

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

Senate Education, Employment and Workplace Relations Committee

PO Box 6100

Parliament House

Canberra ACT 2600

Australia

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Introduction and Background

Personnel Employment has delivered employment support services to people with significant disability since 1986 as one of the first of the new models of employment service introduced under the Disability Services Act, 1986.

We have been active participants in the development and trialling of all new initiatives since that time- Block Grant; Case Based Funding; Capped and Uncapped DEN; DES-ESS.

In response to the Senate call for submissions, we have presented an overview of the current DES-ESS contract, some questions and comments specifically linked to the Terms of Reference and a number of case studies as attachments:

- **PERSONNEL EMPLOYMENT: A case study August 2011.**
- **Jobseeker with an Intellectual Disability**
- **Star Rating Analysis Adelaide Metropolitan Area**

The Journey to an Inquiry

The primary contention of this submission is that the design and implementation of the ESS contract commenced on 1/3/2010 was, and remains, fundamentally flawed. This is as a result of 3 key issues:

1. A lack of experience and understanding by DEEWR of the client cohort intended to receive services under the DES-ESS program
2. A poor process in the design of the contract
3. Poor implementation

A lack of experience and understanding by DEEWR of the client cohort intended to receive services under the DES-ESS program

DES-ESS was described by Government in terms that mirrored the intent of the Disability Services Act, 1986. The intended client cohort were described as people who had permanent, or likely to be permanent, disability and would require on-going support to gain and maintain employment in the open labour market. In the 20 years of disability employment program delivery prior to DEEWR becoming involved, this cohort was primarily those who were either recipients of the Disability Support Pension or who were eligible for same. The intended client cohort was those with significant cognitive disability (generally those with intellectual and learning disability). A primary challenge for this group of people is dealing with change, something that continues to be a fundamental reality in the open labour market.

The employment related support needs of this intended client cohort requires significant engagement by the ESS provider to ensure both the client and employer are provided with the support to maintain employment in this ever changing environment. Stability of relationship is a critical success factor in gaining and maintaining employment. Recent reports promoted by DEEWR into employer attitudes to employing people with disability have re-enforced long known employer views that they want on-going connection to the placement agency if they are to employ people with disability.

The experience of DEEWR has been about contract management and a 'thru-put' approach to contract design. It has not been about case management and long-term relationship management with the job seeker and employer. ESS clients will require assistance to gain and maintain their first job and all subsequent jobs. It is unreasonable to deny the ESS client group the support they need to have career progression as is the situation under the existing ESS contract.

Essentially, there has been a clear lack of congruence between the policy intent of Government and the design and delivery under the responsibility of DEEWR.

ESS should be a Social Inclusion component of DES with the DES-ESS program an investment in economic capacity building and social inclusion

rather than welfare cost. A separate and distinct ESS program should have a separate and distinct funding and performance framework that is designed for purpose, not a 'bolt on' to the existing DEEWR thru-put model.

A poor process in the design of the contract

DEEWR and representatives of the Peaks designed the model, without specialist input from experienced providers. This was done under the cloak of probity meaning there was no allowance for these peak body representatives to consult with their members who understood the employment support needs of the client group and their employers.

Once the contract model had been designed, a small number of experienced providers were invited to assist DEEWR and the Peak bodies in developing the key performance measures and guidelines that would underpin delivery of the contract model. Again, these experienced providers were not allowed to consult broadly with other providers during this period. Further, even where the members of these committees agreed on a key issue, DEEWR retained (and exercised) a veto right at higher levels of the department.

The analogy for this process is one where the house was designed and built for a professional couple, but the intended occupants were a young family with 3 children. Once the house had been built, the intended occupants were only involved in choosing the soft furnishings. It is not surprising that the house would not be fit for purpose.

Poor implementation

Testing of the contract model was conducted prior to implementation by an independent group contracted by DEEWR. This was intended to ensure that there were no significant unintended consequences that would compromise existing quality service providers.

However, the testing was completed without key changes in the design being included. Specifically, the significant reductions in funding due to impacts of the Funding Level Tool and the major change to how the 26 week outcome was to be achieved were not a part of this testing. Both have been seen to have major impacts upon many long-term quality providers, particularly those that have remained focussed upon the traditional client cohort.

An allied issue to the fall in income has been the increase in client numbers. The simplistic view of this has been that providers could increase staffing as client flows increased. The reality for the client cohort intended in ESS is that appropriate staff are difficult to find and require significant in-service training to learn the complex role of structured on-site training, workplace integration and employer servicing.

