Job search and onsite training are the most expensive components of an open employment service for people with an intellectual disability. In low outcome services the funding from the high proportion of non-placed clients can be used to subsidise the cost of the small proportion of clients who are placed. In services with a low outcome rate, placements are also likely to be limited to the jobs that are found relatively easily and to the clients who are easier to place. It is important that the funding formula allows high outcome services to remain viable and this could be achieved by attaching additional funding to the outcome payments.

Jobsupport would have become financially non-viable on two occasions over the last decade (despite our high outcomes and low cost per outcome) without interventions by the Minister's Office and senior DEEWR officials. Minister Dutton intervened in 2005 to ensure Jobsupport's viability under the 2006-2009 Contract and Minister Arbib intervened in 2010 to ensure Jobsupport's viability under the current contract. Under the current contract a 70% loading was introduced for people with a moderate intellectual disability. Both interventions were in response to support hour data that demonstrated Jobsupport's actual costs. Jobsupport greatly appreciates the bipartisan support we have received and the support of senior DEEWR officials.

Jobsupport is concerned that there has been no indexation of funding since December 2007 (the CPI has risen by 11.4% over the 3.5 years to June 2011). Our understanding is that no funding indexation is planned for either the current contract extension or the next contract period. The CPI could rise by a further 12% between

July 2011 and June 2015. A lack of indexation for 7.5 years resulting in reductions in real funding of 20-25% isn't sustainable.

In the past support hours data was collected. It is important that:

- The collection of support hours data is resumed to ensure that funding arrangements reflect real costs by type of disability and where possible severity of disability.
- Funding arrangements aren't based solely on the funding received by average outcome services to the detriment of higher outcome/lower cost per outcome services.
- Funding levels are periodically reviewed using support hours data and that between these reviews funding is indexed.

### **Recommendations**

- Resume collecting support hours data on every client to enable the real cost of achieving a 26-week outcome to be calculated for each disability type. Other factors such as severity of disability should also be considered where possible.
- Funding arrangements should be mindful of the costs of high outcome/low cost per outcome services. Higher funding should be attached to the outcome payments based on the costs of high outcome services.
- An indexation catch up should be introduced for the current contract extension and funding should be indexed each year thereafter.

## **2. Competitive tendering, ongoing support and unmet need**

The Disability Services Act 1986 defined its target population as 'persons with a disability that results in a substantially reduced capacity of the person for communication, learning or mobility and the need for ongoing support services' (Baume, p25). Today the Employment Support Services (ESS) program caters for a wider range of clients, only 38% of ESS clients are on the Disability Support Pension (DSP) and only 10,855 clients receive ongoing support (DEEWR, p12 and p28).

Jobsupport supports Minister Ellis's goal of 'removing poor players from the market'. It is important that there are consequences for poor performance. People with disabilities who require placement but no ongoing support are not significantly disadvantaged if a service loses its contract due to poor performance. Technical assistance to assist poorly performing services is more likely to be effective if there is a reason to change current practice.

Clients receiving the DSP, who have volunteered for work and require ongoing support, are arguably a different category. Many of these clients would not have attempted employment without the guarantee of ongoing support from the service that placed them. Similarly many employers would not have taken on a person with a significant intellectual disability without the guarantee of ongoing support from the service that placed them. There is a real danger that many of these clients could lose their jobs if their support service changes.

Jobsupport suggests that services with 3 stars or more should be allowed to continue to operate as direct registration services for DSP eligible clients and retain their

existing ongoing support caseload. These services would not have a 'share of business' unless they successfully tender for it. More DSP clients would be encouraged to attempt employment and ongoing support relationships would be protected.

Jobsupport recommends that outcome and retention data should be publicly available for every service across Australia at the Labor Market Region (LMR) level by type of disability and also where possible by severity of disability. Individual service data by type of disability would not be viable at the smaller Employment Services Area (ESA) level because the numbers would be too small. DSP recipients are volunteering for work, they want to know each service's success rate for their type of disability. The publication of results would put pressure on under-performing direct registration services to improve because clients would vote with their feet. Overall outcome rates would increase if more direct registration clients entered higher outcome services. Allowing Centrelink DSP referrals to choose their service based on performance data would also increase outcomes for the same reason.

Unmet need. The current contract cycle and tendering arrangements only allow services to tender to establish a new service every three years. Very few people with a moderate intellectual disability in Victoria achieve open employment. When Jobsupport established a small self funded service in Melbourne in 2008 in preparation for the next tender round expected in 2009 it was necessary to fly both parents and teachers up to Sydney before they would believe that employment was possible for school leavers with a moderate intellectual disability. The Melbourne service is meeting an unmet need and is not taking business away from any existing providers. The funding that Jobsupport assumed would be available from June 2009 will not now be available until March 2013. It is difficult for Jobsupport to self-fund a Melbourne service and build up the direct registration feeder systems when tender rounds are delayed.

If DEEWR outcome and retention results were published at the LMR level by type of disability and where possible by severity of disability it would be possible to identify areas where the needs of particular disability groups, such as people with a moderate intellectual disability, were not being met. The introduction of a direct registration stream could provide an opportunity for services with outstanding performance (e.g. 20% or more above average 26-week outcome rates for the relevant client group) to establish specialist direct registration services to address a specific unmet need identified by the DEEWR data.

### **Recommendations**

- Protect ongoing support clients by allowing services that are 3 star or better to retain their ongoing support clients and continue as a DSP direct registration only service with no share of business.
- Publish outcome and retention data for every service at the LMR level by type of disability (and where possible by severity of disability) to allow direct registration clients to identify better performing services.
- Allow DSP recipient Centrelink referrals that are volunteering for work to choose their service based on LMR level disability specific outcome and retention results for each service.

- Publish disability specific outcome and retention results by disability type (and where possible by severity of disability) for every LMR across Australia.
- Allow services to establish specialist direct registration services at any time where a need can be demonstrated using DEEWR data and where the service has an outstanding track record with the relevant population.

### **3. The DES performance framework**

DEEWR deserves praise for introducing KPIs and for publishing Star Ratings. Jobsupport believes that the placement and outcome KPIs (55% of the weightings in the current star ratings) are sound but recommends that the remainder be reviewed prior to the next contract.

Jobsupport's Star Ratings are very good. Every ESA that received a June 2011 rating was awarded 5-Stars. Projecting forward we expect to receive 5 star ratings in the remaining four ESAs in March 2012 (in June 2011 the numbers in these four ESAs were too small for a rating).

Jobsupport is concerned that 25% of the weighting in the current Star Ratings is for KPIs that are not relevant for Jobsupport's client group. For example, people with a moderate intellectual disability are not eligible for bonus outcomes because they do not achieve qualifications. Jobsupport is also concerned that the Star Ratings awarded at ESA level are not appropriate for specialist services that cater for thinly spread populations. It can be difficult to find sufficient clients at ESA level for a Star Rating when the population incidence is only 1 in a 1000. Star Ratings can also be very volatile when client numbers are small. A Centre for International Economics (CIE) report that explores these issues is attached.

#### **Recommendations**

- Review the current KPIs prior to the next contract.
- Allow Star Ratings for specialist services to be calculated at the LMR level.

### **4. Protecting high support need clients**

The Disability Services Act 1986 defined its target population as 'persons with a disability that results in a substantially reduced capacity of the person for communication, learning or mobility and the need for ongoing support services' (Baume, p25). Originally most clients were on the DSP and most had an intellectual disability. Today the ESS program caters for a wider range of clients, only 38% of ESS clients are on the DSP and only 10,855 clients receive ongoing support (DEEWR, p 12 and p 28).