In the relatively short period during which the contract has been in place, repeated changes have been made. A number of changes have been made without consultation that directly impact upon service provision.

However no change has been made to the 26 week outcome process or the design factors in the Funding Level Tool. Even now, despite repeated advice to DEEWR, clients who have a moderate intellectual disability (IQ below 60) are being funded at the lower funding level despite all experienced providers knowing that these clients are among the highest support needs clients in the community. The Funding Level Tool clearly does not adequately 'weight' disability type and this has been a real factor in placing ESS providers that have continued to focus upon clients with cognitive disability under financial pressure.

The following points and questions are made in specific reference to the Terms of Reference and are made in the context of the observations presented above:

a. the impact of tendering more than 80 percent of the current DES on the clients with disability and employers they support under the current contracts;

- Given DEEWR's research (Employer perspectives on employing people with disability and the role of Disability Employment Services -Employment Monitoring and Evaluation Branch August 2011) and the AHRI report (August 2011) how does tendering deliver on the stated requirement of employers that they have an on-going life line to the placement agency?
- Who does DEEWR define as the intended client cohort of DES-ESS?
- What evaluation has DEEWR done on the impact of tendering on the intended cohort of DES-ESS?

b. the potential impact of losing experienced staff;

- What research has been done by DEEWR in relation to staff turnover due to significant reform and change since 2006?
- What confidence does DEEWR have that exposing the sector to further uncertainty through competitive tendering will not result in further significant turnover of experienced staff?

c. whether competitive tendering of more than 80 percent 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;**

- What other ways have been explored to achieve testing of the market and allowing new players into the market?
- Why is Government insisting on a competitive tender process when it is known that tendering leads to distraction of existing providers which leads to reduced outputs from the program?
- Given that the introduction of new providers will lead to reduced program outputs over a 12 month period (DEEWR/KPMG Capacity Building workshop, Adelaide August 2011), what real benefit for clients and Government will be achieved through this approach?
- How is the risk to existing long developed networks and direct registration approaches for volunteer participants mitigated in an open competitive tender?

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;

- Why is only 15% of the current Star Rating measured against retention in employment when on-going employment support is the essence of ESS?
- What evidence exists to support the 'sustainable jobs' approach that replaced the historic 'aggregated outcome' approach?
- How does the 'sustainable jobs' approach encourage providers to work with young job seekers who often require a number of jobs before they settle into long term employment?
- How has the massive increase in administrative burden impacted performance of previously high performing ESS providers?
- What confidence can Government have in the current Star Rating system given the volatility caused by the 'thin market' of ESS, the impact of the 'patchwork' economy and a regression mathematics approach that is neither transparent nor based upon real understanding of disability type and related impacts on success in the labour market?
- What impact has 'gaming, creaming and scheming' had upon the Star Rating system for ESS?
- What level of confidence does Government have that the planned procurement approach of an ITT for 4 & 5 Star Rated providers will not reward providers that have 'gamed' the measurement system?

- Why were the key quality of employment measures of hours per week, dollars per hour and durability of employment not included as KPI's in the ESS performance measurement framework?
 - What impact has removal of these key quality of employment measures had on the wages and durability of employment for ESS clients?
- 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; and**
- What investigation has occurred into a licensing approach for ESS service delivery?
 - How does the planned tendering approach support the relationship based ESS model?
- f. the timing of the tender process given the role of DES providers in implementing the Government's changes to the disability support pension**
- How will the uncertainty and disruption to the ESS program support the implementation of new arrangements for DSP determinations?
 - Direct registration of ESS clients is currently at 31% of the ESS cohort. What assessment has been made of the impact of losing long term providers that have well developed pathways for DSP volunteers upon engaging these volunteers in the labour market?

In conclusion, we thank the Senate for conducting this enquiry. We hope that, through deliberations on this important matter, we see a return of the ESS program to a design that aligns with the intent of the Disability Services Act. We further hope that the increasing exclusion of people with intellectual disability from participation in the open labour market can be reversed by this better contract design and alignment to the needs and aspirations of these highly vulnerable Australian citizens.

Craig Harrison

Executive Manager

Personnel Employment

Attachments

Attachment # 1

PERSONNEL EMPLOYMENT: A case study August 2011.

History:

- Commenced February 1986, operating across Metropolitan Adelaide.