Jobsupport is concerned that:

- The latest FACSIA census data shows shows the numbers of people with an intellectual disability in open employment plateauing between 2000/01 and 2006/07 (Attachment 2 refers).

- The latest AIHW data shows the numbers of people with an intellectual disability in open employment plateauing between 2003/04 and 2008/09 (Attachment 3 refers).
- The 2011 interim evaluation report shows that the number of people with an intellectual disability entering the Disability Employment Services program went down by 24.8% between 2009 and 2010 (DEEWR, Table 3.3).

The 1985 Report of the Strategic Review of the Disability Services Program warned about the unintended exclusion of higher support clients. 'Those responsible for the program should ensure that no perverse incentives are created in the program which disadvantage those with higher support needs' (Baume, pages 92-93).

The Australian outcome based funding model drew heavily on the milestone contracting work of Dan O'Brien in Oklahoma. O'Brien won awards for innovation in government for his work and is currently second in charge of the United States Department of Social Security. O'Brien cautioned that the 'Achilles heel' of outcome based funding is creaming 'it is something we need to be constantly vigilant about' (Frumkin, p 18).

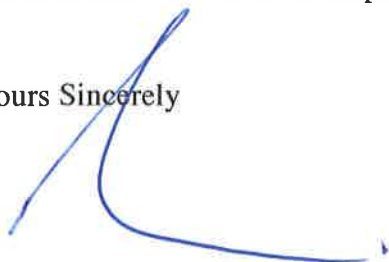
It would be prudent to examine the number of people on the DSP employed on a given snapshot day for each year between 2000 and 2011 by disability type. Receipt of the DSP would indicate that the level of disability was significant enough to qualify for the pension. Jobsupport strongly supports outcome based funding, the publication of key performance indicators and consequences for poor performance. It is difficult however, to establish fair outcome based funding arrangements and KPIs across a diverse population of people with very different levels of disability. If the numbers of people on the DSP who are employed has plateaued or fallen for some disability groups we would recommend separating out DSP eligible clients as a separate stream. Funding arrangements and KPIs could then be better tailored to this population.

### **Recommendations**

- Examine the number of people on the DSP employed on a given snapshot day for each year between 2000 and 2011 by disability type.
- Establish a separate stream for DSP eligible clients if the numbers employed have plateaued or fallen since the year 2000 for some disability types.

We hope the comments above are useful and would be happy to expand on any of the points raised if it would be helpful.

Yours Sincerely



Phil Tuckerman  
CEO

## REFERENCES

- Baume, P. and Kay, K. (1995). *Working Solution: Report of the Strategic Review of the Commonwealth Disability Service's Program.*
- Commonwealth Department of Family and Community Services. (2002). *Case Based Funding Trial Final Evaluation Report.*
- Department of Employment Education and Workplace Relations. (2011). *Evaluation of Disability Employment Services.*
- Econtech. (2005). *An Analysis of Alternate Methods of Government Funding of Employment Services for People with Disabilities.* (Jobsupport can provide a copy if required)
- Frumkin, P. (2001). *Managing for Outcomes: Milestone Contracting in Oklahoma.* PricewaterhouseCooper's Endowment for the Business of Government Harvard University. (Jobsupport can provide a copy if required)
- Kemp, I. (2011). *Disability Employment Services.* DEEWR presentation at the National Disability Services Conference September 2011

## Attachment 1

### AVERAGE FUNDING AND COST PER OUTCOME ESTIMATES

#### A. ALL CLIENTS WITH AN INTELLECTUAL DISABILITY

The DEEWR presentation at the NDS conference indicated that across Australia 14% of clients with an intellectual disability achieve a 26-week outcome.