Personnel Employment has been acknowledged as a leading provider in meeting the employment aspirations of its job seekers and the workplace needs of our employer customers:

- 1998 NIMS Benchmarking - one of top 5 agencies Nationally
- 2001 Simpson Norris Benchmarking - top large specialist intellectual disability agency
- 2007-10 DEEWR Star Ratings: Capped DEN Program = 4 - 5 Stars. Uncapped DEN Program = 1x5, 1x4, 1x3 and 1x2.5.
- 299 clients Capped; 291 clients uncapped. Total commencements contract to date at end of contract = 944 (**approximately 260 per year**)
- A generalist client base but with the majority within the Personnel Employment traditional client focus of people with intellectual and learning disability.
- Over 90% clients funded at Level 4

Current:

- March 2010 - current. ESS Provider across Metropolitan Adelaide.
 - June 2011 Star Ratings- 2 x 3 stars; 2 x 2 stars.
- 709 clients. Total Commencements contract to date June 2011 = 784 (**approximately 590 per year**).
- A generalist client base but with the majority within the Personnel Employment traditional client focus of people with intellectual and learning disability.
- Fewer than 70% currently funded at Level 2 and/or High On-going Support (initial 6-12 months of contract funding levels at 50% Level 2).

Impacting factors:

- Client commencements increased by more than 100%. Business Share allocations inflated due to high PE Direct Registration cohort 'converted' to Business Share.
- Direct Registration 'pathways' retained to ensure maintenance of long-term networks, with consequent increased client numbers.
- Funding reduced by 30% per client per month, despite assurances by senior Canberra based DEEWR personnel that funding at level 4 under DEN would transition at DES level 2.
- Funding Level Tool administrative issues and inadequate weightings for disability within the tool reduced funding and demanded resources to contest poor funding level outcomes.
- JCA processes inadequate. ESS program purpose not clearly understood leading to many inappropriate referrals and incorrect benchmark hours. Resources applied by Personnel Employment to liaise with assessors and clients to assure appropriate servicing.
- Change from aggregate outcome model to a single 'sustainable' job model was significant. PE achieved 23% of 26 week outcomes from multiple job placements in DEN contract.

Attachment # 2

Jobseeker with an Intellectual Disability

Information available at the time of registration with provider:

- Female 19 years old
- DSP Volunteer
- School Leaver – history of support in special school unit
- No previous paid work
- Commenced in program as **Funding Level 1** on 12.04.2010
- Benchmark Hours – 8
- JCA identifies current capacity 0-7 and future 8+
- JCA identifies a number medical conditions
 - Intellectual Disability
 - Oro Digital Facial Syndrome
 - Kypho Scoliosis
 - Low confidence
 - Anxiety
- Has evidence that satisfies requirements for Moderate Intellectual Disability Loading – FSIQ range 47-57.

- Professionals Report completed by Special Education Teacher at Temple College identifies the following barriers to participation
 - Limited Literacy and Numeracy
 - Poor memory retention
 - Poor self motivation
 - Poor conceptual development
- Professionals Report from Temple College indicates that client will require a high level of assistance to
 - Cope with work related stress and pressure
 - Learn new tasks
 - Maintain learned tasks
- Observations made during an unpaid work experience placement include
 - Unable to learn and perform all tasks without assistance
 - Unable to remain task focussed without assistance
 - Output not at industry standard described as a very slow worker
 - Unable to interact with co-workers and customers without assistance
 - Unable to locate alternative tasks
 - Poor physical stamina
 - Will require access to the supported wage system to be successful in open employment.

Attachment # 3

Star Rating Analysis Adelaide Metropolitan Area

Historically, Adelaide disability employment providers have performed at, or above, the National averages.

The procurement process planned by Government for 2012 is currently anticipated to require 80% of DES-ESS providers nationally to compete for business in an open and competitive tender.

As of 30/6/2011, in the 4 Employment Service Areas (ESA's) that make up the Adelaide Labour Market Region, the percentage of providers who will be required to tender are:

Eastern Adelaide, all 8 providers = 100%

Northern Adelaide, all 10 providers = 100%

Southern Adelaide, 8 of 9 providers = 89%

Western Adelaide, 6 of 8 providers = 75%

Note: the ESA (Western Adelaide) with the lowest requirement to tender is also the ESA with the smallest overall number of clients.

Given historical performance, it is unclear as to why, under this new contract, Adelaide based providers have collectively fared so poorly in the ratings system if the system is accurately managing the patchwork nature of the economy.