The cost for one client who achieves an outcome is calculated as:

Including GST:

2 service fees at	\$1,557
1 placement fee at	\$1,217
1 13-week full outcome at	\$3,661
1 26-week full outcome at	\$6,644
Total for 1 client is	\$14,636

Excluding GST

Total for 1 client is \$13,305

The cost for one client who does not achieve an outcome is calculated as:

Including GST:

6 service fee @ \$1,557  
Total for 1 client is \$9,342

Excluding GST:

Total for 1 client is \$8,493

The average funding per client excluding GST:

$$14 \times \$13,305 + 86 \times \$8,493 / 100 = \$9,167$$

The average cost per outcome excluding GST:

$$14 \times \$13,305 + 86 \times \$8,493 / 14 = \$65,476$$

#### NOTES:

- The proportion of clients allocated to Level 1 and Level 2 funding for service fees, placement fees and 13-week full outcome fees are from the DEEWR Evaluation of Disability Employment Services Interim Report June 2011 Table 3.3 e.g. 42% of placement fees are paid at Level 1 and 58% of placement fees are paid at Level 2 so the average placement fee including GST is calculated as  $.42 \times \$770 + .58 \times \$1540 = \$1,217$ .
- The 26-week outcome proportions are not provided in the interim evaluation. The calculation above assumes that they are the same as the 13-week proportions.
- No service fees beyond 18 months, moderate intellectual disability loading, placement or 13-week outcome payments for unsuccessful placements, or bonus or pathway outcome payments are assumed.



## **B. JOBSUPPORT'S CLIENTS WITH AN INTELLECTUAL DISABILITY**

The DEEWR Health Checks at June 2011 show a 67% 26-week outcome rate

The cost for one client who achieves an outcome is calculated as:

Including GST:

2 service fees at	\$3,230
1 placement fee at	\$2,618
1 13-week full outcome at	\$7,480
1 26-week full outcome at	\$13,090
Total for 1 client is	\$29,648

Excluding GST

Total for 1 client is \$26,953

The cost for one client who does not achieve an outcome is calculated as:

Including GST:

2 service fees @ \$3,230
4 service fees @ \$1,900
Total for 1 client is \$14,060

Excluding GST:

Total for 1 client is \$12,782

The average funding per client excluding GST:

$$67 \times \$26,953 + 33 \times \$14,060 / 100 = \$22,698$$

The average cost per outcome excluding GST:

$$67 \times \$26,953 + 33 \times \$14,060 / 67 = \$33,788$$

### **NOTES:**

- All clients are assumed to receive Level 2 funding and all are assumed to receive moderate intellectual disability loading.
- No service fees beyond 18 months, moderate intellectual disability loading, placement or 13-week outcome payments for unsuccessful placements, or bonus or pathway outcome payments are assumed.

Attachment 2



**The Hon Bill Shorten MP**  
**Parliamentary Secretary for Disabilities and Children's Services**  
**Parliamentary Secretary for Victorian Bushfire Reconstruction**

Parliament House  
CANBERRA ACT 2600

Telephone: (02) 6277 4778  
Facsimile: (02) 6277 8554

15 SEP 2009

MC09-019169

Mr Mark Pattison  
Executive Director  
National Council on Intellectual Disability  
PO Box 771  
MAWSON ACT 2607

*Mark*  
Dear ~~Mr~~ Mark Pattison

Thank you for your letter to the Minister for Families, Housing, Community Services and Indigenous Affairs, the Hon Jenny Macklin MP, about the *Australian Government Disability Services Census 2007*. As the matters you have raised fall within my responsibilities as Parliamentary Secretary for Disabilities and Children's Services, the Minister has referred your correspondence to me.

I commend the work of organisations such as the National Council on Intellectual Disability which play an invaluable role in supporting people with disability. Thank you for pointing out the issue with chapter 5 of the *Australian Government Disability Services Census 2007* related to employment outcomes for people with Intellectual disability.

The Department of Families, Housing, Community Services and Indigenous Affairs is aware of the problems with table 5.6 and is currently amending chapter 5 of the online *Census* publication. The primary disability groups of intellectual disability, autism and specific Learning/attention deficit disorder (ADD) are being provided separately in these updates as you suggested and as currently presented in chapter four.

Information on services for people with intellectual disability and information on services for people with autism is collected separately and can therefore be published for each group. However, it is not possible to split information for people with a specific learning disability and/or with ADD as the information is provided as a combined primary disability group.

I have included a copy of the revised table 5.6 which provides the change in the open employment services population by primary disability type from 2000-01 to 2006-07.

The National Disability Agreement, which came into effect on 1 January 2009, will improve and expand services for people with disability, their families and carers. Under the new Agreement, the Commonwealth will provide more than \$5 billion in funding over five years to the States for specialist disability services. The Agreement means that in 2013 the Australian Government's contribution will exceed \$1.2 billion, compared to \$620 million in 2007.

All Australian Governments have agreed to the provision of data, including a commitment to providing data for the National Minimum Data Set and a commitment to the improvement of data. The presentation of disability services information for policy makers, the disability service sector, people with disability, their families, carers and advocates will also be determined in this process.

Stakeholder input, such as you have provided, is valuable in understanding the needs of information users and I welcome any further suggestions you may provide.

Once again, thank you for writing and raising this important issue.

Yours sincerely

A handwritten signature in black ink that reads "Bill Shorten". The signature is written in a cursive style with a long horizontal stroke at the end.

**Bill Shorten**

Encl.

## Australian Government Disability Services Census 2007

### Chapter 5

**Table 5.6 Change in open employment services population, by primary disability type, 2000-01 to 2006-07**

Primary disability type	2000-01		2006-07		Change between 2000-01 and 2006-07	
	No.	%	No.	%	No.	%
Intellectual disability	11,620	30.9	11,167	18.4	-453	-3.9
Specific learning/ADD	2,718	7.2	6,572	10.8	3,854	141.8
Autism	427	1.1	2,108	3.5	1,681	393.7
Psychiatric	8,951	23.8	18,192	29.9	9,241	103.2
Physical	7,334	19.5	13,171	21.7	5,837	79.6
Hearing	1,830	4.9	2,402	4.0	572	31.3
Vision	1,740	4.6	2,008	3.3	268	15.4
Deafblind	145	0.4	5	0.0	-140	-96.6
Acquired brain injury	1,395	3.7	2,040	3.4	645	46.2
Neurological	1,262	3.4	2,194	3.6	932	73.9
Speech	137	0.4	283	0.5	146	106.6
Not stated	-		632	1.0	632	
<b>Total</b>	<b>37,559</b>	<b>100.0</b>	<b>60,774</b>	<b>100.0</b>	<b>23,215</b>	<b>61.8</b>

**Attachment 3**  
**Open Employment Assistance Trend by Primary Disability from 2003-04 to 2008-09**

CSTDA 2007-08	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	Trend
Intellectual	12088	12050	12430	11271	11061	12,039	-0.4%
Specific Learning	4165	4307	2920	6138	6434	7,452	78.9%
Autism	890	1037	1722	2016	2391	3,126	251.2%
Physical	8708	8512	5552	12922	18420	24,803	184.8%
ABI	1568	1556	1312	1984	1959	2,433	55.2%
Neurological	1599	1745	1867	2133	2344	2,187	36.8%
Deafblind	180	206	108	22	29	36	-80.0%
Vision	1513	1513	1652	1949	2466	2,264	49.6%
Hearing	1871	1874	2120	2306	2466	2,751	47.0%
Speech	174	195	116	271	309	384	120.7%
Psychiatric	10286	10836	13595	17874	21792	30,166	193.3%
Not Stated	0	0	10046	592	5		

\* Disability support services 2007--08. National data on services provided under the Commonwealth State/Territory Disability Agreement. December 2009. Australian Institute of Health and Welfare Canberra. p. 132  
 \* Disability support services 2003--09. Report on services provided under the Commonwealth State/Territory Disability Agreement and the National Disability Agreement. January 2011. Australian Institute of Health and Welfare Canberra. p. 86